

GST IMPLIMENTATION IN MALAYSIA

Organized by

Johor Port Authority

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Venue : The Zone, Johor Bahru.
By : Azahar Hamzah



Agenda

- * GST Concept**
- * Johor Port Authority and Operators**
- * Input Tax Credit**
- * Transitional Period**
- * Other Related Issues**

GST

Concept

WHY GST?

- Part of the government's tax reform programme to enhance the efficiency and effectiveness of the taxation system
 - ✓ inherent weaknesses in the current sales tax and service tax
 - cascading effect & double taxation
 - compounding/pyramiding effect
 - tax embedded in goods exported
 - transfer pricing
 - ✓ Government is too dependent on income tax and petroleum revenue



WHY GST?

- **A more stable source of revenue compared to income tax**
 - ✓ **less susceptible to economic downturn due to the consumption nature of the tax**
- **GST is a more efficient and effective tax system**
 - ✓ **self policing**
 - ✓ **in-build cross checking features**
 - ✓ **enhance tax compliance**
 - ✓ **less bureaucracy**
- **Hidden/shadow sectors/industries may be encouraged to be in the GST system**
 - ✓ **businesses able to claim back input tax**



GST Concept

* Replace the old SST tax system

~~Sales tax &
Services tax (SST)~~

~~5%, 6%, 10%, & Specific rate~~

 **GST**

- Charge on any taxable supply of goods and services
 - Local(Malaysia)
 - Import

Element GST

**Consumer
taxation**

**Other name
Value Added Tax
(VAT)**

**Any supply
chain**

GST

**Goods and Service
Supply
In Malaysia**

**Added
value**

**Importation of
Goods and Services**

GST Mechanism

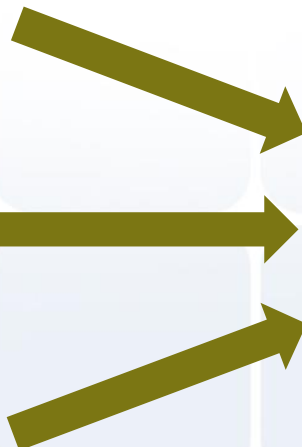
INPUT TAX

Goods , machine ect.

Services (rental,
telecommunication
and insurance)

Utilities (electric
and water)

GST on inputs
= **Input Tax**



Businesses
(Factory and
ect.)

OUTPUT TAX

Any
finished or
unfinished
product



Input Tax - Output Tax

GST on output
= **Output Tax**

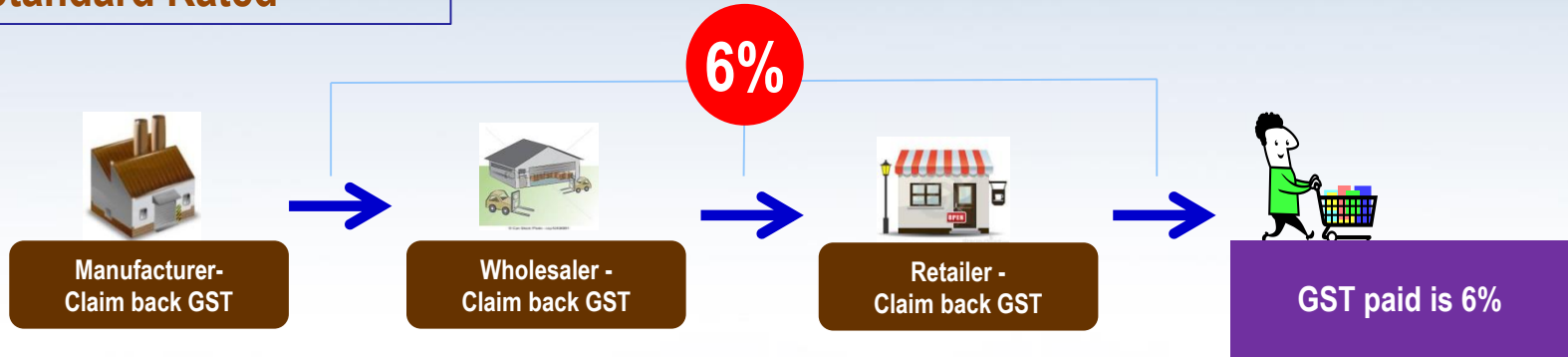
Scope and charge

- **GST is charged on**
 - the **taxable supply** of goods and services
 - made by a **taxable person**
 - in the course or furtherance of **business**
 - in **Malaysia**
- **GST is charged on imported goods**

Type of Supply

TYPES OF SUPPLY	OUTPUT TAX	INPUT TAX
Standard rated	6%	Claimable
Zero rated	0%	Claimable
Exempt	No GST charged	Non claimable

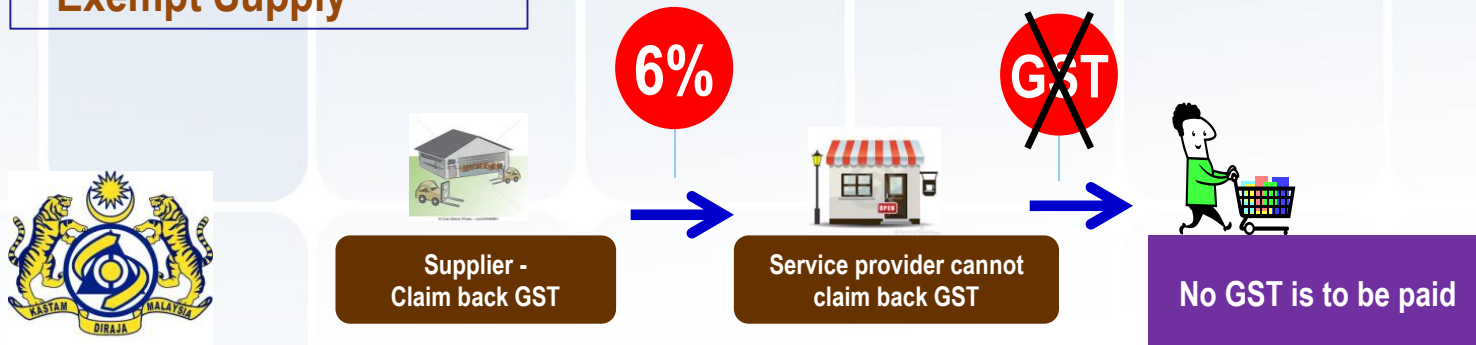
Standard Rated



Zero Rated



Exempt Supply



Meaning of person

- Includes natural and juridical persons for example individual, corporation, Federal Government, State Government, statutory body, local authority, society, trade union, co-operative society, trust, partnership and any other body, organization, association or group of persons, whether corporate or unincorporated

