

SALES AND SERVICE TAX (SST)  
(SALES TAX)

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(\* Contents updated until 30.10.2018)

# SCOPE & CHARGE

## Sec 8(1) Sales Tax Act 2018

A tax to be known as **sales tax shall be charged** and levied on all taxable goods—

- (a) manufactured in Malaysia by a registered manufacturer and sold, used or disposed of by him;  
or
- (b) imported into Malaysia by any person.

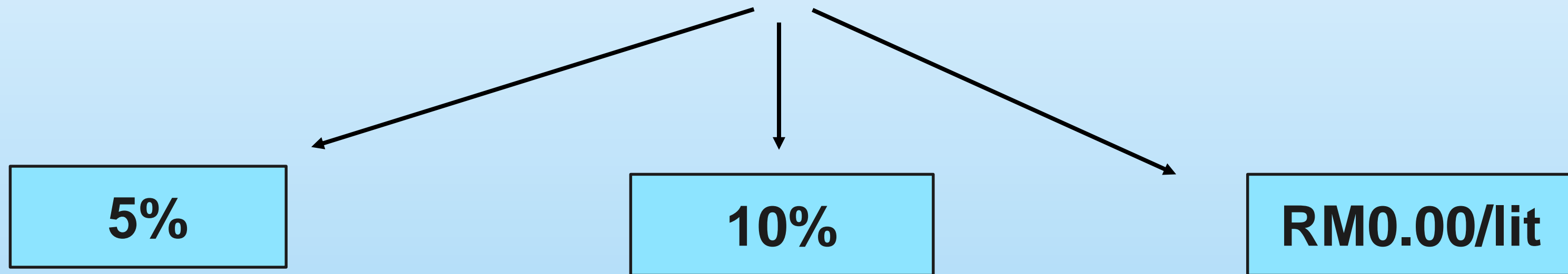
### **Sales tax is not charged on:**

- Persons exempted under Sales Tax (Persons Exempted from Payment of Tax) Order 2018
- Goods listed under Sales Tax (Goods Exempted From Tax) Order 2018;
- Manufacturing activities which are exempted by Minister of Finance under Sales Tax (Exemption From Registration) Order 2018.

*Note : Malaysia excludes designated area and special area*

# RATE OF TAX

## SALES TAX (RATE OF TAX) ORDER 2018



- **5% - reduced sales tax rate**

- **First Schedule in the Order**

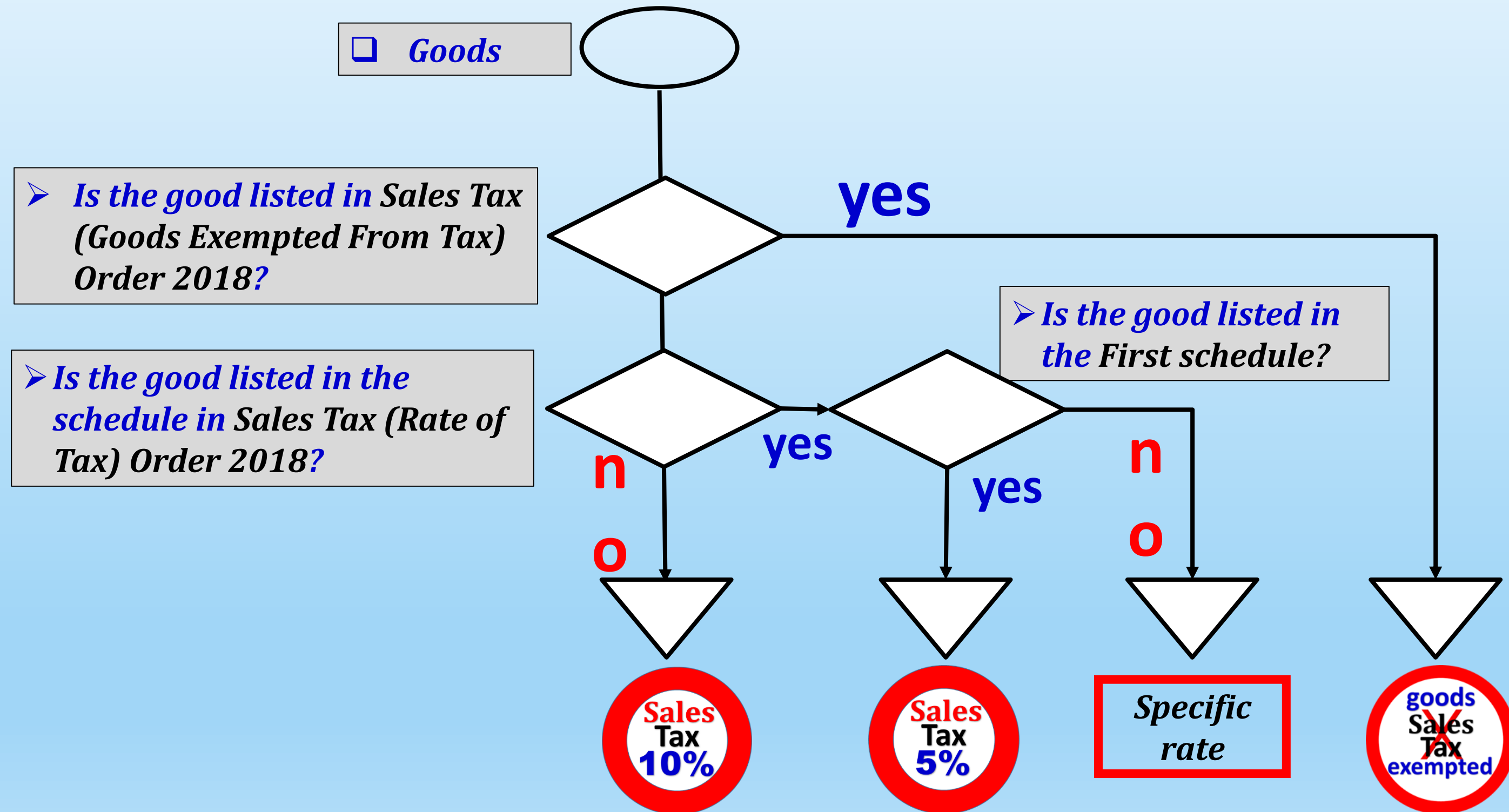
- **10% - default sales tax rate**

- **Specific rate – for petroleum products**

- **Second Schedule in the Order**

# RATE OF TAX

- How to determine the rate of sales tax for goods?



# MEANING OF TAXABLE GOODS

❖ **taxable goods** means goods of a class or kind not exempted from sales tax;  
[goods which are not listed in *Sales Tax (Goods Exempted From Tax) Order 2018*]

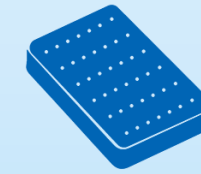
## PROCESSED FOODS

- Processed fruits
- Fruit juice
- Butter, jams and cheese
- Cod liver oil



## FURNITURE

- Sofa
- Mattress



## MOTOR VEHICLES

- Passenger motorcars
- Motorcycles > 250cc



## OTHER

- Engine oil for cars and motorcycle
- Brake fluid
- Sanitary equipment eg toilet bowl and sinks
- Tobacco products
- Alcoholic beverages
- Construction material eg. Tiles, ceramic wares, window and door frames



## PERSONAL ITEMS

- Shampoo
- Toothpaste
- Shower gel



## WATCHES/CAMERAS/SPECTACLES



## FOOD & DRINKS

- Fizzy drinks (Pepsi, 100+)
- Chocolate
- Ice cream



## ELECTRICAL APPLIANCES

- Washing machine
- Television
- Radio
- Electronic devices
- Smartphones
- Computer devices
- Printer



