



ROYAL MALAYSIAN CUSTOMS

GOODS AND SERVICES TAX

GUIDE ON TELECOMMUNICATION SERVICES

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INTRODUCTION

1. This industry guide is prepared to assist you in understanding the Goods and Services Tax and its implications on telecommunication services.

Overview of Goods and Services Tax (GST)

2. Goods and Services Tax (GST) is a multi-stage tax on domestic consumption. GST is charged on all taxable supplies of goods and services in Malaysia except those specifically exempted. GST is also charged on importation of goods and services into Malaysia.

3. Payment of tax is made in stages by the intermediaries in the production and distribution process. Although the tax would be paid throughout the production and distribution chain, it is ultimately passed on to the final consumer. Therefore, the tax itself is not a cost to the intermediaries and does not appear as an expense item in their financial statements.

4. In Malaysia, a person who is registered under the Goods and Services Tax Act 2014 is known as a “registered person”. A registered person is required to charge output tax on his taxable supply of goods and services made to his customers. He is allowed to claim input tax credit on any GST incurred on his purchases which are inputs to his business. Therefore, the tax itself is not a cost to the intermediaries and does not appear as an expense item in their financial statements.

TERMINOLOGY

5. The following terms have these meanings in this guide unless the contrary intention appears:-

- (a) **“Call Communications”** means communications involving (in whole or in part) a number used in the operation of each telco’s network including communication via messages.
- (b) **“Charges”** means the sums payable by the customer to Telco for the provision of facilities or services.

- (c) “**CMA**” means Communication and Multimedia Act 1998 (*Act 588*).
- (d) “**Content**” means any sound, text, still picture, moving picture or other audio-visual representation, tactile representation or any combination of the preceding which is capable of being created, manipulated, stored, retrieved or communicated electronically.
- (e) “**Customer**” means a person having a business relationship with the Telco for the provision of communications services.
- (f) “**Equipment**” means any equipment (whether hardware or software), or device which is part of or within the Network.
- (g) “**Facility**” means network facilities and/or other facilities which facilitate the provision of network services or applications services including content applications services.
- (h) “**GST Act**” means Goods And Services Tax Act 2014.
- (i) “**MCMC**” means Malaysian Communication and Multimedia Commission.
- (j) “**Telco**” means business that licensed under Communication and Multimedia Act 1998 (*Act 588*) that is regulated by MCMC to provide telecommunication services.
- (k) “**Telecommunication services**” 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.
- (l) “**Telecommunication supplier**” means a person whose principal activity is the supply of telecommunications services.
- (m) “**Time division multiple access (TDMA)**” means a channel access method for shared medium networks. It allows several users to share the same frequency channel by dividing the signal into different time

slots. The users transmit in rapid succession, one after the other, each using its own time slot.

- (n) **“Global System for Mobile (GSM)”** means a standard developed by the European Telecommunications Standards Institute (ETSI) to describe the protocols for second-generation (2G) digital cellular networks used by mobile phones.
- (o) **“Code Division Multiple Access (CDMA)”** means a channel access method used by various radio communication technologies.

GENERAL OPERATIONS OF THE TELECOMMUNICATIONS SERVICES

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

Basic Telecommunications

- 7. Basic telecommunications services includes the following:
 - (a) Services provided by the basic infrastructure facilities such as PSTN (Public Switched Telephone Network), PDSN (Public Data Switched Network), public telecommunications network, telex and trunked telecommunications network.
 - (b) telecommunication services that involve end-to-end emission, transmission or reception of sound, data, text, visual images, signals or any other form or any combination of those forms. These include services of:-
 - (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
- (x) Fixed network voice telephone

8. Some examples of basic telecommunications:

(a) **Fixed network domestic long distance and local telephone service**

- (i) Fixed network domestic long-distance telephone service
- (ii) Fixed network local telephone service
- (iii) Public payphone

