



# ROYAL MALAYSIAN CUSTOMS

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## GOODS AND SERVICES TAX

### **GUIDE ON EXPORT**

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## **INTRODUCTION**

1. The guide on export is prepared to assist all exporters in understanding the Goods and Services Tax (GST) and its implications on exportation of goods.

### **Overview of Goods and Services Tax (GST)**

2. Goods and Services Tax (GST) is a multi-stage tax on domestic consumption. GST is charged on all taxable supplies of goods and services in Malaysia except those specifically exempted. GST is also charged on importation of goods and services into Malaysia.

3. Payment of tax is made in stages by the intermediaries in the production and distribution process. Although the tax would be paid throughout the production and distribution chain, only the value added at each stage is taxed thus avoiding double taxation.

4. In Malaysia, a person who is registered under the Goods and Services Tax Act 20XX is known as a “registered person”. A registered person is required to charge GST (output tax) on his taxable supply of goods and services made to his customers. He is allowed to claim back any GST incurred on his purchases (input tax) which are inputs to his business. Therefore, the tax itself is not a cost to the intermediaries and does not appear as an expense item in their financial statements.

### **EXPORTATION OF GOODS AND SERVICES**

5. All goods exported from Malaysia are zero-rated that is GST charged at 0%. This means that an exporter does not collect GST on his exports but he is able to claim GST incurred in his acquisitions as his input tax if he is a taxable person. The exporter may recover the GST incurred by crediting the amount allowable against his output tax chargeable on his taxable supplies.

6. An exporter can zero rate his supply of goods at the time when the goods are exported. Goods are considered to be exported when:--

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- (a) they have been cleared by the proper officer of customs at the last customs station on their route out of Malaysia;
- (b) they have been loaded on to a vessel or an aircraft which is about to depart from a port or place in Malaysia; or
- (c) they have been cleared by the proper officer of customs at an inland clearance depot or station on their route out of Malaysia through a customs port or airport.

7. The exporter must possess valid documents to proof that the goods have been exported (please refer to paragraph on Frequently Asked Questions).

8. Generally all exported services are zero-rated provided the conditions as specified under the Goods and Services Tax (Zero Rate Supplies) Order 20XX are complied with. These services are also generally referred to as international services. Example of such services are services rendered:-

- (a) under a contract with a person who belongs in a country other than Malaysia; and
- (b) which directly benefit a person who belongs in a country other than Malaysia and who is outside Malaysia at the time the services are performed;

For further information please refer to *GST General Guide*.

## TERMINOLOGY

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9. It is important to understand the meaning of some of the terms used in this guide. The following terms are defined under section 2 of Customs Act 1967:-

- (a) “**Export**” with its grammatical variations and cognate expressions means to take or cause to be taken out of Malaysia by land, sea or air or to place any goods in vessel, conveyance or aircraft for the purpose such goods being taken out of Malaysia by land, sea or air.

- (b) “**Exporter**” includes any person by whom any goods (including goods transferred from an importing aircraft or ship) are exported from Malaysia or supplied for use as aircraft’s or ship’s stores, and also the owner, or any person acting on his behalf, and any person who for customs purposes signs any document relating to goods exported or intended for exportation or supplied or intended for supply as aircraft’s or ship’s stores as aforesaid.
- (c) “**Owner**” in respect of goods includes any person (other than an officer of customs acting in his official capacity) being or holding himself out to be the owner, importer, exporter, consignee, agent or person in possession of, or beneficially interested in, or having any control of, or power of disposition over, the goods.

## **PLACE AND TIME OF EXPORTATION**

10. An exportation of goods shall be made at the customs ports and legal landing places or at the place permitted by the proper officer of customs irrespective of whether they depart by sea, air or land.

11. Exported goods need to be declared in the respective export declaration forms. They can only be released from customs control after the customs duty, if any, has been paid in full except as otherwise allowed under the Customs Act 1967.

12. Every exporter or owner of the goods shall make personally or by his agent to the proper officer of customs, a declaration, substantially in the prescribed form of the goods to be exported immediately before export at the exit point.

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## **LIABILITY OF GST ON EXPORTED GOODS**

13. An exporter or owner of the exported goods is liable to pay customs duty, if any, at the time of exportation. However, for the purpose of GST, the exporter can zero-rate the supply of goods when he exports such goods.

## CLASSIFICATION AND VALUATION OF EXPORTED GOODS

14. Under the GST law, there is no implication of GST on classification and valuation of exported goods since all goods exported are zero rated. However you should comply with the classification and valuation requirements under the Customs Act 1967.

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## TEMPORARY EXPORT

15. Generally, goods exported temporarily are zero-rated. However, a relief may be given under item **XX** of Goods and Services Tax (Relief) Order 20XX on certain goods exported temporarily for certain purposes such as exhibition, propaganda, repairs etc.

16. Goods that qualify as temporary exports may also be exported under A.T.A. Carnet issued by Malaysia International Chamber of Commerce and Industry (MICCI). Under this facility, GST and customs duties will not be collected.

