



SERVICE TAX 2018

**GUIDE ON :
ADVERTISING SERVICES**

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INTRODUCTION

1. Service Tax is a consumption tax governed by the Service Tax Act 2018 and its subsidiary legislation. The effective date of the Service Tax Act 2018 is 1 September 2018.
2. Service tax is imposed on prescribed services called “taxable services”.
3. A person who provides taxable services exceeding a specified threshold is required to be registered under the Services Tax Act 2018 and is known as a “registered person” who is required to charge service tax on his taxable services made to his customers.
4. The Guide is prepared to assist you in understanding the service tax treatment on paid television broadcasting services.

IMPOSITION AND SCOPE OF TAX

5. Effective 1 September 2018, under Group I, First Schedule of the Service Tax Regulations 2018, and the provision of paid television broadcasting services under prescribed circumstances is subject to service tax.

GENERAL OPERATIONS OF THE INDUSTRY

Overview of an Advertising Industry

6. For the purpose of this guide:
 - (i) Advertising is the business of producing and promulgating an advertisement. Such advertising activities generally involve advertiser, media owner or advertising agency.
 - (ii) Advertisement means an announcement or a notice to promote any product or services, or any other purpose and conveyed by or through any signage, image or sound disseminated through any medium for advertising purposes.
 - (iii) Advertiser is a person who place advertisements on his product,

services, events or announcement in order to target his customers or audience.

- (iv) The advertising agency is a person who provides any services related to advertising such as creative work, graphics and writing, design, creation of advertising campaigns and advertising placement includes selling of advertising space in any communication medium such as magazines, newspapers, billboards, radios and televisions, or other media.
- (v) The media owner is a person who owns the right of medium for advertisement. Media owners refer to the owner of the respective media such as:
 - (a) TV station
 - (b) Print media (e.g. newspaper, magazine)
 - (c) Radio
 - (d) Outdoor advertising (e.g. billboards, bus panels, taxi panels)
 - (e) Telecommunication (Mobile advertising through SMS, MMS and etc;)
 - (f) Online advertising through internet

TREATMENT OF SERVICE TAX ON ADVERTISING SERVICES

7. Any advertising services provided by advertising agency, media owner or any person who is a taxable person to an advertiser to place any advertisement for promulgation of products, services, events or announcements in Malaysia on any communication platform. The communication platform is as below:

- (i) The advertisement for hardcopy print such as newspapers, magazines or etc.;
- (ii) The advertisement for outdoor advertisements such as bus panels, taxi panels, bus stop shelters, billboards and etc.;
- (iii) Digital signage and floor graphic;

- (iv) Mobile advertisement through sms,mms and etc;
- (v) The advertisement for broadcasting in television and radio; or
- (vi) The advertisement for online advertising via internet.

is subject to service tax at the rate of 6% excluding any advertising services for promotion outside Malaysia.

8. In advertising industry, advertising agency will propose the best combination of media including placement of an advertisement, advertising method, design, graphic, photography and etc. for advertiser to convey the message and achieve their marketing campaign objective

9. The value of advertising services is based on the actual selling price chargeable to the advertiser including all costs incurred in typesetting, formatting, printing and necessary technology to have the advertisement fitted into any medium of communication.

10. Usually, media owners or advertising agency who is a registered person and provide advertising services shall charge service tax on the actual price paid or to be paid service tax by the advertisers. The calculations of service tax is as follows:

Advertisement selling price	= RM 1,000
Add: Service Tax @ 6%	= RM 60
Total amount payable	= RM 1,060

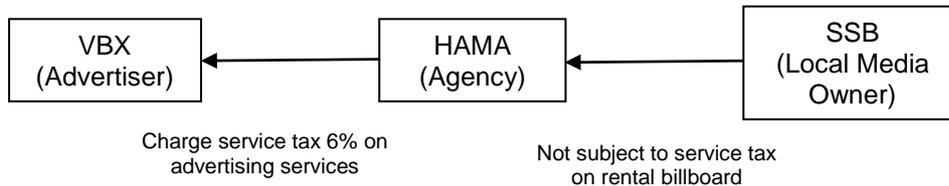
The total value shall be stated in invoice is **RM 1,060**

11. For the purpose of service tax, any advertising agency or media owner who provide advertising services which has been prescribed under Group I, First Schedule of Service Tax Regulations 2018 is a taxable services and subject to service tax.

Example 1:

Hadeeya Advertising Agency (HAMA) is an advertising agency rented a billboard located at Federal Highway from SSB Sdn Bhd (SSB) who is the owner of the billboard. The renting of the billboard by SSB to HAMA is not subject to service tax as the rental activities is neither taxable nor advertising

services. Later, VBX Sdn Bhd (VBX) who is an advertiser, has appoint HAMA to design advertisement on a billboard for promotion of their new products. Service tax is chargeable on the advertising services provided by HAMA to VBX.



