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# Notice of Service Tax Rate Changes on Logistics Service in Malaysia

13 February 2024

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As part of the Budget 2024 announcements by the Minister of Finance, there are proposed changes to the Service Tax law that would impact on our companies that provide logistics services, including:

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

The proposed changes in Service Tax law are:

1. Increase in rate from 6% to 8% for existing taxable services, other than those specifically stated to remain at the 6% rate.
2. Creation of a new category of taxable services, given as Group J, Logistics Services.  
Within the Government announcements, it was stated that “Logistics services involve a supply chain management process by planning, implementing and controlling the movement and storage of goods, services and related information efficiently and effectively from the original location to other location to meet the customer needs”.

Services included in the new category that would be subject to 6% service tax include logistics management, warehousing or warehousing management, freight forwarding, customs agent, courier, transportation, delivery, shipping, cold chain services, and delivery by E-platform provider.

In the announcements from the Malaysia Government, it was indicted that corresponding guidelines on these changes would be issued by RMCD. However, as of issuance date of this advisory there has not been any legislation enacted or guidance provided by the Government of Malaysia as to the specifics of this change.

Should the above changes be duly enacted prior to 1 March 2024, Maersk would adopt the increase in service tax rates as relevant for impacted services based on the following transitional rules:

1. Any taxable services provided before or on 29 February 2024 that are currently subject to service tax of 6% shall continue to be invoiced with service tax 6%, and any services that are currently exempt from service tax shall continue to be invoiced without service tax.
2. Any taxable services provided after on or after 1 March 2024 could be charged at 6% or 8%, depending on the nature of the service provided and the Guidelines issued by RMCD.

We note that the above positions may change once legislation or further guidance from the Government of Malaysia is released.

Further, at this time we understand that the change in service tax laws would be effective from 1 March 2024. In case that this date is deferred, then we would continue to apply service tax based on the current laws.

If you have any questions concerning the above, please reach out to your regular contact person.

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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