



# **ROYAL MALAYSIAN CUSTOMS**

## **GOODS AND SERVICES TAX**

### **GUIDE ON PRE-TERTIARY EDUCATION**

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## **INTRODUCTION**

1. This guide is prepared to assist businesses in understanding matters with regards to GST treatment on pre-tertiary education services.

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

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

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

4. In Malaysia, a person who is registered under the Goods and Services Tax Act 2014 is known as a “registered person”. A registered person is required to charge GST (output tax) on his taxable supply of goods and services made to his customers. He is allowed to claim back any GST incurred on his purchases (input tax) which are inputs to his business. Therefore, the tax itself is not a cost to the intermediaries and does not appear as an expense item in their financial statements.

### **GENERAL OPERATIONS OF THE EDUCATION INDUSTRY**

5. Educational system in Malaysia is broadly categorized as follows:

- (a) Early childhood care and education (ECCE);
- (b) Preschool;
- (c) Primary;
- (d) Secondary school; and
- (e) Tertiary.



6. According to the Education Act 1996 “school” means a place where ten or more persons are habitually taught whether in one or more classes. The Education Act 1996 covers all levels of education under the national education system and it requires the use of a National Curriculum in all schools. In the case of private schools, the requirement to use the National Curriculum shall be deemed to be complied with if the core subjects of the National Curriculum as set out in the Schedule to the Education Act 1996 are taught in the schools. The National Curriculum is the core curriculum which consists of courses of study which all students are required to complete before they can move on to the next level of education. It is expected to contribute to the holistic development of the individual (mental, emotional, physical, spiritual) by imparting general knowledge and skills, fostering healthy attitudes and instilling accepted moral values.

7. The course of study relates to facilities that the educational institution provides which forms part of the curriculum or syllabus. For example the provision of classroom in the school building, libraries, sports field, computer and science laboratory.

8. Educational institutions providing education services are established under any of the following Acts:-

- (a) Education Act 1961 (Act 43 of 1961);
- (b) Education Act 1996 (Act 550);
- (c) Majlis Amanah Rakyat Act 1966 (Act 489);
- (d) Child Care Act 1984 (Act 308);
- (e) Enactments or Ordinances related to the control of Islamic religious school of the various states.

9. The Education Act 1996 defines “educational institution” as a school or any other place where, in the carrying on of the work of an organization or institution, persons are habitually taught, whether in one or more classes, and includes a kindergarten and a distance education center but does not include –



- (a) any place where the teaching is confined exclusively to the teaching of any religion;
- (b) any place declared by the Minister of Education by notification in the Gazette not to be an educational institution for the purposes of the Education Act 1996.

10. Educational institutions in Malaysia can be either public or private. Comparison between the two are as in Table 1.

**Table 1: Comparison between Public and Private Educational Institutions**

	Public Educational Institutions	Private Educational Institutions
TYPES	<p>Consists of two types:</p> <ol style="list-style-type: none"> <li>1. National school <ul style="list-style-type: none"> <li>• Established and fully funded and maintained by government</li> </ul> </li> <li>2. Vernacular school/ National type <ul style="list-style-type: none"> <li>• Government aided schools</li> </ul> </li> </ol>	<p>Consists of three types:</p> <ol style="list-style-type: none"> <li>1. Foreign <ul style="list-style-type: none"> <li>• International school</li> <li>• Expatriate school</li> </ul> </li> <li>2. Independent School</li> <li>3. Religious and others</li> </ol>
REGISTRATION/ CONTROL	<p>Registered under the Education Act 1961 or Education Act 1996. Thus, under the full control and supervision of the Ministry of Education (MOE).</p>	<ol style="list-style-type: none"> <li>1. Foreign schools <ul style="list-style-type: none"> <li>• Registered under the Education Act 1961 or Education Act 1996.</li> </ul> </li> <li>2. Independent Schools (Dong Jiang Zoung) <ul style="list-style-type: none"> <li>• Registered under the Education Act 1961 and registration is recognised under Education Act 1996.</li> </ul> </li> <li>3. Religious schools <ul style="list-style-type: none"> <li>• Firstly to be registered under the Education Act 1996</li> <li>• Subsequently classified by MOE as private educational institution and has to be registered under the States Religious Islamic Enactments</li> </ul> </li> <li>4. Others (MRSM school) <ul style="list-style-type: none"> <li>• Registered under the</li> </ul> </li> </ol>

		<p>Education Act 1961 and registration is recognised under Education Act 1996;</p> <ul style="list-style-type: none"> <li>Established under the Majlis Amanah Rakyat Act 1966.</li> </ul>
MANAGEMENT	<ol style="list-style-type: none"> <li>National school <ul style="list-style-type: none"> <li>Government of Malaysia through Ministry of Education</li> </ul> </li> <li>Vernacular school/ National type <ul style="list-style-type: none"> <li>Board of Governors of the school</li> </ul> </li> </ol>	<ol style="list-style-type: none"> <li>International school <ul style="list-style-type: none"> <li>Privately owned by Companies</li> <li>Board of Directors</li> </ul> </li> <li>Expatriate school <ul style="list-style-type: none"> <li>Board of Governors and expatriate community</li> </ul> </li> <li>Independent school <ul style="list-style-type: none"> <li>Board of Governors representing the Association</li> </ul> </li> </ol>
STUDENTS	Malaysian and others	<ol style="list-style-type: none"> <li>International school <ul style="list-style-type: none"> <li>Malaysians allowed according to the percentage approved by Ministry of Education</li> </ul> </li> <li>Expatriate school <ul style="list-style-type: none"> <li>Foreign expatriate or Malaysians having studied abroad and continuing education</li> </ul> </li> <li>Independent school <ul style="list-style-type: none"> <li>Malaysian</li> </ul> </li> </ol>
CURRICULUM	National Curriculum	<p>International</p> <ul style="list-style-type: none"> <li>Selected core subjects in National Curriculum</li> <li>Normally Bahasa Melayu is compulsory for Malaysian students and Islamic studies is compulsory for the Muslims.</li> </ul> <p>Expatriate</p> <ul style="list-style-type: none"> <li>Own country's curriculum</li> </ul> <p>Independent school</p> <ul style="list-style-type: none"> <li>Own curriculum</li> </ul>

