

Deloitte.



Indirect Tax Chat

Keeping you up to date on the latest news in the
Indirect Tax world

October 2018

Issue 10.2018

Quick links: [Contact us - Our Indirect Tax team](#)

Key takeaways:

1. [Amendments to the SST Regulations and Orders](#)
2. [SST Return and Payment](#)
3. [SST Technical Updates](#)

Greetings from Deloitte Malaysia's Indirect Tax team

Dear readers,

Welcome to the October 2018 edition of Indirect Tax Chat.

As we come to the close of the second full month since the introduction of the Sales and Service Tax (SST), we expect to see the first batch of businesses filing SST-02 Return soon. Depending on their reporting cycle, some businesses are required to file and lodge the September 2018 return by the end of this month.



However, plenty of uncertainty remains around the SST-02 Return, in particular on the level of information required and the online filing procedure. To their credit, the Royal Malaysian Customs Department (RMCD), has been keeping busy over the past week undertaking on-site taxpayer visits to conduct handholding sessions on the preparation of the SST-02 Return.

A number of taxpayers have also started to receive letters from RMCD regarding the conduct of the final GST Audit, and in particular requests to provide documentation and data. The information requested can vary from taxpayer to taxpayer but it will definitely be more comprehensive than a review of one or two returns. Furthermore, RMCD has also reported a total of RM1 billion collected through SST since its reintroduction, replacing the Goods and Services Tax (GST). Overall, RMCD is satisfied with the implementation of SST and has not faced any major issues to-date.

Other news that may interest you:

- RMCD has reported that over RM 1 billion has been collected thus far from the SST since 1 September 2018;
- A public relations consultant has suggested that international marketing communications firms will exit Malaysia if the cost of doing business here rises drastically as a consequence of 'double taxation' under the SST system;
- The construction industry has raised concerns that building costs will increase as a result of the SST. This is despite the tax exemptions on construction materials, as these exemptions only apply on steel bars and concrete, whereas most other items are still subject to a 5% or 10% tax. Unlike GST, which allowed input tax credits, the SST becomes a direct cost to the bottom-line;

- It was announced that from 15 November 2018, all supermarkets and grocery chain outlets nationwide are required to coordinate and set new prices for all types of goods for sale under the SST system. Datuk Mohd Roslan Mahayudin, director of enforcement for The Ministry of Domestic Trade and Consumer Affairs (KPDNHEP), stated that businesses were given a two-month leeway to make the necessary price adjustments from GST to SST.

To find out more about the 2019 National Budget soon to be tabled on 2 November 2018, keep a lookout for our Special Edition Indirect Tax update. We are expecting some significant announcements with respect to SST.

We look forward to bringing you more updates on indirect tax matters soon. Please do not hesitate to contact us if you have any queries, comments or require our assistance.

Best regards,

Tan Eng Yew

Indirect Tax Country Leader

1. Amendments to the SST Regulations and Orders

Service Tax (Amendment) (No.2) Regulations 2018

Effective 9 October 2018, the provision of rental space services within a Food and Beverage establishment and the provision or sale of tobacco products by a taxable person registered under Group B (i.e. Food and Beverage) is not subject to service tax.

Sales Tax (Person Exempted From Payment of Tax) (Amendment) Order 2018

Effective 1 October 2018, Item 36 of Schedule A is amended to remove condition (g), whereby goods under this exemption are not required to be re-exported out of Malaysia within 3 months or such other period approved by the Director General.

Item 53 under Schedule A includes the purchase of packing and packaging materials from a licensed manufacturer under Section 65A of the Customs Act 1967 (e.g. licensed warehouse, licensed manufacturing warehouse).

Further, Item 54 under Schedule A is amended to include partially manufactured goods acquired from a free zone under the Free Zones Act 1990 and a licensed manufacturer under Section 65A of the Customs Act 1967 under the scope of sales tax exemption.

Item 57 under Schedule A includes goods manufactured by any manufacturer licensed under 65A of the Customs Act 1967 or by any manufacturer in the Free Industrial Zone under the Free Zones Act 1990 which are meant for export.

Deloitte's view

We are of the view that the amendments are in line with RMCD's intention to mitigate the impact of sales taxes towards export oriented businesses.

Sales Tax (Goods Exempted From Tax) (Amendment) (No.3) Order 2018

Effective 9 October 2018, Schedule A includes a wider variety of fish and seafood with the amendment of the exemptions under tariff heading 03.06 and 03.07. In addition, certain new items were also included under tariff heading 38.25 to be exempted from sales tax. However, with the additions made, some items were under tariff heading 38.24 were removed. The Order also serves to amend certain typos present in the original Order.

Note: Due to the extensive list of amendments made, please refer to this [link](#) for a copy of the Order above.

