



SALES TAX 2018

GUIDE ON : REGISTRATION

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This information is intended to provide a general understanding of the relevant treatment under Sales Tax and Services Tax Legislation 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

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INTRODUCTION

1. Effective from 1 September 2018, Sales Tax Act 2018 and the Service Tax Act 2018 together with its respective subsidiary legislations are introduced to replace the Goods and Service (GST) Act 2014.
2. Sales tax administered in Malaysia is a single stage tax imposed on the finished goods manufactured in Malaysia and goods imported into Malaysia.
3. The Guide is prepared to assist businesses in understanding matters with regards to service tax registration requirements and procedures under Sales Tax Act 2018.

SALES TAX IN GENERAL

4. Under the Sales Tax Act 2018, sales tax is charged and levied on imported and locally manufactured goods either at the time of importation or at the time the goods are sold or otherwise disposed of by the registered manufacturer.
5. In implementing the requirements of sales tax legislation for the purpose of registration, two key factors needs to be addressed, first in determining that the manufacturing activities fulfilled the definition of manufacture by this Act and that The Sales Value of Taxable goods (SVTG) manufactured exceeds the prescribed limit.
6. Manufacture is defined under Section 3 of the Sales Tax Act 2018 as:
 - (i) In relation to goods other than petroleum, the conversion by manual or mechanical means of organic or inorganic materials into a new product by changing the size, shape, composition, nature or quality of such materials and includes the assembly of parts into a piece of machinery or other products, but does not include the installation of machinery or equipment for the purpose of construction; and

- (ii) In relation to petroleum, manufacture means any process of separation, purification, refining, conversion and blending.

7. Taxable goods means goods of a class or kind manufactured in Malaysia or imported into Malaysia which is not exempted from sales tax. Only registered manufacturers shall impose sales tax on manufactured taxable goods.

8. Sales tax is ad valorem tax and the applicable rate is 5% and 10% based on the type of taxable item. Specific tax rates are set for petroleum products.

9. The Minister fixes the rate of sales tax to be charged or levied by an order published in the Gazette.

SALES TAX REGISTRATION

10. Any person who manufactures taxable goods and the sales value of such taxable goods for a period of 12 months and exceeds the threshold of RM500,000 is liable to be registered under the Sales Tax Act 2018.

11. Any manufacturer is liable to be registered when:

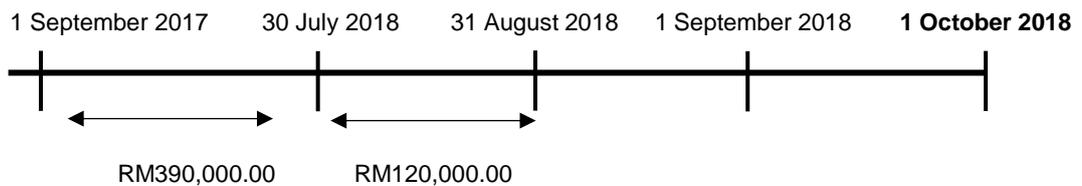
- (i) The sales value of taxable goods manufactured exceeds RM500,000 within 12 months;
- (ii) Wage value for work performed on taxable goods by subcontract manufacturer exceeds RM500,000 within 12 months.

12. However, a manufacturer with a sales value of taxable goods of RM500,000 and below may apply for voluntary registration subject to approval by the Director General of Customs (DG). (Refer Checklist Chart in **Appendix I and II**).

13. In determining the liability of a manufacturer to register, the sales value of taxable goods for a period of 12 months is calculated using any one of the two methods as follows:

- (i) Historical method - Total sales value of taxable goods in any month and the 11 months immediately preceding that month

Diagram 1: Historical method



- On 31 August 2018 – Manufacturer's sales value of taxable goods exceeded RM500,000 and is liable to register for Sales Tax.
- 1- 30 September 2018 – period to apply for registration.
- 1 October 2018 - Effective date of registration and to start charging sales tax

- (ii) Future method - total sales value of taxable goods in any current month and expected sales value of 11 months immediately succeeding that month.

