



SALES TAX 2018

GUIDE ON : A. MANUFACTURING B. IMPORT / EXPORT

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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. 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.
3. This guide is prepared to assist registered manufacturers and the industries (excluding automotive & petroleum industries) in understanding matters pertaining to sales tax on manufacturing, importation of goods, the sales and transportation of goods in accordance with the policies and legislation related to sales tax.

SALES TAX CONCEPT

4. Sales tax administered in Malaysia is a single stage tax imposed on the finished goods manufactured in Malaysia and goods imported into Malaysia.
5. Sales tax is imposed on taxable goods manufactured in Malaysia by any registered manufacturer at the time the goods are sold, disposed of other than by sales or used other than as a material in the manufacture of goods.
6. Sales tax on imported goods is charged when the goods are declared, duty paid and released from customs control.

A. MANUFACTURING

SCOPE OF MANUFACTURERS

7. Manufacturers who manufacture taxable goods with sales value which exceeds RM500,000 within the period of 12 months, are required to be registered pursuant to Section 12 Sales Tax Act 2018.

8. Manufacturers who manufacture taxable goods with sales value of RM500,000 and below, have the option to be registered on a voluntary basis under Section 14 of the Sales Tax Act 2018 to enable them to enjoy the facilities given under the Act.

9. Manufacturers who carry out its business as a subcontractor and the total labour charge of the subcontract works exceeds RM500,000 within 12 months, are required to be registered pursuant to Section 12 of the Sales Tax Act 2018.

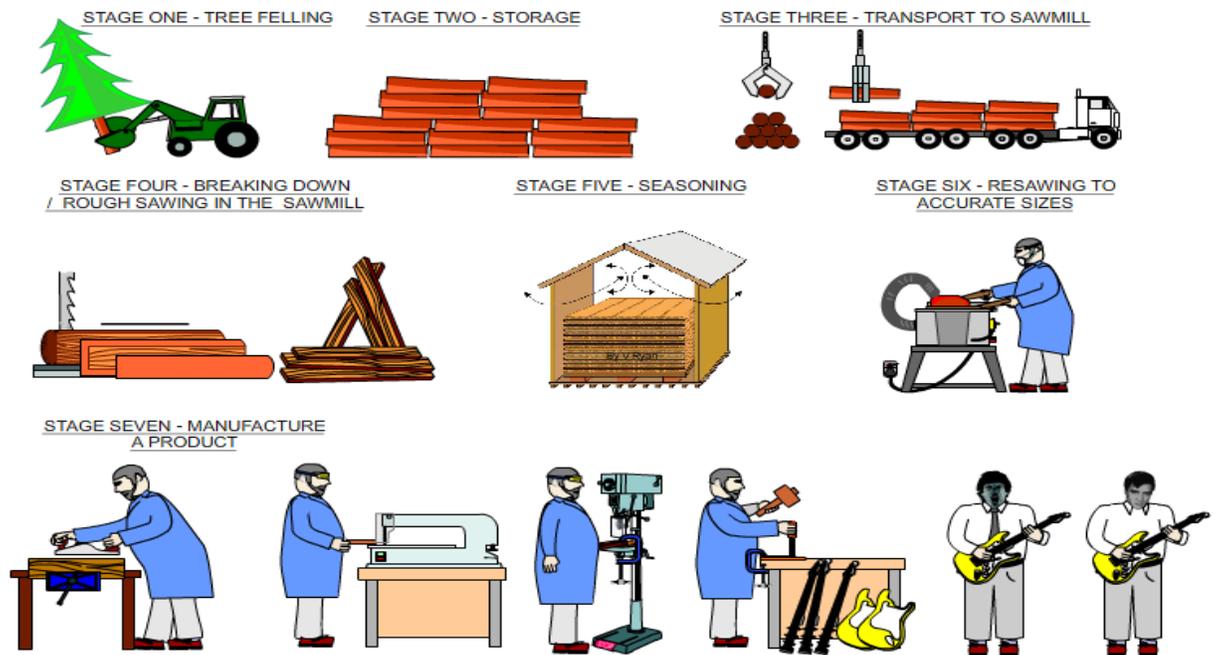
ACTIVITIES IN MANUFACTURING

Manufacturing

10. As provided in Section 3 of the Sales Tax Act 2018, principles related to the definition of manufacturing are:

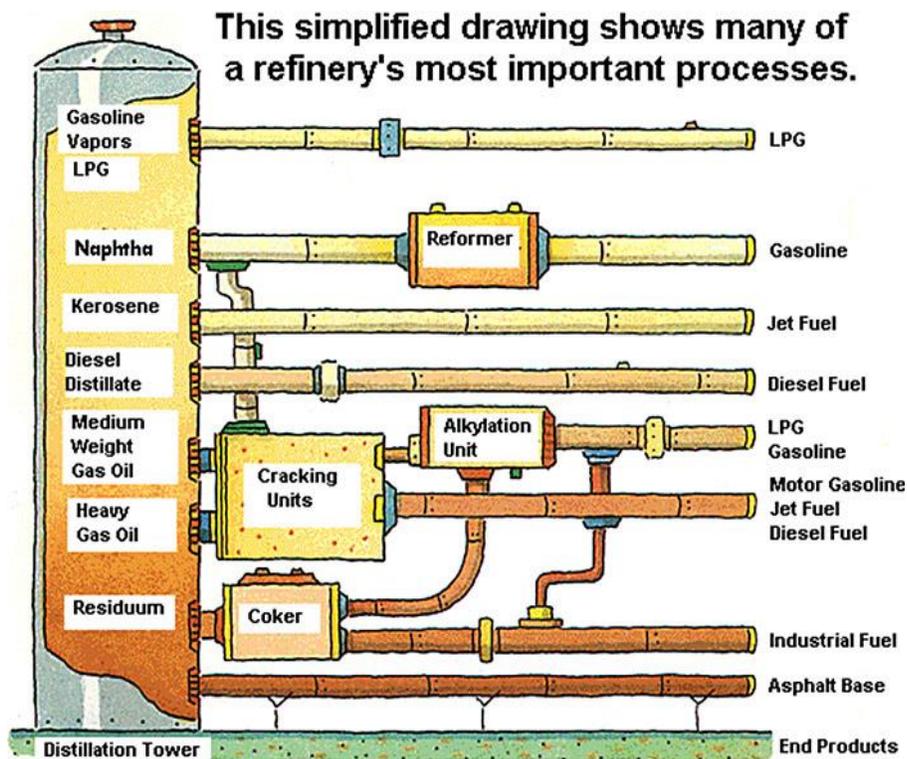
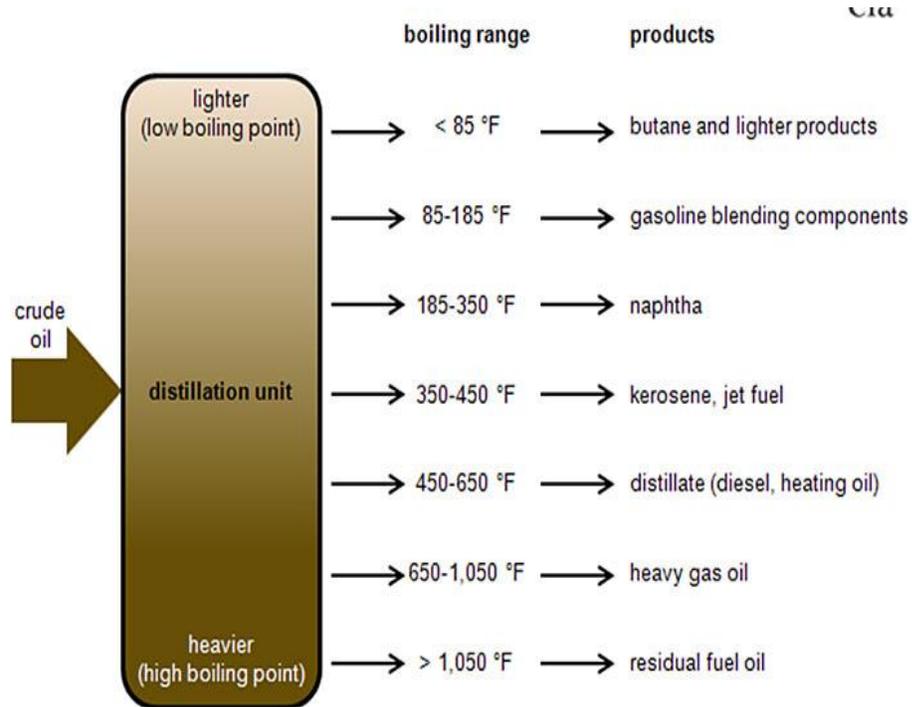
- (i) Manufacturing is the process of changing the organic or inorganic materials manually or mechanically, into a new product by changing the size, shape, composition, properties or quality of the material.