Meaning of taxable person

- A person who is or is required to be registered for GST

	Federal & State Government	Local Authority & Statutory Body
Out of Scope	<p>All supplies by Federal & State government</p>	<p>Supplies made in the regulatory and enforcement (R&E) functions</p> <p><i>eg. Assessment rate collection, issuance of licenses, penalty</i></p>
Subject to GST	<p>Supplies that have been directed by Minister in the GST (Government Taxable Supply) Order</p> <p><i>eg. Supply made by RTM, Prison Department</i></p>	<p>Non R&E functions</p> <p><i>ie. Business activities for example rental facilities and etc.</i></p>
Acquisitions	<ul style="list-style-type: none"> ▪ Need to pay GST on their acquisitions ▪ Relief on selected goods 	<ul style="list-style-type: none"> ▪ Need to pay GST on their acquisitions ▪ Relief on selected goods

Registration for GST

Company
Individual
Association
Partnership

Proprietorship
Local Authority
Statutory Body
Public Authority



CARRYING ON A BUSINESS

TAXABLE SUPPLIES

Standard rated
zero rated



Disposal of capital assets
Imported services
Disregarded supplies (Warehousing Scheme or DA)

> RM 500 k

< RM 500 k

LIABE TO BE REGISTER

May apply exemption for registration if 100% zero rate

NOT LIABLE BUT MAY REGISTER VOLUNTARILY BUT MUST REMAIN FOR AT LEAST 2 YEARS

NON TAXABLE SUPPLIES
Exempt Supplies



Not allowed to register unless have intention to make taxable supply in future (need proof)

Liable to register for GST

- making taxable supplies of goods or services in Malaysia; and
- business taxable turnover has exceeded the prescribed threshold (RM 500,000 per year)

.....*section 20(3)*

Threshold less than RM500,000 per year will stated as a voluntary (section 24)

Registration

- Exemption from registration for those who are making wholly exempt and zero rated supplies

- **Example:**

Sugar refiner, Flour Manufacturer

- ✓ Must apply – GST-Adm3 form
- ✓ If approved, input tax incurred **CANNOT** be claimed
- ✓ Must notify DG of any change in nature of supply within 30 days from the date of change
 - e.g. makes standard rated and zero rated supplies**
 - tapioca flour (6%), plain flour (0%)**

....section 32

GST Treatment on Johor Port Authority (LPJ) & Operators

LPJ and Statuary body

- No relief on acquisition of goods or services.
- Pay GST and Claim ITC.
- Need to register with GST.

Supply of services by LPJ

- No GST on supply under (R & E) Function

Example - Issuing of Permit licenses, Light Dues.

- Supply did not fall under R & E will attract GST

Example - Lease of Land.

- **What is the function of Regulatory and enforcement (R & E)**
 - Refer to any act and enactment
 - eg. Local Government Act 1976
- **Non R & E activities**
 - Leasing, rental
 - Transport services
- **Third parties activities**
 - Privatizations

CRITERIA R & E

- **Established by Parliament Act or State Enactment**
- **Implementation by one agencies.**
- **Not for business or contest**
- **Subject on standard fees, levy, tax or cess**
- **Power to enforce**
- **The imposition of penalties**

- **Example.**

- ✓ **Supply under (R&E)**

- **No GST (Out of scope GST)**

- Business licenses
- Infra maintenances.
- Penalties
- Royalties and fees

- ✓ **Non R&E (Standard Rate)**

- Business activities
- Lease or rental
- Rubbish collection by third parties

- **FCZ is treated as a place located in Malaysia**
- **Operators in FCZ are allowed to register under GST**
- **Records are not required to be submitted monthly but must be made available as and when required by Customs**
- **Auditing by Customs will be done at random based on a risk management system**

GST Treatment and Operators

Place of supply	Goods	Services
Outside Malaysia to FCZ	Not subject to GST except for goods used inside FCZ or for other purpose than for retail/commercial activities approved under FZA 1990	Standard Rated
FCZ to Outside Malaysia	Zero rated	Zero rated
FCZ to PCA	Standard Rated (importation)	Standard Rated
PCA to FCZ	Standard Rated	Standard Rated
Within FCZ	Not subject to GST	Standard Rated

Manufacturer with LMW status sells:

- **To LMW/ FIZ company**
=> subject to GST – local supply
- **To non- LMW/ non-FIZ**
=> subject to GST - the value of the goods is the value of goods imported

FIZ & LMW Concept

Current treatments	GST Treatments
<ul style="list-style-type: none"> ➤ Under Customs and Sales Tax legislation, FIZs and LMWs are deemed to be a placed outside Malaysia 	<ul style="list-style-type: none"> ➤ For GST, it is treated as a place located in Malaysia.
<ul style="list-style-type: none"> ➤ Local sales made by FIZs and LMWs are as if importation into Malaysia 	<ul style="list-style-type: none"> ➤ For GST, is considered as local supplies and subject to normal rules.
<ul style="list-style-type: none"> ➤ For documentary control, LMWs are required to submit monthly records but not for FIZs. 	<ul style="list-style-type: none"> ➤ For GST, FIZs and LMWs who are approved under the special schemes (ATS/ATMS) are required to submit certain records.

