



SST IMPLEMENTATION BRIEFING SESSION

SALES TAX IMPLEMENTATION MODEL



Royal Malaysian Customs Department

Sales Tax Legislation

Act

- Sales Tax Act 2018

Regulations

- Sales Tax Regulations 2018
- Sales Tax (Customs Ruling) Regulations 2018
- Sales Tax (Determination of Sale Value of Taxable Goods) Regulations 2018
- Sales Tax (Compounding of Offences) Regulations 2018

Order

- Sales Tax (Total Sale Value of Taxable Goods) Order 2018
- Sales Tax (Rates Of Tax) Order 2018
- Sales Tax (Goods Exempted From Tax) Order 2018
- Sales Tax (Persons Exempted From Payment of Tax) Order 2018
- Sales Tax (Exemption From Registration) Order 2018
- Sales Tax (Imposition of Sales Tax In Respect Of Designated Areas) Order 2018
- Sales Tax (Imposition of Sales Tax In Respect Of Special Areas) Order 2018

Appointment of Date of Coming Into Operation



SCOPE AND CHARGE

Sales tax is a tax **charged and levied** –

- on taxable goods **manufactured in Malaysia** by a registered manufacturer and **sold, used or disposed of** by him;
- on taxable goods **imported into Malaysia** by any person; or
- **work performed** on goods manufactured by a registered manufacturer (**subcontractor**).

Note : Malaysia excludes designated area and special area



SCOPE AND CHARGE

Sales tax is **not charged** on:

- locally manufactured or imported goods listed under Sales Tax (**Goods Exempted From Tax**) Order 2018;
 - on taxable goods sold or disposed of other than by sale **in DA/SA**;
 - on taxable goods **imported** from a place outside Malaysia (overseas) **or transported** from Malaysia (PCA) **to DA/SA** by any person.
- certain **manufacturing activities** are **exempted** by Minister of Finance through Sales Tax (Exemption From Registration) Order 2018.

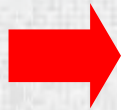
Note : Malaysia excludes designated area and special area



HOW SALES TAX WORKS?



Manufacturer



Wholesaler



Retailer



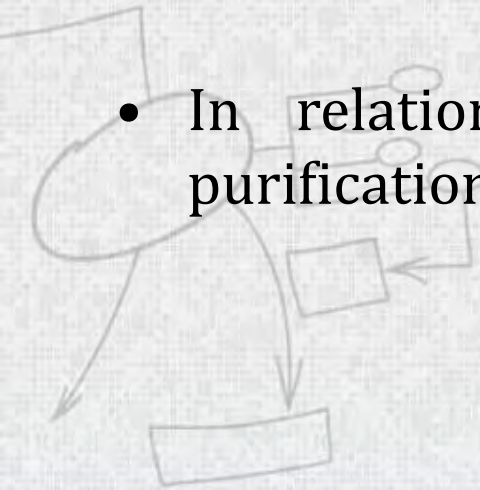
Consumer

Government collects tax at the manufacturer's level only

Element of sales tax embedded in the price paid by consumer

MANUFACTURE

- **Manufacture** defines as a conversion of materials by manual or mechanical means 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. However, manufacture does not include the installation of machinery or equipment for the purpose of construction.
- In relation to petroleum, any process of separation, purification, conversion, refining and blending.



MANUFACTURE

- **Machineries**

The machine is a mechanical or electrical device that transmits or alters energy to perform or assist the execution of human duty and operate locally.

- **Equipment**

A set of physical goods or resources that works to equip something like a tool used in the operation, or all fixed assets other than the land and building of a business enterprise.

- **Raw materials**

Raw or processed materials that can be exchanged for manufacture, processing, or merging into new and useful products.

- **Component**

The part that serves to complement something.

