



## Facilitator: Tan Kok Tee

A Fellow Member of the Association of International Accountants  
DBA, MBA-Finance (CSU Aust.),  
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### TRAINING FOR:

Malaysian Institute of Accountants,  
Public Listed and private Companies  
Selangor Human Resource Capital Development  
Training Providers

### ENTREPRENEURSHIP DEVELOPMENT

Sunway University College / GC University, Pakistan MBA program

### WAS

### AFFILIATED CONSULTANT

UCSI Blue Ocean Strategy Regional Centre, Kuala Lumpur  
(Malaysia, Singapore, Philippine, Thailand, Indonesia, Australia, Canada, China, Taiwan and India)

### PANEL ASSESSOR

Strategic Planning Program for NGOs, by UTAR, 2009

### FEATURING SPEAKER

Asia Financial Controllers Congress, 2010, 2011

## Facilitator: Tan Kok Tee

### Working Experience

40 years of working experience:

Starting as an Accounts Clerk  
and

Last Appointment Group CEO - 31/12/2013

### CURRENT

Advisor

PKF Tax Services Sdn. Bhd.

on

( on GST Consultancy and Advisory )

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## Understanding GST for Implementation Planning

### Content

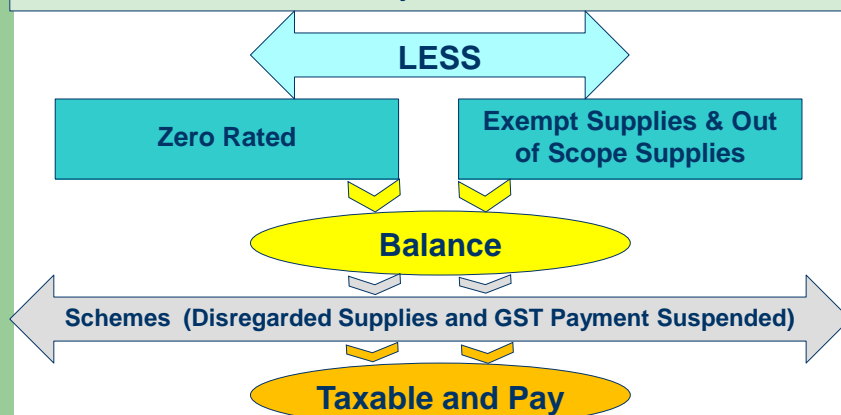
1. Introduction - Fundamental and Scope of GST
2. Registration
3. Supplies and Account for OUTPUT Tax
4. INPUT Tax Credit
5. Transition Rules
6. Accounting – Invoicing, record keeping, computer software requirements, Tax Codes, etc.
7. Moving forward
8. Q and A along the way .

# 1

## Fundamental and Scope of GST

## What is GST?

Anything and Everything supply in Malaysia and Imported into Malaysia is Subject to GST.



## GST Rates?

Every supplies of Goods and Services in Malaysia and imported into Malaysia are subject to GST at 6% unless it is:

- i. Tax at “0” rate (zero rated)
- ii. Exempt supplies
- iii. Out of Scope Supplies
- iv. Disregarded Supplies
- v. GST is suspended

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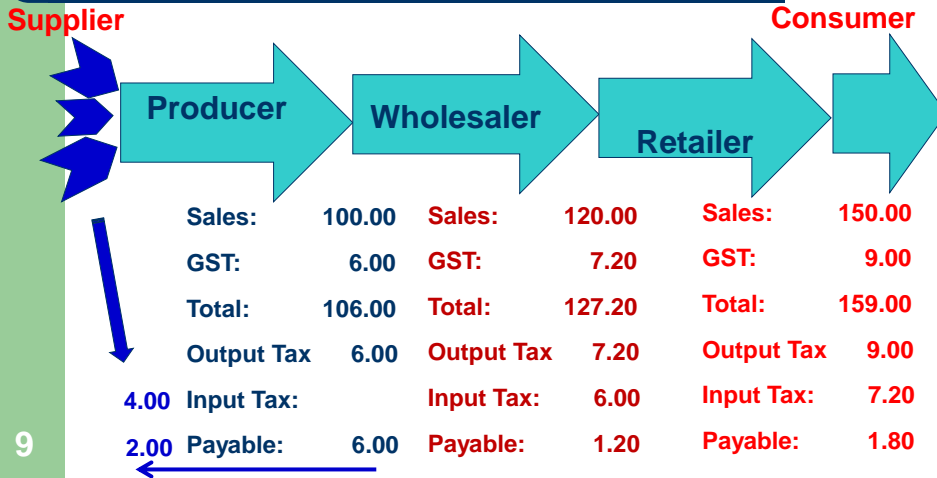
## What is GST?

- A consumption tax in the form of value added tax
  - ✓ multi staged transaction-based tax structure
  - ✓ Every stage of business transaction up to the retail stage of distribution
  - ✓ imposed on the supply of goods and services
  - ✓ Self Assessment and Self Policing
- Also known as Value Added Tax (VAT)
- Also applicable to Import of Goods and Services

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## Understanding GST for Implementation Planning

### Multi Staged Transaction-Based Tax Structure



## Understanding GST for Implementation Planning

### Tax computation on STANDARD RATED SUPPLY

Business Entity	Sales (RM)	Tax on Output (RM)	Tax on Input (RM)	Net Tax Paid (RM)
Supplier	10.00	0.60	0	0.60
Manufacturer	50.00	3.00	0.60	2.40
Wholesaler	70.00	4.20	3.00	1.20
Retailer	100.00	6.00	4.20	1.80
GST collected by the Government				6.00

GST rate at 6%  
Final consumer pays RM106.00

## Understanding GST for Implementation Planning

### General concept of GST

#### INPUT

#### OUTPUT

Raw materials –  
Textiles, button,  
zippers

Rent - factory

Utilities – Electricity,  
water, telephone

**Goods / Services**

**Business**

**Goods /  
Services**

**GST on inputs  
= Input tax**

**GST on outputs  
= Output tax**

**Claimed  
input tax**

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## Understanding GST for Implementation Planning

**GST charged on  
taxable supplies**

**Output  
Tax**

**GST paid on  
business  
purchases**

**Minus  
Input  
Tax**

**Minus (-)**

**Equals**

**Plus (+)**

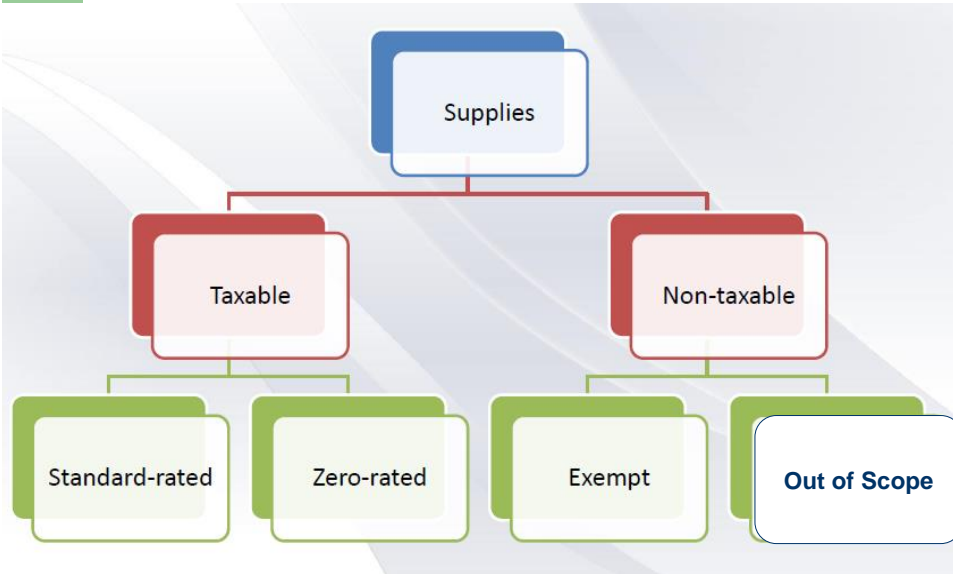
**Net GST**

**Refund to  
taxable person**

**Pay GST to  
Government**

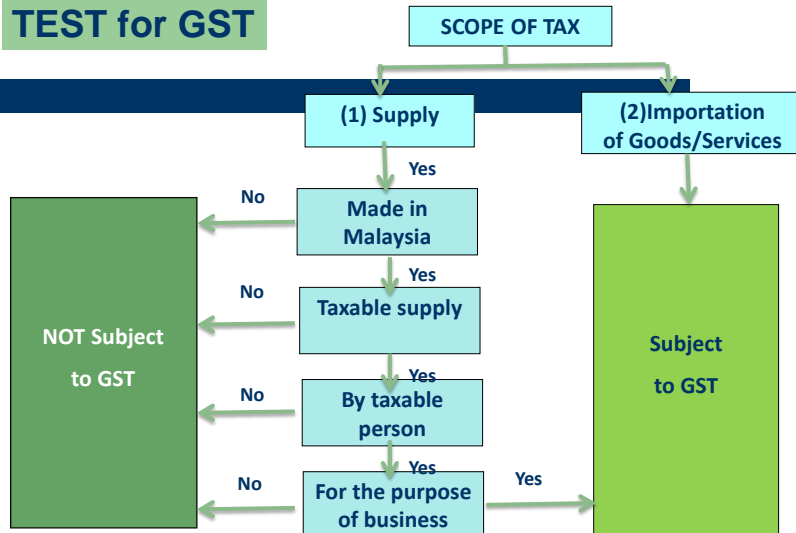
## Understanding GST for Implementation Planning

### GST – Main Category



## Understanding GST for Implementation Planning

### TEST for GST



## Proposed GST Model

### 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
  - Supply made in Malaysia
- GST is charged on imported goods and services

## TAXABLE PERSON

### Meaning of person

- Includes individual, corporation, Federal Government, State Government, statutory body, local authority, society, trade union, co-operative society, joint venture, trust, partnership and any other body, organisation, association or group of persons, whether corporate or unincorporated

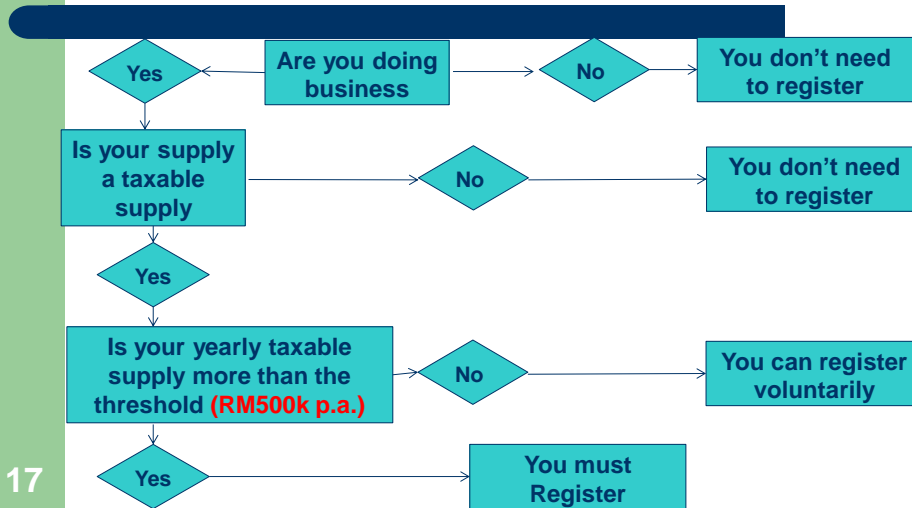
### Scope

- Includes natural and juridical persons
  - **individual, sole proprietor and partnership**
  - **company, club, association, society, co-operative, trade union, non profit body and unincorporated bodies**
  - **trust, trustee, executor, administrator and joint venture**
  - **Federal Government, State Government, statutory body and local authority**



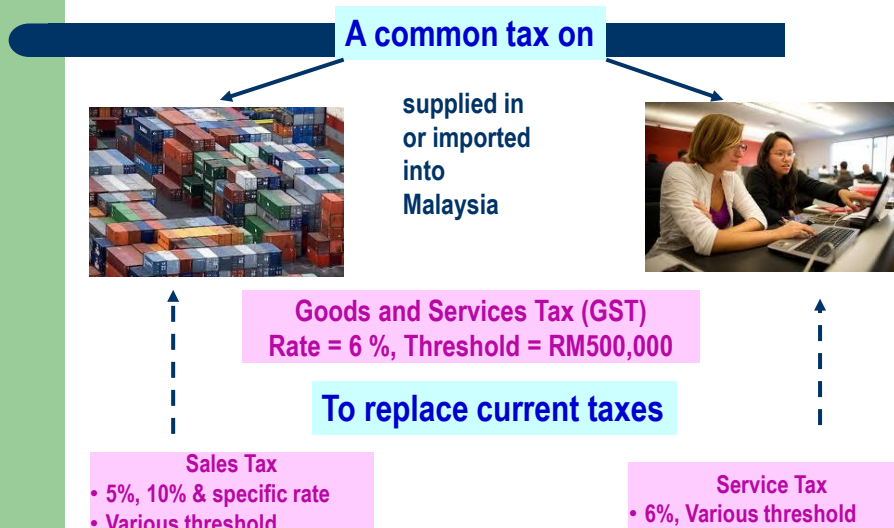
## Understanding GST for Implementation Planning

### Business – Test Taxable Person



## Understanding GST for Implementation Planning

### Proposed GST Model



## Understanding GST for Implementation Planning

### GST ERA – Price Impact Vs. 10% Sales tax Item

	Sales Tax	Sales Tax ERA	GST ERA
Current Purchase price from supplier		100.00	100.00
Add Sales Tax	10%	10.00	0.00
Cost to YOU		110.00	100.00
GST charged to YOU by the Supplier	6%		6.00
Total Paid by you		110.00	106.00
GST Input Tax Claim By YOU		0.00	(6.00)
Cost of goods to be sold by you		110.00	100.00
Your Existing profit		20.00	20.00
Your Selling price		130.00	120.00
You charged GST to customer - (assumed trader)	6%	0.00	7.20
Paid by customer - the trader		130.00	127.20
GST Input Tax Claim by the Trader		0.00	(7.20)
Cost to the Trader		130.00	120.00
Trader's profit assumed		30.00	30.00
Selling price to consumer not for commercial use		160.00	150.00
GST to non commercial use consumer	6%	0.00	9.00
Price paid by non commercial Consumer		160.00	159.00

## Understanding GST for Implementation Planning

### GST ERA – Price Impact Vs. 5% Sales tax Item

	Sales Tax	Sales Tax ERA	GST ERA
Current Purchase price from supplier		100.00	100.00
Add Sales Tax	5%	5.00	0.00
Cost to YOU		105.00	100.00
GST charged to YOU by the Supplier	6%		6.00
Total Paid by you		105.00	106.00
GST Input Tax Claim By YOU		0.00	(6.00)
Cost of goods to be sold by you		105.00	100.00
Your Existing profit		20.00	20.00
Your Selling price		125.00	120.00
You charged GST to customer - (assumed trader)	6%	0.00	7.20
Paid by customer - the trader		125.00	127.20
GST Input Tax Claim by the Trader		0.00	(7.20)
Cost to the Trader		125.00	120.00
Trader's profit assumed		30.00	30.00
Selling price to consumer not for commercial use		155.00	150.00
GST to non commercial use consumer	6%	0.00	9.00
Price paid by non commercial Consumer		155.00	159.00

## Understanding GST for Implementation Planning

### GST ERA – Price Impact Vs. 0% Sales / Service tax Item

	Sales Tax	Sales Tax ERA	GST ERA
Current Purchase price from supplier		100.00	100.00
Add Sales Tax	0%	0.00	0.00
Cost to YOU		100.00	100.00
GST charged to YOU by the Supplier	6%		6.00
Total Paid by you		100.00	106.00
GST Input Tax Claim By YOU		0.00	(6.00)
Cost of goods to be sold by you		100.00	100.00
Your Existing profit		20.00	20.00
Your Selling price		120.00	120.00
You charged GST to customer - (assumed trader)	6%	0.00	7.20
Paid by customer - the trader		120.00	127.20
GST Input Tax Claim by the Trader		0.00	(7.20)
Cost to the Trader		120.00	120.00
Trader's profit assumed		30.00	30.00
Selling price to consumer not for commercial use		150.00	150.00
GST to non commercial use consumer	6%	0.00	9.00
Price paid by non commercial Consumer		150.00	159.00

## Understanding GST for Implementation Planning

### GST Implication on Prices to GST Registered Person

	Non-GST Register	GST Registered
Purchase price from supplier (assumed exclude Sales Tax)	100.00	100.00
GST 6%	6.00	6.00
Total Paid by you	106.00	106.00
GST Input Tax Claim	0.00	(6.00)
Cost of goods to be sold by you	106.00	100.00
Your Existing profit	20.00	20.00
Your Selling price	126.00	120.00
GST charge to customer for commercial use****	0.00	7.20
Paid by commercial end user	126.00	127.20
Commercial user claim Input Tax Credit	0.00	(7.20)
Cost to the commercial user	126.00	120.00
**** Subject to that the commercial customer is doing a full taxable supplies and can claim input tax credit. Otherwise their cost can be 127.20.		

## Understanding GST for Implementation Planning

### GST Implication on Prices to Non-GST Registered Person

	Non-GST Register	GST Registered
Purchase price from supplier (assumed exclude Sales Tax)	100.00	100.00
GST 6%	6.00	6.00
Total Paid by you	106.00	106.00
GST Input Tax Claim	0.00	(6.00)
Cost of goods to be sold by you	106.00	100.00
Your Existing profit	20.00	20.00
Your Selling price	126.00	120.00
You charged GST to customer - (assumed trader)	0.00	7.20
Paid by customer - the trader	126.00	127.20
GST Input Tax Claim by the Trader	0.00	(7.20)
Cost to the Trader	126.00	120.00
Trader's profit assumed	30.00	30.00
Selling price to consumer not for commercial use	156.00	150.00
GST to non commercial use consumer	0.00	9.00
Price paid by non commercial Consumer	156.00	159.00

## Understanding GST for Implementation Planning

# 2 Registration

Click Here for Registration

Official Website  
**MALAYSIA GOODS & SERVICES TAX (GST)**  
Royal Malaysian Customs Department

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### WHY GST ?

GST is proposed to replace the current consumption tax i.e. the sales tax and service tax (SST).