## **Pre-Tertiary Education**

11. Pre-tertiary education encompasses early childhood care, pre-school, primary and secondary.

### **Early childhood care and education (ECCE)**

12. Early childhood care and education (ECCE) involves children aged below four (4) years old. Ministry of Women, Family and Community Development is responsible for the approval and establishment of childcare centres in Malaysia. Childhood care services include babysitting services, day nursery services for the purpose of providing care and supervision to children below four (4) years old.

### **Preschool**

13. Pre-school education involve kindergarten or child guidance center also known as TADIKA for children aged 4 to 6 years old and is provided by several government agencies i.e. the Ministry of Education, the Ministry of Rural and Regional Development and the National Unity Department. They are also provided by private bodies and voluntary organizations.

### **Primary school**

14. Primary school education is a course of study at primary level which is designed for duration of six years but which may be completed within five to seven years. It also includes special primary school.

### **Secondary school**

15. Secondary school education is an extension of primary level of education appropriate for a pupil who has just completed primary school education. It comprises of lower secondary and upper secondary education. The upper secondary school education is suitable to the abilities and aptitudes of a pupil who has completed lower secondary. Secondary school education also includes secondary special school, secondary technical school, secondary vocational school and secondary religious school.

## **Educational and related educational services**

16. Under item 16(c), Second Schedule of the GST (Exempt Supply Order) 2014, educational and related educational services include:-

- (a) course of study;
- (b) course materials and curriculum related goods;
- (c) excursions and field trips;
- (d) students food and accommodation;
- (e) transportation of students; and
- (f) administration services

## **GST TREATMENT FOR PRE-TERTIARY EDUCATION**

17. The overall GST treatment on pre-tertiary education is illustrated in **Appendix 1**.

### **GST treatment on supplies *made by* public educational institutions**

18. By virtue of section 64 of the Goods and Services Tax Act 2014, educational services supplied by the Federal or the State Government are not subject to GST. This means that education services provided by all government schools or national-type schools established and fully maintained by the Ministry of Education or any other Ministry are “*out of scope*” supplies. The term “*out of scope*” means that the supplies made are not within the ambit of the GST Act and are therefore not subject to GST.

### **GST treatment on supplies *made by* private educational institutions**

19. Under item 14, Second Schedule of the Goods and Services Tax (Exempt Supply) Order, 2014, supplies by private educational institutions registered under the Education Act 1996, Majlis Amanah Rakyat Act 1966, the Child Care Centre Act 1984, the Enactments relating to the control of Islamic religious school for various states are exempt supplies. Being “exempt supplies”, the private educational institutions cannot charge GST on the supply of educational services made by them.



No input tax can be claimed on any acquisitions or purchases made for the provision of the exempt supply.

20. However, there are certain supplies by educational institutions registered as private educational institutions/ centres under the Education Act 1996 which are not exempt supplies such as:-

- (a) tuition classes by Tuition Centres;
- (b) training in language, computer, skill, vocation, profession, trade or commerce;
- (c) mind enrichment (e.g. Smart Readers); and
- (d) guidance centres.

*Please refer to item 16(b)(ii), Second Schedule of the GST (Exempt Supply) Order 2014).*

21. These services are taxable supplies and subject to GST at standard rate and the provider of the education services, if they are registered under GST, must charge GST on the output and they are able to claim any input tax incurred in making the supply. *Please refer to the GST Guides on Registration and Input Tax for further details on how to register and claim of input tax credits.*

### **GST treatment on supplies *made to* public educational institutions**

22. Under item 3 of the First Schedule of the Goods and Services Tax (Relief) Order 2014, Federal and State Government departments (including public educational institutions) are given relief from payment of GST on the acquisition of all goods, excluding petroleum and imported motorcars, subject to the conditions prescribed. By virtue of subsection 56(4) of the GST Act 2014, the supplier (seller) of the goods is not required to charge GST on the sales to the public educational institutions. However, the supplier has to claim relief from charging in accordance with the Third Schedule of the GST (Relief) Order 2014. The public educational institution too has to submit a certificate to claim relief from the payment of GST in accordance with the Third Schedule of the GST (Relief) Order 2014 to the supplier. Relief from the payment of GST given to the public educational institution is only for

goods but not for services acquired. GST has to be paid for any services acquired such as consultancy, security, computer repairs, maintenance and cleaning services.

### **GST treatment on supplies *made to private educational institutions***

23. Private educational institutions are given relief from payment of GST on certain goods which are directly used in providing educational services in accordance with the National Curriculum or approved curriculum. The goods as listed under item 5(a) of the First Schedule of the GST Relief Order 2014 are as follows:

- (a) multimedia equipment directly used as a teaching aid;
- (b) equipment for science and linguistic laboratory;
- (c) tools and equipment for vocational studies; and
- (d) chemicals, solution and gas for the use in science laboratory.

24. The supplier (seller) of such goods to the private educational institutions is given relief from charging the GST but has to put up a claim for relief from charging according to the Third Schedule of the GST (Relief) Order 2014. The private educational institution has to claim relief from payment of GST similar to public educational institution as described in paragraph 22 above. The private educational institutions are not given relief from payment of GST on services acquired or on goods which are not listed in item 5(a) of the First Schedule of the Goods and Services Tax (Relief) Order, 2014. As educational services provided by the private educational institutions are under the GST (Exempt Supply) Order 2014, such educational institutions are not eligible to claim the GST paid on the acquisition or purchase of goods which are not listed in the Order or on the services acquired.

