



**SERVICE TAX 2018**

**GUIDE ON:  
CONSULTANCY, TRAINING OR  
COACHING SERVICES**

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## **Disclaimer**

This information is intended to provide a general understanding of the relevant treatment under 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. 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 Service 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 understand the service tax treatment on consultancy, training and coaching services.

## TERMINOLOGY

5. The following words have these meanings in this guide unless the contrary intention appears:
  - (a) “**Designated Areas**” (DA) means Labuan, Langkawi, Tioman and Pangkor. (Section 2, Service Tax Act 2018);
  - (b) “**Special Areas**” (SA) means any free zone, licenced warehouse (Section 65, Customs Act 1967) and licenced manufacturing warehouse (Section 65(A), Customs Act 1967), Joint Development Area, and a petroleum supply base licensed (Section 77B, Customs Act 1967)

## IMPOSITION AND SCOPE OF TAX

6. For the purposes of the Service Tax Act 2018, the following are the service tax effective dates for consultancy, training and coaching services:

SERVICES	EFFECTIVE DATE	LEGISLATION
Consultancy	1 September 2018	Service Tax Regulations 2018 [P.U.(A) 214 / 2018]
Training	1 January 2019	Service Tax (Amendment)(no.3) Regulations 2018 [P.U.(A) 398 / 2018]
Coaching	1 January 2019	

7. Provision of consultancy, training and coaching services are subject to service tax as stated under Group G, column (2), item (g), First Schedule, Service Tax Regulations 2018.

## GENERAL OPERATIONS OF THE INDUSTRY

### Consultancy Services

8. Consultancy services is a service provided by a consultant whether professional or not who has specialized expertise or knowledge. Consultancy services can be provided to clients or stakeholders whether in the form of opinions, advisory services, reports, grading, certification, verification or other services that require the expertise (not limited to a special credentials) of a person in a field.

#### ***Example 1***

A consultant will provide advice, opinions or reports to customers in adapting business best practices, or regarding business needs, procurement, rebranding, interior design and others.

**Example 2**

Consultancy services provided in the form of grading such as grading the level of stability of an institution such as company, project rating, organization or country rating.

**Example 3**

A rating service provider appointed to give a rating on a matter based on the specifications that have been set. Based on the rating given, it will assist customers or stakeholders in making decisions.

**Example 4**

The following is an example of a list of common consultancy services:-

- (i) Image consultant services;
- (ii) Consultancy services for the purpose of registration of patent copyright or intellectual property;
- (iii) Quality Assurance consulting services related to the system used by the organization in all activities involving design, marketing, production and after-sales services such as ISO 9000, ISO 9002 and etc.;
- (iv) Consultancy services in the computer industry including computer purchasing, program / software development, software implementation development, system integration selection, computer information system management, formulating information technology strategies and other consultations related to computer projects;
- (v) Consultancy services in the form of technical advice / experts on any matter through the use of specialized equipment;

- (vi) Consultancy services provided by foreign consulting companies if they have offices or premises in Malaysia and are registered with the Companies Commission of Malaysia (SSM) or certain professional bodies in Malaysia or have an agent (Company registered with SSM / Professional body) appointed to acting on behalf of foreign consulting companies; or
- (vii) A person who is appointed as a director of a company under a contract for services is considered to provide consultancy services.

### **Training Services**

9. Training services are the process of teaching or self-development on any specific skills or knowledge to improve ability, capacity, productivity or performance.

### **Coaching Services**

10. Coaching services is a service by someone who is knowledgeable or experienced in giving all kinds of advice and teachings to customers. This service is usually run by someone who acts as a coach by providing training and guidance to support the client achieve the objectives.

### **Education Services**

11. In contrast to consultancy, training or coaching services, education services fall into their own category. The provision of education services is not included under any taxable services whether consultancy, training or coaching services.

12. Education services in Malaysia are categorized as follows:

- (a) Early Childhood Care & Education (ECCE);
- (b) Preschool;
- (c) Primary School;
- (d) Secondary School; and
- (e) Higher Education.

13. The above category of education services is also called formal education services. This formal education service is provided by the federal government, state government, statutory bodies and even the private sector.

14. For pre-tertiary education, it will use the national curriculum under the Education Act 1996. However, there are schools that use the origin country's national curriculum such as expatriate schools. For higher education, it is accredited by certain institutions such as the Malaysian Qualifications Agency (MQA) or for technical education and vocational training accredited by the Department of Skills Development under the National Skills Development Act 2006, Ministry of Human Resources.

15. Other than formal education services, there are also informal education services such as tuition classes and non-accredited services such as courses given by education institutions purposely to their students. However, only informal education provided by centers registered with the Education Act 1996 is considered as an education service provider.