# SALES TAX (GOODS EXEMPTED FROM TAX) ORDER 2018

Listed = NOT Taxable

NOT listed = TAXABLE

JADUAL A / SCHEDULE A

Heading (1)	Subheading (2)	Description (3)
<b>01.01</b>		<b>Live horses, asses, mules and hinnies.</b>
	0101.21.00 00	- Horses:
	0101.29.00 00	- - Pure-bred breeding animals
	0101.30	- - Other
	0101.30.10 00	- Asses:
	0101.30.90 00	- - Pure-bred breeding animals
<b>01.02</b>	0101.90.00 00	- - Other
		<b>Live bovine animals.</b>
	0102.21.00 00	- Cattle:
	0102.29	- - Cattle:
		- - Other:
0102.29.11 00	- - - Male cattle :	
0102.29.19 00	- - - - Oxen	
	- - - - Other	

Tariff code

Goods exempted

# EXAMPLES : GOODS EXEMPTED FROM TAX

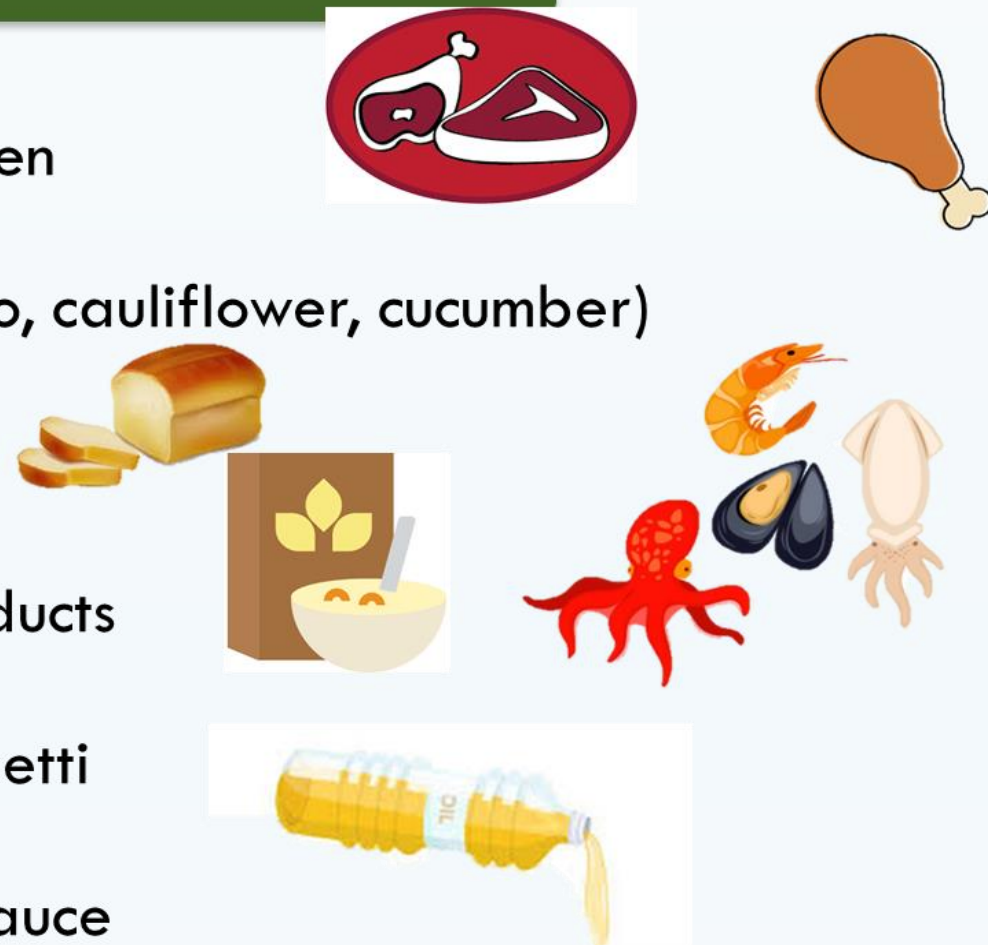
## Live animals

- Live horses
- Live sheep and goats
- Live fish



## Food items

- Rice
- Beef, mutton and chicken
- Seafood eg fish,
- Vegetables e.g. tomato, cauliflower, cucumber)
- sardine
- Cooking oil
- Drinks eg coffee
- Bread and cereal products
- Fish ball/ fish cake
- Pasta/ noodle/ Spaghetti
- Soya sauce
- Chili Sauce/ Tomato Sauce



## Medicine



## Construction materials

- Bricks
- Cement
- Sand



## Most Capital goods

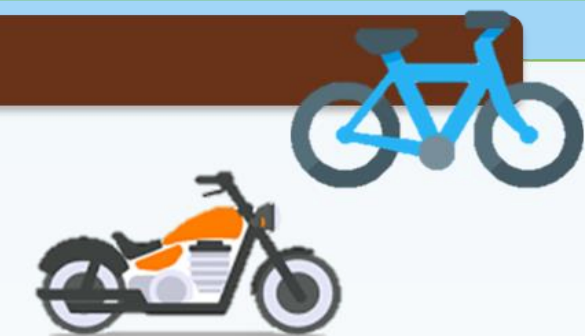
### General goods

- Newspaper
- Books
- Wheelchair
- Sanitary pads
- Baby diapers
- Adult diapers
- Baby carriages