(b) **Mobile telecommunication services**

- (i) Analog mobile telecommunication service
- (ii) TDMA (GSM) digital cellular mobile telecommunication services
- (iii) CDMA digital cellular mobile telecommunication services
- (iv) Mobile data services
- (v) 3G digital cellular mobile telecommunication services
- (vi) Satellite telecommunication services
- (vii) Satellite mobile telecommunication services (e.g. telephony, data, paging, and/or PCS)
- (viii) Satellite re-transmission equipment rental, sales services
- (ix) VSAT telecommunication services
- (x) Other satellite telecommunication services
- (xi) Internet and other digital transmission services

- (xii) Internet backbone network data transmission services
- (xiii) Voice over Internet Services atau IP telephony
- (xiv) Frame relay data transmission services
- (xv) Telex services
- (xvi) Telegraph services
- (xvii) Facsimile services
- (xviii) Packet-switched data transmission services
- (xix) Circuit-switched data transmission services
- (xx) Wireless data transmission services
- (xxi) Other data net transmission services
- (xxii) Network component rental, sales or service
- (xxiii) Broadband
 - Optical communications wavelength
 - Fiber-optic cable
 - Powerline Communication (PLC)
 - Telecommunication pipe aperture
 - Private leased circuit
 - Personal communications
 - Trunked radio system

(c) **Network access**

- (i) Fixed line
- (ii) Wireless
- (iii) Network co-location

- (d) **International telecommunication basic infrastructure**
 - (i) Communications bandwidth, electric cable, optical fiber, fiber optic cable, and other network elements including rental, sales or service
 - (ii) Satellite international dedicated line services
 - (iii) International long distance telephone services
 - (iv) International data telecommunication services
 - (v) International image telecommunication services
 - (vi) Gateway earth station services
- (e) **Wireless paging services**
 - (i) One-way wireless paging services
 - (ii) Two-way wireless paging services
- (f) **Resale of basic telecommunication services**
 - (i) MVNO (Mobile Virtual Network Operator) services

Value-Added Telecommunications Services

9. These telecommunications services are based or dependent on the infrastructure facilities for the provision of basic services or other services without having to build its own infrastructure network. These include:

- (a) Fixed telephone network value added services
- (b) Mobile network value added services
- (c) Satellite network value added services
- (d) Internet value added services
- (e) Other data transmission network value added services

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

11. Some examples of the value added telecommunication services:
- (a) on-line data processing
 - (b) on-line data base storage and retrieval
 - (c) electronic data interchange
 - (d) e-mail
 - (e) voice mail
 - (f) SMS (Short Messaging Service), EMS (Enhanced Messaging Service) MMS (Multimedia Messaging Service), USSD (Unstructured Supplementary Service Data)
 - (g) WAP(wireless application protocol) and GPRS (general packet radio service)
 - (h) Push to Talk (PTT)
 - (i) Enhanced Telephone Services for e.g.:
 - Call forwarding
 - Caller identification
 - Call blocking
 - Call waiting
 - Call interrupt
 - Directory assistance services
 - Toll free numbers
 - Speed dialing
 - Reminder call

- Last number redial
 - Auto call back
- (j) Tele-conferencing/Video-conferencing

GST TREATMENT OF TELECOMMUNICATION SERVICES

12. In principle, all telecommunication services provided by GST registered persons for consumption of services in Malaysia are standard rated supplies. However, certain telecommunication services can be zero rated if they are international telecommunication services and they fulfill the conditions under the provisions of Goods and Services Tax (Zero-Rated Supply) Order 2014.

Place of supply

13. The basic rule with regards to place of supply for telecommunication services is where the provider of the supply belongs. Section 12(4) of the GST Act states that:

A supply of services shall be treated as made —

- (a) in Malaysia if the supplier belongs in Malaysia; and
- (b) in another country (and not in Malaysia), if the supplier belongs in that other country

14. The following supply of services are zero-rated under item 17 and 18 of the Goods and Services Tax (Zero-Rated Supply) Order 2014.

