



SERVICE TAX 2018

**GUIDE ON:
PAID TELEVISION BROADCASTING
SERVICES**

Published by :

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

21 August 2018

Publication

Date: 21 August 2018.

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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.

CONTENTS

INTRODUCTION	1
IMPOSITION AND SCOPE OF TAX.....	1
GENERAL OPERATIONS OF THE INDUSTRY	1
Overview Of Paid Television Broadcasting Services (PTBS).....	1
CHARGING SERVICE TAX.....	2
SERVICE TAX TREATMENT	3
PTBS	3
Other Related Services Made For The Provision Of <i>Pay-TV</i>	3
REGISTRATION AND RESPONSIBILITIES OF A REGISTERED PERSON	4
FREQUENTLY ASK QUESTIONS (FAQs)	5
FURTHER ASSISTANCE AND INFORMATION ON SST.....	7

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 Services 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 assist you in understanding the service tax treatment on paid television broadcasting services.

IMPOSITION AND SCOPE OF TAX

5. Effective 1 September 2018, under Group I, Item 2, First Schedule of the Service Tax Regulations 2018, the provision of paid television broadcasting services under prescribed circumstances is subject to service tax.

GENERAL OPERATIONS OF THE INDUSTRY

Overview Of Paid Television Broadcasting Services (PTBS)

6. PTBS is among various types of broadcasting services licenced under the Malaysian Communications and Multimedia Commission (MCMC).
7. Generally PTBS also called as subscription television, premium television are actually subscribed-based television services. PTBS are widely known as *pay-TV* services means the transmission of video, audio and all other programming services to subscribers.

8. Specifically PTBS has a meaning assigned to it under the Communications and Multimedia (Licensing) Regulations 2000 as *“a content applications service whereby programme content is made available to the general public only upon the payment of a subscription fee”*.

9. PTBS provider offers various channel or content or programming packages that will allow subscribers to subscribe as well as renew subscriptions based on their preferences. This PTBS can be provided by both analogue or digital cable, satellite television, but also becoming a trend via digital terrestrial, internet television and any other means of transmission.

10. Example of PTBS provider are ASTRO, iFlix, HyppTV and Vision Four.

CHARGING SERVICE TAX

11. Service Tax is charged on:

- (i) any provision of taxable services;
- (ii) provided in Malaysia;
- (iii) by a registered person; and
- (iv) in carrying on his business

12. The rate of service tax shall be charged at the rate of 6%. In the case of provision of services by PTBS provider the value of the taxable service for the charging of service tax is the actual price or fee imposed.

13. Service tax on the provision of services by monthly subscription normally being charged for the issuance of a bill to the customer.

14. Provision of PTBS are taxable services. PTBS provider shall charge service tax at 6% to the subscriber of services in Malaysia.

15. Service tax will be charged depending upon the principal place of business of the service provider.

Example 1

A customer living in Langkawi (DA) subscribes a pay-TV from a provider based in Kuala Lumpur. The provision of pay-TV by the provider is subject to service tax for the services provided in Langkawi.

SERVICE TAX TREATMENT

PTBS

16. PTBS provider is one of the categories of taxable service providers. For the purpose of service tax, the taxable supplies by PTBS provider are as follows:

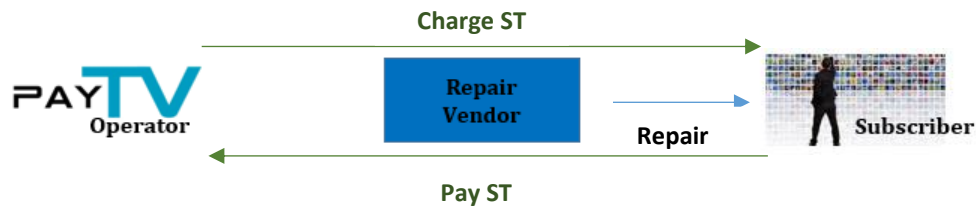
- (i) Supply of TV package to customers;
Pay-TV service provider makes a supply of PTBS to subscribers based on agreed scheduled fee (eg: monthly fee, pay-per-view charge).
- (ii) Supply of Satellite TV Box / Set-top box (STB);
STBs are generally supplied to customers on activation basis. Subscriber activates STBs in his name on the payment of activation charges from a service provider. Service tax will be paid at 6% on activation fee charged to subscribers.