Example A: Manufacturing Process of a Guitar



- (ii) Installation of tools and components into machines or equipment, such as the assembly of personal computer and television.
- (iii) Manufacturing of petroleum products involving the refining process that includes separation, conversion, purification and blending of refinery streams (e.g.: *reformate isomerate*, treated *naphtha*) and/or petrochemical streams (e.g. *MTBE Methyl ter – butyl ether*).

Example B: Crude Oil Distillation Unit and Products



- (iv) Manufacturing activities provided in the Designated Areas (DA) and Special Areas (SA) are not subject to sales tax.

11. Simple manufacturing process like combining two or three tools / components with screws on a machine is not subjected to the definition of manufacture provided that:

- (i) The machine is complete and there are no additional materials used in the new installation.
- (ii) Installation can be made easily and quickly.

Example: Installation of machine in a plant.

Summary:

Company has purchased machine and components to be brought and installed in his manufacturing plant.

Rational:

Such process of installation is not subject to manufacturing definitions under section 3 of the Act.

Subcontract

12. Subcontractors carry out work for another manufacturer as a part of a larger project. The manufacturer supplies raw materials or semi finished goods to the subcontractor for further work to be done. Registered manufacturer can apply to appoint subcontractors by submitting an application through the **MySST** system.

13. Subcontract work to a third person comprises of the following:

(i) Subcontract to another registered manufacturer

Unfinished goods sent from a registered manufacturer to another registered manufacturer to complete and manufacture the goods and subsequently acquired back by the same registered manufacturer, is subject to sales tax unless an exemption is claimed by the registered manufacturer under item 5 Schedule C of the Sales Tax (Person Exempted from Payment of Tax) Order 2018.

(ii) Subcontract to another non licensed manufacturer

(a) Goods transported from a registered manufacturer to any non-registered manufacturer for further or complete the manufacturing and later acquired back by the same registered manufacturer, is subject to sales tax unless an exemption is claimed by the non registered manufacturer under item 62 Schedule A of the Sales Tax (Person Exempted from Payment of Tax) Order 2018.

(b) Semi-finished goods transported from a manufacturer in the Free Zone (FZ) which is in Special Areas (SA), to any non-registered manufacturer in Principal Customs Area (PCA) for further processing or to be completed as finished goods, is as if importation of goods into Malaysia. Any goods imported is subject to sales tax unless an exemption is claimed by the manufacturer under item 54 Schedule A of the Sales Tax (Person Exempted from Payment of Tax) Order 2018.

Goods returned to the manufacturer in FZ is as if such goods are exported from Malaysia to a place outside Malaysia under paragraph 58(1)(b) Sales Tax Act 2018 and exemption from payment of sales tax which can be claimed by the exporter is

provided under item 56 Schedule A of the Sales Tax (Person Exempted from Payment of Tax) Order 2018.

(iii) Subcontract to Licensed Manufacturing Warehouse / Free Industrial Zone

Goods transported from a manufacturer in PCA to the Free Industrial Zone (FIZ) or moved to a Licensed Manufacturing Warehouse (LMW) under Section 65A of the Customs Act 1967 for subcontract work and subsequently re-imported or returned via the same route to the manufacturer in PCA, are subject to sales tax unless an exemption is claimed by the manufacturer under item 38 Schedule A of the Sales Tax (Person Exempted from Payment of Tax) Order 2018.

Goods Returned or Sent for Re-Processing and Repair

14. Goods imported from any country, transported from FIZ or Labuan which is in Designated Area (DA) or moved from LMW for repair and subsequently re-exported, transported or moved back through the same route within three (3) months, is subject to sales tax unless an exemption is claimed by the importer under item 34 Schedule A of the Sales Tax (Person Exempted from Payment of Tax) Order 2018.

15. Locally manufactured taxable goods, excluding petroleum, which have been exported and subsequently re-imported within twelve (12) months from the date of export for the purpose of reprocessing, are subject to sales tax unless an exemption is claimed by the importer under item 35 Schedule A of the Sales Tax (Person Exempted from Payment of Tax) Order 2018.

16. Goods exported from Malaysia, transported to FIZ or Labuan or moved to LMW for repair and subsequently re-imported or returned by the same route, is subject to sales tax unless an exemption is claimed by the importer under item 36 Schedule A of the Sales Tax (Person Exempted from Payment of Tax) Order 2018.

PURCHASE OF RAW MATERIALS, COMPONENTS, MACHINERY/ EQUIPMENT AND MANUFACTURING AIDS

Raw materials and components

17. Sales tax exemption is given to raw materials and components used directly in the manufacturing process of goods manufactured, from the initial stage of manufacturing until the finished products is finally packaged and ready for export. This includes packaging materials and casings (e.g. casings for calculators and cameras). The exemption is given provided that it is claimed by the person entitled for the claim or the goods are exempted from tax in the exemption order.

18. Raw materials / components which are **not eligible for sales tax exemption**, are such as:

- (i) Fuel oil
- (ii) Materials for machinery and factory cleaning purposes
- (iii) Wearing apparel for workers
- (iv) Furniture/office equipments
- (v) Building materials
- (vi) Foodstuffs and drinks

19. Raw materials, components and packaging materials excluding petroleum, imported or purchased from any registered manufacturer or LMW or Licensed Warehouse (LW), by any registered manufacturer in PCA, are subject to sales tax unless an exemption is claimed by the registered manufacturer under item 1 Schedule C of the Sales Tax (Person Exempted from Payment of Tax) Order 2018.

20. Raw materials, components and packaging materials including petroleum to be used as raw material, imported from LMW or LW or purchased from any registered manufacturer by any registered manufacturer of petroleum products, are subject to sales tax unless an exemption is claimed by the registered manufacturer of petroleum

products under item 2 Schedule C of the Sales Tax (Person Exempted from Payment of Tax) Order 2018.

21. The exemptions stated in paragraph 19 and 20 can be claimed provided that:
- (i) Raw materials, components and packaging materials including petroleum shall be used solely in the manufacturing of finished goods manufactured by the registered manufacturer.
 - (ii) Registered manufacturer has to pay sales tax on the raw materials, components and packaging materials including petroleum that could not be accounted for.

Machinery and Equipment

22. Machinery / equipment required for manufacturing are all items necessary for the processing of the goods manufactured starting from the initial state right up to the finishing state where the final product is packed ready to be exported.

23. All such machinery and equipment must be new and unused which includes testing equipment, tools, quality control gadgets, labelling machines, work bench, weighing scales, spare parts, replacement machinery/equipment, grinding stones, pollution control equipment for industrial waste treatment, welding shields, central unit air conditioning plant for factory use, spare parts for machinery and computers for factory use only. Besides being imported, machinery and equipment can also be purchased from local suppliers.

