

e-CTIM No.55/2011

22 November 2011

TO ALL MEMBERS

TECHNICAL

Indirect Taxation

Service Tax Treatment For Free Zones, Tax-Free Islands and Joint Development Areas

The Ministry of Finance (MOF) has, in a letter to the Director General of the Customs and Excise, dated 14 November 2011, invoked Section 6 of the Service Tax Act, 1975 to exempt Service Tax under the following circumstances:

- (a) Exemption of Service Tax with effect from 1 January 2012
 - (i) All taxable services provided by persons in Free Zones and supplied to persons in Free Zones
 - (ii) All taxable services provided by persons in Free Zones and supplied to persons in Principal Customs Area
 - (iii) All taxable services provided by persons in Principal Customs Area and supplied to persons in Free Zones
 - (iv) All taxable services provided by persons in Principal Customs Area or Free Zones in relation to matters in Langkawi, Tioman, Labuan and Joint Development Areas.
- (b) Refund of Service Tax Paid

In connection with (a) above, where the tax charged has been paid before 1 January 2012, any application for service tax refund will not be approved.
- (c) Remission of Service Tax Uncollected

Any service tax, in respect of the services mentioned in (a) above, which has not been collected before 1 January 2012, is remitted under Section 22 of the Service Tax Act, 1975
- (d) Services Not Subject to Service Tax
 - (i) All taxable services provided by persons in Free Zones and supplied to persons in Langkawi, Tioman, Labuan and Joint Development **Areas**, and
 - (ii) All taxable services provided by persons in Principal Customs Area and supplied to persons in Langkawi, Tioman, Labuan and Joint Development Areas
- (e) Exemption Granted Until the Introduction of Goods and Services Tax.

Meanwhile, members view the [MOF letter](#) on our website. You may also get further information on the matter from the Royal Malaysian Customs website soon.

Disclaimer

This document is only meant for members of the Chartered Tax Institute of Malaysia (CTIM) only. Although the CTIM has taken all reasonable care in the preparation and compilation of the information contained in the CTIM e-circular, the Institute / each party providing the material displayed herein expressly disclaim all and any liability or responsibility to any person(s) for any errors or omissions in the contents of the CTIM e-circular or for anything done or omitted to be done by any such person in reliance whether wholly or partially, upon the whole or any part of the contents of the CTIM e-circular.