



# **ROYAL MALAYSIAN CUSTOMS**

## **GOODS AND SERVICES TAX**

### **GUIDE ON INLAND CLEARANCE DEPOT**

## **TABLE OF CONTENTS**

<b>INTRODUCTION.....</b>	<b>1</b>
Overview of Goods and Services Tax (GST).....	1
<b>GENERAL OPERATIONS OF THE INDUSTRY.....</b>	<b>1</b>
Inland Clearance Depot.....	1
<b>TERMINOLOGY.....</b>	<b>2</b>
<b>MOVEMENTS OF GOODS INTO AN ICD.....</b>	<b>3</b>
<b>REMOVAL OF GOODS FROM AN ICD.....</b>	<b>4</b>
<b>MOVEMENT OF GOODS IN TRANSIT UNDER THE ICD REGIME.....</b>	<b>4</b>
<b>ALLOWABLE ACTIVITIES ON WAREHOUSED GOODS IN AN ICD.....</b>	<b>4</b>
<b>LIABILITIES OF AN ICD OPERATOR.....</b>	<b>4</b>
Responsibilities as an ICD operator registered under GST.....	5
<b>KEEPING OF RECORD AND ACCOUNT.....</b>	<b>5</b>
<b>FREQUENTLY ASKED QUESTIONS.....</b>	<b>6</b>
Keeping of record and account.....	8
<b>FEEDBACK AND COMMENTS.....</b>	<b>8</b>
<b>FURTHER ASSISTANCE AND INFORMATION.....</b>	<b>9</b>

## **INTRODUCTION**

1. This industry guide is prepared to assist businesses in understanding matters with regards to GST treatment on Inland Clearance Depot (ICD).

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

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

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

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

## **GENERAL OPERATIONS OF THE INDUSTRY**

### Inland Clearance Depot

5. Inland Clearance Depot (ICD) is a designated area licensed under the Customs Act 1967 and it offers handling and storage services to facilitate the activities of import and export. It is created to reduce port congestion and for convenience of the public by adhering to door-to-door delivery principle. It functions as a ‘dry port’. For the purpose of this guide, ICD also includes the Inland Container Terminal at Ipoh.

6. Basically, ICD provides storage and customs clearance services for imported goods which have been transported from a customs port or airport by road or rail. Similar services are provided for goods to be exported through a customs port or airport or any other place approved by the Director General. In both situations, the transactions or movements of goods into ICD would attract GST as under the GST system, GST is charged on goods and services supplied in Malaysia as well as on the importation of goods into the country. However, charging the tax on goods entering or placing in ICD would cause difficulties to importers, exporters or owners of the goods in terms of cash flow as such goods are stored temporarily before removing them to their final destination. Hence, special rules are introduced in certain circumstances under the ICD regime in order to overcome the difficulties.

## TERMINOLOGY

7. The **definition** of an inland clearance depot, in transit and licensed carrier is provided under section 2 of the Customs Act 1967 as follows:

- (a) '*Inland clearance depot (ICD)*' means a common-user inland facility equipped with fixed installations and offering services for handling and temporary storage of any kind of goods carried by land and placed under customs control.
- (b) '*in transit*' means taken or sent from any country and brought into Malaysia by land, sea or air (whether or not landed or transhipped in Malaysia) for the sole purpose of being carried to another country either by the same or another conveyance.
- (c) '*licensed carrier*' means a person approved by the Director General to operate vehicles by road for the carriage of any goods in transit or any dutiable goods under the Customs Act 1967 or under the Excise Act 1976.

## MOVEMENTS OF GOODS INTO AN ICD

8. The treatment of GST on the movement of goods into an inland clearance depot is as follows:

- (a) For imported goods, once the goods are landed at a customs port or airport from a place outside Malaysia or goods from free commercial zones, declaration on such goods must be made in Customs no.8 form for transporting them to an ICD. The goods must be forwarded by road through a licensed carrier or by rail. GST on the goods is suspended when the goods are stored in the ICD.
- (b) Basically, goods produced in Malaysia can be divided into several categories depending on where they are sourced from. Hence, the treatments of GST on such goods are as follows:
  - (i) If the owner of the goods move locally produced goods including from free industrial zones or licensed manufacturing warehouses, then it is sufficient to cover the movement of such goods to an ICD by a delivery order. No GST is due on such movement as there is no supply has taken place under the GST system.
  - (ii) However, services provided for moving the goods are subject to GST. GST incurred on such services may be claimed as input tax. ***For further details, please refer to the Transportation guide.***
  - (iii) If goods are moved from a licensed warehouse under Section 65 of the Customs Act 1967, then declaration of the goods must be made in Customs no.8 form. GST is suspended on the movement of the goods.
- (c) If goods are moved from East Malaysia, then the movement of such goods into ICD needs only be declared in Customs no.3 form. GST is not applicable on such movement as no supply has taken place.

## REMOVAL OF GOODS FROM AN ICD

9. The treatment of GST on the removal of goods from an inland clearance depot are as follows:

- (a) Exportation of goods is zero rated. However, documentary proof of export must be maintained by the exporter for verification by the GST officer. The exporter may claim any input tax incurred on the exported goods as his ITC. For the exportation, he needs to declare the goods in Customs no.2 form at the ICD. Declaration can be made by him or his appointed agent. After declaring the goods, such goods must be forwarded by rail or road by a licensed carrier to a customs port or airport.
- (b) If goods are removed from an ICD for local consumption such removal is considered as import and GST will be collected by Customs. Declaration must be made in Customs no.1 form and any customs duties and GST due must also be paid before the goods are taken out.

