



SERVICE TAX 2018

**GUIDE ON:
MOTOR VEHICLE
SERVICE OR REPAIR**

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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 1st September 2018.
2. Service tax is imposed on prescribed services called “taxable services”.
3. A person who provides taxable services exceeding a specified threshold is required to be registered under the Services Tax Act 2018 and is known as a “registered person”.
4. The Guide is prepared to increase understanding the service tax treatment on motor vehicle service or repair.

TERMINOLOGY

5. The following words refer to these meanings in this guide unless the contrary intention appears:
 - a) “**Vehicle**” means a structure capable of moving or being moved or used for the conveyance of any person or thing and which maintains contact with the ground when in motion (*Section 2, Road Transport Act 1987*);
 - b) “**Motor vehicle**” means a vehicle of any description, propelled by means of mechanism contained within itself and constructed or adapted so as to be capable of being used on roads, and includes a trailer. (*Section 2, Road Transport Act 1987*)
 - c) “**Operator**” means individual / business entity which provide either motor vehicle service centre, motor vehicle repair centre, motor vehicle service or motor vehicle repair services;
 - d) “**Road Transport Department**” means the Department administered by the Director General (*Section 2, Road Transport Act 1987*);
 - e) “**Special Areas**” (SA) means any free zone, licenced warehouse and

licenced manufacturing warehouse, the Joint Development Area and a petroleum supply base licensed under section 77b of the Customs Act 1967 (*Section 2, Service Tax Act 2018*);

- f) “**Designated Areas**” (DA) means Labuan, Langkawi, Tioman and Pangkor (*Section 2, Service Tax Act 2018*);

IMPOSITION AND SCOPE OF TAX

6- Effective 1st September 2018, any person who:

- a) Operates a motor vehicle service centre;
- b) Operates a motor vehicle repair centre;
- c) Provides motor vehicle service services; or
- d) Provides motor vehicle repair services

is subject to service tax under Item 5, column (1), Group I, First Schedule, Service Tax Regulations 2018.

7. This guide takes into account amendments and further explanations regarding service or repair of motor vehicles in accordance with the Service Tax (Amendment) Regulations (No. 3) 2018 P.U. (A) 398 effective 1 January 2019 and the Service Tax (Amendment) Regulations 2019 P.U. (A) 232 effective 1 September 2019.

GENERAL OPERATIONS OF THE INDUSTRY

Scope of Motor Vehicle Service or Repair Industry

8. Motor vehicle service or repair (also known regionally as a garage or a workshop) is an establishment where motor vehicles are repaired by any person.

9. According to Section 5, Road Transport Act 1987, motor vehicles shall be divided into the following classes:

- a) **invalid carriages**; that is to say, motor vehicles, the unladen weight of which does not exceed two hundred and fifty kilogrammes, which are specially designed and constructed or adapted for the use of a person suffering from some physical defect or disability and used solely by such a person;
- b) **motor cycles**; that is to say, motor vehicles with less than four wheels, and the unladen weight of which does not exceed four hundred and fifty kilogrammes;
- c) **tractors heavy**; that is to say, motor vehicles not constructed to carry any load (other than water, fuel, accumulators and other equipment and materials used for the purposes of propulsion, loose tools and loose equipment), the unladen weight of which exceeds five thousand kilogrammes;
- d) **tractors light**; that is to say, motor vehicles, the unladen weight of which does not exceed five thousand kilogrammes and which otherwise fall within the definition of “tractors heavy”;
- e) **motor cars heavy**; that is to say, motor vehicles which are constructed to carry a load or passengers and the unladen weight of which exceeds three thousand kilogrammes;
- f) **motor cars**; that is to say, motor vehicles (not falling within the definition of “motorcycles”), which are constructed to carry a load or passengers and the unladen weight of which does not exceed three thousand kilogrammes;
- g) **mobile machinery heavy**; that is to say, motor vehicles which are designed as self-contained machines, propelled by means of mechanism contained within themselves and the unladen weight of which exceeds five thousand kilogrammes and are capable of being used on roads;
- h) **mobile machinery light**; that is to say, motor vehicles, the unladen weight of which does not exceed five thousand kilogrammes and which otherwise fall within the definition of “mobile machinery heavy”;

- i) **pedestrian controlled vehicles**; that is to say, motor vehicles constructed for the purpose of carrying a load or passengers and controlled by a person not seated or mounted on such a vehicle;
- j) **trolley vehicles**; that is to say, vehicles deriving their power from overhead cables or rails and making connection with such source of power by means of a pulley or other device;
- k) **trailers**; that is to say, vehicles other than land implements drawn by a motor vehicle, whether or not part of the trailer is superimposed on the drawing vehicle.

10. The provision of motor vehicle service or repair includes general servicing, engine repairs and tuning, changing, adjusting and fixing of parts, wheel balancing, wheel alignment or body repairs including knocking, welding or repainting of motor vehicles.

CHARGING SERVICE TAX

11. The rate of service tax for service or repair motor vehicles shall be charged at the rate of 6%. Cost of spare parts is not subjected to service tax.

SERVICE TAX TREATMENT ON MOTOR VEHICLE SERVICE OR REPAIR

12. An operator or motor vehicle services or repair provider is deemed to be carrying out taxable services.

13. The taxable services includes:

- a) Repair and engine tuning service;
- b) Change, adjust and install spare parts service;
- c) Balancing and alignment services;
- d) Body repair, knocking and welding services;
- e) Provision of PreDelivery Inspection (PDI) services by a motor vehicle

service centre belonging to a car dealership (separate entity);

- f) The cementing and repainting services;
- g) Services on the trailer and tanker;
- h) Reimbursement on prescribed service by third party

Example 1

A customer sends his car to AB Workshop (registered person) for repair services which includes engine repairs, body repairs including knocking, welding and repainting. AB Workshop outsourced the repainting job to ZC Painting Sdn Bhd. ZC Painting Sdn Bhd charged AB Workshop for the repainting job and AB Workshop will recover the cost from his customer. The recovery of cost is subjected to service tax regardless there is a mark-up element or not.