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Share your opinion and feedback with GST Officers

**QR Code**

Scan and get access to GST Portal via mobile

**Announcements**

- Pelawaan untuk diluluskan sebagai pembekal persian perakaunan yang memenuhi spesifikasi Cukai Barang dan Perkhidmatan (GST) bagi tujuan permohonan subsidi oleh Perusahaan Kecil dan Sederhana (PKS) [more](#)
- Goods and Services Tax (GST) Training and Awareness Programme Jointly Organized by The Ministry of Finance Malaysia and Royal Malaysian Customs Department [more](#)
- Budget 2014 [more](#)

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**News & Updates**

- A BUDGET MALAYSIANS NEEDED [more](#)

Official Website  
**MALAYSIA GOODS & SERVICES TAX (GST)**  
Royal Malaysian Customs Department

**TAXPAYER ACCESS**  
A BETTER TAX

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**I Want To**

- Register For GST
- Apply for Registration Exemption
- File GST Non-Registrant Declaration
- Make a Payment
- Apply for Flat Rate Scheme
- Manage Advance Ruling
- Apply for Appeal

## Understanding GST for Implementation Planning

### Compulsory Registration

#### Liable to compulsorily 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)
  - ✓ *historical turnover (based on turnover of the current month and the preceding 11 months) i.e. retrospective basis, or*
  - ✓ *future turnover (based on turnover of the current month and the next 11 months) i.e. prospective basis*

*Joint Management Board for strata title properties – used the “Value of Management Fund” as its taxable turnover threshold determination.*

## Understanding GST for Implementation Planning

### Voluntary Registration

#### Voluntary registration

- Your annual turnover is not more than RM500,000
- You only supply goods outside Malaysia purely zero-rated supplies (exports or international services)
- benefits of claiming input tax incurred in the course of your business
- you must remain registered for at least two years and you have to maintain all your records for at least seven years
- **Disadvantage – remain for 2 years from date of registration**

## Understanding GST for Implementation Planning

### Registration

Determination of taxable turnover (THRESHOLD)

#### Includes:

- Standard rated supply
- Zero rated supplies (includes goods exported)
- Deemed supplies (private use of business assets, business gift > RM500, supply to connected person)
- Disregarded supply (supplies between group members)

#### Excludes

- Exempt supplies
- Disposal of capital assets
- Imported services
- Disregarded supplies made in relation to Warehousing Scheme or made within or between designated areas (DA)
- Supply made under the Approved Toll Manufacturing Scheme

## Understanding GST for Implementation Planning

### Voluntary Registration and New Projects at pre-operating stage

- Threshold below RM500,000 per year
- Intends to make or is making taxable supplies
  - Criteria:
    - ✓ Information regarding business planning
    - ✓ Contract signed for business premises
    - ✓ Information regarding business purchases
    - ✓ Other documents evidence regarding the supplies to be made

### Registration

- To apply for registration within 28 days from the end of the relevant month (S. 20(3))
- Effective date of registration will be on the 1<sup>st</sup> day of the following month
- Pre-registration before implementation of GST
  - ✓ application shall be made 3 months before GST implementation
  - ✓ early or pre - registration exercise to begin 6 months before GST implementation date
- Late penalty registration
- Register online - Get your GST No. if Line is not JAM for those who make meet the requirements

### Registration before appointed date

- Registration exercise begins 6 months before appointed date.
- Persons liable to register must register three (3) months prior the appointed date
  - Commit an offence if fail to be a registered person on AD
  - Advisory audit by custom within the first 2 years.
- Registration either electronically or manually
  - Use Form GST-01
  - GST registration number issued upon registration (24 hours if line not jam)



## Understanding GST for Implementation Planning

### Registration

- Group registration
  - Members wishing to be group registered must first be registered individually for GST.
- Branch and Division registration
  - Difficulty in submitting a single return for all branches /divisions (maintains separate accounts)
- Joint venture registration
  - Petroleum upstream under Production sharing contract already in existence before AD
  - Venturers wishing to be JV registered must first be registered individually for GST.
- Personal representative deemed to be a taxable person

## Malaysian GST Mechanism, Its Impact on Business and GST Planning

### Group Registration

A company shall be taken to control another company if the first mentioned company holds ---

- directly;
- indirectly through subsidiaries; or
- together directly or indirectly through subsidiaries, more than 50% of the issued share capital of the second mentioned company.

A company shall be deemed to be a subsidiary of another company if that other company holds more than half of the issued share capital of the first mentioned company

**GROUP REGISTRATION MUST BE DONE 90 DAYS BEFORE GROUP IS TO TAKE EFFECT.**

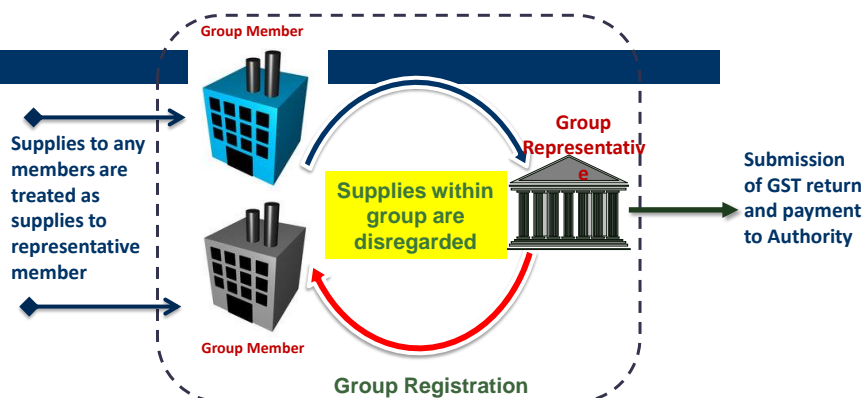
## Understanding GST for Implementation Planning

### Group Registration

- Every member of the group will nominate a member to be their representative member
- Group registration will be in the name of the representative member
- All member of the group shall be liable jointly and severally for any tax due and payable by the representative member
- All member need to be registered individually too.

## Understanding GST for Implementation Planning

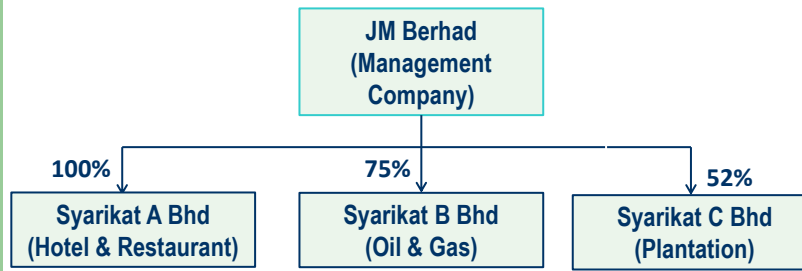
### Group Registration



- any business carried on by a member is treated as carried on by the representative member
- any importation of goods or services by any member is treated as being imported by the representative member
- any tax paid or due and payable by a member of the group on the importation of goods or services is treated as paid or due and payable by the representative member

## Understanding GST for Implementation Planning

### Group Registration

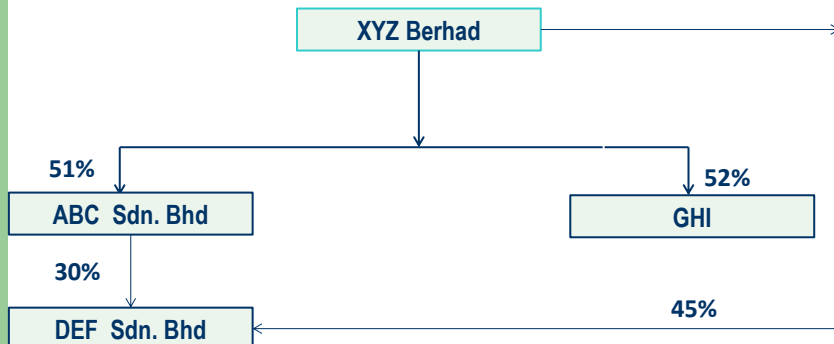


*Companies JM, A, B and C are eligible to register as a group even though they carry out diversified business activities*

## Understanding GST for Implementation Planning

### Group Registration

Together directly and indirectly through a subsidiary



Effective Shareholdings by XYZ is 60.3%

### Group Registration

#### Determination of Control:

Hold more than 50% of the issued share capital of the other company:

- Directly
- Indirectly through subsidiary
- Together directly and indirectly through a subsidiary

### Group Registration

#### Benefits:

- Supplies within the group disregarded
  - No need to charge GST
  - No need to account in the GST return
- Reduce GST compliance Cost
- Reduce Cash Flow problem

#### Conditions:

One company can be a member of one group only  
Prior registration for individual company  
Make wholly taxable supply

### Branch Registration

All 6 Conditions must be met:

- i. The taxable person and all the branches are making wholly taxable supplies
- ii. The taxable person is not a member of a group registration
- iii. It is difficult for the taxable person to submit a single return in respect of all the branches or divisions
- iv. Each branch or division maintains a separate account in respect of its activities
- v. Each branch or division is separately identifiable nature of the activities carried or by the location of the branch or division
- vi. Each branch or division has the same taxable period

### Branch Registration

Separately registered branch or division :

will have separate GST Registration No  
to issue its own tax invoice  
to submit separate return and payment of tax

The registered person is still accountable for GST liability of all branches and divisions

## Understanding GST for Implementation Planning

### Branch Registration

Branch/division registered separately shall remain registered for not less than 2 years

DG may cancel the registration if :

Failure to comply with any condition or requirement imposed

Failure to fulfill the conditions for branch/division registration

Provide false information in application

Necessary for protection of GST revenue

## Understanding GST for Implementation Planning

### Registration of sole proprietorship (Individual Name of the Proprietor)

Determination of liability to register :

to aggregate taxable turnover of all businesses owned by the sole proprietor

registration to be in the name of the sole proprietor

## Understanding GST for Implementation Planning

### Single Taxable Person Registration

Two or more business entities instructed by DG to be registered as a Single Taxable Person.

Separation of business activities is made up to evade GST

Separation of business activities is determined by Financial, Economic and Organizational Links (Generally after outcome of the custom's audit)

Eg: Coffee shops concept: Restaurant and Coffee & drink section add together exceed threshold.

Financial, Economic and Organization/management Link

## Understanding GST for Implementation Planning

### Partnership Registration

No	Partners	Firm Name	Business	Taxable Supplies
1	Same	Same	Same	Add up all taxable supplies from all business
2	Same	Same	Different	
3	Same	Different	Different	Taxable supplies calculated separately
4	Same ***	Different	Same ***	Separate Registration
*** Audit proved can be registered as a single person				

## Understanding GST for Implementation Planning

### Registration Exemption

#### Persons Making:

1. Exempt Supplies
2. Out of Scope Supplies
3. Zero Rated supplies
  - Application in writing.
  - Must registered first then apply for exemption
  - Make wholly zero rated supply(have an option in case the compliance cost is more than the Input Tax Credit claim)

## Understanding GST for Implementation Planning

### Registration Cancellation

#### Registration is cancelled when:

1. Cease business
2. Not making a taxable supplies
3. Taxable supplies less than the prescribed threshold
  - Notify DG in writing within 30 days
  - Submit the last GST return as DG's instruction

To continue to fulfill obligations until approved effective date of cancellation, such as charge GST and submit GST returns

**Temporary Cease of Operation – say for renovation, need to maintain the registration as status quo.**



## Understanding GST for Implementation Planning

### Responsibilities of registered person



- Issuance of tax invoice
- Submission of returns
- Payment of tax
- Keeping of records – 7 years
- Inform within 30 days from date of business cessation
- Inform changes of address, taxable activity, accounting basis and taxable period

Failure to register

Fine not exceeding RM 50,000 , or

Imprisonment not exceeding 3 years or

**both**

Whoever is careless with the truth in small matters cannot be trusted with important matters.

Albert Einstein  
German Theoretical Physicist  
(1879-1955)

## Understanding GST for Implementation Planning

### Submission of Tax Return



- ensure correct tax treatment of all your transactions
- credit for input tax against output tax
- amount of input tax allowable
- time of supply
- taxable period
- furnishing of returns and payment of tax

## Payment of Tax

Submit return and pay taxes

➤ **Last day to pay tax**

- last day of the month following the taxable period
  - ✓ if last day is a holiday
    - the following working day
- failure will result in an offence:
  - ✓ RM50,000 fine, or
  - ✓ 3 years imprisonment, or
  - ✓ both

# 3 Supplies and Account For OUTPUT Tax

## Understanding GST for Implementation Planning

### Types of supply

- **Taxable supply:**
  - Standard rated supply
    - ✓ GST charged at standard rate 6%
    - ✓ Supplier have to issue Tax Invoice
      - **Input tax claimable**
  - Zero-rated supply
    - ✓ GST charged at zero percent
    - ✓ Tax Invoice is not required to be issued by supplier
      - **Input tax claimable**

## Understanding GST for Implementation Planning

### Types of supply

- **Non-Taxable supply:**
  - Exempt supply
    - ✓ GST is not to be imposed
      - **Cannot claim Input Tax**
  - Out of scope supply
    - ✓ GST is not applicable
      - **No Input Tax Credit with** exception to OHQ
- **Non supply (by taxable person):**
  - ✓ GST is not applicable
    - **No ITC but there are exceptions (e.g. Gifts,)**

## Understanding GST for Implementation Planning

### GST – Main Category

**Taxable Supply with ZERO rate of Tax = 0%**

**0%**

Agriculture products – paddy & fresh vegetables

Fruits

Livestock supplies , meat, muttons, swine

Poultry & eggs

Fish, prawn, cuttlefish, crabs, oyster, cockles, etc.

Supply of water to domestic users

Supply of the first 300 units of electricity to domestic users

Foodstuff – rice, sugar, table salt, plain flour, cooking oil, Coffee and Tea

National Essential Medicines

Books, brochures, leaflets and similar printed materials

Newspapers, journals and periodicals

Children's picture, drawing and colouring books

Exercises Books

Exported goods and services

## Understanding GST for Implementation Planning

### GST – Main Category

**Taxable Supply with ZERO rate of Tax = 0%**

1. Export Credit Insurance and Reinsurance
2. Services / Charges relating to trade finance for export trade.
3. Calls made under international roaming
4. Advertisement outside Malaysia
5. International mail / postage
6. Services supply by Approved Refund Agents
7. Online services for newspapers

## Understanding GST for Implementation Planning

### HOW GST WORKS? - ZERO RATED



## Understanding GST for Implementation Planning

### GST – Main Category

**Exempted Supply = does not attract GST**



### Types of supply - exempt

#### → Services

- ✓ domestic transportation of passengers for mass public transport by rail (LRT, ERL etc.), ships, boats, ferries, express bus, stage bus, workers' bus, school bus, feeder bus and taxi including airport taxi
- ✓ toll highway
- ✓ financial
- ✓ private health (Private Healthcare Facilities and Services Act, 1998)
- ✓ education (Education Act 1996, Private higher education institutions Act, 1996, Universities College Act, 1971)
- ✓ Child care services registered under the Child Care Centre Act 1984.

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### Types of supply - exempt

#### → Goods

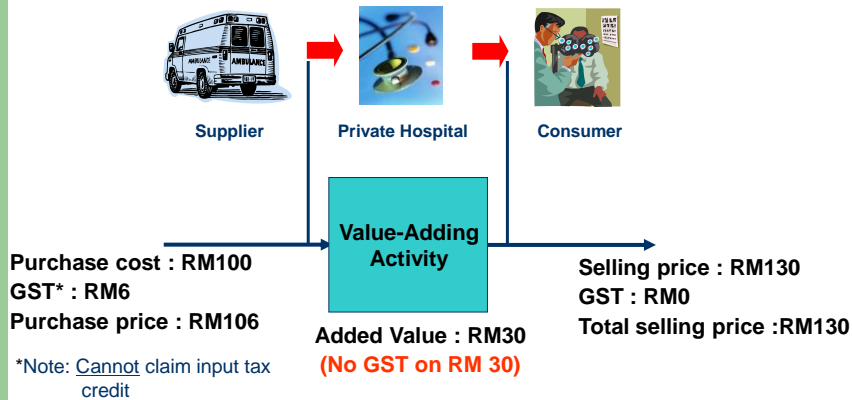
#### → Goods

- ✓ residential property
- ✓ land for agricultural purposes and land for general use (government building and burial ground)

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### How GST works? Exempt

Delivery / supply chain



### GST – Out of Scope Supply

**Out of the scope supply = does not attract GST**

**Government Services**

- **Federal and State**
  - Supplies not within the scope of GST unless Minister Of Finance direct otherwise – (Govt. Taxable Supply) order
- **Government Agencies:**
  - Statutory bodies and local authorities
    - Applicable only to Regulatory and Enforcement functions – such as rate collection, issuance of licenses, penalties

### Supplies Application to Govt.

#### Prescribed by the Minister of Fiance:

##### Government Services:

1. Treated Water:
  - Public Works Dept. – Perlis
  - Public Works Dept. – Sarawak
  - Sabah State Water Dept.
2. Malaysia Broadcasting Dept. – RTM
3. Prison's Dept. – Goods sold and service provided
4. Sabah State Railway Dept. – TRANSPORTATION OF GOODS

## Understanding GST for Implementation Planning

### Out of Scope Supply

#### Supplies which are not subjected to GST

- ✓ Supplies by non registered person – **Small Hawkers**
- ✓ Supplies not in the course or furtherance of business – **employer to his employee**
- ✓ Supplies made outside Malaysia – **overseas branch supplies to overseas itself.**



## Out of Scope Supply

- ✓ Supplies by non registered person
  - ✓ No input tax to claim,
    - BUT HAS TO ACCOUNT FOR OUTPUT TAX WHEN
      - ❖ SOLD,
      - OR
      - ❖ GIVE AS GIFT IF IT EXCEED THE RM500 LIMIT

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## Other 'non taxable' supply

- Gift (<RM500) & Sample (industrial or commercial)
  - ✓ GST is not applicable
  - ✓ Input tax claimable
- Token, Stamp (non-postage kind of stamps) & Voucher
  - ✓ GST is not applicable
  - ✓ Input tax claimable
- Pension, provident or social security fund
- Supply by any society to member without payment
- Supply by any society to sponsor (of no com. value)
- Subsequent supply of blocked input supply

} No GST & ITC

## Understanding GST for Implementation Planning

### Deemed supply

First schedule specifies matters to be treated as a supply of goods:

- ✓ Disposal or transfer of business assets so that no longer part of business assets
- ✓ Goods for business put for private use
- ✓ Goods for business use for non business activity
- ✓ Goods for business sold in satisfaction of a debt

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## Understanding GST for Implementation Planning

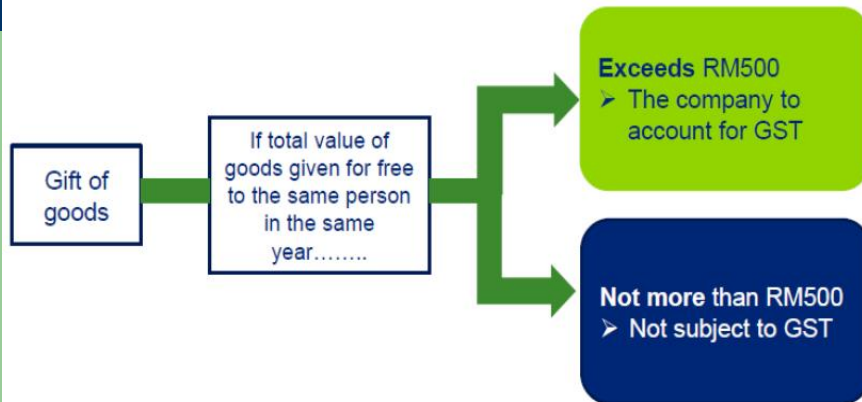
### Deemed supply – cont.

