



## FREQUENTLY ASKED QUESTIONS (FAQ) – Service Tax

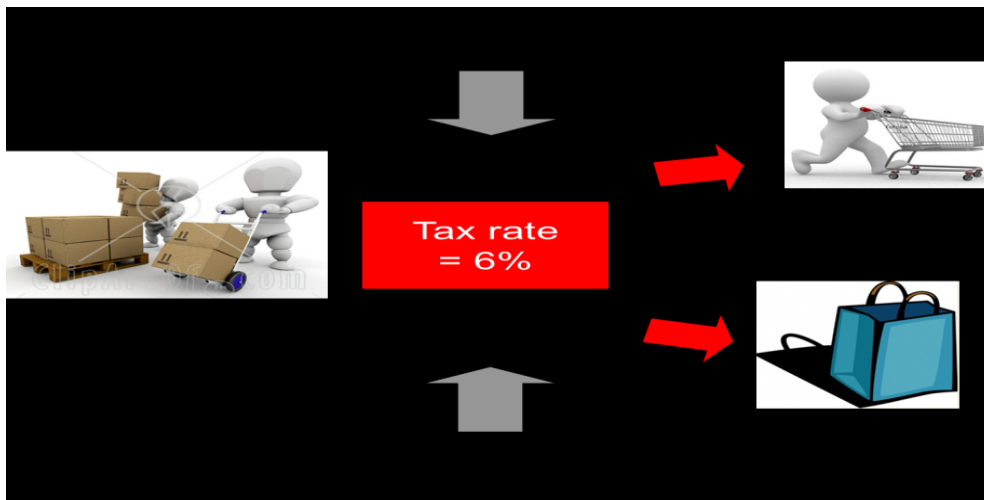
### 1. What is service tax?

Service tax is a tax charged on:-

- any provision of taxable services;
- made in the course or furtherance of any business;
- by a taxable person; and
- in Malaysia.

Service tax is not charged on imported nor exported services.

### 2. How does service tax works?



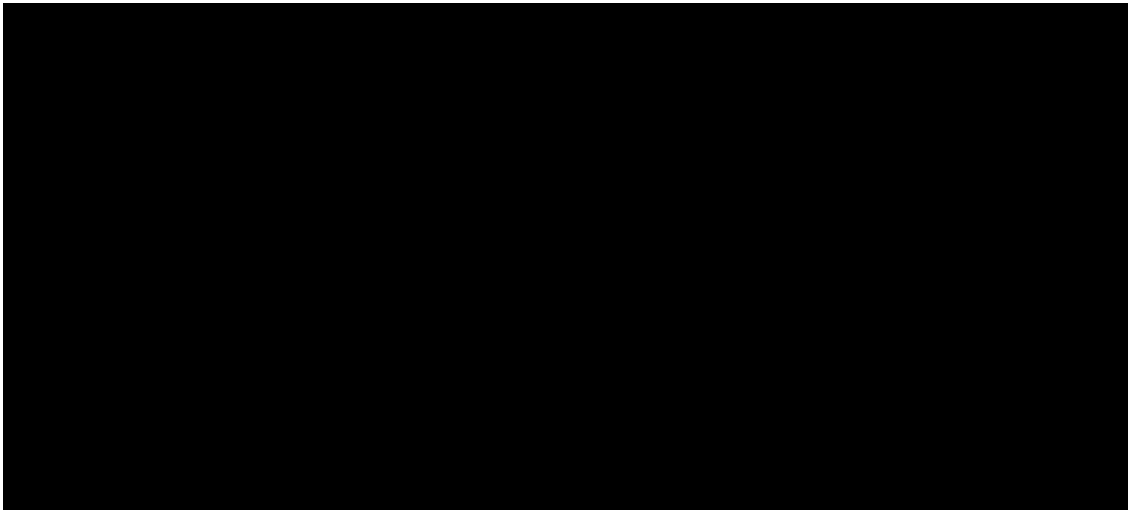
### 3. Who is the taxable person?

Taxable person is a person who provides taxable services in the course or furtherance of business in Malaysia and is liable to be registered or is registered under the Service Tax Act 2018.

### 4. What is the rate of tax for service tax?

The proposed rate of tax is 6% and a specific rate for credit/charged card.

