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KUCHING: The expansion of sales and services tax (SST) categories to six new categories, leasing and rental, construction, financial services, private healthcare, education and beauty services, is expected to have a largely neutral impact says analysts from Maybank Investment Bank Bhd (Maybank Research).

In a strategy report, the analyst guided that after preliminary assessment, they've come to the conclusion that there is no impact on the following sectors: plantations, oil & gas, petrochemicals, technology with subsectors semiconductors, software and electronic manufacturing services (EMS), automobiles, utilities, telecommunication, gaming, media, and gloves.

"We also note that zero per cent sales tax rate is retained for basic construction materials and agricultural inputs. This suggests a neutral impact to the consumer sector both staples and discretionary, basic construction, and plantations," they added.

Moreover, the analyst noted that while the construction sector is directly included in the expanded new categories, they understand that the tax could be passed on as embedded in their contracts.

However, while it will not affect the construction sector itself, the analyst believes that the brunt will fall to the property sector where construction services for infrastructure, commercial and industrial buildings will be subjected to a six per cent SSTT if the taxable value exceeds RM1.5 million per annum (pa).

"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," the analyst considered.

To recap, the government has recently announced that it will be revising the current SST scope

and its expansion will be effective come July 1, 2025.

The intention of this expansion is to strengthen Malaysia's fiscal position while ensuring no additional undue pressures affecting the majority of Malaysian through the deployment of various relief measures as well as exemption from essential goods including key food items, medical devices and educational materials.

After considering these relief measures and exemptions, Maybank Research opines the this expanded SST could raise Malaysia's inflation rate by 0.25 per cent at the most

"The 4M25 inflation rate was at 1.5 per cent. Imputing impact of these new taxes plus labour costs from minimum wage, foreign workers' EPF contribution and levy, RON95 subsidy rationalisation and Tenaga Nasional Bhd's tariff review, 2025 inflation forecast is maintained at two per cent," they opined.