REGISTRATION AND RESPONSIBILITIES OF A REGISTERED PERSON

12. A service provider reaching prescribed threshold of taxable services is required to be registered. For further guidance and details on registration including an auto-registration exercise, please refer to the *Service Tax Registration Guide*.

13. A registered person is responsible to:

- (i) Charge service tax on taxable services;
- (ii) Issue invoices and receipts with specific particulars;
- (iii) Submit service tax return SST-02 electronically and pay service tax before the due date; and
- (iv) Keep proper records.

For further information with regards to the responsibilities of a registered person, please refer to *General Guide* and relevant *Specific Guides*.

FREQUENTLY ASKED QUESTION (FAQs)

1. Q : **Hotel Maher which is based in Dubai intended to make an advertisement of its worldwide hotel chain in a Malaysian Television Broadcaster (media owner) for Malaysia audience. Is the sale of airtime for advertisement is subject to service tax?**

A : The sale of airtime for advertisement held in Malaysia is subject to service tax

2. Q : **I am a local advertising agency appointed by a local media owner to act on his behalf to look for advertisers to advertise their product in Malaysia. Do I have to account for service tax?**

A : The services of “search for advertiser” provided by the local advertising agency is not in the scope of the provision of advertising services in Malaysia. Therefore, it is not subject to service tax.

3. Q : **Do I have to account for service tax if I am a media owner located in Designated Area and provide billboard advertisement in Langkawi?**

A : Advertising services provided within or between Designated Area (Langkawi, Tioman and Labuan) are not subject to service tax. Therefore, you are not required to account for the service tax.

4. Q : **What is the service tax treatment if I am a service tax registered advertising agency in Malaysia who has been appointed by a foreign company to advertise their product for local market?**

A : Local advertising agency who provide advertising services in Malaysia is subject to service tax.

5. Q : **What is the treatment if a local company advertise his products directly to overseas newspaper without engaging advertising agency?**

A : Any advertisement to be advertised in overseas is not subject to service tax.

6. Q : **Letop Magazine (media owner) received monetary sponsorship from ZYX Sdn Bhd and in return the media owner provide advertising space in his magazine for free. Is the free advertising space subject to service tax?**

A : Any advertisement provided for free or with consideration published in any media in Malaysia is subject to service tax.

7. Q : **My company is a service tax registered person. I had transferred the right to use an advertisement space by rental basis which is attached to our building to advertising agency. Are the rental collected for the advertisement space is subject to service tax?**

A : The person who provides the right to use an advertising space but does not involve in providing any advertisement is considered to be not making an advertising service, therefore, it is not subject to service tax.

8. Q : **MG Bag Sdn Bhd (MG) is promoting his new product in the local market. He has appointed Hati Advertising Agency (HAA) to do all the advertising work including to advertise their product via FAD TV Broadcast (FAD). FAD as a media owner will issue an invoice amounting RM100,000.00 value for the airtime to MG. HAA will claim 10% commission from FAD on the services provided. Is the 10% commission to be included in the calculation of service tax? (Assume the service tax rate is at 6%).**

A : HAA should account for service tax based on the calculation as below:

Advertising Gross Value	RM100,000.00
Add: Service Tax @ 6%	RM 6,000.00
Net value	RM106,000.00
Less: Commission @ 10% (RM10,600.00)	

Amount payable RM 95,400.00

The amount of service tax to be accounted by FAD is RM6,000.00.

The commission shall be deducted after the calculation of service tax.

9. Q : Advertising agency or individual pay a fee to local authority to get a permit for billboard advertising. Is this fee subject to service tax?

A : The fees for this permit imposed by local authority is not subject to service tax because it is not an advertising services.

10. Q : Is the advertising fee charged by a government broadcaster such as RTM subject to service tax?

A : The advertising fees imposed by RTM is subject to service tax.

11. Q : A local manufacturer appoint a local advertising agency to promote his product worldwide through overseas media owner via internet. Is the provision of advertising services by the local advertising agency subject to service tax?

A : Yes, the advertising services provided by the local advertising agency is subject to service tax eventhough the media owner is situated outside of Malaysia.

INQUIRY

For any inquiries for this guide please contact:

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Royal Malaysian Customs Department
Level 3 - 7, Block A, Menara Tulus,
No. 22, Persiaran Perdana, Presint 3,
62100 Putrajaya.

FURTHER ASSISTANCE AND INFORMATION ON SST

Further information on can be obtained from :

- (i) SST website : <https://mysst.customs.gov.my>
- (ii) Customs Call Center:
 - Tel : 03-7806 7200 / 1-300-888-500
 - Fax : 03-7806 7599
 - Email: ccc@customs.gov.my