



**SERVICE TAX 2018**

**GUIDE ON :  
INFORMATION TECHNOLOGY  
SERVICES**

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*The Guide on Information Technology Services at 26 August 2018 is withdrawn and replaced by the Guide on Information Technology Services revised as at 9 September 2018.*

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This information is intended to provide a general understanding of the relevant treatment under the Services Tax Legislation and aims to provide a better general understanding of taxpayers' tax obligations. It is not intended to comprehensively address all possible tax issues that may arise. While RMCD has taken the initiative to ensure that all information contained in this Guide is correct, the RMCD will not be responsible for any mistakes and inaccuracies that may be contained, or any financial loss or other incurred by individuals using the information from this Guide. All information is current at the time of preparation and is subject to change when necessary.

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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 1st 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 information technology services.

## IMPOSITION AND SCOPE OF TAX

5. Effective 1st September 2018, under Group G, Item 8, First Schedule of the Service Tax Regulations 2018, the provision of Information Technology Services are subject to service tax.

## TERMINOLOGY

6. The following words have these meanings in this guide unless the contrary intention appears:
  - (i) “**Designated Areas**” (DA) means Labuan, Langkawi and Tioman. (*Section 47, Service Tax Act 2018*);
  - (ii) “**Special Areas**” (SA) means any free zone, licenced warehouse and licenced manufacturing warehouse and Joint Development Area (*Section 52, Service Tax Act 2018*).

## **GENERAL OPERATIONS OF THE INDUSTRY**

### **Overview of Information Technology Services**

7. Information technology is the use of any computers, storage, networking and other physical devices, infrastructure and processes to create, process, store, secure and exchange all forms of electronic data.

### **CHARGING SERVICE TAX**

8. The rate of service tax shall be charged at the rate of 6%. In the case of provision of services for information technology, the value of the taxable service for the charging of service tax is the actual price of services charge to his clients.

9. Service tax on the supply will be charged at the point of services rendered.

### **SERVICE TAX TREATMENT FOR INFORMATION TECHNOLOGY SERVICES (ITS)**

10. Provision of all types of ITS excluding:

- (i) The provision or sales of goods in connection with the provision of the ITS;
- (ii) Provision of ITS in connection with:
  - (a) Goods or land situated outside Malaysia; or
  - (b) Other than matters relating to (a) outside Malaysia.

11. Service provider who provides ITS can be any individual, company, statutory bodies or government agencies where the place of business in Malaysia.

12. ITS provider within DA and within SA is not subject to service tax if the service provider's principal place of business is in DA.

13. Foreign ITS company that provides services to client in Malaysia is not subject to service tax.

14. ITS is subject to service tax which includes:
- (i) Develop or provide the software;
  - (ii) Develop or provide the computer system;
  - (iii) Maintenance of data, system or software;
  - (iv) Creation and maintenance of webpage;
  - (v) Update or renewal of data, system or software;
  - (vi) Charge on usage of cloud (storage) services;
  - (vii) Data centre services;
  - (viii) Subscription of data;
  - (ix) Security of data, system or software;
  - (x) Administrative fee for data, system or software;
  - (xi) Advisory or consultation for data, system or software;
  - (xii) Advisory or consultation for system development.

*Note : The list is not exhaustive.*

15. ITS is not subject to service tax which includes:
- (i) Maintenance of physical goods, computer, hardware and server

***Example 1***

*Company A provides hardware maintenance to Company B. Company A do not need to charge service tax on the hardware maintenance.*

*In some cases, company provides both hardware and software maintenance. If the company did not itemize hardware and software maintenance, both are subject to service tax.*

- (ii) Charge on storage of hardware and server
- (iii) Security of hardware and server
- (iv) Leasing or rental of computer, hardware and server
- (v) Installation of computer, hardware and server
- (vi) Service provide by call centre
- (vii) Retailer and distributor of software

***Example 2***

*Company A provides a license of an anti-virus software to Company B (the anti-virus software is belong to an oversea provider). Company A is considered as a retailer by providing the software to Company B but not develop the software. Thus, it is not subject to service tax.*

*Note : The list is not exhaustive.*

**REGISTRATION AND RESPONSIBILITIES OF A REGISTERED PERSON**

16. 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.

17. 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 due date: and
- (iv) Keep proper records.

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

## **FREQUENTLY ASKED QUESTIONS (FAQs)**

1. Q : **How to be a registered person?**

A : ITS provider who provides prescribed taxable services and having sales value more than RM500,000 have to apply for registration via online by submitting SST-01 form to MySST system. However, if the sales value of ITS is not exceeding RM500,000 but the total sales value of other services under Group G, First Schedule of the Service Tax Regulations 2018 is exceeding RM500,000, ITS provider is liable to register.

2. Q : **How to submit service tax return and make payment?**

A : A registered person needs to submit service tax return SST-02 Form and make payment via electronic (MySST) or by post to Customs Processing Centre in Kelana Jaya. The payment methods are either cheque or bank draft. For more information refer to *Return and Payment Guide*.

3. Q : **Does a registered person need to issue an invoice?**

A : Every transaction by a registered person must be issued with an invoice. However, the registered person can apply to use other documents to replace the invoice and but subject to approval by the Director General. For more information, please refer *General Guide*.

4. Q : **Is the webpage vendor services subject to service tax?**

A : The ITS from the vendor to client is subject to service tax.

5. Q : **Is the maintenance of server subject to service tax?**

A : The maintenance of server (hardware) is not subject to service tax.

6. Q : **A registered ITS company in Pahang has a branch in Labuan (DA) and providing ITS services within Labuan. Is the ITS subject to service tax?**

A : The branch in Labuan (DA) which provide ITS within Labuan is not subject to service tax provided that the invoice issued by the branch (DA).

7. Q : **A registered ITS company in Johor Bahru providing ITS within Langkawi. Is the service subject to service tax?**

A : ITS within Langkawi (DA) is subject to service tax.

## **INQUIRY**

For any inquiries for this guide please contact:

Internal Tax Division  
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 SST can be obtained from:

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

## SUMMARY OF DOCUMENT CHANGE

Version 2 – 9 September 2018

Para	Changes
Para 14(i)	Replaced the word “and” with “or”.
Para 14(ii)	Replaced the word “and” with “or”.
Para 15(i)	Add in Example 1: <b>Example 1</b> <i>Company A provides hardware maintenance to Company B. Company A do not need to charge service tax on the hardware maintenance. In some cases, company provides both hardware and software maintenance. If the company did not itemize hardware and software maintenance, both are subject to service tax.</i>
Para 15(v)	Add in “Installation of computer, hardware and server”
Para 15(vii)	Add in Example 2: <b>Example 2</b> <i>Company A provides a license of an anti-virus software to Company B (the anti-virus software is belong to an oversea provider). Company A is considered as a retailer by providing the software to Company B but not develop the software. Thus, it is not subject to service tax.</i>
FAQ 5	Add in the word “not” after the word is.
FAQ 6	Add in the word “provided that the invoice issued by the branch (DA)” after the word tax.
FAQ 7	Removed the word “not” after the word is.