GUIDE ON:
MANAGEMENT SERVICES

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Disclaimer

This information is intended to provide a general understanding of the relevant treatment under Service Tax Legislations 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.
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 in understanding the service tax treatment on provision of management services.

IMPOSITION AND SCOPE OF TAX

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

GENERAL OPERATIONS OF THE INDUSTRY

Scope of Management Services

6. Management services covers the organization and coordination of activities of a business in order to provide services to the clients and these services are not categorized under any specific taxable services (i.e. prescribed services). These activities consist of organizing, supervising, monitoring, planning, controlling and directing business’s resources in terms of human, financial, technology, physical and other resources.

7. Written contractual agreement which clearly state provision of management services between a person and his client will become an indicator to determine whether services provided by a person can be classified as management services or
not. However, in cases where there is no contractual agreement, the provision of the services may also be regarded as management services if such services fall under the above definition.

8. Provision of management services can be made by a person to his client or with the involvement of another third-party provider whether for goods or services.

Example 1: (Provision of management services by a person to his client without involvement of another third-party provider)

Rizza Hotel Sdn Bhd. is a company that provides hotel services, it has entered into an agreement with Mr. Harith to manage his buildings by charging a certain fee on each month. Rizza Hotel Sdn Bhd. is considered as providing management services to Mr. Harith.

Example 2: (Provision of management services by a person to his client with the involvement of another third-party provider)

Kelana Jaya Entertainment (KJ) provides family karaoke services, has been requested by JB Sdn. Bhd (JB) to organise an annual dinner. In order to ensure that the event will run smoothly, KJ has dealt with other service / goods providers including;

(i) Hotel operator for the venue and accommodation,

(ii) Retailer for door gifts distribution to all participants

(iii) Master of ceremony, and

(iv) Singers for the entertainment.

Based on the above example, KJ has provided management services to JB with the involvement of other third-party provider.
Taxable Management Services

9. Any person who provides all types of management services including project management or project coordination excluding certain services is subjected to service tax. Taxable management services include:

   (i) Provision of project management services
   (ii) Provision of services to manage training programs by third parties
   (iii) Secretarial services by the secretary of the company
   (iv) Provision of event management services
   (v) Debt collection and receivables management services
   (vi) Warehousing management services including comprehensive supplies recoupment activities, warehousing, maintenance, order, packaging, delivery and etc.
   (vii) Building maintenance services
   (viii) Management services for admission of potential students from overseas to higher education centers in Malaysia
   (ix) Provision of outsourced management services by third parties
   (x) Provision of parking management services
   (xi) Provision of sports facilities management services

The above list is by no means an exhaustive list of all of the taxable management services provided by a registered person to his clients.

Non-Taxable Management Services

10. For the purpose of service tax, the following services are excluded from the scope of management services:

   (i) Provision of management services by a developer, joint management body or management corporation to the owner/s of a building held under a strata title;
(ii) Provision of management services by asset and fund managers, including *pusat zakat* and trustee companies which provide will services, trust services, *wakaf* services and other similar services;

(iii) Provision of management services related to goods or land situated outside Malaysia;

(iv) Provision of management services related to other matters than goods or land situated outside Malaysia.

(v) Provision of management services to companies within the same group; or

(vi) Bereavement management services.

**ACCOUNTING FOR SERVICE TAX ON MANAGEMENT SERVICES**

11. Service tax is required to be accounted at the earlier of:

   (i) At the time when payment is received; or

   (ii) On the day following the period of 12 months from the date of the invoice for the management services provided, when any whole or part of the payment is not received.

12. Service tax is chargeable on the total value of services provided including:

   (i) Service fee such as arranging fee and management fee;

   (ii) Commission or any type of payment received; and

   (iii) Additional charges or mark up.
REGISTRATION AND RESPONSIBILITIES OF A REGISTERED PERSON

13. A management service provider whose total turnover for the period of 12 months exceeds the prescribed threshold of taxable services is required to be registered under the Service Tax Act 2018.

For further guidance and details on registration including an auto-registration, please refer to the Guide on Service Tax Registration.

14. A registered person is responsible to :

(i) Charge service tax on his taxable services,

(ii) Issue invoices and receipts with specific particulars,

(iii) Submit service tax return sst-02 electronically and pay service tax before due date, and

(iv) Keep proper records with regards to his business.

15. For further information with regards to the responsibilities of a registered person, please refer to the General Guide on Service Tax and relevant Specific Guide.
FREQUENTLY ASKED QUESTIONS (FAQs)

1. Q: I recover from my client expenses in excess of the amount I have paid to the third party. Do I have to charge service tax on the excess amount?
   A: If you recover from your client an amount in excess of the amount you have paid to the third party, service tax should be charged on the excess amount.

2. Q: My company has signed a building maintenance agreement with private companies for building maintenance activities including maintenance and building cleanliness. Should I charge service tax on the building maintenance services to my client?
   A: Yes, building maintenance services are regarded as management services and subject to service tax. However, if the same services are provided by Joint Management Body, the services will not be subjected to service tax.

3. Q: MZB Sdn Bhd was appointed by a private bank to manage and collect outstanding debts not being paid by credit card customers and impose fees to private banks for the services provided. Is the fee charged for such services subject to service tax?
   A: Yes, any fee charged by MZB Sdn. Bhd. on his services as a debt collector to the private bank is subjected to service tax.

4. Q: I am a registered person providing warehousing services such as maintenance, warehousing, storage, packaging services as well as warehouse rental services to Fairus Sdn. Bhd. Is warehouse rental charge subjected to service tax?
A : Fee charged on warehousing management services is subjected to service tax, while warehouse rental charge is not subjected to service tax. However, if such fee and charge are not being itemized in the same or separate invoice, the lump sum amount charged on the invoice is subjected to service tax.

5. Q : My company which is registered to provide event management services has been appointed by a local film company to manage the promotion of the latest film product to the public. My company also provides equipment for rental such as tents / booths and PA systems including master of ceremony and a group of famous artists to enliven the atmosphere of the promotional ceremony according to the demand of the film company. Are the charges billed to the film company for the provision of such services subjected to service tax?

A : Event management fee is subjected to service tax while rental charges charged on the tents, PA systems, master of ceremony and artists are not subjected to service tax. However, if the event management fee and the rental charges are not being itemized in the same or separate invoice, the lump sum amount charged on the invoice is subjected to service tax.
INQUIRY

For any inquiries for this guide please contact:

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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