

REDUCTION OF SERVICE TAX FOR RENTAL AND LEASING SERVICES FROM 8% TO 6% FORMALISED

16 March 2026

The Prime Minister, Dato' Seri Anwar Ibrahim, announced several initiatives in relation to sales and service tax on 5 January 2026. One of these initiatives was the reduction of the rate of service tax for the provision of rental or leasing services from 8% to 6% commencing 1 January 2026.

On 23 January 2026, the Royal Malaysian Customs Department issued the **Service Tax Policy No. 2/2025 (Amendment No. 3)** which, among others, granted a service tax exemption of 2% on rental or leasing services from 1 January 2026 until amendments to the relevant subsidiary legislation have been gazetted.¹ This interim measure required additional procedures to be effected to the issuance of invoices and SST-02 declaration ("**interim procedures**").²

The Service Tax (Rate of Tax) (Amendment) Order 2026³ was gazetted on 13 March 2026 to insert "*Provision of rental and leasing services*" as a new item 14 to the First Schedule of the Service Tax (Rate of Tax) Order 2018⁴. The amendment operates to reduce the rate of service tax from 8% to 6% under paragraph 3(2)(a) of the Service Tax (Rate of Tax) Order 2018. This amendment formalises the reduction in the rate of service tax for the provision of rental or leasing services from 8% to 6% and dispenses with the interim procedures.

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¹ See item 8 of Service Tax Policy No. 2/2025 (Amendment No. 3).

² Procedure for Issuance of Invoices and Declaration of SST-02 for Service Tax Exemption of 2% on Rental or Lease Service Tax Rate issued by Royal Malaysian Customs Department on 27 January 2026.

³ P.U.(A) 125/2026.

⁴ P.U.(A) 213/2018.



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