



## FREQUENTLY ASKED QUESTIONS (FAQ) – Sales Tax 2018

### SALES TAX

1. What is sales tax?

Sales tax is a single-stage tax charged and levied:

- i. on taxable goods manufactured in Malaysia by a taxable person and sold by him (including used or disposed off) ; and
- ii. on taxable goods imported into Malaysia.

2. What are the goods subject to sales tax?

Goods which are NOT listed under the Proposed Sales Tax (Goods Exempted From Sales Tax) Order is subject to sales tax

3. What is the definition of manufacture?

Manufacture means

- i. a conversion of materials by manual or mechanical means 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. However, manufacture does not include the installation of machinery or equipment for the purpose of construction.
- ii. In relation to petroleum, any process of separation, purification, conversion, refining and blending.

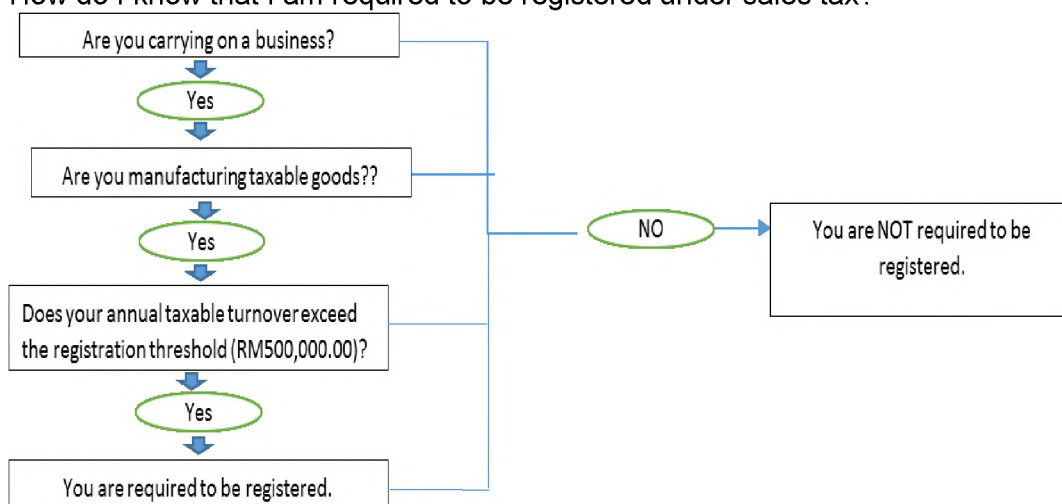
4. Who is the taxable person?

Taxable person is a person who manufactures taxable goods and is liable to be registered if the annual turnover has exceeded RM500,000.00 threshold. Such person is required to be registered under MySST system.

5. What is the rate of tax for sales tax?

The proposed sales tax rate is at 5%,10% or on a specific rate.

6. How do I know that I am required to be registered under sales tax?



7. How does the sales tax work?



8. What are the responsibilities of taxable person?

Taxable person is required to be registered, issue invoice and charge sales tax on the sales, maintaining a proper records and account for the tax by submitting bi-monthly returns to RMCD.

## REGISTRATION FOR SALES TAX

9. How do I register for sales tax?

Registration is process online through by MySST system. You will be notified of registration or in the absence of a notification, you may need to apply individually online using MySST system.

10. How do I know that I will be registered?

You will be informed by email .For the existing GST registrant who automatically liable to be registered under sales tax, they will be informed through a letter.

11. I am currently GST registrant. Will I be receiving a sales tax registration notification through Taxpayer Access Point(TAP)?

No, you will be receiving notification through your personal/business email from 1<sup>st</sup> August 2018.

12. How long does it take for my application for registration be approved if I apply individually?

Registration is auto approve within 24 hour for a GST registrant. If a verification process is required, it will take a little while longer.

13. Can I submit my sales tax return according to my company's financial year end?

Yes, you may apply in writing to the Director General.

14. Can I registered under sales tax voluntarily?

Yes, you can register voluntarily provided that you are manufacturing taxable goods.

15. Can I registered my branches separately?

Branch registration is not allowed.

16. Is there any facility for group registration?

Group registration is not allowed.

17. I am GST registrant. Do I need to apply to cancel my registration?

When the GST Act 2014 is repealed, you are automatically ceased to be a GST registered person. You are not required to apply for deregistration. However, you are required to submit the final GST return within 120 days from the Act being repealed.

## INVOICING, RETURN AND PAYMENT

18. What are the requirements of invoices issued?

A registered manufacturer is required to issue invoices in Bahasa Melayu or English containing prescribed particulars either in hard copy or electronically.

19. How do I account for credit or debit notes?

You are allowed to make adjustments in your sales tax return for credit or debit notes.

20. On what basis do I account for sales tax?

You are required to account on accrual basis.

21. What is the procedure for submitting sales tax returns?

- Registered manufacturer has to declare sales tax return (SST-01) every two months according to the taxable period. You may apply to the Director General for a specific taxable period e.g. in line with your financial year end.
- sales tax return has to be submitted not later than the last day of the following month after the taxable period ended.
- sales tax return has to be submitted regardless of whether there is any tax to be paid or not.
- sales tax return has to be submitted electronically or by post to SST Processing Centre.

22. How do I make a payment for sales tax?

You can make payment:

- a. Electronically; or
- b. By cheque, bank draft and posted to SST Processing Centre.

