

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 even though the media owner is situated outside of Malaysia.