



SERVICE TAX 2018

**GUIDE ON :
ADVERTISING SERVICES**

Published by :

**Royal Malaysia Customs Department
Sales & Service Tax Division
Putrajaya**

09 November 2018

Publication

Date Published: 09 November 2018.

The Guide on Advertising as at 23 August 2018 is withdrawn and replaced by the Guide on Advertising revised as at 09 November 2018.

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CONTENTS

INTRODUCTION.....	1
IMPOSITION AND SCOPE OF TAX.....	1
GENERAL OPERATIONS OF THE INDUSTRY.....	1
Overview of an Advertising Industry	1
TREATMENT OF SERVICE TAX ON ADVERTISING SERVICES	2
REGISTRATION AND RESPONSIBILITIES OF A REGISTERED PERSON	5
FREQUENTLY ASKED QUESTION (FAQs).....	5
INQUIRY	9
FURTHER ASSISTANCE AND INFORMATION ON SST.....	9

INTRODUCTION

1. Service Tax is a consumption tax governed by the Service Tax Act 2018 and its subsidiary legislation. The effective date of the Service Tax Act 2018 is 1 September 2018.
2. Service tax is imposed on prescribed services called “taxable services”.
3. A person who provides taxable services exceeding a specified threshold is required to be registered under the Services Tax Act 2018 and is known as a “registered person” who is required to charge service tax on his taxable services made to his customers.
4. The Guide is prepared to assist you in understanding the service tax treatment on advertising services.

IMPOSITION AND SCOPE OF TAX

5. Effective 1 September 2018, under Group I, First Schedule of the Service Tax Regulations 2018, and the provision of advertising services under prescribed circumstances is subject to service tax.

GENERAL OPERATIONS OF THE INDUSTRY

Overview of an Advertising Industry

6. For the purpose of this guide:
 - (i) Advertising is the business of producing and promulgating an advertisement. Such advertising activities generally involve advertiser, media owner or advertising agency.
 - (ii) Advertisement means an announcement or a notice to promote any product or services, or any other purpose and conveyed by or through any signage, image or sound disseminated through any medium for advertising purposes.

- (iii) Advertiser is a person who place advertisements on his product, services, events or announcement in order to target his customers or audience.
- (iv) The advertising agency is a person who provides any services related to advertising such as creative work, graphics and writing, design, creation of advertising campaigns and advertising placement includes selling of advertising space in any communication medium such as magazines, newspapers, billboards, radios and televisions, or other media.
- (v) The media owner is a person who owns the right of medium for advertisement. Media owners refer to the owner of the respective media such as:
 - (a) TV station
 - (b) Print media (e.g. newspaper, magazine)
 - (c) Radio
 - (d) Outdoor advertising (e.g. billboards, bus panels, taxi panels)
 - (e) Telecommunication (Mobile advertising through SMS, MMS and etc;)
 - (f) Online advertising through internet

TREATMENT OF SERVICE TAX ON ADVERTISING SERVICES

7. Any advertising services provided by advertising agency, media owner or any person who is a taxable person to his customer to place any advertisement for promulgation of products, services, events or announcements in Malaysia on any communication platform is subject to service tax at the rate of 6%. The communication platform includes but are not limited to the following:

- (i) The advertisement for hardcopy print such as newspapers, magazines or etc.;

- (ii) The advertisement for outdoor advertisements such as bus panels, taxi panels, bus stop shelters, billboards and etc.;
- (iii) Digital signage and floor graphic;
- (iv) Mobile advertisement through sms,mms and etc;
- (v) The advertisement for broadcasting in television and radio; or
- (vi) The advertisement for online advertising via internet.

8. Advertising services for promotion outside Malaysia is not a taxable services and hence not subject to services tax.

9. In advertising industry, advertising agency will propose the best combination of media including placement of an advertisement, advertising method, design, graphic, photography and etc. for advertiser to convey the message and achieve their marketing campaign objective. This service is subject to service tax.

10. The value of advertising services is based on the actual selling price chargeable to the advertiser including all costs incurred such as typesetting, formatting, printing, fitting the advertisement into any medium of communication, lighting, obtaining permit and approvals, all types of production cost, media cost and others.

11. Media owners or advertising agency who is a registered person and provide advertising services shall charge service tax on the actual price paid or to be paid service tax by the advertisers. The calculations of service tax is as follows:

Advertisement selling price	= RM 1,000
Add: Service Tax @ 6%	= RM 60
Total amount payable	= RM 1,060

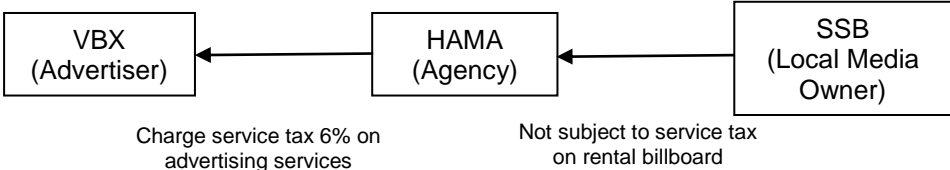
The total value shall be stated in invoice is **RM 1,060**

12. For the purpose of service tax, any advertising agency or media owner who provide advertising services which has been prescribed under Group I, First Schedule of Service Tax Regulations 2018 is a taxable services and subject to service tax.

