



SALES TAX 2018

**GUIDE ON
SALES TAX EXEMPTION UNDER
ITEM 57, SCHEDULE A, SALES TAX
(PERSONS EXEMPTED FROM PAYMENT
OF TAX) ORDER 2018**

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INTRODUCTION

1. This guide is provided to assist business in understanding sales tax exemption under Item 57, Schedule A, Sales Tax (Persons Exempted from Payment of Tax) Order 2018.
2. Sales tax exemption under Item 57, Schedule A is given to any person approved by the Director General to purchase all goods locally manufactured or manufactured by any manufacturer licensed under Section 65A of the Customs Act 1967 or by any manufacturer in the Free Industrial Zone under the Free Zones Act 1990 for export to other countries by the approved person subject to the prescribed conditions.
3. Transportation of goods to the Designated Areas and Special Areas are not considered as export for the purposes of sales tax exemption under Item 57.

TERMINOLOGY

- | | | | |
|-------|--|---|---|
| (i) | Designated Areas | : | Labuan, Langkawi and Tioman. |
| (ii) | Free Industrial Zone
(FIZ) | | Any part of Malaysia declared under the provisions of subSection 3(1) of the Free Zone Act 1990 which is allowed to carry out manufacturing activities. |
| (iii) | Licensed
Manufacturing
Warehouse (LMW) | : | Licensed warehouse which carry on any manufacturing process under Section 65A of the Customs Act 1967. |
| (iv) | Registered
Manufacturer | : | A manufacturer registered under Section 13 or Section 14 of the Sales Tax Act 2018. |

- (v) Special Areas : Any Free Zone, Licensed Warehouse, LMW and the Joint Development Area.
- vi. Manufacture : In relation to goods other than petroleum, the conversion by manual or mechanical means of organic or inorganic materials into a new product by changing the size, shape, composition, nature or quality of such materials and includes the assembly of parts into a piece of machinery or other products, but does not include the installation of machinery or equipment for the purpose of construction as provided under Section 3 of the Sales Tax Act 2018.

In relation to petroleum, any process of separation, purification, refining, conversion and blending.

- vii. *Borang SST-ADM* : *Borang pengisytiharan cukai atau apa-apa amaun sebagai cukai atau apa-apa wang yang dikehendaki dibayar di bawah Akta Cukai Jualan 2018.*
- viii. *Laporan CJ(P) Jadual A-57A* : *Laporan Pembelian dan Pengeksportan Barang-Barang Yang Diberi Pengecualian Cukai Di Bawah Butiran 57, Jadual A, Perintah Cukai Jualan (Orang Yang Dikecualikan Daripada Pembayaran Cukai) 2018.*

CONDITIONS OF SALES TAX EXEMPTION

4. Conditions of sales tax exemption under Item 57, Schedule A, Sales Tax (Persons Exempted from Payment of Tax) Order 2018 are as follows: -

- (i) The goods exempted are all goods locally manufactured or manufactured by any manufacturer licensed under Section 65A of the Customs Act 1967 or by any manufacturer in the FIZ under the Free Zones Act 1990 for export to other countries;
- (ii) The goods are purchased from a registered manufacturer or from LMW or FIZ. Purchase of goods from LMW and FIZ are effective on 1 October 2018;
- (iii) The goods must be exported to other countries within six (6) months from the date of purchase by the person who has been given the exemption;
- (iv) If the goods are not exported within six (6) months from the date of purchase, the approved person shall be liable to pay all the taxes on the goods not exported;
- (v) The goods shall not be sold or disposed of in Malaysia except as approved by the Director General and upon payment of the appropriate tax;
- (vi) The approved person shall pay all the taxes on any goods that cannot be accounted for; and
- (vii) The approved person shall keep records or accounts of the goods purchased and exported. Such records or accounts shall be provided for inspection by any sales tax officer at any time.

