

**COMMENTS ON  
GOODS AND SERVICES  
TAX (GST) GUIDE**

**TAX INVOICE AND RECORD  
KEEPING**

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Prepared by:

**TECHNICAL COMMITTEE -- INDIRECT TAX (TC-IT)**

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GOODS AND SERVICES TAX (GST) GUIDE  
TAX INVOICE AND RECORD KEEPING**

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## PREAMBLE

The Technical Committee-Indirect Tax (TC-IT) of the Chartered Tax Institute of Malaysia (CTIM) would like to commend the Royal Malaysian Customs (RMC) for engaging the public to provide feedback on the draft GST Guide – Tax Invoice and Record Keeping. The following are the views and comments of CTIM for the consideration by the authorities.

### ITEM 3.1.1: TAX INVOICE FOR MIXED SUPPLIES

**Figure 5: Example of Full Tax Invoice  
(Mixed Supplies – Standard Rated and Zero Rated with Discounts)**

**Supplier's name, address and GST identification number**  
**KOWAYS (M) SDN. BHD.**  
 No.69, Jalan Raja, 20200 Kuala Terengganu  
 Terengganu  
 Tel: 09 - 6228 9000 Faks: 09 – 6228 8000  
 (GST ID No: 100004/2012)

**Customer's name & address**  
**AIMS STOCKIST SDN. BHD.**  
 No. 19, Jalan Tun Husin, 20200 Kuala Terengganu  
 Terengganu  
 Tel: 09 - 6229 7777

**Invoice No: T090909**  
**Date: 18 November 2014**

**TAX INVOICE**

No	Description	Qty	Unit Price (RM)	Sub – Total (RM)	Disc. (RM)	Total Excl. GST (RM)	GST @ 4% (RM)	Total Incl. GST (RM)
1.	T0 Organic Rice 5kg Disc. @ 10%	30	18.90	567.00	-56.70	510.30	20.41	530.71
2.	T0 Organic Nut Oil 750ml Disc. @ 10%	10	21.90	219.00	-21.90	197.10	7.88	204.98
3.	T4 Farm Green Tea 10bags	25	15.90	397.50	Nil	397.50	15.90	413.40
4.	T4 Eco Softener 500ml Disc. @ 5%	10	19.90	199.90	-9.99	189.91	7.60	197.50
5.	T4 Eco Fabric Wash 500ml Disc. @ 5%	15	25.00	375.00	-18.75	356.25	14.25	370.50
6.	T4 Eco Ironing Aid 300ml	20	10.50	210.00	Nil	210.00	8.40	218.40
<b>TOTAL AMOUNT DUE</b>						<b>1,861.06</b>	<b>74.44</b>	<b>1,935.50</b>
<b>ROUNDING ADJ.</b>								<b>0.00</b>
<b>TOTAL PAYABLE INCL. GST</b>								<b>1,935.50</b>
<b>CASH VOUCHER</b>								<b>50.00</b>
<b>CASH</b>								<b>1,900.00</b>
<b>CHANGE</b>								<b>14.50</b>

**Supplier's name, address and GST identification number**  
**KOWAYS (M) SDN. BHD.**

### CTIM's Comments:

As shown on the above tax invoice, the indicator for both *Organic Rice* and *Organic Nut Oil* is “T0”, i.e. zero rated supply. However, under the column “GST @ 4%”, the GST is still calculated at 4% for these two items. We would like to clarify whether there is any specific reason for the treatment or this is actually a minor error.

In addition to the above, for consistency with other examples of the tax invoice, the Institute proposes that there should be a “Legend” for the GST Indicators used on the tax invoice, i.e. T0=0% GST, T4=4% GST.

## ITEM 3.2: SIMPLIFIED TAX INVOICE

There are instances where the Director General may, upon request in writing allow registered persons to issue simplified tax invoice to their customers in accordance with section 33(2) of the GST Act 201X. Issuance of this invoice normally involves retailers who generate large volume of invoices. Examples of these retailers are hypermarkets, mini markets, restaurants, beauty salons, petrol kiosks, motor workshops and other point of sales outlets.

**CTIM's Comments:** The Institute would like to seek further clarification on the process for applying for the use of a simplified tax invoice. Perhaps, Customs could consider a “written application” and specify the requirements, documents or details to be provided.

