



ROYAL MALAYSIAN CUSTOMS

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GOODS AND SERVICES TAX

GUIDE ON WAREHOUSING SCHEME

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INTRODUCTION

1. This industry guide is prepared to assist businesses in understanding matters with regards to GST treatment on Warehousing Scheme.

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.

GENERAL OPERATIONS OF THE INDUSTRY

Warehousing Scheme

5. A bonded warehouse is a designated area, approved by the Royal Malaysian Customs (RMC) under Section 65 of the Customs Act 1967, for storing dutiable goods. However, since 1981, its function has been enhanced for other activities such as break bulking and trading to facilitate commercial activities as well as to make it a distribution hub within the ASEAN region. Its creation also help to reduce port congestion and for convenience of the importers.

6. There are several categories of warehouse under the Customs Act, subject to approval, such as public warehouse, private warehouse, PEKEMA (Association of Malay Importers and Traders of Motor Vehicles of Malaysia) warehouse and public agent warehouse. Each category has different criteria and different type of goods to be kept but all of them need to be licensed under Section 65 of the same act.

7. The following value-added activities can be performed on stored goods in all licensed warehouses except PEKEMA warehouse:

- (a) warehousing dutiable goods;
- (b) break bulking - where goods are released from a warehouse in smaller quantities;
- (c) repacking - where homogeneous goods being packed in smaller or larger quantities, or packing of various types of goods into a set;
- (d) relabelling – where goods are being relabelled, for example with importers or distributors name before distributing them locally;
- (e) devenning - where goods are allowed to be sold directly to a buyer in a warehouse either duties and/or tax on the goods have been paid or not;
- (f) consolidation - where goods (dutiable and locally sourced) are consolidated for export;
- (g) entreport trade - where imported goods are to be re- exported;
- (h) Internal transport (e.g. forklift) and handling charges.

8. In general, under the GST system, goods are subject to GST upon importation. The payment of GST by importers at the point of importation would cause difficulties in terms of cash flow as they have to pay the tax upfront. Thus, a special scheme known as a **warehousing scheme** is introduced to assist them to alleviate cash flow problems. Generally, GST on all goods imported and deposited in a public warehouse is suspended.

9. This scheme is provided for importers or owners of the goods as the users of a warehouse since it provides storage facilities with payment of GST suspended.

TERMINOLOGY

10. As mentioned in paragraph (6) above, there are several categories of warehouses such as follows:

- (a) Public warehouse – it is managed by private companies or also government linked companies (GLCs) for convenience of the public bringing in dutiable goods;
- (b) Private warehouse – it is managed by companies for storing their own goods only;
- (c) PEKEMA warehouse – it is allowed only for keeping motor vehicles imported by PEKEMA members;
- (d) Public agent warehouse – it is approved to be established at cargo complexes at ports or airports and managed by their respective agents for handling goods.

11. Under the GST law, the definition of warehouse and duty point is defined as follows:

- (a) '**warehouse**' means –
 - (i) any customs warehouse under section 63 of the Customs Act 1967;
 - (ii) any licensed warehouse under section 65 of the Customs Act 1967;
 - (iii) any duty free shop licensed under section 65D of the Customs Act 1967.
 - (iv) any inland clearance depot licensed under section 65E of the Customs Act 1967.
- (b) '**duty point**', in relation to any goods, means the time when the goods are removed from the warehousing scheme.

GST TREATMENT FOR THE INDUSTRY

MOVEMENTS OF GOODS INTO A LICENSED WAREHOUSE

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12. GST on imported goods is suspended when the goods are stored in a warehouse. If locally produced goods is permitted to be stored in bonded warehouse, GST is not applicable on such movements of goods (no transfer of ownership yet). However, consolidated goods can be zero rated when the goods are exported. Any input tax incurred on exported goods is claimable.

13. GST is suspended on the goods being transported from a Free Commercial Zone (FCZ) to a bonded warehouse, as FCZ is deemed to be a place outside the Principal Customs Area (PCA) for GST purposes. Such movement of goods is covered by Customs Form No.8.

MOVEMENTS OF GOODS FROM A LICENCED WAREHOUSE

14. Basically, when goods are to be taken out from the warehouse for local consumption, such removal would attract GST. Declaration must be made in Customs No.1 form for payment of any customs duties and GST on the goods taken out from the warehouse. Under the warehouse procedure, if the goods are removed partially, then the declaration and payment of any customs duties and GST has to be made in Customs no.9 form. Payment of GST on the balance of the goods remaining in the warehouse is still suspended.

