



Tax Alert

Welcome to Tax Alert, Grant Thornton Malaysia's newsletter on the latest tax updates and information.

15 January 2020



Imported Taxable Service

Are you acquiring services from foreign service provider? Read on if you are.

Background

Sales tax and service tax, being the indirect tax prior to the introduction of GST, replaced GST in Malaysia with effect from 1 September 2018. Although they are separate taxes, they are widely known collectively as SST. Generally, sales tax applies to goods while service tax applies to services.

What is imported taxable service?

It is fundamental to know that not all services are taxable under the service tax regime. Only the prescribed services are taxable services.

These prescribed taxable services if acquired by a person in Malaysia from a foreign service provider is known as imported taxable services.

When is the effective date?

When service tax was re-introduced, services acquired from a foreign service provider are not subject to service tax. Imported taxable service is subject to service tax with effect from 1 January 2019. There are exemptions regulated recently that take effect from 1 January 2020.

What is the tax rate?

The applicable current tax rate is 6%.

Who is responsible to pay the service tax on imported taxable service?

Imported taxable service is imposed on business-to-business transactions. In line with this, the responsibility to charge and pay service tax on imported taxable service lies with the acquirer carrying on a business.

If the acquirer is a service tax registered person, he is required to declare the service tax on imported taxable services in his service tax return, i.e. Form SST-02.

I am not a service tax registered person

Service tax on imported taxable service is applicable to all businesses regardless of whether the acquirer is a service tax registered person.

Accordingly, the business acquirer who is a non-registered person is also required to declare and pay the service tax due but in a different prescribed return, i.e. Form SST-02A. A separate registration is required to enable the filing of the return.

When is service tax on imported taxable services due?

The service tax on imported taxable service is due on the earlier of:

- the payment is made; or
- the invoice is received.

Imported Taxable Service

Acquisition from foreign related company

Imported taxable service acquired from a foreign related company may not be subject to service tax if:

- the acquirer and provider are companies within the same group of companies as defined; and
- the imported taxable service is a selected professional taxable service.

Exemption of imported taxable service

Effective from 1 January 2020, the following categories of imported taxable services are exempted from service tax*:

- legal
- legal Islamic matters
- accounting
- surveying
- engineering
- architectural
- consultancy
- information technology
- Management
- electronic medium/digital services
- advertising

* Note: Conditions apply

What if the imported taxable service is a digital service?

Digital service provided by foreign service provider who is registered for service tax in Malaysia, to consumer in Malaysia is subject to service tax.

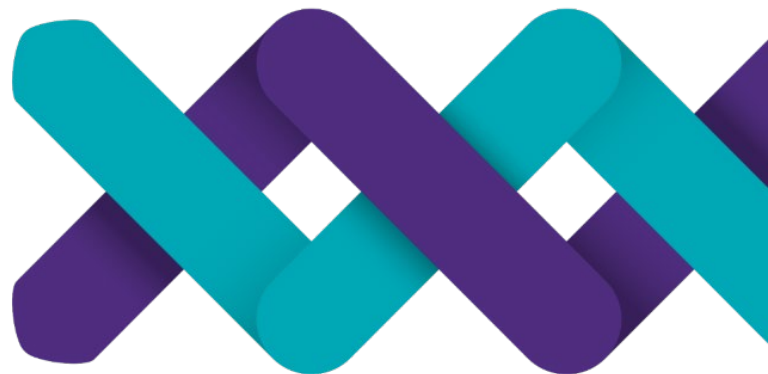
The consumer may be an individual or a business acquirer. From the perspective of a business acquirer, the digital service may also be an imported taxable service.

Consequently, the same transaction could be subject to service tax twice, i.e. when service tax is charged by the foreign service provider and charged by the business acquirer himself as an imported taxable service.

In order to eliminate the double taxation, the business acquirer* is entitled to a refund/offset of the service tax with effect from 1 January 2020.

How can Grant Thornton help?

Grant Thornton Malaysia PLT is able to provide specific local Malaysian SST advice and can assist with confirming local SST compliance requirements resulting from the above changes in legislation.



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

Senior Executive Director, Indirect Tax

Grant Thornton Malaysia PLT

T +60 (3) 2692 4022

E alan.chung@my.gt.com

Ms Chong Ee-Feng

Senior Manager, Indirect Tax

Grant Thornton Malaysia PLT

T +60 (3) 2692 4022

E eefeng.chong@my.gt.com



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