FIZ & LMW Concept

Current treatments	GST Treatments
<ul style="list-style-type: none"> ➤ Importations of raw materials and machineries directly used for manufacturing are eligible for customs duties / sales tax exemptions. ➤ Importations or acquisitions of goods indirectly used for manufacturing purposes e.g. stationaries, tires and office equipments are subject to tax. 	<ul style="list-style-type: none"> ➤ GST is suspended on importations of raw materials and machineries directly/indirectly used for manufacturing . ➤ GST on importations of goods or locally acquisitions in the course or furtherance of businesses are subject to GST. GST on inputs are claimable.
<ul style="list-style-type: none"> ➤ Auditing by Customs will be done at random based on risk criteria. 	<ul style="list-style-type: none"> ➤ Auditing by Customs will be done at random based on Risk Management System (RMS)
<ul style="list-style-type: none"> ➤ Records need to kept for 6 years 	<ul style="list-style-type: none"> ➤ Records need to be kept for 7 years

LMW COMPANIES

SEC.65/65A CUSTOMS ACT 1967 –IMPORT/EXPORT/LOCAL SALES PROCEDURES

INPUT
- Raw materials / components
- Machines / equipments

OUTPUT

IMPORT

EXEMPTION;

- Import Duty
- Excise Duty

GST on importations (6%)
✓ suspended under
ATS

Local Supplier
FIZ
LMW
Others

Subject to GST;
• Standard rate

LMW Company

**GST REGISTRANT /
ATS**

GST incurred for making taxable supplies
-Claimable

EXPORT
DA
FCZ (outright
export)

• Zero Rated

LMW / FIZ
/FCZ

Subject to GST
• Standard rate

LOCAL SALES

Subject to
- Import duty
- GST at standard rate

GST Treatments on FIZ & LMW

- **Supplies made by FIZ & LMW:**
 - **export is subject to zero rated**
 - **local sales is subject to GST**
 - **Sales to FIZ and LMW are subject to GST but for customs purposes are treated as export**
- **Procedures for local sales**
 - **goods need declare in Customs Forms and subject to customs duties (if any)**
 - **GST on local sales need to be imposed in the tax invoice issued to the buyers:**
 - ❖ **If sales to FIZ/LMW companies, the value is based on transaction value; or**
 - ❖ **If sales to non-FIZ/ non-LMW, the value is based on value of imported goods which include customs duties(if any)**

- **Others supplies made by FIZ & LMW e,g disposal of assets**
 - **subject to GST**
 - **based on transactions value**
- **Services are subject to GST including imported services**

Definition:

- Freight transportation is a supply of services for the carriage or movement of goods by sea and inland waterways, rail, road or air.
- Goods :
All articles, materials, merchandise, or wares includes livestock, but usually does not include bunkers (fuel for powering the vessel or vehicle), accompanying baggage, vessel or vehicle's equipment and spare parts, mail, and stores.

