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Further Update on Service Tax Changes on Logistics Service in Malaysia : April 2024

1 April 2024

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On 29 March 2024, there were further changes to the imposition of service tax on Logistics Services made through the release of DASAR CUKAI PERKHIDMATAN BIL 4/2024, PENAMBAHBAIKAN DASAR LAYANAN CUKAI PERKHIDMATAN KE ATAS PERKHIDMATAN LOGISTIK (Service Tax Policy Bill 4/2024: Improvement of Service Tax Policy on Logistics Services).

As a result, Maersk Logistics & Services Malaysia Sdn Bhd and Damco Logistics Services Sdn Bhd (collectively referred to as “Maersk LNS Malaysia” would apply the following changes in service tax treatment with effect to invoices issued on or after 1 April 2024:

Service	Service Tax Treatment Change
Domestic Ocean Freight	Change from Taxable to Exempt for services between Peninsular Malaysia / Sabah / Sarawak / Labuan.
International Freight (Ocean / Air) – Store Door Service	Delivery services provided within Malaysia that are connected to International Freight under a Store Door service are granted services tax exemption subject to the following conditions: <ul style="list-style-type: none">Maersk LNS Malaysia sells both international freight and landside delivery service components.Landside delivery services are included within the Bill of Lading / Airway Bill, andAll services including international freight and landside delivery services are included within the same invoice.
Port and Terminal Charges	With the reinstatement of service tax exemption for services performed within and between Special Areas and Designated Areas, services that are provided within a Port or Terminal are eligible for service tax exemption (with the exception of customs clearance charges, which remain subject to service tax 6%).
Cross Border Trucking	Service is now eligible for service tax exemption provided there is a single transport service from a place in Malaysia to place outside Malaysia or place outside Malaysia to place in Malaysia, transport is covered under consignment note (CN), and entire transport service is invoiced on single invoice.
Warehouse Services	Maersk LNS Malaysia provides warehouse services within warehouses that are all located in Special Areas. Services provided within and between Special Areas and Designated areas have been reinstated as exempt from service tax.
Multi-Consolidate Hub	Maersk LNS Malaysia provides services relating to import, consolidation, and reexport at its facility in Tanjung Pelepas, which is designated as a Special Area. With the expansion of exemption from services tax on logistics services related to transit activities, these Hub Services are eligible for service tax exemption.

It was further provided for in the Service Tax Policy Bill 4/2024 that any service tax collected from customers from 1st March 2024 to 31st March 2024 must be remitted to the Royal Malaysian Customs Department, and no service tax refunds are approved for any party that has paid service tax on any logistics services for the period from 1st March 2024 to 31st March 2024. Accordingly, Maersk LNS Malaysia is unable to process any refund for service tax charged on invoices from 1 March 2024 to 31 March 2024 for which customer payment has been received. However, for any services invoiced from 1 April 2024, service tax would be applied based on these new structures.

For any invoice issued between 1 March 2024 and 31 March 2024 for which payment has not yet been made, please withhold payment and get in touch with your customer service representative to issue a credit note for any services that would become eligible for service tax exemption under these changes of law, and we can reissue the invoice with the updated service tax treatment.

Please note that the dates mentioned in this advisory are related to recently released 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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