## Vehicle

- Bicycle
- Motorcycle below 250 cc
- Fork-lifts and crane

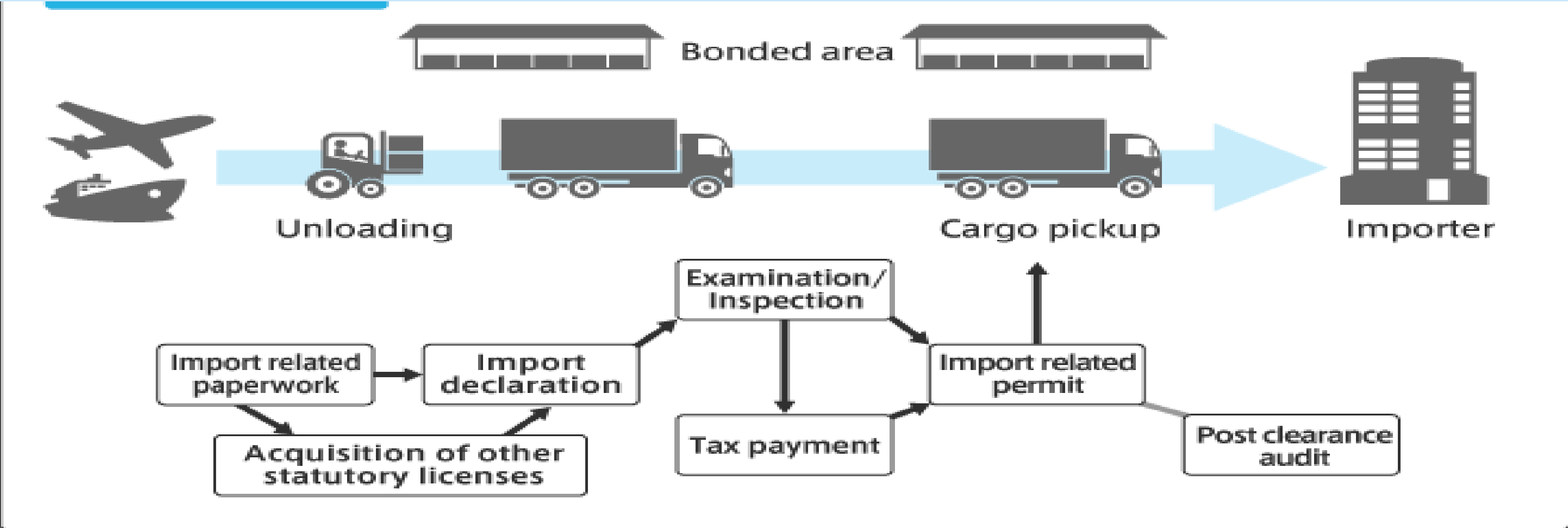




# **HOW SALES TAX WORKS?**

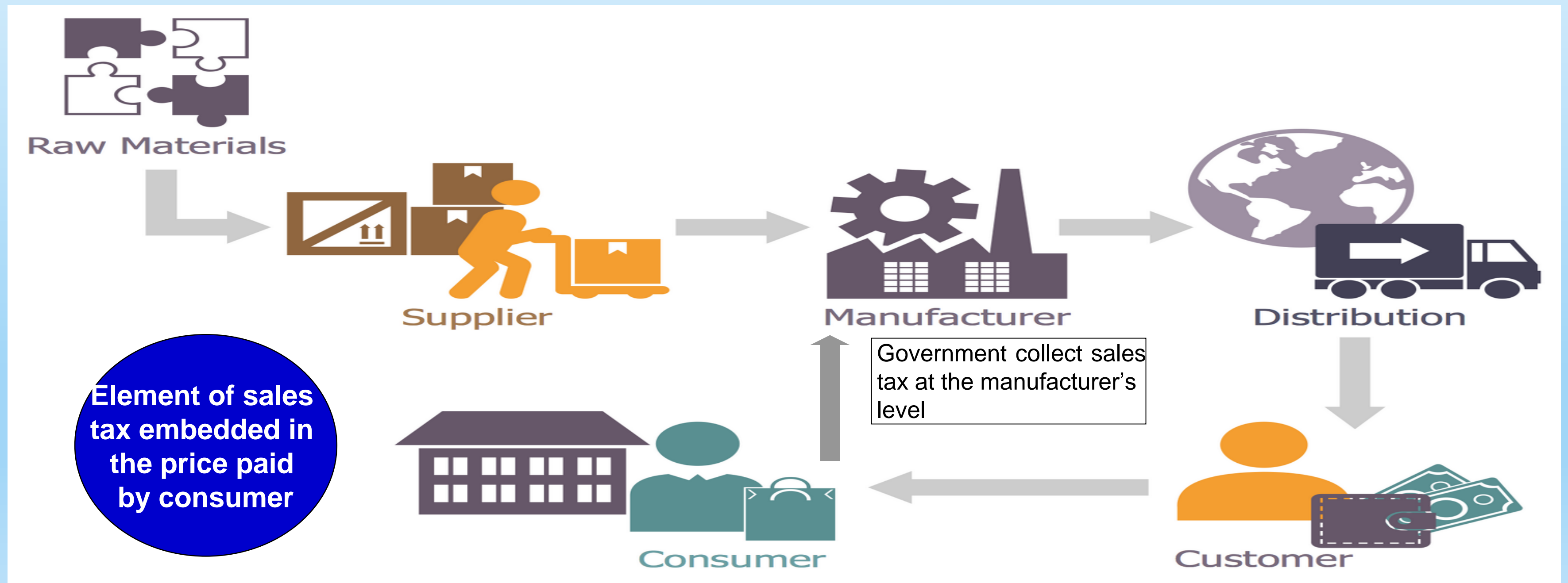
# SALES TAX ON GOODS IMPORTED INTO MALAYSIA

- Goods imported into Malaysia
  - Sales tax is to be charged at the time of importation when the goods are declared and duty/ tax paid at the time of customs clearance.



# SALES TAX ON LOCALLY MANUFACTURED GOODS

- Taxable finished goods manufactured in Malaysia by any registered manufacturer
  - Sales tax is to be charged at the time the goods are sold, disposed of other than by sales or used otherwise than as a materials in the manufacture of the taxable goods.



# MEANING OF MANUFACTURE

**As provided in Section 3 of the Sales Tax Act 2018, “manufacture” means:**

**For goods other than petroleum**

- **The conversion by manual or mechanical means of organic or inorganic materials into a new product** by changing the size, shape, composition, nature or quality of such materials
- **Includes** the **assembly of parts** into a piece of **machinery or other products**,
  - **Excludes** the installation of machinery or equipment for the purpose of construction