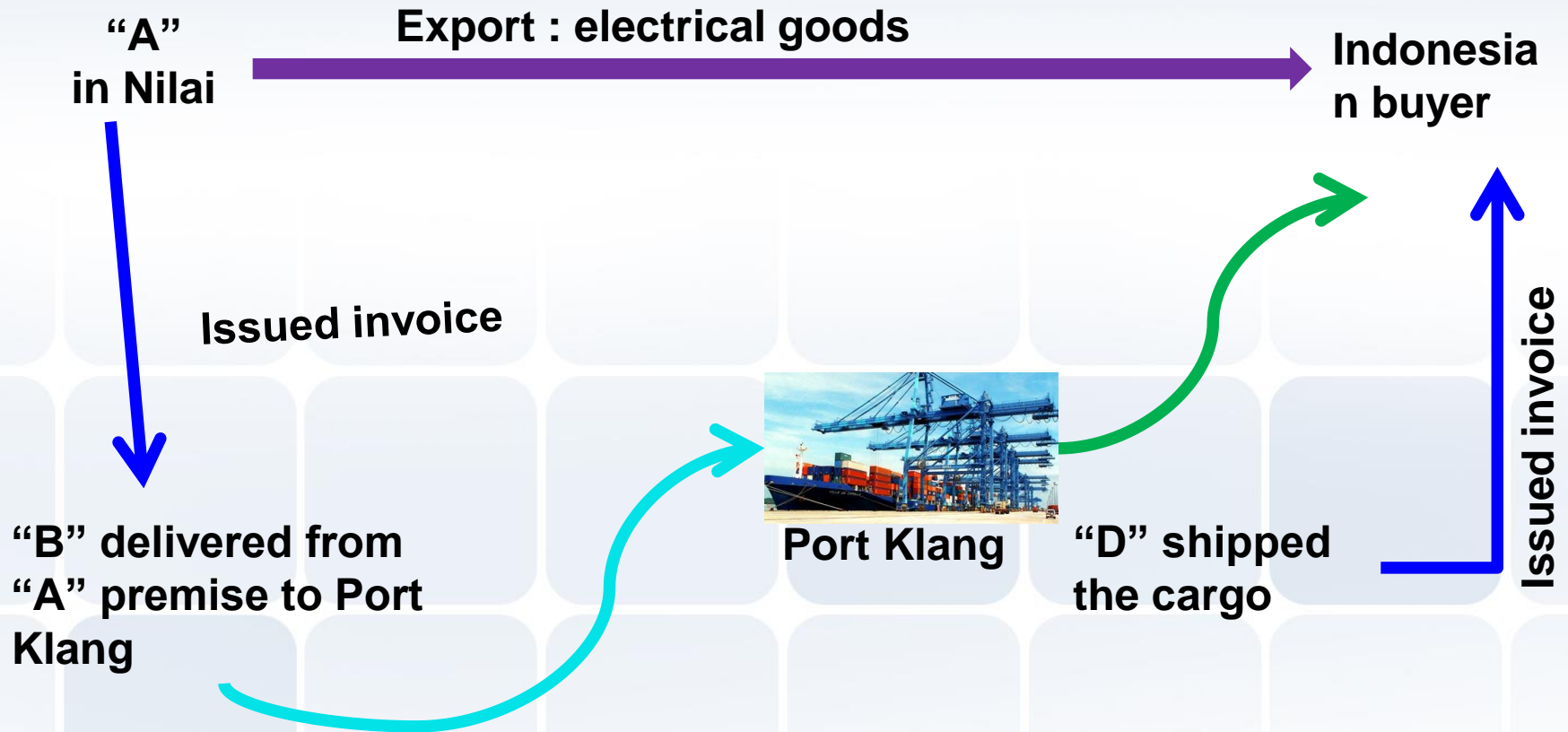
GST Treatment on Operators

SERVICES SUPPLIED	ZERO RATED
FREIGHT TRANSPORTATION	<ul style="list-style-type: none"> i. All International Transportation ii. Local Transportation services which is part of international journey provided that it is Same supplier
ANCILLARY TRANSPORTATION SERVICES	<p>Ancillary transport services to:</p> <ul style="list-style-type: none"> i. any goods in port if it is provided by port operator ii. Imported and exported goods by the same supplier for the international transport services
STORAGE SERVICES	<p>Storage services is zero rate to any goods which is carried or to be carried in a ship in port area if it is supplied by the port operator</p>
SERVICES TO SHIP	<ul style="list-style-type: none"> i. Ship handling services ii. Ship navigation in port area

Freight

- domestic freight subject to GST
- international freight subject to GST at zero rate
- designated areas (Langkawi, Labuan and Tioman)
 - ✓ within DA – not subject to GST
 - ✓ between DA – subject to GST
 - ✓ DA to PCA and vice versa – subject to GST
 - ✓ DA to overseas and vice versa – not subject to GST

GST Treatment – Standard Rate



“B” provides domestic transport services, therefore must charge GST at a standard rate.

ZERO RATE SUPPLIES

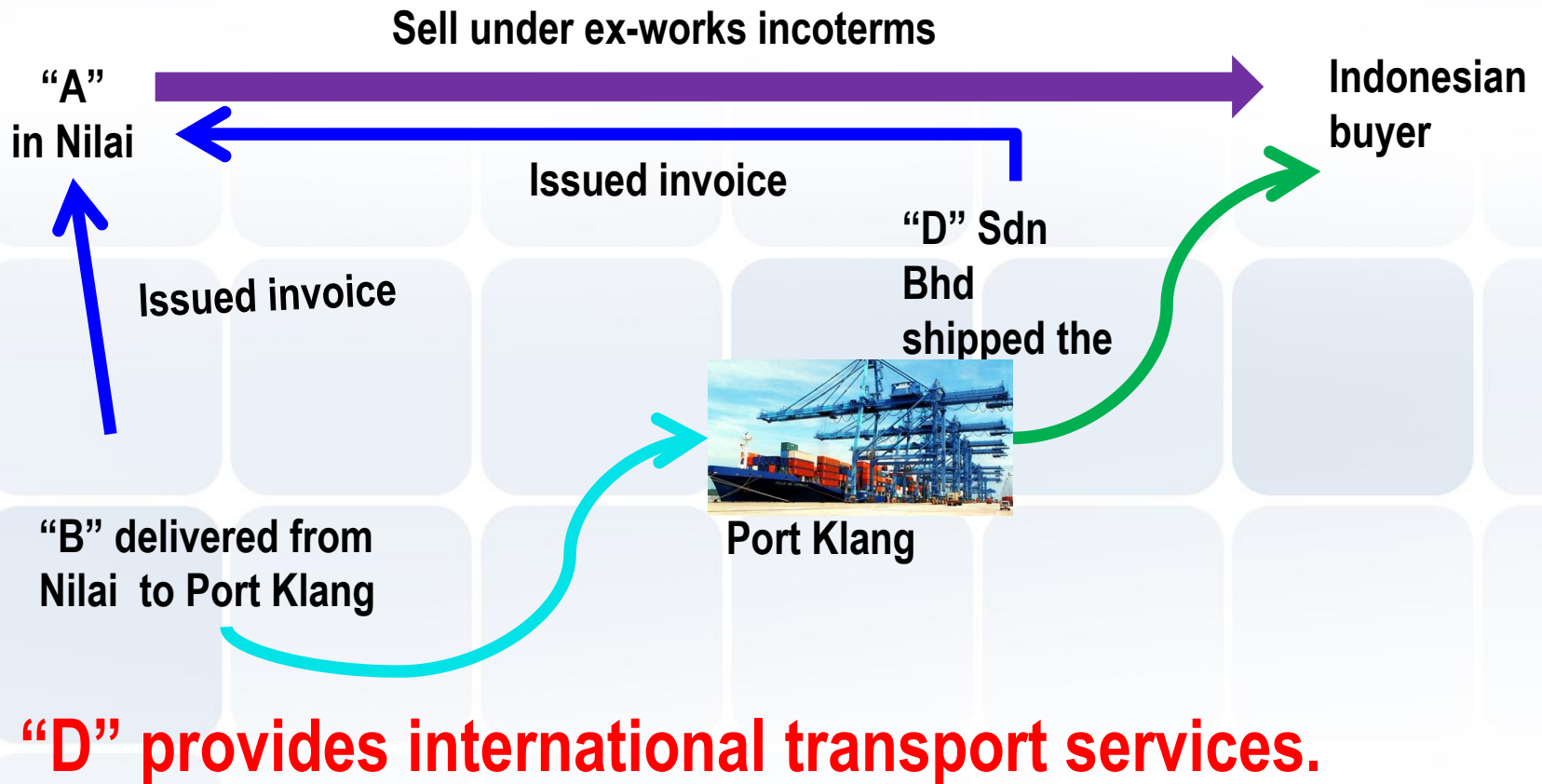
- 1. International freight Transport**
- 2. Local freight transportation if it form part of international transportation and supplied by same supplier**

International Transport

The transport of goods —

- (a) from a place outside Malaysia to another place outside Malaysia;
example: MISC Berhad provides gulf feeder service**
- (b) from a place in Malaysia to a place outside Malaysia;
or**
- (c) from a place outside Malaysia to a place in Malaysia.**

GST Treatment – Zero Rate



- **Shipping Industry**
- **GST Treatment**
 - **Supply of aircraft and Ship**
 - **Navigation Services**
 - **Handling Services**
 - **Repair and maintenance**
 - **Survey and classification**
 - **Ship Store and Bunker Oil**
 - **Intermediaries Services**
 - **Ancillary transport services**
 - **Other services in port/airport**

Ship

- Marine department - issues license and certificate for ship
- Domestic Shipping License (DSL) – for ship engaged in domestic shipping between any port in Malaysia.
 - DSL is not required for routes between
 - ❖ Penang – Port Klang – Tanjung Pelepas
 - ❖ Sapangar Bay Container Port, Kuching Port, Bintulu Port, Port Klang and Port of Tanjung Pelepas.