Sales Tax (Rates of Tax) (Amendment) (No.2) Order 2018

Effective 9 October 2018, the Order is amended to include new items into the First Schedule where the effective sales tax rate shall be 5% (these were previously subject to sales tax at 10%). Other minor additions and deletions were also made.

Note: Due to the extensive list of new inclusions of items, please refer to this [link](#) for a copy of the Order above for more details of the new inclusions.

Brought to you by:



Nicholas Lee
Associate Director
KL Office

[Back to top](#)

2. Sales and Service Tax Return and Payment

The first SST-02 Return is due at the end of the month, and the Sales and Service Tax Return and Payment Guide (as at 29 September 2018) provides some critical information in relation to the SST-02 Return.

The SST-02 Return is required to be furnished to the Director General (DG) not later than the last day of the month following the end of the taxable period. The registered person can submit the SST-02 Return electronically through the MySST Portal or by posting to the Customs Processing Centre (CPC). The SST-02 Return should be furnished whether there is tax to be paid or not (Nil Return). A registered person can only amend error(s) in the SST-02 Return furnished for that particular taxable period only if the tax due has not been made.

Any tax due in respect of a taxable period becomes payable not later than the last day on which the registered person is required to furnish the SST-02 Return.

Method of Payment of Sales & Service Tax

Payment of sales & service tax can be made:

- i. Electronically through the MySST system [Financial Process Exchange (FPX)]; or
- ii. Manually by cheque or bank draft only.

Any cash payment is not allowed.

i. Payment of Sales Tax & Service Tax Using FPX via the MySST System:

- The list of participating banks that offer FPX can be accessed via this [link](#).
- Only full payment can be made through online payment. Partial payment can only be made by cheque or bank draft.
- For Corporate Account payment (B2B) minimum payment is RM2 to maximum of RM10 million and Individual (B2C) minimum payment is RM1 to maximum of RM30,000. If the total paid amount exceeded the maximum limit, the payment must be made by cheque at Customs Processing Center.
- For payment via electronic service made after 11.30pm, it will be deemed to be received on the following day. If the last day falls on the Federal weekly holiday or Federal public holiday, the last day to make payment is on the day immediately after the Federal weekly holiday or the Federal public holiday.

ii. Payment of Sales Tax & Service Tax by Cheque or Bank Draft:

- For payment made by cheque or bank draft, the registered person must attach the printed SST-02 return and post to:

Customs Processing Center (CPC)

Jabatan Kastam Diraja Malaysia
Kompleks Kastam WPKL
No. 22 Jalan SS 6/3 Kelana Jaya
47301 Petaling Jaya, Selangor.

- Cheque or bank draft must be in the name of **KETUA PENGARAH KASTAM MALAYSIA**.
- The registered person is required to submit the return and make payment at the same time.
- Any manual payments made without submitting a SST-02 return will not be processed.
- The important information required on the back of the cheque:
 - Company Name – e.g. : XYZ Sdn Bhd
 - SST Number– e.g. : W24-YYMM-XXXXXXXX
 - Taxable Period – e.g. : 01.09.2018 – 31.10.2018
 - Telephone Number – e.g. : 03-8888 8888

Any registered person who fails to comply with the law of furnishing of returns and payment of tax due shall be guilty of an offense and can be fined up to a maximum of RM50,000.00 or a maximum of 3 years imprisonment or both. If no prosecution is instituted for the late payment of tax due, the registered person shall pay a penalty on the outstanding amount of 10% for first 30 days period, additional penalty of 15% for second 30 days period, additional penalty of 15% for third 30 days period and a maximum penalty of 40% after 90 days.

Brought to you by:



Ahmad Amiruddin
Ridha Allah
Manager
KL Office

[Back to top](#)

3. SST Technical Updates

To date, the following guides, the Guide on Management Services dated 25 August 2018 and the Guide on Telecommunications Service dated 21 August 2018, are withdrawn from the MySST website. Below are guides that have been revised or introduced recently.

Revised General Guide for Sales Tax (As At 25 September 2018)

The Guide revised Paragraph 124 to provide further clarification that not only registered manufacturers, but any person exporting taxable goods is eligible to apply for drawback.

Further, the inclusion of Paragraphs 143 and 153 in the Guide reflects the gazetted Orders of the Sales Tax (Imposition of Sales Tax in respect of Designated Areas) Order 2018 and the Sales Tax (Imposition of Sales Tax in respect of Special Areas) Order 2018 accordingly as the previous revision of the Guide did not include the two Orders.

Deloitte's view

The amendment in Paragraph 124 of the Guide is consistent Section 40 of the Sales Tax Act 2018 whereby the drawback for the full sales tax amount paid by any person (e.g. registered manufacturer, manufacturer, trader) in the course of exporting taxable goods is allowed.

