



Sales and Service Tax (SST) in Malaysia (2018)

(as of 1st November 2018)

1. Definition

a. Service Tax

Malaysia's Service Tax is a form of indirect single stage tax imposed on any provision of taxable services made in the course or furtherance of any business by a taxable person in Malaysia.

The Service tax cannot be levied on any service which is not included in the list of taxable services prescribed by the Minister under First Schedule of the Service Tax Regulations 2018.

A 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 (e.g. any individual, company, enterprise, partnership, club, trust body, co-operative society, association, etc.).

b. Sales Tax

The Sales Tax is a single-stage tax, charged and levied on taxable goods imported into Malaysia and on taxable goods manufactured in Malaysia by a taxable person and sold by him (including used or disposed goods).

In Malaysia, it is a mandatory requirement that all manufacturers of taxable goods are licensed under the Sales Tax Act 2018.

A taxable person is a person who manufactures taxable goods and is liable to be registered if the annual turnover has exceeded RM500,000.00 threshold. Such person is required to be registered under MySST system.

2. Tax Rate

a. Service Tax Rate

The Service Tax rate is fixed at 6%. A specific rate of tax of RM25 is imposed upon the provision of credit card and charge card services.

Service tax is charged on:

- any provision of taxable services;
- provided in Malaysia;
- by a registered person; and



- in carrying on his business.

Service tax is not chargeable for imported and exported services under the STA 2018.

b. Sales Tax Rate

The sales tax rate is subject to 5%, 10% or to a specific rate (for petroleum).

3. Taxable Services and Goods

a. Service Tax

Taxable services are any services which are listed in the various categories in the First Schedule of Service Tax Regulations 2018.

The following taxable services are subject to the service tax:

- Hotel (incl. lodging house, service apartment, homestay, Inn, rest house, boarding house);
- Insurance and Takaful;
- Service of food and beverage preparation (include restaurant, cafe, catering, take-away, food truck, retail outlet, hawkers and etc.);
- Club (include Night club, private club, golf club);
- Gaming (include Casino, game of chance, gaming machines, lottery, betting);
- Telecommunication;
- Pay-TV;
- Forwarding agents;
- Legal;
- Accounting;
- Surveying;
- Architectural;
- Valuer;
- Engineering;
- 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.



However, the service tax cannot be levied on any services that are not in the list of taxable service.

b. Sales Tax

Taxable goods are goods of a class or kind that are not being exempted from sales tax. Goods exempted from sales tax are listed in Schedule A of the Sales Tax (Goods Exempted from Sales Tax) Order 2018.

4. Registration and Cancellation

a. Service Tax

Any person who carries on a business of providing taxable service shall apply for registration under Section 13(1) STA 2018 as a registered person in the Form SST-01.

The effective date of registration shall be the first day of the month following the month the notification of liability is received or any earlier date agreed by the Director General but not earlier than the date he becomes liable to be registered.

Application for registration shall be made online through the MySST Portal.

Any person who is not required to be registered under Section 14 STA 2018 may apply to the Director General for registration voluntarily. The Director General may register the said person if he is satisfied that the said person is providing taxable service but has not reached the threshold or is intending to carry on a business of providing taxable service.

Branch registration is allowed. Registration of branches or divisions may be considered if:

- it is difficult to submit a single return for all the branches or divisions;
- each branch or division maintains a separate account;
- such branch or division is separately identifiable by reference to the nature of the business or its location and
- every separately registered branch or division has the same taxable period.

Any group registrations are not allowed.

Generally, the service tax registration shall be cancelled by the Director General if the taxable person:

- Ceases to carry on business of providing taxable services;
- Fails to provide taxable service by the date which the registration issued upon application for voluntary registration is to take effect;
- A company is dissolved.



b. Sales Tax

Every person engaged in the manufacturing of taxable goods in the course of business shall apply for a registration not later than the last day of the month following the month he is liable to be registered. He shall apply for a registration as a registered manufacturer in the SST-01 Form.

The registration date shall be the first day of the month following the month the notification of liability is received or any earlier date agreed by the Director General (DG) of Customs but not earlier than the date he becomes liable to be registered. The registered manufacturer will be notified and assigned with a registration number.

Online application for registration may be made via the MySST Portal, which is set up to facilitate manufacturers who wish to apply to be a registered manufacturer. The online application is accessible at www.mysst.customs.gov.my.

The following manufacturers that are not liable to be registered may apply to be registered under the Sales Tax Act 2018 subject to conditions as determined by the DG:

- Manufacture taxable goods but below threshold;
- Persons who are exempted from registration.

Section 20 of the Sales Tax Act 2018 provides the Minister the power to exempt certain persons from registration. Such exemption is granted in the Sales Tax (Exemption from Registration) Order 2018. The following manufacturers are excluded from registration as provided under such order:

- Manufacturer of non-taxable goods (not eligible for voluntary registration);
- Manufacturer below threshold;
- Sub-contractor manufacture below threshold; or
- Manufacturing activities that have been exempted from registration.

Both branch registration and group registration are not allowed.

5. Accounting for SST

The first taxable period of every taxable person shall begin from the date he should have been registered under section 13 STA 2018 and end on the last day of the following month and the subsequent taxable period shall be a period of two months ending on the last day of any month of any calendar year.

Disclaimer of liability: This information is intended to provide a general overview on SST in Malaysia and should not be regarded as a basis for ascertaining the liability to tax in specific circumstances. No responsibility for loss to any person acting or refraining from acting as a result of any information in this overview can be accepted by Malaysian-German Chamber of Commerce and Industry. Recipients should not act on the basis of this information without seeking professional advice of a tax agent.

Sources: Royal Malaysian Customs Department, Internal Tax Division, Putrajaya (2018).