### **GST Treatment on the various types of educational and related educational services**

#### **Course of study**

25. Course of study refers to the curriculum, syllabus, program and course contents. Educational institutions provide certain facilities to conduct these courses of studies such as sports field, laboratory, etc.



### **Example 1**

*Patricia Primary school is registered under the Education Act 1996 as a private international school and the medium of instruction in this school is English. Zaidil studies in standard 4 and the course of study he has to take comprises of Bahasa Malaysia as a compulsory subject, English, Mandarin, Mathematics, Science and Islamic Education. The school offers an extra subject that is piano lessons which is not part of the National Curriculum. Zaidil takes this extra subject and he has to sit for the examinations as required for the subject.*

*The subjects taken by Zaidil like Bahasa Malaysia, English, Mandarin, Mathematics, Science and Islamic education are specified under the National Curriculum and these subjects provided are exempt supplies and GST are not imposed. (Refer to item 16(c)(i), Second Schedule of the GST Exempt Supply Order 2014). However, the piano lessons are not part of the National Curriculum and are therefore a taxable supply. The school will charge GST at 6% on the fees for the piano lessons.*

### **Course materials and curriculum related goods**

26. To qualify for course materials to be exempt supplies the following requirements are to be fulfilled:-

- (a) The materials are provided directly by the educational institutions (not by a 3<sup>rd</sup> party) to the students.
- (b) The materials are necessary to be used, utilised and expended by usage, by students undertaking the subject that specifically relates to the curriculum, or the course of study or subject taken by the students.

27. Some examples of “used, utilised and expended by usage” are:

- (a) For home science subject, the cooking ingredients for making chicken curry are vegetables, onion coconut milk and chicken. These ingredients have changed their original character and become a new product (chicken curry).

- (b) Chemical or gas used by students taking Chemistry subject in their experiments.

28. If the items used for taking the subject are able to retain their generic application for other purposes, then they are not considered to be course materials. This means the items cannot be reused or recycled. Therefore, the meaning of “used, utilised and expended by usage” applies to the usage of that good only.

29. Examples of course materials if supplied by the educational institutions directly to students are:

- (a) photocopied or printed educational materials that specifically relate to the syllabus of the course of study;
- (b) prepared notes outlining the subjects content, reading list;
- (c) consumable art supplies such as water colour, sketch pads;
- (d) ingredients used for home science students and vocational schools;
- (e) tools and equipment for vocational or technical studies;
- (f) chemicals used in chemistry and related subjects;
- (g) work books that provide space for students to complete exercises, etc. and
- (h) consumable stationery items specified in the course of study.

### **Example 2**

*Form 5 students of Didik Secondary School, a private school, are preparing for their SPM chemistry class and they have to do experiments in the science laboratory. The students will use the laboratory equipments (course materials) for the experiments. The supply of such facilities is part of the supply of course of study. Thus, the supply of education services in this case is exempt and the fees charged to the students is not subject to GST.*

*Didik Secondary School will not be charged GST by ABC Chemical Industry Sdn. Bhd. when the school purchases or acquires chemical or solution for the experiment. Didik Secondary School is also given relief from payment of GST in accordance to item 5 (a), First Schedule of the GST (Relief) Order 2014.*



## **Administrative services**

30. Administrative services refer to the management of any office or organization. Administrative services are part of the education services and are exempt supplies when they are directly related to the supply of the course of study. Examples of such administrative services are:

- (a) enrolment processing;
- (b) issue of student cards;
- (c) students assessment;
- (d) processing academic results;
- (e) preparation and printing student progress reports;
- (f) arrangement of meeting with students, parents, guardians;
- (g) record keeping;
- (h) administration of Speech Day, Sports Day, and other similar school activities;
- (i) administration of school library;
- (j) administration of free textbooks scheme;
- (k) administration of the sale, lease or hire of school equipment to students as part of the supply of an education course of study to the students; and
- (l) administration of the supply of course materials.

### **Example 3**

*Menon, a Form 5 student, scored the highest marks for all his subjects during the SPM trial examination. His school sent the results to his parents and a copy of Menon's progress report regarding his achievements. The fees relating to the supply of documents are exempt supplies and not subject to GST since this administrative service directly relates to the course of study. Any acquisition of goods and services by the school relating to this activity is subject to GST and the GST paid is not claimable by the school.*

## **Excursions and field trips**

31. Excursions and field trips must be directly related and form part of the curriculum and not for hobby or recreational purpose. In some cases, the educational institutions coordinate the transport, accommodation and entry fees for these excursions and field trips. They are deemed to be the supplier of these services and as such they are exempt supplies. The fees charged to the students are not subject to GST.

32. Excursions or field trips directly provided by the educational institution in accordance with the subjects specified in the curriculum are exempt supplies and do not attract GST although the education provider engages a 3rd party to provide all or part of the services. As a GST registered person, the 3rd party will charge GST to the education provider. The GST paid on the inputs by the education provider is not claimable. The subsequent supply made by the education provider to the students which is his output, will be an exempt supply. However, if a 3rd party supplying the excursions or field trips directly to the students, it will be a taxable supply. The GST will be paid by the students directly to the 3rd party (provider of the various services).

33. Educational institutions also organise camps during field trips or excursion involving activities directly related to the curriculum. Outside speakers are invited and food is supplied by outside caterers. The organizing of these camps is considered as part of the education course of study related to the curriculum. Therefore, it is an exempt supply and the fee charged to the students is not subject to GST. If the speakers and the caterers are registered and charge GST to the education provider, then the education provider cannot claim the GST paid to the speakers and the caterers.

