



SERVICE TAX 2018

GUIDE ON TELECOMMUNICATION 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 1st 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. This guide is prepared to assist you in understanding the service tax treatment on the provision of telecommunication services.

IMPOSITION AND SCOPE OF TAX

5. Effective from 1 September 2018, under Group I, Item 2(a), First Schedule of the Service Tax Regulations 2018, the provision of:
 - (i) telecommunication services; and
 - (ii) other services in connection with telecommunication services excluding provisions of services to another provider of telecommunication services in Malaysia or outside Malaysia

are subject to service tax.

GENERAL OPERATIONS OF THE INDUSTRY

6. Telecommunication services can be divided into two categories:
 - (i) Basic telecommunications which are the transmission of voice or data from sender to receiver;

- (ii) Value-added services, for which Telco adds a value to the telecommunication services.

Basic Telecommunications

7. Basic telecommunication services include end-to-end emission, transmission or reception of sound, data, text, visual images, signals or any other form or any combination of those forms. Such services also include:

- (i) Fixed network voice telephone
- (ii) Analog/digital cellular/mobile telephone
- (iii) Satellite Telecommunication
- (iv) Internet and other digital data transmission
- (v) Network component rental, sales and service
- (vi) Network access and network facilities
- (vii) International telecommunication basic infrastructure
- (viii) Wireless paging
- (ix) Resale of basic telecommunication

Value-Added Telecommunication services

8. Value-added telecommunications services are based or depending on the infrastructure facilities for the provision of basic services or other services without having to build its own infrastructure network. Such services also include:

- (i) Fixed telephone network value added services
- (ii) Mobile network value added services
- (iii) Satellite network value added services
- (iv) Internet value added services
- (v) Other data transmission network value added services

9. In value-added telecommunication services, providers add value to the customer's information by enhancing its form or content or by providing for its storage and retrieval.

SERVICE TAX TREATMENT ON TELECOMMUNICATION SERVICES

10. In general, all telecommunication provider who are registered under Communication and Multimedia Act 1998 that provide telecommunication services in Malaysia to its subscribers are subject to service tax. This includes outbound roaming services provided by any Malaysian telecommunication providers to the subscribers outside Malaysia.

11. However, the provision of telecommunication services to another telecommunication service provider in Malaysia or outside Malaysia are not subjected to service tax.

RESPONSIBILITY OF REGISTERED PERSON

12. A service provider reaching prescribed threshold of taxable services provided is required to be registered. Please refer *Service Tax Registration Guide*.

13. A registered person is responsible to:

- (i) Charge service tax on taxable services;
- (ii) Issue an invoice and receipt to the customers in respect of any transaction relating to the provision of taxable services;
- (iii) Submit service tax return SST-02 electronically and pay service tax before due date;
- (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

1. **Q : What is the definition of telecommunication services?**

A : Telecommunication services means transmission, emission, or reception means the transmission, emission or reception, and the transfer or assignment of the right to use capacity for the transmission, emission or reception of signals, writing, images, sounds or information of any kind by wire cable, radio, optical or other electromagnetic system or by a similar technical system by any person licensed under Communication and Multimedia Act 1998 (Act 588) that is regulated by MCMC to provide telecommunication services. It includes provision of telecommunication in the form of telephone, facsimile, tele-mail, paging or cellular phone, telex, broadband, value added service, etc.

2. **Q : Does the installation of internet connection considered as telecommunication services?**

A : Yes. The installation of internet connection is considered as telecommunication services if it is charged by the telecommunication provider.

3. **Q : Is roaming subjected to service tax?**

A : Yes. Roaming services provided by Malaysian telco to its subscribers, whether the roaming services is provided in Malaysia or outside Malaysia is subject to service tax.

4. **Q : Is telecommunication services by a Malaysian telecommunication provider to a telecommunication provider outside Malaysia subject to service tax?**

A : No. Telecommunication services by a Malaysian telecommunication provider to a telecommunication provider outside Malaysia is not subject to service tax.