TIME WHEN EXEMPTION OPERATES

5. The exemption from payment of sales tax on such persons shall take effect –
- (i) Where the exemption is subject to the production of a certificate as determined by the Director General :
 - (a) In respect of imported goods, at the time when the said certificate is produced to the proper officer of customs;
 - (b) In respect of locally manufactured goods, at the time when the said certificate is produced to the registered manufacturer;
 - (ii) In the case of other imported goods, when the proper officer of customs permits the importation of such goods;
 - (iii) In the case of other locally manufactured goods, when the goods are released for sales or disposed of otherwise than by sales by the registered manufacturer.
6. The exemption certificate number must be stated on the purchase invoice for the purchase of goods from a registered manufacturer, in Customs Form No. 9 for the purchase of goods from LMW and in Customs Form No. 1 for the purchase of goods from FIZ.
7. All purchase invoices must be on the approved person's name that has been granted the exemption only.

APPLICATION PROCEDURE OF SALES TAX EXEMPTION

Application of Exemption Certificate

8. All exemption applications shall be applied online. Applicant may refer to the system guide application for sales tax exemption under Schedule A through the MySST portal.

9. There are five (5) parts that are required to be filled in the application form:
 - (i) Part A : Applicant information
 - (ii) Part B : Information of the company's director/ authorized person
 - (iii) Part C : Supplier information
 - (iv) Part D : Description of goods (for purchase of goods other than vehicle)
 - (v) Part E : Description of vehicle (for purchase of vehicle only)

10. The exemption certificate is automatically generated once the application is submitted.

11. However, if the applicant submits an incomplete application form, the exemption certificate is invalid and cannot be used.

12. The applicant is not allowed to make any amendments to the information once the exemption certificate has been obtained. A new application should be submitted where necessary.

13. The exemption certificate will display the name of the company's director, manager, secretary or any other authorized person, identity card number and his designation. Signature is not required as the certificate is generated by the system in

accordance with the provisions of Regulation 29(2), Sales Tax Regulations 2018. However, the printed certificate may be signed by the authorized person, if necessary.

14. The applicant who has submitted the complete application form and obtained the exemption certificate through the MySST portal is considered as an approved person by the Director General subject to the prescribed conditions.

Description and Quantity of the Goods

15. The applicant must fill in Part D which is information of the goods tariff code, goods description and quantity of the goods applied. Whereas the goods value column is optional.

16. The quantity of the goods applied may include several consignments according to the applicant's requirement by estimating the quantity for a period of **six (6) months**.

17. For purchase of vehicle, the applicant must fill in Part E which contains information of the vehicle registration number, chassis number, engine number, brand, vehicle model and year of manufactured. Whereas the approximate value column is optional.

Validity Period of the Exemption Certificate

18. The validity period of the exemption certificate is **six (6) months** from the date of the sales tax exemption certificate. An example of exemption certificate is as in *Appendix 1*.

19. A person who has been granted the exemption has six (6) months to purchase all the quantity of the goods applied before the expiry date of the exemption certificate.

20. The exemption certificate does not need to be renewed or extended the validity period. If necessary, a new application shall be submitted.

Cancellation of the Exemption Certificate

21. The applicant may apply for cancellation of the exemption certificate (if necessary) by submitting the following documents either by hand or email to the SST Division of the controlling zone/ state:

- (i) Company's official letter;
- (ii) Application forms as in *Appendix 2*; and
- (iii) Acknowledgement letter as in *Appendix 3*.

DUTY OF THE APPROVED PERSON

22. The approved persons are required to prepare **Laporan CJ(P) Jadual A-57A** for **every three (3) months** from the date of the sales tax exemption certificate **until all the quantity of the goods purchased have been exported**.

23. Format of the report is as in *Appendix 4* which also can be downloaded from the MySST portal.

24. A complete Laporan CJ(P) Jadual A-57A, purchase invoices and Customs Form No. 2 must be submitted to the SST Division of the customs controlling station at the end of the following month after the end of each quarter for the purpose of balancing the purchase and export information.

