



SST IMPLEMENTATION BRIEFING SESSION

PROPOSED SERVICE TAX IMPLEMENTATION MODEL



Royal Malaysian Customs Department

CONTENT OF BRIEFING

- Proposed Legislation
- Scope and charge
- Service tax mechanism
- Taxable person
- Taxable goods
- Rate
- Taxable services
- Registration
- Returns / Payment
- Contra System Facility
- Special rules for specific areas
- Accounting
- Miscellaneous



Proposed Service Tax Legislation

Act

- **Service Tax Act 2018**

Regulations

- **Service Tax Regulations 2018**
- **Service Tax (Customs Ruling) Regulations 2018**
- **Service Tax (Compounding of Offences) Regulations 2018**

Order

- ***Service Tax (Amount Of Value of Taxable Service) Order 2018***
- ***Service Tax (Rate Of Tax) Order 2018***
- ***Service Tax (Appointment of Date of Coming Into Operation) Order 2018***



SCOPE AND CHARGE

Service tax is 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 chargeable on:

- imported services
- exported services



HOW SERVICE TAX WORKS?

Government collects tax
ONCE (at the start)



Service
provider

**Tax rate
= 6%**



Businesses



Consumer

Government collects tax
ONCE (at the start)



TAXABLE PERSON

- A service provider who is liable to be registered or registered under the Service Tax Act 2018
- the service provider provides taxable services in the course or furtherance of business in Malaysia



TAXABLE SERVICES AND RATE OF TAX

Threshold

- value of taxable services provided by a service provider for a period of 12 months that exceeds a threshold of RM500,000 is liable to be registered

Rate of tax

- Fixed at a rate of 6%
- Provision of credit card or charge card services
 - ✓ A specific rate of tax of RM25 is imposed upon issuance of principal or supplementary card and every subsequent year or part thereof



TAXABLE SERVICES

- Hotel
- Insurance and Takaful
- Service of food and beverage preparation
- Club
- Gaming
- Telecommunication
- Pay-TV
- Forwarding agents
- Legal
- Accounting
- Surveying
- Architectural
- Valuer
- Engineering
- Consultancy
- Employment agency
- Security
- Management services
- Parking
- Motor vehicle service or repair
- Courier
- Hire and drive car
- Advertising
- Domestic flight except Rural Air Services
- Credit or charge card
- IT services
- Electricity



HOTEL, INSURANCE AND TAKAFUL

Hotel includes:

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

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



SERVICE OF FOOD AND BEVERAGE PREPARATION

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

Provision of electricity:

- B2C; more than 600kWh

Service tax charged on actual value of taxable service provided



CLUBS AND GAMING

Clubs

- Night club
- Private club
- Golf club and golf driving range
- Service tax charged on actual value of taxable service provided

Gaming

- Casino
- Game of chance
- Sweepstakes
- Gaming machines
- Lottery
- Betting
- Service tax charged on collection, based on formula



REGISTRATION

Type of registration	Conditions
Mandatory	Value exceed RM500,000 <ul style="list-style-type: none">▪ 1st day of the month following the month of application
Voluntary	Value below RM500,000 <ul style="list-style-type: none">▪ DG may determine
Branch / Division	In the name of the branch/division <ul style="list-style-type: none">▪ DG may determine



SERVICE TAX REGISTRATION

Determination of Taxable Turnover

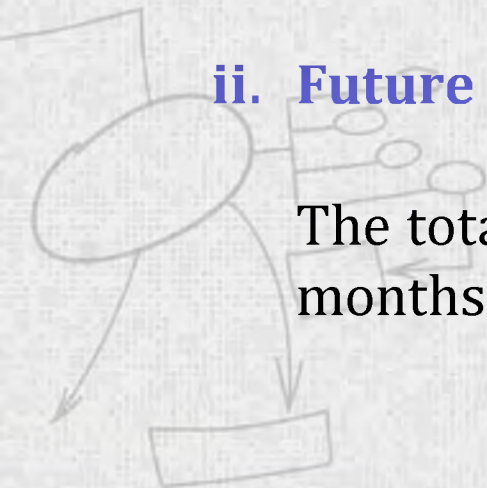
- Service Provider should calculate the value of taxable services provided for a period of 12 months using the following method:

i. Historical Method;

The total value of taxable supplies in that month and the 11 months immediately preceding the month;

ii. Future Method;

The total value of taxable supplies in that month and the 11 months immediately succeeding the month



SERVICE TAX REGISTRATION

Transitional Registration

- Any person who liable to register are required to register before 1st September 2018 and registration commencement date will be on 1st September 2018.
- **Automatic Registration**
 - Service Provider who is a GST Registrant which have been identified and fulfilled the required criteria will be registered automatically as a registered person.
 - A registrant person need to charge tax beginning 1st September 2018.
- **Persons Not Registered Automatically**
 - Service Provider who is a GST registered person that fulfil the required criteria to be registered but was not registered by 1st September 2018 need to apply for registration within 30 days from the commencement date.