Diagram 2: Future method



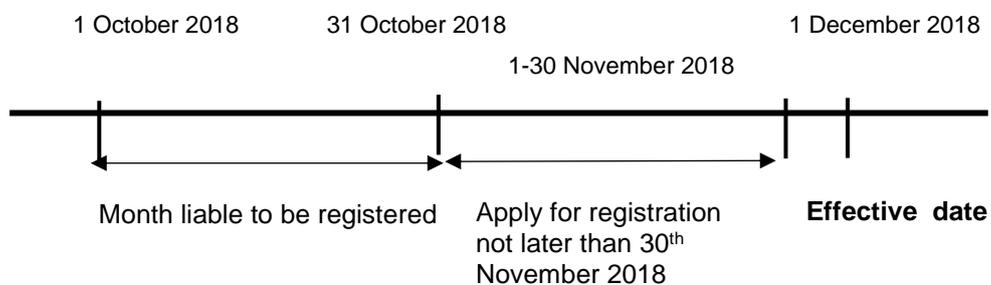
- 1-31 October 2018 – The sales value of taxable goods is RM100,000
- 1 November 2018 - 31 Julai 2019 – estimated sales value of taxable goods is RM420,000.
- 1-30 November 2018 – liable to be registered for sales tax..

- 1 Disember 2018 – Effective date of registration and to start charging sales tax.

REGISTRATION EFFECTIVE DATE

14. The manufacturer is required to apply for registration no later than the last day of the following month after being liable to be register. The effective date of the registration shall be on the first day of the following month after the month in which application for registration was made.

Diagram 2: Effective Date of Registration



- 31 October 2018 - Exceed Sale value of taxable goods and liable TO register
- 30 November 2018 - Last date to apply for registration.
- 1 December 2018 - Effective date of registration.

REGISTRATION PROCEDURE

15. Application for sales tax registration shall be made electronically in MySST portal at www.mysst.customs.gov.my. Applicants are required to fill in relevant details based on the prescribed registration form.

16. Registration kiosks are provided at the SST Division in all RMCD offices throughout Malaysia.

17. Once registration has been approved, an approval letter will be generated by the system, stating the sales tax registration number, the effective date of registration

and other relevant details with appendix of registered person's List of responsibilities. This approval letter will be sent to the email address registered by applicants.

TRANSITION PERIOD

Automatic and Non- Automatic Registration

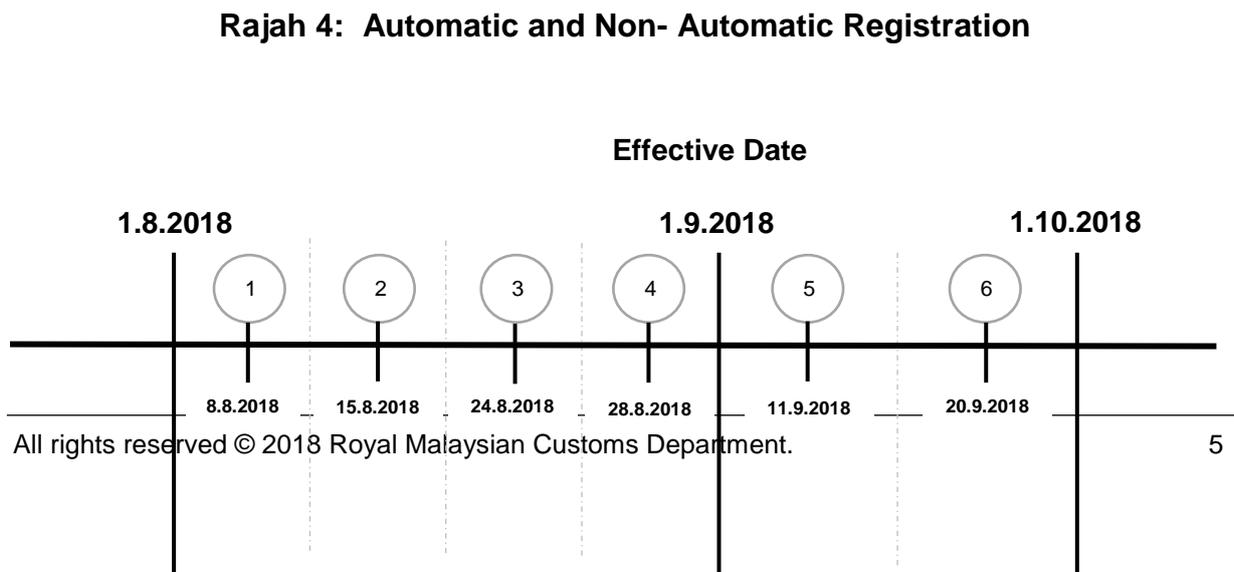
18. During the transition of the tax system, manufacturers which have been identified by Malaysia Standard Industrial Classification (MSIC) and exceeds registered the threshold under the GST 2014, **will be automatically registered** by the Director General of Customs (DG) subject to the prescribed criteria and shall impose sales tax from 1 September 2018.