Ship

- **Def: MSO 1952 – every description of vessel used in navigation not propelled by oars**
- **For GST purpose : it must be used for business purpose.**

Includes

- Barge
- Ferry including crews boats
- Trawler
- Tugboat
- Dredger
- Cable layer
- RORO Vessel
- Tanker
- Liner including passenger liner
- Conventional cargo vessel

Excludes

- off-shore oil or gas installations that are floating structures e.g. FPSO vessels (Floating Production, Storage and Offloading)
- vessels that are permanently moored as attractions e.g. floating ship museum
- vessels which are designed or adapted for recreation or pleasure e.g. powerboats or yachts but excluding passenger liners
- boats or barges propelled by oars e.g. lifeboats, decorative traditional boats
- tin mine dredgers

Port

- **Types of ports**

- **Federal Ports – established as Federal Statutory bodies**

 - (6 ports)

- **State Ports – established under State Statutory bodies**
(12 ports)

- **Minor Ports –**

 - ✓ **Marine Department (33 ports)**

 - ✓ **Fishing Ports – LKIM (26 ports)**

 - ✓ **Private ports/jetties (19 ports)**

Port

- For GST purpose – Designated ports

Federal Ports	State Ports
1. Penang Port	1. Miri Port
2. Port Klang	2. Kuching Port
<ul style="list-style-type: none"> ➤ North Port & South Port 	3. Rajang Port
<ul style="list-style-type: none"> ➤ West Port 	4. Kota Kinabalu
3. Johor Port	5. Tawau Port
<ul style="list-style-type: none"> ➤ Pasir Gudang 	6. Lahad Datu Port
<ul style="list-style-type: none"> ➤ Tanjung Pelepas Port 	7. Sandakan Port
4. Kemaman Port	
5. Kuantan Port	
6. Bintulu Port	

SUPPLY OF A SHIP

- **General rule:**
 - **Supply of a ship in Malaysia whether:**
 - **Sale of a whole ship**
 - **Building/construction of the ship**
 - **Importation**
 - ➔ **is a standard rated supply**
- **Exception:**
 - **Supply of a ship in Designated Area (DA) i.e. Langkawi, Tioman & Labuan is disregard.**
 - **Supply of a ship/aircraft for export is Zero Rate.**

CHARTER OF A SHIP

- Refer situation where the charterer takes possession and has the exclusive use of the craft.
 - In shipping - bareboat charter
 - In airline - dry charter
- **General rule:**
 - **Charter of a ship to be used in Malaysia – Standard Rate**
- **Exception:**
 - **Charter or hiring of a ship/aircraft used wholly outside Malaysia is zero rated supply**

- **Navigation service – the services of navigating the ship in port**

Ships

- **pilotage**
- **tugboat**
- **towage**

Navigation Services in designated port/airport is Zero rate supply

Senario 1:

- A yacht arrived at Port Klang Marina, and requested a tugboat operator to assist it for berthing. The service provide by the tugboat operator is a standard rated supply.
 - Port Klang Marina - is not designated Port
 - Yacht – is not a qualifying



NAVIGATION SERVICES

Scenario 2:

- **MV Logos Hope arrived in Kuching Port. Upon arrival, the port provide pilotage services.**
- **The supply of pilotage services can be zero rated because MV Logos Hope is doing a business**



SHIP HANDLING SERVICES

- **Handling services – services given to the ship in the port**
- **Services supplied either by port operator or 3rd party.**
- **General rule:**
 - **Ship handling services – Standard Rate**
- **Exception:**
 - **Supply of *handling services* in a designated ports for qualifying ship/aircraft is Zero Rate.**

Ships

- port and harbour dues
- dock and berth charges
- conservancy charges (including provision of local lights, buoys and beacons)
- dock charges
- mooring charges

REPAIR AND MAINTENANCE SERVICES

- **Repair and maintenance services includes parts incorporated**
- **General rule:**
 - **Supply of repair and maintenance services – Standard Rate**
- **Exception:**
 - **Supply of repair and maintenance services for qualifying ship is Zero Rate.**

Ships

- **fixing a ship for any damage**
- **Installation services**
- **testing of parts and components**
- **cleaning, and**
- **fumigation**

SURVEY AND CLASSIFICATION SERVICES

- **Services provides to ensure the ship is according the requirement set by the authorities**
- **Classification – normally before registering (Weight, usage, design etc.)**
- **Survey – done every time before ship sail**
 - done before recertification of equipment
- **Ship – by classification bodies – 12 bodies**
- **General rule:**
 - **Survey and Classification services – Standard Rate**
- **Exception:**
 - **Supply of Survey and Classification services in DA is disregarded.**
 - **Supply of Survey and Classification services for qualifying ship is Zero Rate.**

SHIP STORES AND BUNKER OIL

Ship stores includes fuel and lubricant but exclude goods brought on board by the crew or passengers as their personal belongings or for private use

General rule:

- **Supply of stores – Standard Rate**

Exception:

- **Supply of stores for international journey is zero rate and must supply directly onto the ship/aircraft**

SHIP INTERMEDIARY SERVICES

- **Intermediary includes agent, broker and management company**
- **General rule:**
 - **The supply of intermediary services are standard rated.**
- **Exception:**
 - **Supply of ship intermediary services to a qualifying ship is zero rated.**