- Change of use of such goods which results in the goods being excluded from any credit under subsection
  - ✓ **Test drive car change to salesman car**
- **Goods dispose on deregistration unless:**
  - ✓ no Input Tax Credit has been claim on the goods
  - ✓ not acquired through Transfer Of Going Concern (**NO ITC**) or
  - ✓ goods were purchased from a non taxable person (**NO ITC**)
  - ✓ business carried on by a personal representative as a taxable person
- Supply of services to connected person (para 5 of 1st schedule)

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## Understanding GST for Implementation Planning

### Deemed supply – cont.



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#### Note:

GST incurred in the acquisition of the gift above is claimable

## Understanding GST for Implementation Planning

### Gifts - Continue

**Gifts in the form of service (free) is not a supply and hence no GST**

**Gifts from Supplier to Retailer to be given out as gifts to end customers is not a supply and hence no GST. (However proper record must be maintained to account for the gifts)**

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### Importation and Reverse Charge

- GST is payable on importations (not a supply) that are *taxable importations* regardless of whether the person is registered or required to be registered.
- A taxable importation can be made by any person.
- GST is charged at point of import
- However, an input tax credit for GST paid on an importation will only be available to a registered or required to be registered person
- Imported services for business purpose
  - *Recipient of services is treated to have made the supply to himself and accounts for the output tax*
  - GST is charged by reverse charge mechanism (deemed as self supply)

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### (3A) Place of supply

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### Rules for determining Place of Supply

GST is charged on any **supply of goods or services made in Malaysia**, and on importation of goods, and imported services.

**Different Rules apply for determining ;**

- Where goods are supplied
- Where services are supplied

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### Example

Location of Goods		GST ???
Start	End	
Malaysia	Malaysia	Yes – Domestic Supply
Malaysia	Overseas	No - Export
Overseas	Overseas	No – Out of Scope
Overseas	Malaysia	Yes - Import

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## Understanding GST for Implementation Planning

### Goods Imported into or supplied from Designated Area

*GST shall be due and payable upon all goods supplied from a designated area to Malaysia to all intents as if the supply were importation into Malaysia*

**Comment :** *Goods from Designated Area to Malaysia deemed to be imported and is subject to GST.*

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## Understanding GST for Implementation Planning

### (3B) Time of Supply (ToS)

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### Time of Supply (ToS)

ToS (Tax point) determines when a taxable person should account for GST

- Basic Tax Point
- Actual Tax Point

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### CHARGING GST

#### When should you account for GST ?

Earliest of the following:

1. **BASIC TAX POINT:**
  - Goods removed (supply); Goods Made Available; Service Performed - Whichever is earlier, **SUBJECT TO TAX INVOICE NOT ISSUED WITHIN 21 DAYS FROM THE DATE OF SUPPLY OR NO PAYMENT RECEIVED BEFORE THE BASIC TAX POINT.**
2. **ACTUAL POINT:**
  - If Tax invoice issued conformed to the 21 days rule and provided no payment received before the basic tax point.
3. **DATE OF RECEIVED PAYMENT** (if payment received before the basic tax point) (then don't have to conformed to the 21 days rule for issuing of tax invoice)

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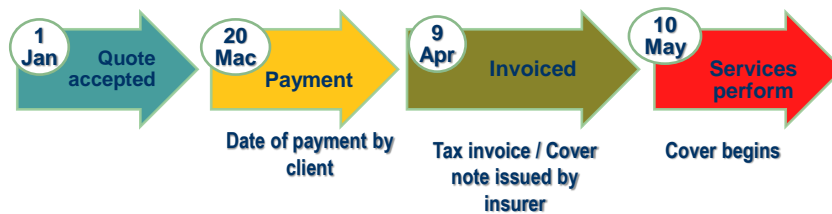
## Understanding GST for Implementation Planning

### Time of Supply

#### Events before basic tax point

- ✓ Time of Supply → when the payment is received or tax invoice is issued to the extent covered by the invoice or payment, whichever is the earlier

Scenario : payment or invoice before basic tax point

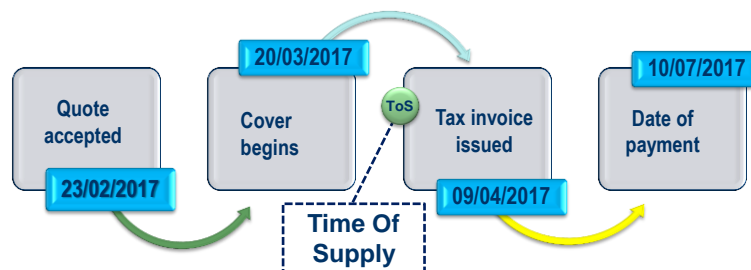


The time of supply – 20 Mac

## Understanding GST for Implementation Planning

### Time of Supply

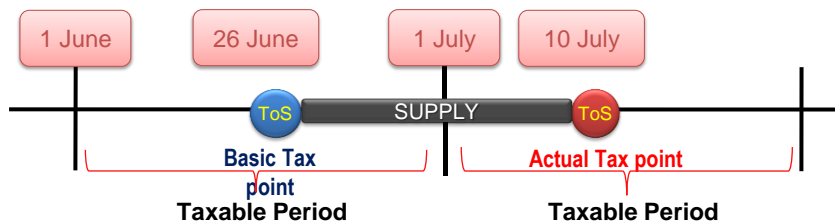
- 21 days rule
  - ✓ if tax invoice is issued within 21 days after the basic tax point, then time of supply is the time of the tax invoice





## Understanding GST for Implementation Planning

### Time of Supply (ToS)



e.g. on the above supply: If **basic tax point** is applicable, registered person has to declare in **June taxable period**, otherwise in **July taxable period**.

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## Understanding GST for Implementation Planning

### Supply goods under approval or sale / Return terms

- ▶▶ the sale has not taken place until customer approves the goods and confirms the sale
- ▶▶ removal of the goods to the customer before the sale is confirmed will not trigger a tax point
- ▶▶ the time of supply is the earliest of:
  - ✓ The date when the sale is confirmed
  - ✓ 12 months after removal of goods

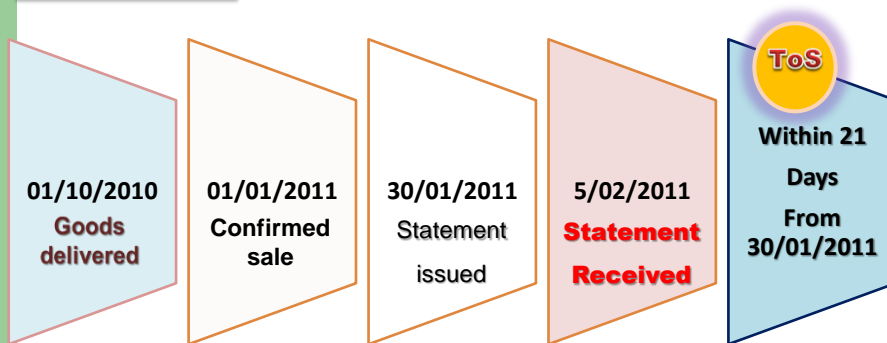
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ToS is within 21 days from the date of statement issued by the customer

## Understanding GST for Implementation Planning

Supply goods under approval or sale/return terms

### Scenario 1

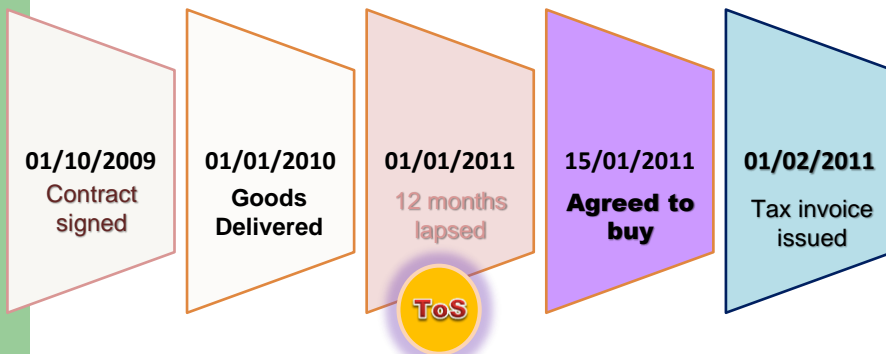


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## Understanding GST for Implementation Planning

Supply goods under approval or sale/return terms

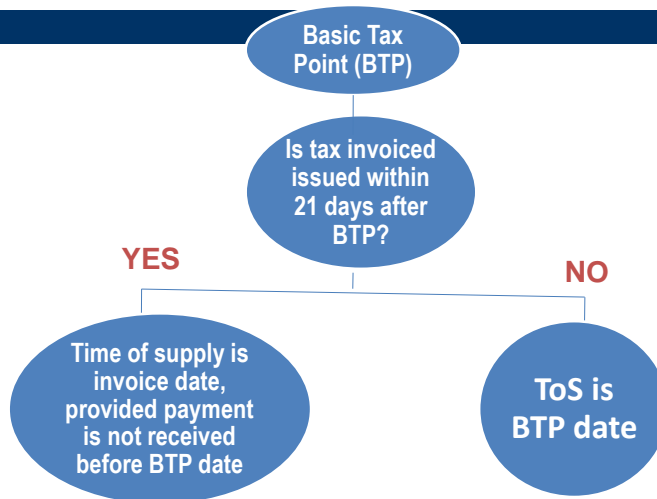
### Scenario 2



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## Understanding GST for Implementation Planning

### Time of Supply Rule




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## Understanding GST for Implementation Planning

### Time of Supply Rule

#### Power of the DG

 On the request made in writing by a taxable person, the DG may alter the time at which supplies are made.

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## Understanding GST for Implementation Planning

### Continuous supplies of services

Where services are

supplied for a period for a consideration the whole or part of which is determined or payable periodically or from time to time,

they shall be treated as separately and successively supplied at the earlier of the following

- ✓ whenever a payment in respect of the supplies is received; or
- ✓ whenever the supplier issues a tax invoice relating to the supplies.

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## Understanding GST for Implementation Planning

### Continuous supplies of services

Where such separate and successive supplies of services are made under an agreement which provides for successive payments, and the supplier at or about the beginning of any period not exceeding twelve months, issues a tax invoice containing the following particulars ---

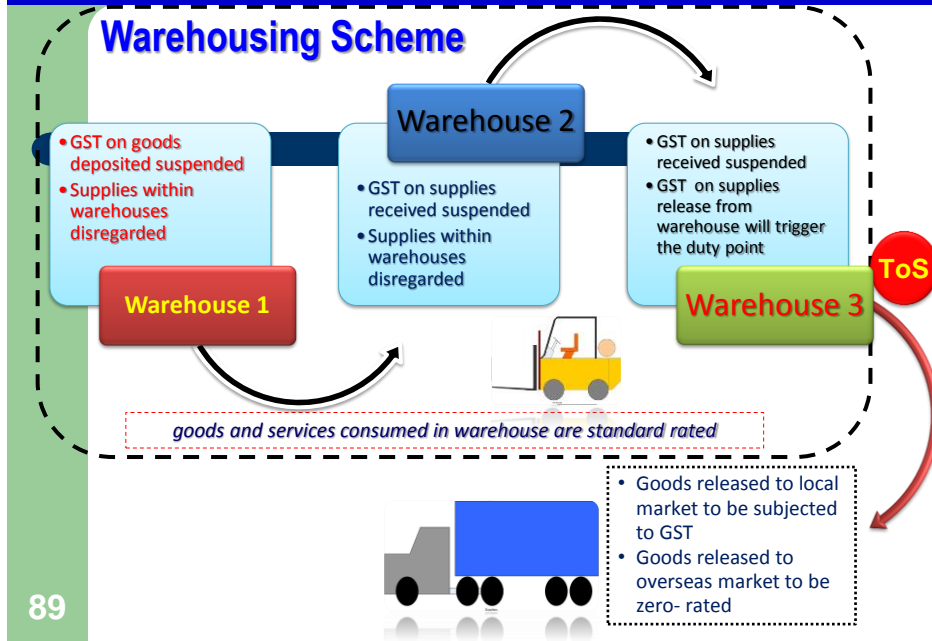
- (a) the dates on which payments under the agreement are to become due in the period;
- (b) the amount payable excluding tax on each such date; and
- (c) the rate of tax in force at the time of issue of the tax invoice and the amount of tax chargeable in accordance with that rate on each of such payments,

the services shall be treated as separately and successively supplied whenever a payment in respect of them becomes due or is received, whichever is the earlier.

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## Understanding GST for Implementation Planning

### Warehousing Scheme



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## Understanding GST for Implementation Planning

### Time of Supply - Special Rules for Retention Payments

#### Retention payments

Retention of any part of the consideration by a person pending

full and satisfactory performance of the contract

- ✓ ToS → whichever is the earlier :
  - ❖ payment is received by the supplier
  - ❖ tax invoice is issued by the supplier

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## (3C) Value of Supply

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### *Value of supply (consideration in money)*

Value of supply shall be taken to be a amount, with the addition of GST chargeable, equal to the consideration

E.g. A sells printer to B and receives RM1,050

Value = money consideration – GST portion

Tax Fraction = Rate / (100 + rate) = 6 / 106

Value of supply = consideration – GST

= RM1050 – (6/106 x RM 1050)

= RM1050 – RM59.43 = RM990.57

GST = Consideration x Tax fraction

GST = RM1050 x 6/106

= RM59.43

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## Understanding GST for Implementation Planning

Situations where receipt of money is not consideration

- Compensation / LAD payments
- Disbursements
- Grants where the person does not get benefits
- Dividends
- Donations
- Loan repayments
- Capital injection

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## Understanding GST for Implementation Planning

Application of Open Market Value (OMV) where :

- s 15(3) where supply is for a consideration **not in money** the value of supply is equal to OMV of that consideration
- s 15(4) where supply is for a consideration **not wholly in money**, the value of supply shall be an amount, equal to the aggregate of the amount of money and the **OMV of that consideration (including of GST)**
- s 15 (5) where supply with **no consideration**, the **value of the supply shall be an amount, with the addition of GST, equal to the OMV of that supply**

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## Understanding GST for Implementation Planning

### Application of Open Market Value (OMV) in First Schedule

- Para 4(1) **disposal of business asset without a consideration-** value of supply is equal to OMV of that supply
- Para 4(3) **private use of business asset without consideration,** the value of supply shall be the OMV of the services
- Para 4 (8) where supply of business not for consideration **by person who ceases to be a taxable person,** the value of the supply shall be the OMV of that supply
- Para 5, supply of services not for consideration to **connected person,** the value of supply shall be the OMV of the services

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## Understanding GST for Implementation Planning

### Subpara 1(2) Third Schedule - Circumstances where supply taken to be **Open Market Value (OMV):**

- The value of the supply made by a taxable person for a consideration is **less than its open market value**
- The person making the supply is **connected** with the person to whom it is made

(person deemed to be connected – Third schedule, para 2)

(open market value – Third schedule, para 1)

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## Understanding GST for Implementation Planning

Subpara 1 (1) Third Schedule - Open Market value (OMV)

**DETERMINATION** OF The OMV follow the following hierarchy:

- a. Consideration in money which goods / services generally fetch if **supplied substantially, under the same circumstances at or about the same time in Malaysia**, being a supply freely offered and made between persons who are not connected
- b. If cannot determined under (a), OMV is the value of **similar supply** in Malaysia
- c. If cannot determined under (a) or (b), the OMV is determined using reasonable means which provides **objective approximation of the consideration in money**

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## Understanding GST for Implementation Planning

**Connected person** (para 2, Third Schedule) Person deemed connected if:

- They are officers or directors of one's business
- partners in business
- person holds 5% or more of voting stock / share
- one of them controls the other
- both of them controlled by a third person
- together they control a third person
- members of **same family**

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## Understanding GST for Implementation Planning

- **Persons deemed to be members of the same family** if:

- they are connected by blood relationship within the **fourth degree** of relationship
- they are married to one another or if one is married to a person who is connected within the fourth degree of relationship to the other
- one has been adopted as the child of the other or as a child of a person who is within the third degree of relationship to the other

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## Understanding GST for Implementation Planning

### Value of goods imported

**Value of imported goods = Value for customs duty + any customs duty + any excise duty**

**Assume Customs value is RM10,000,  
customs duty is 5%, excise duty is 10%**

**= RM10,000 + (5% X RM10,000) +  
(10% X RM10,000)**

**= RM10,000 + RM 500 + RM 1,000**

**= RM11,500 (6% GST on this amount)**

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0

## Understanding GST for Implementation Planning

### Para 7 Third Schedule

**Value of supply from a LMW co / FIZ company to non LMW or non FIZ company**

**Value = Value for customs duty + any customs duty + any excise duty**

**(treat as if it is goods imported)**

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1

## Understanding GST for Implementation Planning

**Value of imported services**

**Value = consideration paid**

**Eg.**

**Consideration paid exclusive GST= RM20,000**

**GST = RM20,000 X 6%**

**= RM1, 200**

10  
2

**TAKE CARE OF THE WHITHOLDING TAX REQUIRED BY IRB**

## Understanding GST for Implementation Planning

### Para 5 Third Schedule

Where value is expressed in foreign currency, it must be converted into RM :

- ✓ at the selling rate of exchange prevailing in Malaysia at the time when the supply takes place, or
- ✓ at the rate of exchange determined by the DG in the case of **import** of goods

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3

## Understanding GST for Implementation Planning

### Disregarded supply

→ Taxable supply which is ignored for the charging of tax

#### Disregarded supply in GST Act

- ✓ Supply within members in group registration (sec. 27(6))
- ✓ Supply from taxable person (principal) to the auctioneer (Agent) (sec. 66(4)(a))
- ✓ Supply between a venturer and venture operator in JV (sec. 70(5))
- ✓ Supply between 'warehouse' in warehousing scheme (sec. 71)
- ✓ Supply from taxable person to recipient in ATMS (sec.73(1))
- ✓ Supply between members and lead member in capital market (sec. 76(3)(b))
- ✓ Supply in and within Designated Area (sec. 162)

## Composite Supply

Composite supply is treated as a single packaged supply and GST treatment follows the dominant/principal supply