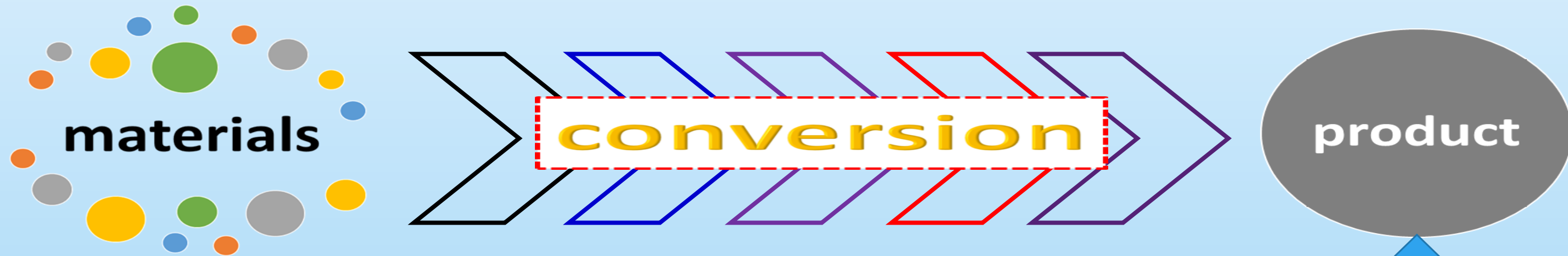
**For petroleum**

- **any process of separation, purification, refining, conversion and blending**

# MEANING OF MANUFACTURE

## ➤ FOR GOODS OTHER THAN PETROLEUM

### 1. By conversion



New product created due to changing of

- Size
  - Shape
  - Composition
  - Nature; or
  - Quality
- of materials

# MEANING OF MANUFACTURE

## FOR GOODS OTHER THAN PETROLEUM

### 2. the assembly:

2a. of parts into a piece of machine



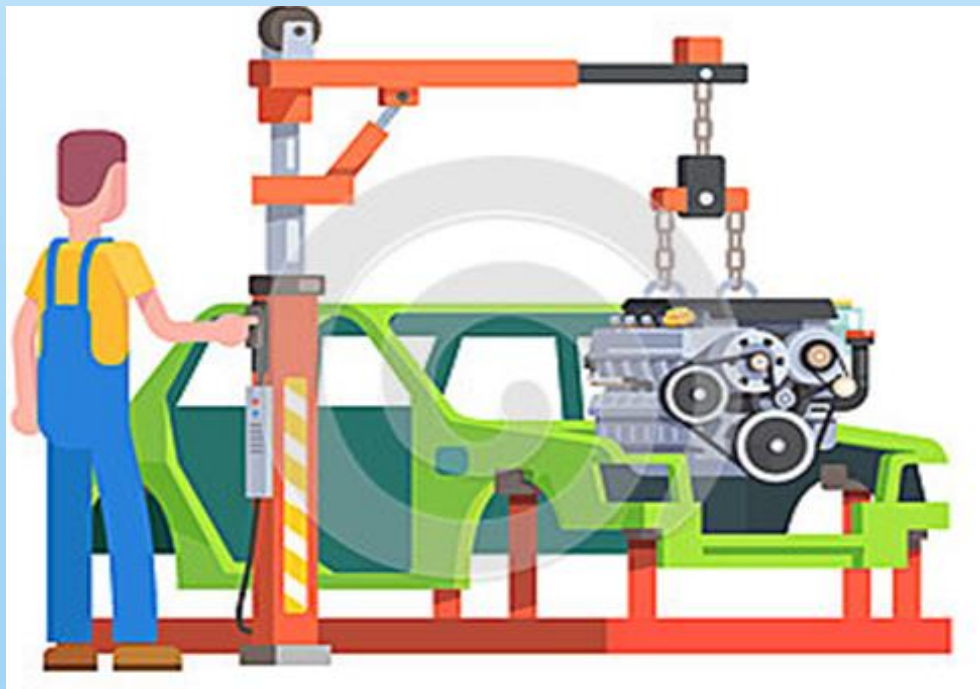
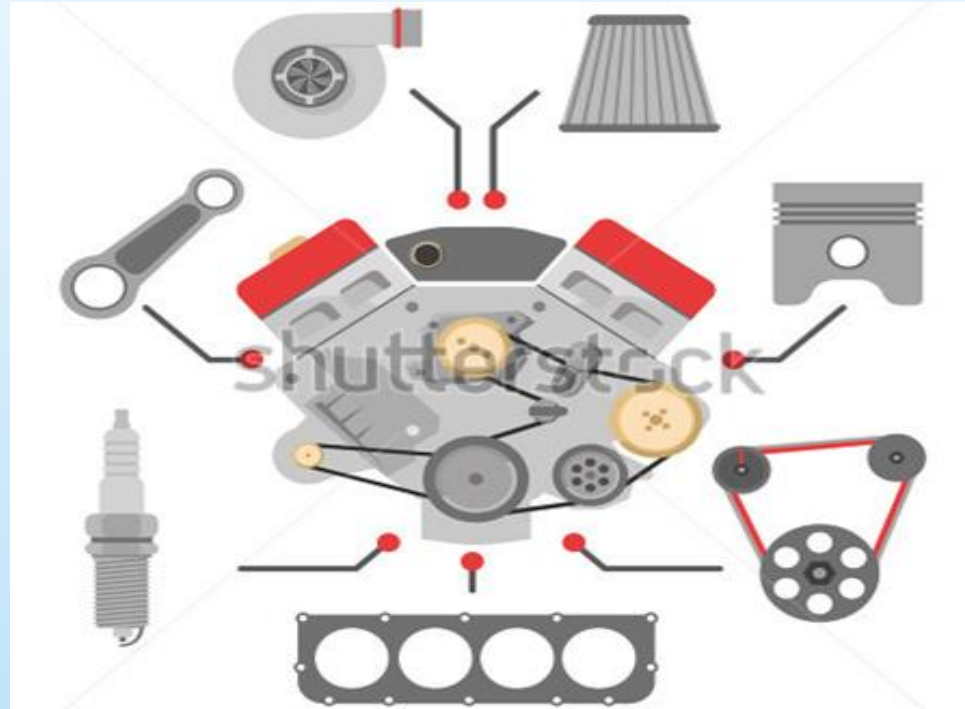
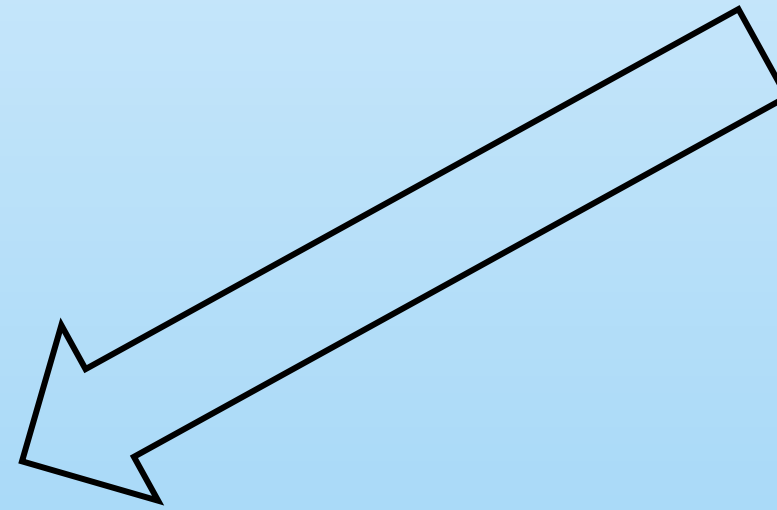
2b. of parts into other product