Special Area Guide (As At 3 October 2018)

RMCD has recently released a guide with respect to the applicability of sales and service tax. The Guide provides extensive example scenarios with regards to the movement of goods to and from special areas. The Guide also includes scenarios involving registered manufacturers and non-registered persons (e.g. traders) and the related forms and documentations required.

Note: Due to the extensive list of scenarios presented, please refer to this [link](#) for a copy of the Guide above.

Deloitte's view

The example situations provided by the Guide is detailed, and provides further description of prescribed details in the documentation and the option of drawback, if applicable. However, example situations in the Guide provides a more simplistic business scenario. Example 2 of the Guide assumes that the importer and the trader are the same entity. However in practice, trading businesses tend to hire a third party to import the goods on their behalf before subsequently selling the goods to special areas.

Revised Customs Ruling Guide (As At 5 October 2018)

As stated in Section 43 and Section 42 of the Sales Tax Act 2018 and Service Tax Act 2018 respectively, business may apply for a Customs ruling in respect of determining the taxability of certain matters. Following this, RMCD has updated the Customs Ruling Guide with detailed guidance on how businesses may apply for a Customs Ruling. Kindly refer to this [link](#) for further guidance and clarification on the application process for the Customs Ruling.

Brought to you by:



Irene Lee
Associate Director
KL Office



Tan Lin Yen
Tax Assistant
KL Office

We invite you to explore other tax-related information at:
<http://www2.deloitte.com/my/en/services/tax.html>

To subscribe to our newsletter, please send us your request by [email](#).

[Back to top](#)

Contact us – Our Indirect Tax Team



Tan Eng Yew
Indirect Tax
Country Leader

etan@deloitte.com
+603 7610 8870



Senthuran Elalingam
Financial Services
Indirect Tax Leader Asia
Pacific

selalingam@deloitte.com
+603 7610 8879



Wong Poh Geng
Director

powong@deloitte.com
+603 7610 8834



Chandran TS Ramasamy
Director

ctsramasamy@deloitte.com
+603 7610 8873



Larry James Sta Maria
Director

lstamaria@deloitte.com
+603 7610 8636



Irene Lee
Associate Director

irlee@deloitte.com
+603 7610 8825



Nicholas Lee
Associate Director

nichlee@deloitte.com
+603 7610 8361



Wendy Chin
Senior Manager

wechin@deloitte.com
+603 7610 8163

Name	Email address	Telephone
Leong Wan Chi Manager	wanleong@deloitte.com	+603 7610 8549
Ahmad Amiruddin Ridha Allah Manager	aamiruddin@deloitte.com	+603 7610 7971
Eliza Azreen Kamaruddin Manager	eazreen@deloitte.com	+603 7610 7271
Atika Hartini Suharto Assistant Manager	asuharto@deloitte.com	+603 7610 7986
Emeline Tong Assistant Manager	emtong@deloitte.com	+603 7610 8733
Hazell Neoh Assistant Manager	hneoh@deloitte.com	+603 7610 8059

Other offices

Name	Email address	Telephone
Susie Tan Johor Bahru and Melaka	susietan@deloitte.com	+607 268 0851
Everlyn Lee Penang	evelee@deloitte.com	+604 218 9913
Lam Weng Keat Ipoh	welam@deloitte.com	+605 253 4828
Philip Lim Kuching and Kota Kinabalu	suslim@deloitte.com	+608 246 3311

[Back to top](#)

Deloitte.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities. DTTL (also referred to as “Deloitte Global”) and each of its member firms are legally separate and independent entities. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

Deloitte is a leading global provider of audit and assurance, consulting, financial advisory, risk advisory, tax and related services. Our network of member firms in more than 150 countries and territories serves four out of five Fortune Global 500® companies. Learn how Deloitte’s approximately 286,000 people make an impact that matters at www.deloitte.com.

About Deloitte Southeast Asia

Deloitte Southeast Asia Ltd – a member of Deloitte Touche Tohmatsu Limited comprising Deloitte practices operating in Brunei, Cambodia, Guam, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam – was established to deliver measurable value to the particular demands of increasingly intra-regional and fast growing companies and enterprises.

Comprising approximately 340 partners and 8,800 professionals in 25 office locations, the subsidiaries and affiliates of Deloitte Southeast Asia Ltd combine their technical expertise and deep industry knowledge to deliver consistent high quality services to companies in the region.

All services are provided through the individual country practices, their subsidiaries and affiliates which are separate and independent legal entities.

About Deloitte in Malaysia

In Malaysia, services are provided by Deloitte Tax Services Sdn Bhd and its affiliates.

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively, the “Deloitte Network”) is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this communication.