- components are:
  - Integral component e.g. provision of catering on board a flight
  - Incidental/ancillary component e.g. manual for an electrical appliance
  - Tie in component e.g. sale of printer/scanner/fax machine with a ream of A4 paper
- one price and one invoice
- the components not available separately

## Employees Benefits

### Employee Benefits

#### What do Employee Benefits mean?

- Any goods or services provided free to employees
- Goods or services acquired and given as employee benefits to employees are considered as used “for the purpose of business”
- Generally, **GST incurred** on goods or services acquired and used for the purpose of his business in the making of taxable supplies **is claimable**, and **GST has to be accounted for on the taxable supplies made.**

➔ **In general** , for employee benefits,

- **Input tax incurred is claimable**
- **GST needs to be accounted on goods provided free to employees**

### Employee Benefits

- Employee 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**
  - ✓ **Input tax claimable**



### Employee Benefits

- **Gift rule**

Goods worth not more than RM500 given free to the same person in the same year

=> not a supply

=> not subject to GST

=> Input tax is claimable

Exempt supplies – staff transportation or accommodation

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### Employee Benefits

#### Example 3

Company C rewarded RM5,000 to his best employee of the year

⇒ **Not subject to GST**

⇒ (money is neither goods nor services)

*[Provision- section 2 of the GST Act]*



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# 4

## Input Tax Credit / Claims

### Input Tax Claim

Conditions governing input tax claim:

- ▶ The claimant must be registered for GST
- ▶ Goods and services are acquired for the purpose of making taxable supplies
- ▶ Must have a valid tax invoice issued in the name of claimant
- ▶ Goods and services acquired are not subject to any input tax restriction
- ▶ Tax invoices, simplified tax invoices or customs import documentations must be made available to support any claim for input tax credit
- ▶ A taxable person who fails to pay his supplier within 6 months from the date of the supply shall account for an amount equal to the input tax claimed as his output tax



## Understanding GST for Implementation Planning

### Input tax

#### Input Tax Mechanism

- 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

## Understanding GST for Implementation Planning

### Input tax

#### Prerequisite for ITC Claim

- Claimant must be a taxable person
- Must have a valid tax invoice
- Invoice issued under the name of the claimant (Entertainment claim bills by salesmen issue???)
- Goods and services acquired are not subject to any input tax restriction e.g. motorcars
- Goods and services are acquired for the purpose of making taxable supply

## (4 A) What is input tax?

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5

### Section 2

“Input tax” means ---

- (a) any tax on any taxable supply of goods or services to a taxable person; or
- (b) any tax paid or to be paid by a taxable person on any importation of goods,

and the goods or services are used or are to be used for the purposes of any business carried on or to be carried on by the taxable person:

## (4 B) Mechanism to claim Input tax

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### 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)
- where input tax exceeds output tax, input tax credit will be refunded (S38(3))
- claim to be made within **6 years after the date of the supply or importation** (S38(6) and Regulations)

## **Entitlement to claim input tax**

A person is entitled to claim input tax if he is making a taxable supply and satisfies the following criteria:

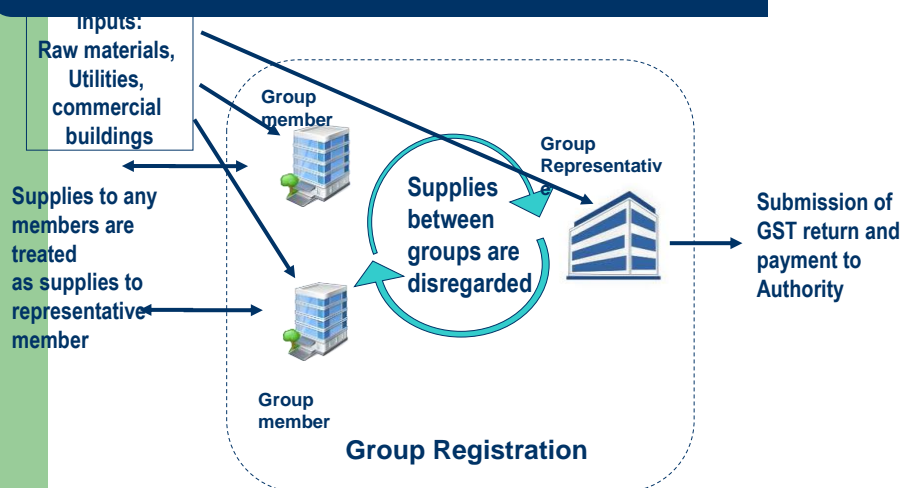
- input tax has been incurred;
- input tax is allowable;
- he is a taxable person, i.e. a person who is or is liable to be registered;
- goods or services acquired in the course or furtherance of business; and
- goods or services made in Malaysia or any supply made outside Malaysia which would be a taxable supply if made in Malaysia.

## **(4 C) Allowable Input Tax**

## Allowable Input Tax

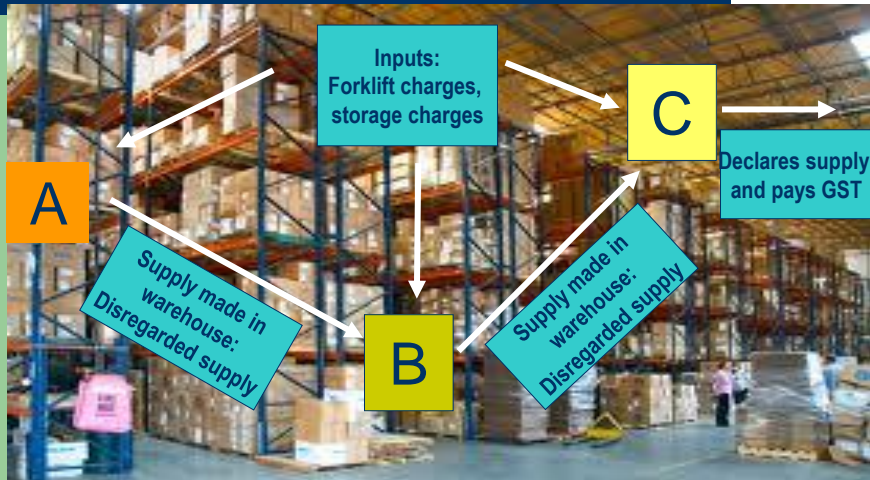
- standard rated or zero rated supplies
- disregarded supplies (supplies within group,, supplies made in warehouse, supplies between venture operator and venturers and supplies between toll manufacturer and overseas principal)
- Supplies made outside Malaysia which would be taxable supplies if made in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

## Group Registration



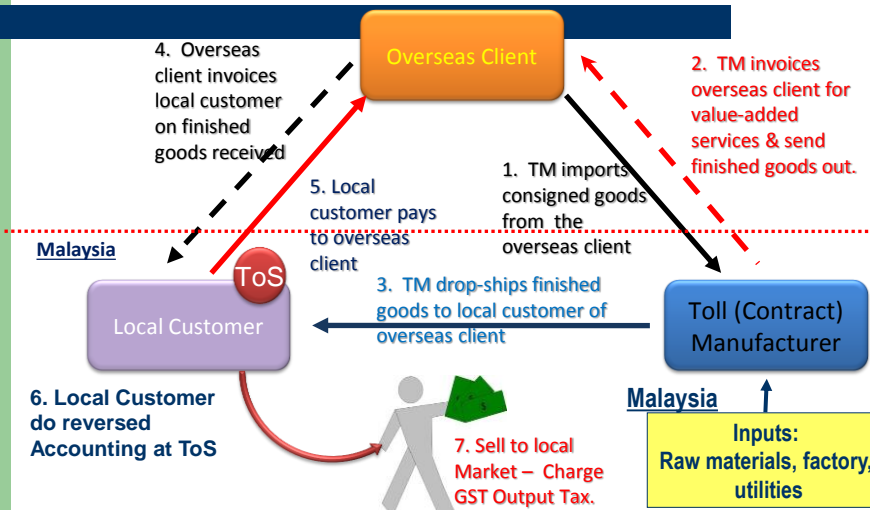
## Understanding GST for Implementation Planning

### Warehousing Scheme



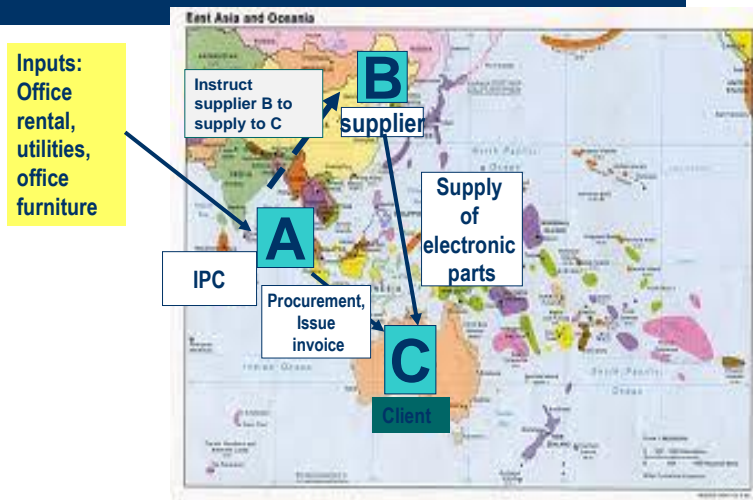
## Understanding GST for Implementation Planning

### Time of Supplies Scenario of Approved Toll Manufacturers



## Understanding GST for Implementation Planning

### Supplies Made Outside Malaysia



## Understanding GST for Implementation Planning

### (4 D) Criteria to claim Input Tax

### Criteria to Claim Input Tax

Must hold valid document:

- **tax invoice**
  - **full tax invoice if total tax amount exceeds RM30**
  - **simplified tax invoice if total tax amount is RM30 or less**
- **tax invoice issued by approved person for Flat Rate Scheme**
- **Customs No. 1 for imported goods**
- **Customs No.1 and 9 for goods removed from bonded warehouse**
- **document to show claimant pays imported services**

### Criteria to Claim Input Tax

- **tax invoice in the name of taxable person (All salesmen's big entertainment claim, whose GST is more than RM30.00 to be in the name of the Registered Tax Person)**
  - **not in the name of third party such as employees or directors**
- **tax invoice or document lost**
  - **get certified copy**
- **no matching of input to output**
  - **can claim input tax if holds valid document**



## (4 E) Non Allowable Input Tax (Blocked Input Tax)

(Do not need to account for output tax when goods are sold or given as GIFT)

### Blocked input tax

- ✓ passenger motor cars including
  - ❖ hiring of car &
  - ❖ repair/maintenance and furnishings



## Blocked Input Tax

### Passenger motor car definition:

a motor car of a kind normally used on public roads that is constructed or adapted for carrying not more than nine passengers including the driver and unladen weight of which does not exceed three thousand kilograms

### Blocked Input Tax Passenger Cars - **Exclusion**

- ✓ public service or tourism motor cars  
any public service vehicle licensed under Commercial Vehicle Licensing Board Act 1987 or tourism vehicle licensed under Tourism Vehicle Licensing Act 1999;

## Understanding GST for Implementation Planning

### Blocked Input Tax Passenger Cars - **Exclusion**

- **hire and drive cars or cars sold by second hand car dealers**  
a motor car supplied to or imported by a taxable person for the purposes of being let on hire or sold by that taxable person who is a dealer of motor cars licensed under the Second-Hand Dealers Act 1946;
- **cars used for driving instructional purposes**  
an approved vehicle used for driving instructional purposes by a driving school or driving institute permitted under Motor Vehicles (Driving Schools) Rules, 1992;

## Understanding GST for Implementation Planning

### Blocked Input Tax Passenger Cars - **Exclusion**

- ✓ **cars forming part of stock in trade**  
a motor car which forms part of the stock in trade of a motor manufacturer or a motor dealer;
- ✓ **cars used exclusively for business purposes approved by Director General**  
any motor car which is used exclusively for the purposes of business as may be approved by the Director General

## Understanding GST for Implementation Planning

### Blocked Input Tax Family Benefits

any benefits (including hospitality of any kind) provided by the taxable person for the benefit of any person who is the wife, husband, child or relative of any person employed by the taxable person for the purposes of any business carried on or to be carried on by the taxable person



## Understanding GST for Implementation Planning

### Blocked Input Tax Club Subscription Fees

Any joining fee, subscription fee, membership fee, transfer fee or other consideration charged by any club, association, society or organization established principally for recreational or sporting purposes or by the transferor of the membership or such club, association, society or organization



## Blocked Input Tax Medical and personal accident insurance



Personal Accident Insurance



## Blocked Input Tax Medical and personal accident insurance

Any payment or contribution for insurance contracts:-

- (a) to indemnify the taxable person against the cost of medical treatment to any person;
- (b) to cover the cost of medical treatment in which the insured is any person employed by the taxable person; or
- (c) to cover cost of personal accident in which the insured is any person employed by the taxable person

(Exclude Socso, Workmen Compensation, or under collective agreement within the meaning of the Industrial Relations Act 1967)

## Understanding GST for Implementation Planning

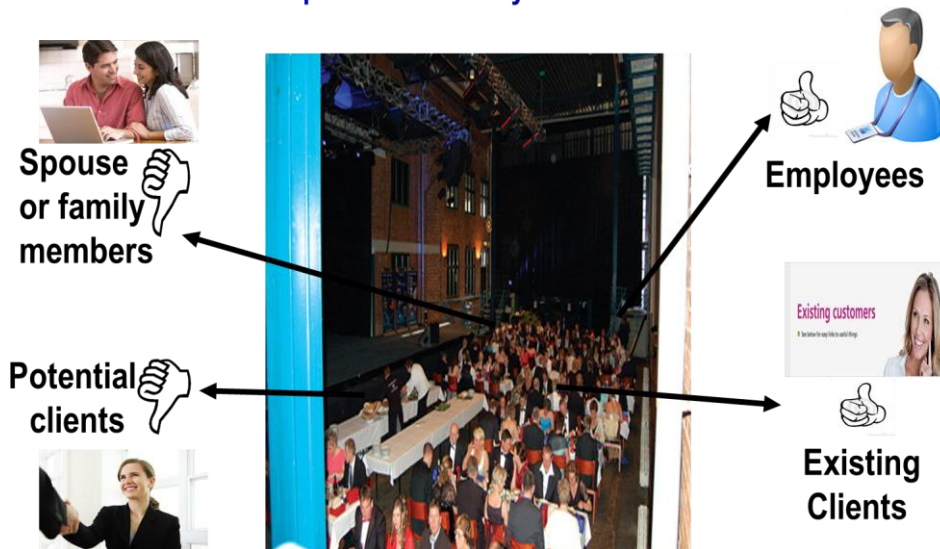
### Blocked Input Tax Medical Expenses

any medical expenses in connection  
with the provision of medical  
treatment to any person  
employed by a taxable person



## Understanding GST for Implementation Planning

### Blocked Input Tax Entertainment Expenses for Family Members and Potential Clients



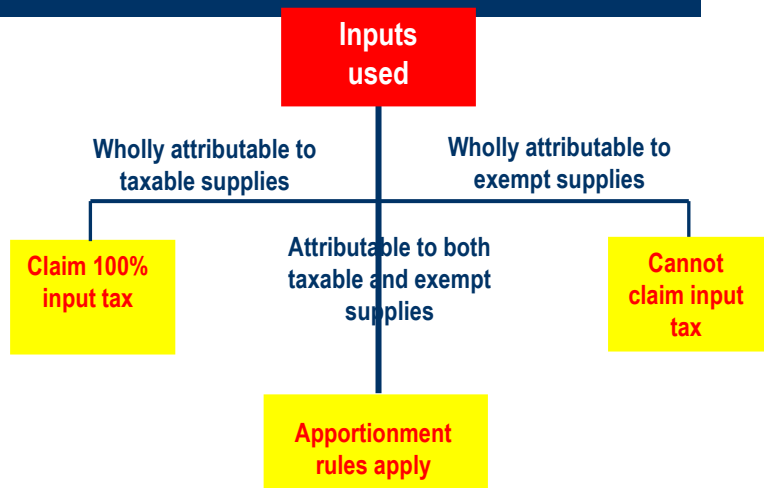
## (4 F) Apportionment of Input Tax

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## Apportionment of Input Tax

- No apportionment if can attribute wholly to taxable or exempt supplies
  - full input tax if wholly attributable to taxable supplies
  - no input tax if wholly attributable to exempt supplies
- Apportionment rules (second level):
  - applicable when goods and services are used for both taxable and non-taxable supplies

## Apportionment of Input Tax



## Mechanism for ITC Apportionment

- Turnover-based method as a standard method for apportioning any residual input

$$\text{Taxable portion} = \frac{\text{Value of taxable supplies}}{\text{Value of all supplies}}$$

- Round up or down to the nearest two decimal places

$$\text{Input tax claimable} = \text{Taxable portion} \times \text{input tax}$$



## Apportionment Rules

Example:

Taxable supplies = RM300,000

Exempt supplies = RM250,000

Residual input tax = RM8,000

$$\text{Taxable portion} = \frac{\text{RM300,000}}{\text{RM300,000} + \text{RM250,000}}$$

$$= 54.5454\%$$

$$= 54.55\% \text{ (2 decimal places)}$$

$$\text{Input tax claimable} = 54.55\% \times \text{RM8,000}$$

$$= \text{RM4,364.00}$$

## (4 G) De Minimis Limit

## Understanding GST for Implementation Planning

### Allowable input tax

Applicable if  
registered person  
has exempt supplies

#### De Minimis Limit - sec.39(2)(a)

- Exempt input tax can be recovered in full if the total value of exempt supply is less than a prescribed amount
- Prescribed amount of *de minimis* limit
  - ✓ total value of the exempt supplies does not exceed
    - an average of RM5,000 per month and
    - not exceeding 5% of the total value of total supplies (all taxable and exempt supplies) made in that period
- *Example*
  - ✓ Factory provides transport (workers bus) to his workers for a charge

## Understanding GST for Implementation Planning

### De minimis limit

#### *Example 1 :*

A manufacturing company provides bus transportation to its workers and charges them.

Activity	Taxable	Exempt	%
Value (RM)	150,000	4,000	2.6

Full recovery of input tax allowed

## Understanding GST for Implementation Planning

### De Minimis Limit

#### Example 2 :

A manufacturing company provides bus transportation to its workers and charges them.

