

TECHNICAL

Indirect Taxation

[Update on Goods and Services Tax \(GST\) Guide on Islamic Banking](#)

The Royal Malaysian Customs Department (RMCD) has withdrawn the [GST Guide on Islamic Banking \(revised as at 7 January 2016\)](#) and replaced it with the [new Guide dated 26 April 2017](#). An amendment was made to paragraph 22 to clarify the *Tawarruq* concept in a financing structure, as follows:

Heading	Amendments
Commodity Murabahah / Tawarruq (Tripartite Agreement Sale)	<p>Paragraph 22 – Figure 1 Explanation was reworded as follows:</p> <p>(b) 2) Bank buys commodity from Broker 1 - (Non Supply). <i>Bank pays purchase price and ownership transfers to Bank upon purchase.</i> Broker 1 charges brokerage commission to Bank – (Standard rate)</p> <p>(c) 3) Bank sells commodity to the Client at Bank's Selling Price (Principal Cost + profit) on deferred term - (Exempt Supply). <i>Ownership transfers to customer. Debt is created (deferred sale).</i></p> <p>(d) 4) <i>Client opts not to take delivery of commodity.</i> Client requests <i>instructs</i> Bank as its sale agent to sell commodity in the Market <i>for immediate settlement</i> - (Non Supply).</p> <p>(e) 5) Acting as the appointed sale agent for the Client, Bank sells commodity to Broker 2 - (Non Supply). <i>Broker 2 charges brokerage commission to Bank – (Standard rate)</i></p> <p>(f) 6) Bank credits Client's account with proceeds from the sale of commodity. <i>Bank as agents, remits the commodity sales proceeds to the client.</i></p> <p>(g) 7) Client settles amount due to the Bank (Principal Cost + Profit) by way of agreed instalment method - (Non Supply).</p>

Members may view the updated GST Guide on Islamic Banking 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 or secretariat@ctim.org.my in respect of any suggestions, concern or comments you may have on the updated [GST Guide on Islamic Banking](#) so that we may raise them to the RMCD.

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