

FREQUENTLY ASKED QUESTIONS (FAQs)

1. **Q : What is the service tax implication on professional services?** A : For the purpose of service tax, professional services which are listed in the First Schedule of the Service Tax Regulations 2018 are subjected to service tax at the rate of 6%.

2. **Q : Is service tax chargeable on services which have been performed on project or job which was put on hold or cancelled?**
A : Service tax is chargeable on the proportion of the services which have been performed, even though the project or job was put on hold or cancelled.

3. **Q : As a registered person who provide professional services, how do I charge and account for service tax?**
A : As a registered person, service tax is chargeable on the services provided based on the value of the services performed including all charges in respect of miscellaneous expenses, cost of extra work, commissions, travelling or accommodation expenses, reimbursement, charges for normal copying and stationeries etc. As a registered person, you are required to account for service tax when payment is received according to the taxable period.

Example 10:

JB & Co who is a registered person provides architectural services to client B. The services started in 1 September 2018 and completed on 31 December 2018. An invoice issued shall include the value of services, commissions, miscellaneous expenses, cost of extra work, travelling and accommodation expenses, and other taxable services incurred. The date of completion of services i.e. on 31 December 2018 and payment received on 2 January 2019. Assuming the payment is received in January-February taxable period, JB & Co has to make payment and submit for service tax return before 31 March 2019.

4. **Q : Are the membership fees imposed by the professional bodies such as the Bar Council, Board of Engineers Malaysia, the Board of Architects Malaysia, the Malaysian Institute of Accountant and etc. subject to service tax?**

A : Any fees as regulated under any respective law and being imposed by any professional bodies are not subject to service tax.

5. **Q : If I am engaged by local firm to undertake an engineering project overseas, do I have to account for service tax?**

A : Any fees as regulated under any respective law and being imposed by any professional bodies are not subject to service tax.

6. **Q : Is sub-consultant who provides professional engineering consultancy services to prime consultant subject to service tax?**

A : Sub-consultant who is a registered person supplying professional engineering consultancy services to the prime consultant is required to charge and account for the service tax on his services.

7. **Q : Is service tax chargeable on deposit received from a client?**

A : Deposit received in the form of security is not subject to service tax. However, if the deposit received forms part of a payment, then it is subject to service tax.

8. **Q : How does service tax apply when I discount my billing?**

A : Service tax is chargeable on the discounted or reduced amount of services provided by a registered person.

Example 11:

Legal fees	=	RM5,000
Discount 10%	=	(RM500)
Discounted amount payable	=	RM4,500
Service tax @ 6%	=	RM 270
Total amount payable	=	RM4,770

9. **Q : What will happen if my customer does not pay me after I have issued an invoice for my completed work?**

A : Service tax is based on payment basis. If the payment is not received from the customer within a period of 12 months from the date of the invoice issued, you are required to account and make payment on the service tax according to the taxable period after the 12 months period ends.

10. **Q : Does local consultants obtaining services from foreign consultant required to account for service tax on the imported services?**

A : Imported services is not subjected to service tax.

11. **Q : If I provide legal services to a person outside Malaysia but the billing is charged and paid by a person in Malaysia. Do I have to account for service tax?**

A : The provision of legal services to a person outside Malaysia but billing is charged and paid by a person in Malaysia is not subject to service tax if it relates to land or goods situated outside Malaysia or where the subject matter relates to a country outside Malaysia.

12. **Q : Who has to account for service tax on legal services performed in Malaysia by a foreign legal practitioner registered in Singapore?**

A : The provision of legal services in Malaysia by a foreign legal practitioner is treated as imported services and not subjected to service tax.

13. **Q : What is the service tax treatment on the supply of legal services provided by a legal practitioner in Principal Customs Area (PCA) to a recipient in Designated Area (Langkawi, Tioman or Labuan)?**

A : A provision of legal services by a registered person in the Principal Customs Area to a recipient in Designated Area is subjected to service tax.

14. **Q : What is the service tax treatment on the provision of legal services provided by a registered legal practitioner in the Designated Area to a recipient in the Principal Customs Area?**

A : Legal services provided by a registered practitioner who resides in the Designated Area to a recipient in the Principal Customs Area is subjected to service tax.

15. **Q : Are legal services provided within or between the Designated Areas subjected to service tax?**

A : Legal services rendered within or between the Designated Areas are not subjected to service tax.

16. **Q : AA Company Berhad provide accounting services to his subsidiaries within the same group of companies. The value of the services is RM 600,000. Subsequently, AA Company Berhad entered into an agreement to provide accounting service to B**

A : If the management services provided by AA Company Berhad who hold more than 50% of shares and have the power to control his subsidiaries within the same group of companies, such services is not chargeable to service tax. However, if the accounting services is extended to BB Company Sdn Bhd who is not a member of the group of companies, the

accounting services provided to his subsidiaries and other company outside the group is subject to service tax. No apportionment is allowed.