16. For the purpose of service tax, the education services specified under paragraphs 11 - 15 are not taxable services.

## **SERVICE TAX TREATMENT**

### **Taxable Person**

17. Under Item 7, Group G, First Schedule, Service Tax Regulations 2018 and Service Tax (Amendment) Regulations (No.3) 2018, any person providing consultancy, training or coaching services is considered as a taxable person.

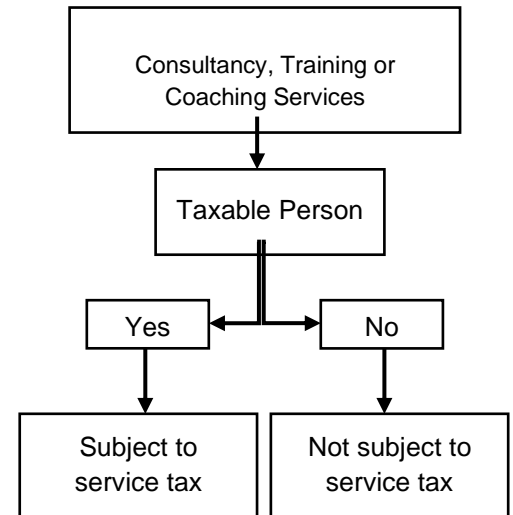
18. However, there is a category of people who are not considered as a taxable person even if they provide consultancy, training or coaching services. The categories of people are as follows:

- (a) Approved companies with status or definition as research and development companies and contract research and development companies under section



2 of the Promotion of Investment Act 1986 [Act 327] and approved research institutes under section 34B of the Income Tax Act 1967 [Act 53];

- (b) Federal Government;
- (c) State Government;
- (d) Local authorities; or
- (e) Statutory Bodies.



\* Assuming a registered person and services are

19. This means that if the consultancy, training or coaching services are provided by the people mentioned above [paragraphs 18 (a) - 18 (e)], the services are not subject to service tax.

20. However, the category of persons in paragraph 18 (e) is a taxable person for consultancy services for the period 01 September 2018 to 31 December 2018.

**Threshold**

21. For the purpose of service tax, the threshold value for the purpose of mandatory registration for the three services is as follows:

SERVICES	THRESHOLD
Consultancy	RM500,000
Training	
Coaching	

22. For the purposes of Group G: Professionals, First Schedule, Service Tax Regulations 2018, any taxable person in column (1) of Group G who has the total

value of taxable services, whether combined or single, more than RM500,000 for which any one or more taxable services specified in column (2) of Group G, is mandatory to register.

**Example 5**

*Ultimate ArchEngi Sdn Bhd (UASB) is a company that provides architectural, engineering and consultancy services. The company's income for the last 12 months from architectural, engineering and consultancy services is RM250,000, RM300,000 and RM100,000 respectively. UASB Company is mandatory to register under the service tax because the value of taxable services provided for the last 12 months is more than RM500,000 which is RM650,000.*

**Taxable Services**

23. For the purpose of service tax under item (g), column (2), Group G: Professional, First Schedule, Service Tax Regulations 2018, the following services are subject to service tax:

- (a) the provision of consultancy services including professional consultancy services other than the professional services specifically mentioned in column (2), Group G: Professionals, First Schedule, Service Tax Regulations 2018;

- (i) Consultancy services that involve advisory:

Examples of advisory services are financial consulting services, business consulting, interior decoration consulting, health consulting (which does not involve Doctor / Hospital consultation), nutrition consulting, construction consulting, image consulting and others.

**Example 6**

*Royal Malaysian Customs Department (RMCD) has appointed Syarikat Zufar ID Sdn Bhd (SZID) as a consultant*

*in designing the new RMCD office layout. SZID charged an internal design consultation to RMCD. Such consultation charges are subject to service tax.*

**Example 7**

*Shakira, a rising young artist, has appointed an image consultant to ensure that her appearance is always at its best. The image consulting service provided is a taxable service.*

**Example 8**

*Bank Malaysia Berhad (BMB) has appointed an Image Consulting Company (ICC) to provide talks and practical training on corporate image care to its employees. ICC charged training and consulting fees to BMB. Both charges are subject to service tax.*

(ii) Consultancy services that do not involve advisory:

Not all consultancy services involve the provision of advisory services. There are situations where consultancy services are provided through grading such as credit rating institutions. The rating coverage provided may include national finance, corporate finance, including financial and insurance institutions, public finance, and infrastructure projects and financial projects.

