



# **ROYAL MALAYSIAN CUSTOMS**

## **GOODS AND SERVICES TAX 2014**

### **GUIDE ON BEREAVEMENT CARE SERVICES INDUSTRY**

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The Guide on Bereavement Care Services Industry as at 24 November 2014 is withdrawn and replaced by the Guide on Bereavement Care Services Industry revised as at 2 November 2015.

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## **INTRODUCTION**

1. This industry guide is prepared to assist businesses in understanding matters with regards to GST treatment on Bereavement Care Services Industry.

### **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 INDUSTRY**

### **Overview of the Bereavement Care Services Industry**

5. Bereavement care services play such a crucial role in society as they make it easier for families to make the necessary arrangements when death occurs in the family. In Malaysia, most bereavement care service providers (BCSP) have an in-depth understanding of the various faiths especially Christians, Buddhists, Taoists, Hindus and Sikhs funeral rites and customs.

6. The BCSP in Malaysia offers a comprehensive range of services which include:

- (a) helping families to deal with the hospital and local authorities;
- (b) representing the family in claiming or declaring the remains;
- (c) liaising with memorial parks and cemeteries in making burial or cremation arrangements;
- (d) making logistics and transportation arrangements which can include the provision of pallbearers, a hearse and air-conditioned buses or limousines for the funeral procession.

7. The bereavement care services industry has numerous arrays of providers which are cemetery, crematorium, embalmers, sellers of pre-need bereavement plans and third party sellers of bereavement goods. These providers are inter-related and many have direct connection or affiliation to each other. Generally, the bereavement care services industry may be classified into five sectors:

- (a) Funeral homes;
- (b) Crematories;
- (c) Cemeteries (burial plots and urns);
- (d) Both pre-need & at-need memorial services packages/plan; and
- (e) Third party sale of bereavement care services goods.

8. The bereavement care services may be classified into three segments according to the sequence of event:

(a) **Ceremonial And Tribute**

The preparation of the dead

- this stage begins when someone dies and includes all the necessary preparations needed to prepare the dead for the memorial service before burial or cremation takes place.

(b) **Disposition Of The Remains**

Burial or cremation

- this stage refers to when the burial or cremation process takes place.

(c) **Memorialisation**

This usually takes place at a later date in the form of monuments, markers, inscriptions or memorial art after completion of burial or cremation process.

9. Besides the above, it is common practice now for the living person to arrange for their pre-need bereavement care services plan which includes burial plots, urns and packages which are subject to fees and deposits.

## **GST TREATMENT FOR THE INDUSTRY**

10. Generally, any supply of services by the BCSP in a package or plan where it encompasses events like ceremonial and tribute, disposition of the remains or memorialization is treated as an exempt supply. However, there are also taxable supplies or supplies which are not within the scope of GST depending on whether the supply is directly in relation to the making of arrangements for the event of ceremonial and tribute or for the disposal of the remains of a dead human body.

### **Exempt Supplies**

11. Goods and services that are **directly in relation to** and provided **in a package** for a specific bereavement care services are exempted from GST as stated in the Goods And Services Tax (Exempt Supply) Order 2014 . They are as follows:-

(a) **Bereavement Care Services**

Bereavement Care Services may be supplied as a comprehensive package or limited in nature. Some of the arrangement provided in the package may include the following:

- (i) Any burial plot or columbarium supplied directly to a bereaved family for the interment of a body;
- (ii) Bathing and cleaning of the body;
- (iii) Embalming the body;
- (iv) Shroud or cloths for wrapping the body

- (v) Clothing or robes worn by the dead person;
- (vi) Grooming of the dead body;
- (vii) Supply of a coffin, casket or urn;
- (viii) Covering or drape on a coffin;
- (ix) Supply of a hearse to transport the remains of human body;
- (x) Supply of flowers to decorate the hearse;
- (xi) Supply of coffin bearers;
- (xii) Transporting of mourners to a place for ceremonial or tribute functions;
- (xiii) Supply of musical band;
- (xiv) The removal of the human organs for transplant or pacemaker by doctors;
- (xv) Renting out of hall at a bereavement home to hold the bereavement reception or laid the body for last respect before burial or cremation; and
- (xvi) The supply of a burial / cremation certificate.

