HANDBOOK FOR GOODS AND SERVICES TAX (GST) FOR BUSINESSES

SALIENT FEATURES OF GST
ACCOUNTING FOR TAX
IMPLEMENTATION OF GST & BUSINESS PREPARATION
## Salient Features of GST

<table>
<thead>
<tr>
<th></th>
<th>Content</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>What is GST?</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>Proposed GST model</td>
<td>4</td>
</tr>
<tr>
<td>3</td>
<td>Basic elements of GST</td>
<td>17</td>
</tr>
<tr>
<td>4</td>
<td>Registration for GST</td>
<td>35</td>
</tr>
</tbody>
</table>
Implementation of GST And Business Preparation

1. Preparation For Implementation Of GST 142
2. GST Implications 149
3. Tax Code 160
4. Business Preparation for GST 167
5. Supplies Spanning GST 170
6. Non Reviewable Contract 173
7. Special Refund 177
Salient Features of GST
1

What is GST?
Basic principles of GST

- A consumption tax in the form of value added tax
  - each stage of business transaction up to the retail stage of distribution
- Also known as Value Added Tax (VAT)
- GST incurred on inputs is allowed as a credit to the registrant
  - offset against output tax

**INPUT**

Raw materials, Rents, Electricity, Furniture, Professional services etc.

GST on inputs = Input tax

**OUTPUT**

Business

Goods

Services

Claimed input tax

GST on outputs = Output tax
What is GST?

- To replace current tax system

Sales Tax & Service Tax (SST)
5%, 6%, 10% & specific rate
Various threshold

Goods and Services Tax (GST)
Rate = 6 %
Threshold = RM500,000

- GST is charged on goods and services that are
  ✓ Supplied in Malaysia
  ✓ Imports
Proposed GST Model
## Proposed GST Model

<table>
<thead>
<tr>
<th>Types of supply</th>
<th>Output tax</th>
<th>Input tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard-rated</td>
<td>6%</td>
<td>Claimable</td>
</tr>
<tr>
<td>Zero-rated</td>
<td>0%</td>
<td>Claimable</td>
</tr>
<tr>
<td>Exempted</td>
<td>No GST charged</td>
<td>Not claimable</td>
</tr>
</tbody>
</table>
Proposed GST Model

HOW GST WORKS? - STANDARD RATED

GST AT 6%

Manufacturer claims back GST on input

Wholesaler claims back GST on input

Retailer claims back GST on input

Consumer pays 6% GST only
Proposed GST Model

HOW GST WORKS? - STANDARD RATED

Delivery / supply chain

Manufacturer → Wholesaler → Retailer → Consumer

Value-Adding Activity

Purchase cost: RM100
GST*: RM6
Purchase price: RM106

Selling price: RM125
GST: RM7.50
Total selling price: RM132.50

Added Value: RM25
(Add GST: RM1.50)
Proposed GST Model

GST Mechanism (standard rate)

- Tax computation on
  STANDARD RATED SUPPLY

<table>
<thead>
<tr>
<th>Business Entity</th>
<th>Sales (RM)</th>
<th>Tax on Output (RM)</th>
<th>Tax on Input (RM)</th>
<th>Net Tax Paid (RM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supplier</td>
<td>10.00</td>
<td>0.60</td>
<td>0</td>
<td>0.60</td>
</tr>
<tr>
<td>Manufacturer</td>
<td>50.00</td>
<td>3.00</td>
<td>0.60</td>
<td>2.40</td>
</tr>
<tr>
<td>Wholesaler</td>
<td>70.00</td>
<td>4.20</td>
<td>3.00</td>
<td>1.20</td>
</tr>
<tr>
<td>Retailer</td>
<td>100.00</td>
<td>6.00</td>
<td>4.20</td>
<td>1.80</td>
</tr>
</tbody>
</table>

GST collected by the Government 6.00

GST rate at 6%
Final consumer pays RM106.00
Proposed GST Model

Standard Rated Supply

STANDARD RATE

6%
HOW GST WORKS? - ZERO RATED

GST AT 0%

Manufacturer
Wholesaler
Retailer
Consumer

Manufacturer claims back GST on input
Wholesaler claims back GST on input
Retailer claims back GST on input

Consumer does not pay any GST
Proposed GST Model

How GST Works? - Zero Rated

Delivery / Supply Chain

Manufacturer → Wholesaler → Retailer → Consumer

Value-Adding Activity

Purchase cost: RM100
GST*: RM0
Purchase price: RM100

Selling price: RM125
GST: RM0
Total selling price: RM125.00

Added Value: RM25

11
Proposed GST Model

Zero rated supply

- Infant milk
- Exported goods and services
- Domestic use only
- 300 units a month—domestic use only

0%
HOW GST WORKS? - EXEMPT

**Supplier**
- Supplier claims tax paid on input

**Private hospital**
- Private hospital cannot claim tax paid on input

**Consumer**
- No GST imposed on the supply to consumer

**GST AT 6 %**

**NO GST**
HOW GST WORKS? - EXEMPT
Delivery / supply chain

Supplier

Value-Adding Activity

Supplier

Consumer

Purchase cost : RM100
GST* : RM6
Purchase price : RM106

Selling price : RM131
GST : RM0
Total selling price : RM131.00

Added Value : RM25
Proposed GST Model

Exempt supply

- Health and Education Services
- Bus Transportation: school, express, stage
- Tolls
- Residential Houses
- Financial Services
- Rail Transportation: KTM, ERL, LRT, Monorail
- Water Transportation: ships, ferries and boats
- Taxis
- Land for Public Use
# Proposed GST Model

## Supply by Government

<table>
<thead>
<tr>
<th></th>
<th>Federal &amp; State Government</th>
<th>Local Authority &amp; Statutory Body</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Out of Scope</strong></td>
<td>All supplies by Federal &amp; State government</td>
<td>Supplies made in the regulatory and enforcement (R&amp;E) functions</td>
</tr>
<tr>
<td></td>
<td></td>
<td><em>Eg. Assessment rate collection, issuance of licenses, penalty</em></td>
</tr>
<tr>
<td><strong>Subject to GST</strong></td>
<td>Supplies that have been directed by Minister in the GST (Government Taxable Supply) Order</td>
<td>Non R&amp;E functions</td>
</tr>
<tr>
<td></td>
<td><em>Eg. Supply made by RTM, Prison Department</em></td>
<td><em>Eg. Business activities such as rental facilities, garbage collection and etc.</em></td>
</tr>
<tr>
<td><strong>Acquisitions</strong></td>
<td>• Need to pay GST on their acquisitions</td>
<td>• Need to pay GST on their acquisitions</td>
</tr>
<tr>
<td></td>
<td>• Relief on selected goods</td>
<td>• Relief on selected goods</td>
</tr>
</tbody>
</table>
3

Basic Elements Of GST
Scope and charge

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

- GST is charged on the imported goods / services
Basic Elements Of GST

Scope of tax

Supply

- Taxable supply
- Taxable person
- For the purpose of business
- Made in Malaysia

Importation

Subject to GST

Not Subject to GST

Yes

No
Basic Elements Of GST

Meaning of person

- Individual, corporation, Federal Government, State Government, statutory body, local authority, society, trade union, co-operative society, 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

Meaning of a taxable person

- A person who is or is required to be registered under GST
Supply

GST Act 2014

- Defines a supply as “all forms of supply”
- Includes imported services
- Done for ‘consideration’
- Anything which is not supply of goods is supply of services
- Does not include money
Basic Elements Of GST

Supply

Supplies not subject to GST

- Cash donation or grants where a person does not get benefit
- Compensation or liquidated damages
- Disbursements, dividends, loan repayments or capital injection
- Transfer of business as a going concern
- Contribution to pension, provident or social security fund
Basic Elements Of GST

Place of supply

Place of supply
- To determine whether a supply is made in Malaysia or not
- Different rules for supply of goods and supply of services

Rules for supply of goods

Goods treated as supplied in Malaysia
- Sec.12(2) - removal from a place in Malaysia to another place in Malaysia (local supply)
- Sec.12(3) - removal from a place in Malaysia to a place outside Malaysia (export)
Place of supply

