



SALES TAX 2018

GUIDE ON : EXEMPTIONS

Published by :

**Royal Malaysian Customs Department
Internal Tax Division
Putrajaya**

28 August 2018

Publication

Date Published: 28 August 2018.

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This information is intended to provide a general understanding of the relevant treatment under Sales and Services Tax 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 industry guide is prepared to assist businesses in understanding matters with regards to sales tax treatment on person exempted from sales tax.

SCOPE OF SALES TAX

4. Sales tax is a single stage taxation only be charged and levied on taxable goods manufactured in Malaysia by a registered manufacturer whenever sold, used or disposed by him and on taxable goods imported into Malaysia.
5. However, sales tax is not charged on goods and manufacturing activities exempted by Minister of Finance under Sales Tax (Goods Exempted From Tax) Order 2018 and Sales Tax (Person Exempted From Payment of Tax) Order 2018.

“Manufacture” means –

- (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, any process of separation, purification, refining, conversion and blending.

“Manufacturer” means a person who engages in the manufacture of goods.

“Registered manufacturer” means a manufacturer registered under Section 12 and 14 of Sales Tax Act 2018.

SALES TAX EXEMPTIONS

6. All goods are subjected to sales tax except goods exempted under Sales Tax (Goods Exempted From Tax) Order 2018 (e.g. live animals, unprocessed food, vegetables, medicines, machinery, chemicals).

7. There are persons or manufacturers who are exempted from paying sales tax on importation and acquisition of locally manufactured goods under Sales Tax (Person Exempted From Payment of Tax) Order 2018.

8. Exemptions are classified into three (3) schedules as below:

(i) **Person Exempted From Payment of Tax under Schedule A**

Class of persons e.g. The Yang di Pertuan Agong, Ruler of States, Federal or State Government Department, Local Authority, Duty Free Shops, Public Higher Education Institution etc.

The persons are specified in column (2) Schedule A of the Sales Tax (Person Exempted From Payment of Tax) Order 2018 and exemptions are subjected to prescribed conditions in column (3) of the schedule.

(ii) **Person Exempted From Payment of Tax under Schedule B**

Manufacturer of specific non-taxable goods – exemption of tax on the acquisition of raw materials, components, packaging materials and manufacturing aids to be used solely and directly in manufacturing activities.

The persons are specified in column (2), Schedule B of the Sales Tax (Person Exempted From Payment of Tax) Order 2018 and exemptions are subjected to prescribed conditions in column (3) of the schedule.

(iii) **Person Exempted From Payment of Tax under Schedule C**

Registered manufacturer of taxable goods – exemption of tax on the acquisition of raw materials, components, packaging materials and manufacturing aids to be used solely and directly in manufacturing of taxable goods.

The persons are specified in column (2), Schedule C of the Sales Tax (Person Exempted From Payment of Tax) Order 2018 and exemptions are subjected to prescribed conditions in column (3) of the schedule.

9. There are manufacturers who are exempted from registration but voluntarily registered and eligible for exemption of sales tax for input:

- Manufacturing activities exempted from registration regardless of turnover (e.g.: tailor, jeweler, optician, engraving, vanishing table top, etc.)

10. The persons specified in Schedule A, Schedule B and Schedule C under Sales Tax (Person Exempted From Payment of Tax) Order 2018 and persons described in para 7 above are exempted from the payment of sales tax, subject to the conditions as specified. The exemption approval will be granted with a certificate.

CERTIFICATE OF EXEMPTION

11. Certificates of exemption are granted to applicants generated through MySST system. The generated certificate has a certificate number. The exemption from payment of sales tax on such persons and goods will take effect when, in respect of imported goods, at the time when the said certificate/ certificate number is produced to the proper officer of Customs and in respect of locally manufactured goods, at the time when the said certificate/ certificate number is produced to the registered manufacturer.

12. Proper officer of Customs may access MySST system for verification on persons and goods approved based on the certificate number provided.

13. Registered manufacturer who sells taxable goods to persons claiming exemption is required to verify the persons and goods approved by accessing MySST system using the certificate number provided.

APPLICATION FOR SALES TAX EXEMPTION

14. An application for exemptions under Schedule A, B and C of Sales Tax (Person Exempted From Payment of Tax) Order 2018 shall be made online through MySST system.