- i) Service for motor vehicle under warranty;
- j) Manufacturer's warranty;

Example 2

Company A as a motor vehicle service centre franchise holder, is subject to a car sales agreement between Company A and overseas car manufacturers. Payments on manufacturing defects and service taxes are paid by foreign car manufacturers on behalf of customers.

Example 3

Company B as a motor vehicle service centre franchise holder, is subject to a car sales agreement between Company B and local car manufacturers. Payments on manufacturing defects and service taxes are paid by local car manufacturers on behalf of customers.

- k) Labour cost on service by subcontractors;

Example 4

Motor vehicle service Co. A is subcontracted to Co. B. The value of the Co. B's services and the mark up (if any) by Co. A are accounted for taxable value.

Note: The list is not exhaustive.

14. Services that are not subject to service tax:

- a) Service or repair of non-motor vehicle.

For example aircrafts, vessels and trains;

- b) Service made on buggy. Buggy is not categorized as motor vehicle;
- c) Installation accessories such as audio/visual system, tinted film, alarm systems, power windows and central locking systems;
- d) Cost of spare parts;
- e) Towing services;
- f) Grooming services such as polishing and waxing.

Note: The list is not exhaustive.

15. Motor vehicle service and repair services within designated area (DA) is not subject to service tax if services provided by operator whose principal business is in DA.

SERVICE TAX ACCOUNTING

16. Service tax must be accounted for by a person registered to JKDM:

- a) At the time payment is received; or
- b) On the next day after a period of 12 months from the date the service or

repair of the motor vehicle is provided if no payment is received.

17. However, any person who is given approval by the Director General to use the accrual basis, service tax shall be accounted for at the time the invoice is issued.

REGISTRATION AND RESPONSIBILITY OF REGISTERED PERSON

18. Operators who exceed the prescribed threshold of taxable services are required to be registered under the Service Tax Act 2018.

19. A registered person is responsible to:

- a) Charge service tax on taxable services;
- b) Issue an invoice within one (1) year from the date of service provided;
- c) Submit service tax return SST-02 electronically and pay service tax before due date; and
- d) Keep proper records.

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

FREQUENTLY ASKED QUESTIONS (FAQs)

1. Q : How to be a registered person?

A : Taxable person who provides prescribed taxable services and having turnover which exceeds RM500,000 yearly has to apply for registration online by submitting SST-01 form via MySST website.

2. Q : How to submit return and make payments?

A : A registered person need to submit service tax return SST-02 and make payments electronic via MySST and by post to Customs Processing Centre in Kelana Jaya. The payments methods can be either cheque or bank draft. For more information please refer to the Return and Payment Guide.

3. Q : Do registered motor vehicle service and repair centre need to issue an invoice?

A : In service tax regulation, all transactions by a registered person must issue an invoice. Registered person can apply to use other type of documents to replace an invoice but it is subject to approval by Director General of Customs. For more information refer *Service Tax General Guide*.

4. Q : As a registered person, is selling the spare part to the customer subject to service tax?

A : No, it is not subject to service tax.

5. Q : A registered motor vehicle repair centre in Kedah has a branch in Langkawi (DA) and is providing repair service in Langkawi. Is the repair service subject to service tax?

A : The motor vehicle repair service is not subject to service tax if:

- (i) The services are performed directly in connection with motor vehicle;
- (ii) The services are performed in DA and benefit the person in DA;

and

(iii) The invoice is issued by the branch in DA.

6. Q : **PUSPAKOM is a vehicle inspection company. PUSPAKOM provides comprehensive types of inspection such as routine inspection, hire and purchase inspection, transfer of ownership inspection and others. Do PUSPAKOM need to charge service tax for its services?**

A : Yes, the services performed by PUSPAKOM are subject to service tax.

7. Q : **Iffah Vehicle Berhad has prime movers and trailers that are only used in the port area and it is not used on the road. Are the prime mover and trailer repair services subject to service tax?**

A : Yes. The repair service for both prime movers and trailers are subject to service tax under the Service Tax Act 2018.

8. Q : **Yan Motors has 3 electric cars used for pilot testing for the purpose of 'autopilot' demonstration. Is this electric car service subject to service tax?**

A : No. Motor vehicle service for demonstration purposes (pilot testing) is not subject to service tax.

9. Q : **Q7 Carwash Enterprise provides car wash services. Does Q7 Carwash Enterprise have to charge service tax under motor vehicle service?**

A : No. Car wash services are taxable service under cleaning services -Item 13, Group I, First Schedule, Service Tax Regulations 2018. Car wash services are not included as a taxable service under service or repair of motor vehicle. For more information, please refer to the Guide on Cleaning Services.

INQUIRY

For any inquiries for this guide please contact:

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No. 22, Persiaran Perdana, Presint 3,
62100 Putrajaya.

FURTHER ASSISTANCE AND INFORMATION ON SST

Further information on can be obtained from:

- (i) SST website : <https://mysst.customs.gov.my>
- (ii) Customs Call Centre:
 - Tel : 03-7806 7200 / 1-300-888-500
 - Fax : 03-7806 7599
 - Email: ccc@customs.gov.my