Goods treated as supplied outside Malaysia

- Sec.12(2) - removal from a place outside Malaysia to another place outside Malaysia (out of scope)

- Sec.12(3) - removal from a place outside Malaysia to a place inside Malaysia (import)
Basic Elements Of GST

Place of supply of services

Sec.12(4) - Rules for supply of services

- Services treated as supplied in Malaysia if
  - The supplier belongs in Malaysia

- Services treated as supplied outside Malaysia if
  - The supplier belongs in a country other than Malaysia
### Sec.14(1) - Supplier treated as belonging in Malaysia if:

<table>
<thead>
<tr>
<th></th>
<th>MALAYSIA</th>
<th>OTHER COUNTRY</th>
<th>Supplier belongs in Malaysia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business / Fixed Establishment</td>
<td>YES</td>
<td>NO</td>
<td>Supplier belongs in Malaysia</td>
</tr>
<tr>
<td>Usual place of residence</td>
<td>YES</td>
<td>NO</td>
<td>Supplier belongs in Malaysia</td>
</tr>
<tr>
<td>Business / Fixed Establishment</td>
<td>YES</td>
<td>YES</td>
<td>Supplier belongs in Malaysia if the supply of the business is most directly concerned with Malaysia</td>
</tr>
</tbody>
</table>
Basic Elements Of GST

Place of supply of services

**Business establishment**
- Head office or principal place of business

**Fixed establishment**
- A branch or agency through which business is carried out

**Usual place of residence**
- For body corporate, the place of incorporation or legally constituted (registered office)
- For unincorporated body, the place where centre of administration is located
- For individual, where he sets up home with family and is in full time employment
Basic Elements Of GST

Time of Supply

What is Time of Supply

- Refers to the time when a supply is made
- Often referred as the ‘tax point’

Why is it important?

- It determines when a taxable person should account for GST in the return
Basic Elements Of GST

Time of Supply

Basic Tax Point

- Basic tax point for supply of goods
  
  (a) At the time the goods are removed;
  
  (b) At the time when the goods are made available
  
  (c) At the time when the supply becomes certain or twelve months after the removal, whichever is the earlier.

Basic tax point for supply of services

- At the time when the services are performed.
Basic Elements Of GST

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.

Tax invoice issued within 21 days (last day 25.7.2015)

1 July 4.7.2015 18.7.2015 25.7.2015 1 Aug

Goods removed or Services performed
Basic time of supply = 4.7.2015

Tax invoice issued
Actual time of supply = 18.7.2015
Basic Elements Of GST

Time of Supply

- If tax invoice is issued after 21 days, then time of supply will fall on basic tax point.

*Period of 21 days from basic tax point (last day 8.8.2015)*

- **1 July** 18.7.2015
- **1 August** 8.8.2015
- 20.8.2015

Goods removed or Services performed

Basic Tax Point = 18.7.2015

Actual time of supply = Basic Tax Point = 18.7.2015
Basic Elements Of GST

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 earlier.

1 June
14 June
24 June
1 July
10 July
1 Aug

Tax invoice issued
Time of payment
Goods removed or Services performed

Basic tax point 10.7.2015
Basic Elements Of GST

Value of Supply

Value of supply (consideration in money)
- Value of supply shall be taken to be an amount, with the addition of GST chargeable, equal to the consideration

Value = consideration (money) - GST portion

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

E.g. A sells printer to B and receives RM260
Value of supply = consideration - GST
= RM260 - (6% / 106% x RM 260)
= RM260 - RM14.72 = RM245.28

- GST = RM14.72
- VALUE OF THE PRINTER = RM 245.28
Basic Elements Of GST

Value of Supply

- **Value of supply**
  (consideration not in money)
  Value = open market value (OMV)

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

- **Value of imported services**
  Value = payment paid

- **Value of supply is not for consideration**
  Value = OMV of supply
4
Registration
Liability to Register

- Any person who makes taxable supply of goods and services in Malaysia
- Registration is mandatory for businesses with turnover that has exceeded the prescribed threshold of RM500,000
- Calculation of turnover for registration is based on the total value of the taxable supplies for a 12 month period
Registration

The determination of threshold Taxable Turnover:

Includes
✓ Standard Rated Supplies
✓ Zero Rated Supplies
✓ Deemed Supplies such as private use, etc.

Excludes
✓ Exempt Supplies
✓ Sale of Capital Assets
✓ Imported Services
✓ Out of scope
✓ Designated areas
Notification of Liability & Application to Register

- To apply for registration within 28 days from the end of the month where taxable turnover exceeds or expect to exceed RM500,000

- Effective date of registration will be on the 1st day of the following month
• Determination of taxable turnover

✓ Historical turnover (based on the total value of taxable supplies of the current month and the preceding 11 months)

OR

✓ future turnover (based on the total value of taxable supplies of the current month and the next 11 months)
The determination of threshold
Historical Method illustration
(applicable after appointed date)

<table>
<thead>
<tr>
<th>Appointed Date</th>
<th>First day of 12 months period</th>
<th>Liable to Register</th>
<th>Date of registration</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/4/15</td>
<td>1/9/15</td>
<td>1/8/16</td>
<td>31/8/16</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1/10/16</td>
</tr>
</tbody>
</table>

28 Days

11 Months preceding + Current month

Exceed threshold

Period to notify 28/9/16

Last day to notify and apply for registration

28 Days

First day of 12 months period

Liable to Register

Date of registration

Exceed threshold

Period to notify 28/9/16

Last day to notify and apply for registration
The determination of threshold
Future Method illustration
(applicable after appointed date)

<table>
<thead>
<tr>
<th>Appointed Date</th>
<th>First day of 12 months period</th>
<th>Liable to register</th>
<th>Date of registration</th>
<th>exceed threshold</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/4/15</td>
<td>1/8/15</td>
<td>31/8/15</td>
<td>1/10/15</td>
<td>28/9/15</td>
</tr>
</tbody>
</table>

Expected exceed threshold in the next 11 months

Current month + 11 Months succeeding

Last day to notify and apply for registration

28 Days

Period to notify

31/7/16
Voluntary Registration

- Businesses below threshold may apply for voluntary registration
- Once registered - must remain in the system for at least 2 years
Other types of registration

- Branches or divisional registration
- Group registration - group of companies
- Registration for non-resident - appointment of agent
- Joint venture registration - petroleum exploration activity
Late Registration

- Effective date of registration for late registration is the date of application
- Subject to late registration penalty on number of days late
- Late registration penalty only applies with effective from 1.4.2015

<table>
<thead>
<tr>
<th>Late Registration Period (Days)</th>
<th>Cumulative (RM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 – 30</td>
<td>1,500</td>
</tr>
<tr>
<td>31 – 60</td>
<td>3,000</td>
</tr>
<tr>
<td>61 – 90</td>
<td>4,500</td>
</tr>
<tr>
<td>91 – 120</td>
<td>6,000</td>
</tr>
<tr>
<td>121 – 150</td>
<td>7,500</td>
</tr>
<tr>
<td>151 – 180</td>
<td>9,000</td>
</tr>
<tr>
<td>181 – 210</td>
<td>10,500</td>
</tr>
<tr>
<td>211 – 240</td>
<td>12,000</td>
</tr>
<tr>
<td>241 – 270</td>
<td>13,500</td>
</tr>
<tr>
<td>271 – 300</td>
<td>15,000</td>
</tr>
<tr>
<td>301 – 330</td>
<td>16,500</td>
</tr>
<tr>
<td>301 - 360</td>
<td>18,000</td>
</tr>
<tr>
<td>Exceeding 360</td>
<td>20,000</td>
</tr>
</tbody>
</table>
Late Register penalty rates

Date exceeds threshold - 15th May 2017
Liable to register - 31st May 2017
Notification period - 1 to 28th June 2017
Effective date of registration - 1st July 2017
Apply for registration - 1st January 2018

Late registration period:
1st July to 31st Dec. (184 days)

Late registration penalty:
RM10,500.00
Registration

As a registered person, what are my responsibilities?

