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0pc sales tax on essential goods seen 'neutral' for consumer sector

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KUALA LUMPUR: The implementation of revised sales tax rates on essential goods at zero per cent is projected to have a "neutral" impact on the consumer (both staples and discretionary), basic construction and plantation sectors, according to Maybank Investment Bank Bhd (Maybank IB).

In a note, the investment bank said the zero per cent rate on essential goods, alongside various relief measures, is intended to minimise the impact on businesses.

"Essential goods including key food items, medical devices, and educational materials are exempted, and various relief measures have been introduced to cushion the impact on businesses, with the aim of keeping the majority of Malaysians unaffected," it said.

The bank further said that the expansion of the service tax scope, which now includes leasing or rental, construction, financial services, private healthcare, education, and beauty services, is assessed to have a largely "neutral" impact, taking into account the listed exemptions.

Maybank IB added that, based on its assessment, the service tax expansion has no impact on the following sectors: plantations, oil and gas, petrochemicals, technology (including semi-conductors, software, and electronics manufacturing services), automotive, utilities, telecommunications, gaming, media, and glove sectors.

While the tax does not directly affect the construction sector itself, the investment bank believes the brunt of the impact will fall on the property sector.

Construction services for infrastructure, commercial, and industrial buildings will be subjected to a six per cent service tax if the taxable value exceeds RM1.5 million per annum.

"This is expected to raise property developers' operating costs. While property developers could pass such costs to buyers, it would depend on the ability to price up their products, which in turn will ultimately depend on market acceptance and demand," it added. Maybank IB also said that the targeted sales tax revision and expanded service tax would likely raise the inflation rate by 0.25 per cent at most.

Imputing the impact of these taxes, labour costs (including minimum wage, foreign workers' Employees Provident Fund contribution and levy), RON95 fuel subsidy rationalisation, and Tenaga Nasional Bhd's tariff review, the 2025 inflation forecast is maintained at two per cent.