

RECENT UPDATES ON SERVICE TAX

September 2019 Edition

The Minister of Finance is scheduled to table the Budget 2020 in Parliament on 11 October 2019 and we foresee that there will be changes to the Sales Tax and Service Tax ("SST") legislation.

We will update you on the significant changes of the Budget 2020 in our October 2019 edition.

This month the Royal Malaysian Customs Department ("RMCD") issued amendments to the Service Tax legislation, with effect from 01 September 2019. The amendments are to provide clarity on the existing legislation.

We highlight the significant changes and our comments.

If you have any queries pertaining to service tax matters, please do not hesitate to contact:

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1. SERVICE TAX (AMENDMENT) REGULATIONS 2019

AMENDMENT / CHANGES	DESCRIPTION	COMMENTS
Regulation 6A	The value of taxable service is determined through a prescribed formula, where payment is made to machine or device operated by coins.	The addition to the regulation is to assist taxpayers to determine the valuation of taxable service, where payment is made to any machine or device operated by coins, tokens, etc.
Regulation 10 (1A)	Where a registered person provides taxable services, which qualifies for the Business to Business (B2B) exemption provided under Section 34 of the Service Tax Act 2014 (Minister's exemption), the registered person is required to include additional particulars in the invoice.	The registered person is required to include the additional particulars to avoid any non-compliance penalties.
Amendment of First Schedule – Paragraph 1A	Only one application for registration is required, if a taxable person provides two or more taxable services in different Groups and the value of these taxable services in each Group exceeds the threshold value prescribed.	RMCD has provided clarity on the application for registration for taxable person providing more than two taxable services.
Amendment of First Schedule – Paragraph 3A	Where a company in a group of companies acquires any taxable services under Group G, item (a) to (i) from any company within the group of companies outside Malaysia, it is not treated as imported taxable service.	Initially the Ministry of Finance provided a Minister's exemption under Section 34 of the Service Tax Act 2018, for imported taxable services.
Amendment of First Schedule – Paragraph 10	For the purpose of registration, any registered person who is exempted from charging and collecting service tax under the Business to Business (B2B) exemption is required to include the exempted value when computing the threshold.	RMCD has provided clarity that the value of taxable service exempted shall be included when registering for service tax.
Group G, Column (2), item (i), subitem (xiii)	Management service excludes tourism management services and logistics management services.	Taxpayers shall take note that the tourism management services and logistics management services are no longer taxable services with effect from 01 September 2019.
Group I, Item 11	The provision of services provided by an amusement park has been removed from the list of prescribed taxable services	
Group I, Item 13, Column (2)	The provision of cleaning service excludes laundry services using any machine or device operated by coins, tokens, or the like	RMCD has provided clarity that laundry services using any machine or device operated by coins in not treated as taxable services.

2. SERVICE TAX (IMPOSITION OF TAX FOR TAXABLE SERVICE IN RESPECT OF DA AND SA) (AMENDMENT) ORDER 2019

The new amendment to the order is the inclusion of item 6, whereby the provision of food and beverages in special areas provided by any night club, dance hall, cabaret or any place licensed under Excise Act 1976 as first / second / third class public house or first / second class beer house are treated as taxable services.

The RMCD has also issued the following Service Tax Policies on the changes to the Service Tax implications: –

1. Service Tax Policy No 1/2019

- Effective 01 September 2019, the following services are no longer treated as prescribed taxable services:
 - i. Logistics management services
 - ii. Tourism management services
 - iii. Amusement park services
 - iv. Cleaning services operated via coin operated laundry machine
- For the period from 01 January 2019 to 31 August 2019, the above services are exempted from services tax under Section 34 (3) of the Service Tax Act 2018.
- Taxpayers who provide the above services may make the following adjustments: –
 - a. If the services have been provided but invoices have yet to be issued, taxpayer shall issue an invoice without service tax.
 - b. If the invoices have been issued for the services but payment have yet to be received, taxpayer shall issue a credit note for the invoice issued.
- However, if payment have been received for the service provided, the service tax shall be remitted to RMCD and no refund is allowed.

2. Service Tax Policy No 2/2019

- With effect from 01 September 2019 until 31 August 2020, services imported into Labuan are given exemptions from accounting for service tax and payment of service tax.
- Exemption is subject to the following conditions:
 - i. Only on imported services acquired within the period of 01 September 2019 to 31 August 2020;
 - ii. Eligible to Labuan entities that carry out activities listed in the Labuan Business Activity (Requirements for Labuan Business Activity) Regulations 2018, whether or not it is a Service Tax registrant; and
 - iii. Only applicable to taxable services listed under Group G, First Schedule of the Service Tax Regulations 2018.
- Where service tax has been accounted for and paid on the above exempted taxable services, taxpayer may apply for refund of the service tax paid.