- Must comply with the requirements under the GST legislation as follows:
  
  i) **Account for GST** on taxable supplies made and received
  
  ii) **Submit GST return (GST-03)** and pay tax not later than the last day of the following month after the taxable period;
  
  iii) Issue **tax invoice**
  
  iv) **Inform Customs of the cessation of business** within thirty days from the date of business cessation
  
  v) **Inform Customs on any changes** of address, taxable activity, accounting basis and taxable period; and
  
  vi) keep **adequate records** of business transactions relating to GST in the National or English language for seven years.
INQUIRY
1 Customs Call Centre (CCC)
Monday to Friday (8.30a.m-5.00pm)
Tel : 03- 78067200
Fax : 03- 78067599
Email : ccc@customs.gov.my

2 GST Hotline
Monday to Friday (8.00a.m-5.00pm)
Tel : 1-300-888-500
: 03-8882 2111 / 2222 / 2608

3 GST Portal
gst.customs.gov.my
ACCOUNTING FOR TAX
1 Charging Output Tax
Scope and charge

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

- GST is charged on imported goods
Output Tax

GST charged on
- taxable supplies (sales of goods / services)
- deemed supplies
  - disposal of business assets
  - private use of business asset
  - imported services
  - goods sold in satisfaction of a debt
  - gifts costing more than RM 500
Supplies which may not subject to GST

- cash donation or grants where a person does not get benefits
- compensation or liquidated damages
- disbursements, dividends, loan repayments or capital injection
- transfer of going concern
- contribution to pension, provident or social security fund
- supplies by any society or similar organisation
- supplies excluded from input tax credit
What is 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.

- Tax invoice can be issued to the customer either:
  - Hard copy
  - Electronic

- May be issued within 21 days after supply has taken place (Time of supply)

- Containing prescribed particulars
Output Tax

Tax Exclusive

- Refers to the amount of GST paid as shown in tax invoice with separate GST amount.

Example:
Assume you sell an oven at RM1,000.

\[
\text{GST} = \text{Price} \times \text{Rate of Tax} \\
= \text{RM1,000} \times 6\% \\
= \text{RM60}
\]

Charge customer RM1,000 + RM60 (GST) = RM1,060
and remit RM60 to Customs
Output Tax

Tax Inclusive

- In retail business, it may be more practical to treat the sum of money received from your customer (consideration) as inclusive of GST.

- The tax invoice should still show the GST as a separate amount, and you can state the GST inclusive prices and indicate with the words ‘price inclusive of GST’

Example:
Assume you sell an oven at RM1,000.

GST \(= \text{Price} \times \text{Tax Fraction}\)
\[= \text{RM1,000} \times \frac{6}{106}\]
\[= \text{RM56.60}\]

Charge customer RM1,000 and remit RM56.60 to Customs
Tax Fraction

- Tax fraction is the GST amount of the consideration.
- The calculation of the tax fraction is as follows:
  - Tax fraction = \( \frac{\text{tax rate}}{100 + \text{tax rate}} \)

Example:

Assuming your consideration is RM100.

\[
\text{GST} = \frac{\text{GST rate} \times \text{consideration}}{100\% + \text{GST rate}} \\
= \frac{6\% \times \text{RM100}}{100\% + 6\%} \\
= \text{RM5.66}
\]
Types of tax invoice when making taxable supplies

- full tax invoice
- simplified tax invoice
- self-billed invoice
The following particulars are required in the full tax invoice:

(a) the words “tax invoice” in a prominent place;
(b) the tax invoice in serial number;
(c) the date of issue of the tax invoice;
(d) name of supplier, address and GST identification number;
(e) the customer’s name (or trading name) and address;
(f) a description sufficient to identify the goods or services supplied
(g) for each description distinguish the type of supply for standard rate, zero rate and exempt, the quantity of goods or the extent of the services and amount payable, excluding GST;
(h) any discount offered;
(i) the total amount payable excluding GST, the rate of tax and the total tax chargeable shown as a separate amount;
(j) total amount payable including the GST charged; and
(k) any amounts referred to (i) and (j) must be expressed in Malaysian currency.
Example of Full Tax Invoice

KILANG KASUT SEDAP PAKAI SDN.BHD.
Lot 123, Jalan Pengkalan, 31500 Lahat, Perak
(GST ID No : 100001/2015)
Tel : 05-3349876

No. 27, Jalan Maju Jaya,
31400 Ipoh, Perak

Date     : 25 Jun 2015
D/O No : S000345

Invoice No: 0001111

<table>
<thead>
<tr>
<th>Serial No.</th>
<th>Description</th>
<th>Quantity</th>
<th>Unit Price (RM)</th>
<th>Total (RM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>School Shoes SS1201</td>
<td>200</td>
<td>8.00</td>
<td>1,600.00</td>
</tr>
<tr>
<td>2.</td>
<td>School Shoes SS1210</td>
<td>200</td>
<td>10.00</td>
<td>2,000.00</td>
</tr>
<tr>
<td>3.</td>
<td>Sport Shoes SP2315</td>
<td>50</td>
<td>25.00</td>
<td>1,250.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>Total (RM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount @ 10%</td>
<td>(485.00)</td>
</tr>
<tr>
<td>Total before GST</td>
<td>4,365.00</td>
</tr>
<tr>
<td>Add GST @ 6%</td>
<td>261.90</td>
</tr>
</tbody>
</table>

Total Sales | 4,626.90

KILANG KASUT SEDAP PAKAI SDN.BHD.
A tax invoice which exclude certain prescribed particulars in full tax invoice as approved by the Director General due to the nature of the business

- Upon request in writing to DG
- This type of invoice is used by retailers who normally generate large volume of invoices daily to end consumers e.g. supermarkets, restaurants, petrol kiosks and other point of sales outlets.
- Can take the form of an invoice, receipt, voucher or any other similar document, as long as it has all the required information of a simplified tax invoice
**COMFORT PARKING SDN.BHD.**  
GF1-03, Kompleks Beli-Belah,  
Jalan Kenangan, 41100 Klang,  
Selangor.  
(GST ID No : 003456/2015)  
Tel : 03-33498765

<table>
<thead>
<tr>
<th>Description</th>
<th>Total (RM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parking fee – 3 hours @ RM1 per hour</td>
<td>3.18</td>
</tr>
<tr>
<td>Rounding Adj.</td>
<td>0.02</td>
</tr>
<tr>
<td>TOTAL AMOUNT DUE</td>
<td>*3.20</td>
</tr>
</tbody>
</table>

*GST @ 6% included in total

```
* GST @ 6% included in total
```
A supplier may make exempt, zero rated and/or 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 (exempt, zero rated or standard rated) made.

Indicate separately the applicable values and the GST rate charged (if any) on each supply.
# Example of Full Tax Invoice - Mixed Supplies

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

No. 27, Jalan Maju Jaya, 31510 Ipoh.

## Tax Invoice Details

**Tax Invoice No:** 0001111  
**Date:** 25 Jun 2015  
**D/O No:** S000345

<table>
<thead>
<tr>
<th>No.</th>
<th>Description</th>
<th>Qty</th>
<th>Unit Price (RM)</th>
<th>GST Amount (RM)</th>
<th>Total (RM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>* School Shoes SS1</td>
<td>200</td>
<td>8.00</td>
<td>64.00</td>
<td>1600.00</td>
</tr>
<tr>
<td>2.</td>
<td>* School Shoes SS2</td>
<td>200</td>
<td>10.00</td>
<td>80.00</td>
<td>2000.00</td>
</tr>
<tr>
<td>3.</td>
<td># Cooking Oil CO1</td>
<td>50</td>
<td>25.00</td>
<td>0.00</td>
<td>1250.00</td>
</tr>
</tbody>
</table>

**Add GST (6%)**  
**Total Sales:** 5066.00

**Rate of GST**  
* - GST @ 6%  
# - GST @ 0%

- **Supplier’s name, address and GST identification number**
- **Customer’s name & address**
- **Date of Tax Invoice**  
**Tax Invoice No:** 0001111  
**Date:** 25 Jun 2015  
**D/O No:** S000345
- **Description of goods or services supplied**
- **Indicator for standard rated supply**
- **Indicator for zero rated supply**

---

**Note:**  
* - GST @ 6%  
# - GST @ 0%
Recipient is allowed to issue self-billed invoice for supply in his possession if