RETURNS

- Registered person has to declare service tax return every two months according to the taxable period.
- Service tax return have to be submitted not later than the last day of the following month after the taxable period ended.
- Service tax return have to be submitted irrespective whether there is any tax to be paid or not.
- Service tax return must be submitted electronically or by post.



PAYMENT

- Payment of service tax has to be made
 - Electronically; or
 - By cheque, bank draft and posted to SST Processing Centre.

- Late payment penalty on the amount of service tax not paid
 - 10% - first 30 days period.
 - 15% - second 30 days period
 - 15% - third 30 days period

Note:

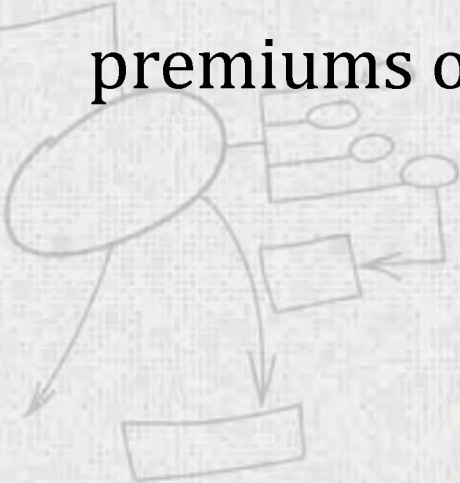
Maximum penalty 40% after 90 days



SERVICE TAX FACILITY

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.



SPECIAL RULES

Treatment in Designated Area (DA)

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

* Special Area = Free Zone, Licensed Warehouse, Licensed Manufacturing Warehouse and Joint Development Area (JDA)



SPECIAL RULES

Treatment in Special Area (SA)

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



ACCOUNTING

Issuance of Invoices

- Mandatory for registered person who provides any taxable services.
- Hard copy or electronically
- Containing prescribed particulars
- Bahasa Melayu or English

Credit Notes and Debit Notes

- only registered person is allowed to issue and receipt
- shall make an adjustment in his return
- shall contained the prescribed particulars.



ACCOUNTING BASIS AND TAXABLE PERIOD

Accounting Basis

- Service Tax
 - ❖ Payment basis
- Service Tax required to be accounted:-
 - ❖ At the time when the payments is received
 - ❖ On the day following period of twelve month when any whole or part of the payment is not received from the date of the invoice for the taxable service provided.

Taxable Period

- Bimonthly basis (every 2 months)
- Specific basis

Filing Frequency	Taxable Periods
First Taxable Period - Bimonthly	Sept -Oct 2018
Subsequent Taxable Period	Nov-Dec, Jan-Feb, Mar-Apr, May-Jun, Jul-Aug, Sep-Oct,
Specific Basis	subject to an approval from the Director General

BAD DEBTS

Bad Debts Claim

- Can be claimed by a Registered person or a Ceased to be registered person.
- Can be claim after 6 months to 6 years from the date of service tax was paid
- Subject to conditions & satisfaction of the DG

Bad Debts Recovery

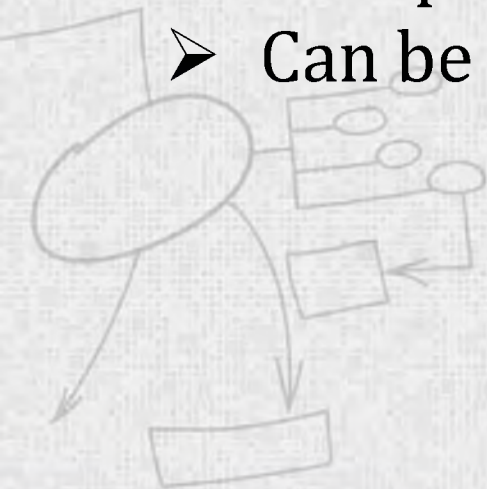
- Has claimed and received the refund
- Payment received from the debtor after bad debts claimed
- Repay to DG in his return
- Repay according to the formula



RECORDS KEEPING

Records keeping:

- 7 years
- Bahasa Melayu or English
- To be kept in Malaysia, except permitted by DG to kept outside Malaysia
- Can be kept in soft or hard copy



Miscellaneous

Other general provisions provided in the Proposed Sales Tax Act:

- refund of overpaid tax
- remission
- drawback
- penalty for late payment of tax
- other penalty for offences



THANK YOU