Activity	Taxable	Exempt	%
Value (RM)	500,000	10,000	2.0

Full recovery of input tax is **not allowed**, have to apply apportionment rule on ITC

Residual Input Tax	Taxable Supplies	Exempted Supplies	ITC Claimable	Total Input Tax
RM500	RM500,000	RM10,000	98.04%	RM490.20

## Understanding GST for Implementation Planning

### Annual Longer Period Adjustments / Averaging Meeting the De Minimis Rule

#### EXAMPLE

Particulars	Q1	Q2	Q3	Q4	Total
Taxable Supplies	1,500,000	2,300,000	2,100,000	3,600,000	9,500,000
Exempt Supplies	6,000	7,000	8,000	8,000	29,000
<b>Total Supplies</b>	<b>1,506,000</b>	<b>2,307,000</b>	<b>2,108,000</b>	<b>3,608,000</b>	<b>9,529,000</b>
% of Taxable Supplies	99.60%	99.70%	99.62%	99.78%	99.70%
Residual Input Tax	100,000	150,000	50,000	250,000	550,000
<b>Residual Claimed</b>	<b>100,000</b>	<b>150,000</b>	<b>50,000</b>	<b>250,000</b>	<b>550,000</b>
Residual I/T claimed Should be cumulatively Hence Over / Under claimed					<b>550,000</b> NIL

**Claimed all residual input tax**

**Treat Exempt supply as taxable supply – claim all input tax relating to all exempt supplies**

## Understanding GST for Implementation Planning

### Annual / Longer Period Adjustments / Averaging No meeting the Adjustment at Qtr. 4 and NOT Meeting the De Minimis Rule at year end

#### EXAMPLE

Particulars	Q1	Q2	Q3	Q4	Total
Taxable Supplies	1,500,000	2,300,000	2,100,000	300,000	6,200,000
Exempt Supplies	6,000	7,000	8,000	48,000	69,000
<b>Total Supplies</b>	<b>1,506,000</b>	<b>2,307,000</b>	<b>2,108,000</b>	<b>348,000</b>	<b>6,269,000</b>
% of Taxable Supplies	99.60%	99.70%	99.62%	86.21%	98.90%
Residual Input Tax	100,000	150,000	50,000	250,000	550,000
<b>Residual Claimed</b>	<b>100,000</b>	<b>150,000</b>	<b>50,000</b>	<b>215,525</b>	<b>515,525</b>
Residual I/T claimed Should be cumulatively Hence Over / (Under) claimed					<b>543,950</b> <b>(28,425)</b>

Third quarter - apportioned Residual Input Tax and cannot claim Input Tax on Exempt Supplies

Year End - Over Claim - need to be refunded (Under Claim can claimed back) in the next immediate taxable period after the adjustment.

Year End – Not meeting the De Minimis Rule – all input tax on exempt supplies claimed need to be refund.

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1

## Understanding GST for Implementation Planning

### (4 H) Incidental Exempt Financial Supplies

## **Incidental Exempt Supplies**

**Can claim input tax attributable to financial supplies as if it is input tax attributable to taxable supplies:**

- ✓ deposit of money
- ✓ exchange of currency
- ✓ holding of bonds or other debt securities
- ✓ transfer of ownership of equity securities
- ✓ provision of loans, advance or credit to employees or connected persons
- ✓ holding or redemption of unit trust
- ✓ hedging of interest, commodity, utility or freight risk

## **Incidental Exempt Supplies**

**Special tax treatment does not apply to:**

- ✓ banks
- ✓ development financial institutions or money lenders
- ✓ insurance company
- ✓ stock or futures brokers
- ✓ pawn broker
- ✓ debt factor or credit or debit card companies
- ✓ unit or investment trust or venture capital company

## (4 i) Refund of Input Tax Credit

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### Refund of Input Tax Credit

#### Make refund within:

- ✓ 28 working days for manual submission
- ✓ 14 working days for online submission

#### Late registration:

- ✓ Refund allowed if input tax exceeds output tax

## **Withhold Input Tax Credit**

### **Section 38(5)**

Where at the end of any taxable period any amount is due under subsection (3), the Director General may withhold payment of the amount if—

- (a) the taxable person fails to furnish the return under section 41 or to provide any information as required by the Director General; or
- (b) the Director General has reasonable grounds to believe that the amount should not be the amount due to the person

## **Carry Forward Input Tax Credit**

### **Section 38(4)**

The whole or any part of any input tax due as credit to any taxable person in any taxable period may be held over to be credited to any following or subsequent taxable period, either on the taxable person's own application in writing or on any direction given by the Director General

## Offsetting Input Tax Credit

### Section 46

Notwithstanding any provision of this Act, where any person fails to pay in whole or in part—

(a) any amount of tax due and payable under this Act; or

(b) any amount of customs duty or excise duty,

the Director General may set off, against the unpaid amount referred to in paragraphs (a) and (b), any amount or any part of any amount refundable to that person and the Director General shall treat the amount set off as payment received from that person.

(4 J)

## Repayment of Input Tax



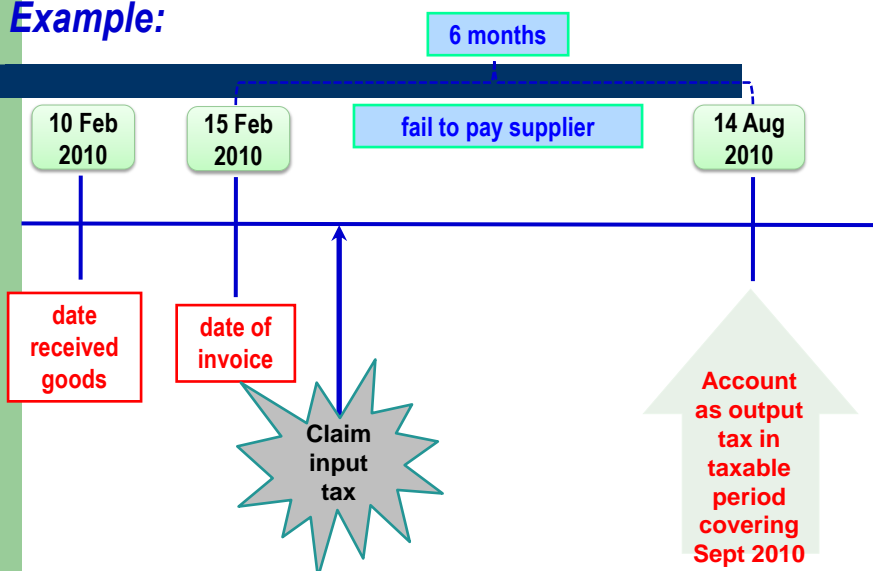
## Repayment of Input Tax

### Repay

- if fails to pay consideration within 6 months from date of supply but claim input tax
- **as output tax**
- account in the taxable period covering the month after the six months period

### Repayment of Input Tax

#### Example:

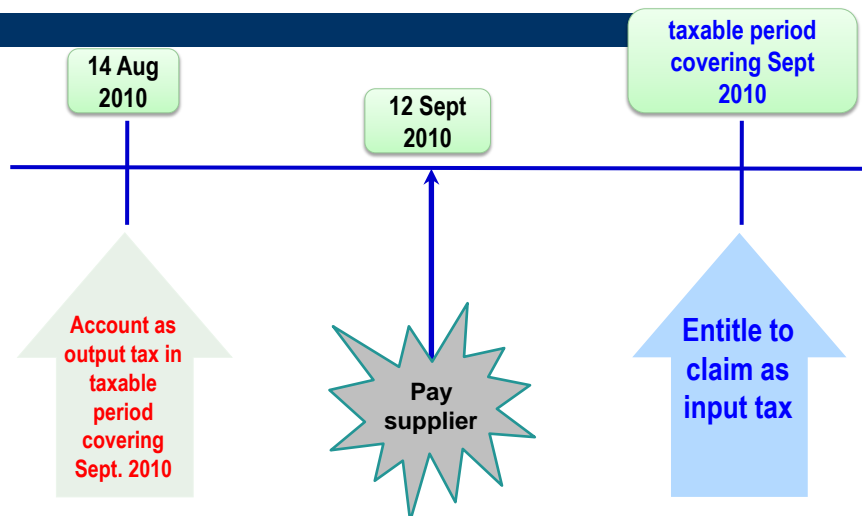


## Repayment of Input Tax

### Entitle to claim output tax paid

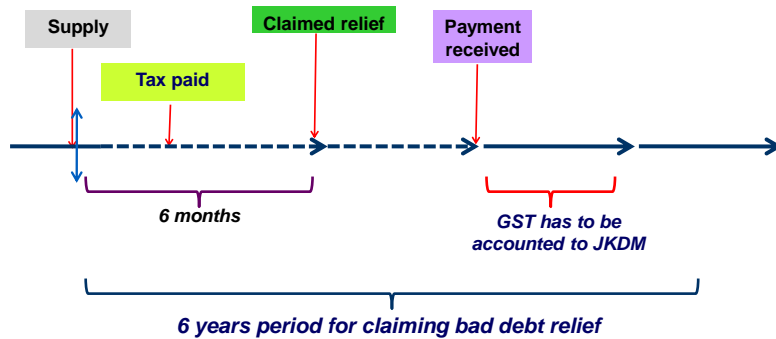
- if subsequently has paid consideration to supplier
- **as input tax**
- account in the taxable period covering the month in which payment is made

### Example: Repayment of Input Tax



### Bad Debt Relief

#### Concept:



### Bad Debt Relief

- **Bad Debt Relief**
  - ✓ entitle to relief on bad debts if the taxable person has not received any payment or part of payment in respect of the taxable supplies
- **Conditions to apply relief**
  - ✓ GST has been paid
  - ✓ has not received any payment or part payment 6 months from the date of supply or the debtor has become insolvent before the period of 6 months has elapsed
  - ✓ sufficient efforts have been made to recover the debt
- **Shall make adjustment in the GST return for bad debt relief claim**

## (4 K) Input Tax Relating to Own Use

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7

### Input Tax Relating to Own Use

#### Supply used by director or staff

- eligible to claim input tax if asset is **not excluded GST credit but account on output tax on private use**
- not eligible to claim input tax if asset is excluded GST credit and no tax on disposal of asset

## Supply used by director or staff

### *Example:*

Renta Kanopi Sdn. Bhd., a GST registered company purchased canopies and tents at RM45,000 and claimed input tax amounting to RM1,800. The company is in a business of renting Arabian/Gazebo canopies for events and functions at RM250/ canopy per day. A senior manager used 10 of the company's canopies at his son's wedding for 2 days. However, the company is required to account GST on the private use of the canopies i.e.  $6\% \times RM5,000$  ( $RM250 \times 10 \times 2$ ) = RM300.

## (4 L) Input Tax Relating to Registration

## Input Tax Relating to Registration

### Pre-Incorporation

- not eligible to claim input tax on services

### Pre-Registration

- not eligible to claim input tax on services and goods consumed, goods incorporated into other goods
- eligible to claim input tax on goods held on hand including capital goods at the time of registration

## Input Tax Relating to Registration

### *Example:*

Plastic manufacturer purchases RM100,000 of resins

At the time of registration:

- holds RM70,000 of raw materials
- RM5,000 incorporated in finished goods
- RM25,000 consumed and sold as finished goods

Eligible to claim GST on RM70,000 as input tax in the first return

## Understanding GST for Implementation Planning

### Input Tax Claim In Certain Circumstances

#### Late registration

- eligible to claim input tax on goods and services used in making taxable supplies during the period he is liable to be registered
- for goods (including capital goods) held on hand acquired before date of liable to be registered, eligible to claim input tax
- for goods and services acquired after date of liable to be registered, eligible to claim input tax 6 years from the date of supply

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## Understanding GST for Implementation Planning

### Example – Late Registration

Value of goods for claiming input tax

Goods acquired **before** the date of registration or liable to be registered,

- goods other than land and building - eligible to claim input tax on the book value of the goods.
- for land and building, eligible to claim input tax on the open market value of the asset or book value whichever is the lower

# 5

## Transition Rules

### (5 A)

## Effect on SST Acts After repealed





## Repeal of Sales Tax and Service Tax

From the appointed date (AD – implementation of GST)

- Still enforced on matters where tax is due and payable and liability (offences) incurred:



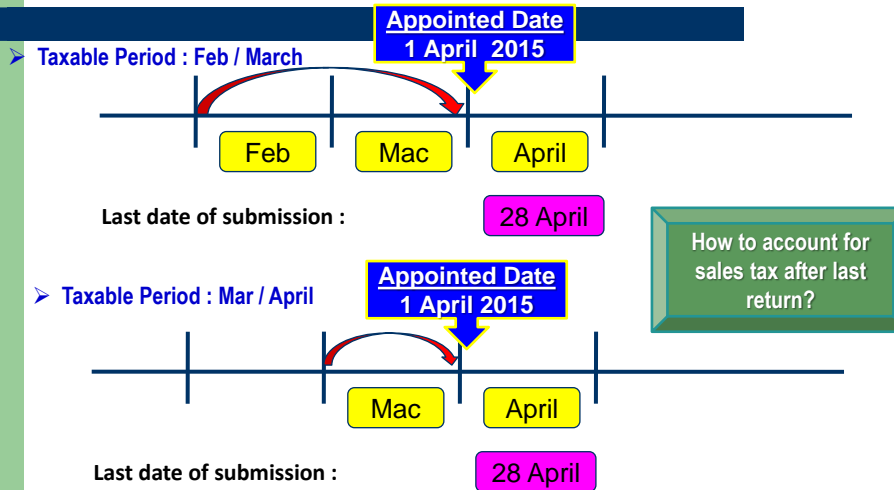
## Repeal of Sales Tax Act 1972

- No sales tax on or after appointed date
- Furnishing of final return and pay sales tax
- Failure to pay sales tax in the last return subject to penalty under the Sales Tax Act 1972
- To avoid double taxation, give a special refund of sales tax paid on goods held on hand on the appointed date

## Understanding GST for Implementation Planning

### Return For Last Taxable Period

When to submit last return under Sales Tax?



## Understanding GST for Implementation Planning

### Repeal of Sales Tax Act 1972

Facility	Not registered person	Registered person
Section 9 - Acquisitions free of sales tax (CJ5, CJ5B)	Account sales tax on goods held on hand	Not required to account for sales tax on goods held on hand
Section 10 - Minister grant exemption and refund to licensee		
Section 31A - deduction of sales tax		
Semi finished and finished goods [section 22(5) when cease business / cease to be licensed]	State in CJP1 and pay in return for last taxable period	

## (5 B) Special refund

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### Special refund on goods held on hand

Entitle to special refund of sales tax if:

**100% sales tax claimable**

- claimant is a registered (mandatory) person on AD
- hold goods on AD for making taxable supply (goods or services)
- goods are sales taxable goods
- holds relevant invoices, import document to show sales tax has been charged
- goods where sales tax has been paid before AD
- holds payment documents (cheque, payment voucher, etc.) to show sales tax has been paid

## Special refund

Reduce special refund to 20%

(20% method)

- purchase goods from non licensed manufacturers
- goods are sales taxable goods
- holds invoices which does not show sales tax has been charged and the invoiced amount has been paid by the claimant before AD
- claimant is a registered (mandatory) person
- hold goods on AD 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:

Purchase RM15,000 of raw materials / second-hand goods but holds RM10,000 on appointed date

Special refund = RM10,000 x 20% x 10%  
= RM200

### Special refund

#### Goods not eligible for special refund

- capital goods e.g. building, land, equipment
- goods used partially or incorporated into other goods e.g. raw materials used in 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

### Special refund



#### Manner to claim special refund

- Make **one claim within 6 months** from appointed date without corrections allowed
- Use special form to claim refund (online) which includes either:
  - verification and audit certificate issued by a Chartered Accountant for special refund claim < RM10,000; or
  - verification and audit certificate issued by an **approved company auditor** for special refund ≥ RM10,000
- Automated refund system
- Continue refund if cease to be a taxable person



### Special refund

- Special refund to be paid on quarterly basis by instalments over 2 years 3 months or shorter period (DG's power)
- special refund to be offset against any unpaid taxes which includes:
  - Sales tax, service tax, GST, excise duty, import duty, penalties and surcharges
- recover ALL special refund if provide inaccurate, misleading or misrepresented information
  - An offence under the law (s.96 Penalty imposed)
  - Non appealable matter

### Example – Special Refund

#### Case 1:

Trader A has a special refund claim of RM 50,000  
Minimum instalment for refund is RM10,000  
Each instalment is RM10,000 subject to 5 instalments

#### Case 2:

Trader B has a special refund claim of RM 62,000  
Minimum instalment for refund is RM10,000  
Each instalment is RM10,000 subject to 6 instalments  
7<sup>th</sup> instalment is RM 2,000

## **Example – Special Refund**

**Case 3 :**

Trader C has a special refund claim of RM 80,000.

Minimum instalment for refund is RM10,000

Each instalment is RM10,000 subject to 8 instalments

**Case 4:**

Trader D has a special refund claim of RM 150,000

Minimum instalment for refund is RM10,000

Each instalment is RM18,750.00 subject to 8 instalments

# **(5 C) Other Sales Tax Matters**

## Understanding GST for Implementation Planning

### Repeal of Sales Tax Act 1972 – Credit Note

Good purchased before AD and returned on or after AD	Not registered person	Registered person
<b>Supplier:</b> <ul style="list-style-type: none"> <li>Sales tax paid goods subsequently returned within 3 months from date of sale (defective, wrong quantity, damaged goods)</li> <li>excludes for repair and discounts given before, on or after AD</li> </ul>	<ul style="list-style-type: none"> <li>Supplier raise credit note on or after AD</li> <li>Claim sales tax using JKED2</li> <li>Claim within 30 days from the date of CN</li> <li>Allowable if supplier has not cease business</li> </ul>	
<b>Special refund</b> Special refund paid on taxable goods subsequently returned to supplier	NA	Buyer refund the “ <b>special refund</b> ” claimed earlier 2 as his output tax

## Understanding GST for Implementation Planning

### Repeal of Sales Tax Act 1972 – Debit Note

Good purchased before AD	Not registered person	Registered person
<b>Supplier:</b> <ul style="list-style-type: none"> <li>Issue debit note on or after AD</li> </ul>	<ul style="list-style-type: none"> <li>charge sales tax to buyer</li> <li>state and pay sales tax in a special form (Lampiran H)</li> </ul>	
<b>Buyer:</b> Claim special refund paid on taxable goods under Sales Tax Act 1972	NA	May include this amount if have <b>not claimed Special Refund yet</b>



## Understanding GST for Implementation Planning

### Repeal of Sales Tax Act 1972 – **Bad debts**

Good purchased before AD	Not registered person	Registered person
Supplier: <ul style="list-style-type: none"><li>• Sales tax paid</li><li>• Made efforts to recover</li><li>• Refer section 31C , 31D Sales tax Act 1975</li><li>• Subregulation 19D Sales tax Regulation 1972</li></ul>	<ul style="list-style-type: none"><li>• Eligible before AD allowed to claim sales tax [subregulation 19D(1)(a)]</li><li>• after AD up to 6 years from the date sales tax has been paid</li><li>• Account for sales tax if subsequently collected after refund had been made</li></ul>	
<b>Same rules applies for service tax:</b>  Provisions to claim and refund are section 21B , 21C Service tax Act 1975 and manner to claim in subregulation 16A Service Tax Regulation 1975.		

