

TECHNICAL

Indirect Taxation

[Update on Goods and Services Tax \(GST\) Guide on Employee Benefits](#)

The Royal Malaysian Customs Department (RMCD) has updated the [GST Guide on Employee Benefits – revised as at 29 September 2016](#). The following is a summary of the changes.

No.	Heading	Amendments
1.	Employee Benefits	A new <b>paragraph 8</b> as follows: <b>"8.</b> However, for certain employee benefits which relate to an exempt supply such as the provision of accommodation and transportation, the input tax incurred on the acquisition which relates to accommodation or transportation is not claimable."
2.	Consideration	<b>Paragraph 16, Example 2</b> was reworded as follows: <i>"A manufacturing company provides transport to his workers for free. The company leases a few buses from a transport company. The provision of free transportation is <del>not a</del> related to an exempt supply and therefore is not subject to GST. However, the rental of the buses is standard rated and this input tax incurred <del>can</del> cannot be claimed since it is business expenses relates to the making of an exempt supply.</i> <i>However, if the company provides transport to its workers with a charge, it is an exempt supply and therefore input tax incurred in renting the buses cannot be claimed."</i>
3.	Supply of accommodation	<b>Paragraph 23</b> [Para 22 of the Employee Benefits (as at 6 April 2016)] was reworded as follows: <b>"23</b> "22. Supply of accommodation under EB is which relates to an exempt supply under the GST (Exempt Supply) Order 2014 and is considered as used for the purposes of business. The employer is not required to account for GST on the supply and is not entitled to claim the input tax incurred on the acquisition of the accommodation."
4.	Employee benefits given for the benefit of sole-proprietor, partners, directors or persons connected to the taxable person.	<b>Paragraph 30, Example 15</b> was reworded as follows: <i>"ABC Cleaning Services Company provided free cleaning service to the home of his director its director employed by the company. The provision of such free services is deemed to be not considered a supply and hence output tax has to need not be accounted for by the company based on open market value of such supply since the director is not a connected person."</i>

5.	<b>Frequently Asked Questions – Recovery of Input Tax</b>	A2 is reworded to align with Paragraph 8 and reflect the new stand adopted by the RMCD.
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Members may view the updated GST Guide on Employee Benefits on the [Institute's website](#) or on the [official website of the Malaysia Goods and Services Tax \(GST\)](#).

You may write to the Institute at [technical@ctim.org.my](mailto:technical@ctim.org.my) or [secretariat@ctim.org.my](mailto:secretariat@ctim.org.my) in respect of any suggestions, concern or comments you may have on the updated [GST Guide on Employee Benefits](#) so that we may raise them to the RMCD.

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