**Alternatively we propose that Customs set out the conditions as to when a simplified tax invoice can be issued, instead of requiring the registered person to submit a written application. We are of the view that this could ease the process of approval for a simplified tax invoice.**

A simplified tax invoice can be issued regardless of any sales amount and can take the form of an invoice, receipt, voucher or any other similar document provided it contains the following particulars:

- i. the name, address and identification number of the supplier;
- ii. the date of issuance of the tax invoice;
- iii. the tax invoice serial number;
- iv. a description sufficient to identify the goods or services supplied;
- v. for each description, distinguish the type of supply for zero rate, standard rate and exempt, the quantity of the goods or the extent of the services supplied and the amount payable, including tax;
- vi. the total amount payable inclusive of total tax chargeable; and
- vii. the rate of tax and the amount of tax chargeable.

Examples of a simplified tax invoice are shown in **Figure 6, 7 and 8** below.

### **CTIM's Comments:**

**In addition, we would appreciate if Customs could consider increasing the maximum amount claimable under a simplified tax invoice. Currently, a simplified tax invoice can be used to claim input tax if the amount of GST payable is RM20.00 or less (i.e. assuming GST rate is 4%). If the amount could be increased, this would also cater to the needs of small businesses claiming input tax credits.**

## ITEM 3.2.2: RECEIPT

### **Question 2**

***Ahmad, a GST registered person, supplied taxable goods to his customer (GST registered person) who used a credit card to make payment. Can the sales receipt he issued be used by the customer to claim input tax?***

*If your customer purchase taxable goods or services and make payment using credit cards (e.g. Visa, Master Card etc), you may give the cardholder a sales receipt at the time of sale. The sales receipt may be accepted as a simplified tax invoice if it contains the details of a simplified tax invoice. The customer can claim input tax for the GST*

*amount up to RM20.00 with the simplified tax invoice. If he wants to claim the full input tax amount (more than RM20.00), then he has to request for a full tax invoice.*

## **CTIM's Comments:**

**It is stated in the above (*underlined*) that the “sales receipt may be accepted as a simplified tax invoice.” To avoid confusion on the requirements for issuing a simplified tax invoice as stated in Question 2 of paragraph 3.2.2, the statement should indicate that the supplier needs to get prior written approval from the DG to issue a simplified tax invoice.**

## **ITEM 3.3: SELF-BILLED INVOICE**

Under certain circumstances, the value of supply is determined by the person who receives the goods. Therefore, for GST purpose the recipient of the goods is allowed to issue an invoice to himself which is deemed to be a tax invoice in respect of a supply of goods or services to him by another registered person or any person approved by the Director General. The issuance of this self-billed invoice by the recipient to himself under subsection 33(3) of the GST Act 201X shall be subject to the following conditions:

- i. the value is not known by the supplier at the time of making the supply;
- ii. the recipient and the supplier are both registered persons or any supplier approved by the Director General;

**CTIM's Comments:** CTIM would like to seek clarification on “*supplier approved by the Director General*”. Since the application for self-billing is to be made by the recipient, does this requirement mean that the supplier must get an approval from the Director General first before the person who receives the goods is allowed to issue a self-billed invoice?

- iii. the recipient and the supplier agree in writing to a self-billed invoice;
- iv. the supplier and the recipient agree that the supplier shall not issue a tax invoice in respect of any supply;
- v. the document may, with the prior approval of the Director General, be treated as a tax invoice;
- vi. a copy of any self-billed invoice is provided to the supplier and another copy is retained by the recipient;
- vii. in the case where the self-billed invoice is issued before the time of removal of such goods, or before the time the goods are made available, or before the time the services are performed, the self-billed invoice shall be issued with payment;

**CTIM's Comments:** Does the above mean that in the case where the tax invoice is issued before removal/availability of the goods, or the services are performed, payment must be made upon issuance of the self-billed invoice?