## Understanding GST for Implementation Planning

### Repeal of Sales Tax Act 1972

#### Remission

- Entitled to a refund on the amount that was granted remission if the tax, penalty related has been paid to RMC before AD
- Claim using form JKED 2

## (5 D) Service Tax

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### Repeal of Service Tax Act 1975

- No service tax on or after appointed date
- Power to collect, refund or remit service tax
- Termination of :
  - Exemption of services tax by Minister (section 6) e.g. public trustee services, financial management services, etc.
  - Facilities e.g. contra system
- Furnishing of final return and pay service tax
- Failure to pay service tax in the last return subject to penalty under the Service Tax Act

## Understanding GST for Implementation Planning

### Accounting for Service Tax on or after AD

Services provided before AD	Not registered person	Registered person
taxable services provided during last taxable period	<ul style="list-style-type: none"> <li>Account in last return (CJP1)</li> <li>Pay service tax in accordance with s.14 Service Tax Act 1975 ( or when receive payment up to 12 months from date of invoice)</li> <li>Pay through Lampiran H</li> </ul>	
taxable services provided preceding last taxable period but no payment is received		
Spanning supplies		
service tax paid services subsequently terminated on or after AD (contra system)	Claim service tax using JKED2	

## Understanding GST for Implementation Planning

### Manner to claim service tax

Service tax claimable when taxable service is cancelled or terminated subject to the following conditions:

- Eligibility
  - Service tax has been paid in full
  - Credit note raised for the cancellation/termination of service
  - Amount of service tax fully refunded to customer
  - Claim for service tax within 12 months from the date service tax is paid
- Termination of taxable service
  - Before AD
  - After AD
- Applies to registered or not registered person

### Manner to claim service tax

Sulaiman and Khoo (architecture firm) licensed under the Service Tax Act, issued an invoice to Encik Mah for RM7,560 inclusive of service tax at 6%. The service tax was paid to the customs department on 28/1/2015 although the client had not made any payment. Encik Mah was subsequently declared bankrupt on 31/3/15. GST implementation : 1/4/15.

Sulaiman and Khoo wrote off the bad debt and claimed a refund of the service tax on 26/4/2015.

- ❖ Claim a refund of the service tax paid amounting to RM360 ( $RM7,560 \times 6/106$ ).
- ❖ Claim using form JKED 2

### (5 E) Non reviewable long-term contract



### Non reviewable contract

What is long-term non reviewable contract for GST purpose?

- written long-term contract entered into 2 years before AD with no provision to review consideration for the supply until a review opportunity arises; and
- supplies can be zero-rated (charged with GST at 0%) for a period of five years from AD or the duration of the contract, whichever is the earlier

The rationale for this was to provide relief to those contracts for supplies spanning AD in which GST was not provided for when the contract was first entered into.

### Non reviewable contract

A contract is considered as "non-reviewable" where -

- (a) The supply of goods or services is specifically identified in the contract;
- (b) The consideration (i.e. the price) in monetary terms (whether by reference to a specific amount or by way of a formula) for the provision of goods and services is specified in the contract; and
- (c) The contract contains no provision for any change in the consideration arising from the imposition of GST or any general review of the consideration.

### Non reviewable contract

Review opportunity arises on or after AD:

- Opportunity arises for the supplier under an agreement to:
    1. change the price or consideration whether directly or indirectly because of the imposition of GST ; or
    2. to conduct a general review or renegotiation of the price or consideration.
- Example : The mere inclusion of a exchange rate adjustment clause does not alter its 'non-reviewable' nature.

Review opportunity	Not a review opportunity
Review commercial lease because of imposition of GST	Review commercial lease based on a fixed formula or increase rental as a result of increase in turnover

- Renewal of the contract

### Non reviewable contract

- Zero rate supply for 5 years after appointed date 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 making wholly taxable supplies
- After 5 years period, revert to either standard rate (subject to spanning rule when crossing the 5 year, review period or renewal period)
- For all other contracts that span GST implementation, the portion of the supply that is attributable to post GST implementation is chargeable to tax.

### Non reviewable contract

#### AD : 1 April 2015. Example A

*If you sign a non-reviewable contract for 9 years w.e.f. 1 Mac 2013, you can zero-rate your supplies made pursuant to the contract for the duration of the contract from 1 April 2015 to 31 Mac 2020. From 1 April 2020 onwards, you must charge GST on your remaining supplies, if any.*

#### Example B

*If you sign a reviewable contract for 6 years w.e.f. 10 Mac 2012 with an option to review the price after 4 years, you can only zero-rate your supplies from 1 April 2015 to 9 Mac 2016. From 10 Mac 2016 onwards, you must charge GST on your supplies till 9/3/2018.*

### Non reviewable contract

#### Example C

- If a commercial lease is made on 1 November 2014 and spanned 1.4.2015 (AD), the part on or after 1.4.2015 is subject to GST.
- If the lease is entered into 2 years before appointed date, it will be GST free until 1.4.2020 unless there is a review opportunity to review the rent to take account of GST

## (5 F) Supply spanning GST Era

### Supplies spanning GST

What is supply spanning GST?

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

General Rule

- any supply before appointed date is not subject to GST
- any supply on or after appointed date is subject to GST
- claim input tax credits on acquisition and importation on or after the appointed date (on the portion that was supply on or after AD)



## Supplies spanning GST

### Example:

- On 28 Mar 2015, Hans selects a freezer from a retailer's floor stock, pays a deposit of \$100 and asks the retailer to hold it for him until Sunday 1 April 2015 when he will return to pay the balance and collect it.
- The time of supply is 1 April 2015 as the freezer is not to be removed from the supplier's premises immediately and it is not made available to the customer until he pays the remainder of the consideration. The whole of the consideration, including the deposit, will be subject to GST.

## Supplies spanning GST

Example 2 : John sells tickets from January 2015 for a concert that will be held in Penang in September 2015.

- As the service is being performed after the introduction of GST on 1 April 2015, John will have to account for GST on all the ticket sales (assuming John is registered for GST and no special exemptions have been granted).

## Understanding GST for Implementation Planning

### Invoice or consideration before AD

Contracts entered into before AD for a supply after that date will be **deemed to be subject to GST in the first tax period after that date.**

- This measure is to prevent parties trying to avoid the operation of GST by entering into arrangements prior to the commencement of GST.
- As an anti-avoidance measure
- **Excludes where sales tax or service tax has been charged**

## Understanding GST for Implementation Planning

### Payment / invoices on supply of goods

BEFORE GST	ON OR AFTER GST	IMPLICATION ON GST
Taxable goods supplied (available / removed)	Payment received / Invoice issued	Subject to SALES TAX
Invoice issued with sales tax	Taxable goods supplied	Subject to sales tax
Full Payment received / part payment received with sales tax paid	Taxable goods supplied	Subject to sales tax on the whole supply or part of the supply that relates to payment of sales tax
Invoice issued / Payment received by non Sales Tax licensee	Taxable goods supplied	Value of supply deemed inclusive of GST and account in the 1 <sup>st</sup> taxable period after the appointed date
Invoice issued / Payment received	Supply non taxable goods under Sales Tax Act 1972.	Value of supply deemed inclusive of GST and account in the 1 <sup>st</sup> taxable period after the appointed date

## Understanding GST for Implementation Planning

### Supplies spanning GST

Before GST	On or After GST	Implication on GST
Prescribed Services supplied	Payment received	Not subject to GST Subject to service tax
Payment received / service tax charged or paid	Prescribed Services supplied	Not subject to GST Subject to service tax
Payment received / invoice issued	Non prescribed services supplied	Value of supply deemed inclusive of GST and account in the 1 <sup>st</sup> taxable period after the appointed date
	Prescribed services supplied by non Service Tax licensee	
Goods imported	Release from customs control	Subject to GST and date of importation is when released from customs control

## Understanding GST for Implementation Planning

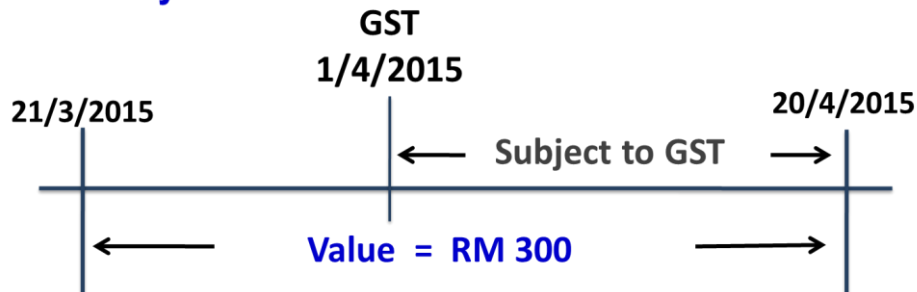
### Progressive or periodic supply

What is progressive or periodic supply?

- part of supply before appointed date and part of supply on and after appointed date ,
- supply is taken to be made on a continuous and uniform basis throughout the period
- account for GST on the pro-rated value of the contract relating to the period after AD.
- E.g. lease / rental agreement, outsourcing / franchise agreement, electricity, wireless services

## Progressive or periodic supply

### Supply of electricity



$$\begin{aligned}\text{Taxable Value} &= \text{RM}300/30 \times 20 \\ &= \text{RM}200 \\ \text{GST } 6\% &= \text{RM}12\end{aligned}$$

## Understanding GST for Implementation Planning

### Progressive or periodic supply

No GST chargeable on:

- supply of warranty where warranty has been included into price of goods or services
  - supply of goods or services is FOC
  - if not FOC, subject to GST
  - relates to goods or services whether expressed, implied or required by law
  - if you buy warranty on or after AD, GST??

## Supply of Rights

A supply of a right that has been made before AD,

- is taken to have been made on or after AD to the extent the right could reasonably be expected to be exercised on or after AD

For example, if LEGOLAND sells an annual pass on 1 October 2014, the entity will be required to account for GST on that part of the ticket which relates to the period after 1 April 2015.

- This is because, the entity 'could reasonably expect entry to be used after 1 April 2015'.



## (5 E) Special rules & scheme

## Understanding GST for Implementation Planning

### Special rules – Projects or Construction

Basically, the builder will have to value at 31 Mar 2015:

- the partly completed work and
- materials permanently incorporated in or affixed on the site.

GST will then be payable on the contract price less this pre 1 April 2015 value (the remaining value).

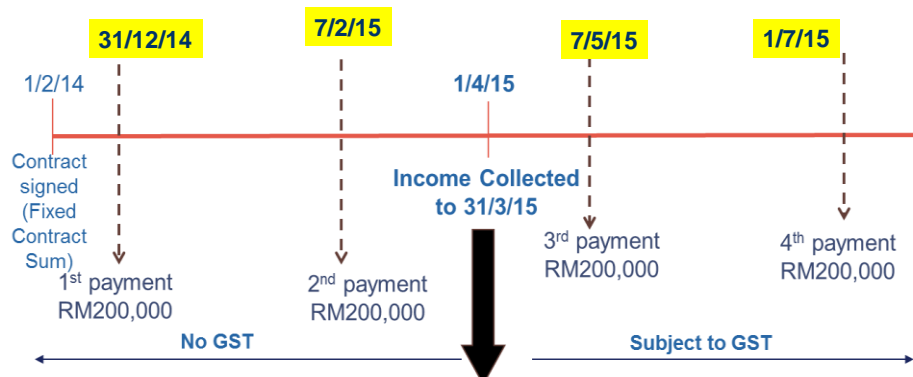
**Failure to comply on the CERTIFIED VALUE, GST will be charged on the full value instead of the value after 1/4/2015.**



## Understanding GST for Implementation Planning

### Special rules - Construction

Construction contracts – spanning effective date



What is the value for charges up till 31/03/15 for GST purposes?

### Special rules

#### Retention payment for contracts span over AD.

➤ any payment that relates to:

- supplies made before appointed date is not subject to GST
- supplies made on or after appointed date is subject to GST

Retention payment of RM30,000 for 90 days job

GST on retention payment for 30 days only i.e. tax fraction  $10,000 \times 6/106 = 566.04$

Supplies made before AD is for 60 days

Supplies made on and after AD is for 30 days

# 6

## Accounting

(Invoicing, Record Keeping and Software Requirements & Tax Codes )

### Types of Tax Invoice

- Types of tax invoice when making taxable supplies
  - full tax invoice
  - other than full tax invoice (omit certain particulars) upon application (Simplified Invoice)
    - ☐ Input Tax claimable subject to RM30.00 or Less
- Self-billed invoice
- Flat Rate Scheme Invoice
- *Import – K1 and K9 form*
- *Bank Statement*
- *Others as approved by Customs*

### What is a Tax Invoice?

A tax invoice is a document containing certain information about the supply that has been made and it is similar to a commercial invoice except for some additional information such as details of registered person and supply, GST rate and the amount of GST payable.

Importance of a tax invoice:

- may trigger the time of supply for a transaction.
- primary evidence to support a customer's input tax claim
- determine when he may claim his input tax
- determine which supplies made by him should be included in a particular taxable period



## Issuance of Tax Invoice

- Tax invoice shall be issued:
  - ✓ **by every registered person**
  - ✓ who makes any taxable supply
  - ✓ in the course or furtherance of any business
  - ✓ in Malaysia
- Must be issued **within 21 days** after supply has taken place (Time of supply)
- Tax invoice can be issued to the customer either:
  - ✓ **Hard copy**
  - ✓ **Electronic**
- Containing **prescribed particulars**

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5

## Full Tax Invoice

A full tax invoice should have the following particulars:

- (a) the words **“tax invoice”** in a prominent place;
- (b) the tax invoice serial number;
- (c) the date of issue of the tax invoice;
- (d) name of supplier, address and **GST number** of the supplier;
- (e) the customer’s name (or trading name) and address;
- (f) a description sufficient to identify the goods or services supplied;

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## Understanding GST for Implementation Planning

### Particulars of a full tax invoice (cont.....)

- (g) for each description, distinguish the type of supply for **zero rated and standard rated** the quantity of the goods or the extent of the services supplied and the amount payable, excluding tax;
- (h) any discount offered;
- (i) the total **amount payable excluding tax**, the **rate of tax and the total tax** chargeable to be shown separately;
- (j) the total **amount payable inclusive of the total tax** chargeable; and
- (k) any amount referred to in (i) and (j) must be expressed in Ringgit

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7

## Understanding GST for Implementation Planning

### Non Issuance of Tax Invoice

- Tax shall not be charged (i.e. showing tax amount) in the invoice which is issued on:
  - ✓ Non-taxable supply
  - ✓ Zero rated supply
  - ✓ Supply by non registered person
- Tax Invoice is not required to be issued by a registered person on:
  - ✓ Zero rated supply
  - ✓ Supply without consideration on which tax is charged

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8

# TAX INVOICE

**Supplier's name, address and GST identification number**  
KILANG KASUT SEDAP PAKAI SDN.BHD.  
Lot 123, Jalan Pengkalan, 31500 Lahat, Perak  
(GST ID No : 1000012015)  
Tel : 05-3349876

**Customer's name & address**  
To : Syarikat Kasut Ali Sdn. Bhd.  
No. 27, Jalan Maju Jaya,  
31400 Ipoh, Perak

**Tax Invoice serial number**  
Invoice No: 0001111

**Date of Tax Invoice**  
Date : 25 Jun 2015  
D/O No : S000345

**The words "Tax Invoice" clearly indicated**  
**TAX INVOICE**

Serial No.	Description	Quantity	Unit Price (RM)	Total (RM)
1.	School Shoes SS1201	200	8.00	1,600.00
2.	School Shoes SS1210	200	10.00	2,000.00
3.	Sport Shoes SP2315	50	25.00	1,250.00
				4,850.00
Discount @ 10%				(485.00)
Total before GST				4,365.00
Add GST @ 6%				261.90
Total Sales				4,626.90

**Quantity of goods or extent of the services supplied**  
3

**Rate of GST**  
6%

**Total amount payable, excluding GST**  
4,365.00

**Total amount of GST charged**  
261.90

**Total amount payable, inclusive of GST**  
4,626.90

.....  
KILANG KASUT SEDAP PAKAI SDN.BHD.

## Understanding GST for Implementation Planning

### Simplified Tax Invoice

- A taxable person is required to apply in writing to the Director General if certain prescribed particulars are to be omitted in the tax invoice issued by him
- For example, a registered person applies to the DG to allow him to exclude in his tax invoice, the following prescribed particulars:
  - ✓ the name and address of the recipient; and
  - ✓ the price and tax for each item to be shown separately
- This simplified invoice may be allowed to be issued provided it contains particulars as approved by DG.
- Example of such simplified invoice with the approved particulars is as follows:

## Understanding GST for Implementation Planning

### Particulars of Simplified Tax Invoice as approved:

- the name, address and identification number of the supplier;
- the date of issuance of the invoice;
- the tax invoice serial number;
- a description sufficient to identify the goods or services supplied;
- for each description, distinguish the type of supply for zero rate, standard rate and exempt, the quantity of the goods or the extent of the services supplied and the amount payable, including tax;
- the total amount payable inclusive of total tax chargeable;
- the rate of tax and the amount of tax chargeable; and
- any discount offered.

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1

## Simplified Tax Invoice

<b>COMFORT PARKING SDN. BHD.</b> GF1-03, Kompleks Beli-Belah, Jalan Kenangan, 41100 Klang, Selangor. <b>(GST ID No : 003456/2015)</b> Tel : 03-33498765		<b>Inv No: A00295</b> <b>Date : 17.12.2015</b>								
Supplier's name, address and GST identification number	Tax invoice serial number	Date of Tax Invoice								
Description of goods or services supplied	<table border="1"> <thead> <tr> <th>Description</th> <th>Total (RM)</th> </tr> </thead> <tbody> <tr> <td>Parking fee – 3 hours</td> <td>3.12</td> </tr> <tr> <td>Rounding Adj.</td> <td>0.02</td> </tr> <tr> <td><b>TOTAL</b></td> <td><b>*3.10</b></td> </tr> </tbody> </table>	Description	Total (RM)	Parking fee – 3 hours	3.12	Rounding Adj.	0.02	<b>TOTAL</b>	<b>*3.10</b>	Total amount payable including GST
Description	Total (RM)									
Parking fee – 3 hours	3.12									
Rounding Adj.	0.02									
<b>TOTAL</b>	<b>*3.10</b>									
* Price payable includes GST RM0.18 @ 6%		Rate of GST								
Total amount of GST charged										

\*\*\* TAX INVOICE \*\*\*

Asian Pacific Group Pty Ltd

Bell City

ABN: 66 078 936 204

Ph: +61 (0) 3 9485 1000

Receipt no: 0021/0603

Eval. Cong. Var. \$6.00

01/04/14 23:49 - 02/04/14 07:11

Length of stay: 0 Days, 07:22

Accepted Total \$10.00

Change \$4.00

Total Amount \$6.00

GST 10.00 % \$ 0.55

## Understanding GST for Implementation Planning

### TAX INVOICE

#### Cash Register Rolls / Point of Sales Receipt Rolls

- If you buy goods from a wholesaler / retailer who is a GST registered person, the receipt given to you can be considered as a **simplified tax invoice**.
- This receipt can be used to claim input tax if you are a registered person as long as it contains the particulars approved by the Director General:

**Example:**

- ✓ supplier's name and address;
- ✓ GST identification number;
- ✓ date and serialized receipt number;
- ✓ description sufficient to identify the goods supplied;
- ✓ quantity and price for each line;
- ✓ amount payable inclusive of tax; and
- ✓ total amount of GST charged.