19. Automatically registered manufacturers may check their Sales Tax registration status through the MySST system.

20. Manufacturers of taxable goods which are not registered automatically is required to apply for registration before the effective date of Sales Tax Act 2018.

21. Automatic registration is done from August 2018 to 31 August 2018 and will be effective on 1 September 2018. For registrants not receiving emails or not automatically registered should apply for new registration electronically through the MySST Portal.

22. Explanation of effective date are given by scenarios in the diagram below:



Scenario No.1:

Company Ali is a GST registrant. The company has been automatically registered under Sales Tax 2018 on 8 August 2018 and received an email as a registered person. The effective date of registration is on 1 September 2018. Company Ali does not need to apply for a new registration.

Scenario No.2:

Company Eng is a GST registrant, but does not receive the emailed registration letter although the company is liable to register under Sales Tax 2018 for exceeding the threshold. On August 15, 2018, the company applied for registration under Sales Tax 2018 and the effective date of registration is on 1 September 2018. Registration is mandatory registration.

Scenario No.3:

Muthu Company is not registered under GST and does not receive the emailed registration letter. Company sales value has not reached the threshold value. Muthu Company is not liable to be registered but has applied for registration on 24 August 2018. Muthu Company will be registered and the effective date of registration is on 1 September 2018. Registration is a voluntary registration.

Scenario No.4:

Zamri Company is not registered under GST and does not receive the emailed registration letter although the company is liable to register under Sales Tax 2018. The sales value of the company has reached its threshold value in June 2018. The Zamri Company need to apply for a new registration. On 28 August 2018, Zamri Company has applied for registration and the effective date of registration is on 1 September 2018. Registration is mandatory registration.

Scenario No.5:

Rokiah Company is a GST registrant but is not automatically registered under Sales Tax 2018. The company's sales value has exceed the threshold and the company is liable to register under Sales Tax 2018. On 11 September 2018,

Rokiah Company has applied for registration. The registration date is on 1 October 2018. Registration is mandatory registration.

Scenario No.6:

Tan Company is not registered under GST but the company is liable to register under Sales Tax 2018. Tan Company need to apply for a new registration. On 20 September 2018, Tan Company applied for registration. The effective date of registration is on 1 October 2018. Registration is mandatory registration.

NEW REGISTRATION

23. Under the Sales Tax Act 2018, any eligible manufacturer who are liable to be registered are required to apply for registration not later than the last day of the following month in which he is liable to be registered.

24. GST registrant whose exceeds RM500,000 of total annual sales of taxable goods are liable to be registered under this Act in August 2018. They should apply to register in August 2018 or not later than 30 September 2018 and will given the effective date on 1 September 2018 or 1 October 2018 for those applying in September 2018.

25. The **effective date** of Sales Tax registration is the **first day** of the month following the month application was made.

26. Liable manufacturer must register all his manufacturing premis address(s) and can only perform his manufacturing activity at the premise(s) registered with RMCD.

VOLUNTARY REGISTRATION

27. Any manufacturer or subcontract manufacturer of taxable goods with a total sales value of RM500,000 and below is allowed to register under voluntary registration.

28. Any class of person who is exempted from registration under Schedule B of the Sales Tax (Exemption from Registration) Order 2018 are also allowed to register under voluntary registration.

