

RSM Indirect Tax Update

January 2019

1. Service Tax Exemption on Business to Business (B2B) transactions under the Service Tax (Persons Exempted from Payment of Tax) Order 2018.

- a) The exemption is applicable for service tax registered person in Group G who acquires the following taxable services under Group G from another service tax registered person: -
- i. Item (a) – Legal Services;
 - ii. Item (b) – Legal Services on Islamic matters;
 - iii. Item (c) – Accounting Services;
 - iv. Item (d) – Surveying Services;
 - v. Item (e) – Engineering Services;
 - vi. Item (f) – Architectural Services;
 - vii. Item (g) – Consultation Services;
 - viii. Item (h) – Information Technology Services; and
 - ix. Item (i) – Management Services.

Note: The above exemption excludes taxable services under item (j)– Employment Services and item (k) – Private Agency

- b) This exemption is also applicable for service tax registered person under item 8 of Group I (advertising services) who acquires taxable services under item 8 of Group I from another service tax registered person.

2. Service Tax Exemption on Imported Taxable Service in Group G

The exemption will be applicable to any company in Malaysia who acquires taxable services under Group G item (a) to (i) from any company within the same group of companies outside of Malaysia.

3. Clarification on Management Services under Group G (Professionals)

The provision of management services as per item i of Group G has been listed as follows:-

- i. Project management services, full or part of the project;
- ii. Tourism management services;
- iii. Logistics management services;
- iv. Maintenance management services;
- v. Warehousing management services;
- vi. Collection and debt management services;
- vii. Car park management services;
- viii. Sports facilities management services;
- ix. Secretarial facilities management services;
- x. Any management services other than specified in (i) to (ix) above made on behalf of another person

However, the above management services exclude services in connection with-

- Goods or land outside Malaysia; or
- Matters outside of Malaysia other than matters specified in (a).

[RSM Comment: The previous guideline on management services has been withdrawn. The above is to provide clarity on the provision of management services.]

4. Additional Taxable Services in Group I (Other Service Providers) and Group G (Professional Services)

4.1 Taxable services have been expanded by inserting the following new services: -

- Group I (Other Service Providers)-
 - Amusement park services,
 - Brokerage and underwriting services,
 - Cleaning services.
- Group G (Professional Services)-
 - Training or coaching services under Consulting Service

4.2 The threshold for the above taxable services is RM500,000 in a year.

4.3 Registration and Charging for the New Taxable Services

- Any person who provides the new taxable services before 1st January 2019 shall apply for registration not later than 28th February 2019 in accordance with Section 13 of the Service Tax Act 2018 if there are reasonable ground for believing that the total value of his taxable service provided in the month of January 2019 and eleven months immediately succeeding the month of January 2019 will exceed the total value of RM500,000.
- The registration will take effect from 1st March 2019.
- The registered person shall start charging service tax from 1st March 2019.

[RSM Comment: The RMCD's intention is to expand the scope of taxable services by introducing the new taxable services. The RMCD has also provided sufficient time frame for taxpayers to register for Service Tax by or before 28th February 2019 and the effective date to charge service tax is 1st March 2019.]

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