23. Will there be a penalty for late payment?

Late payment penalty is applicable:

- 10% - first 30 days period.
- 15% - second 30 days period
- 15% - third 30 days period

Maximum penalty 40% after 90 days

24. How long should I keep the proper records under sales tax?

You should keep the proper records for 7 years. Records must be kept:

- i. in Bahasa Melayu or English
- ii. In Malaysia, except permitted by DG to be kept outside Malaysia
- iii. In soft or hard copy

25. Is there any relief for bad debts?

Yes. You may claim bad debts:

- i. within 6 years from the date the taxable goods is sold
- ii. subject to conditions determined by the DG
- iii. according to a prescribed formula

26. Is there any exemptions or facilities under sales tax?

The exemption provisions are:

A. Exemption on goods and persons:

- Goods – Proposed Sales Tax (Goods Exempted From Sales Tax) Order 2018
  - E.g. Live animals, unprocessed food, vegetables, medicines, machinery, chemicals, etc. ([List of Proposed Goods Exempted From Sales Tax](#))
- Person – Proposed Sales Tax (Person Exempted From Sales Tax) Order 2018
  - Schedule A: class of person, e.g. Ruler of States, Federal or State Government Department, Local Authority, Inland Clearance Depot, Duty Free Shop
  - Schedule B: Manufacturer of specific non taxable goods – exemption of tax on the acquisition of raw materials, components, packaging to be used in manufacturing activities
  - Schedule C: Registered Manufacturer – exemption of tax on the acquisition of raw materials, components, packaging to be used in manufacturing of taxable goods (replacing CJ5, CJ5A, CJ5B)

B. Exemption from Registration:

- Manufacturing activities exempted from registration regardless of turnover
  - E.g. Tailor, Jeweler, Optician, engraving, vanishing table top, etc.

C. Special treatment for specific areas

1. Designated area:

<b>Designated Area (not deemed outside Malaysia)</b>	Labuan, Langkawi and Tioman
<b>Manufacturing activities in DA</b>	Proposed Sales Tax Act does not apply to DA except for petroleum
<b>Importation into DA (world to DA)</b>	Exemption from Sales Tax <b>except:</b> <ul style="list-style-type: none"> <li>- Langkawi: Importation of marble, petroleum and anchovies</li> <li>- Tioman: Importation of petroleum and motor vehicles</li> <li>- Labuan: Importation of petroleum</li> </ul>
<b>Removal of Goods</b>	<ul style="list-style-type: none"> <li>- From PCA to DA – deemed export, no sales tax</li> <li>- From DA to PCA – deemed import, subject to sales tax</li> <li>- To/from DA to DA – no sales tax</li> <li>- To/from DA to SA* – no sales tax</li> </ul>

## 2. Special area:

<b>Special Area (not deemed outside Malaysia)</b>	Free Zone, Licensed Warehouse, Licensed Manufacturing Warehouse and Joint Development Area (JDA)
<b>Manufacturing activities in SA</b>	Proposed Sales Tax Act does not apply to SA
<b>Importation into SA (world to SA)</b>	Generally not subject to Sales Tax except for goods in the free zone which may be subjected to Sales Tax provided in the Proposed Special Area Order
<b>Removal of Goods</b>	<ul style="list-style-type: none"><li>- From PCA to SA – deemed export, no sales tax</li><li>- From SA to PCA – deemed import, subject to sales tax</li><li>- To/from SA to SA – no sales tax</li><li>- To/from SA to DA – no sales tax</li></ul>

## TRANSITIONAL ISSUES

27. How long would I be able to claim the GST input tax after the implementation of SST?  
You are allowed to claim input tax credit within 120 days after the effective date of SST.
28. Do GST registered persons need to account for GST for goods held in hand before effective date of SST?  
GST registered persons must account for GST at 0% and declare the output tax in their final GST-03 return.
29. Does the provision of special schemes under GST such as ATS, ATMS, margin scheme, etc. apply to the SST regime?  
Such schemes under GST will not be applicable under SST.
30. Goods removed and invoice issued to the buyer on 28 August 2018. However, the payment of the goods only made on 6 September 2018. What is the tax treatment?  
GST is charged at standard rate of 0% on the value of the removal of goods.
31. Full payment received on the removal of goods on 22 August 2018. However, the goods were only removed on 8 September 2018. What is the tax treatment?  
Sales Tax is charged at 10% on the value of the goods removed.
32. What is the treatment for the stock in hand which the input tax has not been claimed belongs to the GST registered person who will be a registered manufacturer during the Sales Tax era?  
The registered manufacturer is allowed to claim for input tax on the stock in hand in the final GST-03 return.

33. Subcontract work to be performed from 15 August 2018 to 15 October 2018. However, part of the work was done in GST era and the balance of work to be completed in the Sales Tax era. What is the tax treatment on the subcontract work?

GST is charged at standard rate of 0% on the part of work performed until 31 August 2018. Meanwhile, the balance of the work completed on 15 October 2018 shall be charged with Sales Tax at 10%.

34. What is the treatment for importation of Big Ticket Items for upstream petroleum activities?

Big Ticket Items under GST regime will be included in the petroleum upstream Master Exemption List (MEL) and the importer of such items that is petroleum upstream operator will be given an exemption from sales tax subject to prescribed conditions as stated in the Sales Tax (Person Exempted from Sales Tax) Order 2018.

## **OTHERS**

### Sales of Goods

35. What is the SST treatment on goods delivered after 1<sup>st</sup> September 2018 and payment was received or invoice was issued during tax holiday (GST at 0%)?

You must account for sales tax at 10% when issue an invoice to your customer. In a case where invoice has been issued, you may issue;

- i. a credit note to cancel that invoice and subsequently issue a new invoice with sales tax at 10%; or
- ii. a debit note bearing the amount of sales tax at 10%

### Audit

36. Would Customs Department carry on with GST audits after SST comes into effect from 1st September 2018?

After 1st September 2018, audits for closure purposes would be carried out on GST registered entities.