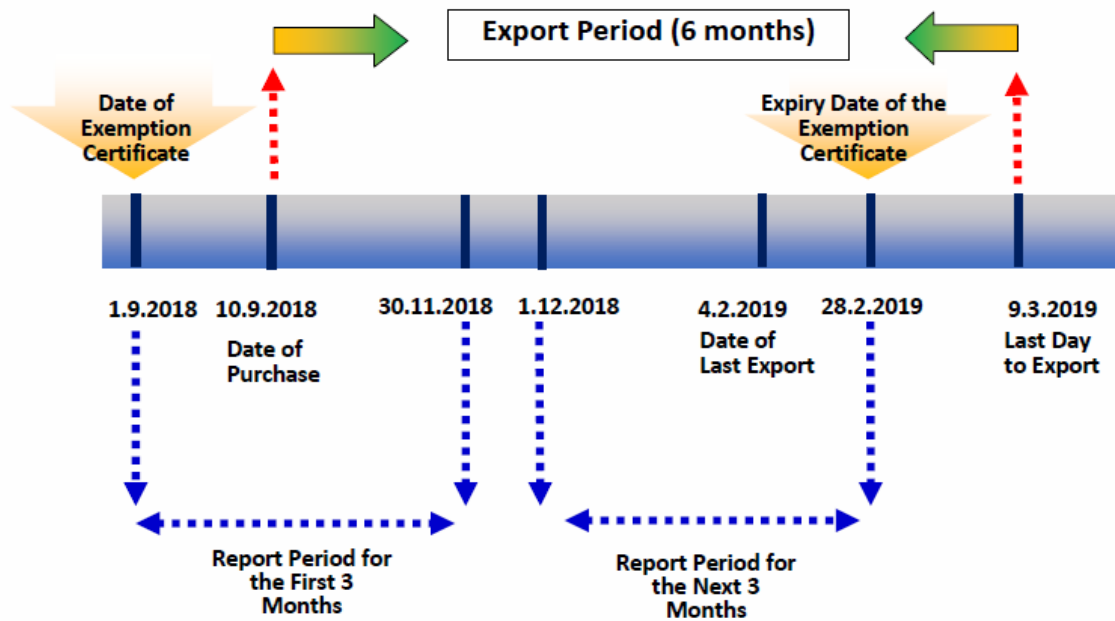
Period	Deadline for the Submission of Report
The first 3 months	By the end of the following month after the end of the first three (3) months period.
The next 3 months	By the end of the following month after the end of the next three (3) months period.
Other period	<p>If the exportation of goods is fully completed <u>before</u> the expiry date of the exemption certificate, the report <u>may</u> be submitted before or on the end of the following month after the date of last export.</p> <p>If the exportation of goods is fully completed <u>after</u> the expiry date of the exemption certificate, the report <u>must</u> be submitted by the end of the following month after the date of last export.</p>

Table 1: Submission Period of Laporan CJ(P) Jadual A-57A

Example 1:

Date of exemption certificate : 1 Sep 2018
 Expiry date of exemption certificate : 28 Feb 2019
 Date of purchase : 10 Sep 2018
 Last day to export : 9 Mar 2019
 Date of last export * : 4 Feb 2019

** With assumption that all the quantity of the goods purchased are fully exported*



Period	Report Period	Deadline for the Submission of Report
The first 3 months	1 Sep 2018 – 30 Nov 2018	31 Dec 2018
The next 3 months	1 Dec 2018 – 28 Feb 2019	31 Mar 2019

25. If the exportation is completed **before the expiry date** of the exemption certificate, the report may be submitted before or on the end of the following month after the date of last export.

