Publication

Date: 23 August 2018.

Copyright Notice

Copyright 2018 Royal Malaysian Customs Department.

All rights reserved. Subject to the Copyright Act, 1987 (Malaysia).

The Guide may be withdrawn, either wholly or in part, by publication of a new guide.
No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form, including on-site for commercial purposes without written permission from the Royal Malaysian Customs Department (RMCD). In reproducing or quoting the contents, acknowledgment of source is required.

Disclaimer

This information is intended to provide a general understanding of the relevant treatment under Sales Tax and 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.
CONTENTS

INTRODUCTION .................................................................................................................. 1
SALES TAX CONCEPT ....................................................................................................... 1
MANUFACTURING ............................................................................................................... 1
AUTOMOTIVE INDUSTRY IN MALAYSIA ..................................................................... 2
A. ASSEMBLING OF CKD PACKS TO BE MANUFACTURED AS A CBU MOTOR
VEHICLE .......................................................................................................................... 3
B. IMPORT AND EXPORT OF CBU MOTOR VEHICLE ................................................. 5
  Import ............................................................................................................................... 5
  Export .............................................................................................................................. 6
RAW MATERIALS, COMPONENTS AND COMPLETELY KNOCKED DOWN (CKD)
PACK USED IN MANUFACTURING OF MOTOR VEHICLE .......................................... 6
  Raw materials and Components .................................................................................. 6
  Completely Knocked Down Pack ................................................................................ 7
EXEMPTION FACILITIES IN THE AUTOMOTIVE INDUSTRY .................................................. 8
SALES TAX (DETERMINATION OF SALES VALUE OF TAXABLE GOODS) ...................... 10
  Computation of Locally Manufactured CBU Motor Vehicle Value Base on Computed
  Value Valuation Method .............................................................................................. 14
  Calculation of Duty / Tax on Imported CBU Motor Vehicle ....................................... 15
FREQUENTLY ASKED QUESTIONS (FAQs) .................................................................... 17
INQUIRY ........................................................................................................................... 19
FURTHER ASSISTANCE AND INFORMATION ON SST ................................................ 19
INTRODUCTION

1. Sales Tax Act 2018, Sales Tax Regulations 2018 and other related Sales Tax Orders are implemented effective from 1 September 2018.

2. This guide is prepared to assist registered manufacturers and importers of motor vehicles in the automotive industry, in understanding matters pertaining to sales tax treatment on the activities of manufacturing, importation and transportation of motor vehicles, sales value and import value, in accordance with the policies and legislations related to sales tax.

SALES TAX CONCEPT

3. Sales tax administered in Malaysia is a single stage tax imposed on the finished goods manufactured in Malaysia and on goods imported into Malaysia.

4. Sales tax is imposed on taxable goods manufactured in Malaysia by any registered manufacturer, at the time the goods are sold, disposed of other than by sales or used other than as a material in the manufacture of goods.

5. Sales tax on imported goods is charged when the goods are declared and duty/tax paid at the time of customs clearance.

MANUFACTURING

6. As provided in Section 3 of the Sales Tax Act 2018, principles related to the definition of manufacturing are:
(i) Manufacturing is the process of changing the organic or inorganic materials manually or mechanically, into a new product by changing the size, shape, composition, properties or quality of the material;

(ii) Installation of tools and components into machines or equipment, such as the assembly of CKD packs into CBU motor vehicle or installation of air-condition unit into motor vehicle.

7. In the automotive industry, the franchise AP holder sent the CKD pack to a contract manufacturer (subcontractor) to be assembled or completed as a finished CBU motor vehicle. Contract manufacturer whose sales value in the period of 12 months, exceeds the threshold of RM500,000 is liable to be registered as a registered manufacturer.

AUTOMOTIVE INDUSTRY IN MALAYSIA

8. In the automotive industry, the franchise AP holder imports the Completely Knocked Down (CKD) pack and later send it to the contract manufacturer (CM) to be manufactured as a Completely Built Up (CBU) motor vehicle. The completed or finished CBU motor vehicle will subsequently be returned to the franchise AP holder or sent to a dealer appointed by the franchise AP holder, after the vehicle has been registered in the RMCD e-excise system and sales tax paid.

9. Automotive industry in Malaysia is divided into two segments that are:

(i) Importation of CKD pack by the franchise AP holder and CKD pack sent to a CM to be manufactured as a CBU motor vehicle.

