



**Majlis Peguam
Bar Council Malaysia**

www.malaysianbar.org.my

Wisma Badan Peguam Malaysia

2 Leboh Pasar Besar

50050 Kuala Lumpur

Tel : +603-2050 2050

Fax : +603-2050 2019

Email : council@malaysianbar.org.my

Circular No 078/2024

Dated 1 Mar 2024

To Members of the Malaysian Bar

Increase in Rate of Service Tax from 6% to 8% with effect from 1 March 2024

We refer to our Circular No 067/2024 on the increase in rate of tax under the Service Tax Act 2018 which can be accessed [here](#).

We would like to inform Members that the Royal Malaysian Customs Department finalised the draft guide dated 7 February 2024 and published *Panduan Peralihan Perubahan Kadar Cukai Perkhidmatan* dated 26 February 2024 (“**Guide**”).

Click [here](#) to view the document.

We bring the Members’ attention to paragraphs 13 and 14 of the Guide on services that straddle the transition period which provide that:

- (1) services performed before 1 March 2024 will attract the old service tax rate of 6%;
- (2) services performed on or after 1 March 2024 will attract the new service tax rate of 8%; and
- (3) notwithstanding paragraphs 1 and 2 above, where any payment of invoice is received before 1 March 2024 in relation to any services to be performed on or after 1 March 2024, such payment will attract the old service tax rate of 6%.

Subject to the Members’ respective billing requirements and agreement with the clients (e.g. billing milestones), for services that straddle the transition period, Members may opt to, among others:

- (1) reasonably apportion the work done before and after 1 March 2024 and apply the old service tax of 6% for the work done before 1 March 2024 and the new service tax of 8% for the work done after 1 March 2024. The work done can be issued under one (1) invoice with two (2) different service tax rates or two (2) separate invoices with the old and new service tax rates.
- (2) the apportionment should be done in a manner that is supported by appropriate documentation or some acceptable legal or accounting principle that will stand up to a Customs audit or external scrutiny.

Members are also advised to consult their tax and accounting advisers for more specific tax and accounting advice.

Thank you.

Anand Raj
Chairperson
Tax Law Subcommittee
Corporate and Commercial Law Committee