

A BILL

*i n t i t u l e d*

An Act to amend the Free Zones Act 1990.

[ ]

**ENACTED** by the Parliament of Malaysia as follows:

**Short title and commencement**

1. (1) This Act may be cited as the Free Zones (Amendment) Act 2018.

(2) This Act comes into operation on a date to be appointed by the Minister by notification in the *Gazette*.

**Amendment of section 2**

2. The Free Zones Act 1990 [*Act 438*], which is referred to as the “principal Act” in this Act, is amended in subsection 2(1) by deleting the definitions of “sales tax”, “service” and “service tax”.

**Amendment of section 4**

3. Section 4 of the principal Act is amended—

- (a) in the shoulder note, by deleting the words “**and services**”;
- (b) by deleting the words “and services”;
- (c) by substituting for the words “, manufactured or provided” the words “or manufactured”; and
- (d) by substituting for the words “, excise duty, sales tax or service tax” the words “or excise duty”.

**Amendment of section 6**

4. Section 6 of the principal Act is amended—

- (a) in the shoulder note, by deleting the words “**and services**”;
- (b) in subsection (1), by deleting the words “or services”;  
and
- (c) in subsection (2)—
  - (i) by substituting for the words “, the Excise Act 1976, the Sales Tax Act 1972 and the Service Tax Act 1975” the words “and the Excise Act 1976”; and
  - (ii) by deleting the words “and services”.

**Amendment of section 21**

5. Section 21 of the principal Act is amended by deleting the words “, the Sales Tax Act 1972, the Service Tax Act 1975”.

**Amendment of section 22**

6. Section 22 of the principal Act is amended by deleting the words “, the Sales Tax Act 1972, the Service Tax Act 1975”.

**Amendment of section 23**

7. Subsection 23(1) of the principal Act is amended by deleting the words “, the Sales Tax Act 1972, the Service Tax Act 1975”.

**Amendment of section 26**

8. Subsection 26(1) of the principal Act is amended by deleting the words “, the Sales Tax Act 1972, the Service Tax Act 1975”.

**Amendment of section 28**

9. Subsection 28(1) of the principal Act is amended—

(a) in paragraph (b), by substituting for the words “, the Sales Tax Act 1972, the Service Tax Act 1975, or this Act” the words “or this Act”; and

(b) in paragraph (c), by substituting for the words “, the Sales Tax Act 1972, the Service Tax Act 1975, or this Act” the words “or this Act”.

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EXPLANATORY STATEMENT

This Bill seeks to amend the Free Zones Act 1990 [Act 438] in respect of the reference to the Sales Tax Act 1972 [Act 64] and the Service Tax Act 1975 [Act 151]. This amendment is consequential to the implementation of a new tax system namely sales tax and service tax as proposed under the Sales Tax Bill 2018 and the Service Tax Bill 2018 which will replace the goods and services tax under the Goods and Services Tax Act 2014 [Act 762].

2. *Clause 1* contains the short title of the proposed Act and empowers the Minister to appoint the date of commencement of the proposed Act.

3. *Clause 2* seeks to amend section 2 of Act 438 by deleting the definitions of “sales tax”, “service” and “service tax” in consequence of the proposed amendments in *clauses 3* to *9*.

4. *Clause 3* seeks to amend section 4 of Act 438 to remove matters relating to services, sales tax and service tax in the free zones as these matters have been provided for under the proposed Sales Tax Bill 2018 and Service Tax Bill 2018.

5. *Clause 4* seeks to amend section 6 of Act 438.

*Subclause 4(b)* seeks to amend subsection 6(1) of Act 438 to remove the power of the Minister to exclude any services from the provision of section 4 of Act 438 as this power has been provided for under the proposed Service Tax Bill 2018.

*Subclause 4(c)* seeks to amend subsection 6(2) of Act 438 to remove the application of the Sales Tax Act 1972 and Service Tax Act 1975 to goods and services excluded from the provision of section 4 of Act 438 as these matters have been provided for under the proposed Sales Tax Bill 2018 and Service Tax Bill 2018.

6. *Clauses 5 to 9* seek to amend sections 21, 22, 23, 26 and 28 of Act 438, respectively by deleting the references to the “Sales Tax Act 1972” and the “Service Tax Act 1975”. Currently, sections 21, 22, 23, 26 and 28 of Act 438 provide for the enforcement powers in relation to sales tax and service tax in the free zones under the Sales Tax Act 1972 and the Service Tax Act 1975 which Acts have been repealed by the Goods and Services Tax Act 2014. With the proposed Sales Tax Bill 2018 and Service Tax Bill 2018, the enforcement powers relating to sales tax and service tax in the free zones have been provided for under those proposed Bills, respectively. To avoid the overlap of enforcement powers in the free zones, the references to the “Sales Tax Act 1972” and the “Service Tax Act 1975” are deleted.

#### *FINANCIAL IMPLICATIONS*

This Bill will not involve the Government in any extra financial expenditure.

[PN(U2)3121]