(ii) Importation of new and used CBU motor vehicle by franchise AP holders, open AP holders or other individuals eligible to import a CBU motor vehicle.
A. ASSEMBLING OF CKD PACKS TO BE MANUFACTURED AS A CBU MOTOR VEHICLE

10. In the automotive industry, the process of manufacturing starts from the CKD packs of a motor vehicle being sent by the franchise AP holder to the contract manufacturer’s plant to be assembled.

11. CKD pack is normally supplied in conditions as below:

   (i) All materials are supplied loosely to go through final welding and final assembly processes; and/or

   (ii) Raw body shell, all other parts and components are supplied loose and not assembled at the time of importation.
12. Manufacturing process of assembling a CKD pack starts in the assembly workshop and going through other work processes, to be assembled as a CBU motor vehicle as below:

- Process to join all the CKD components in the welding workshop
- Painting the major body components in the paint workshop
- Process to install other components
- Final process to install other major components
- Assembled CBU motor vehicle
13. The CM will then subsequently deliver the CBU motor vehicle to the franchise AP holder or distributor / dealer appointed by the franchise AP holder, after the vehicle has been registered in the RMCD e-excite system and sales tax paid.

B. IMPORT AND EXPORT OF CBU MOTOR VEHICLE

Import

14. Importation of CBU motor vehicle by a company or other person is allowed if the company / other person complies with the conditions and procedures in the application for Import License (AP) to import motor vehicles, set by Ministry of International Trade and Industry (MITI). Persons approved for AP are as follows:

(i) Companies that hold existing allocation of Approved Permit (AP) for Completely Built-Up (CBU) motor vehicles.

(ii) Franchise holder of CBU motor vehicle.

(iii) Local Assembling of Multi Sourcing Companies (Completely Knocked Down – CKD).

(iv) Vehicle Importation (others):

(a) Classic cars with car age of more than 25 years;
(b) Vintage cars with car age of more than 50 years;
(c) Motor vehicles of temporary/permanent imports for the purpose of research and development (R&D);
(d) Motor vehicles of temporary imports for the purpose of exhibition, race, expedition and other temporary events; and
(e) Motor vehicles for ministries, government departments, statutory bodies and NGOs usage.
15. Any direct importation of CBU motor vehicle is to be declared in the Customs Form No. 1 (K1) and duty / tax to be paid at the time of customs clearance.

16. Any importation of CBU motor vehicle which is transported directly into Designated Area (DA) (except Tioman) or Licensed Warehouse (LW) is not subject to sales tax and to be declared in the Customs Form No.8 (K8).

17. Any importation of CBU motor vehicle which is transported into Tioman, is to be declared in the Customs Form No.1 (K1) upon importation and is subject to sales tax.

**Export**

18. Motor vehicles transported and exported to a place outside Malaysia by a registered manufacturer, are exempted from payment of sales tax base on item 56 Schedule A of the Sales Tax (Person Exempted from Payment of Tax) Order 2018 provided that the exportation is declared in the Customs Form No. 2 (K2).

**RAW MATERIALS, COMPONENTS AND COMPLETELY KNOCKED DOWN (CKD) PACK USED IN MANUFACTURING OF MOTOR VEHICLE**

**Raw materials and Components**

19. Manufacturing of motor vehicles require a wide variety of raw materials such as iron, aluminum and glass to be used in the production of motor vehicle components and petroleum products used to make plastics components. Most of these components will be used in the assembling of motor vehicles. Beyond the big basic building blocks such as engines and transmissions, there are the interior parts such as instrument panels, seats and HVAC systems, along with all the necessary wiring to tie them together.
Parts and components of a motor vehicle which will be manufactured and assembled as a completely built up motor vehicle

 Completely Knocked Down Pack

20. Completely Knocked Down (CKD) pack of a motor vehicle is where the parts, engine, electronics and other major components are imported by a franchise AP holder from the origin country of the supplier. The CKD pack will then be sent to a contract manufacturer to assemble the components and parts together, be manufactured as a completely built up (CBU) motor vehicle in the country of the franchise AP holder.
21. CKD pack for motor cars including station wagons and sports cars but not including van, imported by any person are exempted from tax which is provided under the Sales Tax (Goods Exempted from Tax) Order 2018.

