TRANSITIONAL RULES FOR THE CHANGE IN SERVICE TAX RATE TO 8%

Service Tax update: Changes effective from 1 March 2024

The service tax rate will be increased from 6% to 8% on all taxable services starting 1 March 2024. However, the following services will still be taxed at 6%:

Services to be taxed at 6%
i. Food and beverage
ii. Telecommunication services
iii. Vehicle parking services
iv. Logistic services (new)

Imposition of service tax on logistics sector at 6% (new)

i. Warehousing or warehouse management
ii. Freight forwarder, shipment, air cargo and cold delivery facilities
iii. Logistics management,management of port or airport
iv. Delivery, distribution or transportation of goods. Excluding delivery of F&B prepared by F&B outlets; Outlets.

Determination of the service tax rate on the provision of taxable service :

- If a service is provided before 1 March 2024, the applicable service tax rate is 6%.
- If a service is provided entirely on or after 1 March 2024, the applicable service tax rate is 8%.
- If a service spans across periods both before and after 1 March 2024, the apportionment method is applied. The proportion of the service provided before 1 March 2024 is subject to 6%, while service provided after 1 March 2024 is subject to 8%

Note: If payment is received before 1 March 2024, to the extent the payment relates to services performed after 1 March, the service tax rate remains at 6%, regardless of the service date.

Determination of service tax rate on the acquisition of imported taxable service:

- If the acquisition of an imported service is completed before 1 March 2024, the applicable service tax rate is 6%.
- If a service is acquired entirely on or after 1 March 2024, the applicable service tax rate is 8%.
- If the acquisition of an imported service spans across periods both before and after 1 March 2024, the apportionment method is applied. The proportion of the service acquired before 1 March 2024 is subject to 6%, while service acquired after 1 March 2024 is subject to 8%.

Note: For imported services, if payment is made or invoice is received (whichever is earlier) before 1 March 2024, but pertains to services acquired after 1 March 2024, service tax is to be accounted for at the rate of 6%.