



# **ROYAL MALAYSIAN CUSTOMS DEPARTMENT**

## **COMPLIANCE DIVISION**

# **GOODS AND SERVICES TAX AUDIT FRAMEWORK**



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## **GOODS AND SERVICES TAX AUDIT FRAMEWORK**

### **1.0 INTRODUCTION**

Managing the Goods and Services Tax efficiently and effectively would significantly generate national income and enhance confidence in introducing tax system replacing the Sales and Services Tax.

The introduction of the Goods and Services Tax is a major transformation in our national taxation system which positively affect and impact the national income, businesses and *rakyat*.

In order to ensure compliance with the Goods and Services Tax Act 2014 and its related legislation, this framework for compliance audit by the Royal Malaysian Customs Department has been prepared to ensure auditing tasks can be performed in systematic, transparent and fair manners to the registered persons or auditees.

When registered persons are being audited, it does not necessarily mean an offence has been detected or committed, but more on assessing the level of compliance with the requirement of the Goods and Services Tax Act 2014.



## **2.0 AUDIT PURPOSES**

- 2.1. To determine that the tax has been accounted and paid correctly and accurately.
- 2.2. To measure the level of compliance of those registered of their respective responsibilities under the Goods and Services Tax Act 2014 and to identify revenue risk.
- 2.3. To provide advice and guidance to persons who are registered under the Goods and Services Tax Act 2014.
- 2.4. To act as a guidelines to compliance audit officers in carrying out their duties with greater transparency and efficiency.

## **3.0 DEFINITION OF AUDIT**

Audit means a systematic examination of business records, business system and commercial data of the persons that involved directly or indirectly in the payment of taxes.

## **4.0 LEGAL PROVISIONS**

4.1. Audit officers are authorised in carrying out auditing tasks with the following provisions as follows:

### **4.1.1. Power and responsibility**

- a) Good and Services Tax Act 2014 – Section 5
- b) Customs Act 1967 – Section 3
- c) Excise Act 1976 – Section 4



#### 4.1.2 Confidentiality of information

- a) Good and Services Tax Act 2014 – Section 8
- b) Customs Act 1967 – Section 125A
- c) Excise Act 1976 – Section 64A

#### 4.1.3 Power to assess

- a) Good and Services Tax Act 2014 – Section 43
- b) Customs Act 1967 – Section 13
- c) Excise Act 1976 – Section 8

#### 4.1.4 Power to conduct inspections and investigations

- a) Good and Services Tax Act 2014 – Section 80
- b) Customs Act 1967 – Section 106B
- c) Excise Act 1976 – Section 50A

#### 4.1.5 Power to access places or premises

- a) Good and Services Tax Act 2014 – Section 81
- b) Customs Act 1967 – Section 106A
- c) Excise Act 1976 – Section 51 & 52

#### 4.1.6 Power to access records of information / computer data

- a) Good and Services Tax Act 2014 – Section 81
- b) Customs Act 1967 – Section 111B
- c) Excise Act 1976 – Section 53

#### 4.1.7 Power to search with warrant

- a) Good and Services Tax Act 2014 – Section 82
- b) Customs Act 1967 – Section 107
- c) Excise Act 1976 – Section 51 (1)



#### 4.1.8 Power to search without warrant

- a) Good and Services Tax Act 2014 – Section 83
- b) Customs Act 1967 – Section 108
- c) Excise Act 1976 – Section 52

#### 4.1.9 Power to stop and search conveyance

- a) Good and Services Tax Act 2014 – Section 84
- b) Customs Act 1967 – Section 109 & 111
- c) Excise Act 1976 – Section 53

#### 4.1.10 Power to confiscate / seize goods

- a) Good and Services Tax Act 2014 – Section 85
- b) Customs Act 1967 – Section 114
- c) Excise Act 1976 – Section 54

#### 4.1.11 Power to arrest

- a) Good and Services Tax Act 2014 – Section 87
- b) Customs Act 1967 – Section 116
- c) Excise Act 1976 – Section 56

#### 4.1.12 Power to compound

- a) Goods and Services Tax Act 2014 – Section 121
- b) Customs Act 1967 – Section 131
- c) Excise Act 1976 – Section 69
- d)

