

Voluntary Report – Voluntary - Public Distribution

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Report Name: Malaysia Expands Sales and Service Tax Impacting Imported Agricultural Products

Country: Malaysia

Post: Kuala Lumpur

Report Category: Agricultural Situation, FAIRS Subject Report

Prepared By: Katherine McBride

Approved By: Katherine McBride

Report Highlights:

On July 1, 2025, an expanded Service and Sales Tax (SST) came into effect in Malaysia. The tax expansion raised the sales tax on a wide array of imported agricultural products including soybeans, fish, and fruits to five-percent. Limited exemptions have been made, while the new policy continues to receive public and industry pushback.

SST Expansion Overview

On July 1st, 2025, Malaysia’s Ministry of Finance began implementation of an [expanded Sales and Service Tax \(SST\)](#), which they stated would include keeping essential goods consumed by the public at the current zero percent sales tax rate and raise discretionary goods to a five-percent or ten-percent sales tax rate. Malaysia began using an SST approach in September 2018 as a replacement for the Goods & Services Tax in an effort to reduce the tax burden on consumers and simplify tax compliance for businesses.

The Finance Ministry has noted their expansion of the SST instead of reintroducing a GST is meant to protect ordinary citizens while ensuring higher earners pay their fair share. Prime Minister Anwar expounded on the topic, sharing that in the government’s view, the tax increase was important to enable better schools and public hospitals. He further added that taxing items mainly used by the higher income bracket and foreigners was a manner to get funds for such needs.

Imported Agricultural Products Targeted in Tax Increases

The government of Malaysia has touted the expansion as only affecting premium or discretionary products, often listing avocados and caviar as examples, and [has vocally encouraged higher consumption of local fruits in particular](#). However, the new sales tax schedule (Attachment) published by the Ministry of Finance depicts a much wider reach of sales tax increases, mostly from zero-percent to five-percent. Agricultural commodities affected include consumer products and bulk commodities that are used not only for human consumption, but feed for the livestock industry as well.

Products with SST raised to five percent ¹	Products with zero percent sales tax
<ul style="list-style-type: none">• <i>Imported</i> Fruits²• Soybeans• Distillers grains• Select seafoods, including Salmon, Cod, and Alaska Pollock• Essential Oils• Frozen Vegetables	<ul style="list-style-type: none">• Chicken, beef and mutton• Local fruits• Wheat• Canned Sardines• Sugar• Salt• Noodles

Industry Pushback leads to few exemptions

Stakeholders have questioned how commodities were deemed essential or discretionary, such as in the application of the SST solely on imported fruits, where domestic strawberries from Cameron Highlands do not have a SST and imported U.S. strawberries do. After pushback from the public and the fruit wholesaler association, [oranges and apples have been made exempt from the sales tax increase](#). Further, many associations and industries affected by the new SST expansion have been lobbying with the Ministry of Finance and Malaysian government to exempt other products, with their level of success to be determined.

¹ Please see Attachments: Revised Sales Tax Schedule for an entire list of products at the five-percent SST level
² Domestically produced fruits remain taxed at zero-percent;

Non-compliance penalties delayed

Noting the need for regulatory compliance by companies subject to SST, the Government of Malaysia has delayed prosecution or penalties for companies not conforming with the new SST through December 31, 2025 provided that the companies take steps and make an effort to comply with the new requirements.

FAS Malaysia will continue monitoring the situation. An update to this report will be made available should any changes be made to the SST expansion.

Attachments:

[SST Expansion Schedule.pdf](#)