24. Machinery / equipment which are not included in the above definition are forklifts, construction / building materials, office equipment / furniture, fire-fighting equipment, vehicles and generator.

25. Machinery and equipment imported or purchased from LMW, LW, FZ or manufacturer approved by the DG, by any manufacturer in PCA which has been endorsed by MIDA, is subject to sales tax unless an exemption is claimed by the manufacturer in PCA under item 55 Schedule A of the Sales Tax (Person Exempted from Payment of Tax) Order 2018.

26. Sales tax exemption on machinery and equipment imported or purchased by the approved manufacturer can be claimed provided that:

- (i) The machinery and equipment are new and unused and are placed at all times at the premise of the approved manufacturer.
- (ii) The machinery and equipment shall be used directly in the manufacture of finished goods at the premise of the approved manufacturer.
- (iii) All machinery and equipment which are exempted from sales tax cannot be sold, transferred or moved from the premise of the approved manufacturer without the permission of the DG.
- (iv) The manufacturer shall pay taxes on goods that cannot be accounted for.

Manufacturing Aids

27. Manufacturing aids are any goods used in the manufacturing process to accelerate and to further improve, complete or complement the manufacturing process of the goods manufactured.

28. Examples of manufacturing aids are lubricants, jigs, mould, mounting materials, chemical cleaners and sandpaper.

29. For **electronic industry sector**, the sales tax exemption on the cleanroom equipment is also considered on the basis that although the device is not used directly in manufacturing, it is necessary to guarantee the manufacturing area is free from dust and electrical emissions interference. Such items / equipments are:

- (i) Floor panel/conductive floor tiles
- (ii) Face masks
- (iii) Cap made of non-woven fabric
- (iv) Glass
- (v) Security shoes
- (vi) Finger cots

30. Besides being imported, manufacturing aids can also be purchased from LMW, LW or FZ or another registered manufacturer by any registered manufacturer in PCA and are subject to sales tax unless an exemption is claimed by the registered manufacturer in PCA under item 1 Schedule C of the Sales Tax (Person Exempted from Payment of Tax) Order 2018.

31. Importation of manufacturing aids which are subject to the Customs (Prohibition of Imports) Order 2017, must comply with the conditions as prescribed under such Order.

32. Exemption from payment of sales tax on manufacturing aids imported or purchased from local supplier can be obtained provided that:

- (i) That the goods shall be used solely in the manufacturing of finished goods of any registered manufacturer;
- (ii) The manufacturer shall pay taxes on goods that cannot be accounted for.

Goods and Other Equipment for Manufacturing

33. Goods and other equipment imported or purchased of from LMW, LW, FZ or manufacturer approved by the DG, by any registered manufacturer in PCA which is endorsed by MIDA, is subject to sales tax unless an exemption is claimed by the registered manufacturer in PCA under item 54 Schedule A of the Sales Tax (Person Exempted from Payment of Tax) Order 2018.

34. Goods and other equipment imported or purchased from LMW, LW or FZ or any registered manufacturer by any registered manufacturer in PCA is subject to sales tax unless an exemption is claimed by the registered manufacturer in PCA under item 1 Schedule C of the Sales Tax (Person Exempted from Payment of Tax) Order 2018.

35. Goods and other equipment which are imported and subject to the Customs (Prohibition of Imports) Order 2017, must comply with the conditions as prescribed under such Order.

36. Exemption from sales tax on goods and other equipment imported or purchased from registered manufacturers can be obtained provided that:

- (i) All goods and other equipment shall be used directly in the manufacturing process of the finished goods manufactured by the registered manufacturer.
- (ii) Purchase list of goods and other equipment which are exempted from sales tax shall be kept and updated by the registered manufacture which must be made available for inspection by the Customs officer at any time.
- (iii) All goods and other equipments which are exempted from sales tax cannot be sold, transferred ownership or moved from the premise of the registered manufacturer without the permission of the DG

DISPOSAL

37. Disposal of machines, equipment and spare parts that are imported or obtained through tax exemption under item 54 Schedule A of the Sales Tax (Person Exempted from Payment of Tax) Order 2018 can be made through several manners such as destruction, transfer, sale, export and free gifts.

38. Any registered manufacturer must apply for an approval from the DG if the registered manufacturer wants to dispose the goods as waste or scrap which have been exempted from sales tax.

39. If the goods to be disposed are aged less than 10 years from the date of importation or purchase, the registered manufacturer must account for the sales tax as provided under item 54 Schedule A of the Sales Tax (Person Exempted from Payment of Tax) Order 2018. However, if such goods are aged 10 years or more, the registered manufacturer is exempted from paying sales tax.

40. The registered manufacturer is to account for sales tax based on the tax rate as stated in the Customs Duties Order 2017 for waste or scrap. Value shall be determined by the manufacturer upon the transaction with the buyer.

41. The approval from relevant agencies should be obtained in advance if the goods exempted from sales tax are to be destroyed and subject to regulation or control of the agency concerned, e.g. Department of Environment.

TAXABLE PERIOD

42. Taxable period as prescribed under the provisions of Section 2 and 25 of the Sales Tax Act 2018 is two (2) calendar months or part of the two months ending on the last day of the second month.

SUBMISSION OF RETURN

43. As provided in Section 26 of the Sales Tax Act 2018, sales tax return shall be submitted not later than the last day of the month following the taxable period specified.

44. Each registered manufacturer is required to submit sales tax return whether there are any taxable goods manufactured, sold, disposed of other than sale, disposed of apart from to be used as a material in manufacturing and whether any sales tax paid or not for the taxable period.

PAYMENT OF TAX

45. The registered manufacturer is required to declare the sale of taxable goods in the sales tax return in accordance with Section 26 of the Sales Tax Act 2018 and pay sales tax due and payable not later than the last day on which the registered manufacturer is required to furnish the return.

46. The finished goods manufactured and exported out of Malaysia by a registered manufacturer are exempted from sales tax under item 11 Schedule A of the Sales Tax (Person Exempted from Payment of Tax) Order 2018 and should be declared by using the Customs Form No. 2 (K2).

ISSUANCE OF DOCUMENTS

47. The registered manufacturer is required to issue documents on matters as follows:

- (i) Invoice to be issued upon sale of taxable goods, in national language or English as provided under Section 21 of the Sales Tax Act 2018.

- (ii) Issuance and receipt of the credit notes or debit notes on the sales and purchases of taxable goods as provided under Section 23 of the Sales Tax Act 2018.

RECORD KEEPING

48. As provided under Section 24 of the Sales Tax Act 2018, every taxable person is required to keep records on matters as follows:

- (i) Record of taxable goods sales.
- (ii) Record on the importation and exportation of taxable goods.
- (iii) Other records such as:
 - (a) Purchase invoice and returns of all raw materials, packaging materials used in the manufacturing.
 - (b) Sales tax returns which are properly kept and updated.
 - (c) Agreement or transaction documents with the seller or buyer, for the purpose of audit inspection.

CALCULATION OF DUTY / TAX

49. For the calculation of sales tax on imported and locally manufactured goods, the value of imported goods and value of goods sold should be based on the principles of valuation set out under the Sales Tax Order (Methods of Valuation) 2018 in accordance with Section 9 of the Sales Tax Act 2018.

50. For taxable goods manufactured by a taxable person, the value of sales is determined taking into account the value of:

- (i) Goods sold by the taxable person; or
- (ii) Goods manufactured by the taxable person; and
 - (a) Used by him other than used as materials in the manufacturing of taxable goods; or
 - (b) Disposed of by him other than sale.

51. For taxable goods imported into Malaysia, the sales value of taxable goods is the sum of the following amount:

- (i) The value of the taxable goods for the purpose of customs duties payment;
- (ii) The amount of customs duties, if any, paid or payable on the taxable goods; and
- (iii) The amount of excise duty, if any, paid or payable on the taxable goods.