Management Services

1. liaisons with parties involved in the import/export of cargo, and other ancillary activities to ensure the smooth movement of cargo
2. supervision of the maintenance, survey and repair
3. engagement and replacement of crew
4. receiving on behalf of owner all hire and freight monies
5. arranging for loading and discharging of cargo
6. providing for victualling (supply of food) and stores
7. negotiating fuel and lubricants contract
8. payment on behalf of owner of all expenses
9. dealing with insurance, salvage and other claims
10. provision of technical services,
11. arrangement of salvage and towage of vessel
12. arrangement and supervision of the operations

- **Ancillary Transport Services**
- **Storage Services**

ANCILLARY TRANSPORT SERVICES

- **Ancillary transport services are services that are necessary to support transport services includes loading, unloading and handling/clearance**
- **General Rules:**
 - **Ancillary transport services - standard rate**
- **Exception:**
 - **Ancillary transport services is zero rate to:**
 - i. **any goods in designated port/airport operator**
 - ii. **Imported and exported goods by the same supplier for the international transport services**

STORAGE SERVICES

- **General Rules:**

- **Storage services - standard rate**

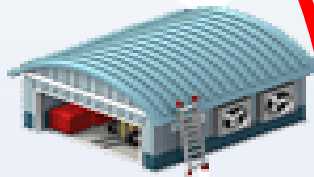
- **Exception:**

- **Storage services is zero rate to any goods which is carried or to be carried in a ship in designated port/airport area .**

STORAGE SERVICES

- **Scenario:**
- **A cargo was unloaded in Port Klang and store in port operator warehouse for a couple of days. Than it was transferred to forwarder warehouse outside the port area (using K8) before it was cleared from customs control.**
- **Storage services in Port area – zero rate**
- **Storage services outside port area – standard rate**

Designated Port area



Zero rate:

- i. Cargo handling services including loading, unloading and clearance**
- ii. Storage services**

Transport of goods to a warehouse outside port area using K8.



FF Warehouse Storage service is standard rated.

Other Services in Port

- **Standard Rated Supply**
- **Example:**
 - **Rental of space**
 - **Advertising**
 - **Security Services**
 - **Retail sales**
 - **Restaurant**
 - **Etc.**

Designated Area

Supply	GST Treatment
PCA to DA: Goods Services	*Zero-rated Standard rated
DA to PCA: Goods Services	Standard rated Standard rated

* Except for petroleum and other goods as prescribed by the Minister of Finance

GST Input Tax Credit

Mechanism to Claim Input Tax

- entitle to deduct input tax from output tax (S38(1))
- claim for input tax to be made in GST return (Regulations)
- A refund will be made if the amount of input tax is more than the amount of output tax (S38(3))
- claim to be made within 6 years after the **date of the supply or importation** (S38(6) and Regulations)

Input Tax Mechanism

- Tax paid on inputs to be offset against the output tax in the relevant taxable period
- Subject to a time limit of 6 years from the date of return required to be made
- Apportionment rule to apply for a mixed supply
- Refund to be offset against other unpaid GST, customs and excise duties
- **Net tax to be refunded within**
 - ✓ 14 working days for on-line submission
 - ✓ 28 working days for manual submission

Input Tax Credit

Prerequisite for ITC:

- **Claimant must be a taxable person**
- **Must have a valid tax invoice**
 - **full tax invoice**
 - **simplified tax invoice - claim the input tax up to a limit of RM30.00 if name and address of recipient is not stated in invoice (GST at 6%)**
 - **invoice issued by approved person under Flat Rate Scheme**
 - **Customs No 1 /Customs 9 (imported goods)**
 - **document to show claimant pays imported services**
- **Invoice issued under the name of the claimant**
- **Goods and services acquired are not subject to any input tax restriction e.g., motorcars**
- **Good and services are acquired for the purpose of making taxable supply**

Allowable Input Tax

■ Taxable supplies

- **standard rated or zero rated supplies**
- **disregarded supplies (supplies within group, supplies made in warehouse, supplies between venture operator and venturers and supplies between toll manufacturer and overseas principal)**
- **Supplies made outside Malaysia which would be taxable supplies if made in Malaysia**
- **Any other prescribed supply (Fixed Input Tax Recovery)**

Non Allowable Input Tax

Blocked input tax

- ✓ passenger motor cars including hiring of car
- ✓ family benefits
- ✓ club subscription fee
- ✓ medical and personal accident insurance
- ✓ medical expenses
- ✓ entertainment expenses for family members and potential clients



Blocked Input Tax

Passenger motor car

- adapted for carrying not more than 9 passengers including the driver
- unladen weight of which does not exceed 3000kg

Exclusion

- ✓ public service or tourism motor cars
- ✓ hire and drive cars or cars for sale by second hand dealers
- ✓ cars used for driving instructional purposes
- ✓ cars forming part of stock in trade
- ✓ cars used exclusively for business purposes approved by Director General



Transitional Period

Registration

- Registration exercise begins 6 months before **1.4.2015**
- However, liable persons must apply no later than 3 months before GST implementation
- Registration may be done electronically or manually – Form GST-01.
- Failure to do so for the liable parties shall be an offence

Supplies Spanning GST

Meaning of supply spanning GST

- payment or invoice before AD and supply takes place on and after AD e.g. sales of goods, airline tickets and cinema

General Rule

- any supply before 1.4.2015 not subject to GST
- any supply on or after 1.4.2015 subject to GST

Exception to the general rule

- supply of warranty
- provision of services where service tax has been charged
- provision of goods where sales tax has been charged
- non reviewable contracts

Supplies Spanning GST

BEFORE GST	ON OR AFTER GST	IMPLICATION ON GST
Goods or services supplied	Invoice issued or payment received	Not subject to GST
Invoice issued or payment received	Goods or services supplied	Value of supply deemed inclusive of GST and account in the 1st taxable period after the appointed date

Construction agreements

- **determine value of goods or services incorporated into construction sites as at appointed date**
 - ✓ **goods or services supplied in accordance with written agreement**
 - ✓ **goods or services supplied to recipient on or after appointed date**
 - ✓ **certificate signed by authorised person**
- **charge GST on value that exceeds value as determined at appointed date**