**But excludes** the installation of machinery or equipment for the purpose of construction

# MEANING OF MANUFACTURE

- the conversion of parts by assembling to produce engine



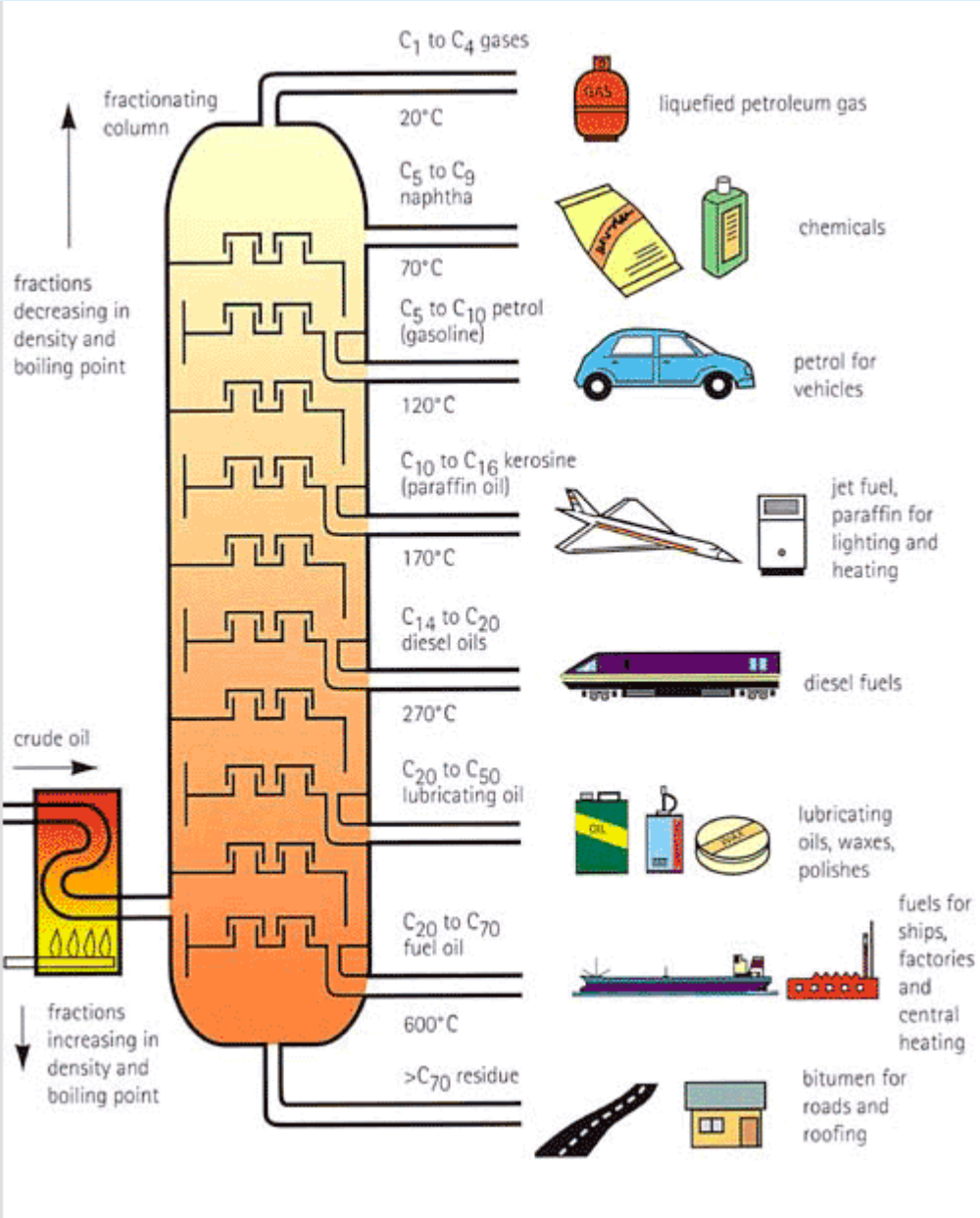
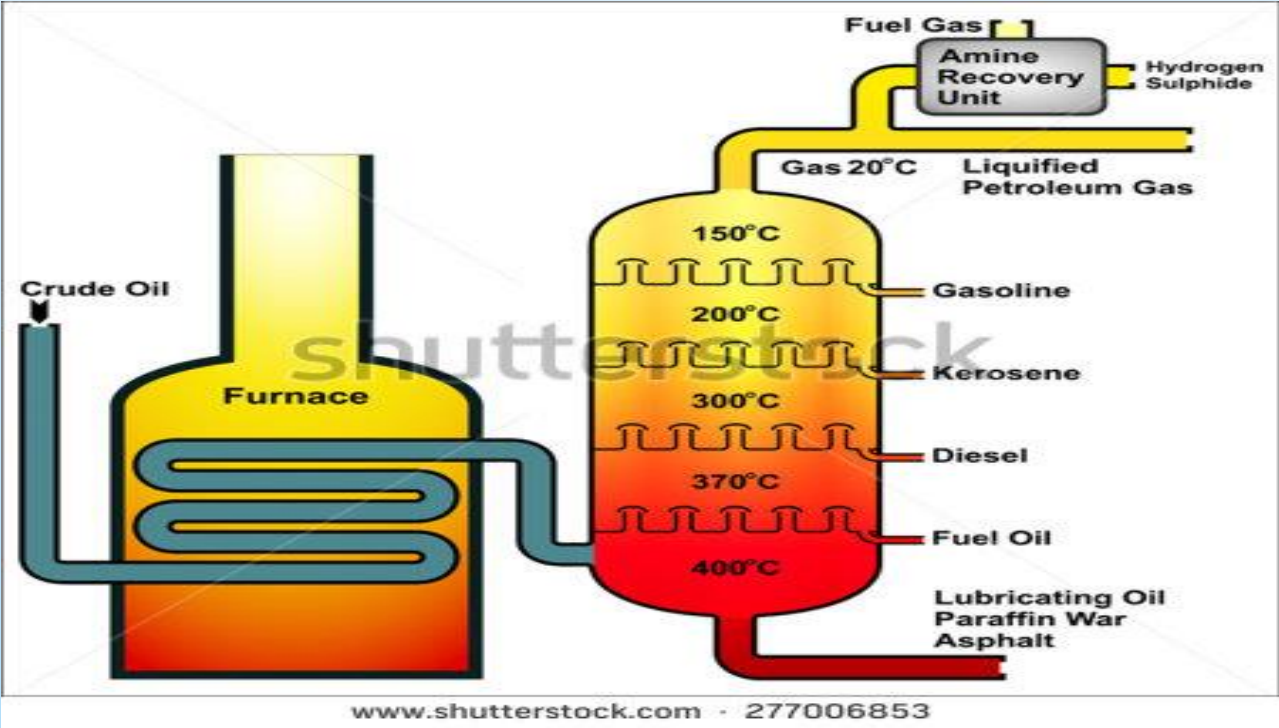
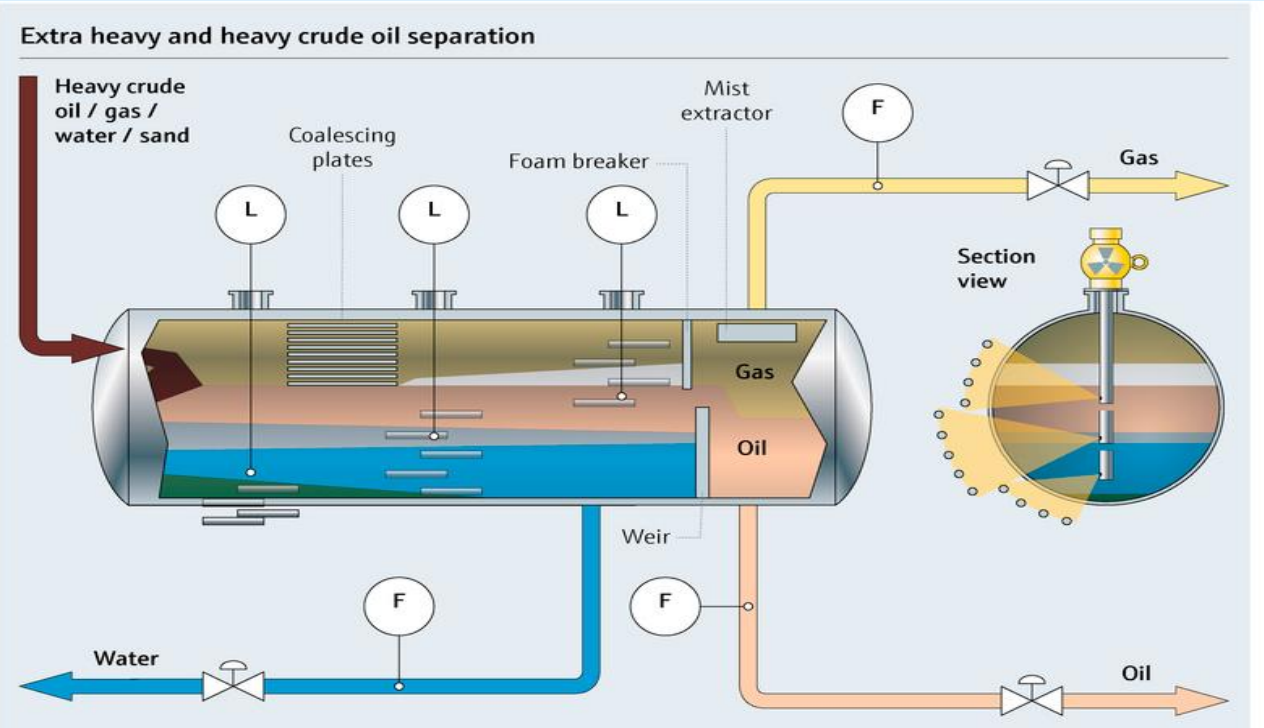
- the assembly of engine into chassis