5. What are the taxable services?



**\*\*Further explanation of selected taxable services:**

a) Hotel includes:

- lodging house
- service apartment
- homestay
- Inn
- rest house
- boarding house
  - Service tax charged on actual value of taxable service provided

b) Insurance and Takaful includes:

- All insurance B2B
- All B2C general insurance or takaful excluding medical insurance or medical takaful is subject to service tax.
  - Service tax charged on actual premium paid

c) Service of food and beverage preparation includes:

- restaurant
- cafe
- catering
- take-away
- food truck
- retail outlet
- hawkers
- etc.
  - Service tax charged on actual value of taxable service provided

d) Provision of electricity:

- B2C; more than 600kWh
  - Service tax charged on actual value of taxable service provided

- e) Clubs includes:
- Night club
  - Private club
  - Golf club and golf driving range
    - Service tax charged on actual value of taxable service provided
- f) Gaming includes:
- Casino
  - Game of chance
  - Sweepstakes
  - Gaming machines
  - Lottery
  - Betting
    - Service tax charged on collection, based on formula
- g) All provision of telecommunication services by telco provider are subjected to Service Tax. Examples are IDD call, telex, video conference, roaming, fax, VoIP, lease line, MVNO, bandwidth service, billing and collection services, maintenance of facilities, installation, etc.

6. When do I account for service tax on gaming?

Taxable services / supply	When service tax is due and payable
a) Provision of services involving number forecasting, lottery and a game of chance excluding Raffle	At the time when the numbers are drawn
b) Provision of services involving sweepstakes	At the time when the race takes place
c) Provision of services by gaming machine	At the time when collection is removed from the machine or at the time when transaction is recorded by the machine (if more than one machine, then total collection removed from all the machines)
d) Provision of services involving casino betting	At the last day of the taxable period (calculate total collection based on games types: table game, gaming machine)
e) Provision of services involving betting and gaming in tournaments (horse racing, casino games, etc.)	At the time the participant pays the tournament fee / contest fee

## **REGISTRATION FOR SERVICE TAX**

7. How do I register for service tax?  
Registration is process online through by MySST system. You will be notified of registration or in the absence of a notification, you may need to apply individually online using MySST system.
8. How do I know that I will be registered?  
You will be informed by email .For the existing GST registrant who automatically liable to be registered under service tax, they will be informed through a letter.
9. I am currently GST registrant. Will I be receiving a service tax registration notification through Taxpayer Access Point (TAP)?  
No, you will be receiving notification through your personal/business email from 1<sup>st</sup> August 2018.
10. How long does it take for my application for registration be approved if I apply individually?  
Registration is auto approve within 24 hour for a GST registrant. If a verification process is required, it will take a little while longer.
11. Can I submit my service tax return according to my company's financial year end?  
Yes, you may apply in writing to the Director General.
12. Can I registered under service tax voluntarily?  
Yes, you can register voluntarily provided that you are manufacturing taxable goods.
13. Can I registered my branches separately?  
Branch registration is allowed.
14. Is there any facility for group registration?  
Group registration is not allowed.
15. I am GST registrant. Do I need to apply to cancel my registration?  
When the GST Act 2014 is repealed, you are automatically ceased to be a GST registered person. You are not required to apply for deregistration. However, you are required to submit the final GST return within 120 days from the Act being repealed.

## **INVOICING, RETURN AND PAYMENT**

16. What are the requirements of issuing invoices?  
A registered manufacturer is required to issue invoices in Bahasa Melayu or English containing prescribed particulars either in hard copy or electronically.
17. How do I account for credit or debit notes?  
You are allowed to make adjustments in your service tax return for credit or debit notes.
18. On what basis do I account for service tax?  
You are required to account on payment basis.
19. What is the procedure for submitting service tax returns?

- Registered person has to declare service tax return every two months according to the taxable period. You may apply to the Director General for a specific taxable period e.g. in line with your financial year end.
- Service tax return has to be submitted not later than the last day of the following month after the taxable period ended.
- Service tax return has to be submitted regardless of whether there is any tax to be paid or not.
- Service tax return has to be submitted electronically or by post to SST Processing Centre.

20. How do I make a payment for service tax?

You can make payment:

- i. Electronically; or
- ii. By cheque, bank draft and posted to SST Processing Centre.

21. Will there be a penalty for late payment?

Late payment penalty is applicable:

- 10% - first 30 days period.
- 15% - second 30 days period
- 15% - third 30 days period

Maximum penalty 40% after 90 days

22. How long should I keep the proper records under service tax?

You should keep the proper records for 7 years. Records must be kept:

- i. in Bahasa Melayu or English
- ii. In Malaysia, except permitted by DG to be kept outside Malaysia
- iii. In soft or hard copy

23. Is there any relief for bad debts?

Yes. You may claim bad debts:

- i. within 6 years from the date the taxable services is provided
- ii. subject to conditions determined by the DG
- iii. according to a prescribed formula

24. What is the facilities provided under service tax?

#### **A. Contra System**

Registered person is allowed to deduct service tax in his return for any cancellation and termination of services or any other reasons such as reducing premiums or discounts.

