

**DECISION BY DIRECTOR GENERAL, ROYAL MALAYSIAN CUSTOMS****ITEM 6:****Disbursement and reimbursement**

*What is the GST treatment for disbursement and reimbursement.*

- (1) Recovery of expenses may be treated as disbursement or reimbursement and this will depend on whether the expenses are incurred by a principal or an agent acting on behalf of a client.
- (2) GST treatment on disbursement and reimbursement are as follows –

<b>Disbursement</b>	<b>Reimbursement</b>
Not a supply	Is a supply
Not entitled for input tax claim	Entitled for input tax claim

- (3) In general, to determine whether it is a disbursement or reimbursement for GST purposes, registered person must fulfilled **all the following criteria** –  
*(wef 28/10/2015)*

<b>Disbursement</b>	<b>Reimbursement</b>
Incur expenses as an agent acting on behalf of the client.	Incur expenses as a principal.
The client is the recipient of the supply (invoice is in the client's name)	The client is not the recipient of the supply (invoice is in the principal's name).
The client is the person responsible to pay for the supply	The principal is the person responsible to pay for the supply.
The payment is authorised by the client.	The payment is not authorised by the client.
The client knew that the supply is made by a third party.	The client has no knowledge that the supply is made by a third party.
The exact amount is claimed from the	The principal has the right to alter or

<b>Disbursement</b>	<b>Reimbursement</b>
client and the agent has no right to alter or add on the value of the supply.	add on the value of the supply.
The payment is clearly an additional to the supply made to the client.	The payment is for the supply made to the client.