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TECHNICAL

Gazette Orders on service tax on charge cards and credit cards

Subsequent to the 2010 Budget proposals, the above orders have been gazetted on 28 December 2009. The **Service Tax (Amendment) (No.2) Regulations 2009 [P.U.(A) 469/2009]** amends the Service Tax Regulations 1975 [P.U.(A) 52/1975] (the principal Regulations) by inserting the following definitions:

- “charge card”** means a payment instrument which indicates a line of credit granted by the issuer to the user and for which any amount of the credit utilised by the user must be settled in full on or before a specified date, without any extended credit.
- “credit card”** means a payment instrument which indicates a line of credit or financing granted by the issuer to the user and for which, where any amount of the credit utilised by the user has not been settled in full on or before a specified date, the unsettled amount may be subject to interest, profit or other charges.
- “payment instrument”** means any instrument, whether tangible or intangible, that enables a person to obtain money, goods or services or to otherwise make payment, as defined in the Payment Systems Act 2003 [Act 627]

Further, Subheading I, Group G, Second Schedule of the principal Regulations is amended by inserting the following to the “Taxable Person” and “Taxable Service” respectively:

“Taxable Person”

- “6. *Any person who is regulated by Bank Negara Malaysia and provides credit card or charge card services through the issuance of a credit card or a charge card.*”

“Taxable Service”

- “t. *Provision of credit card or charge card services through the issuance of a principal credit card, principal charge card, supplementary credit card and supplementary charge card, whether or not annual subscription or fee is imposed excluding ---*

- (i) *provision of charge card services where the charge card is issued by any petroleum company to the Government of Malaysia or any person for the procurement of products and services supplied for the use of or in connection with vehicles owned by the Government of Malaysia or such person; or*
- (ii) *provision of charge card services where the charge card is used as a payment instrument only within the premises of a workplace, an education institution or a golf or sports club by its workforce, students or members, as the case may be.*

The **Service Tax (Rate of Tax) Order 2009 [P.U.(A) 468/2009]** stipulates that service tax shall be levied on taxable service relating to credit card or charge card services at RM50.00 for each principal card and RM25.00 for each supplementary card on the date of issuance or renewal and every twelve months thereafter or part thereof after the issuance or renewal of the card.

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