- the value at the time of supply is not known by the supplier;
- the recipient and the supplier are both registered persons;
- both agree in writing; and
- both agree that no tax invoice will be issued by the supplier.
The following particulars are required in the self-billed invoice:

a. the supplier’s and recipient’s names, addresses & identification numbers;

b. the words “self-billed invoice” in a prominent place;

c. the invoice serial number;

d. the date of issue of the invoice;

e. the reference number of Director General’s approval;

f. a description sufficient to identify the goods or services supplied

g. for each description distinguish the type of supply for standard rate, zero rate and exempt, the quantity of goods or the extent of the services and amount payable, excluding GST;

h. any discount offered;

i. the total amount payable excluding GST, the rate of tax and the total tax chargeable to be shown separately;

j. total amount payable including the GST charged; and

k. any amounts referred to (i) and (j) must be expressed in Malaysian currency.
# Tax Invoice - Self-billed Invoice

**KILANG TEMBAKAU SELANGOR SDN BHD**

**SELF-BILLED INVOICE**

**Supplier**
SYARIKAT DAUN TEMBAKAU SDN BHD
No. 27, Jalan Persiaran, 51100 Kota Baru, Kelantan.
(GST ID No: 100900/2015)

**Recipient**
KILANG TEMBAKAU SELANGOR SDN BHD
Lot 123, Jalan Meru, 43210 Klang, Selangor.
Tel: 03-33498765
(GST ID No: 100003/2015)

**Date**: 25 Jun 2015

**Approval No.**: ..........

**Invoice No**: 0001113

---

<table>
<thead>
<tr>
<th>Serial No.</th>
<th>Description</th>
<th>Tax Rate (%)</th>
<th>Quantity</th>
<th>Unit Price (RM)</th>
<th>Total (RM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Daun Tembakaup Greed C</td>
<td>6.00</td>
<td>200</td>
<td>8.00</td>
<td>1,600.00</td>
</tr>
<tr>
<td>2.</td>
<td>Daun Tembakaup Greed B</td>
<td>6.00</td>
<td>200</td>
<td>10.00</td>
<td>2,000.00</td>
</tr>
<tr>
<td>3.</td>
<td>Daun Tembakaup Greed A</td>
<td>6.00</td>
<td>50</td>
<td>25.00</td>
<td>1,250.00</td>
</tr>
</tbody>
</table>

---

**Amount Excluding Tax**: 4,850.00

**Add GST Amount 6%**: 291.00

**Total Sales**: 5,141.00

---

*The GST shown is your output tax due to the Government.*

---

**KILANG TEMBAKAU SELANGOR SDN.BHD.**
Invoice in a Foreign Currency:

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:

a. The amount payable before GST;

b. The total GST chargeable; and

c. The total amount payable (including GST).

The foreign currency is converted into Ringgit Malaysia by using the selling rate of exchange prevailing in Malaysia at the time when the supply takes place.
Kenzou Electronic Bhd
Lot 169, Jalan Pasar, 32100 Ipoh, Perak
(GST ID No: ..................)
Tel: 03-33161900

To: Kenzo Sdn Bhd
No. 24, Jalan Silibin, 32100 Ipoh, Perak

…………………………………………

KENZOU ELECTRONIC BHD

Invoice No : 0002121
Date : 3.11.2015
D/O No : D100011

**TAX INVOICE**

<table>
<thead>
<tr>
<th>No.</th>
<th>Description</th>
<th>Qty</th>
<th>Unit Price (USD)</th>
<th>Total (USD)</th>
<th>Total (RM) @ 3.50</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>LCD TV 42&quot; T004S</td>
<td>20</td>
<td>1,000.00</td>
<td>20,000.00</td>
<td>70,000.00</td>
</tr>
<tr>
<td>2.</td>
<td>Blue-Ray Player BD001</td>
<td>20</td>
<td>500.00</td>
<td>10,000.00</td>
<td>35,000.00</td>
</tr>
<tr>
<td>3.</td>
<td>Home Theatre HT010</td>
<td>10</td>
<td>300.00</td>
<td>3,000.00</td>
<td>10,500.00</td>
</tr>
<tr>
<td></td>
<td><strong>Total Sales</strong></td>
<td></td>
<td><strong>33,000.00</strong></td>
<td></td>
<td><strong>115,500.00</strong></td>
</tr>
<tr>
<td></td>
<td>Add GST @ 6%</td>
<td></td>
<td><strong>1,980.00</strong></td>
<td></td>
<td><strong>6,930.00</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Total Amount Due</strong></td>
<td></td>
<td><strong>34,980.00</strong></td>
<td></td>
<td><strong>122,430.00</strong></td>
</tr>
</tbody>
</table>

**Total amount payable excluding GST**: 33,000.00

**Total tax chargeable**: 1,980.00

**Total amount payable including GST**: 34,980.00
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.
2
Entitlement of Input Tax
Entitled to claim input tax if he is making a taxable supply and satisfies the following:

- input tax has been incurred;
- input tax is allowable;
- he is a taxable person;
- goods or services acquired for business; and
- made in Malaysia
Supplies

➤ taxable supplies
  ■ standard rated or zero rated supplies
  ■ disregarded supplies (supplies within group, supplies made in warehouse, supplies between venture operator and venturers and supplies between toll manufacturer and overseas principal)

➤ supplies made outside Malaysia which would be taxable supplies if made in Malaysia
Supplies Made Outside Malaysia

- Factory (B) sends Supplies (clothes) to C.
- Operational Headquarters (A) issues invoices.
- Inputs: office rental, utilities etc.

Southeast Asia Map

- Malaysia
- Thailand
- Vietnam
- Indonesia
- China
- Japan
- Philippines
- Australia

GST Grow & Share Together
Incidental exempt financial supplies

- deposit of money
- exchange of currency
- holding of bonds or other debt securities
- transfer of ownership of securities
- provision of loans, advance or credit to employees or connected persons
- assignment of provision of trade receivables
- holding or transfer of trust unit
- hedging of interest, commodity, utility or freight risk
Special tax treatment does not apply to:

- commercial or investment bank or money broker
- development financial institutions or money lenders
- Insurance/takaful company
- stock or futures brokers
- pawn broker or hire purchase companies
- Credit, charge or debit card companies
- investment or unit trust or venture capital company
Blocked input tax

- The supply or importation of a passenger motor car, and goods and services related to maintenance of car
- The hiring of a passenger motor car
Club subscription fee

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
Medical expenses

- any medical or dental expenses to any person employed by a taxable person but exclude expenses incurred under the provisions of the Employees’ Social Security Act 1969 and the Workmen’s Compensation Act 1952 to any workman employed by him where such expenses is obligatory under the Act or any other collective agreement under the Industrial Relations Act 1967
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.
Entertainment expenses

- Spouse or family members
- Potential clients
- Employees
- Existing Clients
Criteria To Claim Input Tax

Must hold valid document:

▶ tax invoice
▶ tax invoice issued by approved person for Flat Rate Scheme
▶ Customs No 1 for imported goods
▶ Customs No 9 for goods removed from bonded warehouse
▶ document to show claimant pays imported services
For the purpose of claiming ITC:

- simplified tax invoice can be used to claim input tax.
- But an approved tax invoice without the name and address of the recipient, the allowed input tax amount claimable is RM30 or less.
- Therefore, request for a tax invoice with name and address of the recipient to enable him to claim the full input tax if it is more than RM30.
Criteria To Claim Input Tax

- tax invoice in the name of taxable person
  - not in the name of third party such as employees or directors
- tax invoice is lost
  - get certified copy
- no matching of input to output
  - can claim input tax if holds valid document
3 Apportionment Rules
- No apportionment if can attribute wholly
  - full input tax if wholly attributable to taxable supplies
  - no input tax if wholly attributable to exempt supplies
- Apportionment rules
  - applicable when goods and services are used for both taxable and non-taxable
Inputs used

Wholly attributable to taxable supplies

Claim 100% input tax

Wholly attributable to exempt supplies

Cannot claim input tax

Attributable to both taxable and exempt supplies

Apportionment rules apply
DIRECT ATTRIBUTE

INPUT A: Claimable → PROCESS → Taxable → OUTPUT A
INPUT B: Not Claimable → PROCESS → Exempt → OUTPUT B