EXEMPTION FACILITIES IN THE AUTOMOTIVE INDUSTRY

22. Sales tax exemption is given for raw materials and components used directly in the manufacturing process of goods manufactured, from the initial stage of manufacturing until the finished products is finally packaged and ready for export. This includes packaging materials and casings (e.g. casings for calculators and cameras). The exemption is given provided that it is claimed by the person entitled for the claim or the goods are exempted from tax in the exemption order.

23. Raw materials, components and packaging materials excluding petroleum, imported or purchased from any registered manufacturer or LMW or Licensed Warehouse (LW), by any registered manufacturer in PCA, are subject to sales tax unless an exemption is claimed by the registered manufacturer under item 1 Schedule C of the Sales Tax (Person Exempted from Payment of Tax) Order 2018.

24. The exemption stated in the paragraphs above can be claimed provided that:

   (i) Raw materials, components and packaging materials shall be used solely in the manufacturing of finished goods manufactured by the registered manufacturer.

   (ii) A registered manufacturer has to pay sales tax on the raw materials, components and packaging materials that could not be accounted for.

25. Some raw materials / components are not elegible for sales tax exemption, such as:
(i) Fuel oil
(ii) Materials for machinery and factory cleaning purposes
(iii) Wearing apparel for workers
(iv) Furniture / office equipments
(v) Building materials
(vi) Foodstuffs and drinks

26. Registered manufacturers are eligible to enjoy various exemptions given under the Sales Tax (Goods Exempted from Tax) Order 2018 and Sales Tax (Person Exempted from Payment of Tax) Order 2018.

27. The exemption of sales tax on goods imported or manufactured in Malaysia may be claimed under Schedule A of the Sales Tax (Goods Exempted from Payment of Tax) Order 2018 as set out in paragraph 2 and 3 of the same Order.

28. Schedule A of the Sales Tax (Person Exempted from Payment of Tax) Order 2018 involves the exemption from payment of tax which is granted to a specific person.

29. Schedule B of the Sales Tax (Person Exempted from Payment of Tax) Order 2018 involves the exemption from payment of tax granted to any manufacturer based on goods manufactured by him.

30. Schedule C of the Sales Tax (Person Exempted from Payment of Tax) Order 2018 involves the exemption from payment of tax granted to any registered manufacturer or any person acting on behalf of registered manufacturer.

- Please refer to the Sales Tax Orders and the Guide on Facilities and Exemption of Sales Tax as published in the Customs Portal, for further information on details of the exemptions.
SALES TAX (DETERMINATION OF SALES VALUE OF TAXABLE GOODS)

31. Sales value of locally manufactured motor vehicles will be determined base on Sales Tax (Determination of Sales Value of Taxable Goods) Regulations 2018. Sales value will be determined in three (3) different situations as below:

(i) Franchise AP holder and the manufacturer (taxable person) is the same entity. Motor vehicle sold to a not connected person. Transaction Value is used as valuation method to determine sales value for the purpose of sales tax payment.

(ii) Franchise AP holder and the manufacturer (taxable person) is the same entity. Motor vehicle sold to a connected person. Computed Value valuation method is used to determine sales value for the purpose of sales tax payment.

(iii) Contract manufacturer appointed by franchise AP holder to assemble CKD pack sent, to be manufactured as CBU motor vehicle. Motor vehicle sold to a connected / not connected person. Computed Value valuation method is used to determine sales value for the purpose of sales tax payment.
MODEL 1: FRANCHISE AP HOLDER AND MANUFACTURER (TAXABLE PERSON) IS THE SAME ENTITY, MOTOR VEHICLE SOLD TO NOT CONNECTED PERSON (Transaction Value)

- MSP : Multi-Sourcing Parts - components which are not imported together with CKD pack but purchased from several different suppliers (overseas or local supplier) by the automotive manufacturer.
- ED : Excise duty
- ST : Sales Tax
- T.V : Transaction value

Remarks:
- a) Value of Invoice 1 is based on Transaction Value (TV).
- b) ST: Sales Tax
- c) ED: Excise Duty
MODEL 2: FRANCHISE AP HOLDER & MANUFACTURER (TAXABLE PERSON) IS THE SAME ENTITY, MOTOR VEHICLE SOLD TO CONNECTED PERSON (Computed value)

- MSP : Multi-Sourcing Parts (components which is not imported together with CKD pack) but purchased differently from several suppliers (overseas or local supplier) by the automotive manufacturer.
- ED : Excise duty
- ST : Sales Tax
- C.V : Computed value

Remarks:
- a) Value of Invoice 1 is based on Computed Value (CV).
- b) ST: Sales Tax
- c) ED: Excise Duty
- **MSP**: Multi-Sourcing Parts (components which is not imported together with CKD pack) but purchased differently from several suppliers (overseas or local supplier) by the automotive manufacturer.