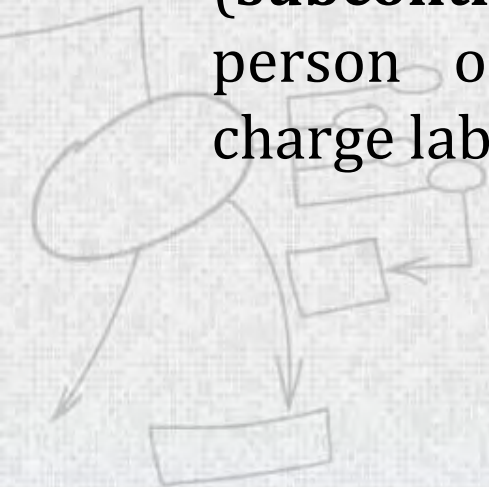
- **Packing materials**



MANUFACTURER

Manufacturer:

- Manufacturer who manufactures his own goods. Manufacturer charge on his manufactured goods.
- Manufacturer who manufactures other person's goods (**subcontractor**). Subcontract work on goods sent by any person or another manufacturer. Manufacturer only charge labor fee for work performed.



MANUFACTURER

- Manufacturer who manufactures taxable goods and is **liable to be registered**;
 - Manufacturers who manufactures taxable goods with **total sale value** exceeds RM500,000 within 12 months; or
 - Manufacturers who carry out sub-contract work on taxable goods where the **total VALUE of work performed** exceeds RM500,000 for 12 months.
- Registered Manufacturer under Sales Tax Act 2018.
 - mandatorily registered : Section 12 and 13
 - voluntarily registered : Section 14

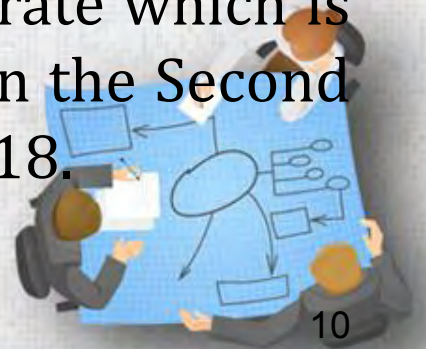


TAXABLE GOODS AND RATES OF TAX

Goods which are **not exempted** by Minister of Finance through Sales Tax (Goods Exempted From Tax) Order 2018 will be charged sales tax at **various rates** prescribed.

Sales tax is an **ad valorem** tax and different rates apply (**5% and 10%**) based on group of taxable goods as indicated in the Sales Tax (Rates of Tax) Order 2018.

Sales tax for petroleum is charged on a **specific** rate which is different from other taxable goods as indicated in the Second Schedule of the Sales Tax (Rates of Tax) Order 2018.

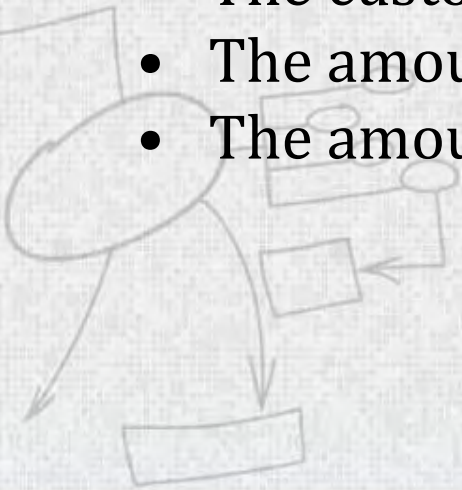


SALES TAX VALUATION

Sales value of **locally manufactured goods** will be determined based on Sales Tax (Determination of Sale Value of Taxable Goods) Regulations 2018.

Sales value of taxable goods **imported** into Malaysia represent the sum of the followings:

- The customs value;
- The amount of customs duty paid or to be paid;
- The amount of excise duty paid or to be paid.