- (a) Telecommunication services by a telecommunication supplier who belongs in Malaysia to a telecommunication supplier who belongs in a country outside Malaysia;
- (b) Telecommunication services by a telecommunication supplier who belongs in Malaysia to its subscriber in relation to outbound roaming outside Malaysia.
- (c) Subject to Notes (i) and (ii), services supplied:

- (i) Under a contract with a person who belongs in a country other than Malaysia; and
- (ii) Which directly benefit a person who belongs in a country other than Malaysia and who is outside Malaysia at the time the services are performed.

Notes:

The above services shall not include any services comprising either or both of:

- (i) the supply of a right to promulgate an advertisement by any medium of communication; and
- (ii) the promulgation of an advertisement by means of any medium of communication.

or

- (iii) any services which are supplied directly in connection with:
 - (a) land or any improvement thereto situated inside Malaysia;
 - (b) goods situated inside Malaysia at the time the services are performed; or
 - (c) securities or unit trusts traded in Malaysia or insurance contracts where the coverage relates to risk in Malaysia.

15. The following table provides guidance in determining the tax treatment of the services provided to the customer (“contracting party”) by the service provider:

Table 1: Tax Treatment of The Services Provided to the Customer (“Contracting Party”) by the Service Provider

	Contracting party	Service from	Service to	Benefit to person	GST treatment
1	Outside Malaysia	Malaysia	Malaysia	In Malaysia	SR
2.	Outside Malaysia	Malaysia	Malaysia	Outside Malaysia	ZR
3	Outside Malaysia	Malaysia	Outside Malaysia	In Malaysia	SR
4	Outside Malaysia	Malaysia	Outside Malaysia	Outside Malaysia	ZR
5	Outside Malaysia	Outside Malaysia	Malaysia	In Malaysia	SR
6	Outside Malaysia	Outside Malaysia	Malaysia	Outside Malaysia	ZR
7	Outside Malaysia	Outside Malaysia	Outside Malaysia	In Malaysia	SR
8	Outside Malaysia	Outside Malaysia	Outside Malaysia	Outside Malaysia	ZR

Legend:

SR – Standard Rate, ZR – Zero Rate

SPECIFIC APPLICATION OF GST

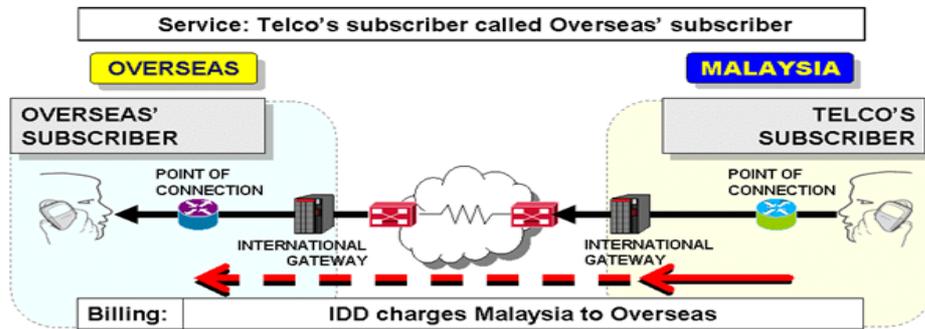
IDD (International Direct Dialing)

16. *International Direct Dialing* (IDD) is the term used to describe an international telephone call dialed by the caller rather than going via an operator.