Welcome to McDonalds KINGSBURY  
ABN: 94 963 834 775  
Ph: 03 9466 9395

TAX INVOICE

ORD #55 -REG #1- 30/03/2014 17:24:30

QTY	ITEM	TOTAL
2	Sm1 Fries	2.00
4	Soft Serve Cone	1.20

Take-Out Total (incl GST)	3.20
Cash Tendered	20.20
Change	17.00

TOTAL INCLUDES GST OF	0.29
-----------------------	------

**CHEMIST  
WAREHOUSE**

Chemist Warehouse Preston  
475 High St PRESTON  
ABN: 44087648913 Phone: 94706626

**Tax Invoice**

Mar 30 2014 12:23PM - 6854857071813453  
Served By: 18070 Casey (TILL05)

1	<b>XTHE CHIA CO BLACK SEED 1KG</b>	<b>\$28.69</b>
	<i>Normal Price \$29.95</i>	
	Rounding	\$0.01
	<b>TOTAL</b>	<b>\$28.70</b>
	1 Item(s)	
	Cash	\$40.00
	Change	\$11.30

<b>You have saved</b>	<b>\$1.26</b>
-----------------------	---------------

\* Indicates a taxable item  
Total includes GST \$0.00

## TAX INVOICE

### Other Document as a Tax Invoice

- In rare cases, the Director General may allow a registered person to use a document to be treated as a tax invoice
- Registered person must apply in writing
- Director General is satisfied that it will not be appropriate for the registered person to issue a tax invoice.

*Example:*

*Bank statement can be treated as a tax invoice, as it is not practical for the banks to issue a tax invoice due to the large volume of transactions.*

23  
7

## TAX INVOICE

### Tax Invoice for Mixture of Taxable Supplies

- A supplier may make zero-rated and standard rated supplies simultaneously to the same customer.
- Issues one invoice to document such transactions
- The tax invoice issued must clearly distinguish the taxability of the supplies (zero-rated or standard rated) made
- Indicate separately the applicable values and the GST rate charged (if any) on each supply.

23  
8

# TAX INVOICE

**LILY SDN.BHD.**  
Lot 123, Jalan Meru, 43210 Klang,  
Selangor  
(GST ID No : 100001/2015)  
Tel : 03-33498765

**Supplier's name, address and GST identification number**

**Tax Invoice serial number**  
Tax Invoice No : 0001111

**Date of Tax Invoice**  
Date : 25 Jun 2015  
D/O No : S000345

**Customer's name & address**  
To : Ali Mini Mart Sdn. Bhd.  
No. 27, Jalan Maju Jay  
31510 Ipoh.

**TAX INVOICE**  
The words "Tax Invoice" clearly indicated

**Description of goods or services supplied**

No.	Description	Qty	Unit Price (RM)	GST Amount (RM)	Total (RM)
1.	* School Shoes SS1	200	8.00	64.00	1600.00
2.	* School Shoes SS2	200	10.00	80.00	2000.00
	# Cooking Oil CO1	50	25.00	0.00	1250.00
					4850.00
			Add GST (6%)		216.00
			Total Sales		5066.00

**Indicator for standard rated supply**

**Indicator for zero rated supply**

**Quantity of goods or extent of the services supplied**

**Rate of GST**  
Add GST (6%)

**Total amount of GST charged**

**Total Charge made, excluding GST**

**Total charge made, including GST**

**Note: \* - GST @ 6%  
# - GST @ 0%**

LILYSDN. BHD.

# TAX INVOICE

**AGRO SHOPPING CENTRE SDN BHD**

**Supplier's name, address and GST identification number**  
DESA PINGGIRAN PUTRA, SG. MERAB  
TEL: 03-8896XXXX FAX: 03-896XXXX GST Reg. No :  
Date: 30/7/2015 15:35:45

**Tax invoice serial number**  
Tax Invoice No: V001619

**Date of Tax Invoice**

**Description of goods or services supplied**

IKAN BILIS CRACKER [PACK] S010611	1	3.90	3.90
PRINGLES SC 182G [PCS] S 001002	1	6.90	6.90
SUGAR Z 123235	2	1.45	2.90
Item Count			4
Total Sales Inclusive GST @ 6%			13.70
Rounding Adjustment			0.00
Cash			14.00
Balance			0.30
GST analysis	Goods		Tax
S = 6%	10.19		0.61
Z = 0%	2.90		0.00

**Indicator for standard rated supply**

**Indicator for zero rated supply**

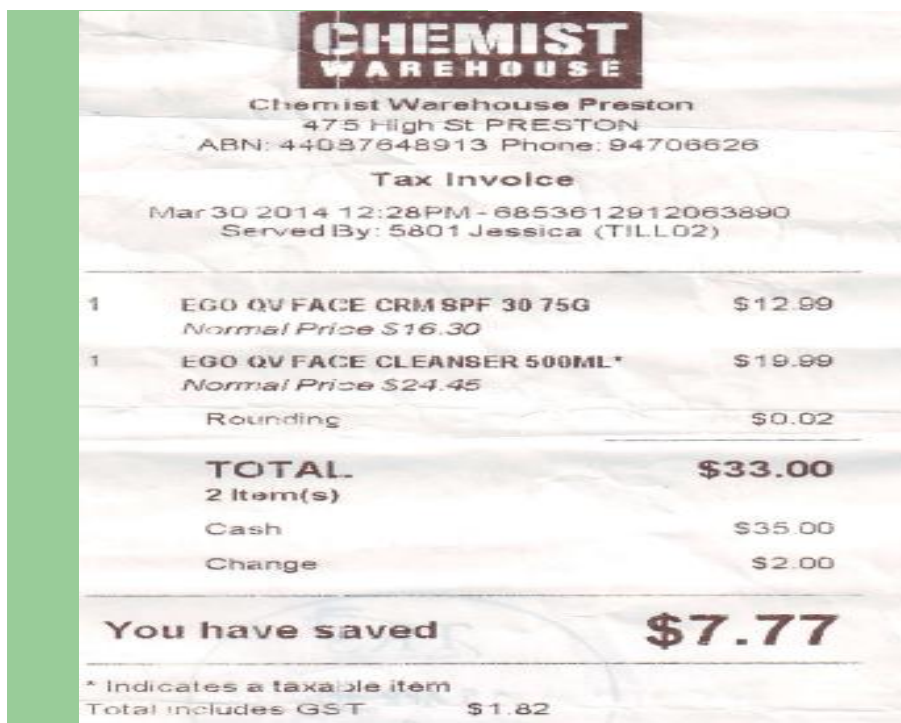
**Rate of GST**

**Total amount payable including GST**

**Total amount of GST charged**

Print : 30/7/2015  
Salesperson : Amin





## Understanding GST for Implementation Planning

### Invoice in a Foreign Currency (Para 5 3<sup>rd</sup> Schedule)

If the amount of the supply stated in a tax invoice is in foreign currency, the following particulars in the tax invoice have to be converted into Ringgit Malaysia (RM) for GST purposes:

- The amount payable before GST;
- The total GST chargeable; and
- The total amount payable (including GST).

The foreign currency is converted into Ringgit Malaysia by using the open market rate of exchange prevailing in Malaysia at the time when the supply takes place.

## Tax Invoice – RM and FC

**KENZOU ELECTRONIC BHD**

Supplier's name, address and GST identification number  
 Kenzou Electronic Bhd  
 Lot 169, Jalan Pasar, 32100 Ipoh, Perak  
 (GST ID No: .....)  
 Tel: 03-33161900

The words "Tax Invoice" clearly indicated

Tax Invoice serial number  
 Invoice No : 0002121  
 Date : 3.11.2015  
 D/O No : D100011

**TAX INVOICE**

Price in foreign currency  
 Price in Ringgit

Customer's name & address  
 To: Kenzo Sdn Bhd  
 No. 24, Jalan Silibin  
 32100 Ipoh, Perak.

No.	Description	Qty	Unit Price (USD)	Total (USD)	Total (RM) @ 3.50
1.	LCD TV 42" T004S	20	1,000.00	20,000.00	70,000.00
2.	Blue-Ray Player BD001	20	500.00	10,000.00	35,000.00
3.	Home Theatre HT010	10	300.00	3,000.00	10,500.00
Total Sales				33,000.00	115,500.00
Add GST @ 6%				1,980.00	6,930.00
Total Amount Due				34,980.00	122,430.00

Description of goods or services supplied

Total amount payable excluding GST

Total tax chargeable

Total amount payable including GST

KENZOU ELECTRONIC BHD

## Understanding GST for Implementation Planning

### Tax Invoice and Supply Given Relief

- Minister may grant relief to any person or class of persons from the payment of the whole or any part of the tax on any taxable supply of goods or services or any importation of goods;
- A taxable person shall be relieved from charging and collecting GST on taxable supplies made to such person or class of persons;
- GST should not be charged; and
- The tax invoice issued to such person shall state the clause:

*Relieved from charging GST for supply to a person given relief under Item....., Schedule..... Of GST (Relief) Order 201X*

*(Sample: see next slide)*

# TAX INVOICE

**TAX INVOICE**

ABC KOMPUTER SDN.BHD.  
No.1, Jalan Bandar 43210 Shah Alam, Selangor  
(GSTID No : 100001/2015)  
Tel : 03-33498765

Invoice No: 1111  
Date : 25 June 2015  
D/O No : S000345

SEKOLAH KEBANGSAAN KLANG  
No. 24, Hala Meru, 43210 Klang, Selangor  
Tel: 03-33545454

Serial No.	Description	QTY	Unit Price (RM)	Total (RM)
1.	Computer – CPU (Dell)	100		
2.	Monitor (Dell 14")	100	2,000.00	20,000.00
3.	Wireless Mouse (Dell)	100	500.00	5,000.00
			25.00	2,500.00
Total Sales				27,500.00
GST @ 6%				Nil
Total Amount Payable				27,500.00

10

ABC KOMPUTER SDN.BHD.

*(Relieved from charging GST for supply to a person given relief under Item 3, Schedule A of GST (Relief) Order 201X)*

## Understanding GST for Implementation Planning

### Pro forma Invoice

- A pro forma invoice is not regarded as a tax invoice.
- You can only claim input tax in your GST return if you have a proper tax invoice.
- Your supplier should give you a proper tax invoice for claiming input tax.

## Understanding GST for Implementation Planning

### GST Group Registration

Invoice for GST Group:

- Individual member making supplies to recipients outside the group must issue tax invoices stating **their own GST identification number**.
- Tax invoice to be issued in the name of individual members for acquisitions from suppliers outside the group.
- Supplies or transactions between members of the GST group are disregarded. They may issue Tax Invoices between them, but **to state the words “Disregarded Supplies Under Group Registration No.....” and “NIL” for GST amount.**

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7

## Understanding GST for Implementation Planning

### Debit Note's Adjustment:

On 20/10/15, ABC Ent. issued a tax invoice to Maju Sdn.Bhd for RM 10,600 inclusive GST 6%

In October taxable period for that particular transaction:

- ABC Ent. accounts output tax of RM600 [i.e.  $RM10,600 \times (6/106)$ ]
- Maju Sdn.Bhd claimed an input tax of RM600 [i.e.  $RM10,600 \times (6/106)$ ]

On 10/11/15, ABC Ent. raised a debit note for the amount of RM 1,060 inclusive GST 6%.

In November taxable period,

- ABC Ent. has to make an adjustment by increasing the output tax by RM60 [i.e.  $RM1,060 \times (6/106)$ ]
- Maju Sdn.Bhd has to make an adjustment by increasing the input tax by RM60 [i.e.  $RM1,060 \times (6/106)$ ]

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8

## DEBIT NOTE

**DEBIT NOTE**

KENSTONE (M) SDN BHD  
(COMPANY NO: 222111 U)  
15 JALAN CEPAT, KAWASAN PERINDUSTRIAN TAMPOI,  
80350 JOHOR BAHRU, JOHOR, MALAYSIA.  
TEL: 07-2323444 FAX: 07-2323442

To: Ali Maju contractor Sdn Bhd  
20 Jalan Maju, Taman Maju Jaya,  
Kulai Jaya,  
Johor.

DN NO: 1540  
DATE: 17.12.15  
GST NO: 12128888

Your ref. no.	Account no.	Tax Invoice no.	Date of invoice:
DO No. 5455	1010117879454	124345	15.1.2010

ITEM	DESCRIPTION	QUANTITY	UNIT PRICE (RM)	VALUE (RM)
No.2	Sale Value for Tiles code no. AS as per invoice no: 124345 dated 15.1.2010 Revised sale value Difference	1000pcs	5.00	500.00 5000.00 4500.00
Total				4500.00
GST 6%				270.00
Charge to be paid				4770.00

Reasons:  
1. The sale price for item no.2 worth RM 5,000 for RM500 by mistake.

Approved By: *Faridulnizam Hadrian*

**Annotations:**

- The name, address & GST identification number of the supplier
- The name & address of the person to whom the goods or services are supplied
- Description of the goods or services
- The reasons for its issue
- The words "Debit Note" clearly indicated
- The serial number & date of issue
- The number & date of the original tax invoice
- The quantity & amount for each supply
- The total amount excluding tax
- The rate & amount of tax

## Understanding GST for Implementation Planning

### Credit Note's Adjustment:

Goods sold on 20/7/15 by company A to company B, amount RM 1,000 plus GST 6%. Goods returned on 10/8/15 to company A, amount RM208. Credit note issued on 25/8/15 by company A.

**Company A (Seller)**

**Jul 2015 (Return)**

Output tax :  $RM1000 \times 6\% = RM60$

**Aug 2015 (Adjustment in Return)**

Decrease Output tax :  $RM208 \times 6/106 = RM11.77$

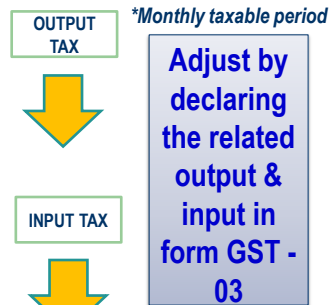
**Company B (Buyer)**

**Jul 2015 (Return)**

Input tax –  $RM1000 \times 6\% = RM60$

**Aug 15 (Adjustment in Return)**

Decrease Input tax –  $RM208 \times 6/106 = RM 11.77$



**THE NAME, ADDRESS & GST IDENTIFICATION NUMBER OF THE SUPPLIER**

KENSTONE (M) SDN BHD  
(COMPANY NO: 222111 U)  
15 JALAN CEPAT, KAWASAN PERINDUSTRIAN TAMPOI,  
80350 JOHOR BAHRU, JOHOR, MALAYSIA.  
TEL: 07-2323444 FAX: 07-2332442

**THE NAME & ADDRESS OF THE PERSON TO WHOM THE GOODS OR SERVICES ARE SUPPLIED**

To  
Ali Maju contractor Sdn Bhd  
20 Jalan Maju, Taman Maju Jaya,  
Kulai Jaya,  
Johor.

**THE WORDS "CREDIT NOTE" CLEARLY INDICATED**

**CREDIT NOTE**

**THE SERIAL NUMBER & DATE OF ISSUE**

CN NO: 12542  
DATE : 17.12.15  
GST NO: 12128888

**THE NUMBER & DATE OF THE ORIGINAL TAX INVOICE**

Your return ref. no.	Account no.	Tax Invoice no.	Date of Invoice:
DO No. 5435	101/0117876454	65473	12.1.2016

**DESCRIPTION OF THE GOODS OR SERVICES**

ITEM	DESCRIPTION	QUANTITY	UNIT PRICE (RM)	VALUE
No.1	Tiles	120 pcs	5.00	600.00

**THE QUANTITY & AMOUNT FOR EACH SUPPLY**

Total	:	006.00
GST 6%		36.00
Total		636.00

**THE TOTAL AMOUNT EXCLUDING TAX**

**THE RATE & AMOUNT OF TAX**

**THE REASONS FOR ITS ISSUE**

Reason for return:  
Damaged goods

## Understanding GST for Implementation Planning

# RECORD KEEPING

### GST Act

#### Section 36 – Duty to keep record

#### Record Keeping

- Section 36 of the GST Act 20XX requires both taxable and certain non taxable person to keep **full and true records of all transactions and other corporate information records** which affect or may affect their tax liabilities.
- These records should be **kept in Malaysia** except as otherwise approved by the Director General and shall be in the **national or English language**, and
- should be preserved for a period of **seven years** from the latest date to which the records relate.

## Understanding GST for Implementation Planning

### Methods of Preserving Records

- The taxable person must keep the original documentation.
- Where the record is in an electronic form, the record shall be kept in such manner as to enable the record be readily accessible and convertible into writing.
- When the record is originally in a manual form and is subsequently converted into an electronic record, the record shall be retained in its original form prior to the conversion.
- Such records shall be admissible as evidence in any proceedings.

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3

## Understanding GST for Implementation Planning

### ACCOUNTING BASIS

#### GST Act

#### Section 37 – Accounting basis

##### Current treatment

- Sales Tax - taxpayers declare based on invoice basis
- Service Tax - taxpayers declare based on invoice and payment basis

##### Two types of GST accounting basis

- Invoice basis (accrual)
- Payment basis

25  
4

## Understanding GST for Implementation Planning

### 1. Accounting for tax on Invoice Basis

- Account for output tax on the date tax becomes due (at the time of supply)
  - ✓ basic tax point;
  - ✓ the date of invoice (21 days rule)
  - ✓ the date of invoice or the date of payment, whichever the earlier;
- Claim input tax on the date of tax invoice

25  
5

## Understanding GST for Implementation Planning

### 2. Accounting for tax on Payment Basis

- A basis where a taxable person is required to account for output tax on the date payment /other consideration is received.
- Claim input tax on the date payment is made or other consideration is given.