SALES TAX VALUATION

Subsection 9(3) of the Sales Tax Act 2018

(Registered Manufacturer who is a subcontractor):

Where any registered manufacturer receives taxable goods from any person to be manufactured and subsequently returns the goods so manufactured to such person, **the sale value of the goods so manufactured** shall, subject to approval of the Director General, be the amount that the manufacturer charges for work performed by him.



SALES TAX REGISTRATION

Exemption From Registration

- *Manufacturer who manufactures exempted goods.
- Manufacturer who manufactures taxable goods below threshold.
- Sub-contractor who manufactures taxable goods with the value of work performed below threshold.
- Manufacturer who operates solely any one of the manufacturing activities that have been exempted from registration under Schedule A of the Sales Tax (Exemption from Registration) Order 2018 such as tailoring, optician or jeweller.

* Not eligible for voluntary registration



EXEMPTION

Exemption from Tax:

- **Goods – Sales Tax (Goods Exempted From Tax) Order 2018**
 - E.g. Live animals, unprocessed food, vegetables, medicines, machinery, chemicals, etc.

Exemption from Registration:

- **Activities – Sales Tax (Exemption from Registration) Order 2018**
- Manufacturing activities exempted from registration regardless of turnover
 - E.g. Tailor, Jeweler, Optician, engraving, vanishing table top, etc.



EXEMPTION

Exemption from Payment of Tax:

- **Persons –Sales Tax (Persons Exempted From Payment of Tax) Order 2018**
 - **Schedule A:** Class of person, e.g. Ruler of States, Federal or State Government Department, Local Authority, Inland Clearance Depot, Duty Free Shop
 - **Schedule B:** Manufacturer of specific exempted goods – exemption of tax on the acquisition of raw materials, components, packaging to be used in manufacturing activities
 - **Schedule C:** Registered Manufacturer – exemption of tax on the acquisition of raw materials, components, packaging to be used in manufacturing of taxable goods (replacing CJ5, CJ5A, CJ5B)

EXEMPTION

Exemption takes effect :

i. Imported goods (requires certificate of exemption)

When the certificate produced to the proper officer of sales tax (declaration of importation)

ii. Locally manufactured goods (requires certificate of exemption)

When the certificate produced to the registered manufacturer (billing / invoice)

iii. Imported goods

When the proper officer of sales tax released / approved the importation

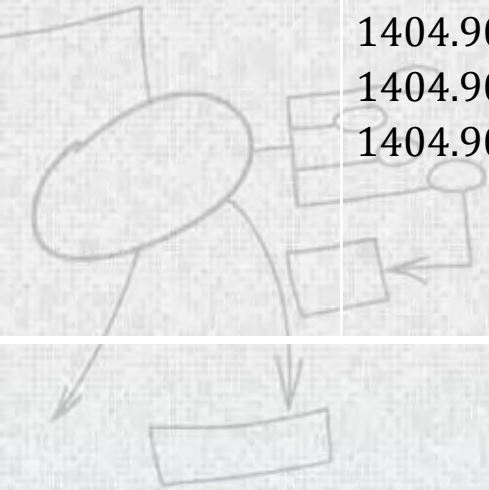
iv. Locally manufactured goods

When the goods are released for sales or disposed of by the registered manufacturer



EXEMPTION

(1) Heading	(2) Subheading	(3) Description
14.04	1404.20.00 00 1404.90 1404.90.20 00 1404.90.30 00 1404.90.91 00 1404.90.92 00 1404.90.99 00	Vegetable products not elsewhere specified or included. <ul style="list-style-type: none"> - Cotton linters - Other: <ul style="list-style-type: none"> - - Of a kind used primarily in tanning or dyeing - - Kapok - - Other: <ul style="list-style-type: none"> - - - Palm kernel shells - - - Empty fruit bunch of oil palm - - - Other