- viii. the recipient shall issue a self-billed invoice showing the following particulars:
  - a. the supplier's and recipient's names, addresses and identification numbers;
  - b. the word 'self-billed invoice' in a prominent place;
  - c. the invoice serial number;
  - d. the date of issuance of the invoice;
  - e. the reference number of RMCD's approval;
  - f. a description sufficient to identify the goods or services supplied;

- g. for each description, distinguish the type of supply for zero rate, standard rate and exempt, the quantity of the goods or the extent of the services supplied and the amount payable, excluding tax;
  - h. any discount offered;
  - i. the total amount payable excluding tax, the rate of tax and the total tax chargeable to be shown separately;
  - j. the total amount payable inclusive of the total tax chargeable; and
  - k. any amount referred to in subparagraphs (ix) and (x), expressed in a currency, other than Ringgit, shall also be expressed in Ringgit in accordance with paragraph 5 of the Third Schedule of the GST Act 201X.
- ix. any other conditions as the Director General deems fit to impose.

## ITEM 3.8: ELECTRONIC TAX INVOICE

If tax invoices, receipts, credit or debit notes are issued electronically, these documents should be readily accessible and convertible into writing. The requirements for these electronic documents are as follows:

- i. the intended recipients must confirm in writing that they are prepared to accept electronic documents under the conditions set out. (This authorization must be retained by the supplier for a period of seven years after the issuance of the last electronic document to the recipient).
- ii. both the supplier and the recipient of the supply must retain the documents in readable and encrypted form for a period of seven years from the date of the supply. They must also have access to the necessary codes or other means available to enable Customs auditors to compare the documents in readable form with those in encrypted form.
- iii. for tax invoices, receipts, credit or debit notes that are issued manually and is subsequently converted into an electronic form, these documents should be retained in its original form prior to the conversion.

**CTIM's Comments:** Point (iii) above requires the original documents to be retained in its original form prior to the conversion. We suggest that Customs consider allowing the original documents to be kept in electronically converted formats for example scanned copy, without the need to keep the originals. This practice is not only environmentally friendly but will also reduce the costs of doing business.

## ITEM 5.1: WHAT ARE RECORDS?

Records are documents which include all books of account or relevant computer print-outs if a computer is used, as well as supporting documents. If the record is in an electronically readable form, a manual to the software must be available. Records may include:

- i. all *physical* records of goods or services supplied by or to that taxable person including tax invoices, invoices, receipts, credit note, debit note and export declaration forms;
- ii. all *physical* records of importations of goods;

**CTIM's Comments:** CTIM proposes to insert the word "*physical*" before the word "records". This is to distinguish from physical records from electronic records and to be consistent with record-retention requirements.

- iii. physical books of account, financial statement and paper based source documents including computer printouts of business and accounting records;
- iv. electronic records; and

- iv. all details of the accounting system, including charts, codes of accounts, instruction manuals, system and program documentation and specification, etc.

## ITEM 5.1.2: TAXATION RECORDS

- i. GST returns, payment slips and receipts;
- ii. Export release records, such as exports declaration (K2), records for the taxable goods status and other related records.
- iii. Import release records such as:
  - a. imports declaration (K1, K9), Customs Official Receipt (COR) and value declaration form (K1A);
  - b. transportation records such as invoices, delivery orders, packing lists, bill of lading, insurance records, transport charges and other related records;
  - c. Letter/Classification Ruling or Decision/Valuation Ruling or Customs Advance Ruling;
  - d. exemption letters obtained by the registered person; and
  - e. Import Permit;
- iv. Records and documents to account for any adjustments related to GST input and output tax;
- v. Inland Revenue Declaration Forms;

**CTIM's Comments:** CTIM would like to seek clarification whether this refers to income tax returns. If so, can the taxable person still be penalised under GST Act for the non-retention even though these documents have been covered under Income Tax Act 1967(ITA)?

- vi. GST Summary Sheet;
- vii. GST adjustment working sheet.

**CTIM's Comments:** CTIM would like to seek confirmation that this refers to all other worksheets in the Draft Guide. We would like to suggest that examples of these working sheet be given, such as credit note, debit note, Bad Debt relief etc.

## ITEM 5.2: COMPUTER / ELECTRONIC RECORDS

The registered person must keep the original documentation and normally they will be kept in paper (hard copy) format. However, where the record is in an electronically readable form, the record shall be kept in such manner as to enable the record to be readily accessible and convertible into writing.

When the record is originally in a manual form and is subsequently converted into an electronic record, the record shall be retained in its original form prior to the conversion. Such records shall be admissible as evidence in any proceedings. For example, record kept on a computer using magnetic tape or disc, should be readily converted into a satisfactory legible form and available to Customs on request to allow its officers to check registered person's operation and the information stored through the person in charge of the computer or its software.