INDIRECT ATTRIBUTE - Apportionment

INPUT A: Apportion → PROCESS → Taxable → OUTPUT A
Input A: Apportion \(\times\) PROCESS \(\rightarrow\) Taxable \(\rightarrow\) OUTPUT A
Input A: Apportion \(\times\) PROCESS \(\rightarrow\) Exempt \(\rightarrow\) OUTPUT B
Mechanism for input tax 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

Input tax claimable = Taxable portion \times \text{Residual input tax}
Supplies excluded from standard method

- disposal of capital goods
- incidental exempt financial supplies
- supplies of imported services
Example:

Taxable supplies = RM300,000 
Exempt supplies = RM250,000 
Residual input tax = RM8,000

Taxable portion = \( \frac{\text{RM}300,000}{\text{RM}300,000 + \text{RM}250,000} \) \times 100% 
= 54.5454% 
= 54.55% (2 decimal places)

Input tax claimable = 54.55% \times \text{RM}8,000 
= \text{RM}4,364
Standard method

- must reflect correct proportion to which the inputs are put to use
- if does not reflect correct proportion, use alternative methods
  - floor space method
  - transaction based method
  - input base method
  - cost centre accounting method
  - employee time method
- use of alternative methods requires prior approval
Example:
A finance company Arbus Sdn Bhd. deals in taxable leasing and exempt personal loans services. The value and number of transaction of taxable and exempt supplies are as follows:

<table>
<thead>
<tr>
<th>Activities</th>
<th>No. of Transactions</th>
<th>%</th>
<th>Value (RM)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leasing agreements entered into</td>
<td>75</td>
<td>60</td>
<td>750,000</td>
<td>42.86</td>
</tr>
<tr>
<td>Personal loans entered into</td>
<td>50</td>
<td>40</td>
<td>1,000,000</td>
<td>57.14</td>
</tr>
<tr>
<td>TOTAL</td>
<td>125</td>
<td>100</td>
<td>1,750,000</td>
<td>100</td>
</tr>
</tbody>
</table>
Mechanism for input tax apportionment

- an initial apportionment for the taxable period

- adjustment to the initial apportionment must be made annually to reflect change of use (partial exemption)

- if value of capital assets is RM100,000 or more, require to make capital goods adjustments to reflect change of use of capital goods
Apportionment Rules

De Minimis Limit

- Exempt input tax can be recovered in full if the total value 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 1:
A manufacturing company provides transport to its workers bus and charges their employees on the services given.

<table>
<thead>
<tr>
<th>Activity</th>
<th>Taxable</th>
<th>Exempt</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value (RM)</td>
<td>150,000</td>
<td>4,000</td>
<td>2.6</td>
</tr>
</tbody>
</table>

Full recovery of input tax
Example 2:
A manufacturing company provides bus transportation to its workers and charges them.

<table>
<thead>
<tr>
<th>Activity</th>
<th>Taxable</th>
<th>Exempt</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value (RM)</td>
<td>500,000</td>
<td>10,000</td>
<td>2.0</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Residual Input Tax</th>
<th>Taxable Supplies</th>
<th>Exempted Supplies</th>
<th>ITC Claimable</th>
<th>Total Input Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>RM500</td>
<td>RM500,000</td>
<td>RM10,000</td>
<td>98%</td>
<td>RM490.00</td>
</tr>
</tbody>
</table>
Credit Note

Issuance of Credit Notes

- Credit notes are issued by a supplier when the price for a supply is reduced after a tax invoice was issued, e.g. reduction in price because of lower quality and credit note issued

- Shall make declaration in the GST return (return amendment) in the taxable period in which the credit note was issued
Adjustments due to credit note issued

- Supplier, already accounted for output tax, reduces output tax in the return for the taxable period in which the credit note was issued.

- Buyer, already claimed input tax, reduces input tax in the return for the taxable period in which he received the credit note.
Example:

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 RM 200 plus GST 6%. Credit note issued on 25/8/15 by company A.

Company A (Seller)

Jul 2015 (Return)
Output tax : RM1000 x 6% = RM60
Aug 2015 (Adjustment)
Decrease Output tax : RM 200 x 6%
= RM 12

Company B (Buyer)

Jul 2015 (Return)
Input tax – RM1000 x 6% = RM60
Aug 15 (Adjustment)
Decrease Input tax – RM200 x 6%
= RM 12

Adjust by declaring the related output & input in form GST - 03

*Monthly taxable period
Credit Note

KENSTONE (M) SDN BHD
COMPANY NO: 222111 U)
15 JALAN CEPAT, KAWASAN PERINDUSTRIAN TAMPOI,
80350 JOHOR BAHRU, JOHOR, MALAYSIA.
TEL: 07-2323444  FAX: 07-2352342

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

CREDIT NOTE

Your return ref. no: 5455
Account no: 1010117879454
Tax invoice no: 65473
Date of invoice: 12.1.2018

No.1
Tiles
120 pcs
5.00
600.00

Reason for return:
Damaged goods

<table>
<thead>
<tr>
<th>ITEM</th>
<th>DESCRIPTION</th>
<th>QUANTITY</th>
<th>UNIT PRICE (RM)</th>
<th>VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>No.1</td>
<td>Tiles</td>
<td>120 pcs</td>
<td>5.00</td>
<td>600.00</td>
</tr>
</tbody>
</table>

Total: 600.00

<table>
<thead>
<tr>
<th>Description</th>
<th>Unit Price (RM)</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>GST 6%</td>
<td>36.00</td>
<td>636.00</td>
</tr>
</tbody>
</table>

The name, address & GST identification number of the supplier
The words “Credit Note” clearly indicated
The serial number & date of issue
The reason for its 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
The name & address of the person to whom the goods or services are supplied
Description of the goods or services
5
Debit Note
Debit Note

Issuance of Debit Notes

- Debit notes are issued by a supplier when the price for a supply is increased after a tax invoice was issued, e.g. wholesaler wrongly charging retailer a lower price.

- Shall make declaration in the GST return (return amendment) in the taxable period in which the debit note was issued.
Adjustments due to debit note issued

➢ supplier has to increase output tax in the return for the taxable period in which the debit note was issued

➢ buyer has to increase input tax in the return for the taxable period in which he received the debit note
On 20/10/15, ABC Ent. issued a tax invoice to Maju Sdn. Bhd for RM10,000 inclusive GST 6%.

In October taxable period for that particular transaction:

- ABC Ent. accounts output tax of RM600 [i.e. RM10,000 x 6% ]
- Maju Sdn. Bhd claimed an input tax of RM600 [i.e. RM10,000 x 6% ]

On 10/11/15, ABC Ent. raised a debit note for the amount of RM 1,000 plus GST 6%.

In November taxable period,

- ABC Ent. has to make an adjustment by increasing the output tax by RM60 [i.e. RM1,000 x 6% ]
- Maju Sdn. Bhd has to make an adjustment by increasing the input tax by RM60 [i.e. RM1,000 x 6% ]
The name, address & GST identification number of the supplier

The name & address of the person to whom the goods or services are supplied

The description of the goods or services

The rate & amount of tax

The total amount excluding tax

The quantity & amount for each supply

The number & date of the original tax invoice

The serial number & date of issue

The words “Debit Note” clearly indicated

The reasons for its issue

<table>
<thead>
<tr>
<th>ITEM</th>
<th>DESCRIPTION</th>
<th>QUANTITY</th>
<th>UNIT PRICE (RM)</th>
<th>VALUE (RM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>No.2</td>
<td>Sale Value for Tiles code no. A5 as per invoice no: 124345 dated 15.1.2010 Revised sale value Difference</td>
<td>1000pcs</td>
<td>5.00</td>
<td>500.00</td>
</tr>
</tbody>
</table>

|  |  |  |  |  |
|---|---|---|---|
| Total | 4500.00 |
| GST 6% | 270.00 |
| Charge to be paid | 4770.00 |

Reason:
The sale price for item no.2 worth RM5,000 for RM500 by mistake.