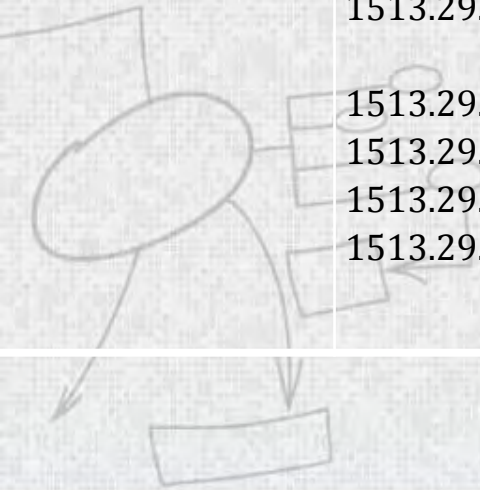
EXEMPTION

(1) Heading	(2) Subheading	(3) Description
15.11	1511.10.00 00 1511.90 1511.90.20 00 1511.90.31 00 1511.90.32 00 1511.90.36 00 1511.90.37 00 1511.90.39 00 1511.90.41 00 1511.90.42 00 1511.90.49 00	Palm oil and its fractions, whether or not refined, but not chemically modified. <ul style="list-style-type: none"> - Crude oil - Other: <ul style="list-style-type: none"> - - Refined oil - - Fractions of refined oil: <ul style="list-style-type: none"> - - - Solid fractions: <ul style="list-style-type: none"> - - - - With iodine value 30 or more, but less than 40 - - - - Other - - - Liquid fractions: <ul style="list-style-type: none"> - - - - In packing of a net weight not exceeding 25 kg - - - - Other, with iodine value 55 or more but less than 60 - - - - Other - - Fractions of unrefined oil: <ul style="list-style-type: none"> - - - Solid fractions - - - Other, with packing of a net weight not exceeding 25 kg - - - Other



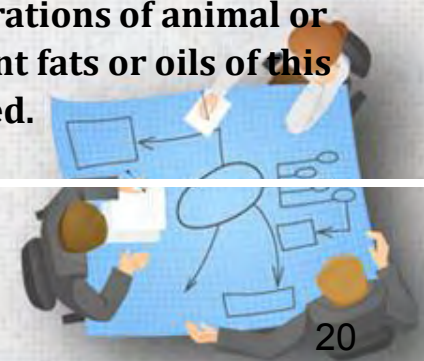
EXEMPTION

(1) Heading	(2) Subheading	(3) Description
15.13		<p>Coconut (copra), palm kernel or babassu oil and fractions thereof, whether or not refined, but not chemically modified.</p> <ul style="list-style-type: none"> - Palm kernel or babassu oil and fractions thereof: <ul style="list-style-type: none"> - Crude oil: <ul style="list-style-type: none"> - Palm kernel oil - Other: <ul style="list-style-type: none"> - Fractions of unrefined palm kernel oil or unrefined babassu oil: <ul style="list-style-type: none"> - Solid fractions of unrefined palm kernel oil - Other, of unrefined palm kernel oil (palm kernel olein) - Other: <ul style="list-style-type: none"> - Solid fractions of palm kernel oil - Palm kernel olein, refined, bleached and deodorized (RBD) - Palm kernel oil, RBD - Other, palm kernel oil
	1513.21	
	1513.21.10 00	
	1513.29	
	1513.29.11 00	
	1513.29.13 00	
	1513.29.91 00	
	1513.29.94 00	
	1513.29.95 00	
	1513.29.96 00	



EXEMPTION

(1) Heading	(2) Subheading	(3) Description
15.16		Animal or vegetable fats and oils and their fractions, partly or wholly hydrogenated, inter-esterified, re-esterified or elaidinised, whether or not refined, but not further prepared.
15.17		Margarine; edible mixtures or preparations of animal or vegetables fats or oils or of fractions of different fats or oils of this Chapter, other than edible fats or oils or their fractions of heading 15.16.
15.18		Animal or vegetable fats and oils and their fractions, boiled, oxidised, dehydrated, sulphurised, blown, polymerised by heat in vacuum or in inert gas or otherwise chemically modified, excluding those of heading 15.16; inedible mixtures or preparations of animal or vegetable fats or oils or fractions of different fats or oils of this Chapter, not elsewhere specified or included.