29. Any manufacturer who manufactures non taxable goods is not allowed to register under voluntary registration.

EXEMPTION FROM REGISTRATION

30. Three categories of manufacturers who are exempted from registration under this Act:

- (i) Manufacturers who manufacture taxable goods or sub-contractor doing subcontract work of taxable goods but does not exceed Sale value of taxable goods of RM500,000 as specify in item 1, Schedule A, Sales Tax (Exemption from Registration) Order 2018.
- (ii) Manufacturers of goods that are not subject to sales tax under Sales Tax (Good Exempted from Sales Tax) Order 2018.

Example: Manufacturer of cooking palm oil; wheat flour; rice and sugar.

- (iii) Manufacturers whose manufacturing operations is any one of those specified in Schedule B, Sales Tax (Exemption from registration) Order 2018.

Example: Manufacture of jewellery and goldsmiths wares; the installation of air conditioners in motor vehicles and ready mixed concrete manufacture.

NOTIFICATION OF THE CHANGES ON PARTICULARS OF REGISTERED MANUFACTURER

31. Any amendments to the registered particulars below is to be informed in writing to the JKDM Controlling Station.

- (i) Change in the name of the business;

- (ii) Change in the address of any place of business;
- (iii) Change of members in the partnership;
- (iv) Change in the status of the business;
- (v) Change or addition in the manufactured goods;
- (vi) Opening of any new place of business or closing of any place of business

32. Registered manufacturer may change other registration particulars on the system.

33. Registered manufacturer who ceased to manufacture taxable goods or ceased to be liable to register must inform RMCD in writing of the occurrence within 30 days of the date of cessation.

RESPONSIBILITIES OF THE REGISTERED MANUFACTURER

34. Responsibilities of the registered manufacturer includes:

- (i) Charge sales tax on sale of taxable goods;
- (ii) Issue sales invoices in the national language or English language;
- (iii) Submit SST-02 returns and payment;
- (iv) Keep adequate records for a period of seven (7) years from the latest date to which the records relates.

DEREGISTRATION

35. A registered manufacturer may apply to cancel his registration if he is no longer liable to register.

36. Registration of any manufacturer may be cancelled by the DG if it is found that the person concerned is not liable or not eligible to register.

37. Registered manufacturer may apply to be deregistered under the following circumstances when he:

- (i) Ceases to manufacture taxable goods;
- (ii) Total sales value for the period of the next twelve months do not exceed the threshold for the purpose of registration.

38. A registered manufacturer is required to notify RMCD within 30 days from the date of occurrence if he ceases business or ceases manufacturing taxable goods.

39. A registered manufacturer who has notified RMCD of his requirement to deregister is still responsible as a registered manufacturer to impose sales tax and submit sales return until the date the cancellation of sales tax registration is approved.

REGISTERED MANUFACTURER PUT UNDER LIQUIDATORS AND RECEIVERS

40. Liquidator to a winding up registered manufacturer need to:

- (i) Give notice to the DG within 14 days in writing after the winding up resolution.
- (ii) Set aside any sales tax payable by the manufacturer to the RCMD.
- (iii) Pay RCMD the amount set in (ii).

41. Receivers to the property of a registred manufacturer shall:

- (i) Give notice to the DG within 14 days in writing of his appointment as receivership.
- (ii) Set aside sufficient amount of any sales tax payable to RMCD by the manufacturer before disposing of any of its asset.
- (iii) Pay RCMD the amount set in b) after disposing of the asset

FREQUENTLY ASK QUESTIONS (FAQs)

1. Q : **What should a GST registrant do when the GST Act is cancelled?**

A : Once the the act is revoke, you automatically stop being a registrant. Provided there are some rules that you need to follow.
2. Q : **Are Special Areas such as LMW and FZ are not required to register for SST?**

A : Yes.
3. Q : **I am a GST registrant and the sales value of taxable items of my company does not exceed RM 500,000. What should I do?**

A : You may choose not to register to SST or to register voluntarily.
4. Q : **Is the sales tax license still being issued and should be displayed on the business premises?**

A : Sales tax license will not be issued under SST 2018 only registration numbers are used as registered manufacturer's identity under the SST.
5. Q : **Can a company apply for a sales tax registration by branch?**

A : No.
6. Q : **My company has 2 registration numbers in GST (IPC & LMW). Is the company still subject to 2 registration under SST?**

A : Only 1 registration is required.

