



**Malaysian Iron & Steel Industry Federation**

Co. Reg. No. 76350P GST Reg. No. 001781899264

## **PRESS STATEMENT**

### **MISIF Calls for Deferment of SST Expansion on Iron & Steel Products**

The Malaysian Iron & Steel Industry Federation (MISIF) respectfully calls on the Government to defer the expansion of the Sales and Service Tax (SST) scheduled for 1 July 2025. The abrupt implementation poses significant challenges to both the iron and steel industry and the broader economy.

While the Government's intention to expand SST aims to enhance revenue and broaden the tax base for sustainable national development, the timing is deeply misaligned with the current economic pressures facing the industry. The initiative, designed to ensure that non-essential goods and service sectors contribute fairly to fiscal stability, risks imposing further strain on an already fragile manufacturing landscape.

Malaysia's steel industry is currently operating in a fragile and unbalanced environment. Domestic capacity utilisation remains low at about 39%, amid rising regional overcapacity. Local mills are facing demand shortfalls, resulting in idle capacity and business closures. The upcoming SST expansion subjects previously exempted items to tax, including coking coal and coke (5%), steel components (5%-10%), steel scrap (5%), industrial machinery (10%), and 6-8% on services like rental or leasing services. For instance, with the 5% SST on scrap, the entire supply chain bears the cost. When a scrap dealer purchases scrap with 5% SST, that additional burden is not absorbed - it is passed on to steel mills. As the industry faces rising input costs, their margins tighten and they are either forced to raise prices or absorb losses, undermining their competitiveness. These challenges are made worse by the upcoming carbon taxes on iron and steel in 2026, along with existing global trade barriers such as the 50% US steel tariff. Together, they create serious financial pressure that could threaten the survival of our industry.

A key concern is the inconsistent treatment of goods under Chapters 72 and 73 of the Customs Tariff, which respectively cover upstream and downstream steel products. For example, previously exempted essential steel materials, steel wire mesh are now suddenly subject to a 10% sales tax, while stainless steel and even perforated cable trays have been unexpectedly slapped with 5% SST- all without clear rationale. This sudden shift raises input costs unpredictably and adds needless complexity to manufacturing operations, exactly when the industry needs stability and transparency most.

MISIF is also concerned that, despite representing the entire Malaysian iron and steel sector, we were not consulted prior to the announcement of the SST expansion. With less than one month before implementation, industry stakeholders have received minimal guidance yet are expected to carry out extensive system overhauls - including changes to billing, inventory, ERP platforms, vendor agreements, and compliance processes. Although the grace period until December 2025 offers some reprieve, the short lead time raises serious risks of unintended non-compliance and operational disruption.

Furthermore, the expanded Service Tax on core services will significantly raise operational costs for manufacturers, particularly those reliant on leased premises and construction services. These added costs will inevitably cascade down the supply chain, ultimately burdening consumers and negatively impacting the construction sector, a key driver of steel demand, accounting for over 63% of total domestic consumption. With parallel pressures like carbon tax and export tariffs, the iron and steel industry's transformation efforts in areas such as ESG, digitalisation, and moving into higher-value markets are at serious risk.

In view of the above, MISIF would like to appeal to the Government to defer the SST expansion to allow for proper industry consultation, conduct a comprehensive sector impact study to identify necessary exemptions, thresholds and a phased implementation strategy and provide clear guidelines and transition support. These measures are vital to ensure the iron and steel industry can adapt effectively without jeopardising ongoing transformation, competitiveness, or industry resilience.

MISIF supports efforts to strengthen Malaysia's fiscal resilience but emphasises that policy implementation must consider industrial sustainability and consumer protection. A well-timed deferment, inclusive consultation, and calibrated rollout would ensure the SST expansion achieves its objectives without undermining Malaysia's economic future.

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