Examples

Calculation of Duty / Tax on Imported Goods

1. Importation of dutiable goods (Import Duty and Sales Tax paid or to be paid, no Excise Duty)

CIF Value of goods	-	RM10,000.00
Import Duty (30%)	-	<u>RM 3,000.00</u>
CIF Value + Import Duty	-	RM13,000.00
Sales Tax (10%)	-	<u>RM 1,300.00</u>

2. Importation of dutiable goods (Import Duty, Excise Duty and Sales Tax paid or to be paid)

CIF Value of goods	-	RM10,000.00
Import Duty (30%)	=	<u>RM 3,000.00</u>
CIF Value + Import duty	-	RM13,000.00
Excise Duty (60%)	=	<u>RM 7,800.00</u>
CIF Value + Import Duty + Excise Duty	-	RM20,800.00
Sales Tax (10%)	=	<u>RM 2,080.00</u>

3. Importation of dutiable goods (Import Duty Exempted and Sales Tax paid or to be paid)

CIF Value of goods	-	RM10,000.00
Import Duty (30%)	=	<u>RM 0.00</u>
CIF Value + Import Duty	-	RM10,000.00
Sales Tax (10%)	=	<u>RM 1,000.00</u>

4. Importation of dutiable goods (Import Duty paid or to be paid, Sales Tax exempted)

CIF Value of goods	-	RM10,000.00
Import Duty (30%)	=	<u>RM 3,000.00</u>
CIF Value + Import Duty	-	RM13,000.00
Sales Tax (10%)	=	<u>RM 0.00</u>

5. Importation of dutiable goods under exemption e.g. Treasury Exemption Section 14(2) Customs Act 1967 or any item under Exemption Order (Import Duty and Excise Duty 50% exempted, Sales Tax paid or to be paid)

CIF Value of goods	-	RM10,000.00
Import Duty (30%) (Exemption 50%)	=	<u>RM 1,500.00</u>
CIF Value + Import duty	-	RM11,500.00
Excise Duty (60%) (Exemption 50%)	=	<u>RM 3,450.00</u>
CIF Value + Import Duty + Excise Duty	-	RM14,950.00
Sales Tax (10%)	=	<u>RM 1,495.00</u>

6. Importation of dutiable goods from Special Areas into Principal Customs Area (Import Duty and Sales Tax paid or to be paid)

CIF Value of goods	-	RM10,000.00
Import Duty (30%)	=	<u>RM 3,000.00</u>
CIF Value + Import Duty	-	RM13,000.00
Sales Tax (10%)	=	<u>RM 1,300.00</u>

7. Importation of Cigarette (Import Duty, Excise Duty and Sales Tax paid or to be paid)

Goods	-	Cigarette
Tariff Code	-	2402.20.9000
CIF Value of Goods	-	RM 100.00
Quantity	-	1 box
Number of sticks in one box	-	20 sticks

Tax Calculation	-	Duty Rate x No. of sticks
Import Duty Rate	-	RM 0.20 per stick
Tax Calculation	-	RM 0.20/stick x 20 sticks
Import Duty	=	<u>RM 4.00</u>
Excise Duty Rate	-	RM 0.40 per stick
Tax Calculation	-	RM 0.40 per stick x 20 sticks
Excise Duty	=	<u>RM 8.00</u>
CIF Value + Import Duty + Excise Duty	-	(RM100.00 + RM4.00 + RM8.00)
	=	RM 112.00
Sales Tax (10%)	=	<u>RM 11.20</u>

8. Importation of Tobacco (Import Duty, Excise Duty and Sales Tax paid or to be paid)

Goods	-	Ang Hoon (Tobacco)
Tariff Code	-	2403.19.1100
Quantity	-	1 kg
CIF Value of Goods	-	RM 100.00
Import Duty Rate	-	5% and RM 40.00
Tax Calculation	-	(RM100.00x5%)+(RM40.00x1kg)
	-	RM 5.00 + RM 40.00
Import Duty	=	<u>RM 45.00</u>
Excise Duty Rate	-	RM 27.00 and 5%
Tax Calculation	-	(RM 27.00 x 1 kg) + [(Customs Value + Import Duty) x 5%]
	-	RM 27.00 + [(RM 100.00 + RM 45.00) x 5%]
	-	RM 27.00 + (RM 145.00 x 5%)
	-	RM 27.00 + RM 7.20
Excise Duty	=	<u>RM 34.25</u>
CIF Value + Import Duty + Excise Duty	-	RM100.00+RM45.00+RM34.25

	-	RM179.25
Sales Tax (10%)	=	<u>RM 17.92</u>

9. Importation of Liquor (Import Duty, Excise Duty and Sales Tax paid or to be paid)

Goods	-	Beer
Tariff Code	-	2203.00.9900
CIF Value of Goods	-	RM 100.00
Quantity	-	1 can
Content	-	350 ml
Alcohol content	-	5.5% i / i
Import Duty Rate	-	RM 5.00
Import Duty	=	<u>RM 5.00</u>
Excise Duty Rate	-	Excise duty rate x quantity x alcohol content
Tax Calculation	-	RM 175.00 per 100% vol. per liter x 0.35 liter x 5.5%
Excise Duty	=	<u>RM 3.37</u>
CIF Value + Import Duty + Excise Duty	-	(RM100.00+RM5.00+RM3.37)
	-	RM 108.37
Sales Tax (10%)	=	<u>RM 10.83</u>

Calculation of Duty / Tax on Locally Manufactured Goods

1. Locally Manufactured Dutiable Goods (Sales Tax paid or to be paid, no Excise Duty)

Sales Value of Goods	-	RM10,000.00
Sales Tax (10%)	-	Sales Value x 10%
	-	RM10,000.00 x 10%

= **RM 1,000**

2. Locally Manufactured Dutiable Goods (Excise Duty and Sales Tax paid or to be paid)

Goods	-	Cigarette
Tariff Code	-	2402.20.9000
Open Market Value (OMV)	-	RM 100.00
Quantity	-	1 box
Number of sticks in one box	-	20 sticks
Excise Duty Rate	-	RM 0.40 per sticks
Tax Calculation	-	Duty Rate x No. of stick
	-	RM 0.40 per stick x 20 sticks
Excise Duty	=	<u>RM 8.00</u>
OMV + Excise Duty	-	RM 100.00 + RM 8.00
	-	RM 108.00
Sales Tax (10%)	=	<u>RM 10.80</u>

3. Locally Manufactured Dutiable Goods (Sales Tax and Excise Duty paid or to be paid)

Goods	-	Ang Hoon (Tobacco)
Tariff Code	-	2403.19.1100
Quantity	-	1 kg
Open Market Value (OMV)	-	RM 120.00
Excise Duty Rate	-	RM 27.00 and 5%
Tax Calculation	-	(RM 27.00 x 1 kg)
	-	+ (RM 120.00 x 5%)
	-	RM 27.00 + RM 6.00
Excise Duty	=	<u>RM 33.00</u>
OMV + Excise Duty	-	RM 120.00 + RM 33.00

	-	RM 153.00
Sales Tax (10%)	=	<u>RM 15.30</u>
4. Locally Manufactured Dutiable Goods (Sales Tax and Excise Duty paid or to be paid)		
Goods	-	Beer
Tariff Code	-	2203.00.9900
Open Market Value (OMV)	-	RM100.00
Quantity	-	1 can
Content	-	350 ml
Alcohol content	-	5.5% i / i
Excise Duty Rate	-	Excise duty rate x quantity x alcohol content
Tax Calculation	-	RM 175.00 per 100% vol.per liter x 0.35 liter x 5.5%
Excise Duty	-	<u>RM 3.37</u>
OMV+Excise Duty	-	RM 100.00 + RM 3.37
	-	RM 103.37
Sales Tax (10%)	=	<u>RM 10.33</u>

FACILITIES

Exemption

52. Registered manufacturers are eligible to enjoy various exemption given under the Sales Tax (Goods Exempted from Tax) Order 2018 and Sales Tax (Person Exempted from Payment of Tax) Order 2018.