Non Reviewable Contract

Non reviewable contract

- written contract with no provision to review consideration for the supply until a **review opportunity** arises

AND

- made no less than 24 months before 1.4.2015

Non Reviewable Contract

Meaning of review opportunity

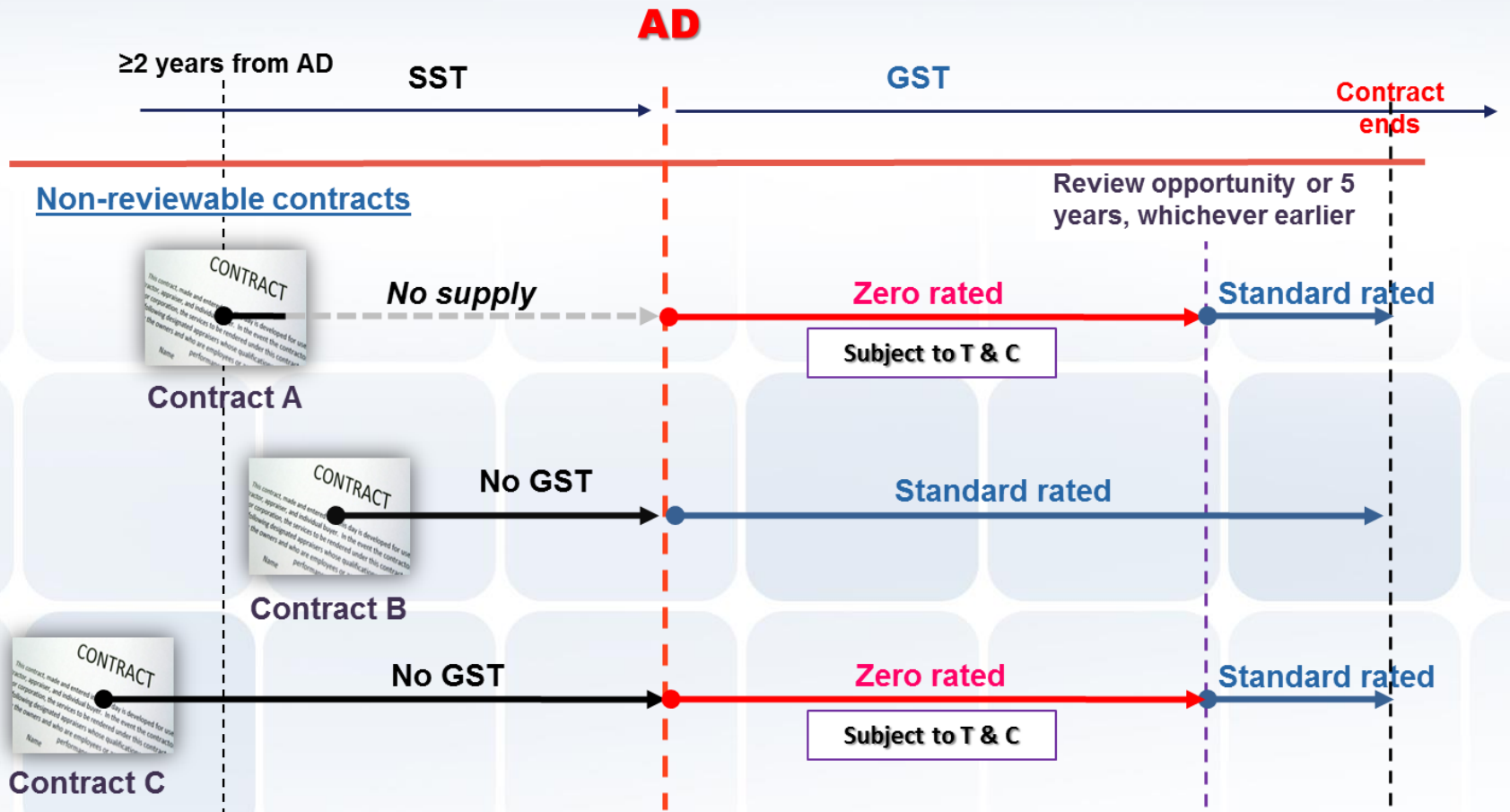
- Opportunity for supplier either by himself or with agreement to
 -
 - ✓ change the consideration because of the imposition of GST
 - ✓ conduct a review after AD , renegotiation or alteration of consideration, or
 - ✓ conduct a review before AD, renegotiation or alteration of the consideration

Non Reviewable Contract

- **Zero rate supply for 5 years from 1.4.2015 or when a review opportunity arises whichever is the earlier if**
 - ✓ **both supplier and recipient are registered persons;**
 - ✓ **supply is a taxable supply; and**
 - ✓ **the recipient of the supply is entitled to claim input tax on that supply**

- **After 5 years period, revert to either standard rate or zero rate**

Non-reviewable Contract



Special Refund

	Full Refund of ST	20% refund of ST
Who is entitled	Registered Person (mandatory)	
When to claim	Within 6 months starting 1 st April 2015	
Type of goods	1. Taxable goods under ST 2. Goods for making taxable supply under GST	
Availability of goods	Hold goods on 1 st April 2015	
Calculation	Actual price X ST rate	Actual price X 20% X ST rate
ST liability on goods	Has paid sale tax Has paid to ST Licensee	Has made payment to supplier
Documentary proof	Import declaration, sale tax invoice, proof of payment	Invoice, proof of payment
Audit requirement	Refund < RM 10K – audit certificate by chartered accountant Refund ≥ RM 10K – certified by approved company auditor	

Special Refund

Reduce special refund to 20%

(20% method)

- **purchase goods from non licensed manufacturers**
- **goods are subject to sales tax**
- **holds invoices which does not show sales tax has been charged**
- **claimant is a registered (mandatory) person**
- **hold goods on appointed date for making taxable goods**

Special Refund

20% method

- reduce the actual purchase price by 80% for goods held on hand on appointed date