34. On the other hand, if the camps are directly organized by a 3rd party for the students, the fees charged to the students will be standard rated if the 3rd party is a GST registered person.

**Example 4**

*Tan Sim Chinese Secondary School is organizing a motivation camp for standard 6 students to help them prepare for their UPSR examination. Ali, is a GST registered person, was invited to teach mathematics subject during the camp. The services charged by Ali to the school will be subject to GST but the school cannot claim back the GST paid. Ali's service is part of the educational services supplied by the school and it is an exempt supply. Therefore, the school cannot charge GST to the students.*

*However, if Ali as a GST registered person, organized UPSR camp and charged the students fees RM150.00 per person, the supply by Ali is standard rated because it is not an educational service supplied directly by the school. The supply is made directly to the students by a business concern. The students have to pay GST on the fees charged by Ali.*

35. Excursions or field trips which are not related to the curriculum specified in the Education Act 1996 are normally recreational and hobby in nature. It is not regarded as an educational service even though the provider is an educational institution. The supply of such services is subject to GST.

**Example 5**

*Jamie Secondary School Kota Kinabalu, Sabah is organizing a trip for the teachers, staff and students of the during school holidays for 3 days 2 nights in Kuala Lumpur including a visit to Petrosains Kuala Lumpur City Centre. The school is providing food and accommodation free of charge for the trip. It is not related directly to the subject taken by the students. It is purely for recreational in nature. As such, this trip is not related to the curriculum and not an educational service therefore, any charges incurred by the teachers, staff and students are subject to GST.*

**Food and accommodation**

36. Hostel or boarding accommodation services are provided by a secondary school to their students who are undertaking the course of study from lower

secondary to upper secondary level. To be an exempt supply, the accommodation must be directly provided by the school, the provider of the education services.

37. A fee is charged for the provision of boarding accommodation that includes the provision of food. If a 3rd party is hired to provide food for the school canteen or cafeteria and he is a GST registered person, he will charge GST to the educational institution. The subsequent supply of food and accommodation by the educational institution is an exempt supply and the educational institution cannot charge GST on the fees charged to the students.

38. Normally accommodation provided by an educational institution is at a hostel or boarding school or rented property. The supply of accommodation includes the supply of cleaning and maintenance, food, electricity, air-conditioning, telephone, television, radio and internet. This is an exempt supply. Most educational institutions do not provide laundry services and the laundry services are directly provided by a 3rd party to students. This supply of laundry services is not incidental to the provision of student accommodation and is subject to GST.

39. Accommodation sometimes is provided by a GST registered person to the educational institution in a commercial property. Then, the supply of commercial property for accommodation for school students on the building or premises renovated by the school has changed the usage from being for commercial purposes to be for residential purpose which falls under *item 2, First Schedule of the GST (Exempt Supply) Order 2014*. Therefore, the supply is exempt and no GST is charged to the educational institution.

### **Example 6**

*Mary Secondary School bought a commercial building at Seremban 2 for the purpose of hostel accommodation for its students. Mr Lee, the owner bought the premise from Pusing-Pusing Situ Sdn. Bhd. The intention of buying that building is to renovate it as a hostel for students. The usage of the building has changed from commercial usage to residential usage as the premise is used for hostel accommodation for the students. The supply of the property is an exempt supply. No GST is charged to the educational institution. The*

*subsequent supply of accommodation by the school to the students is an education service which is also an exempt supply.*

### **Transportation of student**

40. Transportation for students travelling to and from school is either provided by the educational institution or by a 3rd party. The supply of transportation whether by the school or third party is an exempt supply (*Refer to item 22(a)(i), Second Schedule of the GST (Exempt Supply) Order, 2014*). No GST will be charged to the students. The school cannot claim input tax credit on any GST paid on acquisition of goods and services in providing the transportation.

### **Examinations services**

41. Public examinations are compulsory examinations taken by students in public educational institutions every year. The public examinations are one of the courses of study in the National Curriculum specified under the Education Act, 1996.

42. GST treatment for public examinations managed and conducted by the Malaysian Examination Syndicate and Malaysian Examination Council, Ministry of Education is an out of scope supply. No GST is charged to students taking the examinations.

### **Other Supplies of Goods and Services by Educational Institutions**

43. The main objective for educational institution is to provide education services to students but most of the educational institutions provide a variety of services which are subject to different types of GST treatment and, as such, making them mixed suppliers.

44. Supply of education services listed under items 14, 15 and 16, Second Schedule of the GST (Exempt Supply) Order 2014 are exempt supplies. Other related supply of education services which are also exempt supplies are as follows:

## **Libraries**

45. Libraries are considered as part of education services. The library activities are exempt and not subject to GST include access to library books and magazines as well as to computers and other online services.

46. If the library provides a book loan system to students free of charge, no GST is chargeable. If the supplies are made on payment basis and fees are charged to the students the supply will be subject to GST.

47. A school library issues fines to the students for overdue, lost or damaged books. If the fine is of a nominal amount then it is considered as school administration service charge, and not subject to GST. If the fine approximates the cost of replacing the lost or damaged book then it is a consideration for the supply of book and this is a taxable supply and subject to GST.

## **Canteen**

48. Food and beverages supplied in the school canteen is an exempt supply and it does not matter whether the canteen is operated by the educational institution itself or if it is outsourced to a 3rd party. The canteen operator will not charge GST on sales of food to students.

## **Lease or hire of goods**

49. School sometimes lease or hire goods. The act of hiring or leasing must be related to the course of study and the curriculum. GST treatment on lease or hire of goods to students will be subjected to certain requirements:-

- (a) The supply is directly or principally used, utilized and expended by students in undertaking the course of study;
- (b) The educational institution itself as the provider of the education services hire or lease the goods;
- (c) The educational institution has the right to decide on the usage of the goods hired or leased at all times; and

- (d) No transfer of ownership or agreement of the goods to any students at any stage applies.