Approved By: [Signature]

111
6

Bad Debt
Concept:

Supply

6 months elapsed

Tax paid

Claimed relief

GST has to be accounted to JKDM

Payment received

6 years period for claiming bad debt relief
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**
Adjustments due to bad debts

- supplier is entitled to bad debts relief
- supplier claims as input tax in the return for the taxable period in which the bad debts are given relief
- input tax amount to be claimed is computed as follows:

\[
\text{input tax} = \frac{A1}{B} \times C
\]

where

A1 is the payment not received in respect of the taxable supply

B is the consideration for the taxable supply

C is the tax due and payable on the taxable supply

- buyer account as output tax in the return for the taxable period in which the bad debts are given relief
Example:

10 July 2015
RM53,000
(inclusive GST RM3,000)

5 September 2015
RM42,400
Balance of RM10,600 unpaid after 6 months from date of invoice

input tax claimable = \( \frac{\text{RM10,600}}{\text{RM53,000}} \times \text{RM3,000} \)

= RM600
If buyer who is a taxable person fails to pay his supplier the consideration (wholly / part) on the supply after the period of six months :-

- Need to account for GST on the outstanding amount owed to the supplier, if already claim the input tax
- Deemed to be his output tax (RM600 in the previous example)
- Account the output tax in the taxable period after the period of six months in his GST Return
- If he had ceased to be a registered person and had claim the input tax, account the tax in GST-03 form
Adjustments due to payment received in respect of bad debts

- customer makes payment in respect of bad debts \((\text{relief has been claimed by supplier})\)
- supplier accounts as his deemed output tax in the return for the taxable period in which the payment is made
- output tax amount to account

\[
\text{output tax} = \frac{A2}{B} \times C
\]

where
A2 is the payment received in respect of the taxable supply
B is the consideration for the taxable supply
C is the tax due and payable on the taxable supply

- customer account as input tax in the return for the taxable period in which the payment is made
SUPPLIER

Based on the earlier example:
On 5 March 2016, the customer pays RM8,000. The balance of RM2,600 is still unpaid.

\[
\text{output tax to be accounted} = \frac{\text{RM8,000}}{\text{RM53,000}} \times \text{RM3,000}
\]

\[
= \text{RM452.83}
\]
Customer

Allowed to claim the RM452.83:-

- If he is a Registered person – claim as input tax in GST Return (GST-03)
- If he ceased to be a registered person – claimed input tax by amending GST-03
Filing of GST
Return & Payment
Regular interval period where a taxable person accounts and pays GST to the government

To determine at the time when the GST registration is approved

- quarterly basis
  - for businesses with annual turnover not exceeding RM5 million
- monthly basis
  - for businesses with annual turnover exceeding RM5 million

A taxable person may apply in writing to Director General for other taxable period
Last day for filing return

- Not later than the last day of the month following after the end of the taxable period
- Late filing return commits an offence and be liable to a fine not exceeding fifty thousand ringgit or to imprisonment not exceeding 3 years or to both

Last day to pay tax

- Not later than the last day on which he is required to furnish the return
When to submit GST Return and pay tax

- monthly taxable period

- quarterly taxable period
- GST returns (GST-03) and payments must be submitted not later than the last day of the month following the end of the taxable period.

- Electronic filing is encouraged.
Filing of GST Returns & Payment
Filing of GST Returns & Payment
Filing of GST
Returns & Payments

GST charged on taxable supplies

Output Tax

less

GST paid on business purchases

Input Tax

equal

minus (-)

Net GST

plus (+)

Refund to taxable person

Pay GST to Government
Example (payment) :

- **Calculation of output tax**
  - Value of taxable supplies made \( RM1,000,000 \) 5a
  - Output tax \( RM 60,000 \) 5b

- **Calculation of input tax**
  - Value of taxable supplies received \( RM 600,000 \) 6a
  - Input tax \( RM 36,000 \) 6b

- **Net tax payable/refundable**
  - GST payable (5b – 6b) \( RM 24,000 \) 7
  - GST refundable (6b – 5b) 8
Example (refund):

- **Calculation of output tax**
  - Value of taxable supplies made: RM1,000,000 5a
  - Output tax: RM 60,000 5b

- **Calculation of input tax**
  - Value of taxable supplies received: RM1,600,000 6a
  - Input tax: RM 96,000 6b

- **Net tax payable/refundable**
  - GST payable (5b – 6b):
    - RM 60,000 – RM 96,000 = RM 36,000 7
  - GST refundable (6b – 5b):
    - RM 96,000 – RM 60,000 = RM 36,000 8

Filing of GST
Returns & Payment
- Bahasa Malaysia or English
- 7 years
- can be kept in soft or hard copy
- to be kept in principal place of business
Failure to Keep Records

- Any person who contravenes Section 36 GST Act 2014, commits as offence and shall, on conviction, be liable to a fine:
  ✓ not exceeding fifty thousand ringgit; or
  ✓ to imprisonment for a term not exceeding three years; or
  ✓ to both.
Record Keeping

- Records relating to registration
  - SSM records – Form A, B, C, 8,9 and etc.

- Records relating business activities
  - tax invoices, invoices, receipts,
  - debit note, credit note
  - delivery order, purchase order
  - Bank slip, bank statement, voucher and etc.
  - Contract, agreement

- Records relating to accounting (hard copy)
  - Financial statement - Profit & Loss, Balance Sheet, Trial Balance
  - Account payable, account receivable, General ledger, Sales, Purchase, stock, cash and etc.
- Records relating to taxation
  - Customs forms – K1, K2, K9 and etc
  - GST – GST returns, registration and etc
  - GST adjustment sheet
  - Income tax declaration

- Records relating to electronic form
  - Accounting software manual
  - Accounts chart, access code, program documentation
  - Audit trail
  - Purchase, Sales, GL Listing (e.g standard, exempt, disregard, out of scope, deemed supply etc)
  - GAF File (GST Accounting Software)
  - Management Information Report (MIS) report
  - Other data / records keep in accounting / business software
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 a 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.
IMPLEMENTATION OF GST & BUSINESS PREPARATION
Getting Ready For GST Implementation

In te rn a l C o n tro ls

GST is a cross cutting issue across the whole organization. It involves every department.

Top Management

Record-keeping

System and Accounts

Internal Controls

Capability Building & Enhancement

Infra-structure

GST Reporting
Strategic Direction From The Top Management

1. Top Management
2. Set the right tone
3. Formalize Structure & Organization
4. Implement Systems & Processes
5. Capability Building & Enhancement

Infra-structure

GST Reporting
Embed The Critical Issues In The Business Process

Top Management

Services

Sales

Procurement

Human Resource

Accounts

Supply chain management

Capability Building & Enhancement

GST Reporting
1
Preparation For Implementation Of GST
Preparation For Implementation Of GST

Engagement with Government via their respective organisations or associations or business chambers.

Appoint senior members of the staff who will be responsible to train other staffs at all levels to understand GST and prepared in implementation, explaining the changes GST will entail in their respective work, customers and suppliers.

To review and perform transaction mapping to identify required changes.

Review accounting systems to ensure that it creates the proper and convenient entries for GST compliance.

Need to understand of implication in issuing full or simplified tax invoices and the 21 days rule.

Review the documentation especially pertaining to the “tax invoices” for supply of goods or/and services. Preparation need to be done earlier in anticipation other businesses will take similar actions.

The need to know valuation issues on supply made for consideration in kind and open market value.
Preparation For Implementation Of GST

1. Identify activities, transactions (revenue and expenditure) in which GST could have implications and also cashflow implications.

2. The need to review pricing policies and the implication.

3. Asse whether GST will have any effect on contract obligation.

4. The need to review credit terms to customer.

5. Review of procurement policy of the company.

6. Review of fringe benefits given to employees as selected or certain benefits may be subject to GST.

7. Modify / adjust cash registers or point of sales (POS).
• The need to keep separate records for different rates, bad debts etc.

• Determine if a change is required in the accounting period for fulfilling GST requirements.

• Identify the precise stage at which GST need to be charged for each type of supply.

• Determine if there is need to apply for any special scheme in GST.

• Understanding the implication of blocked inputs not claimable.

• Understanding of input tax claims and capital goods adjustment for a mixed suppliers.

• Determine if there is need to be registered separately or as a group.

• Understanding of bad debt relief and the implications.