## MOVEMENT OF GOODS IN TRANSIT UNDER THE ICD REGIME

10. For the removal of goods stored in an ICD to another ICD, declaration of the goods has to be made in Customs no.8 form. No GST is imposed on such removal of the goods as it is suspended.

## ALLOWABLE ACTIVITIES ON WAREHOUSED GOODS IN AN ICD

11. Value-added activities are not allowed on warehoused goods in an ICD as they are kept only on temporary basis. However, if any value-added activities need to be carried out on the goods, then such goods must be removed to a bonded warehouse. ***For further details, please refer to Warehousing Scheme Guide.***

## LIABILITIES OF AN ICD OPERATOR

12. As an ICD operator, you can apply to be a GST registered person if the following criteria are complied with:

- (a) your activities are carried out in the course or furtherance of a business, and
- (b) you make taxable supplies in Malaysia and the value of supplies has reached/is expected to reach the prescribed threshold for the past or future 12 months.

Responsibilities as an ICD operator registered under GST

13. Your responsibilities as an ICD operator registered under GST are listed as below:-

- (a) Bank Guarantee
  - To furnish a bank guarantee to cover the amount of duty and/or GST payable on the imported goods held at any one time.
- (b) Stock records
  - Maintain lot number records;
  - A lot number is a unique transaction number assigned by the warehouse operator for each product in a shipment of goods. It is required for the purpose of tracking the particular goods of a shipment.
- (c) Returns/ Audit Reports
  - You are required to submit monthly return on the movement of goods and discrepancy report (if applicable).
  - You are also required to furnish an audit report to the GST officer or proper officer of customs. Your account may be audited by GST officer as and when required.

## **KEEPING OF RECORD AND ACCOUNT**

14. As an ICD operator registered for GST, all records and accounting documents of your business that are required to be kept under the GST system are as follows:

- (a) Tax invoices
- (b) Invoices/receipts
- (c) Debit/Credit notes
- (d) Ledgers
- (e) Import/Export/In-transit declaration forms
- (f) Monthly Stock Returns
- (g) Discrepancies Report
- (h) In-handling report
- (i) Out-handling report
- (j) Monthly stock listing
- (k) Supporting documents with regard to movement of goods, such as shipping notes, bills of lading/airway bill, customer's instructions or letters of credit
- (l) other records as required by the Director General.:

15. To maintain other supporting documents which provide evidence for the movement of goods, such as:

- shipping notes;
- bills of lading/airway bills;
- customer's instructions;
- letters of credit.

## **FREQUENTLY ASKED QUESTIONS**

**Q1: I am a trader and purchase goods locally to be exported. If I send the goods to ICD, can my local purchase be zero-rated?**

A1: Your purchase cannot be zero-rated by your supplier because it is a local supply. You however, may treat the input tax incurred as your input tax credit. You can zero-rate the goods when you export such goods.

**Q2: If I am a participant under Approved Trader Scheme (ATS), do I have to pay GST before removal of goods from ICD?**

A2: You need not pay GST as it is suspended under this scheme. ***For further information, please refer to this in the ATS Guide.***

**Q3: If I want to move goods from West Malaysia to Sabah and Sarawak through an ICD what would be the GST implication on such movement?**

A3: Any duties or GST due on the goods must be accounted for before the removal. The movement of the goods to Sabah or Sarawak needs only to be declared in Customs no.3 form.

**Q4: I am an ICD operator. What must I do if there are discrepancies between the actual stock and the recorded stock?**

A4: If any discrepancies between the actual stock and the recorded stock are discovered at any time, you must submit a report without delay, containing:

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

In addition to that, if the goods are found to be deficient while being kept in your ICD, you are liable to pay the GST due on such goods as you are responsible for the security and proper control of the warehoused goods. However, if you can prove to the satisfaction of the Director General that the deficiency has been caused as a result of unavoidable leakage, breakage or some other unavoidable accidents with supporting documents such as insurance claims, police report or survey report, then the Director General may remit the tax chargeable.

**Q5: What happens if goods are damaged in an ICD?**

A5: GST is chargeable on the damaged goods unless remission of the tax is obtained from the Director General. Proper documentation such as the survey report describing the cause of the damage and the quantity involved must be furnished to the Director General immediately.

**Q6: What are the treatment of GST on goods and services consumed in ICD?**

A6: Generally, supply of goods and services consumed in ICD are standard rated. However, services provided within any port, airport or Inland Clearance Depot for the loading, unloading, handling or storage of goods carried in a ship or aircraft are zero rated. The person who acquires the services such as importer or owner of the warehoused goods can claim GST incurred on the services provided as his ITC if he is a GST registered person.

**Q7: As an ICD operator, can I claim GST charged on my utilities and office equipment such as computers?**

A7: You can claim the GST incurred in your utilities such as water and telephone usages and also office equipments attributed to your business as your input tax credit.

**Q8: Can I cease to be a GST registered person?**

A8: You cannot cease from the GST system unless your taxable supplies are consistently below the threshold. In such a case, you must notify the Director General in writing. However, if you are a voluntarily registered person, you must stay in the system for at least two years from the date of registration before you can apply to cease as a registered person..

When you cease to be a registered person, you are required to account for tax in your final return on all your stocks excluding stored goods. You remain responsible for any discrepancies on the stored goods.

Keeping of record and account

**Q9: How long must I keep the records?**

A9: You must keep all records, accounts or documents of your ICD activities in your possession for at least seven years. Failure to do so is an offence under the GST law. .

**Q10: Do I have to keep the records in my ICD?**

A10: Yes, you must keep all records and documents in your ICD premise, unless we allow otherwise.

## **FEEDBACK AND COMMENTS**

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

## FURTHER ASSISTANCE AND INFORMATION

18. Further information can be obtained from:

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