17. The following IDD telephony services made by Telco are standard rated.

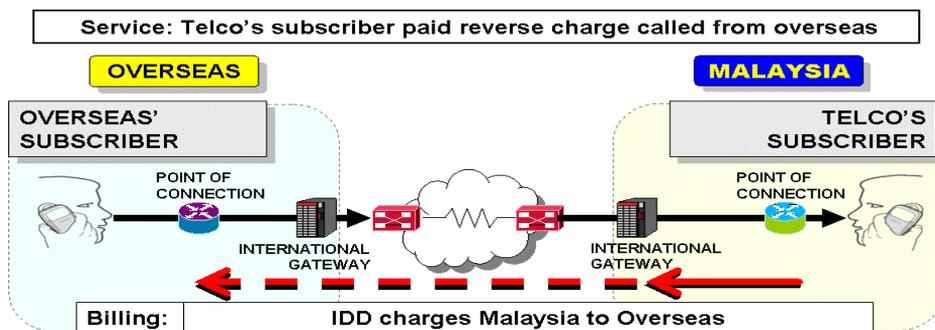
- (a) Telco supplies and charge a customer in Malaysia for an IDD call originating in Malaysia and terminating with a person overseas.

Figure 1: IDD Malaysia to overseas



- (b) Telco supplies and charges a customer in Malaysia for a reverse charge IDD call, at the request of an overseas service provider

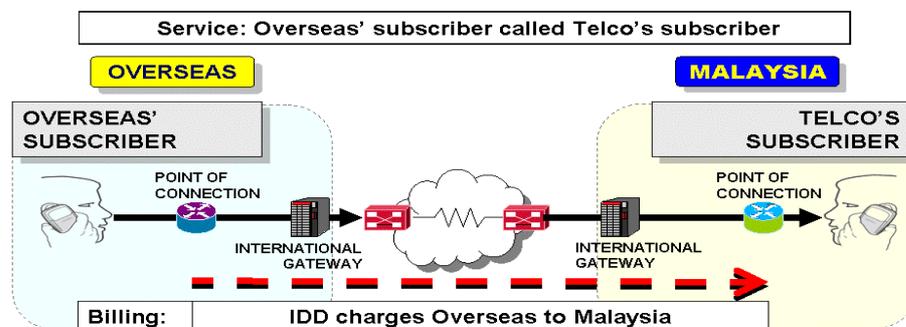
Figure 2: IDD Malaysia to overseas (reverse charge)



18. The following IDD telephony services made by Telco are zero rated.

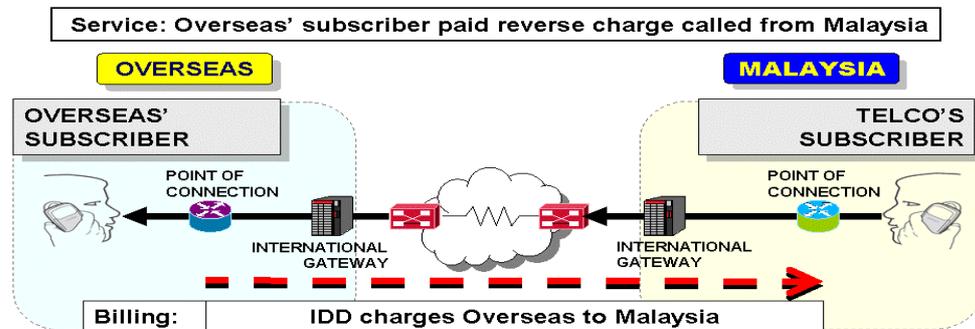
- (a) Telco supplies and charges an overseas service provider for use of Telco's network to terminate an IDD call to Malaysia.

Figure 3: IDD Overseas to



- (b) Telco supplies and charges an overseas service provider for use of Telco's network to deliver an IDD call reverse charged at the request of the caller.

Figure 4: IDD Overseas to Malaysia (reverse charge)



Roaming Services

19. 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 the geographical coverage area of the home network, by using a visited network therein. International outbound roaming refers to customers of foreign country operator roaming in local Telco network. International Inbound and Outbound roaming are zero rate. Please refer to subparagraph 16 above for GST treatment.

Telephony service over IP

20. Telephony service over internet protocol (IP) refers to communication service such as voice or data calls delivered over IP networks. Customer may utilize the telephony service over IP by the following connections:

- IP telephone device to/from IP telephone device;
- IP telephone device to/from PSTN telephone;
- IP telephone device to/from cellular telephone.