• Depending on the taxation of stocks and capital goods under the sales tax regime and the transitional provisions for refund, decide whether such purchases should be advanced or delayed.
Ensure that marketing personnel understand the basis for price displays on price tags, price cards and also in advertisements.

Review availability of resources to maintain proper accounting records to meet the GST obligations that will be called upon in any future audit by the Customs.

Register early to better prepared and opportunity to take part in Hand-Holding Programme

Cost benefit analysis to be done regarding the compliance cost that will incur.

GST is due to the authorities irrespective of whether payment has been received from the customer, thus failure to pay GST promptly can have serious financial consequences as severe automatic penalties may be imposed.
Preparation For Implementation Of GST

Test the newly procured or upgraded GST compliance accounting system and getting familiarize with such system.

Apply for the special grant (e-voucher) given by the government (SME CORP) on the purchase of the GST compliance accounting system from the approved vendors.
Preparation For Implementation Of GST

SUMMARY OF GST IMPLICATIONS

- Prices
- Cash flow
- Human resources
- Contracts
- System & Processes
- Invoicing
- Stock management
GST Implications
## GST Implications on Prices

<table>
<thead>
<tr>
<th>Preparation</th>
<th>Reason</th>
</tr>
</thead>
<tbody>
<tr>
<td>➢ Need to identify the existing suppliers</td>
<td>➢ To pass on the cost saving</td>
</tr>
<tr>
<td>➢ Will they be registered under GST?</td>
<td>➢ If suppliers are not registered, input tax will not be recoverable.</td>
</tr>
<tr>
<td>➢ Need to talk to small suppliers to get them registered</td>
<td>➢ If the input tax is not recoverable then the price will be higher and</td>
</tr>
<tr>
<td>➢ Need to negotiate prices?</td>
<td>it will impact your competitiveness.</td>
</tr>
<tr>
<td>➢ Impact on purchase cost ?</td>
<td></td>
</tr>
<tr>
<td>➢ How to ensure that your suppliers pass on cost savings to you?</td>
<td></td>
</tr>
<tr>
<td>➢ Pricing strategy will affect your competitiveness</td>
<td></td>
</tr>
<tr>
<td>➢ Price control and Anti - profiteering Act came into force in 2011</td>
<td></td>
</tr>
</tbody>
</table>
GST Implications

GST Implications on Cash Flow

- Need to analyze cash flow impact on the business
- Cash flow is minimized via credit invoicing method under the GST model (but could still be an issue for many businesses)
- Most imports would attract GST unlike the present sales tax. Need to look at your imports vs local purchases
- GST payment could impact cash flow especially for large businesses who are on a monthly taxable period
- Need to provide for one time fund to cater for GST payment upfront
- Make use of group provisions (limitations?)
- Export orientated businesses will have little output tax to offset input tax.
- ATS Eligibility?
GST Implications – Bad debts

Bad debt relief is available for payment not received within 6 months from the date of supply.

Ensure GST compliance by review of accounting / recording system

Need to monitor payment from customers

Ensure a proper matching of input & output taxes

Bad debt claims – need to understand evidence of ‘reasonable efforts’ to recover the debt
GST Implications

Fringe benefits are taxable under GST

Need changes to the employment agreements?

How to introduce the changes

What are the risks?

Need to review policy on FB liabilities, incentives, reward schemes
GST Implications

GST Implications – Stock Management

- Special refund is given on stock on hand.
- Need to conduct stock take on the transition date. Audit certificate is required by customs.
- Full refund - proof sales tax has been paid.
- 20% refund - no sales tax shown on invoice.
- Need to review your purchasing policy? What else?
- Review stock take management policy to minimize impact.
- Special refund - only 8 instalments over a period of 2 years.
- Economic order quantity may change due to changes in the demand.
GST Implications – Invoicing

1. Identify each type of supply - whether standard rate, exempt, zero rate or out of scope.

2. Simplified tax invoice - eligibility to claim is restricted to RM30.00 if name & address is not stated.

3. Accounting system able to capture GST liability.


5. Full tax invoice if necessary.

6. 21 days rule.
GST Implications – Output Tax

Gifts more than > RM500 \(\Rightarrow\) GST

Gifts \(\leq\) RM500 made in furtherance of business given to same person in the same year \(\Rightarrow\) No GST

Commercial samples in a form not ordinarily available for sale to the public \(\Rightarrow\) No GST

Deemed supply i.e private use, disposal of business assets, etc. \(\Rightarrow\) GST
GST Implications – Input Tax

- Not all business purchases are claimable
- Blocked inputs are not claimable, is IT system and accounting system capable to differentiate.
- ITC claim on sundry purchases from retail stores with a simplified tax invoice without name & address of the recipient is restricted to RM30 only
- Claim of input tax for advance payments?
- Apportionment of input tax
GST Implications – Contracts

- Legal advice with regards to contract (reviewable or non-reviewable)
- Avoid long term contract without legal review
- To absorb or not to absorb GST
- How would competitors react?
- Pricing strategy?

(only contract signed prior to 1.4.2013 will be treated as non-reviewable)
Review system and processes.

Need to do a complete mapping of transactions to identify changes that need to be made.

GST liability for every type of transaction.

Advantage of online submissions to Customs.

GST ready software or to develop own?
3

Tax Code
## Tax Code

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Related Codes</th>
</tr>
</thead>
<tbody>
<tr>
<td>12</td>
<td>Tax Code for Purchases – 12 Codes</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Tax Code on Adjustment on Purchases – 1 Code</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Tax Code for Sales – 9 Codes</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Tax Code on Adjustment on Sales – 1 Code</td>
<td></td>
</tr>
</tbody>
</table>
### Gst Tax Code For Purchases

<table>
<thead>
<tr>
<th>Tax Type</th>
<th>Description</th>
<th>Tax Code</th>
<th>Tax Rate</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>GST</td>
<td>Goods And Services Tax (Malaysia)</td>
<td>TX</td>
<td>6%</td>
<td>Purchases with GST incurred at 6% and directly attributable to taxable supplies.</td>
</tr>
<tr>
<td>GST</td>
<td>Goods And Services Tax (Malaysia)</td>
<td>IM</td>
<td>6%</td>
<td>Import of goods with GST incurred.</td>
</tr>
<tr>
<td>GST</td>
<td>Goods And Services Tax (Malaysia)</td>
<td>IS</td>
<td>0%</td>
<td>Imports under special scheme with no GST incurred (e.g. Approved Trader Scheme, ATMS Scheme).</td>
</tr>
<tr>
<td>GST</td>
<td>Goods And Services Tax (Malaysia)</td>
<td>BL</td>
<td>6%</td>
<td>Purchases with GST incurred but not claimable (Disallowance of Input Tax) (e.g. medical expenses for staff).</td>
</tr>
<tr>
<td>GST</td>
<td>Goods And Services Tax (Malaysia)</td>
<td>NR</td>
<td>0%</td>
<td>Purchase from non GST-registered supplier with no GST incurred.</td>
</tr>
<tr>
<td>GST</td>
<td>Goods And Services Tax (Malaysia)</td>
<td>ZP</td>
<td>0%</td>
<td>Purchase from GST-registered supplier with no GST incurred. (e.g. supplier provides transportation of goods that qualify as international services).</td>
</tr>
<tr>
<td>GST</td>
<td>Goods And Services Tax (Malaysia)</td>
<td>EP</td>
<td>0%</td>
<td>Purchases exempted from GST. E.g. purchase of residential property or financial services.</td>
</tr>
<tr>
<td>GST</td>
<td>Goods And Services Tax (Malaysia)</td>
<td>OP</td>
<td>0%</td>
<td>Purchase transactions which is out of the scope of GST legislation (e.g. purchase of goods overseas).</td>
</tr>
<tr>
<td>GST *</td>
<td>Goods And Services Tax (Malaysia)</td>
<td>TX-E43</td>
<td>6%</td>
<td>Purchase with GST incurred directly attributable to incidental exempt supplies.</td>
</tr>
<tr>
<td>GST *</td>
<td>Goods And Services Tax (Malaysia)</td>
<td>TX-N43</td>
<td>6%</td>
<td>Purchase with GST Incurred directly attributable to non-incidental exempt supplies.</td>
</tr>
<tr>
<td>GST *</td>
<td>Goods And Services Tax (Malaysia)</td>
<td>TX-RE</td>
<td>6%</td>
<td>Purchase with GST incurred that is not directly attributable to taxable or exempt supplies.</td>
</tr>
<tr>
<td>GST *</td>
<td>Goods And Services Tax (Malaysia)</td>
<td>GP</td>
<td>0%</td>
<td>Purchase transactions which disregarded under GST legislation (e.g. purchase within GST group registration).</td>
</tr>
</tbody>
</table>
## Gst Tax Code For Sales

