



SERVICE TAX POLICY NO 8/2020

**GROUP RELIEF FACILITY ON PROVISION OF TAXABLE SERVICES TO COMPANY
WITHIN THE SAME GROUP OF COMPANIES**

1. Provision of taxable services in item (a), (b), (c), (d), (e), (f), (g), (h) or (i), in column (2), Group G, First Schedule, Service Tax Regulations 2018 (STR2018) to **any person in the same group of companies** (hereinafter referred to as a **group member**) is treated as **not taxable services** in accordance with the provisions of paragraph 3, First Schedule, STR2018. For the purpose of this policy, the facilitation under paragraph 3 of the First Schedule, STR2018 will be referred to as **group relief**.
2. Where the same taxable service is provided to **any person outside the group of companies** (hereinafter referred to as a **third party**), the **group relief** will no longer apply and the taxable service provided to the group member will become taxable (see illustration 1).

No Group Relief when service provided to Third Party

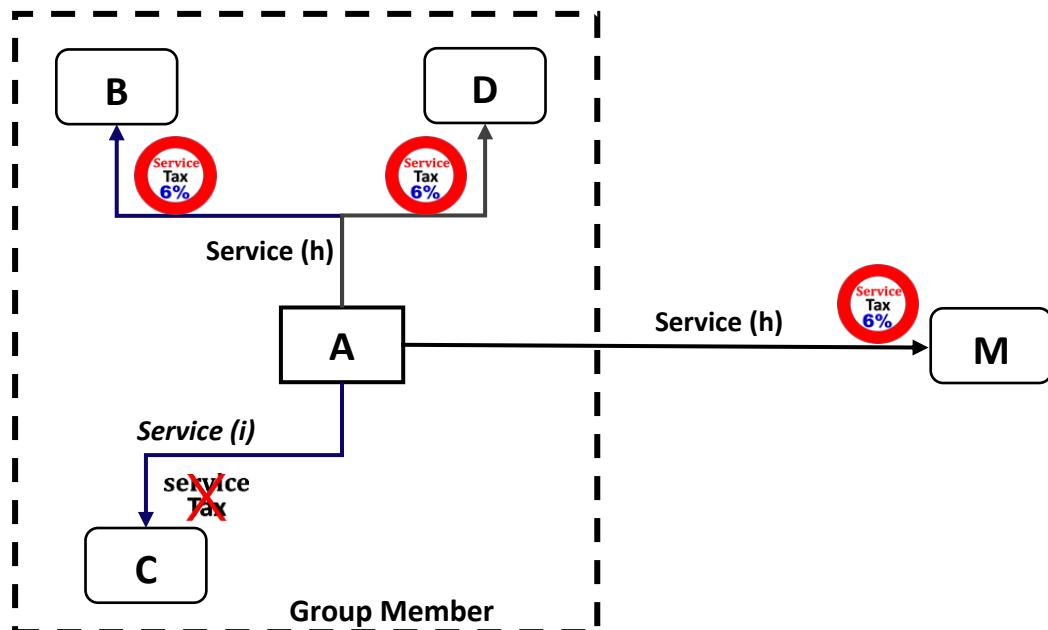
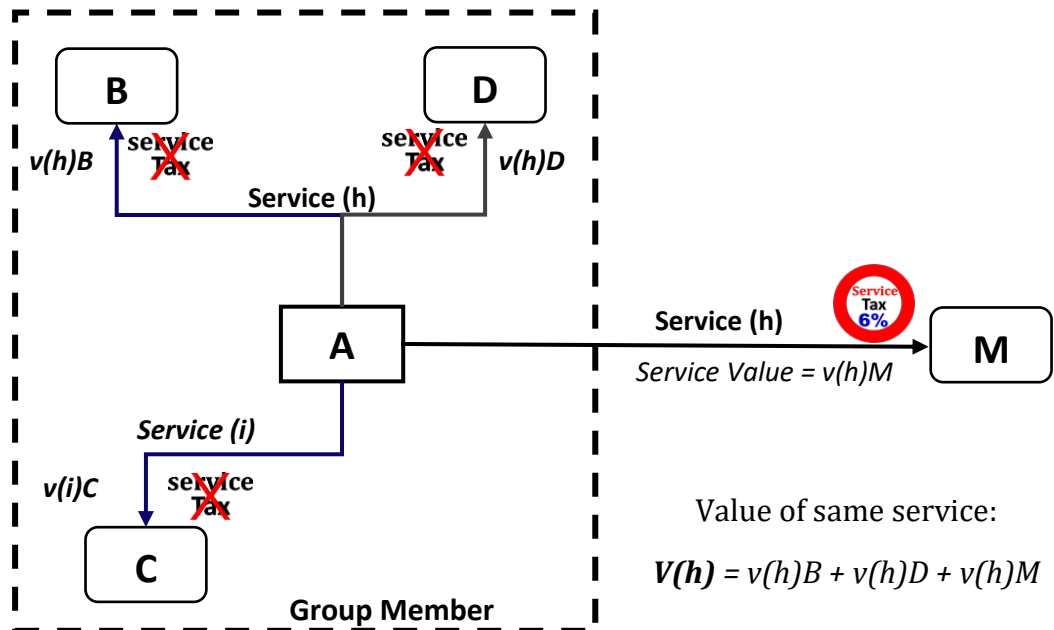