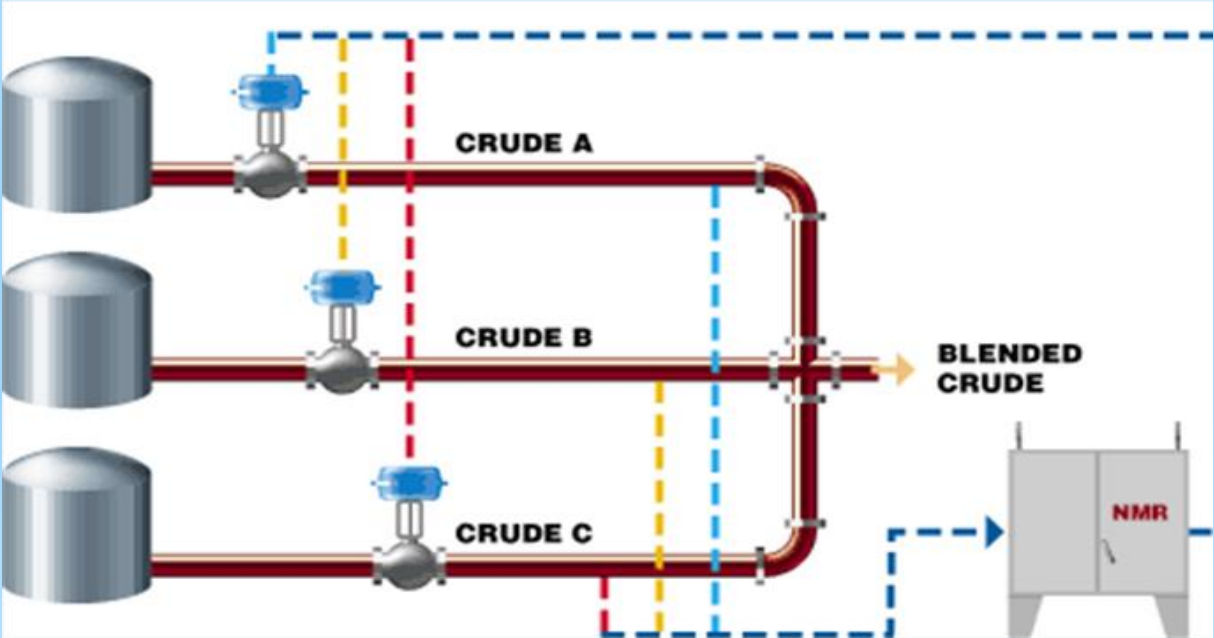
- the assembly of parts and components to produce car

# MEANING OF MANUFACTURE

## FOR PETROLEUM



• any process of separation, purification, refining, conversion and blending



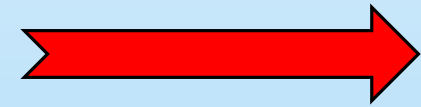


# MEANING OF MANUFACTURE



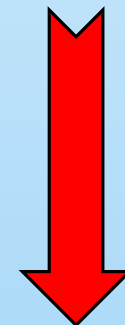
**Live Trees**  
**HS 0602**

*Is this manufacturing?*



**Logs**  
**HS 4403**

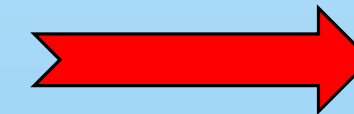
*Is this manufacturing?*



**Sawn Timber**  
**HS 4407**



*Is this manufacturing?*



**Furniture**  
**HS 9403**

# MEANING OF TAXABLE PERSON

- **“taxable person” means a registered manufacturer or a manufacturer who is liable to be registered under section 12;**
- **“registered manufacturer” means a manufacturer registered under section 13 or 14;**
- **“manufacturer” means a person who engages in the manufacture of goods;**

# REGISTRATION

# MANDATORY REGISTRATION

Liability to register :

## **i.Manufacturer (taxable goods)**

Any person who manufacture taxable goods and total sales value of the taxable goods exceeds the prescribed threshold of RM500,000 within the period of 12 months.

## **ii.Subcontractor (labour charge)**

Any person who does sub-contract work in manufacturing taxable goods and total charges for work performed exceeds the prescribed threshold of RM500,000 within the period of 12 months.

- Calculation of total sales of taxable goods for registration purposes is based on total value of manufactured taxable goods sold or expected to be sold for 12 months period.

# VOLUNTARY REGISTRATION

- **Under Section 14 of Sales Tax Act 2018, voluntary registration is allowable to :**
  - Manufacturer of taxable goods and having the annual total sales value below the threshold of RM500,00 within the period of 12 months;
  - Manufacturer who is in the category of manufacturers in ***Sales Tax (Exemption From Registration) Order 2018***
  - Manufacturer may apply for voluntary registration and if approved has to comply with the requirement of Sales Tax Act
- DG may approve voluntary registration subject to conditions

# EXEMPTION FROM REGISTRATION

## Sales Tax (Exemption From Registration) Order 2018

- Manufacturer whose operation as specified in [schedule A](#) of the Order is exempted from registration irrespective of the total value of sales of taxable goods.
- The person solely carry on such manufacturing operations and does not carry on any other manufacturing activity
- 20 categories of manufacturing operations



❖ **Manufacturer of goods exempted from sales tax is **NOT** allowed to be a registered manufacturer under Sales Tax Act 2018.**

# EXEMPTION FROM REGISTRATION

## SCHEDULE A - SALES TAX (EXEMPTION FROM REGISTRATION) ORDER 2018

1. The developing and printing of photographs and the production of film slides.
2. The engraving of articles with the name of the recipient, his sports record or other circumstances under which the article was donated or awarded.
3. The incorporation of goods into buildings.
4. The manufacture of ready mixed concrete.
5. The preparations of meals.
6. The preparation of tarred metal, tarred screenings, and hot mixed preparations of bitumen and metal for roadmaking.
7. The production of copies of document by the photo copy or similar copying process.
8. The repacking of bulk goods into smaller packages by a person other than a registered manufacturer.
9. The repair of second hand or used goods.
10. The testing of eyesight, the prescription of suitable lenses and the fitting of such lenses into frames.
11. The following operations when performed by a person other than a registered manufacturer—
  - (i) the varnishing and or polishing of finished pieces of furniture.
  - (ii) the fitting of glass tops and, or glass doors to pieces of furniture otherwise complete.

# EXEMPTION FROM REGISTRATION

## SCHEDULE A - SALES TAX (EXEMPTION FROM REGISTRATION) ORDER 2018

12. The reduction of size and or changing of the shape of taxable materials without changing the nature of such materials, provided that the sizing and, or shaping is not part of the normal process in manufacture of a separate article.
13. The rendering of personal tailoring service but excluding the manufacturing of garments and other textile articles on the basis of bulk and not personalised production by a firm or company engaged in the business of manufacturing garments and other textile articles.
14. The printing of logo, knitting, crocheting or embroidering on ready made garments supplied by another person.
15. The colouring of cloth supplied by another person without changing the size or shape of the said cloth.
16. The manufacture of batik fabrics using traditional techniques of manual block printing, manual screen printing and, or hand drawing or painting and the articles thereof.
17. The installation of air conditioners in motor vehicles.
18. The manufacture of jewellery and goldsmiths wares.
19. The extraction of gold from mineral ores.
20. The recovery of gold from jewellery and, or the refining of gold.



