

## INDIRECT TAXES

### 1. Amendment to Second Schedule of the Service Tax Regulations 1975

#### a. Reduction in Annual Sales Turnover Threshold for Taxable Persons under Groups B2, C, E and E1

The amendment which came into effect on 1<sup>st</sup> January, 2002 seeks to reduce the threshold for imposing service tax from RM500,000 to RM300,000 for the following: -

- i. Group B2 - Restaurants located in hotel having 25 rooms or less
- ii. Group C - Restaurants located outside hotel
- iii. Group E - Private clubs
- iv. Group E1 - Golf course and golf driving range

The reduction in the threshold means smaller business entities in food and drinks and recreational clubs will be subject to service tax licensing. However, the Ministry of Finance has deferred the implementation of the 5% service tax for food outlets under Group C with turnover in excess of RM300,000 following its press release on 31<sup>st</sup> January, 2002.

#### b. Reduction in Annual Sales Turnover Threshold for Taxable Persons under Group G

The amendment which came into effect on 1<sup>st</sup> January, 2002 seeks to reduce the threshold for the imposition of service tax from an annual sale turnover of RM300,000 to RM RM150,000 for professional and consultancy services provided by accounting, legal, engineering, architectural, surveying and consultancy firms and companies providing management services including project management or project co-ordination.

In addition, the threshold for imposing service tax for advertising companies has been reduced from RM500,000 to RM300,000 effective from 1<sup>st</sup> January, 2002 . This reduction means more advertising companies will come under the service tax net.

### 2. TIOMAN ISLAND

Tioman has been gazetted as a duty free island alongside Labuan and Langkawi. "Tioman" means the Island of Tioman and the islands of Soyak, Rengis, Tumok, Tulai, Chebeh, Labas, Sepoi and Jahat. As such, the *Customs Act 1967*, *Sales Tax Act 1972*, *Service Tax Act 1975*, *Excise Act 1976* and *Free Zones Act 1990* will be amended to that effect. However, excise and import duty on cars and petroleum items will remain as a step taken by the Government to restrict the number of cars on the Island. The duty free status came into effect on 1<sup>st</sup> September, 2002.