Illustration 1

3. Effective from 1st January 2020, the **group relief** facility is enhanced whereby **group relief** is granted even though taxable service is provided to a third party subject to the condition that the total value of the taxable service to the third party does not exceed an amount equal to five percent. (5%) of the total value of the same taxable

service within twelve (12) months (see illustration 2). Paragraphs 8 (1) and 8 (2), of First Schedule, STR2018 are referred.

Tax Treatment for Group Relief



Provided that:

$v(h)M \leq 5\% V(h)$ within twelve (12) months period

Illustration 2

4. The method of calculation of the twelve (12) months is based on the future method, that is, current month and eleven months immediately preceding after that month. The calculation of the five percent (5%) of the service value shall be the value of the same service provided to the third party in proportion to the total value of the same service provided.
5. Services eligible for **group relief** are services under item (a), (b), (c), (d), (e), (f), (g), (h) or (i) [(i) to (x)], of column (2), Group G of the First Schedule, STR2018. The services in item (j), (k), (l) and (m) are not eligible for **group relief** facility. For the purposes of item (i) of group G, same service refers to sub-items (i) to (x).
6. Imposition of tax by registered person:
 - 6.1 A **registered person** (RP) who provides taxable services **shall impose service tax to third parties** and **group members** based on the following:
 - 6.1.1. Where the value of taxable service that will be provided to third party **is ascertained** not to exceed five percent (5%) of the total service for a period of twelve (12) months, **no tax shall be imposed to the group members**. RP may use the past twelve-month business

transaction data as the basis in determining the percentage of total value of services to third parties. Service tax shall be charged to group members immediately where there is additional transaction to third party even if the twelve (12) month period has not been reached.

6.1.2. Where the value of a taxable service that will be provided to a third party **cannot be ascertained** to be less than or equal to five percent (5%) of the total service for a period of twelve (12) months, RP **shall charge service tax to the group members** for the taxable service provided.

6.2 Adjustment of tax may be made by RP after the twelve (12) months period by issuing credit note under regulation 11, STR2018 to group members if the value of services provided to third parties is less than or equal to five percent (5%) of total services for the period of twelve (12) months.

6.3 Where RP fails to charge tax on services provided to group members and the value of the service to a third party exceeds five percent (5%) of the total value of the service for a period of twelve (12) months, RP will be subjected to penalty for late accounting and payment of the tax due under subsection 26(7), Service Tax Act 2018 (STA2018) on taxable services provided to group members.

7. Registration

7.1 Any person who wishes to provide taxable services to third party is liable to register under section 12, STA2018. For the purpose of determining the value of services, the total value of the same taxable service provided to group members and third parties shall be taken into consideration.

7.2 RP that provide taxable services to group members and third parties shall remain registered even if the value of taxable services to third parties is less than five percent (5%) of the total value of the total service.

8. Transitional period

8.1 Provision of taxable services to group members and third parties **before 1st January 2020** is subject to service tax even if the value of services to third parties does not exceed five percent (5%) of the total value of services. The facilitation mentioned in paragraph 3 above does not apply. Service tax must be accounted for and paid when it is due under section 11 of the STA2018.

9. The **group relief** facility under this policy only applies to taxable services provided by RP in Malaysia and **does not apply** to imported taxable services acquired from group member located outside Malaysia.

INTERNAL TAX DIVISION

ROYAL MALAYSIAN CUSTOMS DEPARTMENT HEADQUARTERS, PUTRAJAYA