

SST expansion on Financial Services - Frequently Asked Questions ("FAQ")

| No. | Question | Answer | | | | | | | | | | |
|--------------------------|--|--|----------------------|---------------------------------|---------------|-------------------|-----------------------|-------------------|--------------------------|-------------------|-------------------------|-------------------|
| 1. | What is Sales and Service Tax (SST)? | SST stands for Sales and Service Tax and is a consumption tax in Malaysia that is charged on the sale of goods and services. It is a tax system officially reintroduced on 1 September 2018 by the Malaysian Government to replace the former Goods and Services Tax (GST) system. | | | | | | | | | | |
| 2. | What are the types of SST? | SST is made up of two separate taxes: Sales Tax – This applies to taxable goods either manufactured in or imported into Malaysia Service Tax – This applies to specific services provided by businesses in Malaysia. It is charged on taxable services such as the provision of financial services by any person regulated by Bank Negara Malaysia, Securities Commission and Labuan Financial Services Authority ("LFSA") in relation to fees, commissions or similar payments, unless specifically exempted. | | | | | | | | | | |
| 3. | How does SST affect me as a financial consumer/customer? | If you use a product or service that falls under SST, the relevant tax (sales tax or service tax) will be included in the price you pay. This means some fees or charges payable will be subject to payment of SST. However, SST is only charged once, not at multiple stages. | | | | | | | | | | |
| 4. | Are CIMB Bank, CIMB Islamic Bank, CIMB Investment Bank and CIMB Securities registered financial service providers for SST purposes? | Yes, all the mentioned CIMB entities are registered for SST purposes under the relevant SST registration numbers as follows:- <table><tr><td><u>CIMB entities</u></td><td><u>SST registration numbers</u></td></tr><tr><td>CIMB Bank Bhd</td><td>W10-1808-32001325</td></tr><tr><td>CIMB Islamic Bank Bhd</td><td>W10-1808-32001549</td></tr><tr><td>CIMB Investment Bank Bhd</td><td>W10-1808-32001736</td></tr><tr><td>CIMB Securities Sdn Bhd</td><td>W10-1901-32000144</td></tr></table> | <u>CIMB entities</u> | <u>SST registration numbers</u> | CIMB Bank Bhd | W10-1808-32001325 | CIMB Islamic Bank Bhd | W10-1808-32001549 | CIMB Investment Bank Bhd | W10-1808-32001736 | CIMB Securities Sdn Bhd | W10-1901-32000144 |
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| CIMB Bank Bhd | W10-1808-32001325 | | | | | | | | | | | |
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| CIMB Securities Sdn Bhd | W10-1901-32000144 | | | | | | | | | | | |
| 5. | Who is the collector/enforcement authority of SST in Malaysia and where can I get more information about SST? | The collector and enforcement authority of SST is Royal Malaysian Customs Department ("Customs" or "RMCD") and you may refer to the official website of Royal Malaysian Customs Department ("RMCD") at https://mysst.customs.gov.my/ for SST related information, legislation and guidelines. | | | | | | | | | | |
| 6. | Where can I refer to for the relevant guidelines issued by Customs with regards to this SST expansion for financial services providers? | You may refer to the Guide On Financial Services published by the Royal Malaysian Customs Department at their official website https://mysst.customs.gov.my under Legislation & Guides. | | | | | | | | | | |
| 7. | What does the SST expansion for financial service providers relate to? | The SST expansion relates to the introduction of SST on additional services which previously were not taxable including financial services provided by regulated financial service providers, such as CIMB Bank, CIMB Islamic Bank, CIMB Investment Bank and CIMB Securities. This is inline with the announcement made under Budget 2025 by our Prime Minister to further expand the country's tax revenue. | | | | | | | | | | |
| 8. | What are the existing services which are already subject to SST prior to the SST expansion? | Prior to the implementation of the service tax scope expansion policy (i.e. before 1st July 2025), several financial services were already subject to service tax. These services are: a) Insurance and takaful b) Credit or charge card c) Financial management d) Financial consultancy/advisory including Corporate Advisory, Debt Capital Markets and Equity Capital Markets e) Brokerage and underwriting f) Digital financial services (currently granted exemption by the Minister up to 31 July 2025) | | | | | | | | | | |
| 9. | When will the SST expansion be effective? | The SST expansion will be implemented in phases starting from 1 July 2025 | | | | | | | | | | |
| 10. | What are the financial services fees and charges that will be subject to Service Tax in Phase 1 (effective 1 July 2025), and what is the tax rate? | As part of the SST expansion on financial services, the implementation will be carried out in phases. For Phase 1, effective 1 July 2025, the following CIMB services and its corresponding fee/charges which previously were not subject to SST will now be subject to the 8% Service Tax:- <u>Debt Markets – Arranger/Facility Agent Services</u> a) Arranger/Facility Agent Service Fee b) Agency Fee c) Administrative Charges Other financial services provided by CIMB will be subject to the 8% Service Tax in subsequent phase(s), unless specifically exempted. | | | | | | | | | | |