The rating services provided are taxable services under the category of consultancy services. The grading or rating service provider appointed to give a grade on a subject will use the expertise and specialized knowledge available to make an analysis and subsequently issue a grade on the institution. Hence, based on the ratings given it will help the business or stakeholders in making decisions.

**Example 9**

*ABC Holding Berhad has appointed a rating agency to provide a rating on a development project to be undertaken. Based on the ratings made, the project was given an AAA rating. The rating agency charges rating services to ABC Holding Berhad. The rating services provided are taxable services under the category of consultancy services.*

(iii) Consultancy services involving testing:

There are situations where a testing service is considered as consultancy services. For instance, when a company is appointed to conduct a test on something such as goods, products or land. Using specialized expertise, test results will be given to customers who in turn will use that information in decision making.

**Example 10**

*O&G Sdn Bhd wants to build an oil rig in a designated area. The company appointed Soil Sdn Bhd to check the condition of the land to determine the feasibility of the project. The services provided by Soil Sdn Bhd to Syarikat O&G Sdn Bhd are taxable services under consultancy services.*

**Example 11**

*Syarikat Metal Utiliti Sdn Bhd (MUSB) sent an example of an iron pipe that has been formed for durability testing. A report is sent with test result information. The services provided are taxable services under the consulting services although no advisory or opinion services are provided.*

(iv) Training services considered as consultancy services:

For the purpose of service tax, there are situations where a

training service is considered as consultancy services. This refers to training services that involve the supply or development of a product or service that requires specific training for the use of the product or service provided.

**Example 12**

*The Ministry of Defense Malaysia (MINDEF) has appointed Armory System Sdn Bhd (ASSB) to develop, install, maintain and train personnel involved using missile radar systems. For the purpose of service tax, ASSB provides taxable services under information technology (IT) services and also provides taxable services under consultancy services (training). The training services provided are considered as consultancy services because it involves a specific training service to use the developed products.*

- (b) training services with or without the issuance of certificate for which fees are imposed;

Training is the teaching or development of oneself or others, any specific skills or knowledge. Training has specific goals to improve ability, capacity, productivity and performance. Training services include course services.

For the purpose of service tax, training service is a taxable service except for training services which are considered as education services as mentioned under paragraphs 15 – 20.

While training services under paragraph 23(a)(iv) are considered taxable services under consultancy services.

**Example 13**

*Bank Malaysia Berhad (BMB) bought a new banking system from the system provider. To ensure that all BMB staff involved are skilled in using the system, Lubnan IT Sdn Bhd (LIT) is appointed to provide training services on the use of the system.*

*LIT charges for training services provided. The training service provided by LIT is a taxable service.*

**Example 14**

*Syarikat Crane Sdn Bhd (SCSB) sent its new staff consisting of prospective crane operators to attend crane handling courses conducted by Crane Consulting Sdn Bhd (CCSB). CCSB charges course training fee to SCSB. The crane handling course service provided by CCSB is a taxable service.*

**Example 15**

*Ms. Yan wants to get a driving license. She registered with Pusat Memandu Cemerlang Sdn Bhd (PMC) to get driving training. PMC charges Ms. Yan for each driving class she attends. The driving training service provided by PMC is a taxable service.*

**Example 16**

*The Farmers' Organization Authority (FOA) organizes an open mushroom cultivation course with a fee of RM25 per participant. Mushroom cultivation course organized by FOA are not subject to service tax. This is because FOA as a statutory body is a non-taxable person.*

**Example 17**

*Haizadafarm Enterprise (HE) organizes oyster mushroom seeding courses with a fee of RM25 per participant. The oyster mushroom seeding course service organized by HE is a taxable service.*

**Example 18**

*Universiti Awam Malaysia (UAM) is a Public University (UA) with statutory body status. UAM organizes creative writing*

*workshops. The training services provided are not subject to service tax because UAM is not a taxable person.*

**Example 19**

*Kolej Universiti Swasta Malaysia (KUSM) is a private higher learning institution. KUSM organizes multimedia courses for the public. The multimedia course service provided is a taxable service under the training service.*

**Example 20**

*Universiti Awam Malaysia (UAM) is a Public University with statutory body status. Malaysian Private Aviation College (MPAC) is a private higher learning institution that is a subsidiary of UAM. MPAC is not registered under the Private Higher Education Act 1996.*

*MPAC offers the Diploma in Executive Aviation (DEA). DEA does not have accreditation from MQA. Therefore it is a training service. However, the DEP certificate was issued by UAM. DEP course imposed by MPAC to students are taxable training services and subject to service tax.*

**Example 21**

*Universiti Awam Malaysia (UAM) is a Public University with statutory body status. Malaysian Private Aviation College (MPAC) is a private higher learning institution that is a subsidiary of UAM. MPAC is not registered under the Private Higher Education Act 1996.*

*MPAC offers the Diploma in Executive Aviation (DEA). DEA does not have accreditation from MQA. Therefore it is a training service.*

*DEA provided by MPAC, payment made by customer to UAM*

*and certificate issued by UAM, course charges was imposed by UAM to customer is not subject to service tax. The charges imposed by MPAC to UAM is a consultancy service on training and it is subject to service tax.*

- (c) coaching services with or without the issuance of certificate for which the fees are imposed;

Coaching services are a form of development in which a person called a coach supports a student or client in achieving personal or professional goals by providing training and guidance.