53. The exemption of sales tax on goods imported or manufactured in Malaysia may be claimed under Schedule A of the Sales Tax (Goods Exempted from Payment of Tax) Order 2018 as set out in paragraph 2 and 3 of the same Order.

54. Schedule A of the Sales Tax (Person Exempted from Payment of Tax) Order 2018 involves the exemption from payment of tax which is granted to a specific person.

55. Schedule B of the Sales Tax (Person Exempted from Payment of Tax) Order 2018 involves the exemption from payment of tax granted to any manufacturer based on goods manufactured by him.

56. Schedule C of the Sales Tax (Person Exempted from Payment of Tax) Order 2018 involves the exemption from payment of tax granted to any registered manufacturer or any person acting on behalf of registered manufacturer.

- **Please refer to the Sales Tax Orders and the Guide on Facilities and Exemption of Sales Tax as published in the Customs Portal, for further information on details of the exemptions.**

Bad Debts

57. The registered manufacturer can claim back either wholly or partly sales tax paid to the DG provided that:

- (i) The whole or part of the sales tax has been written off as bad debts in his account and;
- (ii) The DG is satisfied that reasonable efforts have been taken to recover the sales tax involved.

- ***Please refer to the the Guide on Bad Debt, Drawback, Refund and Remission as published in the Customs Portal, for further information on application for claim back of bad debts.***

B. IMPORT AND EXPORT

IMPORT

Importation and Transportation of Goods into Principal Customs Area

58. Goods other than goods as listed in Sales Tax (Goods Exempted from Sales Tax) Order 2018, imported into Principal Customs Area (PCA) are subject to sales tax. Importation shall be declared in the Customs Form No. 1 (K1) and sales tax has to be paid at the time the goods are released from customs control.

59. Taxable goods transported from LW or LMW into PCA are to be declared in the Customs Form No. 9 (K9).

60. Taxable goods transported from FZ into PCA are to be declared in the Customs Form No.1 (K1).

Importation and Transportation of Goods into / from Designated Areas (DA)

61. Designated Area (DA) is an area which comprises of Labuan, Langkawi and Tioman and is excluded from the interpretation of Malaysia specifically in Part VIII of the Sales Tax Act 2018.

62. Sales tax is not charged on taxable goods imported, transported or sold in the following circumstances for **DA**:

- (i) Taxable goods imported from a place outside Malaysia into DA are not subject to sales tax in accordance with paragraph 50(a)(i) of the Sales Tax Act 2018 and should be declared in Customs Form No. 1 (K1).
- (ii) Taxable goods transported from Malaysia to DA is considered as if exportation in accordance with paragraph 51(1)(b) of the Sales Tax Act 2018. The goods are not subject to sales tax as stated under paragraph

50(a)(i) of the Sales Tax Act 2018 and should be declared in Customs Form No. 2 (K2) in Malaysia.

However, the sales tax is charged on some goods such as set out in the Sales Tax Order (Imposition of Sales Tax in Designated Area) 2018 and should be declared in Customs Form No. 1 (K1) upon entering the DA.

- (iii) Taxable goods transported from DA to another DA are not subject to sales tax as provided in paragraph 50(a)(ii) of the Sales Tax Act 2018 and should be declared in Customs Form No. 8 (K8).
- (iv) Taxable goods transported from DA to FZ and LW are not subject to sales tax as provided in paragraph 50(a)(iii) of the Sales Tax Act 2018 and should be declared in Customs Form No. 8 (K8).
- (v) Taxable goods transported from DA to LMW are not subject to sales tax as provided in paragraph 50(a)(iii) of the Sales Tax Act 2018 and should be declared in Customs Form No. 1 (K1).
- (vi) Taxable goods transported from DA to JDA are not subject to sales tax as provided in paragraph 50(a)(iii) of the Sales Tax Act 2018 and should be declared in Form JDA No. 1 (JDA1).
- (vii) Taxable goods transported from DA to Inland Clearance Depot (ICD) is an importation and subject to sales tax but exempted under item 49 Schedule A of the Sales Tax (Person Exempted from Payment of Tax) Order 2018. Importation should be declared in Customs Form No. 8 (K8).
- (viii) Taxable goods transported from DA to a place outside Malaysia is an exportation and are not subject to sales tax. Exportation should be declared in Customs Form No. 2 (K2) for air and sea mode while Customs Form No. 8 (K8) for road mode.

- (ix) Goods transported from DA to Malaysia is considered as if it is an importation as provided for in paragraph 51(1)(a) of the Sales Tax Act 2018 and subject to sales tax under subsection 50(b) of the Sales Tax Act 2018. The imported goods must be declared in the Customs Form No. 1 (K1).
- ***Please refer to Table 1 for matrix format of the sales tax treatment for Designated Area.***

Importation and Transportation of Goods into / From Special Areas

63. Special Area (SA) is an area which comprises of Free Zone (FZ), Licensed Warehouse (LW), Licensed Manufacturing Warehouse (LMW) and Joint Development Area (JDA) and is excluded from the interpretation of Malaysia specifically in Part IX of the Sales Tax Act 2018.

64. Sales tax is not charged on taxable goods imported, transported or sold in the following circumstances for **FZ**:

- (i) Goods imported into FZ are not subject to sales tax as provided in paragraph 57(a)(i) of the Sales Tax Act 2018. Importation into Free Commercial Zone (FCZ) should be declared in ZB1 Form which is monitored by the Free Zone Authority under the Free Zone Act 1990, while importation into Free Industrial Zone (FIZ) and Stulang Laut (FCZ) shall be declared under Customs Form No. 8 (K8).
- (ii) Goods transported from Malaysia to FZ is considered as if it is an exportation in accordance with paragraph 58(1)(b) of the Sales Tax Act 2018 and are not subject to sales tax as provided in paragraph 57(a)(i) of the Sales Tax Act 2018 and should be declared in Customs Form No. 2 (K2).

- (iii) Goods transported between FZ, and FZ to LW are not subject to sales tax as provided in paragraph 57(a)(ii) of the Sales Tax Act 2018 and should be declared in Customs Form No. 8 (K8).
- (iv) Goods transported from FZ to LMW are not subject to sales tax as provided in paragraph 57(a)(ii) of the Sales Tax Act 2018 and should be declared in Customs Form No. 1 (K1).
- (v) Goods transported from FZ to JDA are not subject to sales tax as provided in paragraph 57(a)(ii) of the Sales Tax Act 2018 and should be declared in Form JDA No. 1 (JDA1).
- (vi) Goods transported from FZ to DA are not subject to sales tax as provided in paragraph 57(a)(iii) of the Sales Tax Act 2018 and should be declared in Customs Form No. 8 (K8).
- (vii) Goods transported from FZ to ICD is an importation and subject to sales tax but exempted under item 21 Schedule A of the Sales Tax (Person Exempted from Payment of Tax) Order 2018. The importation should be declared in Customs Form No. 8 (K8).
- (viii) Taxable goods transported from FZ to a place outside Malaysia is an exportation and are not subject to sales tax. The exportation from FCZ should be declared in ZB1 form which is monitored by the Free Zone Authority under the Free Zone Act 1990, while declaration from FIZ should be made in Customs Form No. 8 (K8).
- (ix) Goods transported from FZ to Malaysia is considered as if it is an importation as provided in paragraph 58(1)(a) of the Sales Tax Act 2018 and sales tax is applicable under subsection 57(b) of the Sales Tax Act 2018. The importation should be declared in Customs Form No. 1 (K1).