For businesses dealing solely on cash basis

25  
6



## Understanding GST for Implementation Planning

### Commencement and Expiry of Payment Basis

- Approval under this scheme is effective for a period of **three years** only and is subject to extension by the Director General.
- Any person who ceases to use the payment basis because it has expired has to account for and pay tax on an invoice basis

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7

## Understanding GST for Implementation Planning

### TAXABLE PERIOD

#### GST Act

#### Section 40 – Taxable period

- Regular interval period where a taxable person accounts and pays GST to the government.
- The registered person will be allocated monthly and quarterly taxable periods according to the annual business turnover on the approval of GST registration as below:
  - **annual turnover not exceeding RM 5 Million - Quarterly**
  - **annual turnover exceeding RM 5 Million – Monthly**

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8

## Understanding GST for Implementation Planning

The filing frequency of the various taxable periods are as below

Filing Frequency	Taxable Periods
Quarterly	Jan-Mar, Apr-Jun, Jul-Sep, Oct-Dec
	Feb-Apr, May-Jul, Aug-Oct, Nov-Jan
	Mar-May, Jun-Aug, Sep-Nov, Dec-Feb
Monthly	Every month
Half-yearly 25 9	Jan-Jun, July-Dec
	Feb-July, Aug-Jan
	Mar-Aug, Sep-Feb
	Apr-Sep, Oct-Mar
	May-Oct, Sep-Apr
	Jun-Nov, Dec-May

## Understanding GST for Implementation Planning

### GST RETURN

#### Manner of Submission

- personally
  - ✓ to GST Processing Centre
  - ✓ to the nearest GST station.
- by post to GST Processing Centre
- by electronic service **Electronic filing is highly encouraged !!!**

#### When GST Return deemed to be furnished

- when Director General received the return personally delivered
- **on the date of the post mark in the case the return is delivered by post**
- when Director General received the return by electronic service

## Understanding GST for Implementation Planning

### Payment method

#### GST office

- Cash
- Cheque
- Bank Draft
- Postal order
- Money order

#### Approved Bank

(CIMB, MAYBANK, HLB,  
PUBLIC BANK, RHB, BANK ISLAM)

- Bank in into dedicated account
- Electronic Fund Transfer (EFT)

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1

## Understanding GST for Implementation Planning

### Accounting Software Requirements

(Guide to Enhance Accounting Software to GST Compliance)

1. Issue of Tax Invoice, C/N, D/N in compliance with GST Legislations
2. Provides reporting facilities for generation of information necessary to prepare tax returns.
3. Provide comprehensive documentation to assist auditors and users to understand how the system operates.
4. Incorporate adequate internal controls to ensure reliability of the data being processed

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2

## Accounting Software Requirements

(Guide to Enhance Accounting Software to GST Compliance)

5. Create adequate audit trails to assist Custom Auditors to understand the flow of events and reconstruct the events if necessary
6. Has in place archival and restoration of archived data mechanisms and readability of electronic records after an extended period.
7. Contain key data elements necessary for business.
8. Allows production of GST Audit File (GAF) by non-specialists (staff who do not have IT background)

26  
3

## Accounting Software Requirements

(Guide to Enhance Accounting Software to GST Compliance)

9. Purchase Listing for GST purpose includes purchases, expenses, importations – divided into ATS, Warehousing Schemes, capturing K1 and K9 form numbers, actual GST paid, Malaysian Ringgit equivalent for foreign currencies, etc.
10. Supply listings for GST purpose includes value of goods put to private use (deem supply, but no revenue to the company) and its relevant GST output tax, export of goods, MYR equivalent for foreign currencies, etc.

26  
4

## Understanding GST for Implementation Planning

### Accounting Software Requirements

(Guide to Enhance Accounting Software to GST Compliance)

11. Master file information for Registered Person, Suppliers, Customers, General Ledger Accounts, and Different kinds of GST Input and Output Tax codes.
12. Able to input key data of sales and purchase invoice, D/N, C/N, Payments, etc.

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5

## Understanding GST for Implementation Planning

### Accounting Software Requirements

(Guide to Enhance Accounting Software to GST Compliance)

Input Tax codes to cover:

1. TX 6% GST at 6% and directly attribute to taxable supplies
2. IM 6% GST incurred on Importation of goods
3. IS 0% Import under ATS, ATMS scheme
4. BL 6% Disallowed Input Tax
5. NR 0% Purchase with no GST from non register person
6. ZP 0% Purchase from registered person with no GST (such as those fall under international freight transportation)
7. EP 0% Purchase of exempt supplies
8. OP 0% Out of Scope purchases
9. TX-E43 6% Purchases with GST attributable directly to incidental exempt supplies (GROUP and ATS only)
10. TX-N43 6% Purchases with GST attributable directly to (Purchases attributed to non incidental supplies by mixed suppliers. Eg. Purchase of Wall Paper for residential house rented out to others)

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6

## Understanding GST for Implementation Planning

### Accounting Software Requirements

(Guide to Enhance Accounting Software to GST Compliance)

#### Input Tax codes to cover:

- |              |   |
|--------------|---|
| 11. TX-RE 6% | Purchases with GST incurred not directly attributable to taxable or exempt supplies – <b>Residual Input Tax</b> |
| 12. GP 0%    | Disregarded purchase  |
| 13. AJP 6%   | Adjustments made to input tax – eg. Bad Debt Relief and others  |

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7

## Understanding GST for Implementation Planning

### Accounting Software Requirements

(Guide to Enhance Accounting Software to GST Compliance)

#### Out Tax codes to cover:

- |            |   |
|------------|---|
| 1. SR 6%   | Standard rated supplies GST charge  |
| 2. ZRL 0%  | Zero rated - Local supplies   |
| 3. ZRE 0%  | Zero rated – Export   |
| 4. ES43 0% | Incidental Exempt Supplies  |
| 5. DS 6%   | Deemed supplies   |
| 6. OS 6%   | Out of Scope supplies   |
| 7. ES 0%   | Exempt Supplies   |
| 8. RS 0%   | Relief supply   |
| 9. GS 0%   | Disregarded Supplies  |
| 10. AJS 6% | Adjustment to output tax: <ul style="list-style-type: none"><li>• Annual &amp; Longer period adjustments</li><li>• Bad debt recover</li><li>• Outstanding invoice more than 6 months</li><li>• Other output tax adjustments</li></ul> |

26  
8

## Understanding GST for Implementation Planning

### Accounting Software Requirements

(Guide to Enhance Accounting Software to GST Compliance)

Other features:

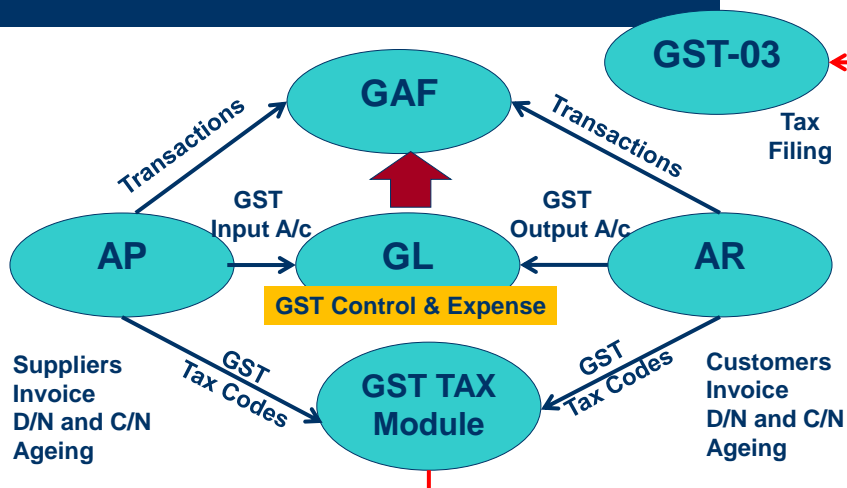
1. GST Tax code data to be able to transfer direct to GST 03 form for filing of returns.
2. Able to do Partial Exemption calculations such as apportionments, annual and longer period adjustments with Build in Formulas
3. Able to compute the De Minimis Rule (DmR)
4. GAF file to custom auditors in Text File Format:
  - Can submit and XML file, or
  - Bar-Delimited-File

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9

## Understanding GST for Implementation Planning

### Accounting Software Requirements

(Guide to Enhance Accounting Software to GST Compliance)



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# Accounting (General Adjustments)

## 1. Bad Debts

## Adjustment - Bad Debt

### Conditions for Relief of Bad Debts:

1. Tax accounted and paid for on the supply
2. No payment has been received after 6 months from the Time of Supply, OR Debtors become insolvent before this 6 months period, whichever is earlier.
3. Reasonable effort have been put in to recover the debt / TAX (shall notify the Debtor of his intention to claim bad debt from Custom



### Adjustment - Bad Debt

#### Conditions for Relief of Bad Debts **cont.** :

4. Have written off the debt in the GST accounts
5. Have transfer the debt to a separate “debt account”
6. The debt has not been sold or passed to a factoring company
7. You are still entitle to receive relief even though the bad debt has not been written off.

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### Adjustment - Bad Debt

#### Entitlement of Supplier :

- Claim within 6 years from Time of Supply
- Claim relief as INPUT TAX (Field 9b in Form GST 03)
- Subsequent receipt of payment, after claiming the tax relief:
  - ✓ Account as OUTPUT TAX in return for the taxable period he receives the tax payment from the customer.

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## Understanding GST for Implementation Planning

### Formula for Bad Debt Relief

Supplier has not receive any payment:

- ❖ Claim for the whole of the tax paid

Supplier received part payment for taxable period:

- ❖ Claim for an amount calculated according to this formula

$$\frac{\text{Payment not receive for the taxable supply}}{\text{Consideration for the taxable supply}} \times \text{GST Tax Due and Payable}$$

*Declared as INPUT TAX.*

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## Understanding GST for Implementation Planning

### Formula for Repayment

- Supplier has receive the GST Bad Debt Relief claim.
- Debtor subsequently paid the debt to the Supplier
- Supplier has to repay the amoutn calculated as follows:

$$\frac{\text{Payment receive for the taxable supply}}{\text{Consideration for the taxable supply}} \times \text{GST Tax Due and Payable}$$

- *Declared in GST 03, GST 06 for registered person or GST 05, GST 06 for ex-registrant. (Ex-registrant entitle bad relief too after de-registered – used form JKED 2)*
- *Declared as OUTPUT TAX. Field 8b GST 03*

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### Adjustment - Bad Debt

Customer / Buyer (taxable person) fails to pay GST within 6 months from the Time of Supply, and if he:

- Has claim input tax on that supply
  - ✓ Pay back the input tax by accounting the amount equal to that input tax as his **OUTPUT TAX**.
  - ✓ Account the output tax in his taxable period immediately after the six month period – the latest.
- Subsequently pays the supplier:
  - ✓ Claim back the **OUTPUT TAX** he pays to the supplier as his **INPUT TAX** for the taxable period in which he made his payment.

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## Understanding GST for Implementation Planning

### Adjustment - Bad Debt

Exercise:

1. ABC made a supply and issue a tax invoice to XYZ on 15/2/2016 for RM21,200 inclusive of GST 6% RM1,200.
2. ABC account for output tax for the month of February
3. ABC receive part payment of RM12,000 on 12/5/2016
4. Balance RM9,200 was NOT received after 6 months from Time of Supply
5. RM5,000 was received at the end of the 10<sup>th</sup> month from the ToS

Questions:

- a) When can ABC claim bad debt relief and how much?
- b) When must ABC re-account for the output tax and how much

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## WHAT BUSINESS SHOULD DO

**Business  
Preparation  
For  
GST**  
(Grow & Share Together)



## WHAT BUSINESS SHOULD DO

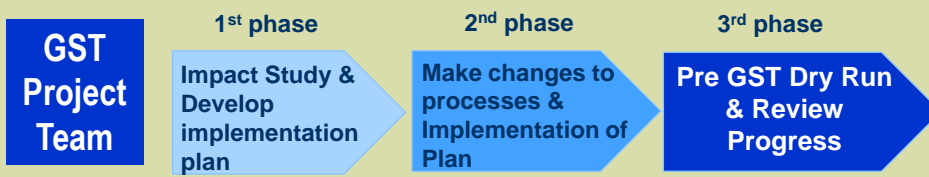
### ACCEPTANCE THAT GST HAS ARRIVED

- 1 Establishing GST committee
- 2 Modification to accounting system
- 3 Preparing bills and invoices
- 4 Utilising GST Portal
- 5 GST Forms

## Understanding GST for Implementation Planning

### SPHERE HEAD BY GST COMMITTEE

To implement a GST compliant system



TimeLine to prepare for implementing GST

### Key areas requiring attention - CROSS FUNCTIONAL

Education and training	Tax regulatory & Transitional compliance	Documentation and system (Transaction Analysis)	Vendor and Customers communication	Systems (Accounting & Software) Requirements
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## Understanding GST for Implementation Planning

### Accounting Implementation

1	Knowledge	Working knowledge of GST
2	Software (Knowledge enabler)	Upgrade / Modify / New / Setting of all master files – suppliers, customers, your company, Input and Output Tax Code, etc.
3	Transaction Analysis (Knowledge Application)	Tax code & corresponding field in GST 03 form – using past 2-3 months transactions as a basis.
4	Trial Run / Reports	Trial run item “3” above and see the results.
5	Audit Trial / Self Auditing	Working knowledge of how to audit the information before submission.
6	Go live	GST 03 form and GAF file

## Understanding GST for Implementation Planning

### BUSINESSES' PREPARATION

#### GST Implication on:

1. Transition period matters
2. Prices (Purchases and Sales, **Minimize GST Expense / absorption**)
3. Stock Management – Special Refund, disposals, etc.
4. Cash flow (Credit terms / Schemes / Financing needs, prompt partial Payment)
5. Bad debts – credit terms with customers
6. Invoicing – 21 days, Tax invoice prescribed information.
7. GST Taxes – Input claimed, deed supplies, output tax charge.
8. Contracts – spanning supplies, long term non-reviewable.
9. Management and Accounting systems (**very very very very important**)
10. Employees benefits – restructuring where necessary
11. GST management owner (**Who is taking charge day in day out**)

## Understanding GST for Implementation Planning

### BUSINESSES' PREPARATION - Activities Mapping. GST Committee / Project Team Leader

- a. **Getting the tax right – Knowing the Laws, Regulations Orders and Transition rules, Engage with Government – Advance Rulings.**
- b. **Understanding GST impact to :**
  - **Business as a whole**
  - **All Functions / Divisions of the Business Operation**
- c. **Solutions to problems**
- d. **Awareness program / training to all staffs concerned.**
- e. **Systems, Processes / Policies / Procedures / changes and re-document SOPs.**
- f. **GST Advisor Hand Holding requirements during implementation. (Mistakes/ Wrong Return may lead to GST Audit)**

## Understanding GST for Implementation Planning

### BUSINESSES' PREPARATION - Activities Mapping. All Departments

#### Transition Rules

- a. Special refund of sales tax , **Supporting Documents / Physical Stock Takes / Certification Statement**
- b. Contracts – Long and short term, Reviewable or not????  
**(Legal Department to Review on REVIEWABILITY)**
- c. Spanning Supply through GST era.
- d. Continuous & Progressive supplies / Warranties
- e. GST – out from own pocket due to unable to charge to customer.
- f. Convince GST register customer to accept GST charge – Advantage to them ?? (Same case apply to your suppliers)
- g. Import of services and goods clearance from Customs.

## Understanding GST for Implementation Planning

### BUSINESSES' PREPARATION - Activities Mapping. GST Committee / Project Team Leader

#### Registration –

- a. Compulsory/Voluntarily / Group or ?? / Last day to register.
- b. If group – who is in and who is out?
- c. Who to be the representative company?
- d. Voluntarily registration for group companies who do not meet the threshold – on or off.
- e. If supplies all zero rated – exemption application??

## Understanding GST for Implementation Planning

### BUSINESSES' PREPARATION - Activities Mapping. Purchasing Department.

#### Purchase – Analysis for input tax credit purpose

- a. Criteria to claim for ITC – Full / Simplified Tax Invoice
- b. Blocked input tax,
- c. Input Tax on Incidental Financial Supplies
- d. Entertainment Input tax – Spouse/family
- e. Input tax relating to own use of assets
- f. Apportionment Input Tax and De Minimis Rule
- g. Refund and repayment of input tax – Bad Debt
- h. Pricing – excluding sales tax / service tax (pass on from supplier to you)
- i. Supplier Selection

## Understanding GST for Implementation Planning

### BUSINESSES' PREPARATION - Activities Mapping. Sales & Marketing Department

#### Supplies – Analysis for output tax purpose

- a. Issue faced on Time of Supplies, Value of Supplies **(PRICES) (Exclude Sales / Service Tax, include GST).**
- b. What are the deem supplies,
- c. Supplies to connected person / OMV
- d. Gift Rule, Commercial Sample Rule
- e. Output tax for personal use of assets
- f. Quotations – to be inclusive or exclusive of GST
- g. Display price requirements
- h. Price Control and Profiteering Act 2011.
- i. GST implications on Supplies to DAs, LMW/FIZ, FCZ, Malaysia Thailand Joint Development Area, etc.



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### BUSINESSES' PREPARATION - Activities Mapping. Finance and Accounting Department

#### Accounting - Invoicing & Record Keeping

- a. Invoice content review to become Full Tax Invoice
- b. GST number – for group registration representative
- c. One or two set of stationeries (invoice)
- d. Electronically or manual issuance of invoice
- e. Types of record to be kept – **Hard or Soft copy**
- f. Date of filing returns and pay – **Last Date!!!!**
- g. Software requirements / GST Audit File (GAF)
- h. Input and Output Tax code requirements
- i. Changes to chart of accounts to cater for all GST Accounts
- j. Bad Debt (proper matching between input and output tax, knowing the **“REASONABLE EFFORT”** requirements)
- k. 21 Days Rule

## Understanding GST for Implementation Planning

### BUSINESSES' PREPARATION - Activities Mapping. IT Department

- a. Accounting System (GST Compliance Software)
- b. Tax Codes
- c. GST Audit Files (GAF)
- d. Trial Run , Audit and correction
- e. Ready for live implementation.....

## Understanding GST for Implementation Planning

### BUSINESSES' PREPARATION - Activities Mapping. Human Resource Department

6. Human Resources
  - a. Appropriated Staff Trainings for implementation requirements.
  - b. Analyze all the current staff benefit for Gift rule compliance.
  - c. Consider restructuring to avoid becoming deem / exempt supplies
  - d. Resource requirements for GST implementations

## Understanding GST for Implementation Planning

### BUSINESSES' PREPARATION - Activities Mapping. GST Committee / Project Team Leader

6. Scheme to Take advantage of.
  - a. Group Registration
  - b. Approved Trader Scheme
  - c. Approved Toll Manufacturing Scheme
  - d. Warehousing Scheme
  - e. Approved Jeweller Scheme

## Understanding GST for Implementation Planning

**THANK YOU  
FOR  
YOUR PARTICIPATION**

**and**

**Wish You  
All the Best**

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