

Tax Alert

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Updates on Service Tax

The Service Tax (Amendment) Act 2019 has been gazetted recently on 9 July 2019. The main highlight of the amendment act is the introduction of Digital Service Tax which is expected to take effect from 1 January 2020.

What is Digital Service Tax?

- Digital Service Tax is a tax charged on any digital service provided by a foreign registered person to any consumer.
- Digital service means any service:-
 - that is delivered or subscribed over the internet or other electronic network,
 - which cannot be obtained without the use of information technology, and,
 - where the delivery of the service is essentially automated.



Liability to be registered

- A foreign service provider who provides digital service to a Malaysian consumer is liable to be registered for service tax at the following time, whichever is the earlier:
 - A. at the end of any month, where the total value of all digital services provided by him in that month and the eleven months immediately preceding that month has exceeded the threshold of RM500,000; or
 - B. at the end of any month, where there are reasonable grounds for believing that the total value of all digital services provided by him in that month and the eleven months immediately succeeding that month will exceed the threshold of RM500,000.

Registration before effective date

- A foreign service provider is liable to be registered three months before the expected effective date on 1 January 2020 if there are reasonable grounds that the total value of all digital services provided by him from January 2020 to December 2020 will exceed the threshold of RM500,000.
- Registration is expected to be available from 1 October 2019.

Issuance of invoice

- A foreign registered person is required to issue an invoice or document containing prescribed particulars to the consumer in respect to the digital service provided by him.

Return and payment of service tax

- A foreign registered person is required to file a prescribed return on a quarterly basis. The return is required to be furnished not later than the last day of the month following the end of the quarterly taxable period.
- Digital Service Tax is due at the time when the payment for the digital services is received by the foreign registered person during the quarters.

Transitional period

- For any digital service provided before the expected effective date of 1 January 2020 and the service is spanning the expected effective date, service tax shall be charged on the proportion of the digital service which is provided on and after 1 January 2020.
- Any payment received before the expected effective date of 1 January 2020 in connection with the provision of digital services that will be provided on or after 1 January 2020 is not subject to service tax.

Contact us

Should you have questions about this Tax Alert, please do not hesitate to contact our Tax Team in our respective offices.

KUALA LUMPUR

Mr Alan Chung
Level 11, Sheraton Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur
T +603 2692 4022
F +603 2721 5229
E alan.chung@my.gt.com

Other offices:

PENANG

Ms Gwendolyn Lau
51-8-A
Menara BHL Bank
Jalan Sultan Ahmad Shah
10050 Penang
T +604 228 7828
F +604 227 9828
E gwendolyn.lau@my.gt.com

JOHOR BAHRU

Ms Yau Chew Yin
Suite 28.01, 28th Floor
Menara Zurich
No. 15, Jalan Dato' Abdullah Tahir
80000 Johor Bahru, Johor
T +607 332 8335
F +607 332 2268
E chewyin.yau@my.gt.com

KUANTAN

Ms Han Siew Bueh
A-105A, 1st Floor
Sri Dagangan, Jalan Tun Ismail
25000 Kuantan
Pahang
T +609 515 6124
F +609 515 6126
E siewbueh.han@my.gt.com



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