21. Malaysian Communication and Multimedia Commission (MCMC) defined telephony service over IP as a fixed network service, but portable or nomadic applications are possible. Thus, GST treatment on telephony service over IP is similar to GST treatment on fixed line telephone, i.e. GST is standard rated for

telecommunication services consume in Malaysia. However the telecommunication services can be zero rated if it fulfills the conditions under the provisions of Goods and Services Tax (Zero-Rated Supply) Order 2014.

Call Back Service

22. Call back is a service that lets user makes international calls to anywhere in the world at the lowest per minute rate possible. It is subjected to standard rate for call to telephone numbers in Malaysia. Similarly, IDD call from Malaysia is standard rated.

Public Payphone

23. Payphone is a public telephone, with payment by inserting coins or a telephone card (a special purpose debit card) or credit card before a call is made. Payphones are often found in public places, transportation hubs such as airports or train stations, and on street corners. Payphone services is standard-rated, For the purpose of accounting of GST, the takings from coin-operated telephones must be calculated and GST to be accounted for is determined by applying the tax fraction. The time of supply for payphone services is when the collection is removed from the payphone.

Toll-free numbers and freephone services

24. The usage of toll-free numbers and freephone number services is subjected to GST. However, GST is paid by the purchaser of the services and not the caller.

Calling card services

25. Calling card service is a telephone service, which is provided on the precondition that the respective customer pay for the service based on an account. The calling card allows a user to make a long distance telephone call from any location, and then bills the charge to his calling card account. A calling card is provided by service provider either as a prepaid card.

26. Calls that are charged to a calling card are subjected to standard rate if calls is made locally and zero rate for international roaming.

Prepaid Card

27. There are several variations of prepaid phone cards which can be used to procure telecommunications services. The following indicates the GST treatment of the pre-paid phone card currently available. For the purpose of clarity, the term 'prepaid phone card' will be used to cover these possibilities:

- (a) Long distance (IDD, STD, etc.) phone cards denominated in monetary value;
- (b) Mobile telephone network's re-load cards in monetary value;
- (c) Other slips including personal identification numbers (P.I.N) which give the customer a right to access a telecommunication network without incurring a further charge at the time when that network is accessed.

28. The prepaid phone card is a face value voucher for GST purposes and therefore the sale or supply of the prepaid phone card is not taxable for the purpose of GST if the consideration is less or equal to the monetary value. GST is chargeable at the point of redemption of the credit (airtime).

29. The supply of SIM card bundles with certain value of credit (airtime) is subjected to GST. When a customer purchased the SIM card, his main purpose is to acquire telecommunication services provided by the operator of the mobile telecommunication service. The credit bundles with the SIM card is an ancillary to the main supply which is the access to telecommunication services through the SIM card.

30. The supply of SIM card in Malaysia including Designated Area is subject to GST. If the SIM card is given free of charge to any person, it is not a supply and not subject to GST.

Hubbing service

31. Hubbing service is considered as international service since it involves the transmission of telecommunication from a place outside Malaysia to another place outside Malaysia. Thus, hubbing service is zero rate supply since it is provided to beneficiary outside Malaysia.

Contact service

32. Contact service is not a supply of telecommunication services. Thus, basic principle of place of supply rule is applicable for this service. Contact service is treated as made in Malaysia if the supplier belongs in Malaysia. GST on the telecommunication services can be claimed as input tax credit by the contact service provider. If a contact service provides service to customers (the contracting party) belonging in Malaysia, the supply is subjected to standard rate. On the contrarily, if a contact service in Malaysia provided services to customers (the contracting party) who belong outside Malaysia, the supply is zero rated.

