



**SERVICE TAX 2018**

**GUIDE ON:  
TRANSMISSION AND DISTRIBUTION OF  
ELECTRICITY 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. The Guide is prepared to assist you in understanding the service tax treatment on provision of electricity services.

## TERMINOLOGY

5. For the purpose of this guide:
  - (i) “**Electricity Services**” means services specified in column (2), Item 9, Group I, First Schedule of the Service Tax Regulations 2018.
  - (ii) “**Designated Area**” (**DA**) means Labuan, Langkawi, Pangkor and Tioman. (Section 2, Service Tax Act 2018);
  - (iii) “**Special Area**” (**SA**) means any free zone, licensed warehouse under Section 65, Customs Act 1967 (CA 1967) and licensed manufacturing warehouse under Section 65A (CA 1967) dan Joint Development Area (JDA), petroleum supply base (Section 77B, CA 1967) (Section 2, Service Tax Act 2018).

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**SCOPE OF TAX**

6. Effective from 1 September 2018, under Group I, Item 9, First Schedule of the Service Tax Regulations 2018, the provision of electricity services to domestic consumer is subject to service tax.

7. The electricity tariff supply for Peninsular Malaysia is regulated by the Malaysia Energy Commission under the Electricity Supply Act 1990, whilst for Sarawak which is regulated under Sarawak Electricity Supply Ordinance 1982 and Electricity Supply (Successor Company) Act 1990 and Sabah is under Lembaga Letrik Sabah Act 1983.

8. The main activities in the electricity industry are generation, transmission and distribution of electricity. In principle, the electricity supply chain involves three processes before they are supplied to consumers. In Peninsular Malaysia, the electricity suppliers are the Tenaga Nasional Berhad (TNB) and the Independent Power Producers (IPPs), Sabah Electricity Sdn Bhd (SESB) for Sabah and Syarikat SESCO Berhad (SESCO) for Sarawak.

9. The IPPs in Peninsular Malaysia such as Genting Sanyen Power Sdn Bhd, Powertek Sdn Bhd and Port Dickson Sdn Bhd, are licensed by the government to generate electricity. The electricity generated is then supplied to Tenaga Nasional Transmission Division to ensure adequacy in the National Grid System before it is supplied to TNB Distribution that will circulate the electricity to domestic, commercial and industrial consumers. The supplier of electricity in Sabah is SESB while in Sarawak is SESCO.

10. The supply of electricity is under the jurisdiction of the Ministry of Energy, Green Technology and Water.

**SERVICE TAX TREATMENT ON THE PROVISION OF ELECTRICITY SERVICES**

11. Service tax will not be imposed on the provision of electricity to domestic consumers for the first 600 kWh for a minimum period of twenty-eight day billing cycle.

12. Service tax will be imposed on electricity services to domestic consumers other than domestic consumers within designated area for use above 600 kWh for a minimum period of twenty-eight day billing cycle

13. The table below describes the treatment of service tax on the electricity usage and billing cycle.

<b>No.</b>	<b>Usage (kWh)</b>	<b>Billing Cycle</b>	<b>Subject to Service Tax</b>
1.	> 600	≥ 28 days	Yes
2.	≤ 600	≤ 28 days	No
3.	≤ 600	< 28 days	No
4.	> 600	< 28 days	Yes

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**TREATMENT OF SERVICE TAX ON ELECTRICITY SERVICES IN DESIGNATED AREA (DA) AND SPECIAL AREA (SA)**

14. The electricity services within or between the Designated Area (DA) are out of scope and are not subject to service tax.

15. The electricity services at the Special Area (SA) are subject to service tax.

**REGISTRATION AND RESPONSIBILITIES OF A REGISTERED PERSON**

16. A service provider who reaches the value of taxable service for electricity services is required to be registered under *Service Tax Act 2018*. For further guidance and details on registration, please refer the ***Service Tax Registration Guide***.

17. A registered person is responsible to:

- (i) Impose service tax on taxable services,
- (ii) Issue invoices and receipts with specific particulars,
- (iii) Submit service tax return SST-02 electronically and pay service tax before the 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 QUESTION**

1. **Q : What is the service tax treatment on the provision of electricity to domestic consumers?**

A : The provision of electricity to domestic consumers is subject to service tax on electricity consumption exceeding 600kWh for a minimum period of twenty-eight day billing cycle.

2. **Q : What is the service tax treatment on the provision of electricity to commercial consumers?**

A : The provision of electricity to commercial consumers is not subject to service tax.