5. **Q : Does prepaid card or reload card subject to service tax?**
A : No. Prepaid card or reload card for Malaysian subscriber is not subject to service tax.
6. **Q : Is Over-The-Top (OTT) telecommunication services such as Whatsapp, Facebook, Telegram, if being charged, subject to service tax?**
A : Yes. Over-The-Top (OTT) telecommunication services such as Whatsapp, Facebook, Telegram, if being charged is subject to service tax.
7. **Q : Is outbound call subject to service tax?**
A : Yes. Outbound call is subject to service tax.
8. **Q : Is reverse charge call subject to service tax?**
A : Yes. Reverse charge call is subject to service tax.
9. **Q : Is toll-free services subject to service tax?**
A : Yes. Toll-free services is subject to service tax.
10. **Q : Is telecommunication services between special area (SA), from SA to designated area (DA) and from DA to SA subject to service tax?**
A : Yes. Telecommunication services between special area (SA), from SA to designated area (DA) and from DA to SA are subject to service tax.
11. **Q : Is the public phone services subject to service tax?**
A : Yes. Public phone services subject to service tax.
12. **Q : What is the service tax treatment on the provision of telecommunication services by Malaysian Telecommunication provider to telecommunication services outside Malaysia?**
A : The provision of services is not subject to service tax.

13. **Q** **International Direct Dailing (IDD) is a term used to discribe international telephone call dailed by a caller rather than going via operators. Abu a Malaysian telecommunication' s subscriber made IDD calls to his friend in London. What is the tax treatment for such provision?**
- A The provision is subject to service tax.
14. **Q** **Roaming is defined as ability for a cellular customer to automaticly make and receive voice calls, send and receive data, or acces other services when travelling outside geography coverage area of the home network, by using a visited network. What is the tax treatment on the provision roaming services by Malaysian Telco to its subscribers?**
- A The provision is subject to service tax.
15. **Q** **Content application services is a provision of contents through messaging service and is accessable either on mobile access device or fixed access device through Application Store. What is the tax treatment on provision of contents by a telecommunication in Malaysia?**
- A The services is subject to service tax.
16. **Q** **What is the tax treatment for the provision of subscriber identification module (sim card) bundles with certain value of credit (air time) in Designated Area?**
- A The services is subject to service tax.

17. **Q** **Is the purchase of Bulk SMS from telecommunication companies in Malaysia by a company registered or licensed under the Malaysian Communications & Multimedia Commissions (MCMC) is subject to service tax?**
- A No. The services is not subject to service tax. However, the sales of Bulk SMS to a customer is subject to service tax.
18. **Q** **What types of Free Services that are subject to service tax?**
- A Free services is not subject to service tax if the service is available to all. However, if the free service is only given to a selected person it is subject to service tax.
19. **Q** **Are installation of towers, cables, Distribution Points and etc. (the vendors may be licensed by MCMC for installation of cables to customer's DP) considered as telecommunication service?**
- A No. The services are not telecommunication services.
20. **Q** **Is the International lease line services provided outside of Malaysia subject to service tax?**
- A No. The services is not subject to service tax.
21. **Q** **A company licensed with MCMC is providing the rental of SMS platform to another company licensed with MCMC. Is the infra subject to Service Tax?**
- A No. The services is not subject to service tax.
22. **Q** **Is the replacement of SIM card due to lost subject to service tax?**
- A No. The replacement of SIM card is not subject to service tax.
23. **Q** **Is the starter pack for prepaid telecommunication service subject to service tax?**
- A Yes. Starter pack is subject to service tax.

24. **Q What are value added services in relation to telecommunication services subject to service tax?**

A All value added services are subject to service tax e.g. Service Level Guarantee, Firewall Services, Content Filtering Services, encryption services, Network Monitoring and Analysis Services.

25. **Q Should Telco impose service tax to the Application Service Provider (ASP) class license?**

A The service is not subject to service tax if Telco provides telecommunication services to license holder provided that the telecommunication services are used for furtherance of business of the ASP license holder.

INQUIRY

For any inquiries for this guide please contact:

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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

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Para	Changes
Para 11	<i>Insert</i> new para 11
FAQ 5	<i>Replaced</i> FAQ 5 with new FAQ
FAQ 17-25	<i>Insert</i> new FAQ 17-25