**Example 7**

*ABC School Sdn. Bhd. leases computer to Ahmad, a student in the school, for his preparation of his PT3 assignments and examination which are in accordance with the National Curriculum. Ahmad is charged a fee and he has the exclusive right to use the computer. The act of leasing the computer is an exempt supply as the assignments and examination are related to National Curriculum.*

**Example 8:**

*Mary is a student at Elizabeth School, which is a private primary school. The curriculum offered to its students includes the National Curriculum as well as the British Curriculum which has been approved by the Ministry of Education. Other than the curriculum offered, the school is also offering ballet dancing and swimming lessons to its students as extra subjects to the students. Besides the subjects under the national and British curriculum, Mary took ballet dancing and swimming lessons as extra subjects and paid the fees for the extra subjects. As the extra subjects taken by Mary are not related to the curriculum, they are therefore subject to GST at standard rate.*

**Supplies subject to zero rate**

50. There are some supplies made to educational institutions which are subject to zero rate as listed under the Goods and Services Tax (Zero Rated Supply) Order 2014. Examples of zero rated goods related to education services are exercise books, dictionaries, student textbooks, reference books, workbook and religious text, newspapers, children's picture, drawing and coloring books. For more details, please refer to the GST (Zero Rated) Order 2014. The GST registered supplier of such goods to the educational institution will not collect GST on the goods sold but is entitled to claim input tax credits the for GST payable ~~on the~~ for making the taxable supply.

### **Example 8**

*Hutty Books Printing Company sells Form 5 Chemistry textbooks worth RM1,500.00 to Merah Secondary School. Hutty will not charge GST at 6% to Merah Secondary School on the books as the textbooks are listed under the GST (Zero Rated Supply) Order 2014 and no GST is paid by the school. The school pays only RM1,500.00 for the books. However, any input tax incurred on making the textbooks are claimable by Hutty such as purchase of paper, toner, printing ink which are subject to GST.*

## **Supplies subject to standard rate**

### **Sales of goods**

51. Any supplies which do not fall under the GST (Exempt Supply) Order, 2014 or the GST (Zero Rate) Order 2014 are subject to GST at standard rate of 6%. An example is when a school purchases uniforms from a GST registered supplier. GST is paid on the purchase. On the subsequent sale of the uniforms to the students, the school, if GST registered, will charge GST on the sales price to the students. There may be other goods sold by the school in order to raise revenue for the school, for example musical instruments, stationaries, t-shirts and school bags.

### **Example 9**

*Ah Chong is in standard 4. His school charges RM20.00 for a recorder to be used for his music class as one of the extra subjects taught in school. Ah Chong will retain the ownership of the recorder at the completion of the course. This is an act of sale by the school and the ownership of the recorder belongs to Ah Chong. Such sale would be subject to GST at 6% if the school is GST registered.*

### **Rental or hire**

52. Besides the sale of goods, some schools may be involved in the rental or hiring out of sports facilities, equipment, hall, bus, school band, court with payment. The payment is subject to GST at standard rate.

### **Printing and publications**

53. Printing and publications done by the educational institutions where the outputs are subject to GST include sales of printed stationery and paper, printing and copying and finishing services and advertising services.

### **Seminars and conventions**

54. Seminars and conferences held by the educational institutions such as workshop, seminars, conference, tuition classes, function, reunion, venue hire charges, facility hire charges, booking fees and sales of drinks and refreshments are subject to GST as they are normally charged with a certain fee.

### **Franchised programs**

55. A school or a company may invest in developing a program that has been approved by Ministry of Education. The intellectual property of the education program belongs to the school or the company. Any supply of the program to other schools for a consideration is subject to GST. The school or the company, as the owner of the program will charge GST and any input tax incurred in making this taxable supply is claimable by the school or the company as its taxable supply. Any school that bought the franchised program has paid the GST and cannot claim ITC since the supply of education services is an exempt supply.

#### ***Example 10***

*Ilham Sdn. Bhd. developed childhood and preschool education program in English and follows the preschool curriculum approved by Ministry of Education. The program is named as Cerdik Pandai. Any kindergarten using the name of the program has to pay RM50,000 and Ilham Sdn. Bhd. will provide the standard programs using books, workbooks, uniform, songs and others as their franchise business. The supply of this program is a taxable supply. As a franchisor, Ilham Sdn. Bhd.'s taxable supplies has exceeded RM500,000 and he is registered under GST. Amy wanted to start her own kindergarten business by using the Cerdik Pandai program. Ilham Sdn. Bhd., as the franchisor, will charge GST to Amy and Amy, as the franchisee, will pay for the program RM53,000 including GST. Any acquisition by Ilham Sdn. Bhd.*

*in making the taxable supply is claimable as input tax credit and GST will be charged to any business using the franchise name. However, Amy who runs her kindergarten business is making an exempt supply (Refer to the GST (Exempt Supply) Order 2014). The GST of RM3,000 paid by Amy to Ilham Sdn. Bhd. for using the franchised program is not claimable by Amy as her input tax credit.*

### **Example 11**

*Salsa School Sdn. Bhd. is registered as a private school in Malaysia offering British curriculum which is franchised by a UK Company for pre school, primary and secondary schools in Malaysia. The program delivered in Malaysia costs RM100,000 for preschool, RM150,000.00 for primary school and RM300,000.00 for secondary school besides royalties. The school will pay the amount charged and royalties to the UK Company. Salsa School Sdn. Bhd. will charge its students fees taking into consideration the cost of the program and the royalties.*

*The acquisition of the program is regarded as an imported service and Salsa School Sdn. Bhd. has to account the payment made as its output tax in its GST return if it is registered under GST. If not, Salsa School Sdn. Bhd., by virtue of section 42(1) of the GST Act 2014 and regulation 62(1) of the GST Regulations has to declare and pay the amount of GST in Form GST-04.*

### **Commission**

56. Some schools receive commission for scouting local students to study in the overseas university after the students finishes their SPM examination. The overseas educational institution pays commission to the school for the services in making the initial arrangement, enrolling the students and collecting fees. The services provided by the local schools to the overseas educational institution are exported services and GST is at zero rate. There are also schools which are paid commission by the overseas program franchisor for getting students to enroll into their program.