(b) **Disposition of the Remains**

Disposition of the remains is supplied for the disposal of the remains of the human body through burial or cremation by the funeral home, burial or crematory operators. The following goods and services supplied directly in connection with the disposition of the remains of a human body are exempted from GST. It may be supplied as a comprehensive package or limited in nature. Some of the arrangement provided in the package may include the following:

- (i) Burial
  - Transporting of mourners to a place of burial or cremation;
  - The digging, preparation and refilling of graves;
  - Walling of a grave;

- Bricks, block, sand and cement for reinforcing the wall of the grave;
- Providing a tent or canopy for an interment service; and
- Providing, carrying, lowering or elevating devices.

(ii) Cremation

- Cremating of remains;
- The interment of ashes;
- Burial or scattering of ashes at sea or river.

(c) **Memorialization services**

This usually takes place at a later date in the form of monuments, markers, inscriptions or memorial art after completion of burial or cremation process.

### **Standard Rated Supplies**

12. Goods and services that are not directly connected to a burial, cremation or bereavement care services would generally be standard rated. Such standard rated supplies would include the following:-

- (i) Supply of food and drinks for a bereavement service;
- (ii) Accommodations provided to mourners, including family members and friends of the deceased;
- (iii) Flowers and wreaths (not packaged for bereavement services);
- (iv) Preparing flower beds and planting flower and shrubs;
- (v) Supply of memorial vases and seats;
- (vi) Supply of memorial headstones;
- (vii) Concrete border marking of a grave;
- (viii) Announcement of death (in memorial) in the news media;
- (ix) Erecting, repairing or maintaining memorial headstones and plaques;

- (x) Inscribing services for headstones, plaques or other commemorative items;
- (xi) Entombing of a grave;
- (xii) Any other goods which are necessary under customary practice or religious belief to be used for a particular burial or cremation and those goods are supplied by an undertaker or funeral parlour;
- (xiii) Transporting of the remains of the dead human body to a funeral home, cemetery, crematorium or a place of worship and transportation of ashes to a place of worship or burial at sea or river; and
- (xiv) Supplies of goods and services by third party not in connection to a particular or specific burial or cremation.

### **Supplies not within the scope of GST**

13. Any statutory fees paid to any government agency for their services in relation to a death are supplies made not within the scope of GST such as the issuance of a death certificate or a police report made in relation to a death. Any burial land supplied directly to a bereaved family for the interment of a body by a local government is also not subject to GST as the supply is not within the scope of GST.

### **Transportation of the Dead Human Body within Malaysia and outside Malaysia**

14. Transportation of a dead human body in Malaysia i.e. from any place to a burial ground or crematorium would be exempt supply if the services are provided as part of the package provided by the BCSP. This includes transportation of ashes to a place of worship or burial at sea or river. However, if such transportation is not provided as part of the package provided by the BCSP, the transportation services is a taxable supply subject to GST at a **standard rate**.

15. The GST implication on the transportation of a dead human body or remains of a dead human person from a place outside Malaysia into a place in Malaysia or vice versa is as follows:-

- (a) Transporting a dead human body from a place outside Malaysia by a single supplier is a **zero rated** supply. If such services are provided by

other than a single supplier e.g. one from overseas and the other a local supplier:

- (i) the international leg is a zero rated supply as classified under the **GST (Zero-Rated Supply) Order 2014**; and
  - (ii) the local transportation services supplied by a local supplier is a taxable supply subject to GST at a standard rate.
  - (iii) The same GST treatment applies to transportation of the dead human body from Malaysia to a place outside Malaysia.
- (b) The importation of a coffin containing a dead human body or an urn containing human ashes into Malaysia is given relief from payment of GST as specified under the **GST (Relief) Order 2014**.

### **Maintenance of Cemetery or Memorial Park**

16. Maintenance of a cemetery, memorial park, mausoleum, columbarium or crematorium is not deemed to be directly associated with the bereavement care service. Thus, any supplies related to maintenance of a cemetery, memorial park, mausoleum, columbarium or crematoriums are taxable supplies subject to GST at a standard rate. Examples of such taxable supplies are:

- (a) Erecting, repairing and maintaining of monuments or memorials;
- (b) Landscaping of the cemetery or memorial parks;
- (c) Planting of trees or flower plants within or around the cemetery or memorial parks;
- (d) Upkeeping of the cemetery or memorial parks;
- (e) Commissions earned from selling of burial plots; and
- (f) Sales of interment vault, markers, flower liners, urn, shrub and wreath.