17. Goods approved for temporary exports need to be imported within 3 months. If the goods are not imported within the time limit, any tax or/and customs duty will be collected in full as the goods is no longer entitled for the relief.

## FREQUENTLY ASKED QUESTIONS

**Q1: If my company does not belong in Malaysia, can my company appoint an agent in Malaysia to supply and export my products on my behalf?**

A1: Yes, as a company that does not belong in Malaysia you can appoint an agent in Malaysia, to supply and export goods on your behalf. If the goods are supplied by the agent on your behalf and the value of total supply exceeds the prescribed threshold, the supply shall be deemed to be made by your agent. Therefore, your agent is liable to account for GST on the supplies that he made on your behalf and he also can zero rate the goods when he exports them. The deemed supply that your agent made must not include any supply that he made in his own name.

**Q2: As an agent who act for a non-taxable overseas principal, do I have to declare exportation of goods on behalf of my overseas principal under my own name?**

A2: Yes, because such exportation is deemed to be your own export.

**Q3: What is the treatment for goods temporarily exported for repair and subsequently re-imported?**

A3: Goods exported temporarily for repair and subsequently re-imported will be given relief under the Goods and Services Tax (Relief) Order 20XX. However, any replacement of parts and components added are subject to GST at the time of importation.

**Q4: My local customer ordered some goods from me but he requested me to send the said goods to his overseas customer. Do I have to charge GST when I invoice my local customer?**

A4: If you export the goods yourself in your own name, you can zero rate that supply even though you bill your local customer. However you should maintain the necessary documents to enable your supply to be zero-rated.

**Q5 I made a sale of goods to an overseas client. Upon his request, the goods were delivered to a local forwarding agent, who arranges them to be exported to my overseas client. Do I have to charge GST to my overseas client?**

A5: No GST is charged to your overseas client, if the export is done in your own name since the supply of goods can be zero-rated by you. However, you have to keep the proof of export such as export declaration form, bills of lading/airway bills, packing lists/delivery notes and other documents related to the export.

**Q6: My local customer claimed that the goods he has purchased from me will be exported and requested me to zero-rate the goods. Can I zero-rate my supply to him?**

A6: No, you have to charge the GST since the supply is a local supply. Your customer can zero-rate the goods when he exports such goods.

**Q7: If I am a toll manufacturer under Approved Toll Manufacturer Scheme (ATMS), what is the GST treatment on treated or processed goods that I export to my overseas principal?**

A7: Since the goods belongs to your overseas principal there is no supply made by you. However, you have acted as an agent on behalf of your overseas principal. Thus, you are deemed to have made the supply and entitled to zero-rate such supply that you export.

**Q8: Is GST imposed on raw materials and components used in the manufacture of goods that are meant for export?**

A8: Yes, GST is chargeable on raw materials and components acquired by you from any GST-registered suppliers. If you choose to import the raw materials and components, GST is payable at the time of importation. However, if you are a GST registered person, you are able to claim all input tax incurred by you for making taxable supply. The goods subsequently exported by you will be zero-rated.

**Q9: What is the GST implication on machinery that I leased out to an overseas company?**

A9: When you send the machinery to your lessee abroad, you should treat the goods as your export and zero-rate the supply. When the goods are subsequently brought back into Malaysia from your overseas lessee, GST is payable on the machinery at the time of importation. Importation value is determined by the rule of valuation as prescribed under the Customs (Rules of Valuation) Regulations 1999. If you are a registered person, you can claim the GST paid on the machinery as your input tax credits.

For further details, please refer to *Guide on Import* and *Guide on Hire Purchase and Leasing*.

**Q10: What types of export document to be kept?**

A10: All documents related to exportation must be kept for a period of seven years. Any failure to do so is an offence under GST Act 20XX. Documents that have to be kept are as follows:

- (a) Export declaration (K2)

- (b) Sales invoices
- (c) Bill of lading
- (d) Shipping note
- (e) Insurance note
- (f) Payment document, such as documentary credit, debit advice, bank statement, etc.
- (g) Debit and Credit note
- (h) Tally sheet from Port Authority
- (i) Short ship/short landed certificate
- (j) Other documents related to export.

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## FEEDBACK OR COMMENTS

18. Any feedback or comments will be greatly appreciated. Please email your feedback or comments to either Mohd Hisham B. Mohd Nor ([m\\_hisham.nor@customs.gov.my](mailto:m_hisham.nor@customs.gov.my)) or Aminul Izmeer B. Mohd Sohaimi ([izmeer.msohaimi@customs.gov.my](mailto:izmeer.msohaimi@customs.gov.my)).

## FURTHER INFORMATION

19. Further information can be obtained from:

- (a) GST Website : [www.gst.customs.gov.my](http://www.gst.customs.gov.my)  
GST Telephone : 03-88822111
- (b) Customs Call Centre :
  - Tel : 03- 7806 7200/ 1-300-888-500
  - Fax : 03- 7806 7599
  - E-mail : [ccc@customs.gov.my](mailto:ccc@customs.gov.my)

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