



SERVICE TAX 2018

**GUIDE ON:
ELECTRICITY SERVICES**

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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 provision of electricity services.

IMPOSITION AND SCOPE OF TAX

5. Effective from 1 September 2018, under Group I, Item 9, First Schedule of the Service Tax Regulations 2018, the provision of electricity service under prescribed circumstances is subject to service tax.

GENERAL OPERATIONS OF THE INDUSTRY

6. The supply of electricity tariffs is regulated under the Electricity Supply Act 1990 for Peninsular Malaysia by the Energy Commission of Malaysia, Sarawak Electricity Supply Ordinance 1982 for Sarawak, Electricity Supply (Successor Company) Act 1990 and Lembaga Letrik Sabah Act 1983 for Sabah.
7. The main activities in the electricity industry are generation, transmission and distribution of electricity. Basically, the supply chain of electricity involves the three processes before it is finally supplied to the consumers. In Peninsular Malaysia the parties involved are Tenaga Nasional Berhad (TNB) and the Independent Power Producers (IPPs), Sabah Electricity Sdn Bhd (SESB) for Sabah and Syarikat SESCO Berhad (SESCO) for Sarawak.

8. The IPPs in Peninsular Malaysia such as Genting Sanyen Power Sdn Bhd, Powertek Sdn Bhd and Port Dickson Sdn Bhd, are licensed by the Government to generate electricity. The electricity generated is subsequently supplied to Tenaga Nasional Transmission Division who is entrusted to maintain the National Grid System before it is being supplied to TNB Distribution who will finally distribute electricity to the domestic, commercial and industrial consumers. The supplier of electricity in Sabah is SESB while in Sarawak is SESCO.

9. The supply of electricity is under the purview of the Ministry of Energy, Green Technology and Water.

SERVICE TAX TREATMENT ON THE PROVISION OF ELECTRICITY

10. Service tax will not be imposed on the provision of electricity to domestic consumers for the first 600 kWh for a minimum period of twenty-eight days per billing cycle.

11. Service tax will be imposed on the provision of electricity to domestic consumers for the usage above than 600 kWh for a minimum period of twenty-eight days per billing cycle.

12. The table below describes the treatment of service tax on the electricity usage and billing cycle.

No.	Usage (kWh)	Billing Cycle	Subject to Service Tax
1.	> 600	≥ 28 days	Yes
2.	< 600	≤ 28 days	No
3.	< 600	> 28 days	No
4.	> 600	< 28 days	Yes

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 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,
- (iv) Keep proper records.

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

FREQUENTLY ASKED QUESTION

1. **Q : What is the service tax treatment on the provision of electricity?**

A : The provision of electricity to the domestic consumer which exceeds 600kWh for a minimum period of twenty-eight days per billing cycle is subject to service tax.
2. **Q : What is the service tax treatment on the provision of electricity to the commercial consumer?**

A : The provision of electricity to the commercial consumer is not subject to service tax.
3. **Q : Mr Khalid's electricity consumption for 17 April 2019 to 16 May 2019 bill (30 days) is 750kWh which subject to RM0.218/kWh tariff. How much the service tax chargeable to Mr Khalid?**

A : Electricity consumed = 750KWH

Value not subject to service tax = RM130.80 (600kWh x RM0.218)

Value subject to service tax = RM32.70 (150kWh x RM0.218)

Amount service tax due = RM1.96 (RM32.70 x 6%)

Amount of Mr Khalid's bill = RM 165.46 (130.8 + 32.7 + 1.96) (RM130.80 + RM32.70 + RM1.96)
4. **Q : The electricity bill that Ariff received consist of Kumpulan Wang Tenaga Boleh Baharu (KWTBB) charges, is the charge subject to Service Tax?**

A : KWTBB charges are not subject to service tax because it is not related to provision of electricity service.

INQUIRY

For any inquiries for this guide please contact:

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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