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MEDIA RELEASE MINISTRY OF FINANCE

CLARIFICATION ON SST EXPANSION

The Ministry of Finance (MOF) would like to clarify on news reports that questioned the application of Sales Tax on local fruits. This arises from the potential confusion of tropical fruits being included in the Sales Tax Gazette Order PU(A) 170/2025 which itemises the items subject to 5% Sales Tax.

Under the expanded Sales and Services Tax that will take effect on 1 July 2025, the Sales Tax is levied on goods manufactured locally and on imported goods. Agricultural produce grown in Malaysia are not manufactured hence are not subject to Sales Tax. As such, the Ministry of Finance wishes to confirm that fruits locally grown in Malaysia are exempted from Sales Tax. However, if the fruits are imported, then it would be subject to Sales Tax. This includes tropical fruits such as bananas, pineapple and rambutans.

The MOF would also like to address the concern of companies that there is insufficient time to implement the Service Tax by 1 July 2025.

For companies not currently registered under SST but provides one of the newly taxable services such as rental, in July 2025 they would need to first establish whether they have reached the revenue threshold of RM500,000 for rental within twelve months.

If they have reached the revenue threshold in July, then the company will need to register by the month of August and only begin to charge service tax on their services beginning 1 September 2025, which is more than two months from now.

In addition, appreciating the need to provide time for affected companies to understand how the SST revisions may apply to them, the Government will provide a grace period until December 2025 and not impose penalties on companies that genuinely have made the effort to comply with the newly revised SST.