Broadcasting service

33. Broadcasting service is not a telecommunication service. However telecommunication services are used to transmit its broadcast signal. Telco provides transmission services to television and radio broadcasters to extend the broadcast range. The transmissions may be between studios, or to microwave or satellite dishes. Broadcasters are required to pay GST on the charges for these transmission services.

Content application services

34. Content application service is a supply of content provided through messaging service and is accessible either on mobile access device or fixed access device. The charge for the contents is imposed over and above the standard network charges of the messaging services

35. Content application service is not a telecommunication service. However Telco is directly involved with content application services for delivery of contents and the imposition of charges for the content application service. These contents are provided either by third party content providers or by the in-house server of Telco. The content application providers and Telco will share the revenue of the services.

36. Even though content service is not a supply of telecommunication services, supply of content is taxable service. Thus, principle rules of GST are applicable for imposition of GST on content application services. Based on the mechanics of content services, the content services provider is the supplier of the services whereas Telco

acts as an agent in his name as the supplier by providing the content, telephony network and billings for the services to the customer. Hence the imposition of GST on content service is subjected to GST at standard rate.

Universal service

37. Universal service is the concept that every individual within a country should have basic telephone service available at an affordable price. It comprises of basic telephony, public payphone services and Internet access. All licensed network operators are required to share the cost of providing universal services by contributing annually to the Universal Service Provision (USP) Fund. Contribution to USP is not subject to GST.

FREQUENTLY ASKED QUESTIONS

Q1. What is the value of telecommunication service?

A1. The value of a telecommunication service means the total consideration paid by the recipient for the provision of the service and for each period in respect of which an invoice for the service is issued.

Q2. When should GST be charged?

A2. GST should be charged and accounted for at the time of supply. This is known as the 'tax point'. In general, services are supplied when they are performed or completed. This is known as the 'basic tax point'.

The basic tax point is set aside when an 'actual' tax point is created.

The supply of telecommunication services is treated as taking place at the earliest of the following events:

- (a) a tax invoice is issued for that supply; or
- (b) payment is received for that supply.

Q3. What is the tax points for particular transactions?

A3. (a) Continuous Supplies of Service

Where services are supplied over a period of time and paid for periodically, a tax point is created each time a payment is received or a tax invoice is issued, whichever is earlier.

(b) Services supplied in units at frequent intervals

If the time when each unit was supplied cannot be determine, the tax point is taken as the time when an invoice is issued or when payment for services performed up to a specified date is received, whichever is earlier

(c) Staged payments and part payments

Staged payments or part payments, create a tax point at the time the payment is due or is made; whichever is earlier.

(d) Property and leasehold

For periodical payments of commercial rent, the tax point is that prescribed by the contract, i.e. when the service is performed, or the date when payment is received, or the date of issue of a tax invoice, whichever is earlier.

Q4. We receive excess payment from customer instead of actual amount stated in the invoice. For example:

- **Actual amount : RM 48.50**
- **Payment received: RM 50.00 (excess payment of RM1.50)**

Is the excess payment received subject to GST?

A4. By virtue of Regulation 15, GST Regulations 2014, tax on supply chargeable only to the extent covered by the invoice. Any excess payment in relation to the invoice issued is not a consideration for the supply and not subject to GST.

Q5. Are deposits received from customers subject to GST?

A5. Deposits that form part payment of the total consideration payable by the customer, is subject to standard rate at the time of payment of the deposits. On the other hand, if the deposits are used as security and will be fully refunded upon completion of the contract, no GST will be chargeable.

Q6. Is GST chargeable on a security/floating deposit which is used as a security bond and is fully refundable?

A6. No. However, if the floating deposit is used as a payment for services, GST shall be chargeable at the time the deposit is used for the payment.

Q7. Sometimes telecommunication services are bundled in a package. What is the value of supply for GST purpose?

A7. Telecommunication services are sometimes bundled in a package. For example, free 20 minutes call and free 20 SMS in a package. SMS is a taxable as a telecommunication service, whereas free services is not a supply. If all of the following criteria are met, tax applies only to the taxable services provided as part of the package.