**CTIM's Comments:** Documents may be stored electronically by conversion from the original i.e. scanned documents. CTIM would like to seek confirmation that the printed versions of such electronically stored documents are also admissible as evidence. The law currently requires the original form to be retained. Would this be for verification purpose only in case of doubt, or is it because only the original form is admissible as evidence?

## ITEM 7: RECORDS REQUIREMENTS TO CLAIM GST RELIEF ON BAD DEBTS

Taxable persons are required to maintain and preserve all records and documents in respect of bad debts. Beside the records mentioned in paragraph 5 of this guide, the taxable person is required to keep additional records to support bad debt relief claims such as:

- i. other documentary evidence showing the time, nature, purchaser's details and the consideration of the supply;
- ii. records or any other documents showing that you have accounted for and paid the tax;
- iii. records or any other documents, for example debtor's aging list showing that the consideration has not been received after 6 months from the date of supply in the taxable person's accounts as bad debt;
- iv. records or any other documents showing that sufficient efforts have been taken by the registered person to recover the debt; e.g. *examples of* sufficient efforts *mean include*:
  - a. letter from company's solicitor or legal action taken against the debtor,
  - b. engagement and actions from credit agency,
  - c. bad debt has been written off,
  - d. reminders and repeated letters of demand from company and etc;

It is not compulsory to fulfil all the conditions above. However, merely sending letters of demand to debtors may not be treated as sufficient effort to recover the debt. Thus, Customs may not qualify the taxable person for bad debt relief.

**CTIM's Comments:** CTIM is of the view that conditions laid should be clear and definite to facilitate compliance. The term "sufficient efforts" may be subjected to wide interpretation. Similarly "merely sending letters of demand to debtors may not be treated as sufficient effort made to recover the debt" is also not helpful to a taxable person who genuinely wants to comply with the Guidelines. The Guidelines should provide certainty and clarity as to when and how they can claim the relief. After all, necessary adjustments would have to be made if the debt is subsequently recovered.

- v. insolvency records such as:
  - a. Individual:

A letter from Department of Insolvency to notify that the debtor is declared as adjudged bankrupt under the Bankruptcy Act 1967;
  - b. Company:
    1. letter from Department of Insolvency; or
    2. Court order for winding up under Companies Act 1965;
    3. letter of appointment of receiver;
    4. statement of affairs lodged with Suruhanjaya Syarikat Malaysia to state that the assets of the company is not sufficient to cover the payment of any debts;
    5. Forms related to debtor's insolvency such as:



- Form 70, Companies Act 1965 (Notice of Appointment and Situation of Office or Liquidator (Winding-Up) by the Court);
  - Form 75, Companies Act 1965 (Liquidator's Account of Receipts and Payments and Statement of the Position in the Winding Up);
  - Proof of Debt General Form;
- vi. notification of intention to make a claim for GST bad debt relief to Director General and debtors. Example is shown in **Figure 17**.
- vii. maintain a single account known as "refund for bad debts account".

### ITEM 9.5.1: TAX INVOICE FOR INPUT TAX CLAIM ON EMPLOYEE BENEFITS

Since employee benefits are considered as supplied for GST purposes, thus any input tax incurred in acquisition of such goods or services can be claimed as input tax credit provided there is a tax invoice on the acquisition and the tax invoice must be addressed to the employer. If the tax invoice is addressed to the employee, input tax cannot be claimed unless the supplies of goods or services are acquired in the course of his official duty or acting on behalf of the taxable person.

#### **Example:**

*Hassan, a manager of a GST registered company acquired taxable goods from a GST registered retailer. The tax invoice for the supply of these goods which are to be given as employee benefits to the company's staff was addressed to Hassan. Input tax cannot be claimed as the tax invoice should be addressed to his employer, the GST registered company and not Hassan, the employee.*

#### **CTIM's Comments:**

**The above example does not reflect what is stated in paragraph 9.5.1 (as underlined). CTIM wishes to seek clarification whether an employer can claim input tax credit which is in the name of his employee who is acting in the course of his official/employment duty or who is acting on behalf of the taxable person. We are of the view that, the goods were acquired by Hassan in the course of his official duty or while acting on behalf of the taxable person. Thus, the input tax credit should be allowed.**