Example 2:

Date of exemption certificate : 1 Sep 2018
 Expiry date of exemption certificate : 28 Feb 2019
 Date of purchase : 10 Sep 2018
 Last day to export : 9 Mar 2019
 Date of last export * : 15 Dec 2019

* With assumption that all the quantity of the goods purchased are fully exported

Period	Report Period	Deadline for the Submission of Report
The first 3 months	1 Sep 2018 – 30 Nov 2018	31 Dec 2018
Other period	1 Dec 2018 – 31 Dec 2019	31 Jan 2019

26. If the exportation is completed **after the expiry date** of the exemption certificate **but before the last day to export**, the report must be submitted for every three (3) months until all the quantity of the goods purchased are finished exported. The last report must be submitted by the end of the following month after the date of last export.

Example 3:

Date of exemption certificate : 1 Sept 2018
 Expiry date of exemption certificate : 28 Feb 2019
 Date of purchase : 10 Sep 2018
 Last day to export : 9 Mar 2019
 Date of last export * : 2 Mar 2019

** With assumption that all the quantity of the goods purchased are fully exported*

Period	Report Period	Deadline for the Submission of Report
The first 3 months	1 Sep 2018 – 30 Nov 2018	31 Dec 2018
The next 3 months	1 Dec 2018 – 28 Feb 2019	31 Mar 2019
Other period	1 Mar 2019 – 31 Mar 2019	30 Apr 2019

27. If the exportation is completed **after the expiry date** of the exemption certificate **and after the last day to export**, the report must be submitted for every

three (3) months until all the quantity of the goods purchased are finished exported. The last report must be submitted by the end of the following month after the date of last export. However, the company shall be liable to **pay all the sales tax on the goods that are not exported within six (6) months from the date of purchase.**

Example 4:

Date of exemption certificate : 1 Sept 2018
 Expiry date of exemption certificate : 28 Feb 2019
 Date of purchase : 10 Sep 2018
 Last day to export : 9 Mar 2019
 Date of last export * : 5 Mei 2019

* With assumption that all the quantity of the goods purchased are fully exported

Period	Report Period	Deadline for the Submission of Report
The first 3 months	1 Sep 2018 – 30 Nov 2018	31 Dec 2018
The next 3 months	1 Dec 2018 – 28 Feb 2019	31 Mar 2019
Other period	1 Mar 2019 – 31 Mei 2019	30 Jun 2019

RECOVERY OF SALES TAX

28. Under Section 35(5) of the Sales Tax Act 2018, where any person who is exempted fails to comply with any conditions to which the exemption relates, sales tax shall become due and payable by the person on the date on which any of the conditions failed to be complied with.

29. The company shall report any breach of exemption conditions which involves refund of sales tax via **Borang SST-ADM** as in *Appendix 5*.

30. Borang SST-ADM and its attachments (where applicable) shall be completed and signed in two (2) copies.

31. The company must submit the **Borang SST-ADM** and its attachments to the SST Division of the customs controlling station for form registration, revision and payment code determination.

32. Upon registration, the company must go to the nearest designated cashier's counter for payment and receipt purposes. Payments shall be made in cheque/ bank draft in the name of the **Ketua Pengarah Kastam Malaysia**.

33. The company must obtain KEW.38 payment receipt or Borang AM115 from the cashier with the original copy of the form for the purposes of payment record. Another copy shall be deposited by the cashier for submission to the SST Division of the customs controlling station.

FIRE, NATURAL DISASTER, THEFT AND LOSS

34. The company shall lodge a report with regards to any fire, natural disaster, theft and loss involving the goods purchased with exemption not later than fourteen (14) days from the date of occurrence to the SST Division of the customs controlling station.

35. The report should include details of the goods, quantities and sales tax involved, together with a fire investigation report from the Fire and Rescue Department and a police report from the Royal Malaysia Police. If a fire investigation report has not been received, the company may submit it (fire investigation report) later but must lodge a report to the customs controlling zone/ station within fourteen (14) days.