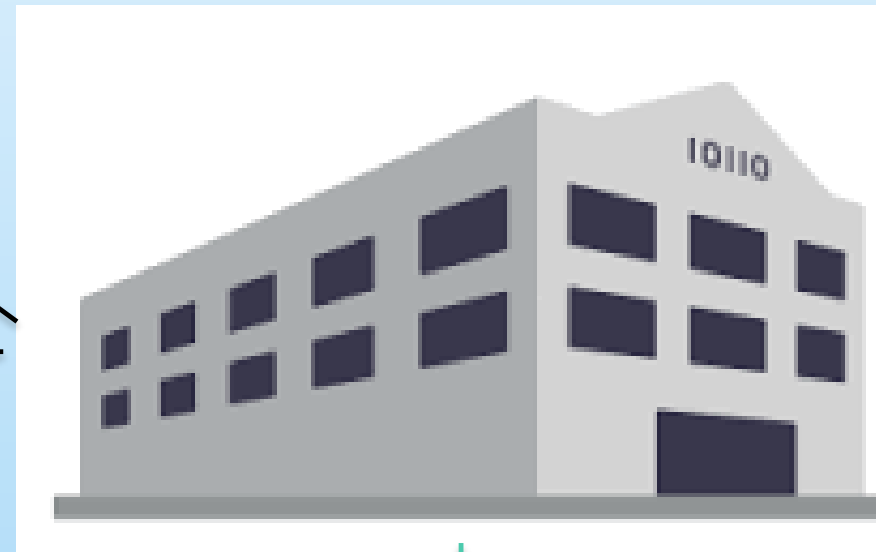
# CANCELLATION OF REGISTRATION

- Ceased to manufacture taxable goods
- Ceased to be liable to be registered
  - ✓ **future turnover < prescribed value**  
*(based on turnover of the current month + the next 11 months)*
- Breached required conditions imposed for voluntary registration



# RESPONSIBILITIES OF REGISTERED MANUFACTURER

- Tax is charged on sales & disposal of taxable goods
- Tax becomes due and payable at the time of goods sold or disposed



Tax due

Registered manufacturer shall account for tax using SST-02 return every 2 months

Taxable period

- Registered manufacturer shall account for tax in the SST-02 return in the taxable period
- The return shall be submitted no later than the last day of the following month after the end of the taxable period

Registered manufacturer shall pay the tax due and payable no later than the last day of the following months after taxable period

# **EXEMPTION AND FACILITIES**

# SALES TAX EXEMPTION ORDERS

Exemption from payment of sales tax

- ❖ **Minister** may **exempt any person from payment of sales tax** charged and levied **on any taxable goods** manufactured or imported
  - Subject to conditions
  - Approval on individual basis
  
- ❖ Exemption by **Sales Tax (Persons Exempted From Sale Tax) Order 2018**
  - Specific person or to class or category of person
  - Specific taxable goods or class of taxable goods
  - Subject to conditions specified in the Order
  
- ❖ **Registered manufacturer** is exempted from charging and collecting sales tax due and payable on taxable goods sold to person granted exemption
  
- ❖ Failure to comply with the conditions, sales tax becomes due & payable

# SALES TAX (PERSONS EXEMPTED FROM PAYMENT OF SALES TAX) ORDER 2018

## • SCHEDULE A

### • **CLASS OF PERSON**

- ✓ FEDERAL AND STATE GOVERNMENT
- ✓ AIRLINE OPERATOR
- ✓ OIL & GAS OPERATOR

## • SCHEDULE B

### • **MANUFACTURER OF SPECIFIC NON TAXABLE GOODS**

- ✓ MANUFACTURER OF SPECIFIC INDUSTRIES E.G. FOR PHARMACEUTICALS PRODUCTS UNDER CHAPTER 30 CUSTOMS DUTIES ORDER
- ✓ CONTROLLED GOODS UNDER CONTROL OF SUPPLIES ACT 1961

## • SCHEDULE C

### • **REGISTERED MANUFACTURER**

- ✓ REGISTERED MANUFACTURER
- ✓ PERSONS IMPORT/ PURCHASE ON BEHALF OF THE REGISTERED MANUFACTURER
- ✓ REGISTERED MANUFACTURER SEND SEMI FINISHED GOODS FOR SUBCONTRACT WORK

# SCHEDULE B - SALES TAX (PERSONS EXEMPTED FROM PAYMENT OF SALES TAX) ORDER 2018

Item	Persons	Goods Exempted
1	Any manufacturer of controlled articles (goods) under the Control of Supplies Act 1961 and subject to price control	All goods (including packing materials) excluding petroleum solely for use in the manufacture of controlled articles (goods)
2	Any manufacturer of pharmaceutical products falling under Chapter 30 of the prevailing Customs Duties	All goods (including packing materials) excluding petroleum solely for use in the manufacture of pharmaceutical products
3	Any manufacturer of milk products	All goods (including packing materials) excluding petroleum solely for use in the manufacture of of milk products
4	Any manufacturer of exempted goods for export	Taxable raw materials and components (including packing materials) excluding petroleum solely for use in the manufacture of exempted goods for export

## SCHEDULE C - SALES TAX (PERSONS EXEMPTED FROM PAYMENT OF SALES TAX) ORDER 2018

Item	Persons	Goods Exempted
1	Any registered manufacturer	Raw materials, components and packaging materials excluding petroleum
2	Any registered manufacturer of petroleum product	Raw materials, components and packaging materials including petroleum to be used as raw material
3	Any person acting on behalf of registered manufacturer	Raw materials, components and packaging materials excluding petroleum
4	Any person acting on behalf of registered manufacturer of petroleum product	Raw materials, components and packaging materials including petroleum to be used as raw material
5	Any registered manufacturer	Semi-finished taxable goods or finished taxable goods sent for subcontract work and subsequently returned after completion of work

- **RECORD KEEPING**
- **RETURNS / PAYMENT**
- **REFUND / REMISSION / DRAWBACK**



# RECORD KEEPING

- ❖ Bahasa Malaysia or English
- ❖ 7 years
- ❖ can be kept in soft or hard copy
- ❖ to be kept in Malaysia
  
- Records relating to registration
  - SSM records –Form A, B, C, 8,9 and etc.
  
- Records relating business activities
  - invoices, receipts,
  - debit note, credit note
  - delivery order, purchase order
  - Bank slip, bank statement, voucher and etc.
  - Contract, agreement
  
- Records relating to accounting (hard copy)
  - Financial statement –Profit & Loss, Balance Sheet, Trial Balance
  - Account payable, account receivable, General ledger, Sales, Purchase , stock, cash and etc.

- ❑ Records relating to taxation
  - Customs forms –K1, K2, K9 and etc
  - SST returns, registration and etc
  - Income tax declaration
  
- ❑ Records relating to electronic form
  - Accounting software manual
  - Accounts chart, access code, program documentation
  - Audit trail
  - Purchase, Sales, GL Listing (e.g standard, exempt, disregard, out of scope, deemed supply etc)
  - Management Information Report (MIS) report
  - Other data / records keep in accounting / business software


# INVOICE

- Invoice to be issued pertaining to sale
- Shall contain prescribed particulars
- Bahasa Malaysia or English
- May be produced by computer
- Sales tax payable shall be collected by registered manufacturer from the purchaser

## Prescribed particulars

- the invoice serial number;
- the date of the invoice;
- the name, address and identification number of the registered manufacturer;
- the name and address of the person to whom the taxable goods is sold;
- description and quantity of the goods;
- any discount offered;
- for each description, distinguish the type of goods, quantity and amount payable excluding tax.
- the total amount payable excluding tax, the rate of tax and the total tax chargeable shown as a separate amount or total amount payable inclusive of total of tax chargeable;
- any amount expressed in a currency other than ringgit shall also be expressed in ringgit at the selling rate of exchange prevailing in Malaysia at the time of sale.

## INVOICE



LOGO

---

<Your Company Name>  
<123 Street Address>  
<City, State, Zip/Post Code>  
<Phone Number>  
<Email Address>

**BILL TO**  
<Contact Name>  
<Client Company Name>  
<Address>  
<Phone>  
<Email>

DATE  

---

INVOICE NO.  