**Example 22**

*Mr. Roslan is a professional tennis player. He provides coaching services to his clients. The coaching service he provide was a taxable service.*

**Example 23**

*Sinar Sdn Bhd is a certified central institution that provides Malaysian Skills Certificate education services accredited by the Department of Skills Development under the National Skills Development Act 2006. Among the skills services provided are sewing skills, automotive skills, and arts and multimedia skills. The services provided by Sinar Sdn Bhd are education services and are not subject to service tax. Please refer to paragraphs 11-15.*

**Example 24**

*The Youth and Sports Skills Training Institute (YSSTI) is an accredited central institution under the Ministry of Youth and Sports. This institution provides Malaysian Skills Certificate education services accredited by the Department of Skills Development under the National Skills Development Act 2006. Among the skills services provided are sewing skills, automotive*



*skills, and art and multimedia skills. The services provided by YSSTI are education services and are not subject to service tax. Apart from that, YSSTI is also a non-taxable person because it is under the Federal Government.*

**Example 25**

*Azin Photography Academy provides photography skills courses. Fees are charged to each participant who participates in the skills course. The service provided by Azin Photography Academy is a coaching services and it is a taxable service.*

24. Education services are not included under consultancy, training or coaching services as specified under paragraphs 11-15.

**Non-Taxable Consultancy, Training and Coaching Services**

25. For the purpose of service tax, in accordance with the exemptions under column (2), Item (g), First Schedule, Service Tax Regulations 2018, the following consultancy services are not considered a taxable service:

- (a) Consultancy services related to healthcare services. Healthcare refers to health problems that involve a doctor's instructions or prescription;

**Example 26**

*Mr Haris suffered a knee injury while playing sports. He then came to the hospital and met Doctor Zahid to get advice on the treatment needed. Through the examination made, Doctor Zahid advised Mr. Haris to do MRI (magnetic resonance imaging) to ensure the seriousness of the injury. Doctor Zahid charged a consultation to Mr. Haris. This consultation charge is not a taxable service as it relates to healthcare services.*

**Example 27**

*Mr Khan is a bone cancer patient. The doctor issued referral letter for him to appoint a personal health consultant to ensure*

*that his health development is closely monitored and then provide advice on the care and treatment needed. The personal health consultant charged a consulting fee to Mr Khan. This consultation charge is not a taxable service as it relates to healthcare services.*

**Example 28**

*Ms. Linda appointed a nutrition health consultant to ensure that daily food intake is according to the desired level. The nutrition consultant charged consulting fees to Ms. Linda. Such consultation charges are subject to service tax. It is not considered a health-related consulting service.*

- (b) Consultancy services related to veterinary services.

**Example 29**

*Ms. Inaz sent her pet cat to a veterinarian for a skin infection. The veterinarian charges a consultation fee on the veterinary services provided. This consultation charge is not a taxable service as it is related to veterinary services.*

**Example 30**

*Sepang Municipal Council (SMC) is experiencing a serious problem of stray dogs. For the purpose of the operation to catch these stray dogs, the SMC appointed Dr. Yusri a veterinarian as a health consultant in the operation. The role of Doctor Yusri is to provide advisory services in ensuring the safety of the operating officer and the dogs are maintained. Dr. Yusri charges consultation fees to the SMC. This consultation charge is not a taxable service as it is related to veterinary services.*

- (c) Consultancy, training and coaching services in connection with –
- (i) Goods or land situated outside Malaysia;

**Example 31**

*Gorgeous ID Sdn Bhd (GID) was appointed to provide consulting services for the interior decoration of a private club building in Singapore. The consulting services provided are not subject to service tax as it relates to land (buildings) outside Malaysia.*

- (ii) Matters outside Malaysia other than matters specified in (i);

**Example 32**

*Ayub Consultancy Sdn Bhd (ACSB) provides consultancy services related to islamic banking system bank in Thailand. The consultancy services provided are not subject to service tax as the system will be fully utilized in Thailand.*