- **ED**: Excise duty

- **ST**: Sales Tax

- **C.V**: Computed value
Computation of Locally Manufactured CBU Motor Vehicle Value Base on Computed Value Valuation Method

34. Computed Value valuation method is used to determine the value of CBU motor vehicle manufactured by the contract manufacturer, for situation stated in model 2 and 3. Information to be provided for that purpose is as stated in the format below:

<table>
<thead>
<tr>
<th>BAHAGIAN B - KAEDAH CAMPURAN ELEMEN-ELEMEN KOS</th>
<th>NILAI EKSAIS</th>
<th>NILAI CUKAI JUALAN (MODEL 2)</th>
<th>NILAI CUKAI JUALAN (MODEL 3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 COMPLETELY KNOCKED DOWN PACK (CKD PACK):</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1 Jumlah Kos CKD Pack (Landed Cost)</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>1.2 Duti / Cukai</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 MULTI SOURCING PARTS (MSP):</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1 Jumlah Kos MSP (Landed Cost)</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>2.2 Duti / Cukai</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 KOS BAHAN MENTAH (DIRECT MATERIALS):</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.1 Belian Tempatan (Locally Procured)</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>3.2 Import</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.3 Jumlah Kos Bahan Mentah 3.1+3.2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 KOS PEMASANGAN OLEH PEMASANG (ASSEMBLER):</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.1 Jumlah Kos Pemasangan</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 BELANJA PENTADBIRAN DAN PEMASARAN:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.1 Jumlah Belanja Pentadbiran dan Pemasaran</td>
<td></td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>6 LAIIN-LAIN KOS PENGILANGAN :</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6.1 Port / Handling Charges</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>6.2 Transport Charges to Plant</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>6.3 Depreciation on Jg &amp; Tools</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6.4 Jumlah Lain-lain Kos Pengilangan 6.1+6.2+6.3</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>7 PERBELIANJAAN AM:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7.1 Jumlah Perbelianja Am</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8 KEUNTUNGAN:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8.1 Jumlah Keuntungan</td>
<td></td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>9 KOS BARANG DIKILANG: (1+2+3+4+5+6+7+8)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10 BAHAGIAN C - PELARASAN (Jika berkaitan)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| 10 GOVERNMENT APPROVED STANDARD ACCESSORIES (GASA) | X            | ✓                             |
| 11 (1) INDUSTRIAL LINKAGE PROGRAMME (ILP):      |              |                               |
| 11.1 Nilai ILP yang diluluskan                  |              |                               |
| (No. Rujukan MoF: -----------------------------) |              |                               |
| 12 NILAI BERSIH UNTUK BAYARAN DUTI EKSAIS (5-11) |              |                               |
| 13 DUTI EKSAIS:                                 |              |                               |
| 13.1 Kadar Duti Eksais semasa (%)               |              |                               |
| 13.2 Duti Eksais (12*13.1)                      |              |                               |
| 14 AKSESORI PILIHAN (OPTIONAL ACCESSORIES):     |              |                               |
| 15 KOS, CAJ, PERBELIANJAAN PENGANGKUTAN DAN PENYIMPANAN SELEPAS KELUAR DARI KILANG: | | |
| 16 LAIIN-LAIN PERBELIANJA: (Pre-Delivery inspection, dll) | | |
| 17 NILAI BERSIH UNTUK BAYARAN CUKAI JUALAN (12+13.2+14+15+16) | | |
| 18 CUKAI JUALAN:                               |              |                               |
| 18.1 Kadar Cukai Jualan semasa (%)             |              |                               |
| 18.2 Cukai Jualan (17+18.1)                    |              |                               |
35. The franchise AP holder and contract manufacturer are both responsible to provide the information as stated in the format, to the Technical Services Division, RMCD to enable computation of value to be done. Then the contract manufacturer use the computed value to pay sales tax at the time the motor vehicle is released from the manufacturer’s plant.