## B. Designated Area

<b>Designated Area (not deemed outside Malaysia)</b>	Labuan, Langkawi and Tioman
<b>Services provided between and within DA</b>	Not subject to service tax except prescribed by Minister
<b>Provisions of services</b>	<ul style="list-style-type: none"><li>- From PCA to DA – subject to service tax except prescribed by Minister</li><li>- From DA to PCA – subject to service tax</li><li>- To/from DA to SA* – no service tax</li></ul>

## C. Special area

<b>Special Area (not deemed outside Malaysia)</b>	Free Zone, Licensed Warehouse, Licensed Manufacturing Warehouse and Joint Development Area (JDA)
<b>Services provided between and within SA</b>	Not subject to Service Tax except prescribed by Minister
<b>Provisions of services</b>	<ul style="list-style-type: none"><li>- From PCA to SA – subject to service tax except prescribed by Minister</li><li>- From SA to PCA – subject to service tax</li><li>- To/from SA to DA – no service tax</li><li>- From PCA (other than SA) to FZ or LMW - subject to service tax</li><li>- From PCA (other than SA) to JDA - not subject to service tax</li></ul>

## TRANSITIONAL ISSUE

25. How long would I be able to claim the GST input tax after the implementation of SST?  
You are allowed to claim input tax credit within 120 days after the effective date of SST.
26. Tax invoice was issued on 15 September 2018 in respect of the provision of electricity granted from 15 August 2018 to 14 September 2018. What is the SST treatment on this provision?  
GST should be charged at 0% up to 31 Aug 2018. From 01 Sept 2018, Service Tax should be charged at the rate of 6% if the recipient of the services is a domestic consumer and the usage is more than 600kWh.
27. Ali request TNB to change the position of electricity meter on 5 September 2018. Is the provision of that service is subject to service tax?  
The provision of that service is not subjected to service tax.
28. A tax invoice was issued on 7 August 2018 for the supply of Pay-TV for the period of 7 August 2018 to 7 September 2018. The payment already received prior to 1 September 2018. What is the SST treatment for this scenario?  
GST should be charged at 0% on the proportion of the supply made before 1 Sept 2018. While the proportion made after 1 Sept 2018 will be subject to 6% service tax.

29. Ali subscribes First Broadcast on 15 August 2018. Subscription channel is applicable for 30 days from 15 August 2018. Tax invoice will be issued on 16 September 2018. What is the SST treatment for this scenario?  
The provision of services for the month of August is subject to GST at 0% and the period 1 September 2018 to 15 September 2018 is subject to service tax.
30. Is the provision of services at the university cafeteria subject to service tax from 1 September 2018?  
Provision of food preparation services by any cafeteria is subject to service tax if the sales value of services exceeded RM 500,000.00.
31. Ticket sold for flight from Kuala Lumpur to Kota Kinabalu on 1<sup>st</sup> July 2018 where GST is charged at 0% but the actual flight will take place on or after 1<sup>st</sup> September 2018. Is this service subject to Service Tax?  
The flight service is subjected to 6% service tax.
32. Service tax is imposed on domestic passenger air services with the exception of rural air services. What is Rural Air Services? Does RAS subject to service tax?  
The Rural Air Services (RAS) is aviation services conducted for travels within the interior of Sabah and Sarawak by government appointed air service provider under Rural Air Service Agreement. RAS is not subject to service tax.
33. How do I account for tax for event management services performed from 30<sup>th</sup> August 2018 until 1<sup>st</sup> September 2018 but payment is receive on 11<sup>th</sup> September 2018?  
GST should be charged at 0% on the proportion of the supply made before 1 Sept 2018. While the proportion made after 1 Sept 2018 will be subject to 6% service tax.
34. General insurance coverage is a taxable service under service tax. The service is provided spanning 1<sup>st</sup> August 2018– 31<sup>st</sup> July 2019. Premium paid on Sept 2018. What is the tax implication on the service provided?  
GST should be charged at 0% on the proportion of the supply made before 1 Sept 2018. While the proportion made on and after 1 Sept 2018 is subject to 6% service tax.
35. Will I be charged RM25 on my existing credit or charge card on 1 September 2018?  
The existing effective period of the card will not be subject to service tax of RM25 until the next annual renewal.