- ***Please refer to Table 2 for matrix format of the sales tax treatment for Free Zone.***

65. Sales tax is not charged on taxable goods imported, transported or sold in the following circumstances for **LW**:

- (i) Goods imported into LW are not subject to sales tax as provided in paragraph 57(a)(i) of the Sales Tax Act 2018 and should be declared in Customs Form No. 8 (K8).
- (ii) Goods transported from Malaysia to LW is considered as if it is an exportation in accordance with paragraph 58(1)(b) of the Sales Tax Act 2018 and are not subject to sales tax as provided in paragraph 57(a)(i) Sales Tax Act 2018 and should be declared in Customs Form No. 2 (K2).
- (iii) Goods transported from between LW are not subject to sales tax as provided in paragraph 57(a)(ii) of the Sales Tax Act 2018 and should be declared in Customs Form No. 8 (K8).
- (iv) Goods transported from the LW to FZ and LMW are not subject to sales tax as provided in paragraph 57(a)(ii) of the Sales Tax Act 2018 and should be declared in Customs Form No. 8 (K8).
- (v) Goods transported from LW to JDA are not subject to sales tax as provided in paragraph 57(a)(ii) of the Sales Tax Act 2018 and should be declared in Form JDA No. 1 (JDA1).
- (vi) Goods transported from LW to DA are not subject to sales tax as provided in paragraph 57(a)(iii) of the Sales Tax Act 2018 and should be declared in Customs Form No. 8 (K8).
- (vii) Goods transported from LW to ICD is an importation and subject to sales tax but exempted under item 49 Schedule A of the Sales Tax (Person

Exempted from Payment of Tax) Order 2018 and the importation should be declared in Customs Form No. 8 (K8).

- (viii) Taxable goods transported from LW to a place outside Malaysia is an exportation and are not subject to sales tax. The exportation should be declared in Customs Form No. 8 (K8).
- (ix) Goods transported from LW to PCA or Malaysia is considered as if importation as provided in paragraph 58(1)(a) of the Sales Tax Act 2018 and sales tax is applicable under subsection 57(b) of the Sales Tax Act 2018. The importation should be declared in Customs Form No. 1 (K1) or Customs Form No. 9 (K9).
- ***Please refer to Table 3 for matrix format of the sales tax treatment for Licensed Warehouse.***

66. Sales tax is not charged on taxable goods imported, transported or sold in the following circumstances for **LMW**:

- (i) Goods imported to LMW are not subject to sales tax as provided in paragraph 57(a)(i) of the Sales Tax Act 2018 and should be declared in Customs Form No. 1 (K1).
- (ii) Goods transported from Malaysia to LMW is considered as if it is an exportation in accordance with paragraph 58(1)(b) of the Sales Tax Act 2018 and are not subject to sales tax as provided in paragraph 57(a)(i) of the Sales Tax Act 2018 and should be declared in Customs Form No. 2 (K2).
- (iii) Goods transported between LMW are not subject to sales tax as provided in paragraph 57 (a)(ii) of the Sales Tax Act 2018 and should be declared in Form GPB No. 1 (GPB1).

- (iv) Goods transported from LMW to FZ are not subject to sales tax as provided in paragraph 57(a)(ii) of the Sales Tax Act 2018 and should be declared in Customs Form No. 2 (K2).
 - (v) Goods transported from LMW to LW are not subject to sales tax as provided in paragraph 57(a)(ii) of the Sales Tax Act 2018 and should be declared in Form GPB No. 2 (GPB2).
 - (vi) Goods transported from LMW to JDA are not subject to sales tax as provided in paragraph 57(a)(ii) of the Sales Tax Act 2018 and should be declared in Form JDA No. 1 (JDA1).
 - (vii) Goods transported from LMW to DA are not subject to sales tax as provided in paragraph 57(a)(iii) of the Sales Tax Act 2018 and should be declared in Customs Form No. 2 (K2).
 - (viii) Goods transported from LMW to ICD is an importation and subject to sales tax but exempted under item 49 Schedule A of the Sales Tax (Person Exempted from Payment of Tax) Order 2018. The importation should be declared in Customs Form No. 2 (K2).
 - (ix) Taxable goods transported from LMW to a place outside Malaysia is an exportation and are not subject to sales tax. Exports should be declared in Customs Form No. 2 (K2).
 - (x) Goods transported from LMW to Malaysia is considered as an importation as provided in paragraph 58(1)(a) of the Sales Tax Act 2018 and sales tax is applicable under subsection 57(b) of the Sales Tax Act 2018. The importation should be declared in Customs Form No. 9 (K9).
- ***Please refer to Table 4 for matrix format of the sales tax treatment for Licensed Manufacturing Warehouse.***

67. Sales tax is not charged on taxable goods imported, transported or sold in the following circumstances for **JDA**:

- (i) Taxable goods imported into JDA from outside Malaysia are not subject to sales tax as provided under paragraph 57(a)(i) of the Sales Tax Act 2018 and should be declared in Form JDA No. 1 (JDA1).
 - (ii) Taxable goods transported from JDA to a place outside Malaysia is an exportation and are not subject to sales tax in accordance with item 56 Schedule A of the Sales Tax (Person Exempted from Payment of Tax) Order 2018. The exportation should be declared in Form JDA No. 2 (JDA2).
 - (iii) Taxable goods transported from Malaysia to JDA or from JDA to Malaysia are not subject to sales tax as provided under paragraph 57(a)(i) of the Sales Tax Act 2018 and should should be declared in Form JDA No. 3 (JDA3).
- ***Please refer to Table 5 for matrix format of the sales tax treatment for Joint Development Area.***

Importation of Goods into Duty Free Shop (DFS)

68. A person licensed (licensee) under Section 65D of the Customs Act 1967 to operate a duty free shop other than in Designated Areas is exempted from the payment of sales tax on taxable goods in the following circumstances:

- (i) All types of taxable goods imported to DFS, located in PCA are subject to sales tax unless an exemption is claimed by the licensee under item 66 Schedule A of the Sales Tax (Person Exempted from Payment of Tax) Order 2018 and should be declared in Customs Form No. 8 (K8).

- (ii) All types of taxable goods imported to DFS, located in FCZ are subject to sales tax unless an exemption is claimed by the licensee under item 66 Schedule A of the Sales Tax (Person Exempted from Payment of Tax) Order 2018 and should be declared in Customs Form No. 8 (K8).
 - (iii) All types of taxable goods transported from LW to DFS which are located in PCA, are subject to sales tax unless an exemption is claimed by the licensee under item 66 Schedule A of the Sales Tax (Person Exempted from Payment of Tax) Order 2018 and should be declared in Customs Form No. 8 (K8).
 - (iv) All types of taxable goods transported from LW to DFS which are located in the FCZ, are subject to sales tax unless an exemption is claimed by the licensee under item 66 Schedule A of the Sales Tax (Person Exempted from Payment of Tax) Order 2018 and should be declared in Customs Form No. 8 (K8).
 - (v) Transportation of liquor, cigarettes and tobacco products manufactured in Malaysia, from LW to DFS which is located in DA, are subject to sales tax unless an exemption is claimed by the licensee under item 67 Schedule A of the Sales Tax (Person Exempted from Payment of Tax) Order 2018 and should be declared in Excise Form No. 8 (E8).
 - (vi) Transportation of liquor, cigarettes and tobacco products manufactured in Malaysia, from the Free Commercial Zone (FCZ) to DFS which is located in DA, are subject to sales tax unless an exemption is claimed by the licensee under item 68 Schedule A of the Sales Tax (Person Exempted from Payment of Tax) Order 2018 and should be declared in Excise Form No. 8 (E8).
- ***Please refer to Table 6 for matrix format of the sales tax treatment for Duty Free Shop.***

EXPORT

69. Taxable goods exported by a registered manufacturer, are exempted from payment of sales tax based on item 56 Schedule A of the Sales Tax (Person Exempted from Payment of Tax) Order 2018 provided that the exportation is declared in the Customs Form No. 2 (K2).