3. **A : Mr Khalid's electricity consumption for a period of 17 April 2019 to 16 May 2019 bill (30 days) is 765kWh. How much is the service tax charged to Mr Khalid?**

<b>Tariff Bloc (kWh)</b>	<b>Prorate Bloc (kWh)</b>	<b>Rate (RM)</b>	<b>Amount (RM)</b>
200	200	0.218	43.60
100	100	0.334	33.40
300	300	0.516	154.80
300	165	0.546	90.09
<b>Total</b>	<b>765</b>		<b>321.89</b>

A : **Value not subject to service tax** (RM321.89 - RM90.09) = RM231.80

**Value subject to service tax** = RM 90.09

**Total service tax charged** (RM90.09 x 6%) = RM 5.41

4. **Q : The electricity bill received by Ariff consists of Kumpulan Wang Tenaga Boleh Baharu (KWTBB) charges. Are the charges subject to service tax?**

A : The KWTBB charges are not subject to service tax as the charges are not related to the provision of electrical services.

5. **Q : Pae Company Sdn Bhd installed the solar panel on the company's building. Electricity generated from this solar panel will be sold to Tenaga Nasional Berhad (TNB). Is the sale of electricity subject to service tax?**

A : The sale of electricity is not subject to service tax as it is not distributed to residential consumers.

6. **Q : ABC Sdn Bhd makes a large-scale solar programme in Malaysia. The company's plant will generate electricity from solar sources which subsequently sold to domestic consumers.**

**Will service tax be imposed on electricity generated and sold to domestic consumers?**

A : Electricity which is sold by ABC Sdn Bhd to domestic consumers is subject to service tax for use above 600kWh for a minimum period of twenty-eight day billing cycle

7. **Q : JMB Condo Perdana is subject to bulk electricity services by the electricity service provider. JMB Condo Perdana will issue separate bills to each strata owner. Does the bill issued by JMB Condo Perdana to each strata owner subject to service tax?**

A : JMB Condo Perdana hold official license for electricity distribution services to domestic consumers. In the event the annual sales exceed the threshold, JMB Condo Perdana is liable to be registered under the Service Tax Act 2018. JMB Kondo Perdana is required to impose service tax if the usage exceeded 600 kWh for a minimum period of twenty-eight day billing cycle

8. **Q : Janna Sdn Bhd provides electricity distribution services to domestic consumers in Pangkor Island. Will service tax be imposed in the Pangkor Island area?**

A : The taxable service within or between designated area (DA) such as Pangkor Island is not subject to service tax.

**INQUIRY**

For any inquiries for this guide please contact:

Royal Malaysian Customs Department  
Internal Tax Division  
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](mailto:ccc@customs.gov.my)

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**SUMMARY OF DOCUMENT CHANGE**
**Version 2 – 01 January 2020**

<b>Para</b>	<b>Changes</b>
<b>Title</b>	Insert the phrase 'Transmission and Distribution of' before the word 'Electricity'
<b>Paragraph 5</b>	Insert new paragraph 5.
<b>Paragraph 6</b>	Replace 'under prescribed circumstances' with 'to domestic consumer'
<b>Paragraph 9</b>	Replace 'whilst' with 'while' after the word SESB.
<b>Title</b>	Remove the phrase 'and Imposision' before the phrase 'Scope Of Tax'.
<b>Paragraph 7</b>	Amend to a new sentence
<b>Sub Title</b>	Insert new word 'SERVICES' before the word 'ELECTRICITY'
<b>Paragraph 12</b>	Insert the phrase 'services to domestic consumers other than domestic consumers within designated area for use above' before the words 'exceed 600 kWh for a minimum period of twenty-eight day billing cycle'.
<b>Paragraph 13</b>	Insert a table under paragraph 13
<b>Sub Title</b>	Add new paragraph 14 and 15
<b>Paragraph 14 and 15</b>	Add new para 14 dan 15.
<b>Paragraph 16</b>	Insert a new word 'electricity' before the phrase 'threshold for'.
<b>Frequently Asked Question 1</b>	Q: Insert new phrase ' <i>domestic consumer</i> ' after ' <i>electricity for</i> '. A: Amend the phrase to 'are subject to service tax on electricity consumption exceeding' after the word 'consumers' before the

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word '600Kwh'.

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**Frequently Asked Question 3**      New Frequently Asked Question 3

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**Frequently Asked Question 4**      A: Add in the phrase 'KWTBB charges is' before the phrase 'is not subjected to'.

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**Frequently Asked Question 5-8**      New Frequently Asked Question.

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