Other Related Services Made For The Provision Of *Pay-TV*

17. Other related services relating to the provision of Pay-TV will also attract 6% of service tax, includes:

- (i) Change/Upgrade of package;
- (ii) Installation/re-installation (reactivation) fee charged to the recipient;
- (iii) Repair charges;
 - (a) Repair charges on the STB or equipment related to the provision of *pay-TV* collected from subscriber are subject to service tax.

Scenario: Repair services carried by appointed vendor on behalf of PTBS provider



18. Repair services carried out by independent vendor and charge to subscriber, it is not subject to service tax. This is because services provided by independent vendors are not taxable services.



REGISTRATION AND RESPONSIBILITIES OF A REGISTERED PERSON

19. A service provider reaching the prescribed threshold of taxable services is required to be registered. For further guidance and details on registration including an auto-registration exercise, please refer to the *Service Tax Registration Guide*.

20. A registered person is responsible to:

- (i) Charge service tax on taxable services;
- (ii) Issue invoices and receipts with specific particulars;
- (iii) Submit service tax return SST-02 electronically and pay service tax before the due date; and
- (iv) Keep proper records.

For further information with regards to the responsibilities of a registered person, please refer to the *General Guide* and the relevant *Specific Guides*.

FREQUENTLY ASK QUESTIONS (FAQs)

1. Q : **How to register?**
A : Taxable person who provides prescribed taxable services and having turnover more than RM500,000 is required to apply for registration via online by submitting SST-01 form to MySST system.
2. Q : **How to submit return and make payment?**
A : A registered person needs to submit service tax return SST-02 form and make payment electronically (MySST) or by post to the Customs Processing Centre in Kelana Jaya. The payment methods are either by cheque or by bank draft. For more information refer to the Return and Payment Guide.
3. Q : **Does a registered person need to issue an invoice?**
A : Every transaction by a registered person must be issued with an invoice. However, the registered person can apply to use other documents to replace the invoice but subject to approval by the Director General. For more information, please refer to the General Guide.
4. Q : **Who is PTBS provider?**
A : PTBS provider who provide PTBS and who is licensed under the Communications and Multimedia Act 1998.
5. Q : **How does service tax on prepaid services supplied by PTBS provider?**
A : Prepaid services supplied by PTBS are subject to service tax.
6. Q : **Is Njoy installation subject to service tax?**
A : Yes, Njoy installation is subject to service tax.

7. Q : **Is the sale of Njoy prepaid card subject to service tax?**
A : Yes, the sales are subject to service tax because with the prepaid card customer may enjoy *pay-TV* services.
8. Q : **Is the sales value of prepaid card inclusive of service tax?**
A : Yes, the sales value of prepaid card inclusive of service tax. If the prepaid card value is RM5, service tax will be at $(6/106) \times RM5 = RM0.28$.
9. Q : **Does Njoy need to issue an invoice with regards to the sale of prepaid card?**
A : Yes, Njoy needs to issue an invoice with regards to the sale of prepaid card. However Njoy may apply not to issue invoices for the sales of prepaid card from **Director General of Customs**
10. Q : **The PTBS provider charge an upfront payment for one year of service. When should the PTBS provider account service tax for the services?**
A : The PTBS provider should account service tax when payment received from the customer even though the service has not been rendered.
11. Q : **Would the service tax be applicable on the distribution of free TV services?**
A : No, free TV services supplied free of cost to any party should not be liable to service tax.
12. Q : **Is there any service tax charge for viewing channel / streaming at additional device provide by the provider?**
A : Yes, it is subject to service tax if the service is chargeable by the provider.

13. Q : What is the tax treatment when a PTBS provider allows the viewing channel / streaming on extra devices for free?

A : No, free viewing channel / streaming on extra devices is not subject to service tax.

14. Q : Is specific channel subscription on pay-per-view basis subject to service tax?

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

INQUIRY

For any inquiries for this guide please contact:

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Royal Malaysian Customs Department
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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