Direct Export

70. Taxable goods which are exported are not subject to sales tax.

71. Sales of taxable goods involving the exportation to a place outside Malaysia:

- (i) Taxable goods transported from Malaysia to a place outside Malaysia is considered as an exportation and are not subject to sales tax. The exportation should be declared in Customs Form No. 2 (K2).
- (ii) Taxable goods transported from ICD to a place outside Malaysia is considered as an exportation and are not subject to sales tax. The exportation should be declared in the Customs Form No. 8 (K8).

Export through Third Party

72. Any person approved by the DG to purchase locally manufactured goods for export purposes, is exempted from paying sales tax under item 69 Schedule A of the Sales Tax (Person Exempted from Payment of Tax) Order 2018 provided that:

- (i) Goods are purchased from a registered manufacturer.
- (ii) Finished goods must be exported within six (6) months from the date of purchase.
- (iii) Finished goods cannot be sold or disposed of in Malaysia except with the approval of the DG and after the relevant tax payment is made.

- (iv) Records should be updated and may be checked by Customs officers at any time.
- (v) Sales tax must be paid on goods that could not be accounted for.
- (vi) If the finished goods are not exported within six (6) months from the date of purchase, taxes incurred must be paid.

FREQUENTLY ASKED QUESTIONS (FAQs)

Transitional GST at Standard Rate (0%) to Sales Tax

1. **Q : KG Sdn Bhd has removed goods to its buyer on 25 August 2018. However, KG Sdn Bhd only issued the invoice on 13 September 2018 and subsequently received the full payment on 19 September 2018. What is the tax treatment?**

A : KG Sdn Bhd shall charge GST at standard rate of 0% on the value of goods which was removed on 25 August 2018.

2. **Q : Noris Sdn Bhd has issued an invoice on 22 August 2018 and received full payment on 25 August 2018. However, the goods were only removed to the buyer on 4 September 2018. What is the tax treatment?**

A : Noris Sdn Bhd shall charge sales tax at 10% on the value of the goods which was removed on 4 September 2018.

3. **Q : VD Enterprise has issued an invoice on 23 August 2018 and received half of the payment for the goods on 25 August 2018. However, the balance of the payment was only received when the goods were removed to the buyer on 4 September 2018. What is the tax treatment?**

A : VD Enterprise shall charge sales tax at 10% on the value of the goods which was removed on 4 September 2018.

4. **Q : EM Manufacture Sdn Bhd is a company appointed by S2 Manufacture (M) Sdn Bhd to do subcontract work from 15 August 2018 until 15 November 2018 on the semi-finished goods manufactured by S2 Manufacture (M) Sdn Bhd. However, EM Manufacture Sdn Bhd only managed to complete part of the work by 31 August 2018. On 15 November 2018, EM Manufacture Sdn Bhd managed to resolve the overall balance of work and issued an invoice for the work performed. What is the tax treatment?**

A EM Manufacture Sdn Bhd shall charge GST at a standard rate of 0% on the value of work performed made until 31 August 2018. Meanwhile, the balance of the value of the work performed which was completed on 15 November 2018 shall be charged with sales tax at 10%.

Manufacturing

5. **Q : I am a manufacturer who operates and has a principal company in special areas (SA). However, I appointed a subcontractor who is located in the Principal Customs Area (PCA) to complete my semi-finished goods. What is the tax treatment for the work performed by the subcontractor?**

A : If the subcontractor is a registered manufacturer under the Sales Tax Act 2018, the work performed by the subcontractor is subject to sales tax but it is exempted under item 11 of the Sales Tax (Person Exempted from Payment of Sales Tax) Order 2018 when the goods are returned to the principal company in SA.

6. **Q : I am a registered manufacturer who performs subcontract work. What is the value chargeable of sales tax for the returned goods?**

A : Based on subsection 9(3) of the Sales Tax Act 2018, when any

registered manufacturer receives taxable goods from any person to be manufactured and subsequently returns the goods so manufactured to such person, the sale value of the goods so manufactured shall, subject to approval from the DG, be the amount that the manufacturer charges for on work performed by him.

7. **Q : I am a manufacturer who operates and has a principal company in special areas. However, I appointed an auditor whose principal company is located in the Principal Customs Area (PCA) to perform its service to my company. What is the tax treatment for the service performed by the auditor's company?**

A : The service performed by the auditor is subject to service tax as his principal company is located in the PCA.

8. **Q : I am a registered manufacturer and have a canteen provided for our employees at the factory. However, the canteen does not belong to our company. What is the tax treatment?**

A : The operator of the canteen is liable to be registered if his sales value exceeds RM1,000,000.

9. **Q : If I am a registered manufacturer and provides management service / shared services, what is the tax treatment for the services performed?**

A : Preparations of all types of management services and other charges related to the preparation including management or project coordination are subject to service tax as stated under Group G First Schedule of the Service Tax Regulations 2018.

10. **Q : Registered manufacturer provides consultancy / design / engineering services. What is the tax treatment for the services performed by the registered manufacturer?**

A : Preparation of consultancy / design / engineering services and other services related to it is subject to service tax as stated under Group G First Schedule of the Service Tax Regulations 2018.

11. **Q : Registered manufacturer provides repair services, testing services and also research and development (R&D) services. What is the tax treatment for the services performed by the registered manufacturer?**

A : Services such as repair, testing, or research and development are not part of the prescribed services under the Service Tax Act 2018. Therefore, the services are not chargeable of service tax.

12. **Q : Transportation charged by the manufacturer to his customer on delivery of goods. What is the tax treatment for the services performed by the registered manufacturer?**

A : Transportation service for delivery of goods by the manufacturer to his customer is not part of the prescribed services under the Service Tax Act 2018. Therefore, the service is not chargeable of service tax.

13. **Q : Customs declaration on importation and exportation charged by the customs agent to the manufacturer. What is the tax treatment for the services performed by the registered manufacturer?**

A : If the customs declaration performed by an operator whose principal is in the Special Areas i.e. warehouse, the customs declaration is not subject to service tax. However, if the operator's principal is located in the PCA thus the customs declaration is subject to service tax.

14. Q : Warehouse rental or storage charged by the warehouse operator to the manufacturer. What is the tax treatment for the services performed by the registered manufacturer?

A : The warehouse rental or storage charged by the warehouse operator to the manufacturer is not part of the prescribed services under the Service Tax Act 2018. Therefore, the service is not chargeable of service tax.

INQUIRY

For any inquiries for this guide please contact:

Internal Tax Division

Royal Malaysian Customs Department

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

Table 1: Sales Tax Treatments for Designated Areas (DA)

NO	TRANSPORTED FROM	TRANSPORTED TO	TYPE OF FORM	SALES TAX TREATMENT
1.	Overseas / Place Outside Malaysia	Designated Areas (DA)	K1	No sales tax Section 50(a)(i)
2.	Malaysia / Principal Customs Area (PCA)	Designated Areas (DA)	K2	No sales tax Section 50(a)(i)
3.	Designated Areas (DA)	Designated Areas (DA)	K8	No sales tax Section 50(a)(ii)
4.	Designated Areas (DA)	Special Areas (Free Zone / FZ)	K8	No sales tax Section 50(a)(iii)
5.	Designated Areas (DA)	Special Areas (Licensed Warehouse / LW)	K8	No sales tax Section 50(a)(iii)
6.	Designated Areas (DA)	Special Areas (Licensed Manufacturing Warehouse / LMW)	K1	No sales tax Section 50(a)(iii)
7.	Designated Areas (DA)	Special Areas (Joint Development Area / JDA)	JDA1	No sales tax Section 50(a)(iii)
8.	Designated Areas (DA)	Inland Clearance Depot (ICD)	K8	Exemption Item 21
9.	Designated Areas (DA)	Overseas / Place Outside Malaysia	K2 (air / sea mode) K8 (road mode)	Exemption Item 11
10.	Designated Areas (DA)	Malaysia / Principal Customs Area (PCA)	K1	Sales tax chargeable (Import) Section 50(b)

