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Further Update on Service Tax Changes on Logistics Service in Malaysia

29 February 2024

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Malaysia

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Following from our Customer Advisory issued on 13 February 2024, we provide the following update on how Maersk would charge service tax on services provided on or after 1 March 2024 by our companies that deliver logistics services, including:

- Maersk Logistics & Services Malaysia Sdn Bhd
- Damco Logistics Services Sdn Bhd, and
- LF Logistics Service (M) Sdn Bhd.

To the extent that services are performed outside of Malaysia, these would not be subject to service tax. This would include international freight (air / ocean) up to first point of entry within Malaysia on import and from last point of exit within Malaysia on export. This would also apply to any port / terminal services outside of Malaysia, as well as landside services performed outside of Malaysia such as trucking, goods handling or other logistics services performed on goods that are located outside of Malaysia at the time the services are performed.

To the extent that services are performed within Malaysia, these would be subject to service tax 6%. This would include domestic freight (air / ocean), shipping local charges, trucking service, customs clearance, freight documentation, supply chain / logistics management services, and warehousing services including storage charges. With the recent release of the legislative instruments from the Malaysia Government, we note that services performed within any Special Area (including ports, airports and free zones) or Designated Areas are no longer eligible for service tax exemption and therefore would be subject to service tax 6%.

Services performed in Malaysia that relate to transshipment of goods would be exempt from service tax.

For cross border trucking services, our current understanding is that we need to apportion the trucking service between the transport provided in Malaysia (and charge service tax 6% on this component) and the transport provided outside of Malaysia (for which service tax would not apply). This might relate to trucking service to or from Singapore or Thailand.

Please note that the dates mentioned in this advisory are related to the upcoming change in law. Our teams are dedicated to making this transition as smooth as possible for the parties involved. We will keep you informed about any updates or changes related to the change.

We appreciate your patience and understanding as we navigate this change.

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