Example 1:

Hadeeya Advertising Agency (HAMA) is an advertising agency rented a billboard located at Federal Highway for a period of two years from SSB Sdn Bhd (SSB) who is the owner of the billboard. Later, HAMA advertise on the media space available on the rented billboard. VBX Sdn Bhd (VBX) who is an advertiser, has appoint HAMA to design and put on the advertisement for a period of one year on a billboard for promotion of their new products.

Since SSB only rent the billoard and no advertising services provided to HAMA, the renting of the billboard by SSB to HAMA is not subject to service tax as the rental activities is neither taxable nor advertising services. Service tax is chargeable on the advertising services provided by HAMA to VBX which includes the design fees, agency fees, production cost, rental of billboard, cost of permit and approval, lighting cost and others.



REGISTRATION AND RESPONSIBILITIES OF A REGISTERED PERSON

13. A service provider reaching prescribed threshold of taxable services is required to be registered. For further guidance and details on registration including an auto-registration exercise, please refer to the *Service Tax Registration Guide*.

14. A registered person is responsible to:

- (i) Charge service tax on taxable services;
- (ii) Issue invoices and receipts with specific particulars;
- (iii) Submit service tax return SST-02 electronically and pay service tax before the due date; and
- (iv) Keep proper records.

For further information with regards to the responsibilities of a registered person, please refer to *General Guide* and relevant *Specific Guides*.

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’s 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 service tax treatment if advertiser engage a local advertising agency to advertise its products in overseas newspaper?**
- A : Any advertisement to be advertised in overseas is not subject to service tax. The commission/fees charged by the local advertising agency to the advertiser will not be subjected to 6% 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 : Monetary sponsorship is treated as payment for the advertisement provided for free in the media. The 'free' advertisement 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 not considered to be 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 the media owner will sell airtime and issue an invoice to MG on the sale of the airtime amounting to RM 90,000.00 after deducting a discount of RM 10,000.00. What is the value of service tax to be accounted for by FAD?**

A : FAD should account for service tax based on the calculation as below:

Advertising Gross Value	RM 100,000.00
Less: Discount @ 10%	(RM 10,000.00)
Advertising Net Value	RM 90,000.00
Add: Service Tax @ 6%	RM 5,400.00
Amount payable	RM 95,400.00

The amount of service tax to be accounted by FAD is RM 5,400.00.

9. Q : **In relation to FAQ No. 8, HAA will then issue an invoice to MG on advertising services for a total of RM 150,000. What is the value of service tax that HAA needs to account for?**

A : HAA should account for service tax based on the calculation as below:

Advertising Services	RM 150,000.00
Add: Service Tax @ 6%	RM 9,000.00
Amount payable	RM 159,000.00

The amount of service tax to be accounted by HAA is **RM 9,000.00**

- 10. 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.
However if the permit fee is part of the advertising services charges charged by advertising agency or media owner to the advertiser, then this charges will be subjected to service tax.
- 11. 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.
- 12. Q : A local manufacturer appoint a local advertising agency to promote his product in Malaysia 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. The service tax to be charged on the full amount of advertising services fee (including all media costs charged by overseas media owners) as the cost of purchasing advertising space from overseas media owners is one of the components in providing advertising services to customers.
- 13. Q : The media owner/production owner issue an invoice to the advertising agency but did not include service tax in its invoice (i.e. He is not a registered person). Is the advertising agency required to charge service tax on the media/production costs to the advertiser?**
- A : The advertising agency is required to charge service tax on media/production costs incurred as it is part of the advertising services provided to the advertiser.