- Each supply is separately priced.
- The customer chooses the supplies that are part of the package.
- The total price of the package depends on the individually priced supply that the customer has selected.
- The supplies are separately itemized on the tax invoice.

If these conditions are not met, then tax applies to the total charge for the package.

Q8. Can the dealer of prepaid cards or airtime credits recover input tax on other costs relating to the sale?

A8. The sale of prepaid card or air time credit is not subject to GST because the prepaid card or air time credit is treated as face value voucher. However the sale of the prepaid card or air time credit is a taxable supply. Thus, registered person can claim input tax incurred on the cost relating to the supply of prepaid card or air time credit.

Q9. Is the supply of telecommunication service subject to GST if the customer does not belong to Malaysia and uses the mobile services in Malaysia (international inbound roaming)?

A9. This service is zero rated because the telecommunication services is provided by a telecommunication supplier who belongs in Malaysia to a telecommunication supplier who belongs in a country outside Malaysia. (the telecommunication supplier outside Malaysia will pass on the charges to their customers).

Q10. Is the supply of telecommunication service subject to GST if a Malaysian Telco customer travels overseas and uses the mobile service overseas (international outbound roaming)?

A10. This service is zero rated as per subparagraph 16(b). The telecommunication supplier outside Malaysia would bill the Malaysian Telco and the Malaysian Telco will pass these charges to the customer without Malaysian GST.

Q11. What service is considered as international service by Malaysian Telco?

A11. A supply of telecommunication services shall be treated as a supply of international services where the services or the supply is any of the following descriptions:

- (a) The provision of any means of telecommunication transmitted:
 - (i) from a place outside Malaysia to another place outside Malaysia;
 - (ii) from a place outside Malaysia to a place in Malaysia
- (b) The provision of international roaming services

For the tax treatment, please refer to answer number 9 and 10 above.

Q12. If the billing for the international service is sent to the recipient who belongs to Malaysia, is the supply taxable?

A12. The billing factor is not relevant. Please refer to paragraphs 16 and 17 above.

Q13. If the telecommunication service is totally consumed in Malaysia but the billing for the supply is sent to an address outside Malaysia, is the supply be considered as international telecommunication services?

A13. It is least likely that Telco will provide telecommunication services to its local customer with this type of arrangement for billing. If this instance does happen the service is treated as local supply. On the contrary, if the instance involves inbound roaming of overseas telecommunication service provider's customers, the service is treated as international services. In this situation, Telco will bill overseas service provider for supply of services in Malaysia.

The fact that a billing address for a service is not in Malaysia does not necessarily mean that the service is not consumed in Malaysia. For example the billing arrangement for dedicated network service can be as follows:

(a) **One Stop Shop Payment**

Payment by single party which will pay for the charges at both end to the service provider.

(b) **Half Circuit Payment**

Each party in respective ends will pay directly to their own service provider.

GST is zero rated when it meets the criteria in the **Table 1**.

Example 1:

A dedicated telecommunication network service may provide a business with exclusive use of a telecommunications circuit for telephone calls and facsimile transmissions between its head office in Kuala Lumpur and branch office in Jakarta.

The only transmission that travel through that circuit are those within the network with locations in Malaysia and Indonesia.

If the billing arrangement is 'one stop shop payment', i.e. Telco bills to the head office in Kuala Lumpur, only services consume within Malaysia is subject to GST whereas overseas' portion of the services is zero rated. However, if the charges are not segregated between the Malaysia portion and the overseas portion, the total charges would be standard rated.

If the Telco issues a 'half circuit payment' bill, the telecommunication services is standard rated.

On the contrary, if the billing arrangement of 'one stop shop payment' is done by the Indonesian service provider to the Jakarta office, the

issuance of bill by Telco to the Indonesian service provider is zero rated on Malaysia's portion because the telecommunication services are provided by a telecommunication supplier who belongs in Malaysia to a telecommunication supplier who belongs in a country outside Malaysia (refer to paragraph 16 and 17).