INQUIRY

For any inquiries for this guide please contact:

Royal Malaysian Customs Department
Internal Tax Division
Level 3 - 7, Block A, Menara Tulus,
No. 22, Persiaran Perdana, Presint 3,
62100 Putrajaya.

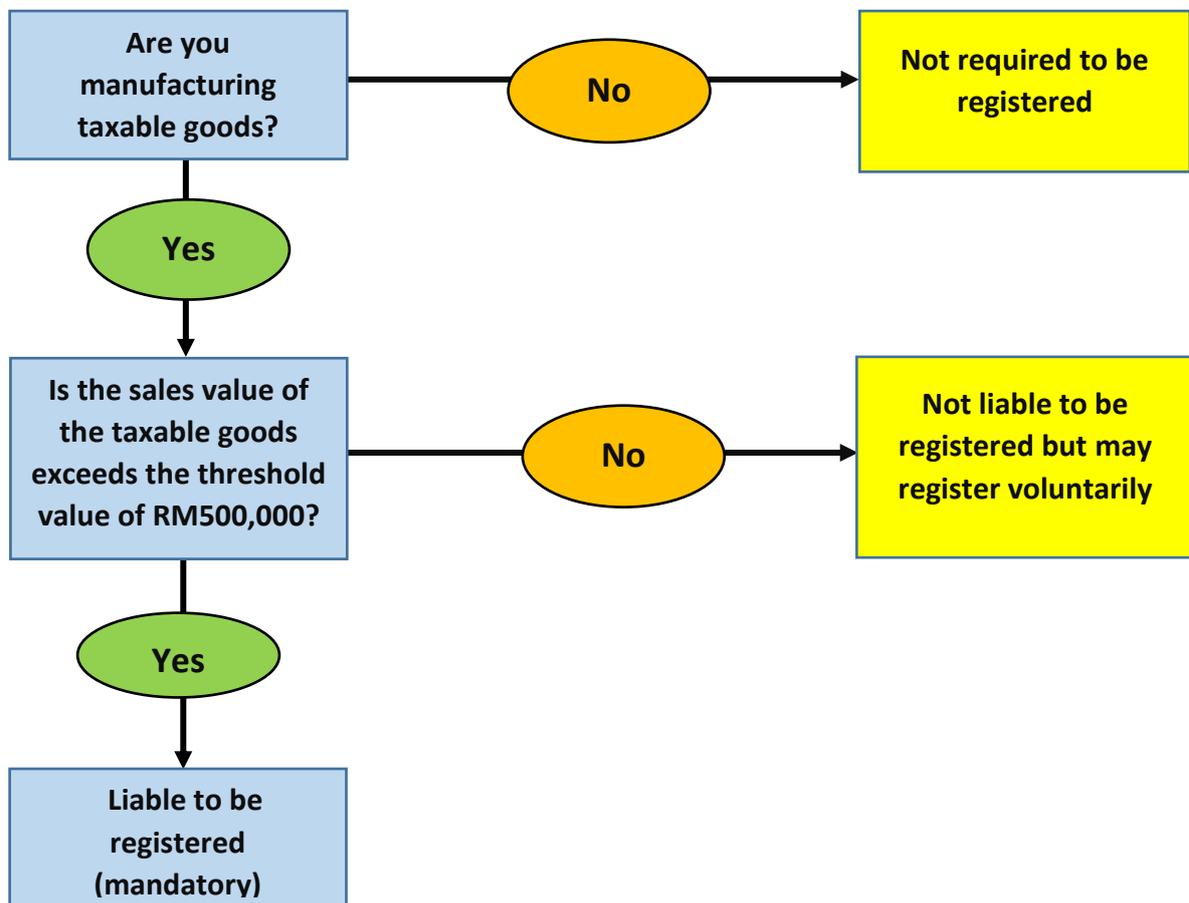
FURTHER ASSISTANCE AND INFORMATION ON SST

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

APPENDIX I

Flow Chart 1: Registration - Manufacturer



APPENDIX II

Flow Chart 2: Registration - Subcontract Manufacturer

