



SERVICE TAX 2018

**GUIDE ON:
MOTOR VEHICLE SERVICES
OR REPAIR CENTRE**

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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” 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 motor vehicle services or repair centre.

IMPOSITION AND SCOPE OF TAX

5. Effective 1st September 2018, under Group I, Item 5, First Schedule of the Service Tax Regulations 2018, any person who operates or provides motor vehicle services or repair centre and making taxable services is liable to be registered if the sales value exceed the threshold.

TERMINOLOGY

6. The following words refer to these meanings in this guide unless the contrary intention appears:
 - (i) "**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. (*Road Transport Act 1987*)
 - (ii) "**Operator**" means individual / business entity which provide either service or repair centre or both;

- (iii) “**Designated Areas**” (DA) means Labuan, Langkawi and Tioman (*Section 47, Service Tax Act 2018*);
- (iv) “**Special Areas**” (SA) means any free zone, licenced warehouse and licenced manufacturing warehouse and Joint Development Area (*Section 52, Service Tax Act 2018*);

GENERAL OPERATIONS OF THE INDUSTRY

Overview of Motor Vehicle Services or Repair Centre Industry

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

- 9. The rate of service tax shall be charged at the rate of 6%. Service tax on the MVS or repair will be charged **only on cost of labour**. Cost of spare parts is not subjected to service tax.

SERVICE TAX TREATMENT

- 10. Any person who operates or provides MVS or repair are making taxable services.
- 11. The taxable services includes:
 - (i) Repair and engine tuning service;
 - (ii) Change, adjust and install spare parts service;
 - (iii) Balancing and alignment services;
 - (iv) Body repair, knocking and welding services;

- (v) Provision of Pre Delivery Inspection (PDI) services by a vehicle service centre belonging to a car dealership (separate entity);
- (vi) The cementing and repainting services;
- (vii) Services on the trailer and tanker;
- (viii) Reimbursement on prescribed service by third party

Example 1

A customer send his car to AB Workshop for repair and service which includes engine repairs, body repairs including knocking, welding and repainting. AB Workshop (registered person) however outsourced the painting job to ZC Painting Sdn Bhd. ZC Painting Sdn Bhd charged AB Workshop for the painting 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.

- (ix) Service for vehicle under warranty;
- (x) Manufacturer's warranty;

Example 2 *Company A as a franchise holder provides MVS related to 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 provides MVS related to 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.

- (xi) Labour cost on service by subcontractors.

Example 4

Vehicle service Co. A 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.

12. Services that are not subject to service tax:

- (i) Free tyre balancing and alignment service when buying tyres;
- (ii) Service / maintenance of non-motor vehicle. For example aircrafts, vessels and trains;
- (iii) Vehicle services owned by registered person themselves for demonstration purposes (pilot test);
- (iv) Service made on buggy. Buggy is not categorized as motor vehicle;
- (v) Installation accessories such as audio/visual system, tinted film, alarm systems, power windows and central locking systems;
- (vi) Cost of spare parts;
- (vii) Towing;
- (viii) Grooming i.e washing, waxing, polishing

Note: The list is not exhaustive

13. Motor vehicle service and repair services within designated area (DA) is not subject to service tax.

REGISTRATION AND RESPONSIBILITY OF REGISTERED PERSON

14. A MVS and repair centre whose total turnover for the period of 12 months exceeds the prescribed threshold of taxable services is required to be registered under the Service Tax Act 2018.

For further guidance and details on registration including an auto-registration, please refer to the *Guide on Service Tax Registration*.

15. A registered person is responsible to:
- (i) Charge service tax on taxable services,
 - (ii) Issue an invoice and receipt to the customers in respect of any transaction relating to the provision of taxable services,
 - (iii) Submit service tax return sst-02 electronically and pay service tax before due date,
 - (iv) Keep proper records.

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

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 have to apply for registration via online by submitting SST-01 form to 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 via electronic (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 MVS 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 *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 repair centre in Kedah has a branch in Langkawi (DA) and is providing service in Langkawi. Is the service subject to service tax?**
A : The repair service is not subject to service tax if:
(i) The services are performed directly in connection with 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.

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