

## Service Tax 2018 Update

### Dear Valued Agents/Business Partners/Brokers/Customers

Please be informed that Sales and Service Tax will come into effect on 1 September 2018 as Dewan Negara has passed five bills related to Sales and Service Tax implementation on 20 August 2018. Further to this, Royal Malaysian Customs Department have released a draft Guide on Insurance and Takaful. A simple guided principle explained below for your understanding:

No	Points	Explanation
1	Service Tax	Service tax is a consumption tax governed by the Service Tax Act 2018 and its subsidiary legislation, which is imposed on taxable services.
2	Rate of Service Tax	6%
3	Service Tax implication on insurance contracts	<ul style="list-style-type: none"> <li>❖ All types of insurance contract or takaful certificate to all <b>business organisations</b> are subject to service tax <i>with exception risk located outside Malaysia</i></li> <li>❖ All types of insurance to cover against any risks in Malaysia incurred to an <i>individual</i> excluding medical insurance or medical takaful and life insurance contract or family takaful certificate.</li> <li>❖ All types of life reinsurance, family retakaful, general reinsurance or general retakaful contracts is not a taxable service and not subject to service tax.</li> </ul>

4	Insurance and Takaful Intermediaries	No service tax on Agent's fee or commission and Broker's commission.
5	<p>Provision of Insurance or Takaful Contracts Relating to Designated Area (DA) and Special Area (SA)</p> <p>Principal Customs Area (PCA) refers to any areas other than DA and SA</p> <p>DA refers to Labuan, Langkawi and Tioman</p> <p>SA refers to free zone, licensed warehouse, licensed manufacturing warehouse, Joint Development Area (JDA)</p>	<ul style="list-style-type: none"> <li>❖ Insurer or takaful operator located in the PCA to a business organization covering risk in DA/SA is subject to service tax, and vice versa.</li> <li>❖ Insurer or takaful operator in the DA/SA and provides such taxable services in the DA/SA to cover against any risk in DA/SA is not subject to service tax.</li> </ul>

**Service Tax (ST) Implication on Policies**

The following transition principles on issuance of policies will be observed:

<b>No</b>	<b>Policy Issuance Date</b>	<b>Inception Date</b>	<b>Premium Payment</b>	<b>GST/ST on Premium</b>
1	Before 1 June 2018	Span across 1 June 2018 ie. 15 Feb 2018 to 14 Feb 2019	No payment	Period before 1 June 2018 - GST 6% Period from 1 June 2018 - 31 August 2018 - GST 0% Period after 1 September 2018 - ST 6%
2	Before 1 June 2018	Span across 1 June 2018 ie. 15 Feb 2018 to 14 Feb 2019	Payment made before 1 June 2018	Period before 1 June 2018 - GST 6% No ST adjustment needed
3	Before 1 June 2018	1 June 2018 onwards	With or without payment	Period from 1 June 2018 - 31 August 2018 - GST 0% Period after 1 September 2018 - ST 6%
4	1 June 2018 - 31 August 2018	1 June 2018 onwards	With or without payment	Period from 1 June 2018 - 31 August 2018 - GST 0% Period after 1 September 2018 - ST 6%
5	1 June 2018 - 31 August 2018	1 September 2018 onwards	With or without payment	ST 6% will be charged.