#### 4.1.13 Power to Withhold Payment of Input Tax Claim

- a) Goods and Services Tax Act 2014 – Section 38(5)

#### 4.1.14 Reward

- a) Goods and Services Tax Act 2014 – Section 171
- b) Customs Act 1967 – Section 141
- c) Excise Act 1976 – Section 8



## **5.0 AUDIT PERIOD**

- 5.1. Under Section 43(3) of the Goods and Services Tax Act 2014, tax liability can be evaluated and assessed by auditors up to six years from the date on which the tax was due and payable. However, the time limit does not apply to fraud cases.
- 5.2. The completion period of an audit is depending on the completeness of the records and documents and the cooperation from the auditee.
- 5.3. The audit should be completed within 90 days. If the period exceeds 90 days, the auditee will be informed in writing.

## **6.0 WHO CAN BE AUDITED**

An audit officer can fully and freely access to any places or premises and documents of any person doing business. Parties that can be audited are as follows:

- 6.1. Any entity duly registered or should be registered under the Goods and Services Tax Act 2014.
- 6.2. Any entity that is licensed / duly licensed under the Excise Act 1976.
- 6.3. Importer / Exporter/ Declarant / Owner / Consignee of imported and exported goods.
- 6.4. Transportation companies, forwarding agents and shipping agents for imported goods.
- 6.5. A person / companies that are given exemption of duties and / or taxes.



## 7.0 IMPLEMENTATION OF AUDITING

### 7.1. Review of Preliminary Information

7.1.1. Audit officer will make a preliminary review of the auditee to get a general overview.

### 7.2. Notice for Audit Visit

#### 7.2.1. Notification

Auditee will be informed in advance of the audit visit by fax, email or through MyGST System. Notification of the audit visit will be made 14 days prior to the date of audit. Notice of audit visit may be given less than 14 days with the agreement of both parties.

#### 7.2.2. Audit Amendments Date

Auditee may request in writing to defer the date of the audit due to unavoidable circumstances and reasonable grounds.

7.2.3. Special audits can be conducted without prior notice of audit visit.

### 7.3. Visits to the Premises and Interview

7.3.1. Audit officer shall inform the auditee purpose of the audit.

7.3.2. Audit officer shall introduce themselves and members of the audit team. Audit officer must show authority card upon request.

7.3.3. Auditee shall give full cooperation to audit officer.

7.3.4. Interview with individual who is responsible to the company/ auditee such as board of director or the company accountant to get information which will facilitate the process of auditing such as





business registration information, a list of suppliers and customers, payment methods and other information deemed necessary by the officer audit.

7.3.5 The interview should provide insights of the company's background, business activities, internal control systems, tax mapping, company's accounting and record keeping system.

7.3.6. Audit officer may obtain the relevant documents for examination at the Customs office if necessary. An acknowledgement letter will be issued to the auditee.

#### 7.4. Desk Audit

Audit officer may under instances require the auditee to present relevant documents for auditing at the Customs office.

## 8.0 DOCUMENTS REQUIRED FOR AUDIT

8.1. Organisation chart/ company profile (if available).

8.2. A copy of company registration form no. 9, 24, 44 and 49.

8.3. Statement of the Goods and Services Tax (GST statement - 03 / 04).

8.4. Documents/ accounting reports:

8.4.1. Record / Purchase Document / Input Tax

- a) Purchase Invoice (Full Tax Invoice / Simplify tax invoice)
- b) Debit Note / Credit Note
- c) Purchase Order
- d) Delivery Note / Acceptance of order
- e) General Ledger



- f) Purchase Ledger
- g) Customs Form No. 1 or No. 9
- h) Bill of Lading or Airway Bill
- i) Import Permit / Granted Duty / Tax Exemption
- j) Purchase agreement / price agreement
- k) Other relevant documents

#### 8.4.2. Record / Supply Document / Input Tax

- a) Sales Invoice
- b) Debit Note / Credit Note
- c) Export Exemption Document
- d) General Ledger/ Sales Ledger
- e) Debtor Ledger
- f) Cash Book
- g) Daily sales statement from Point of Sale (POS) system (if available)
- h) Bank Statement
- i) Inventory Record
- j) Other relevant documents

#### 8.4.3. Trial balance, management account

#### 8.4.4. Business related contracts ( eg: sale and purchase , rental of building )

### 8.5. Audited Financial Statement

### 8.6. GST Audit File (GAF)

8.6.1. Auditee who uses accounting software approved by Customs shall be required to submit GAF when necessary and it may be submitted through the MyGST system, email or softcopy.