- (d) Training services or coaching services provided by any training or coaching center to a person who holds a valid Kad OKU issued under the Person with Disabilities Act 2008 [Act 685] –
  - (i) Registered with the Ministry of Health;

**Example 33**

*Autism Training Center is registered with the Ministry of Health Malaysia. Autism development training services provided to autistic individuals who hold a valid Kad OKU are not subject to service tax.*

**Example 34**

*Autism Training Center is registered with the Ministry of Health Malaysia. Individual care technique training services on autisme individuals without a valid Kad OKU are taxable services and subject to service tax.*

- (ii) registered with the Social Welfare Department; or

**Example 35**

*The Industrial Training and Rehabilitation Center (ITRC) is an institution registered with the Department of Social Welfare that provides services to people with disabilities (OKU) through vocational training and medical rehabilitation. Vocational training services provided by ITRC provided to individuals with valid OKU Cardholders are not subject to service tax.*

- (iii) recognized by any national association for persons with disabilities registered with the Registrar of Societies Malaysia

**Example 36**

*The Selangor Deaf Training Center (SDTC) is recognized by the National Association of the Deaf of Malaysia (NADM) as a national non-governmental organization (NGO) involved with people with disabilities registered with the Registrar of Societies Malaysia. The training services provided by SDTC provided to individuals holding a valid Kad OKU are not subject to service tax.*

**Taxable Service in Relation to *Designated Area***

26. Pursuant to Section 48, Service Tax Act 2018, no service tax shall be charged and levied on consultancy, training or coaching services provided within or between designated areas or between designated areas (DA) and special areas (SA).

**Example 37**

*Gorgeous ID Sdn Bhd (GID) is an interior designer consultant established in Langkawi, Kedah. GID was appointed to provide interior decoration consultation services by a company located in Langkawi. The consultation services provided by GID are not subject to service tax.*

**Example 38**

*Based on Example 37, GID also provides consultation services to Syarikat Labuan Investment Sdn Bhd in Labuan. The consultation services provided by GID are not subject to service tax.*

27. Pursuant to Section 49, Service Tax Act 2018, even if a company is established in a designated area, the consultancy, training or coaching services provided will still be subject to service tax if it is provided to persons within Malaysia (other than DA and SA).

**Example 39**

*Based on Example 38, one of the GID customers is a company in Kuala Lumpur. The consultation services provided by GID are subject to service tax.*

28. Pursuant to Section 50, Service Tax Act 2018, although consultancy, training or coaching services are provided within the designated area, it is still subject to service tax if it is provided by a company whose principal place of business is located in Malaysia (other than DA and SA) .

**Example 40**

*Interior ID Sdn Bhd (IID) is an interior designer consultant established in Kuala Lumpur and its main place of business is located in Malaysia. IID was appointed to provide interior designing consulting services by a company located in Langkawi. The consultation services provided by IID are subject to service tax.*

**Taxable Service in Relation to Special Area**

29. Pursuant to Section 53, Service Tax Act 2018, no service tax shall be charged and levied on consultancy, training or coaching services provided in or between special areas (SA) or between special areas and designated areas (DA).

30. Pursuant to Section 54, Service Tax Act 2018, even if the company is established in a special area, the consultancy, training or coaching services provided will still be subject to service tax if it is provided to persons within Malaysia (other than DA and SA).

31. Pursuant to Section 55, Service Tax Act 2018, although consultancy, training or coaching services are provided in special areas, it is still subject to service tax if it is provided by a company whose principal place of business is located in Malaysia (other than DA and SA) .

### **Transitional Issue**

32. For the purpose of service tax, consultancy, training and coaching services are taxable services. The consultancy service is a taxable service effective 1 September 2018 while for training and coaching services, it is a taxable service effective 1 January 2019.

### **Section 11(3)(c), Service Tax Act 2018**

33. If an arrangement or agreement is made within the period from 1 June 2018 to 31 August 2018 in which the consultancy, training or coaching services are provided or implemented after the effective date, then –

- (a) the arrangement or agreement made shall be deemed to have been made on the date the service was provided even if any payment (in whole or in part) was received or an invoice was issued during the period 1 June to 31 August 2018;
- (b) any payment received within such period or on or after the effective date, or invoice issued within such period, shall be deemed to have been received or issued on the date such taxable service is provided; and
- (c) the service tax shall be levied and shall be due on the date the service is provided.