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

SUMMARY OF DOCUMENT CHANGE

Version 2 – 09 November 2018

Para	Changes
Para 7	Replace “an advertiser” with “his customer”
Para 7	Add in the words “is subject to service tax at the rate of 6%” after the word platform
Para 7	Replace “is as below” with “includes but are not limited to the following”
Para 7	Remove sentence “is subject to service tax at the rate of 6% excluding any advertising services for promotion outside Malaysia.”
Para 8	Add in new paragraph “Advertising services for promotion outside Malaysia is not a taxable services and hence not subject to services tax.”
Para 9	Add in new sentence “This service is subject to service tax.”
Para 10	Replace “in typesetting, formatting, printing and necessary technology to have the advertisement fitted into any medium of communication.” With “such as typesetting, formatting, printing, fitting the advertisement into any medium of communication, lighting, obtaining permit and approvals, all types of production cost, media cost and others.”
Para 11	Remove the word “Usually”
Para 12	Example 1: Replace example “Hadeeya Advertising Agency (HAMA) is an advertising agency rented a billboard located at Federal Highway from SSB Sdn Bhd (SSB) who is the owner of the billboard. The renting of the billboard by SSB to HAMA is not subject to service tax as the rental activities is neither taxable nor advertising services. Later, VBX Sdn Bhd (VBX) who is an advertiser, has appoint HAMA to design advertisement on a billboard for promotion of their new products. Service tax is chargeable on the advertising services provided by HAMA to VBX.” With “Hadeeya Advertising Agency (HAMA) is an advertising agency rented a billboard located at Federal Highway for a period of two years from

SSB Sdn Bhd (SSB) who is the owner of the billboard. Later, HAMA advertise on the media space available on the rented billboard. VBX Sdn Bhd (VBX) who is an advertiser, has appoint HAMA to design and put on the advertisement for a period of one year on a billboard for promotion of their new products.

Since SSB only rent the bilboard and no advertising services provided to HAMA, the renting of the billboard by SSB to HAMA is not subject to service tax as the rental activities is neither taxable nor advertising services. Service tax is chargeable on the advertising services provided by HAMA to VBX which includes the design fees, agency fees, production cost, rental of billboard, cost of permit and approval, lighting cost and others.”

FAQ 1 **Add in the word “s” after the word Malaysia.**

FAQ 5 **Replace**

“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.”

with

“Q: What is the service tax treatment if an advertiser engage a local advertising agency to advertise its products in overseas newspaper?”

A: Any advertisement to be advertised in overseas is not subject to service tax. The commission/fees charged by the local advertising agency to the advertiser will not be subjected to 6% service tax”

FAQ 6 **Replace**

“A: Any advertisement provided for free or with consideration published in any media in Malaysia is subject to service tax.”

with

“A: Monetary sponsorship is treated as payment for the advertisement provided for free in the media. The ‘free’ advertisement is subject to service tax.”

FAQ 7 In answer
Add in the word “not” after is

FAQ 7 In answer
Remove the word “not” after be

FAQ 8 **Replace the following para**

“FAD as a media owner will issue an invoice amounting RM 100,000.00 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%).”

with

“FAD as the media owner will sell airtime and issue an invoice to MG on the sale of the airtime amounting to RM 90,000.00 after deducting a discount of RM 10,000.00. What is the value of service tax to be accounted for by FAD?”

FAQ 8 **Replace the answer for FAQ 7:**

“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% (RM 10,600.00)	
Amount payable	RM 95,400.00

The amount of service tax to be accounted by FAD is RM 6,000.00.

The commission shall be deducted after the calculation of service tax.”

with

“FAD should account for service tax based on the calculation as below:

Advertising Gross Value	RM100,000.00
Less: Discount @ 10%	(RM10,000.00)
Advertising Net Value	RM 90,000.00
Add: Service Tax @ 6%	RM 5,400.00
Amount payable	RM 95,400.00

The amount of service tax to be accounted by FAD is RM 5,400.00.”

FAQ 9

Add in FAQ 9:

Q:

In relation to FAQ No. 8, HAA will then issue an invoice to MG on advertising services for a total of RM 150,000. What is the value of service tax that HAA needs to account for?

A:

HAA should account for service tax based on the calculation as below:

Advertising Services	RM150,000.00
Add: Service Tax @ 6%	RM 9,000.00
Amount payable	RM 159,000.00

The amount of service tax to be accounted by HAA is RM 9,000.00”

FAQ 10

Add in para “ However if the permit fee is part of the advertising services charges charged by advertising agency or media owner to the advertiser, then this charges will be subjected to service tax.”

FAQ 12

Replace “worldwide” **with** “in Malaysia”

FAQ 12

Rephrase the answer for FAQ 11:

“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.”

as the following

“Yes, the advertising services provided by the local advertising agency is subject to service tax. The service tax to be charged on the full amount of advertising services fee (including all media costs charged by overseas media owners) as the cost of purchasing advertising space from overseas media owners is one of the components in providing advertising services to customers.”

FAQ 13**Add in FAQ 13:****Q:**

The media owner/production owner issue an invoice to the advertising agency but did not include service tax in its invoice (i.e. He is not a registered person). Is the advertising agency required to charge service tax on the media/production costs to the advertiser?

A:

The advertising agency is required to charge service tax on media/production costs incurred as it is part of the advertising services provided to the advertiser.