---

<Payment terms (due on receipt, due in X days)>

**SHIP TO**  
<Name / Dept>  
<Client Company Name>  
<Address>  
<Phone>

---

DESCRIPTION	QTY	UNIT PRICE	TOTAL
			0.00
			0.00
			0.00
			0.00
			0.00
			0.00
			0.00
			0.00
			0.00
			0.00
			0.00
			0.00

Remarks / Payment Instructions:

<small>SUBTOTAL</small>	<small>0.00</small>
<small>DISCOUNT</small>	<small>0.00</small>
<small>SUBTOTAL LESS DISCOUNT</small>	<small>0.00</small>
<small>TAX RATE</small>	<small>0.00%</small>
<small>TOTAL TAX</small>	<small>0.00</small>
<small>SHIPPING/HANDLING</small>	<small>0.00</small>
<b>Balance Due \$</b>	<b>-</b>

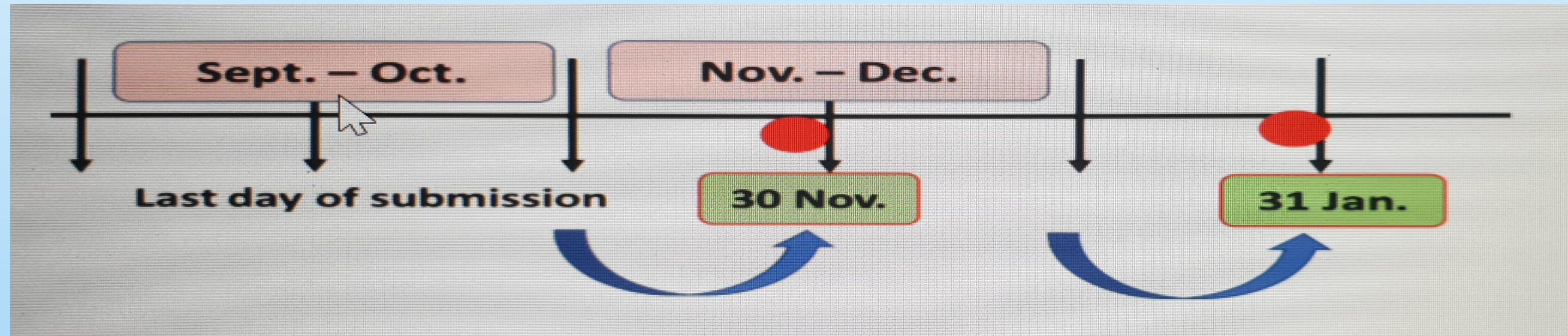
# TAXABLE PERIOD

- ❖ Regular interval period where a taxable person accounts and remits sales tax to the Government.
- ❖ The default taxable period for the registered manufacturer to be bimonthly (2 months) period.
- ❖ Registered manufacturer may apply :  
for taxable period other than the default taxable period

# SUBMISSION OF RETURN

When to submit sales tax return\* (SST-02) & payment of tax

- Normal period - not later than the last day of the month following after the end of his taxable period



- Other period as approved by DG - not later than the last day of the 30 days from the end of the varied taxable period.
- Failure to submit return is an offence

\*Return shall be submitted whether or not there is tax to be paid

# PAYMENT OF TAX

## Payment for tax due & payable declared in SST-02


- Payment of tax by registered manufacturer may be made
  - by post to SST Processing Centre
    - ✓ cheque, bank draft
  - by electronic means
    - ✓ Internet banking, FPX (financial processing exchange)

P.U. (A) 203

□\*SST-02\*

No. SST-02:

Pindaan / Amendment

 **JABATAN KASTAM DIRAJA MALAYSIA**  
**ROYAL MALAYSIAN CUSTOMS DEPARTMENT**

**PENYATA CUKAI JUALAN / CUKAI PERKHIDMATAN**  
**SALES TAX / SERVICE TAX RETURN**

**Nota Penting (Important Notes)**

- 1) Sila isikan borang ini dengan menaip menggunakan HURUF BESAR.  
*Please type in using BLOCK LETTERS.*
- 2) Sila rujuk Panduan Mengisi Penyata SST-02.  
*Please refer to SST-02 Returns Guidelines.*
- 3) \*Kawasan yang bertanda (\*) adalah wajib diisi.  
*Column with (\*) is a mandatory field.*
- 4) Sekiranya tiada nilai untuk dideklarasikan, sila isi angka '0'.  
*If nothing to declare, please fill in '0'.*
- 5) Sila hubungi Pusat Panggilan Kastam di talian 1-300-88-8500 / 03-78067200 atau emel [ccoc@customs.gov.my](mailto:ccoc@customs.gov.my) untuk pertanyaan lanjut.  
*Please contact Customs Call Center at 1-300-88-8500 / 03-78067200 or email [ccoc@customs.gov.my](mailto:ccoc@customs.gov.my) for further enquiry.*

**BAHAGIAN A : MAKLUMAT PENGI LANG BERDAFTAR / ORANG BERDAFTAR**  
**PART A : REGISTERED MANUFACTURE / REGISTERED PERSON PARTICULARS**

	CUKAI JUALAN / SALES TAX	CUKAI PERKHIDMATAN / SERVICE TAX
1) No. Pendaftaran SST. SST Registration No.	<input type="text"/>	<input type="text"/>
2) Nama Pengilang Berdaftar / Orang Berdaftar. Name of Registered Manufacturer / Registered Person	<input type="text"/>	<input type="text"/>
3) Tempoh Berakala * Taxable Period *	daripada From (hari) (day) / (bulan) (month) / (tahun) (year)	hingga until (hari) (day) / (bulan) (month) / (tahun) (year)
4) Tarikh Akhir Serahan Penyata dan Bayaran Return and Payment Due Date		(hari) (day) / (bulan) (month) / (tahun) (year)

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# PENALTY

Imposition of penalty with regards to payment of tax by registered manufacturer

<b>Payment made</b>	<b>Penalty</b>	<b>Total Penalty</b>
On time or before due date	No penalty	-
1 to 30 days after due date	10%	10%
Additional 1 to 30 days	+15%	25%
Additional 1 to 30 days	+15%	40%
More than 90 days after due date	Prosecution	40%

# SALES TAX FACILITY - REMISSION

Remission of sales tax, penalty etc.

- Minister may remit the sales tax due and payable
- Director General may remit surcharge, penalty, fee or other money payable
- Any person who has been granted remission and has paid any of the sales tax, surcharge, penalty, fee or other money to which the remission relates, shall be entitled to a refund



# SALES TAX FACILITY - REFUND

## Refund of sales tax

- Any person who has
  - Overpaid or erroneously paid of sales tax, penalty, surcharge, fee
  
- Any person who has paid sales tax and then granted by Minister
  - Exemption of sales tax
  - Remission of sales tax
  
- Any person who has paid sales tax penalty and then granted remission by DG

## Claim to be made

- In prescribed form JKDM No. 2
- Within one year from
  - overpayment or erroneously payment
  - entitlement of refund

# SALES TAX FACILITY – CUSTOMS RULING

Any persons may apply for ruling of

- the classification of taxable goods;
- the determination of a taxable person;
- the principles to be adopted for the purposes of determination of sale value of taxable goods;
- any other matters as determined by the Director General

Application to be made via prescribed form together with prescribed fee

In respect of imported goods

✓ at any time before the goods are to be imported or intended to be imported

In respect of manufactured goods

✓ at any time before the goods are to be manufactured, or

✓ at any later time, if permitted by the Director General

# SALES TAX FACILITY - DRAWBACK

- Director General may allow drawback of the full amount of sales tax paid by a person in respect of taxable goods which are subsequently exported
- Not applicable to petroleum
- Conditions
- Goods must be exported within six months from sales tax paid on import or date of invoice issued
- Application made within three months from the date of export in JKDM Form no. 2
- Other conditions with regards to documentation and declaration
- Submission to sales tax office at applicants' place of business

# SALES TAX FACILITY - DRAWBACK

