

## Malaysian Lower House passes Sales and Service Tax legislation

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### Executive summary

Following the reduction of the standard rate for Goods and Services Tax (GST) from 6% to 0%<sup>1</sup> and the planned introduction of the Sales Tax and Service Tax (SST) on 1 September 2018, the Lower House of the Malaysian Parliament has passed the SST bills and the GST revocation bill. The bills are currently being debated in the Senate.

This Alert summarizes the SST legislation.

### Detailed discussion

The proposed SST bills are largely similar to the legislation in place prior to the introduction of GST. This will be a positive development for businesses familiar with the taxes, particularly those required to be registered, to collect and pay, as in theory, this should make the short implementation period more manageable.

Based on the information released by the Royal Malaysian Customs Department (RMCD), the key points of the SST are:

- ▶ SST applies to locally manufactured and imported taxable goods (unless exempted), as well as certain prescribed services
- ▶ The sales tax rate is expected to be 5% or 10%, while the service tax is 6%

- ▶ SST is planned to be implemented with effect from 1 September 2018
- ▶ MySST system has been introduced to facilitate online SST registration and compliance

MySST portal is now assessable at <https://mysst.customs.gov.my>. Current GST registrants are able to check their SST registration on the MySST portal by providing the following information/details:

- ▶ GST registration number/business registration number/ name of registered business
- ▶ Email address registered for GST purposes

The list of proposed taxable services includes a general comparison between the taxable services under the previous Service Tax legislation (which was in effect from 1975 to March 2015) and the taxable services proposed under the new Service Tax regime. There is also additional clarification on the scope of service providers and the taxable services which will fall under the ambit of the new Service Tax regime.

The key highlights include:

- ▶ The proposed registration threshold for operators of any restaurant, bar, snack bar, canteen, coffee house or any place which provides food and drinks, including caterers and food court operators, will be RM1,000,000 (US\$250,000) per annum
- ▶ The taxable services provided by certain taxable persons (e.g., hotels, restaurants, nightclubs) have been expanded from specified taxable services to all services

- ▶ The following services are not subject to Service Tax:
  - Services provided by private hospitals and veterinary clinics
  - Management services provided by developers, joint management bodies or management corporations to the owners of a building held under strata title
  - Management services provided by asset and fund managers
- ▶ The following services are now subject to Service Tax:
  - General insurance or *takaful* for consumers, excluding medical insurance or *takaful*
  - Betting and gaming services
  - Provision of electricity to domestic consumers, excluding the first 600kwh, for a minimum 28-day billing cycle
  - Domestic air passenger transport services, except those under the Rural Air Services Agreement
  - All types of IT services, excluding the sale of goods in connection with the provision of IT services and IT services in connection with goods or land outside Malaysia or where the subject matter relates to a country outside Malaysia

It is important to note that for services relating to goods or land outside Malaysia, the same would generally be treated as non-taxable services, subject to conditions which may otherwise be prescribed.

To access the abovementioned list, click on the list below:

- ▶ [List of proposed taxable services](#)

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## Endnote

1. See EY Global Indirect Tax Alert, [Malaysia imposes zero-rated GST effective 1 June 2018](#), dated 21 May 2018.

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