### **Fund raising**

57. Fundraising events are normally held by schools as their yearly event. The GST Relief Order 2014 allows supplies made by any person in a fund raising event



to be given relief from the payment of GST. “Fund raising” event is defined as the organized activity or an instance of soliciting money or pledges for charitable organizations. Examples of fund raising include canteen day, gala show, dinner, ball performance and similar event and sale of goods. The following are the conditions for such relief:

- (a) organizers of the event must be a registered person and not in the business of raising fund;
- (b) relief is given four (4) times in one calendar year; and
- (c) the person shall submit a list of supplies to be made in the fund raising event to Director General of Customs for approval prior to the event.

58. If the fund raising event is carried out more than five times in a year, the relief is no more eligible from the fifth time onwards in that year.

### **Liability of a GST Registered Person**

59. As a registered person, the educational institution will need to comply with the requirements of the GST Act such as keeping proper records of transactions made, issuance of tax invoice for any supplies made, submission of GST returns according to the taxable period allocated, the payment of GST and the claiming of input tax credit. For further information, please refer to the GST General Guide.

60. Supplies made to the students may possibly consist of exempt, standard rated and zero rated. The various types of supplies must be clearly reflected in the tax invoice issued by the educational institution if it is registered under GST. It is important for the educational institution to take note that the tax invoice for any purchases/acquisitions made is the documentary evidence necessary to claim back any GST paid on such purchases/acquisitions.

### **FREQUENTLY ASKED QUESTIONS**

#### **Q1. Are administrative services subject to GST?**

A1. If the education provider supplies administrative services directly related to the supply of a childcare, pre-school, primary or secondary course of study, the



supply is not subject to GST as these services are treated as *out of scope* supply for public school *and as an exempt* supply for private school. In both cases, no GST is charged to the students.

**Q2. What are course materials and the GST treatment on course materials?**

A2. Course materials are materials that are directly used, utilised and expended by students undertaking the course of study. If a public school provides the course materials directly to students then the GST treatment is out of scope and exempt if it is provided by private school.

Sales of materials directly to the students and where those materials are necessarily used up by the students in undertaking the course of study will be subject to GST. Though it may be necessary in order to teach the curriculum but the act of selling constitute a business activity and therefore is subject to GST.

**Q3. Are activities supplied by third party that do not form part of any primary or secondary extra curriculum, subject to GST?**

A3. Activities that do not form part of primary or secondary extra curriculum under the National Curriculum or approved curriculum by Ministry of Education such as swimming, dancing and piano lessons are subject to GST.

**Q4. Will the school canteen operator or cafeteria that operates in primary or secondary schools charge GST to the students?**

A4. Any canteen operator or a cafeteria of a public or private primary or secondary school that supplies food primarily to the students including staff of that school is making an exempt supply. The supplies of food to students are not subject to GST. However, the canteen or cafeteria operators are not able to claim input tax on any taxable goods charged to them.

**Q5. In order to provide service of transporting students to and from the school, School A rents a school bus from a transportation company. Is the school bus rented by School A subject to GST?**

A5. The supply of school bus services is a supply of public transportation and it is an exempt supply. The rental of a school bus to School A or the supply of school bus services by a private transportation company to School A is a

standard rated supply and School A will have to pay GST on the rental of the bus which school A cannot claim the input tax credits. The subsequent supply of transportation to students by school A is an exempt supply and not subject to GST.

**Q6. Should GST be chargeable on supply by Students Cooperative Bookshop (Kedai Buku Koperasi Pelajar) situated at the school?**

A6. The Students Cooperative Bookshop is not an educational institution as defined under the GST (Exempt Supply) Order 2014. Thus, if the Cooperative is registered under GST, supplies made by it are either subject to GST at standard rate (6%) or zero rate.

**Q7. What is the GST treatment on Parents Teachers Association (PIBG) activities?**

A7. The establishment of PIBG is required under the Education Act 1996 and must be registered under the Ministry of Education. The purpose of the establishment is for the enhancement of education and maintaining good relationship between parents and teachers and not for doing business. PIBG activities in relation to the purpose of its establishment are treated as related to education services. Supply by PIBG in relation to education services for both government and private school is not subject to GST.

On the other hand, if the PIBG is making any business activity such as selling of goods to the students and the taxable threshold reaches RM500,000.00, then PIBG must be registered and charge GST like any other normal business.

**Q8. Is GST be chargeable on fund raising activities arranged by PIBG e.g. sales of tables for an Annual Dinner?**

A8. Under GST, PIBG is not considered as a charitable organisation. In this case, the fund raising activity can be given relief under GST (Relief) Order 2014 given relief from charging GST subject to conditions as mentioned in paragraph 57 of this guide.

**Q9. What is the GST treatment for a company who donates or sponsors an award to a school or student in a form of monetary or goods?**

A9. Sponsorship is a taxable supply if there is benefit in return. Sponsorship payment which involves the sponsor receiving clearly identifiable benefit in return, example either in terms of advertising or publicity is a consideration for this supply. If the sponsorship does not involve any identifiable benefits in return, then the sponsorship payment is not a consideration for the supply and no GST is chargeable.