8.6.2. If there is no GAF generated from such accounting software system, auditee must be able to provide all information on business transaction related GST.

8.7. Name, address , phone and fax no. of company secretary

8.8. Name, address , phone and fax no. and license of chartered accountant

## **9.0 AUDIT EXIT CONFERENCE**

9.1. A Round Table Discussion (RTD) will be held with the auditee for following reasons:

- a) To provide information and advice to the auditee to ensure that any mistakes and weaknesses in complying with the Goods and Services Tax Act 2014 requirement can be improved.
- b) To inform any detected tax deficiency;
- c) To inform any offenses committed under the GST Act Service 2014;

9.2. In the case where tax deficiency is detected, a Bill of Demand (BOD) will be generated through MyGST system and the auditees is required to pay the deficiency within fourteen (14) days from the date of notice issued.

9.3. If the unpaid taxes is not paid within a stipulated time, Customs may take any or all of the following actions :

- a) Compound
- b) Trade Restriction
- c) Restriction from travelling abroad
- d) Court proceedings



## 10.0 RIGHTS AND RESPONSIBILITIES OF THE AUDITEE

- 10.1. The auditee may contact the Head of the Compliance Branch at the relevant State Royal Malaysia Customs Department to verify of audit visits.
- 10.2. It is advisable for the auditee to verify the authenticity of the officers' identity. Each officer is given the authority card printed with their name, position, identification number and picture.
- 10.3. An auditee is responsible to:
- a) Allow the audit officers to access the premise.
  - b) Provide a copy of the original record/document for review and access to recorded information or computerized data.
  - c) Provide explanation and information needed by the audit officers.
  - d) Answering all the questions asked by the audit officers.
  - e) Maintain the record/document for seven (7) years and present to audit officers upon request.
- 10.4. The auditee is prohibited from:
- a) Preventing the audit officers from performing their duties.
  - b) Providing false information.
  - c) Concealing the facts, documents and information.
  - d) Avoiding to answer the questions from the audit officers.
  - e) Providing any form of gift, reward, compensation, wages and promise to do business with the audit officers.
- 10.5. An auditee has the right to accept audit officers with good ethics and professionalism as follows:
- a) Showing and have:
    - i. Honesty;
    - ii. Integrity;
    - iii. Competence;



- iv. Good manner;
- v. Discipline;
- vi. Helpful and easy to give an advice;
- vii. Highly motivated;
- viii. Prudently in communication.

10.6 An Audit Officer is prohibited from:

- i. Auditing the companies in which they have an interest.
- ii. Accepting bribes, gratuity, recompense or reward for ignoring or not doing their duties properly.

## **11.0 CONFIDENTIALITY OF INFORMATION**

All information obtained during the audit will not be disclosed to anyone unless requested and authorized by the legislations.

## **12.0 APPEALS**

12.1. An auditee may appeal for a review against the decision made by the audit office. The appeal must be made to the Director General within 30 days from the date of the decision has been made by the audit officer.

12.2. In the case where the auditee is still not satisfied with the Director General of Customs' decision, the auditee may appeal to the Customs Appeal Tribunal subject to condition and fee as prescribed, within 30 days from the date of the Director General of Customs' decision.



### **13.0 COMPLAINTS**

Any complaints can be made to the Director of State Customs where the audit has been conducted or channelled to the Director of Compliance Management Division, Royal Malaysian Customs Headquarters via e-mail at [ccc@customs.gov.my](mailto:ccc@customs.gov.my).

Compliance Management Division  
Royal Malaysian Customs Headquarters

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