15. The application process is as follows:

Application For Exemption Of Sales Tax Under Schedule A:

- (i) Log in to MySST portal > www.mysst.customs.gov.my
*registered manufacturer: log in using username and password
*any person other than registered manufacturer: required to sign up to get log in ID and password
- (ii) Choose exemption menu >
- (iii) Choose type of exemption under Schedule A >
- (iv) Choose specific items under Schedule A, read conditions and click “agree” to continue >
- (v) Fill in the required fields in the application form >
- (vi) Upon completion, certificate will be produced with certificate number >
- (vii) Print certificate >
- (viii) Print approved exempted goods list. (optional) >
- (ix) Print conditions list (optional) >
- (x) Logout MySST portal.

For Item 4, 5, 7, 8, 12 & 13 of Schedule A, Sales Tax (Person Exempted From Payment of Tax) Order 2018:

Persons acting on behalf of federal or states government department, local authority and public higher education institution registered under Education Act 1996, Universities and University Collages Act 1971 (Act 30) and University Teknologi MARA Act 1976 (Act 173) shall get the approval number (generated from MySST System) from relevant parties as stated above.

Step 1:

Federal or states government department, local authority and public higher education institution registered under Education Act 1996, Universities and University Collages Act 1971 (Act 30) and University Teknologi MARA Act 1976 (Act 173) must appoint a person acting on behalf through system for importation or local purchase of goods.

- (i) Log in to MySST portal > www.mysst.customs.gov.my

*any person other than registered manufacturer: required to sign up to get log in ID and password

- (ii) Choose exemption menu >

- (iii) Choose menu "Appoint Person On Behalf" >

- (iv) Fill in the required fields in the application form >

- (v) Upon completion, approval number will be generated for person acting on behalf >

- (vi) Relevant parties shall give the approval number to the appointed person >

- (vii) Logout MySST portal.

Step 2:

Upon receiving the approval number, person acting on behalf (appointed person) shall apply for exemption through MySST System.

- (i) Log in to MySST portal > www.mysst.customs.gov.my
*any person other than registered manufacturer: required to sign up to get log in ID and password
- (ii) Choose exemption menu >
- (iii) Choose type of exemption under Schedule A >
- (iv) Choose specific items under Schedule A (Item 4, 5, 7, 8, 12 & 13), read conditions and click “agree” to continue >
- (v) Fill in the required fields in the application form >
- (vi) Upon completion, certificate will be produced with certificate number >
- (vii) Print certificate >
- (viii) Print approved exempted goods list (optional) >
- (ix) Print conditions list (optional) >
- (x) Logout MySST portal.

Application For Exemption Of Sales Tax Under Schedule B:

- (i) Log in to MySST portal > www.mysst.customs.gov.my
*any person other than registered manufacturer: required to sign up to get log in ID and password
- (ii) Choose exemption menu >
- (iii) Choose type of exemption under Schedule B >
- (iv) Choose specific items under Schedule B, read conditions and click “agree” to continue >
- (v) Fill in the required fields in the application form >

- (vi) Upon approval, certificate will be produced with certificate number >
- (vii) Print certificate >
- (viii) Print approved exempted goods list (optional) >
- (ix) Print conditions list (optional) >
- (x) Logout MySST portal.

Application for Exemption Of Sales Tax Under Schedule C:

For Item 1, 2 & 5 of Schedule C, Sales Tax (Person Exempted From Payment of Tax) Order 2018:

- (i) Log in to MySST portal > www.mysst.customs.gov.my
*registered manufacturer: log in using username and password
- (ii) Choose exemption menu >
- (iii) Choose type of exemption under Schedule C >
- (iv) Choose specific items under Schedule C (Item 1, 2 or 5), read conditions and click “agree” to continue >
- (v) Fill in the required fields in the application form >
- (vi) Upon completion, certificate will be produced with certificate number >
- (vii) Print certificate >
- (viii) Print approved exempted goods list (optional) >
- (ix) Print conditions list (optional) >
- (x) Logout MySST portal.

For Item 3 & 4 of Schedule C, Sales Tax (Person Exempted From Payment of Tax) Order 2018:

Step 1:

Registered manufacturer shall appoint person acting on behalf to import or locally purchase raw materials, components, packaging materials and manufacturing aids.

- (i) Log in to MySST portal > www.mysst.customs.gov.my

*registered manufacturer: log in using username and password

- (ii) Choose exemption menu >

- (iii) Choose menu "Appoint Person On Behalf" >

- (iv) Fill in the required fields in the application form >

- (v) Upon completion, approval number will be generated for person acting on behalf >

- (vi) Registered manufacturer shall give the approval number to the appointed person >

- (vii) Logout MySST portal.

Step 2:

Upon receiving the approval number, person acting on behalf (appointed person) shall apply for exemption through MySST system.

