

# SST e-Alert

21 NOVEMBER 2019

## Service Tax Refund For Foreign Missions And International Organizations

This e-Alert summarises the recent guide issued by the Royal Malaysian Customs Department (**Customs**) on service tax refund on certain services provided to foreign missions and international organizations.

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### Foreign Missions And International Organizations

International organizations are defined under Section 2 of the International Organizations (Privileges and Immunities) Act 1992 [*Act 485*] as follows:

“international organization” means an organization that is declared by regulations made under subsection 3(1) to be an international organization, and includes—

- (a) an organ of, or office within, an organization that is so declared;
- (b) a commission, council or other body established by such an organization or organ; and
- (c) a committee, or sub-committee of a committee, of such an organization, organ, commission, council or body;”

Under Section 3:

“(1) The Minister may by regulations declare an organization—

- (a) of which Malaysia and a country or countries other than Malaysia are members;

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- (b) that is constituted by a person or persons representing Malaysia and a person or persons representing a country or countries other than Malaysia; or
- (c) which has an office in Malaysia and which, in the opinion of the Minister, performs functions that would be beneficial to Malaysia, to be an international organization.”

However, foreign missions are not statutorily defined. The dictionary meaning of foreign missions is as follows:

“... a diplomatic or other mission sent by one country to another...”

Hence, diplomatic missions, namely, the embassies and high commissions situated in Malaysia, could be entitled to the service tax refund specified in the guide.

### Qualifying Services For Refund

Service tax paid in connection with the acquisition of the following services is eligible for refund:

| No | Categories            | Items  |
|----|-----------------------|--|
| 1. | Professional services | <ul style="list-style-type: none"> <li>(a) Legal services</li> <li>(b) Accounting services</li> <li>(c) Repair and maintenance of office fittings or equipment</li> <li>(d) Cleaning and maintenance of building</li> <li>(e) Security services</li> </ul> |
| 2. | Other services        | <ul style="list-style-type: none"> <li>(a) Telecommunication services and subscription broadcasting services</li> <li>(b) Repair and maintenance of motor vehicles</li> </ul>  |

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3. (a) Hotel accommodation Minimum amount per invoice RM500
- (b) Food and beverage in restaurants
- (c) Catering
- (d) Event management

### Conditions To Claim Refund

Foreign missions and international organizations wishing to claim service tax refund need to ensure that the following conditions are met:

- Bills/receipts issued for the purchases of taxable services are meant for the official use of foreign missions or international organizations only.
- Bills/receipts for the taxable services are issued by a registered person under the Service Tax Act 2018 to diplomatic missions, consular offices or international organizations.
- Payments made by foreign missions or international organizations using personal charge cards or credit cards for services acquired are not eligible for a refund.

Meanwhile, the timeline to claim refund is as below:

| Duration when services are acquired     | Deadline to submit claims                       |
|---|---|
| From 1 September 2018 to 31 August 2019 | Before 31 December 2019                         |
| From 1 September 2019 onwards           | Submit on a quarterly basis from 1 January 2020 |

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## Procedure For Refund Application

Foreign missions and international organizations that wish to apply for service tax refund may submit the application form attaching two copies of bills and receipts (original and photocopy) to Customs and the Ministry of Foreign Affairs (**MOFA**). Upon receiving the applications, the MOFA will verify the claims made and the applicants can then forward the verified applications to the relevant state customs department.

## Our Comments

This service tax refund has been effected pursuant to the Minister of Finance's direction under Section 34(3)(b) of the Service Tax Act 2018. This initiative is aimed at enhancing the diplomatic relationship between Malaysia and countries that have missions in Malaysia as well as international organizations. Foreign missions and eligible organizations should take advantage of this recent service tax refund, which surely will lower their operational costs in Malaysia.

If you have any queries pertaining to service tax matters, please contact our tax partners, **Datuk D P Naban** or **S Saravana Kumar**, at [tax@lh-ag.com](mailto:tax@lh-ag.com)

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