Q14. If the hotel charges its customers for IDD calls, are such charges subject to GST?

A14. The IDD calls supplier is not the hotelier but by the Telco. However, the hotelier may charge its customer surcharge, for example, call set-up charge. Such surcharge is subject to GST.

Q15. Can the telephone bills be treated as tax invoices?

A15. Yes. The bills can be treated as tax invoices if all the information that is required of a tax invoice is provided in the telephone bill

Q16. Can adjustment be done in the next billing instead of issuing debit or credit note?

A16. According to GST Act 2014, a taxable person making a taxable supply to another taxable person shall issue a credit note or debit note and make adjustment in his return when there is a change of any consideration. However, for telecommunication services adjustment can be made in the next billing instead of issuing credit or debit note.

Q17. What is the GST treatment for self-consumed telecommunication services?

A17. When Telco provides telecommunication services for its own use, there is no consideration for the services. Thus, such services are not considered as a supply.

Q18. If services are provided free to employees, should output tax be accounted?

A18. There is no need to account output tax when services are provided free to employees. Free services to the non connected person is not considered as a supply.

Q19. If the taxable person provides fringe benefits to his employees at a subsidized or discounted price, what is the value of supply on which output tax is accounted?

A19. Where fringe benefits are provided to the employees at a subsidised or discounted price, the value of supply on which output tax is accounted should be charged at the final price.

Q20. If I offer phone calling service (e.g. Wartel) in my outlet, do I need to charge GST on the phone calls made by my customers?

A20. An entrepreneur that provide phone calling service in his premise is not considered as telecommunication services provider. However, you are considered as reseller of telecommunication services. Since you are providing a comfortable and private setting in which customers can make calls in your premise, you are providing 'hospitality' services to your customer which is a taxable supply. If you are a taxable person, you are required to charge GST on the set-up charge in addition to the local call charges mark up.

Q21. Are commissions derived from the sale of telecommunication services package subject to GST?

A21. If a person is merely acting as a selling agent, GST will be chargeable on the commission received by him if the person is GST registered. As an agent the GST registered person concludes agreements in the name of and for the account of service of another person, he will be deemed to have supplied a service. His commission will therefore be liable to GST.

Q22. What is the GST treatment for a promotion package given by Telco to a new subscriber of telecommunication service, whereby a mobile phone is given free attached with the package subscribes by the customer?

A22. GST will be charged on the price paid by the consumer. The whole package is treated as being sold at a price offered by Telco to the customer for the service.

Q23. What is the GST treatment for a promotion package given by Telco to a customer whereby he is entitled to purchase another telephony service at a reduced price upon a purchase of a specific telephony service at normal rate?

A23. GST will be charged on the final price offered to the customer which are the full price of the first telephony service and on the reduced price of the second telephony service.

Q24. What is the GST treatment on the bad debt due to non-payment of telecommunication services bill?

A24. Provided that all the conditions of bad debt relief have been satisfied, Telco needs to make adjustment in the GST return by increasing the input tax.

Q25. What happens if the customer pays back the debts after the bad debt relief has been claimed?

A25. Telco has to make an adjustment in the GST return by increasing the output tax. Please refer to GST General Guide.

INQUIRY

1. For any inquiries for this guide please contact:

Sector I

GST Division

Royal Malaysian Customs Department

Level 3 – 7, Block A, Menara Tulus,

No. 22, Persiaran Perdana, Presint 3,

62100 Putrajaya.

Email: gstsector1@customs.gov.my.

FURTHER ASSISTANCE AND INFORMATION ON GST

2. Further information on GST can be obtained from :

(a) GST website : www.gst.customs.gov.my

(b) Customs Call Center :

- Tel : 03-7806 7200 / 1-300-888-500
- Fax : 03-7806 7599
- E-mail : ccc@customs.gov.my