

Employment Service: Fees Subject Service Tax While Salary Recoveries, Disbursement Costs & Statutory & Regulatory Charges Are Excluded

Key Takeaway



- ❖ Service Tax applies only to employment or management fees, excluding disbursement expenses.

Tips

- ❖ To ensure that fees and disbursements are clearly stated and properly supported by documentation.

The Royal Malaysian Customs Department ("RMCD") issued a new announcement on 13 August 2026, clarifying the Service Tax treatment of employment services, particularly with regard to employment / management fees and disbursement expenses.

Under the RMCD's clarification:

- **Employment or Management fees**

Service Tax applies to the fees charged for the provision of employment services and management services;

- **Disbursement Costs**

Costs or expenses incurred on behalf of a customer and subsequently recovered on a pass-through (disbursement) basis are not subject to Service Tax;

- **Statutory and regulatory charges**

Fees, duties, levies, taxes, fines, penalties and other similar payments imposed under written laws and paid on behalf of the customer are treated as disbursements. These amounts should not be included in the taxable value for Service Tax purposes.

For more details, please refer to :

RMCD Latest Announcement

Source : Royal Malaysian Customs Department ("RMCD")

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