<table>
<thead>
<tr>
<th>Tax Type</th>
<th>Description</th>
<th>Tax Code</th>
<th>Tax Rate</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>GST</td>
<td>Goods And Services Tax (Malaysia)</td>
<td>SR</td>
<td>6%</td>
<td>Standard-rated supplies with GST Charged.</td>
</tr>
<tr>
<td>GST</td>
<td>Goods And Services Tax (Malaysia)</td>
<td>ZRL</td>
<td>0%</td>
<td>Local supply of goods or services which are subject to zero rated supplies.</td>
</tr>
<tr>
<td>GST</td>
<td>Goods And Services Tax (Malaysia)</td>
<td>ZRE</td>
<td>0%</td>
<td>Exportation of goods or services which are subject to zero rated supplies.</td>
</tr>
<tr>
<td>GST *</td>
<td>Goods And Services Tax (Malaysia)</td>
<td>ES43</td>
<td>0%</td>
<td>Incidental Exempt supplies.</td>
</tr>
<tr>
<td>GST</td>
<td>Goods And Services Tax (Malaysia)</td>
<td>DS</td>
<td>6%</td>
<td>Deemed supplies (e.g. transfer or disposal of business assets without consideration).</td>
</tr>
<tr>
<td>GST</td>
<td>Goods And Services Tax (Malaysia)</td>
<td>OS</td>
<td>0%</td>
<td>Out-of-scope supplies.</td>
</tr>
<tr>
<td>GST</td>
<td>Goods And Services Tax (Malaysia)</td>
<td>ES</td>
<td>0%</td>
<td>Exempt supplies under GST</td>
</tr>
<tr>
<td>GST</td>
<td>Goods And Services Tax (Malaysia)</td>
<td>RS</td>
<td>0%</td>
<td>Relief supply under GST</td>
</tr>
<tr>
<td>GST</td>
<td>Goods And Services Tax (Malaysia)</td>
<td>GS</td>
<td>0%</td>
<td>Disregarded supplies.</td>
</tr>
</tbody>
</table>
### Adjustment

<table>
<thead>
<tr>
<th>GST</th>
<th>Goods And Services Tax (Malaysia)</th>
<th>AJP</th>
<th>6%</th>
<th>Any adjustment made to Input Tax e.g.: Bad Debt Relief &amp; other input tax adjustment.</th>
</tr>
</thead>
<tbody>
<tr>
<td>GST</td>
<td>Goods And Services Tax (Malaysia)</td>
<td>AJS</td>
<td>6%</td>
<td>Any adjustment made to Output Tax e.g.: Longer period adjustment, Bad Debt recover, outstanding invoice &gt; 6 months &amp; other output tax adjustments.</td>
</tr>
</tbody>
</table>
Related Party Transaction

No issue if both seller and buyer are registered and buyer is eligible to claim ITC

If buyer is not registered or cannot claim ITC the value of the supply must be open market value
Price Control and Anti Profiteering Legislation

Price Control and Anti Profiteering Act 2011 will be enforced strictly by the Ministry of Domestic Trade, Cooperative and Consumerism. Special committee to combat profiteering will be established.

Element of GST cannot be treated as a cost as it is recoverable from the authorities (FRS 102/MASB2).

Cost savings be passed down to the next level?

Otherwise can it be assumed as making unreasonable profits?
Business Preparation For GST
Business Preparation For GST

- Government
- System & Processes
- Human Resource
- Accounting & Finance
- Sales & Marketing
- Purchasing & Supply Chain

GST Readiness
Transitional Issues

With the coming of GST into force, Sales Tax Act 1972 and Service Tax Act 1975 is repealed with the saving of certain provisions for the levying, payment, assessment, remission, or recovery of sales tax or service tax which has become due and payable and also provision for refund of such taxes which were overpaid or erroneously paid.

Hence, sales tax and service tax shall not be charged with effect from 1 April 2015. Sales tax and service tax licensees will cease to be registered under Sales Tax Act 1972 and Service Tax Act 1975 and those licensees whose annual turnover exceeds RM500,000 will be mandatorily required to be registered under the GST law while others may choose to be registered persons under the GST system.

In addition, the facilities and exemptions given under Sales Tax Act 1972 and Service Tax Act 1975 will cease to be effective.
5

Supplies Spanning GST
Meaning of supply spanning GST

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

General Rule

- Any supply before appointed date not subject to GST
- Any supply on or after appointed date subject to GST

Exception to the general rule

- Supply of warranty
- Provision of services where service tax has been charged
- Provision of goods where sales tax has been charged
- Non reviewable contracts
### Supplies Spanning GST

#### Table

<table>
<thead>
<tr>
<th>BEFORE GST</th>
<th>ON OR AFTER GST</th>
<th>IMPLICATION ON GST</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods Supplied (available / removed)</td>
<td>Payment received / Invoice issued</td>
<td>Not subject to GST BUT subject to SALES TAX</td>
</tr>
<tr>
<td>Invoice issued or payment received</td>
<td>Goods subject to sales tax supplied</td>
<td>Not subject to GST BUT subject to SALES TAX</td>
</tr>
<tr>
<td></td>
<td>Supply non-taxable goods under Sales Tax Act 1972.</td>
<td>Value of supply deemed inclusive of GST and account in the 1st taxable period after the appointed date</td>
</tr>
<tr>
<td>Goods imported</td>
<td>Release from customs control</td>
<td>Subject to GST and date of importation is when released from customs control</td>
</tr>
</tbody>
</table>

---

Before GST, goods are supplied, and the payment received or invoice issued. After GST, the payment is considered received or the invoice issued. The implication on GST includes whether the goods are subject to GST or sales tax, and the value of the supply is deemed inclusive of GST and account in the 1st taxable period after the appointed date.
6

Non Reviewable Contract
Non reviewable contract

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

AND

- 24 months before the date of GST implementation date.
Non Reviewable Contract

Meaning of review opportunity

- Opportunity for supplier either by himself or with agreement to —
  - change the consideration because of the imposition of GST
  - conduct a review after AD, renegotiation or alteration of consideration, or
  - conduct a review before AD, renegotiation or alteration of the consideration
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 entitled to claim input tax on that supply

After 5 years period, revert to either standard rate or zero rate
7

Special Refund
Entitle to special refund of sales tax if

- holds relevant invoices or import document to show sales tax has been paid
- claimant is registered (mandatory) person
- goods are subject to sales tax
- hold goods on appointed date for making taxable supply

Entitle to special refund of sales tax if

- holds relevant invoices or import document to show sales tax has been paid
- claimant is registered (mandatory) person
- goods are subject to sales tax
- hold goods on appointed date for making taxable supply
Special Refund

Claimant is a registered (mandatory) person

Hold goods on appointed date for making taxable goods

Purchase goods from non licensed manufacturers

Holds invoices which do not show sales tax has been charged

Goods are subject to sales tax

(20% method)

Reduce special refund to 20%
Special Refund

capital goods e.g. building and land

goods used partially or incorporated into other goods e.g. raw materials, work in progress

goods entitled to drawback

goods not eligible for special refund

goods not for sale or exchange e.g. containers, pellets, stationeries, moulds, manufacturing aids

goods not for business e.g. personal use

goods for hire e.g. cars, generators
Manner to claim special refund

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

Note: Goods must be returned to account as output tax if special refund is claimed and goods are returned.
Special refund =
Actual price x 20% x Sales tax rate

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

Special refund =
RM10,000 x 20% x 10% = **RM200**
@ 2014 Ministry of Finance Malaysia

All rights reserved. No part of this publication may be reproduced, stored in retrieval system or transmitted in any form or by any means electronics, mechanical, photocopying, recording and/or otherwise without the prior permission of the Copyright owner.