- (i) Log in to MySST portal > www.mysst.customs.gov.my

*any person other than registered manufacturer: required to sign up to get log in ID and password

- (ii) Choose exemption menu >

- (iii) Choose type of exemption under Schedule C >

- (iv) Choose specific items under Schedule C (Item 3 or 4), read conditions and click “agree” to continue >
- (v) Fill in the required fields in the application form >
- (vi) Upon completion, certificate will be produced with certificate number >
- (vii) Print certificate >
- (viii) Print approved exempted goods list (optional) >
- (ix) Print conditions list (optional) >
- (x) Logout MySST portal.

Application To Add New/ Delete Item

(Raw materials / components / packaging materials / manufacturing aids):

(Only applicable for Schedule B and Item 1 & 2 of Schedule C)

- (i) Log in to MySST portal > www.MySST.customs.gov.my
- (ii) Choose exemption menu >
- (iii) Choose type of exemption either Schedule B or C >
- (iv) Choose specific items under Schedule B or C, read conditions and click “agree” to continue >
- (v) Add new/ delete items >
- (vi) Print certificate (optional: because certificate remain unchanged) >
- (vii) Print approved exempted goods list (optional) >
- (viii) Print conditions list (optional) >
- (ix) Logout MySST portal.

16. Any application for exemption by a person acting on behalf of registered manufacturer to import or purchase locally taxable goods under Item 3 and 4 of

Schedule C, Sales Tax (Person Exempted From Payment of Tax) Order 2018, a certificate issued is only valid for respective registered manufacturer.

OTHER CONDITIONS

17. Any person who has been granted exemption shall be subject to the following conditions:

- (i) Any goods given exemption shall not be disposed of, sold, transferred locally or not accounted for, on the conditions that the payment of the tax has been made;
- (ii) The disposal of scrap or wastage is subject to approval from controlling station;
- (iii) Any person given exemption shall keep record or accounts of the goods imported or purchased and the records or account is made available for inspection by any proper officer of Customs at any time;
- (iv) Registered manufacturer shall declare the total value of goods purchased without sales tax on the acquisition on raw materials, components, packaging materials and manufacturing aids in the Sales Tax Return (SST-02);
- (v) Any person who is granted the exemption is responsible to comply with the prescribed conditions;
- (vi) Any person who fails to comply with any conditions to which the exemption relates, any sales tax that has been the subject of the exemption shall become due and payable by the person on the date on which any of the conditions failed to be complied with.

FREQUENTLY ASKED QUESTIONS (FAQs)

1. Q : **Do we need to apply for sales tax exemption for raw materials that are subjected to sales tax?**

A : If you are a registered manufacturer, you are eligible to apply for exemptions from payment of sales tax for acquiring components, raw materials, packaging materials and manufacturing aids under Schedule C of the Sales Tax (Person Exempted From Payment of Tax) order 2018.

2. Q : **Samajaya is a Free Industrial Zone (FIZ) operators. During GST era Samajaya was an Approved Trader Scheme (ATS) holder. What will replace ATS after SST implementation? Any scheme we shall apply?**

A : Under Sales Tax Act 2018, FIZ is classified as a Special Area (SA). Thus, sales tax is not applicable in SA. Importation of goods from PCA to SA is not subject to sales tax except goods mentioned under Sales Tax (Imposition of Tax at Special Area) Order 2018.

3. Q : **I am a registered manufacturer under Sales Tax Act 2018. I purchased raw materials using ATS and still got stock in hands. What is the treatment for my stock in hands?**

A : If the raw materials are used in the manufacturing activities and the finished goods are exported, no sales tax is imposed. However, sales tax is applicable on sale, disposal or local transfer of such raw materials.

4. Q : **I am an ATS holder with License Manufacturing Warehouse (LMW) status. Do I need to register as a registered manufacturer in order to enjoy exemption from sales tax?**

A : LWM is classified as a Special Area (SA). Sales Tax Act 2018 is not applicable in SA. Therefore, you are not required to be registered under the Sales Tax Act 2018.

5. Q : **How long should I keep the accounts and records related to goods acquired using exemptions?**

A : You are required to keep accounts and records for a period of seven (7) years.

6. Q : **I am a voluntary registrant under the Sales Tax Act 2018. Am I eligible to apply for exemptions under the Sales Tax (Person Exempted From Tax) Order 2018?**

A : Yes, you are eligible to apply for the exemptions.

7. Q : **Under the old sales tax model, the original sales tax exemption certificate (CJ5) must be submitted to the Customs at the import station. With a computerized system, is it sufficient to show an exemption reference number and details in the import declaration?**

A : Yes. It is enough to show the exemption reference number and details in the import declaration as Customs can cross-check through the system to ensure that the claim of exemption is valid.

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