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| 11. | Are there any exemptions/exclusions available for fees and charges charged by financial insitutions? | <p>There are certain exemptions/exclusions which may be applicable where service tax is not required to be imposed. Some examples are listed below:-</p> <ol style="list-style-type: none">Where the financial services are provided by CIMB to the Federal government and State government (Note: the exemption for Federal and State Government does not extend to local authority and statutory bodies)Where the financial services are provided by CIMB to another registered financial service provider for the furtherance of i) taxable financial services or ii) services related to export of goods or iii) services related to goods, land or subject matter outside Malaysia, by the latterWhere financial services products relate to subject matter, goods or land situated outside Malaysia or it is related to export of goodsWhere fees / charges are related to the operation of savings accounts, current accounts or similar accounts ("CASA exemption"). The basic banking services include the following services: i) Deposit, withdrawal, payment or fund transfer; ii) Issuance of debit card; iii) Basic transaction over the counter; iv) Basic transaction using Automatic Teller Machine (ATM); or v) Printing of account statementsBrokerage fees charged by a broker related to the trading of shares listed on Bursa MalaysiaWakalah 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 | | | | | | |
| 12. | Is the SST imposed on fees and charges alone or also other income earned by the Banks? | <p>SST expansion on financial services are applicable only on fees, charges, commission income and other similar nature of income imposed by the Bank on its customers/counterparties. It is not imposed on interest charged by the Bank or any return in the form of a spread or gain/profit of the financial products.</p> <p>Note that fee and charges which are punitive in nature, i.e. fees/charges or penalties imposed as a punishment for violating rules, breaching contracts or failing to meet certain obligations do not attract SST as they are meant to discourage undesirable behaviour rather than to compensate for a service. The examples of punitive charges are:</p> <ol style="list-style-type: none">late payment charges on loans/financing;loss of interest/profit for early withdrawal of fixed deposits;compensation charge for dishonoured cheque;overdraft excess fee;commitment fee (for unutilised portion of overdraft); andcancellation fees for terminating a contract before its expiry | | | | | | |
| 13. | How to calculate SST payment for financial services? | <p>If a fee is subject to the SST, the SST will be computed at 8% on the said fee, for example:</p> <table><tr><td>Bank charges</td><td>RM10.00</td></tr><tr><td>SST@8%</td><td>RM 0.80</td></tr><tr><td>Total collected by the Bank</td><td>RM10.80</td></tr></table> <p><i>Note: The SST will be rounded to the nearest 2 decimal points where applicable</i></p> | Bank charges | RM10.00 | SST@8% | RM 0.80 | Total collected by the Bank | RM10.80 |
| Bank charges | RM10.00 | | | | | | | |
| SST@8% | RM 0.80 | | | | | | | |
| Total collected by the Bank | RM10.80 | | | | | | | |
| 14. | Is the RM25 SST currently imposed on credit cards still applicable? | There will be no changes to the existing RM25 Service Tax currently imposed on credit cards and there will not be any additional SST on the credit card annual fees | | | | | | |
| 15. | Are outward remittance fees subject to SST? | Yes, outward remittance where charges are imposed on customers located in Malaysia will be subject to SST upon its implementation date unless qualified for CASA exemption as mentioned in FAQ #11 above | | | | | | |
| 16. | Are Islamic products subject to SST? | All fees/charges for Islamic products are subject to SST unless the same is related to any Islamic financial transaction or arrangement offered or provided by any regulated Financial Services Provider that are charged for fees, commission or similar payments in accordance with the principles of Shariah, where such services are an additional arrangement or transaction required for the purposes of compliance with those principles but which will not be required for similar or comparable conventional financial services or products, so as to ensure parity in tax treatment between Islamic financial transaction or arrangement and non-Islamic financial transaction or arrangement | | | | | | |
| 17. | How will I know if I have been charged with SST? | The SST amount charged will be reflected in the statement/tax invoice you receive from the Bank | | | | | | |
| 18. | Is SST applicable to fees/charges which have been waived upfront? | Generally, under the SST law, fees/charges waived shall still be liable for SST. Hence, the SST is still applicable to fees/charges which have been waived upfront. | | | | | | |
| 19. | I am a foreigner carrying out transactions in Malaysia. Will these transactions be charged with SST? | As long as the transactions/services are related to goods, land or matters in Malaysia, SST is applicable | | | | | | |

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| 20. | Will SST be charged on the fees/charges associated with the purchase of residential property? | <p>SST will be applied to the fees/charges related to the purchase of residential property in Malaysia, for services provided by the Bank in relation to a loan/financing facility.</p> <p>This includes fees such as administrative fee, processing fee and other related charges.</p> |
| 21. | Will SST be charged on the fees/charges associated with the purchase of commercial property? | <p>SST will be applied to fees and charges related to the purchase of commercial property in Malaysia, for services provided by the Bank in relation to a loan/financing facility.</p> <p>This includes fees such as administrative fees, processing fees, and other related charges.</p> |
| 22. | If the customer is given a discount, will SST be charged before or after discounts have been taken into account on a transaction? | SST is chargeable on the discounted price or price after rebate, if applicable |
| 23. | Will I be charged with SST on the monthly loan/financing instalment payment? | No, you will not be charged with SST on your monthly loan/financing instalment payment as this is not fees/charges imposed by the Bank but principal repayment/payment amount |