

**STANLEYCO**<sup>®</sup> Consulting Malaysia

**Understand Service Tax in 15 minutes**

**Salient Features of Service Tax**

*Committed . Ready to Deliver*

# Understand Service Tax in 15 minutes

## *Salient Features of Service Tax*

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### 1. What is service tax

Service tax is a consumption tax applied to certain taxable services. The principal legislation governing service tax is the *Service Tax Act 2018* (the Act). And the Royal Malaysia Custom Department (RMCD) is responsible for administrating this tax system.

Service tax shall be charged at 6% and levied on any taxable services provided in Malaysia by a registered person in carrying on his business. As such, service tax is not chargeable on imported or exported services.

### 2. Service Tax Registration

Every taxable person is liable to be registered when the turnover (sales) of taxable services from the current month and the previous 11 months exceeds the prescribed threshold. Once registration has been approved, the person shall be called a registered person.

### 3. Taxable services

[Please refer to the [List of Proposed Taxable Services](#)]

### 4. Taxable period

Taxable period is a regular interval period where the registered person is liable to account and pay the service tax collected to the government. The standard taxable period is on Bi-monthly basis i.e. a period of 2 months ending on the last day of any month of a calendar year. Depending on when the registration was submitted and the Director General approval, every registered person would have one of the following taxable period cycles:

- a. Jan-Feb, Mar-Apr, May-June, July-Aug, Sept-Oct, Nov-Dec
- b. Feb-Mar, Apr-May, June-July, Aug-Sept, Oct-Nov, Dec-Jan

### 5. Service Tax Return

The return shall be submitted not later than the last day of the following month after the taxable period has ended. For e.g. the return for taxable period “Jan-Feb” is due for submission by 31 March. The submission could be made electronically or by post to the SST processing centre.

## 6. Payment of Service Tax

- Service tax is payable to the RMCD when payment for the service tax is received by the registered person.
- Every taxable person shall, in respect of his taxable period, account for the service tax due in a return as may be prescribed and the return shall be furnished to the Director General of RMCD in the prescribed manner not later than the last day of the month following the end of his taxable period to which the return relates.

### **Example 1:**

Invoice for engineering services	RM10,000	[invoice issued on 20 Jan 2019]
Service Tax @ 6%	RM600	
Total	RM10,600	

\*Taxable period: Jan-Feb, Mar-Apr, May-June, July-Aug, Sept-Oct, Nov-Dec

Invoice issued	Payment received from customer	Service Tax Return due
20 Jan 2019	15 May 2019	Return for taxable period "May-June" is due by 31 Jul 2019

As the payment is received in the month of May, the Service Tax is accounted for in the taxable period of May-June. And the last day to submit the return and remit the service tax payment to RMCD is 31 July 2019 (the last day of the following month from the end of the taxable period).

## 7. Payment of Service Tax (12-month Rule)

- If payment is not received from the customer within 12 months from the invoice date. The Service Tax shall be due in the taxable period immediately following that period of 12 months.

### **Example 2:**

Invoice for engineering services	RM10,000	[invoice issued on 20 Jan 2019]
Service Tax @ 6%	RM600	
Total	RM10,600	

\*Taxable period: Jan-Feb, Mar-Apr, May-June, July-Aug, Sept-Oct, Nov-Dec

Invoice issued	12 months later	Service Tax Return due
20 Jan 2019	19 Jan 2020	Return for taxable period of Jan-Feb 2020 is due by 31 Mar 2020

If payment is not received by 19 Jan 2020 (the expiry of 12 months from the invoice date), the service tax related to this invoice shall be accounted for in the taxable period of Jan-Feb 2020. And the last day to remit the payment for this taxable period shall be 31 March 2020.

#### **8. Refund of Service Tax in relation to bad debt**

- Registered persons may obtain refund of service tax paid for invoices that have become bad debt (uncollectible). RMCD will require conditions to be met before any refund is made. For example, applicant is required to show prove that reasonable effort has been taken to recover the service tax.
- If subsequent to the refund of service tax, the invoice is paid by the customer (bad debt recovered) – the registered person must repay the service tax to the RMCD.