**Q10. What is GST treatment on tuition fee by post such as Adabi Gaya Post?**

A10. Tuition centre is registered as a private educational institution which provides extra classes and involves teaching of subjects in school either by attending classes at a premise or by post. It is a business entity providing education services to students. However, this service is excluded from being an exempt supply under the GST (Exempt Supply) Order 2014 neither it is included in the GST Relief Order 2014. The tuition centre charges fees for every subject which a student takes and the course materials are sent by post for home tuition. The fees charged are subject to GST at standard rate.

**Q11. Qawiey Child Development Centre is an educational institution registered under the Education Act 1996 that caters care and education services for new born to 5 years old. The services include music, arts and sports classes. Children attend classes at the Centre on a weekly basis. Besides providing child development, the centre also sells products such as books to the students. What is the GST treatment on the services provided by this centre?**

A11. Child development services are not considered as education services under the GST (Exempt Supply) Order 2014. For GST purpose, the requirement to be registered under the Education Act 1966 is not the only condition to qualify as an exempt supply. In order to qualify as an exempt supply, the education services provided by the educational institution must be listed in the GST (Exempt Supply) Order 2014. In this case, the services of child development is excluded as an exempt supply. Therefore, the services provided by this company is subject to GST at standard rate of 6%.

**Q12. ABC Sdn. Bhd. imports text books and scuba diving equipment from Australia to teach scuba diving courses. Is Scuba diving course an exempt supply and are these imports exempted from GST?**

A12. Education services provided by private educational institutions which are exempted from GST are specified under the GST (Exempt Supply) Order 2014. In this case, teaching scuba diving courses are not course of study in accordance with the National Curriculum and therefore are subject to GST at standard rate. Only books described specifically in the GST (Zero Rated) Order 2014 are subject to GST at zero rate. For the text books and scuba diving equipment imported by ABC Sdn. Bhd., GST has to be paid upon importation.

**Q13. Is a private tuition centre whether registered or otherwise falls under the category of exempt supply? Generally, a tuition centre operates on “semester” basis. Before a new semester begins, the tuition centre will collect either 100% tuition fee or 60% tuition fee in advance. In this regard, will the collection in advance before 1st April, 2015 subject to GST?**

A13. The supply of education services by tuition centres are excluded under the GST (Exempt Supply) Order 2014 and the services are not exempt supplies. This means the supply by tuition centres are taxable supplies and subject to GST. If the tuition centre is a GST registered person, GST must be charged to the students and any GST incurred in providing the services is claimable by the tuition centres as its input tax credit.

If the tuition fees are collected before the effective date of GST (1 April 2015) and part of the supply will take place after 1 April 2015, the payment made would be inclusive of the GST chargeable after 1 April 2015. There is a need for the tuition centre to apportion the amount that should be subject to GST

**Q14. Is subscription of Electronic Database (database of Electronic Books and Electronic journals) is subject to GST? This is a non-annual subscription where a fee payment is charged in order to allow access. Once the subscription fee is not paid the access is stopped. Is purchase**

**of Electronic books like e-book similar to buying a printed book subject to GST?**

A14. Subscription of Electronic Books and journals are subject to GST at standard rate as they are not under the GST (Zero rated) Order 2014.

**Q15. Maha Music Sdn. Bhd. is an educational institution that provides music lessons for example piano, violin, cello, dance & arts. The students enrol the exams under the Malaysian Examination Syndicate. Are the services provided by the company taxable and subject to GST? Do we need to be registered under GST?**

A15. The education services provided by Maha Music Sdn. Bhd. are not listed as exempt supplies under the GST (Exempt Supply) Order 2014 therefore the services provided are taxable and subject to GST.

If the supplies of music lessons by Maha Music Sdn. Bhd. exceeds the threshold of RM500,000.00, it is mandatorily required to be registered under GST. Once registered, GST must be charged at standard rate and any input tax incurred is claimable.

The Malaysian Examination Syndicate, Ministry of Education as the controlling body, provides examinations of music on behalf of Associated Board of the Royal Schools (ABRSM). As a federal ministry, Malaysian Examination Syndicate supplies of examinations are out scope and no GST will be charged to students taking the examinations.

**Q16. Are services provided by a company registered with Companies Commission of Malaysia (SSM) under Company Limited by Guarantee operating as training centres for public servants subject to GST?**

A16. For GST purpose, such companies are regarded as any other business entity. Thus, the services provided are taxable and subject to GST even though it is operating as training centres for public servants.

## **FEEDBACK AND COMMENTS**

61. Any feedback or comments will be greatly appreciated. Please email your feedback or comments to either Jamilah binti Abdul Rauf



(jamilah.rauf@customs.gov.my) or Mohd Zaidilharis bin Mohamad Yusuf (zaidil.yusuf@customs.gov.my).

## **FURTHER INFORMATION**

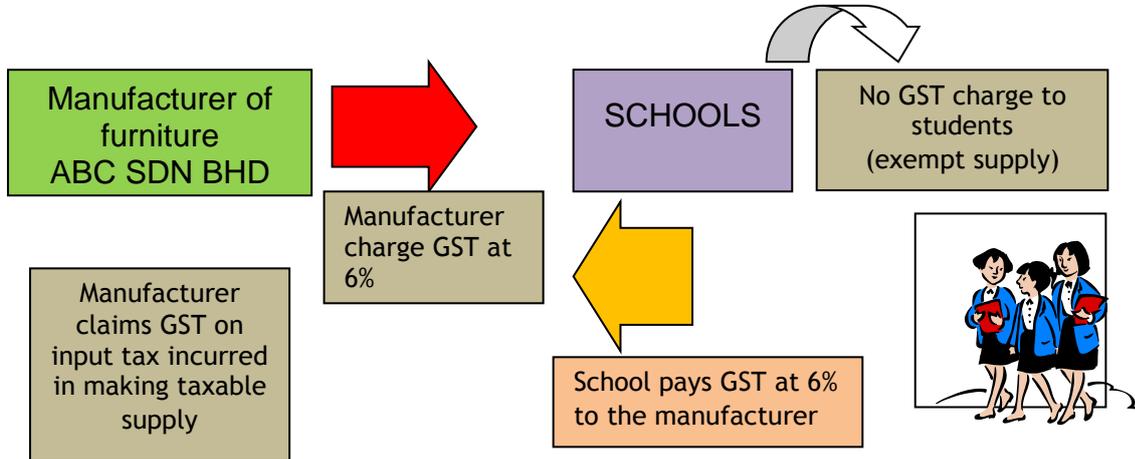
62. Further information can be obtained from:

- (a) GST Website: [www.gst.customs.gov.my](http://www.gst.customs.gov.my)
- (b) GST Hotline: 03-88822111
- (c) Customs Call Centre:
  - Tel : 03-78067200 / 1-300-888-500
  - Fax : 03-78067599
  - E-mail : [ccc@customs.gov.my](mailto:ccc@customs.gov.my)

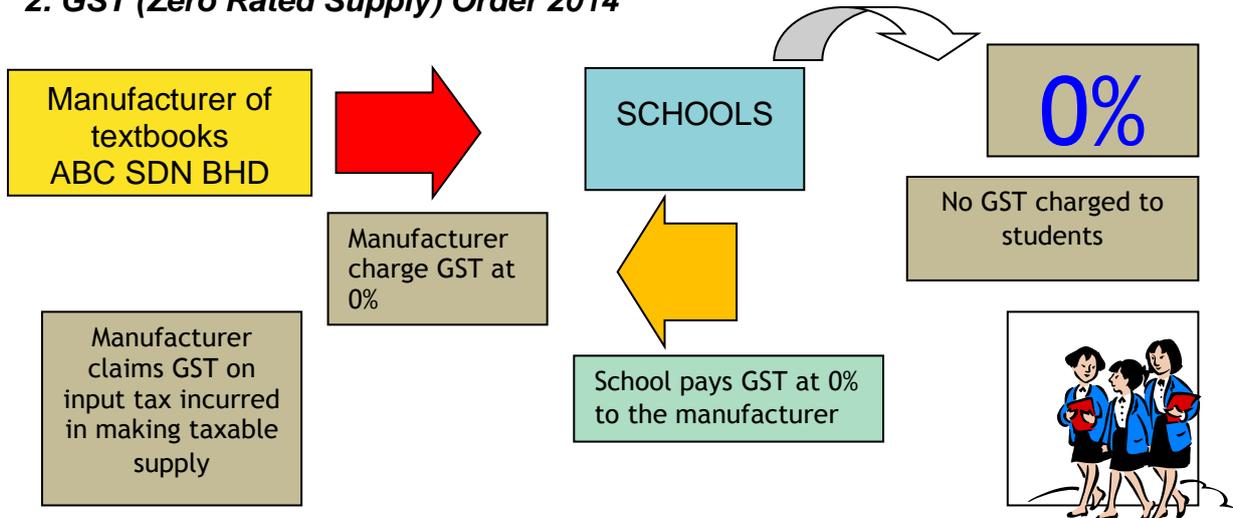
APPENDIX 1

Summary of GST treatment on pre tertiary education.

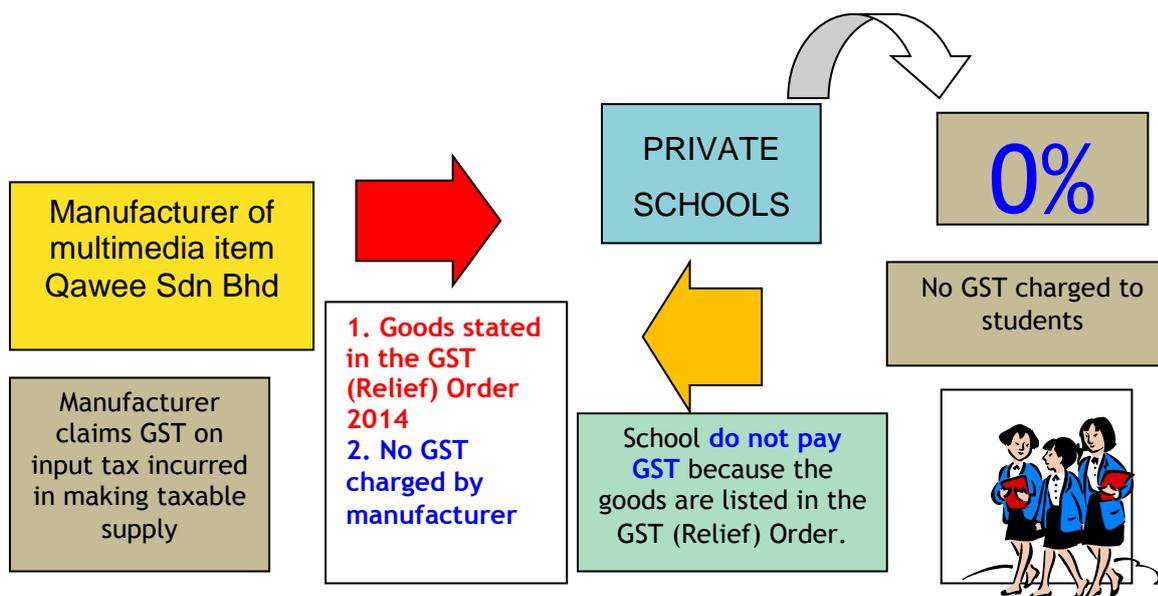
1. GST (Exempt Supply) Order 2014



2. GST (Zero Rated Supply) Order 2014



**3. (a) GST (Relief) Order 2014 – Goods listed in the order**



**3. (b) GST (Relief) Order 2014 – Goods not listed in the order**