### ***Example 41***

*Bank Malaysia Berhad (BMB), signed a contract worth RM5,000*

*with Akademi Diri Malaysia (ADM) on 4 June 2018 to provide corporate appearance consulting services to all BMB employees. The service was provided on 10 September 2018. Full payment of RM10,000 was made to ADM on 4 June 2018 and the invoice was issued on the same date. The consulting services provided are subject to service tax. ADM needs to account for 6% service tax on the value of RM5,000 imposed on BMB.*

**Example 42**

*The Royal Malaysian Customs Department has appointed and signed a contract on 30 August 2018 with Syarikat Padu Sdn Bhd (SPSB) for the provision of team building course services which will be held on 4 April 2019. Full payment was made on 30 August 2018 and an invoice was issued on same day. The course service is subject to service tax. SPSB must account for 6% service tax on the value of services charged for the April 2019 taxable period.*

**Regulation 3A, Service Tax (Amendment)(No.3) Regulations 2018**

34. If there is a change in any taxable service as specified in the First Schedule, the effect of the change on the service tax is as follows:

- (a) In the case where the taxable service is no longer specified as a taxable service in the First Schedule and the provision of the such service is spanning after the change, service tax shall be charged on the proportion of the service which is attributed to the part of the period before the date of such change.
- (b) In the case where a new service is specified as a taxable service and the provision of the service is spanning after the change, service tax shall be charged on the proportion of the service which is attributed to the part of the period after the date of such change.

**Example 43**

*Syarikat Ilham Training Sdn Bhd has signed a training contract with the Royal Malaysian Customs Department in October 2018 for the fitness training services to customs officers for the period November 2018 to October 2019. Payment is only made after the service is provided. Training services for November 2018 to February 2019 are not subject to service tax. While for training services for March 2019 until the end of the contract is subject to service tax.*

- (c) In the case where a new service is declared to be a taxable service and before the date of the change any payment is received in connection with the service, no service tax is charge on the payment received.

**Example 44**

*Huda paid an entrepreneurship training fee to Rosz Training Sdn Bhd in November 2018 for an entrepreneurship training class in April 2019. Rosz Training Sdn Bhd was a registered person of SST in March 2019. The training services provided to Huda are not subject to service tax.*

**Service Tax Due**

35. Pursuant to Section 7, Service Tax Act 2018, service tax must be levied on taxable services provided in Malaysia by a registered person.

36. Service tax imposed on customers must be declared and paid to the Royal Malaysian Customs Department only when payment has been received from the customer.

**Example 45**

*Ayub Consultancy Sdn Bhd (ACSB) is an information technology services consulting company. ACSB as a registered person of SST provided IT consulting services to Syarikat Yan Sdn Bhd (SYSB) in October 2018 where service*

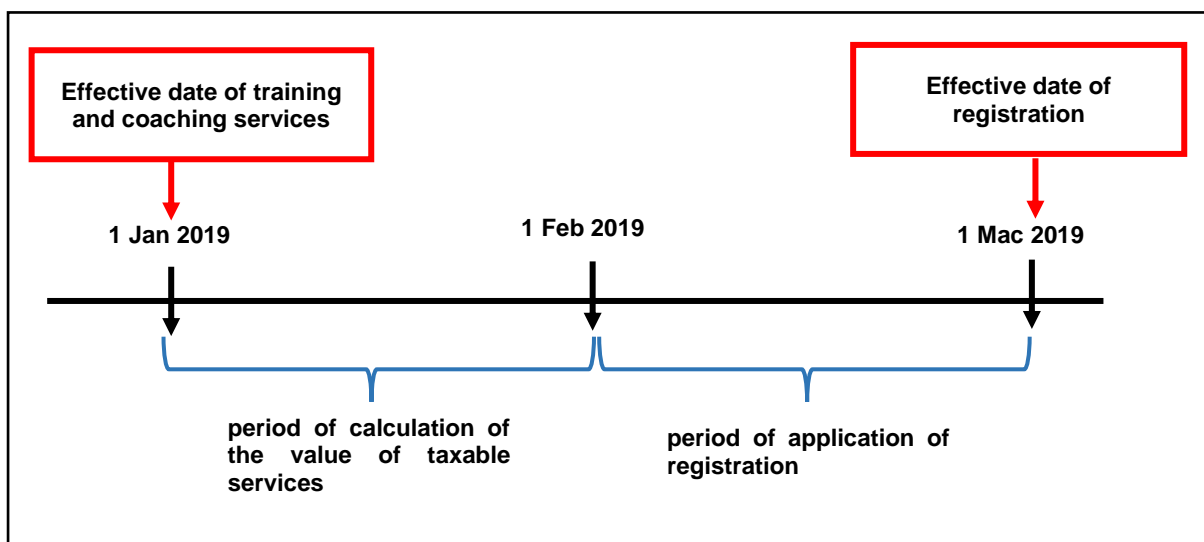


*tax is charge. An invoice to SYSB was issued in October 2018 but payment was only received in December 2018. For services provided to SYSB, ACSB will make a declaration and payment of service tax in January 2019 (for the taxable period November - December) as payment is received in December 2018.*