Table 2: Sales Tax Treatments for Special Areas (Free Zone / FZ)

NO	TRANSPORTED FROM	TRANSPORTED TO	TYPE OF FORM	SALES TAX TREATMENT
1.	Overseas / Place Outside Malaysia	Special Areas (Free Zone / FZ)	FCZ : ZB1 import FIZ : K8	No sales tax Section 57(a)(i)
2.	Malaysia / Principal Customs Area (PCA)	Special Areas (Free Zone / FZ)	K2	No sales tax Section 57(a)(i)
3.	Special Areas (Free Zone / FZ)	Special Areas (Free Zone / FZ)	K8	No sales tax Section 57(a)(ii)
4.	Special Areas (Free Zone / FZ)	Special Areas (Licensed Warehouse / LW)	K8	No sales tax Section 57(a)(ii)
5.	Special Areas (Free Zone / FZ)	Special Areas (Licensed Manufacturing Warehouse / LMW)	K1	No sales tax Section 57(a)(ii)
6.	Special Areas (Free Zone / FZ)	Special Areas (Joint Development Area / JDA)	JDA1	No sales tax Section 57(a)(ii)
7.	Special Areas (Free Zone / FZ)	Designated Areas (DA)	K8	No sales tax Section 57(a)(iii)
8.	Special Areas (Free Zone / FZ)	Inland Clearance Depot (ICD)	K8	Exemption Item 21
9.	Special Areas (Free Zone / FZ)	Overseas / Place Outside Malaysia	FCZ : ZB1 export FIZ : K8	Exemption Item 11
10.	Special Areas (Free Zone / FZ)	Malaysia / Principal Customs Area (PCA)	K1	Sales tax chargeable (Import) Section 57(b)

Table 3: Sales Tax Treatments for Special Areas (Licensed Warehouse / LW)

NO	TRANSPORTED FROM	TRANSPORTED TO	TYPE OF FORM	SALES TAX TREATMENT
1.	Overseas / Place Outside Malaysia	Special Areas (Licensed Warehouse / LW)	K8	No sales tax Section 57(a)(i)
2.	Malaysia / Principal Customs Area (PCA)	Special Areas (Licensed Warehouse / LW)	K2	No sales tax Section 57(a)(i)
3.	Special Areas (Licensed Warehouse / LW)	Special Areas (Licensed Warehouse / LW)	K8	No sales tax Section 57(a)(ii)
4.	Special Areas (Licensed Warehouse / LW)	Special Areas (Free Zone / FZ)	K8	No sales tax Section 57(a)(ii)
5.	Special Areas (Licensed Warehouse / LW)	Special Areas (Licensed Manufacturing Warehouse / LMW)	K8	No sales tax Section 57(a)(ii)
6.	Special Areas (Licensed Warehouse / LW)	Special Areas (Joint Development Area / JDA)	JDA1	No sales tax Section 57(a)(ii)
7.	Special Areas (Licensed Warehouse LW)	Designated Areas (DA)	K8	No sales tax Section 57(a)(iii)
8.	Special Areas (Licensed Warehouse / LW)	Inland Clearance Depot (ICD)	K8	Exemption Item 21
9.	Special Areas (Licensed Warehouse / LW)	Overseas / Place Outside Malaysia	K8	Exemption Item 11
10.	Special Areas (Licensed Warehouse / LW)	Malaysia / Principal Customs Area (PCA)	K1 / K9	Sales tax chargeable (Import) Section 57(b)

**Table 4: Sales Tax Treatments for Special Areas
(Licensed Manufacturing Warehouse / LMW)**

NO	TRANSPORTED FROM	TRANSPORTED TO	TYPE OF FORM	SALES TAX TREATMENT
1.	Overseas / Place Outside Malaysia	Special Areas (Licensed Manufacturing Warehouse / LMW)	K1	No sales tax Section 57(a)(i)
2.	Malaysia / Principal Customs Area (PCA)	Special Areas (Licensed Manufacturing Warehouse / LMW)	K2	No sales tax Section 57(a)(i)
3.	Special Areas (Licensed Manufacturing Warehouse / LMW)	Special Areas (Licensed Manufacturing Warehouse / LMW)	GPB1	No sales tax Section 57(a)(ii)
4.	Special Areas (Licensed Manufacturing Warehouse / LMW)	Special Areas (Free Zone / FZ)	K2	No sales tax Section 57(a)(ii)
5.	Special Areas (Licensed Manufacturing Warehouse / LMW)	Special Areas (Licensed Warehouse / LW)	GPB2	No sales tax Section 57(a)(ii)
6.	Special Areas (Licensed Manufacturing Warehouse / LMW)	Special Areas (Joint Development Area / JDA)	JDA1	No sales tax Section 57(a)(ii)
7.	Special Areas (Licensed Manufacturing Warehouse / LMW)	Designated Areas (DA)	K2	No sales tax Section 57(a)(iii)
8.	Special Areas (Licensed Manufacturing Warehouse / LMW)	Inland Clearance Depot (ICD)	K2	Exemption Item 21
9.	Special Areas	Overseas / Place Outside	K2	Exemption

NO	TRANSPORTED FROM	TRANSPORTED TO	TYPE OF FORM	SALES TAX TREATMENT
	(Licensed Manufacturing Warehouse / LMW)	Malaysia		Item 11
10.	Special Areas (Licensed Manufacturing Warehouse / LMW)	Malaysia / Principal Customs Area (PCA)	K9	Sales tax chargeable (Import) Section 57(b)

Table 5: Sales Tax Treatments for Special Areas (Joint Development Area / JDA)

NO	TRANSPORTED FROM	TRANSPORTED TO	TYPE OF FORM	SALES TAX TREATMENT
1.	Overseas / Place Outside Malaysia	Special Areas (Joint Development Area / JDA)	JDA1	No sales tax Section 57(a)(i)
2.	Malaysia / Principal Customs Area (PCA)	Special Areas (Joint Development Area / JDA)	JDA3	No sales tax Section 57(a)(i)
3.	Special Areas (Joint Development Area / JDA)	Overseas / Place Outside Malaysia	JDA2	Exemption Item 11
4.	Special Areas (Joint Development Area / JDA)	Malaysia / Principal Customs Area (PCA)	JDA3	Sales tax chargeable (Import) Section 57(b)

Table 6: Sales Tax Treatments for Duty Free Shop (DFS)

- Taxable Goods
- Liquor and Tobacco Products

NO	TRANSPORTED FROM	TRANSPORTED TO	TYPE OF FORM	SALES TAX TREATMENT
TAXABLE GOODS				
1.	Overseas / Place Outside Malaysia	Duty Free Shop (DFS) in PCA	K8	Exemption Item 66
2.	Overseas / Place Outside Malaysia	Duty Free Shop (DFS) in FCZ	K8	Exemption Item 66
3.	Special Areas (Licensed Warehouse / LW)	Duty Free Shop (DFS) in PCA	K8	Exemption Item 66
4.	Special Areas (Licensed Warehouse / LW)	Duty Free Shop (DFS) in FCZ	K8	Exemption Item 66
LIQUOR AND TOBACCO PRODUCTS				
5.	Special Areas (Licensed Warehouse / LW)	Duty Free Shop (DFS) in DA	E8	Exemption Item 67
6.	Special Areas (Free Commercial Zone / FCZ)	Duty Free Shop (DFS) in DA	E8	Exemption Item 68