FACILITIES

Sales Tax Act 2018:

- Section 40
- Section 54 (DA)
- Section 61 (SA)

Sales Tax Regulations 2018:

- Regulation 17



SPECIAL RULES

Treatment in Designated Area (DA)

Designated Area (Part VIII : DA excluded from Malaysia)	Labuan, Langkawi and Tioman
Manufacturing activities in DA	Sales Tax Act 2018 (Section 49) does not apply to DA except for petroleum
Importation into DA (world to DA)	Exemption from Sales Tax except wine, spirit, beer, malt liquor, tobacco, tobacco products and; <ul style="list-style-type: none">- Langkawi: marble, anchovies, and petroleum- Tioman: motor vehicles, and petroleum- Labuan: petroleum
Transportation of Goods	<ul style="list-style-type: none">- From PCA to DA – deemed export, no sales tax- From DA to PCA – deemed import, subject to sales tax- Between and within DA – no sales tax- From DA to SA* – no sales tax

SPECIAL RULES

Treatment in Special Area (SA)

Special Area (Part IX : SA excluded from Malaysia)	Free Zone, Licensed Warehouse, Licensed Manufacturing Warehouse and Joint Development Area (JDA)
Manufacturing activities in SA	Sales Tax Act 2018 (Section 56) does not apply to SA
Importation into SA (world to SA)	Generally not subject to Sales Tax except for goods imported in the free zone which may be subjected to Sales Tax provided in the Sales Tax (Imposition of Sales Tax in respect of Special Areas) Order 2018
Transportation of Goods	<ul style="list-style-type: none"> - From PCA to SA – deemed export, no sales tax - From SA to PCA – deemed import, subject to sales tax - Between or within SA – no sales tax - From SA to DA – no sales tax

ACCOUNTING

Issuance of Invoices

- Mandatory for registered manufacturer who sells taxable goods
- Hard copy or electronically
- Containing prescribed particulars (Sales Tax Regulations 2018)
- Bahasa Melayu or English

Credit Notes and Debit Notes

- registered manufacturer is allowed to issue
- shall make an adjustment in his return
- shall contain the prescribed particulars



ACCOUNTING BASIS AND TAXABLE PERIOD

Accounting Basis

- Sales Tax
 - ❖ Accrual basis
- Sales Tax required to be accounted:-
 - ❖ At the time when the goods are sold, disposed of or used

Taxable Period

- Bimonthly basis (every 2 months)
- Specific basis

Filing Frequency	Taxable Period
First Taxable Period - Bimonthly	Sept -Oct 2018
Subsequent Taxable Period	Nov-Dec, Jan-Feb, Mar-Apr, May-Jun, Jul-Aug, Sep-Oct,
Specific Basis	subject to an approval from the Director General

RETURN

- Registered manufacturer has to declare SST return every two months according to the taxable period.
- SST Return has to be submitted not later than the last day of the following month after the taxable period ended.
- SST Return has to be submitted regardless of whether there is any tax to be paid or not.
- SST Return has to be submitted electronically or by post to Customs Processing Centre (CPC).



PAYMENT

- Payment of SST has to be made
 - Electronically; or
 - By cheque or bank draft, and posted to CPC.
- Late payment penalty **on the amount of sales tax not paid**
 - 10% - first 30 days period
 - 15% - second 30 days period
 - 15% - third 30 days period

Note:

Maximum penalty 40% after 90 days



RECORDS KEEPING

Records keeping:

- 7 years
- Bahasa Melayu or English
- To be kept in Malaysia, except permitted by DG to kept outside Malaysia
- Can be kept in soft or hard copy



Thank you!

Do you have any questions