15. Warehoused goods which are to be exported can be zero rated. Declaration has to be made in Customs no.2 form at the warehouse. Any input tax incurred on exported goods is claimable. Documentary proof of export must be maintained for verification. ***Please refer to Specific Guide on Export for further details.***

MOVEMENT OF GOODS IN TRANSIT UNDER THE WAREHOUSING SCHEME

16. No GST is imposed on the removal of goods from a warehouse to another warehouse as the tax is suspended on such movement of goods. Declaration of goods must be made using in Customs Form No.8.

SUPPLY OF GOODS AND SERVICES WITHIN A WAREHOUSE

17. If there is more than one supply (for imported goods) within a warehouse, then the last supply only is subject to GST. The intermediate supplies within the warehouse are disregarded for GST purposes. The last supply is subject to GST because it triggers the duty point.

18. The value of the supply is treated as including any duties (whether customs duty or excise duty or both, if any). The tax on the supply must be paid at the duty point, together with the duty (if any). **Please refer to the specific guide of Valuation for further details.**

Example 1:

I keep my imported goods in a warehouse approved under section 65 of the Customs Act. One of my local customers has agreed to buy certain goods at RM10, 000.00. How does my customer determine the value of the last supply? (Assumption: Prevailing import duty rate = 10% and GST = 6%)

Your customer needs to declare the following amount:

<i>Value for customs purposes (Last supply)</i>	<i>= RM 10,000.00</i>
<i>Import duty 10%</i>	<i>= RM 1,000.00</i>
<i>GST 6% on RM11,000.00</i>	<i>= RM 660.00</i>
<i>Total duty & GST to be paid</i>	<i>= RM 1,660.00</i>

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LIABILITIES OF A WAREHOUSE OPERATOR

19. Liabilities as a warehouse operator may be described as follows:

- (a) Must apply to be a GST registered person if he makes taxable supplies and the value of the taxable supplies has exceeded or is expected to exceed the prescribed threshold for the past or future 12 months.
- (b) Taxable supplies made by a warehouse operator include the following;
 - (i) Rental of warehouse space or equipment;
 - (ii) Loading and unloading of goods;
 - (iii) Customs clearance services;

- (iv) Forwarding fee charged to customers;
- (v) Any other value-added services.

RESPONSIBILITIES AS A GST REGISTERED PERSON

20. As a warehouse operator registered for GST, your responsibilities are as follows:

(i) Bank Guarantee

You must furnish a bank guarantee or bond to cover the estimated duty and/or GST payable on the imported goods held at any one time.

(ii) Stock records

You must maintain lot number records;

A lot number is a unique transaction number assigned by the warehouse operator for each product in a shipment of goods. It is required for the purpose of tracking the particular goods of a shipment.

(iii) Returns/ Audit

You are required to submit monthly return on the movement of goods and discrepancy report (when applicable). You are also required to furnish an audit report to the GST officer or proper officer of customs. Your account may be audited by GST officer whenever necessary.

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21. All records and accounting documents of your business are required to be kept and maintained under the GST law, which include the following:

- (i) Import/Export/In-transit declaration forms.
- (ii) Monthly Stock Returns
- (iii) Discrepancies Report
- (iv) In-handling report
- (v) Out-handling report
- (vi) Monthly stock listing

FREQUENTLY ASKED QUESTIONS

Movements of goods into a licensed warehouse

Q1: If I am an importer in a principal customs area and I would like to buy goods from Labuan, can I keep the goods that I purchased in a warehouse? What is the GST implication on the movement of such goods?

A1: Goods purchased from Labuan are deemed to be imported under the GST law. Hence, you are allowed to store your goods purchased from Labuan in a warehouse with GST suspended.

Q2: If I want to transport my goods from a warehouse to another warehouse for value-added activities, will the GST on goods be suspended?

A2: GST on goods that are to be removed from a warehouse to another warehouse is still suspended since the goods remain under customs control. Such movement is to be covered under Customs Form No.8.

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Movements of goods from a licensed warehouse

Q3: If I am a trader and I have consolidated goods consisting of locally acquired and imported goods in a bonded warehouse which I would like to sell them to duty free shops (DFS) or to an operator in a free port, what is the treatment of GST on such goods?

A3: Payment of GST is suspended for any movement of goods between a warehouse to a duty free shop since duty free shop is also a warehouse. However, the consolidated goods can be zero rated when such goods are removed from the bonded warehouse to a free port.

Q4: If I am a participant under an Approved Trader Scheme (ATS), can I use the scheme to suspend GST on goods purchased from a warehouse?

A4: GST can be suspended when you buy imported goods from a warehouse, if you are a participant under ATS. *Please refer to the ATS guide for further details.*

Q5: Are incidental services such as transportation and other charges provided by a transport company and forwarding agent attract GST when goods are removed from or to a warehouse?

A5: Generally, services in relation to removal of goods from or to a warehouse such as transportation and other charges would attract GST if the service provider is a GST registered person.