## REGISTRATION AND RESPONSIBILITIES OF REGISTERED PERSONS

37. The training and coaching services is a taxable service that came into operation on 1 January 2019.

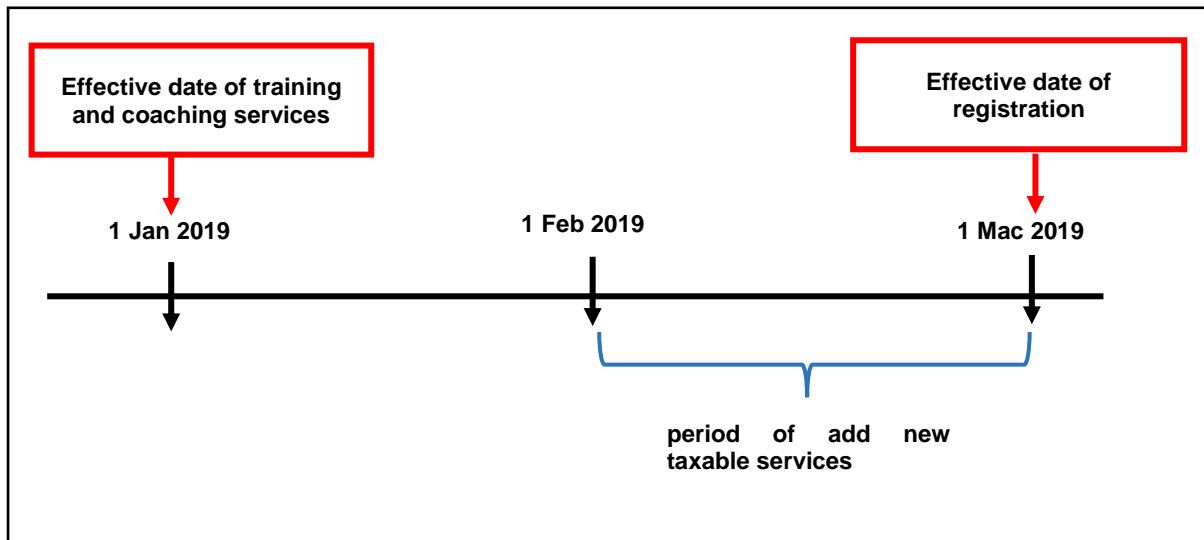
38. For the purpose of registration under the Service Tax Act 2018, any person providing training or coaching services shall make a calculation on the sale of taxable services provided in January 2019 and eleven months immediately after January 2019. If the total value of the taxable service exceeds RM500,000, the application for the purpose of registration of the taxable service must be applied no later than 28 February 2019.



39. Registration shall take effect from 1 March 2019 as provided under Section 13 (3), Service Tax Act 2018 and service tax shall be imposed from 1 March 2019.

40. Any person who became a registered person before 1 January 2019 and provide this new taxable service where the value of taxable service for the period of

January 2019 and eleven months is expected to exceed RM500,000, application for addition of this new service activity must be made before 28 February 2019. Service tax on this new service shall be levied from 1 March 2019.



41. A registered person is responsible to:

- (a) Charge service tax on his taxable services;
- (a) Issue invoices and receipts to his customers in respect of any transaction relating to the provision of taxable services;
- (b) Submit service tax return SST-02 via electronic and pay service tax before due date; and
- (c) Keep proper records with regards to his business.

42. For further information with regards to responsibility of a registered person, please refer to the **General Guide on Service Tax**.

## FREQUENTLY ASKED QUESTIONS (FAQs)

1. **Q : When is the effective date of service tax for consultancy services?**

A : The effective date of service tax for consultancy services is 1 September 2018.

2. **Q : Is the effective date of service tax for training and coaching services also on 1 September 2018?**

A : No. The effective date of service tax for training and coaching services is 1 January 2019.

3. **Q : Does a person with registered person status on 1 January 2019 have to charge service tax starting 1 January 2019 on training or coaching services provided starting 1 January 2019?**

A : No, based on the announcement of the Royal Malaysian Customs Department on 31 December 2018, training and coaching services will only be subject to service tax from 1 March 2019. This also applies to persons with registered person status on 1 January 2019.

4. **Q : What is the threshold value for consultancy, training or coaching services?**

A : The threshold value for consultancy, training or coaching services is RM500,000.