## FREQUENTLY ASKED QUESTIONS

**Q1. I am a BCSP that provides exempt and standard rated supplies in a package to a bereaved family. Can I claim the input tax I have incurred on some of the acquisitions which I made?**

A1. You are eligible to claim full input tax incurred which are attributable to making taxable supplies only. However, for residual input taxes which may be incurred for making both exempt and taxable supplies, you need to apply the apportionment method in claiming such input taxes. For further details on the apportionment rules, please refer to the GST Guide on Partial Exemption.

**Q2. As an operator in the bereavement care services industry, do I need to know in depth other aspects of GST?**

A2. You may need to know how GST works and what the GST treatment on your supplies is. The following guides may be of assistance to you:-

- (a) GST General Guide
- (b) GST Guide On Registration
- (c) GST Guide On Transportation; and
- (d) GST Guide on Partial Exemption.

**Q3. What is the GST treatment on supplies made in relation to the exhumation and reburial of the remains of a dead human body?**

A3. Any supplies made in connection with the exhumation and reburial of the remains of a dead human body is treated as making exempt supplies. This includes those made at the request of the deceased's family members or by any government administration.

**Q4. What is the GST treatment on coffins supplied by a coffin maker to a BCSP or an undertaker?**

A4. A supply of coffin by the coffin maker is a standard rated supply. The coffin maker is eligible to claim input tax credit (ITC) on his inputs in making his taxable supplies if he is registered for GST.

**Q5. If a funeral parlour service provider provides a coffin as part of his services to the bereaved family, is such provision of services a taxable supply?**

A5. The supply to the bereaved family is an exempt supply of services. However, any commission received by the funeral parlour service provider from the coffin maker is a taxable supply made by funeral parlour service provider and is subject to GST at a standard rate.

**Q6. What is the GST treatment on supply of tombstones, gravestones or headstones by a maker of such items to a grave builder?**

A6. The supply is a standard rated supply. In addition, the onward or subsequent supply by a grave builder to his client is a supply of services which includes the supply of tombstones, gravestones or headstones, is a taxable supply of services.

**Q7. What is the GST treatment on the supply of a burial plot which is reserved by an individual where the supplier imposes a maintenance fee for the supply?**

A7. The supply for the burial plot is an exempt supply while the maintenance service is a standard rated supply.

**Q8. Is transportation services provided by a BCSP as a package for the family and friends of the deceased attending the funeral service exempted from GST?**

A8. It is an exempt supply by the BCSP. However, if such services are engaged by the family of the deceased for the ease of attending the funeral service, it is a taxable supply subject to GST at a standard rate.

**Q9. Can a crematorium operator claim input tax credits on utilities used to carry out cremation of bodies?**

A9. Since the supply made by the crematorium is a standard rated supply, the GST incurred on the utilities are claimable.

**Q10. Can a memorial park operator claim input tax credit if he makes both exempt and taxable supplies?**

A10. An undertaker, who makes both exempt and taxable supplies, can claim input tax credit that relate to taxable supplies. (*For further information, please refer to the GST Guide on Partial Exemption*).

**Q11. What is the GST treatment on cremation service?**

A11. Cremation is an exempt supply and is classified under GST (Exempt Supply) Order 2014 if it provided as part of a package. However, if the cremation service is supplied not as part of a package, the service is a standard rated supply.

**Q12. Some legal documents are required for cremation. Examples are death certificate signed by the attending physician and Medical Examiner's Permit for cremation issued by the local authority. What is the GST treatment on the acquisition of these documents?**

A12. The GST treatment on fees/charge paid to acquire these legal documents is not within scope of GST.

## **INQUIRY**

1. For any inquiries for this guide please contact :

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No. 22, Persiaran Perdana, Presint 3,

62100 Putrajaya.

Email : [gstsector7@customs.gov.my](mailto:gstsector7@customs.gov.my)

## **FURTHER ASSISTANCE AND INFORMATION ON GST**

2. Further information on GST can be obtained from :

(a) GST website : [www.gst.customs.gov.my](http://www.gst.customs.gov.my)

(b) Customs Call Center :

- Tel : 03-7806 7200 / 1-300-888-500
- Fax : 03-7806 7599
- Email : [ccc@customs.gov.my](mailto:ccc@customs.gov.my)