Supply of goods and services within a warehouse

Q6: I outsource my labeling and repacking activities within a bonded warehouse. What is the GST implication on the outsourced services?

A6: The outsourced services are subject to GST if provided by a GST registered person even though the activities are carried out within the warehouse.

Q7: I am a trader. If I would like to buy goods owned by Mr. X which are currently stored in a public bonded warehouse and then consolidate them in the warehouse with goods locally purchased before exporting them, do I have to pay GST on my local purchase?

A7: You have to pay GST on your local purchase. However, no tax is imposed on your purchase from Mr. X as the goods were supplied within the warehousing scheme. You can zero rate your consolidated goods when you export them. If you are a GST registered person, you can claim the tax charged on your local purchase as your input tax credit.

Q8: If I, as a trader, purchase warehoused goods from Mr. X and Mr. Y, repack those goods and then sell them to Mr. Z in the same warehouse, is there any GST chargeable on the purchase and sale of the goods within the warehouse?

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A8: No GST is imposed on the sales of the goods since supplies that take place within a warehouse and before the duty point is disregarded.

Liabilities and responsibilities of a warehouse operator

Q9: If I am a warehouse operator and at the same time I am also an Inland Clearance Depot (ICD) operator, using the same company name, do I have to register both businesses separately?

A9: A company which carries out different type of businesses is still regarded as one entity. Hence, both businesses would be treated as operated by a single taxable person. However, the different business units may be registered separately according to the nature of the business under divisional or branch registration. *(Please refer to the GST Registration Guide for further details).*

Q10: I operate a few warehouses which are located throughout Malaysia. If my turnover for each warehouse falls below the threshold level do I still have to register?

A10: If the aggregate turnover exceeds the prescribed threshold, you have to register your business under the GST law even though the turnover for each warehouse is below the threshold.

Q11: How long must I keep the records for my warehoused goods?

A11: You must keep the records, accounts or documents related to the warehoused goods in your possession for at least seven years. Failure to do so is an offence and will be subjected to a fine not exceeding fifty thousand ringgit or to imprisonment for a term not exceeding three years or to both.

Q12: Do I have to keep the records in my warehouse?

A12: You must keep all your warehouse records and documents in your premise, unless allowed otherwise by the DG.

Q13: What must I do if there are discrepancies between the actual stock and the recorded stock?

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A13: If any discrepancies between the actual stock and the recorded stock are discovered at any time, you must submit a report without delay, containing:

- (a) actions taken to investigate the discrepancies and their outcome;
- (b) amount of customs duty and/or GST payable, if applicable;
- (c) date of payment of customs duty and/or GST.

If goods are found to be deficient in your warehouse, you are liable to pay the GST due on such goods as you are responsible for the security and proper control of the warehoused goods. In such a case, GST has to be paid by you and you have to declare it as your output tax as such discrepancies are deemed to be a supply made by you.

However, if you can prove to the satisfaction of the Director General that the deficiency has been caused as a result of unavoidable accidents, such as a fire or break-in at the warehouse with supporting documents such as insurance claims, police report, or a survey report, then the Director General may remit the tax chargeable.

Q14: What happens if goods are damaged in a warehouse?

A14: Proper documentation such as the survey report describing the cause of the damage and the quantity involved must be furnished to the Director General immediately. However, GST is chargeable on the damaged goods unless remission of the tax is obtained from the Director General.

Q15: What are the treatments of GST on goods and services consumed in a warehouse?

A15: Supply of goods and services consumed in a warehouse are subject to GST. This means that services provided by you such as handling of goods and storage charges are standard rated. You must declare the GST levied in your GST return as your output tax.

The person who acquired your services such as importer or owner of warehoused goods can claim GST incurred on the services charged by you, as his ITC if he is a GST registered person.

Q16: As a warehouse operator, can I claim GST charged on my utilities and warehouse equipment such as forklifts?

A16: You can claim all GST incurred on your acquisition in the course of furtherance of your business if you are a registered person. This includes acquisition such as capital assets and all overheads related to your business.

Q17: Can I withdraw from GST system?

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A17: You cannot withdraw from the GST system unless your taxable supplies have fallen below the threshold. In such a case, you must inform the Director General in writing. However, if you are a voluntary registered person, you must stay in the system for at least two years before you can apply for withdrawal. When you cease to be a registered person, you are required to account for tax in your final return on all your stocks excluding stored goods. You remain responsible for any discrepancies on the stored goods.

FEEDBACK AND COMMENTS

22. Any feedback or comments will be greatly appreciated. Please email your feedbacks or comments to either Mohd Hisham B. Mohd Nor (m_hisham.nor@customs.gov.my) or Aminul Izmeer B. Mohd Sohaimi (izmeer.msohaimi@customs.gov.my).

FURTHER ASSISTANCE AND INFORMATION

23. Further information can be obtained from:

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

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