5. **Q : For the purpose of calculating the threshold value, is it necessary to calculate in whole or separately if any person provides more than one taxable service in Group G?**

A : For the purpose of calculating the threshold value, any taxable person in column (1) of Group G who has a total value of taxable services, whether combined or single, more than RM500,000 for any one or more taxable services specified in column (2) Group G, he is compulsory to register.

6. **Q : Company A provides engineering, architectural and consultancy services. The accumulated revenue value for these three services is RM600,000 for the past 12 months. Is Company A required to be registered under service tax?**

A : Yes. Company A is required to be registered under service tax. This is because engineering, architectural and consultancy services are taxable services under Group G where for threshold value purposes, the calculation need to be combined.

7. **Q : With reference to consultancy services, will a service only be considered as a consultancy service if it involves advisory services?**

A : No. For service tax purposes, other than advisory services, consultancy services include grading / rating services, testing services and training services. Please refer to paragraph 23(a).

8. **Q : Company A Sdn Bhd appointed company B Consulting Sdn Bhd (GST and SST registered person) on 1 January 2018 to obtain consultancy services on the accounting system to be used. Company A Sdn Bhd has made full payment to company B Consulting Sdn Bhd in February 2018. The service was completed**

**in December 2018. What is the GST and SST tax treatment on the services provided by company B Consulting Sdn Bhd?**

A : As a GST registered person, company B Consulting Sdn Bhd must account for the payment received in February 2018. This is because, under the GST legislation, time of supply has occurred when the payment is received. No more SST needs to be accounted for as full payment was received in the GST era even though the services provided went beyond the GST era to the SST era.

9. **Q : Company A Sdn Bhd appointed Company B Consulting Sdn Bhd (GST and SST registered person) on 1 July 2018 to obtain consultancy services on the accounting system to be used. Company A Sdn Bhd has made full payment to Company B Consulting Sdn Bhd in July 2018. The service was completed in December 2018. What is the GST and SST tax treatment on the services provided by Company B Consulting Sdn Bhd?**

A : With reference to Section 11 (3) (c), Service Tax Act 2018, such consultancy services are subject to 6% service tax. Please refer to paragraph 33.

10. **Q : Company X Sdn Bhd appointed Company Y Akademi Sdn Bhd on 1 October 2018 to obtain Microsoft Office training services for the staff of company X. The training services were conducted in December 2018. What is SST treatment of the services provided by company Y Akademi Sdn Bhd?**

A : Microsoft Office training services provided by Company Y Akademi Sdn Bhd to company X Sdn Bhd are not subject to service tax as the training services are not a taxable service as of December 2018.

11. **Q : Company X Sdn Bhd appointed company Y Akademi Sdn Bhd on 1 December 2018 to obtain Microsoft Excel training services for**

**the staff of Company X. The training services were conducted in March 2019. Company X Sdn Bhd made payment to Company Y Akademi Sdn Bhd in March 2019. What is the SST treatment of the services provided by company Y Akademi Sdn Bhd?**

A : Such services are subject to service tax. Please refer to paragraph 34 (b).

12. **Q : Company X Sdn Bhd appointed Company Y Akademi Sdn Bhd on 1 December 2018 to obtain Microsoft Excel training services for the staff of company X. The training services were conducted in March 2019. Company X Sdn Bhd made payments to company Y Akademi Sdn Bhd in December 2018. What is the SST treatment of the services provided by company Y Akademi Sdn Bhd?**

A : Training services provided are not subject to service tax. Please refer to paragraph 34(c).

13 **Q : Are consultancy services provided by persons whose principal place of business is in Langkawi to persons in Kuala Lumpur subject to service tax?**

A : Yes. Such services are subject to service tax. This is because the service is provided to the principal customs area (PCA).

14. **Q : Are training services provided in Labuan by persons whose main place of business is in Kuala Lumpur subject to service tax?**

A : Yes. Such services are subject to service tax. This is because the service is provided by a person whose main place of business is in the principal customs area (PCA).

15. Q : **Do registered person need to issue an invoice?**

A : Yes. The registered person is required to issue an invoice on all taxable services provided.

16. Q : How to submit a return and make a payment of service tax?

A : Registered persons need to submit the service tax return via form SST-02 electronically or manually. Service tax payment must be paid electronically or a cheque must be posted to Kelana Jaya Customs Processing Center.

## **INQUIRY**

For any inquiries for this guide please contact:

Royal Malaysian Customs Department  
Internal Tax Division  
Level 5, Block A, Menara Tulus,  
No. 22, Persiaran Perdana, Presint 3,  
62100 Putrajaya.

## **FURTHER ASSISTANCE AND INFORMATION ON SST**

Further information on SST 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](mailto:ccc@customs.gov.my)