



SERVICE TAX 2018

**GUIDE ON :
TELECOMMUNICATION SERVICES**

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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 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. This guide is prepared to assist you in understanding the service tax treatment on the provision of telecommunication services.

IMPOSITION AND SCOPE OF TAX

5. Effective from 1 September 2018, under Group I, Item 2(a), First Schedule of the Service Tax Regulations 2018, the provision of:
 - (i) Telecommunication services; and
 - (ii) Other services in connection with telecommunication services, excluding provisions of services to another provider of telecommunication services in Malaysia or outside Malaysia are subject to service tax.

GENERAL OPERATIONS OF THE INDUSTRY

6. Telecommunication services can be divided into two categories:
 - (i) Basic telecommunications which are the transmission of voice or data from sender to receiver;
 - (ii) Value-added services, for which Telco adds a value to the telecommunication services.

Basic Telecommunications

7. Basic telecommunication services include end-to-end emission, transmission or reception of sound, data, text, visual images, signals or any other form or any combination of those forms. Such services also include:

- (i) Fixed network voice telephone
- (ii) Analog/digital cellular/mobile telephone
- (iii) Satellite Telecommunication
- (iv) Internet and other digital data transmission
- (v) Network component rental, sales and service
- (vi) Network access and network facilities
- (vii) International telecommunication basic infrastructure
- (viii) Wireless paging
- (ix) Resale of basic telecommunication

Value-added Telecommunication Services

8. Value-added telecommunication services are based or depending on the infrastructure facilities for the provision of basic services or other services without having to build its own infrastructure network. Such services also include:

- (i) Fixed telephone network value added services
- (ii) Mobile network value added services
- (iii) Satellite network value added services
- (iv) Internet value added services
- (v) Other data transmission network value added services

9. In value-added telecommunication services, providers add value to the customer's information by enhancing its form or content or by providing for its storage and retrieval.

SERVICE TAX TREATMENT ON TELECOMMUNICATION SERVICES

10. In general, all telecommunication providers who are registered under Communication and Multimedia Act 1998 that provide telecommunication services in Malaysia to its subscribers are subject to service tax. This includes outbound roaming services provided by any Malaysian telecommunication providers to the subscribers outside Malaysia. However, the provision of telecommunication service to other telecommunication service provider in Malaysia or outside Malaysia is not subjected to service tax.

REGISTRATION AND RESPONSIBILITY OF REGISTERED PERSON

11. A service provider reaching 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*.

12. 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 the *General Guide* and the relevant *Specific Guides*.

FREQUENTLY ASKED QUESTIONS (FAQs)

1. **Q : What is the definition of telecommunication services?**

A : Telecommunication services means transmission, emission, or reception means the transmission, emission or reception, and the transfer or assignment of the right to use capacity for the transmission, emission or reception of signals, writing, images, sounds or information of any kind by wire cable, radio, optical or other electromagnetic system or by a similar technical system by any person licensed under Communication and Multimedia Act 1998 (Act 588) that is regulated by MCMC to provide telecommunication services. It includes provision of telecommunication in the form of telephone, facsimile, tele-mail, paging or cellular phone, telex, broadband, value-added services, etc.

2. **Q : Does the installation of internet connection considered as telecommunication services?**

A : Yes. The installation of internet connection is considered as telecommunication services if it is charged by the telecommunication provider.

3. **Q : Is roaming service subjected to service tax?**

A : Yes. Roaming services provided by Malaysian telco (Telco) to its subscribers, whether the roaming services is provided in Malaysia or outside Malaysia is subject to service tax.

4. **Q : Are telecommunication services by a Malaysian telecommunication provider to a telecommunication provider outside Malaysia subject to service tax?**

A : No. Telecommunication services by a Malaysian telecommunication provider to a telecommunication provider outside Malaysia is not subject to service tax.

5. **Q : Is prepaid service subject to service tax?**
A : Yes. Prepaid service is subject to service tax.
6. **Q : Are Over-The-Top (OTT) telecommunication services such as Whatsapp, Facebook, Telegram, if being charged, subject to service tax?**
A : Yes. Over-The-Top (OTT) telecommunication services such as Whatsapp, Facebook, Telegram, if being charged are subject to service tax.
7. **Q : Is outbound call subject to service tax?**
A : Yes. Outbound call is subject to service tax.
8. **Q : Is the reverse charge called subject to service tax?**
A : Yes. Reverse charge call is subject to service tax.
9. **Q : Are toll-free services subject to service tax?**
A : Yes. Toll-free services are subject to service tax.
10. **Q : Are telecommunication services between special area (SA), from SA to the designated area (DA) and from DA to SA are subject to service tax?**
A : Yes. Telecommunication services between special area (SA), from SA to the designated area (DA) and from DA to SA are subject to service tax.
11. **Q : Are the public phone services subject to service tax?**
A : Yes. Public phone services are subject to service tax.
12. **Q : What is the service tax treatment on the provision of telecommunication services by the Malaysian Telecommunication provider to telecommunication services outside Malaysia?**

- A : The provision of services is not subject to service tax.
13. Q : **International Direct Dialing (IDD) is a term used to describe an international telephone call dialed by a caller rather than going via operators. Abu a Malaysian telecommunication's subscriber made IDD calls to his friend in London. What is the tax treatment for such provision?**
- A : The provision is subject to service tax.
14. Q : **Roaming is defined as the ability for a cellular customer to automatically make and receive voice calls, send and receive data, or access other services when travelling outside geography coverage area of the home network, by using a visited network. What is the tax treatment on the provision roaming services by Malaysian Telco to its subscribers?**
- A : The provision is subject to service tax.
15. Q **Content application services is a provision of contents through messaging service and is accessible either on mobile access device or fixed access device through Application Store. What is the tax treatment on provision of the contents by a telecommunication in Malaysia?**
- A : The services are subject to service tax.
16. Q **What is the tax treatment for the provision of subscriber identification module (SIM) card bundles with a certain value of credit (air time) in Designated Area?**
- A : The services are subject to service tax

INQUIRY

For any inquiries for this guide please contact:

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Level 3 - 7, Block A, Menara Tulus,
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 Center:
 - Tel: 03-7806 7200 / 1-300-888-500
 - Fax: 03-7806 7599
 - Email: ccc@customs.gov.my