**Calculation of Duty / Tax on Imported CBU Motor Vehicle**

36. For taxable goods imported into Malaysia, the value of taxable goods is the sum of the following amount:

   (i) The value of the taxable goods for the purpose of customs duties payment;

   (ii) The amount of customs duties, if any, paid or payable on the taxable goods; and

   (iii) The amount of excise duty, if any, paid or payable on the taxable goods.

**Example**

1. **Importation of CBU Motor Vehicle (Import Duty, Excise Duty and Sales Tax paid or to be paid)**

   CIF Value of goods - RM30,000.00
   **Import Duty @30%** = **RM 9,000.00**
   CIF Value + Import duty - RM39,000.00
   **Excise Duty @65%** = **RM25,350.00**
   CIF Value + Import Duty + Excise Duty - RM64,350.00
   **Sales Tax @10%** = **RM 6,435.00**

2. **Importation of CBU Motor Vehicle, Transpo**rted to Licensed Warehouse (Import Duty, Excise Duty and Sales Tax to be paid at the time when there is a buyer and motor vehicle transported out of the warehouse)

   **At the time of importation:**
   CIF Value of goods - RM30,000.00
Import Duty @30% = RM 0.00
CIF Value + Import Duty = RM30,000.00
Excise Duty @65% = RM 0.00
CIF Value + Import Duty + Excise Duty = RM30,000.00
Sales Tax @10% = RM 0.00

3. At the time the motor vehicle is transported out of the warehouse (new CBU motor vehicle):
   CIF Value of goods = RM30,000.00
   Import Duty @30% = RM 9,000.00
   CIF Value + Import Duty = RM29,250.00
   Excise Duty @65% = RM25,350.00
   CIF Value + Import Duty + Excise Duty = RM64,350.00
   Sales Tax @10% = RM 6,435.00

4. At the time the motor vehicle is transported out of the warehouse (used motor vehicle):
   CIF Value of goods = RM30,000.00
   Less : Depreciation @ 25% = RM22,500.00
   Import Duty @30% = RM 6,750.00
   CIF Value + Import Duty = RM29,250.00
   Excise Duty @65% = RM19,012.50
   CIF Value + Import Duty + Excise Duty = RM48,262.50
   Sales Tax @10% = RM 4,826.25

- Please refer to the General Guide as published in the Customs Portal for further information on other Sales Tax Matters.
FREQUENTLY ASKED QUESTIONS (FAQs)

1. **Q**: How is the sales tax chargeable on the imported CKD Pack by a Franchise Holder and subsequently delivered to the contract manufacturer’s (registered manufacturer) assembly plant to be manufactured/assembled as a CBU motor vehicle.

   **A**: The importer is entitled to claim exemption from paying sales tax on the CKD Pack subject to DG approval with the condition that all the exempted components shall be used directly in manufacturing the motor vehicle by the contract manufacturer (registered manufacturer). Sales tax is chargeable on the finish product that is built-up motor vehicle.

2. **Q**: What is the value to be used for local assembled motor vehicles?

   **A**: Valuation method for locally assembled motor vehicle is as follows:
   (i) Transaction value will be accepted as sales value if the sale is between non connected persons.
   (ii) Computed value valuation method is to be used if the sale is between connected person, when there is no sales and motor vehicle is disposed otherwise.

3. **Q**: Is the sales tax Open Market Value (OMV) on locally assembled commercial vehicles issued by RMCD before 1 April 2015 still valid after 1 September 2018?

   **A**: No. All the sales tax OMV on the commercial vehicles issued by RMCD before 1.4.2015 had been revoked.
4. **Q**: Who is liable to declare and submit sales tax returns to RMCD?

   **A**: The registered manufacturer / contract manufacturer who is the manufacturer/assembler of taxable goods.

5. **Q**: What sales value of the CBU motor vehicle shall a registered manufacturer declare if the registered manufacturer only issue invoice on labour charge to assemble the CKD Pack delivered by a franchise AP holder?

   **A**: Under such circumstances, there is no sales involve in this transaction and computed value valuation method should be applied to determine sales value of the motor vehicle for sales tax payment purposes.
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 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