CIVIL CASE AND COMPANY WINDING UP

36. The company shall notify in writing to the SST Division of the controlling zone/ state within fourteen (14) days after the occurrence of one of the following:

- (i) A resolution for a company winding up;
- (ii) An order is made for the winding up of the company;
- (iii) Appointment of a liquidator or receiver is made; and
- (iv) The company's director/ company is involved in any case of civil claims, bankruptcy, dismissal, business closure and so on.

EVASION OF SALES TAX

37. Under Section 86(1) of the Sales Tax Act 2018, any person who with intent to evade or to assist any other person to evade sales tax is committing an offence if:

- (i) Omits from return any information in relation to any matter affecting the amount of sales tax chargeable by him or other person;
- (ii) Makes any false statement or entry in any return, claim or application;
- (iii) Gives any false answer, whether in writing or otherwise, to any question asked or request for information;
- (iv) Prepares or maintains any false book of accounts, false invoices or other false records; or
- (v) Makes, uses or authorizes the use of any fraud, artifice or contrivance.

38. If convicted to an offence, be liable:
- (i) For the first offence, a fine of not less than ten (10) times and not more than twenty (20) times the amount of sales tax or to imprisonment for a term not exceeding five (5) years or to both; and
 - (ii) For a second or subsequent offence, a fine of not less than twenty (20) times and not more than forty (40) times the amount of sales tax or to imprisonment for a term not exceeding seven (7) years or to both.

FREQUENTLY ASKED QUESTIONS

1. Q : **Who is eligible to apply sales tax exemption under Item 57?**
A : Any person can apply for the sales tax exemption subject to the prescribed conditions.

2. Q : **Does the exemption certificate have a validity period?**
A : Yes. The validity period of the exemption certificate is six (6) months from the date of the sales tax exemption certificate.

3. Q : **What does the validity period means?**
A : It means that a person who has been granted the exemption has six (6) months to purchase all the quantity of the goods applied before the expiry date of the exemption certificate.

4. Q : **I bought goods from a registered manufacturer with sales tax exemption. Can I sell the goods to LMW?**
A : Sell of goods to LMW, to any other Special Area or to Designated Area are not allowed under Item 57. If you want to sell the goods to Special Area or Designated Area, you shall pay all the taxes on the goods that have been given exemption via Borang SST-ADM.

5. Q : **Am I eligible to enjoy the sales tax exemption if the goods are purchased from LMW?**
A : Yes. Exemption on purchase of goods from LMW and FIZ are effective on 1 October 2018. Thus, purchase of goods from LMW and FIZ from 1 September 2018 to 30 September 2018 are not eligible for sales tax exemption under Item 57.

6. Q : **Can I do manufacturing activities on the goods purchased with sales tax exemption under Item 57 prior to export?**

A : The goods purchased with exemption are not allowed to be used in manufacturing activities including repacking of bulk goods into smaller packages before they are exported. This is because the exemption condition states that the goods exported must be the same as those (goods) purchased with the sales tax exemption.

7. **Q : I want to buy a goods from a registered manufacturer with exemption. Later, I will sell the goods to my related company and the related company will export the goods to China? Can I enjoy sales tax exemption under Item 57 on the goods?**

A : Goods purchased with exemption under Item 57 must be exported to other countries by the person who has been given the exemption only. Export by other parties is considered as a breach of exemption conditions and the person shall pay all the taxes on the goods involved.

8. **Q : Do we need to submit reports for the use of exemption under Item 57?**

A : Yes. A company has to prepare Laporan CJ(P) Jadual A-57A for every three (3) months from the date of the sales tax exemption certificate until all the quantity of the goods purchased have been exported.

9. **Q : What shall I do if the goods purchased with exemption are not exported within 6 months from date of purchase and subsequently the goods are sold locally?**

A : Any person who has been granted exemption on the goods purchased shall be liable to pay all sales tax on the goods that are not exported within 6 months or sold locally.

INQUIRY

For any inquiries for this guide please contact:

Internal Tax Division (SST)
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://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