Special refund = actual price x 20% x sales tax rate

Example:

Purchased RM15,000 of raw materials but holds RM10,000 on appointed date

$$\begin{aligned}\text{Special refund} &= \text{RM10,000} \times 20\% \times 10\% \\ &= \text{RM200}\end{aligned}$$

Special Refund

Goods not eligible for special refund

- capital goods e.g. building and land
- goods used partially or incorporated into other goods e.g. raw materials, work in progress
- goods for hire e.g. cars, generators
- goods not for business e.g. personal use
- goods not for sale or exchange e.g. containers, pellets, stationeries, moulds, manufacturing aids
- goods entitled to drawback
- goods allowed sales tax deduction under Section 31A STA 1972 (credit system)

Manner to claim special refund

- claim within 6 months from appointed date
- for special refund < RM10,000 require audit certificate signed by a chartered accountant
- for special refund \geq RM10,000 require audit certificate signed by an approved company auditor
- use special form to claim refund (online only)
- to be given in eight (8) equal instalments over a period of two (2) years
- to account as output tax if special refund is claimed and goods are returned

Other Related Issues

EMPLOYEE BENEFITS

- **Employees benefits include any right, privilege, service or facility provided free of charge to employees as stated in the contract of employment**
 - ✓ **not subject to GST and input tax is claimable**
- **If not stated in the contract of employment**
 - ✓ **all goods provided free to the employees is subject to GST (subject to gift rule of RM500) except those exempted, blocked input tax and zero rated goods**
 - ✓ **input tax claimable**
 - ✓ **output tax on gifts > RM500**
 - ✓ **value to be based on open market value**
- **Services supplied free**
 - ✓ **no GST**

Employee Benefits

- **Example :**

Company A purchased 15 hampers for his employees worth RM200/hamper.

=> every employee will get one hamper FOC

=> no need to account for output tax

=> Input tax on 15 hampers = RM180.00 (6% x RM3,000.00) is claimable

GST Treatment on Imported Services

- means “services that are made by a supplier who belongs in a country other than Malaysia or who carries on business outside Malaysia to a recipient who belongs to Malaysia and such services are consumed in Malaysia.”
- **Subject to GST**
- **Reverse charge mechanism**
 - ✓ The recipient has to account for GST as if he provide and receiving the services by and to himself as a taxable supplies
 - ✓ Requirement to account GST as his output tax.
 - ✓ Claim input tax if used for making taxable supply

✓ **Recipient is a taxable person**

- **declare both input tax and output tax in in his GST return**
- **pay the tax not later than the last day of the month following after the end of his taxable period where the payment for the supply of imported services is made to the supplier**

- **Recipient is not a taxable person,**
 - ❖ **account the GST as output tax**
 - ❖ **declare the tax in a prescribed form (Form GST-05).**
 - ❖ **Tax to be paid not later than the last day of the subsequent month from the month in which the payment of supply is made**

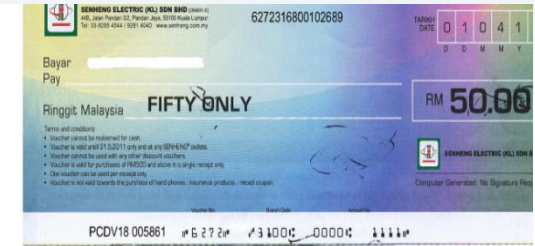
Raw materials on loan

- it is a supply
 - ✓ subject to GST

Equipments on loan

- it is a supply
 - ✓ subject to GST

- **GST on the value after discount includes :**
 - ✓ **Cash discount**
 - ✓ **Prompt payment discount**
 - ✓ **Volume discount, etc**
- **Normally given in percentage or value**
- **Given when using discount card/coupon at the time of sale or after sale**
- **Sales to connected person based on open market value and not on discounted price**



TRADE IN GOODS

- Consideration for the supply of goods is made partly in kind (trade-in goods) and partly in money
- GST has to be accounted based on the aggregate
 - ✓ the open market value of goods in kind
 - ✓ the amount of consideration in money

Example :

Selling price of product A (by registrant)		RM3,180
Value		
- open market value of goods in kind	RM2,000	
- in money		RM1,180
Total Value		RM 3,180
GST @ 6% = (6/106 x RM3,180)		RM180

OTHER TRANSACTIONS

- **Gifts**
- **Samples**
- **Warranty**
- **Disposal of assets**
- **Goods lost/destroyed**

GIFTS AND SAMPLES

Gift

- Gift of goods not more than RM500 made in the course or furtherance of business to the same person in the same year :
 - ✓ not subject to GST

Samples

- Imported trade sample given relief under GST Relief Order
- Trade samples given for promotion not subject to GST on conditions
 - ✓ packed differently and labelled 'sample' or 'not for sale'
 - ✓ samples not packed differently is subject to business gift rules of RM500

- **Manufacturer's warranty normally includes:**
 - ✓ **after-sale services and repairs**
 - ✓ **any replacement of spare-parts free of charge during the warranty period**
- => not subject to GST**

Disposal of Assets

- **Sale of capital assets, other than TOGC**
 - ✓ **subject to GST**
- **Sale of assets as TOGC**
 - ✓ **not subject to GST (not a supply)**
- **Given free**
 - ✓ **the value will be the open market value**
 - ✓ **subject to GST (>RM500)**
- **Sell as scrap**
 - ✓ **the value will be the sale value of scrap**
 - ✓ **subject to GST**

Goods Lost / Destroyed

- Imported goods lost while under customs control
 - ✓ subject to GST
 - ✓ may apply for remission from the DG

- Goods lost while not under customs control
 - ✓ if the incident happened before sales took place and proven with supporting document (such as police report, insurance claim etc)
 - **no GST**
 - ✓ if unable to prove with relevant documents, Customs has the power to assess and collect GST

- Goods lost during delivery
 - ✓ if supply has not taken place - **no GST**
 - ✓ if supply has taken place (goods made available) - **subject to GST**

End of Presentation

Q & A

Thank YOU