#### **9. Late payment of service tax**

First 30 days period	10% of unpaid service tax
Second 30 days period	15% of unpaid service tax
Third 30 days period	15% of unpaid service tax
After 90 days	40% of unpaid service tax

#### **10. Invoices**

Every registered person must issue an invoice containing prescribed particulars to the customer in respect of the transaction. Invoices must be prepared in Bahasa Malaysia or English. A sample of invoice could be found at the end of this document.

#### **11. Record keeping**

All records pertaining to the transactions must be retained in Malaysia for at least 7 years. The records must be in either Bahasa Malaysia or English. All the original documents in printed format must be retained even if they have been converted into electronic form.

#### **12. Deposits and advance payments**

Refundable deposits are not subject to service tax. Whereas advance payment for services to be performed in the future is subject to service tax.

### **13. Single taxable person**

To prevent businesses from avoiding the chargeable annual turnover threshold by artificially separating business activities, the Director General may direct that such persons (or business entities) be treated as a single taxable person.

### **14. Intercompany Services**

Taxable services provided within the same group of companies are subjected to Service Tax. For e.g. taxable services provided by a holding company to its subsidiary.

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*Clients are advised to review and formulate policies and procedures to ensure full compliance with the new requirements of Sales Tax Act 2018 and Service Tax Act 2018, and to benefit from the provisions of the new acts. For more detailed advice, please contact our team.*

# Appendix A: Invoice Sample (Restaurant/Café)

**AROMA CAFÉ** (Co. No: 1111111-A)  
 Block 123, Setiawalk, Persiaran Wawasan  
 Pusat Bandar Puchong  
 Tel: 03-8077 1234  
 Service Tax Reg No: W10-1808-11111111

**INVOICE**

Table No : 2  
 Bill No : 0109-0165  
 Date : 01-09-2018 1:11PM  
 Cashier : Alison Lim

Description	Qty	Price	Amount (RM)
1. Ginger carrot soup	2	10.00	20.00
2. House salad	1	15.00	15.00
3. Cheese tart	2	2.50	5.00
4. Choc cake	1	7.50	7.50
Total Sales Exclude Service Tax :			47.50
Service Charge :			4.75
Total Service Tax @ 6% :			2.85
Total Sales Inclusive Service Tax :			55.10
<b>TOTAL :</b>			<b>55.10</b>

Service Tax Summary	Amount (RM)	Tax (RM)
6% Service tax	47.50	2.85

Service Tax Rate

 Company or Business name,  
Reg. No., Address

 Service Tax Registration  
Number

Invoice Serial Number

 The word 'Invoice' clearly  
indicated

Transaction date

 Total amount payable,  
excluding Service Tax

 Service Charge is not  
subjected to Service Tax

 Total amount of Service Tax  
charged

 Total amount payable,  
inclusive of Service Tax

## Appendix B: Invoice Sample (Car Workshop)

**BEST CAR WORKSHOP SDN. BHD.**  
(1234567-W)  
123, Jalan Puchong  
47100 Puchong, Selangor  
Tel: 03-8022 1233  
Service Tax Reg No: W10-1808-11111111

**INVOICE**

INVOICE NUMBER: 11109      DATE: 01/09/2018

Customer Name: William Chan      Vehicle Number: WWW 111  
Contact Number: 012-555 1111      Model: Toyota Camry 2.5

Cash Sales

SERVICE PERFORMED	AMOUNT (RM)
<b>Labour Charge:</b>	80.00
Carried out 50,000km Car Service	
Replacement of Engine Oil	
Front & Rear Brakes Inspection	
Replacement of Filter	
<b>SUBTOTAL</b>	<b>80.00</b>
<b>SERVICE TAX @ 6%</b>	<b>4.80</b>

PART NAME	PART #	QTY	UNIT PRICE	AMOUNT (RM)
Engine oil	8598741	1	98	98.00
Filter	1238547	1	5	5.00
<b>SUBTOTAL</b>				<b>103.00</b>

Signature \_\_\_\_\_

TOTAL LABOUR      80.00  
TOTAL PARTS SUPPLIED      103.00  
TOTAL SERVICE TAX      4.80  
**TOTAL      187.80**

# CONTACT US

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