

SST Expansion on Financial Services FAQ

No.	Questions	Answers
1	What is Sales and Service Tax ("SST")?	<p>SST is a consumption tax in Malaysia, governed by the Sales Tax Act 2018 and Service Tax Act 2018 and their subsidiary legislations, effective 1 September 2018.</p> <p>Sales Tax is a single stage tax charged on taxable goods manufactured in or imported into Malaysia.</p> <p>Service Tax is charged on any provision of taxable services chargeable by taxable persons in Malaysia, including financial services regulated by Bank Negara Malaysia ("BNM"), Securities Commission ("SC") and Labuan Financial Services Authority ("LFSA"), unless specifically exempted.</p>
2	How does the SST expansion effective 1 July 2025 affect me as consumer /customer of financial services?	If the financial services you utilize fall under the taxable services above, 8% SST will apply and be charged to you.
3	What are the exemptions/ exclusions of financial services from the SST expansion effective 1 July 2025?	<p>In accordance with Guide on Financial Services issued by the Royal Malaysian Customs Department ("RMCD") ("the Guide"), the following financial services or charges are not subject to SST as part of the SST expansion:</p> <ul style="list-style-type: none"> i. Interest or profit charged under conventional or Islamic financial services ii. Return in the form of a spread, i.e. the difference between the buying and selling price in any trading of financial products iii. Punitive charges, i.e. fees or penalties imposed as a punishment for violating rules, breaching contracts, or failing to meet certain obligations, meant to discourage undesirable behavior rather than to compensate for a service iv. Any basic banking services that incur fees or commission related to the operation of savings accounts, current accounts or similar accounts such as e-wallet, including: <ul style="list-style-type: none"> - Deposit, withdrawal, payment or fund transfer; - Issuance of debit card; - Basic transaction over the counter; - Basic transaction using Automatic Teller Machine (ATM); or - Printing of account statements.

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		<p>v. Financial services in connection with goods, land or matters outside Malaysia, but excluding outward remittance services where charges are imposed on customers located in Malaysia</p> <p>vi. Any financial services directly related to goods that are exported out of Malaysia, directly related to the goods delivered from the last exit point in Malaysia to any destination outside Malaysia</p> <p>vii. Brokerage or underwriting services related to medical insurance or medical takaful covered by an individual</p> <p>viii. Brokerage or underwriting services related to life insurance or family takaful covered by an individual</p> <p>ix. Fees related to Credit line facility services or shariah compliant financing through the activation of a primary credit card, primary charge card, additional credit card or additional charge card</p> <p>x. Financial services provided to the Federal Government or State Government. This exclusion does not apply to the statutory body</p> <p>The following persons are exempted from paying SST on the specific services below:</p> <p>i. Financial service providers in Labuan, whether registered or not, are exempted from the service tax on the acquisition of taxable financial services, subject to the following conditions:</p> <ul style="list-style-type: none"> - The exempted person is regulated by the Labuan Financial Services Authority - The financial services are provided by registered financial service providers or by persons located outside Malaysia (i.e., imported services) - The financial services acquired are used by the exempted person to provide other financial services regulated under Labuan Financial Services and Securities Act 2010 or Labuan Islamic Financial Services and Securities Act 2010 <p>ii. Financial services providers who act as a broker, on the clearance fees and trading fees charged by Bursa Malaysia in relation to transactions involving listed share</p>

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		<div><div>iii.</div><div>Issuer or listed company in the ACE Market, on the perusal fee and processing fee charged by Bursa Malaysia</div></div> <div><div>iv.</div><div>Any person, on the wakalah fee associated with Islamic financial services and this fee shall be an integral part of the Islamic financial services provided by financial services provider to the recipient and cannot be offered separately or optionally</div></div> <div><div>v.</div><div>Registered financial services providers on the acquisition of taxable financial services, if they satisfy the following conditions:<div><div>-</div><div>The financial services are provided by another registered financial service provider or by a person outside of Malaysia (i.e. imported services)</div></div><div><div>-</div><div>The financial services must be acquired for the purpose of providing taxable financial services, financial services in connection with goods, lands or matters situated outside Malaysia or financial services directly related to goods that are exported out of Malaysia</div></div></div></div>
4	Are Principal Asset Management Berhad and Principal Islamic Asset Management Sdn. Bhd. registered financial service providers for SST?	<div>Both entities are registered financial service providers for SST, with the SST registration number as follows:</div> <div><div><div><div><u>Principal Asset Management Berhad</u></div><div>W10-1809-32001930</div></div><div><div><u>Principal Islamic Asset Management Sdn. Bhd.</u></div><div>W10-2509-32000199</div></div></div></div>
5	What are the financial services fees and charges charged by Principal that are subject to SST effective 1 October 2025?	<div>Fees, charges or similar payment charged by Principal for financial services that are taxable services, such as sales charge, switching fee, management fee, performance fee, are subject to SST effective 1 October 2025, unless specifically exempted.</div>
6	How to calculate SST payment for financial services?	<div><div>If a fee is subject to the SST, the SST will be computed at 8% on the said fee, for example:</div><div><div><div><div><u>Sales charge/ switching fee</u></div><div>Gross investment amount</div><div>Sales charge %</div><div>SST %</div></div><div><div>RM100</div><div>5%</div><div>8% on sales charge</div></div></div><div><div><div>Net investment amount</div><div>[$RM100/1+5\%+(5\%*8\%)$]</div></div><div><div>RM94.88</div></div></div></div></div>

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		<p>Sales charge (RM) RM4.74 (RM94.88 x 5%)</p> <p>SST (RM) RM0.38 (RM4.74 x 8%)</p> <p>Total collected by Principal RM100 (RM94.88 + RM4.74 + RM0.38)</p> <p><u>Management fee/ performance fee</u></p> <p>Management/ performance fee RM100</p> <p>SST at 8% RM 8</p> <p>Total collected by Principal RM108</p> <p>SST will be rounded to the nearest 2 decimal points, where applicable.</p>
7	Are Islamic products of Principal subject to SST?	Yes.
8	How will I know if I have been charged with SST?	The SST amount charged to you will be reflected in the statement/ tax invoice you receive from Principal.
9	Is SST applicable to fees, charges or similar payments waived upfront for taxable services?	In accordance with the prevailing SST requirements of RMCD, fees, charges or similar payments waived for taxable services are subject to SST, based on the open market value of the taxable services, i.e. provided in the ordinary course of business to a person not connected with the taxable person providing the taxable service.
10	For taxable services charged at a discount, is SST charged on the fee or charge before or after the discount?	SST is applied on the discounted price, if applicable.
11	Are transactions carried out by foreigners in Malaysia subject to SST?	Yes, SST is applicable for transactions and services related to goods, land or matters in Malaysia.
12	Will I receive a letter of undertaking from Principal if I am a service provider of financial services, exempted from payment of service tax, to Principal?	Yes, Principal will issue a letter of undertaking to providers of financial services which are exempted from payment of service tax, in accordance with the requirements in the Guide.