

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The Royal Malaysian Customs Department (RMCD) has withdrawn the [GST Guide on Islamic Banking \(revised as at 7 January 2016\)](#) and replaced it with the [new Guide dated 26 April 2017](#).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><b>Paragraph 22 – Figure 1 Explanation</b> was reworded as follows:</p> <p>(a) <b>2)</b> 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>(b) <b>3)</b> Bank sells commodity to the Client at Bank's Selling Price (Principal <b>Cost</b> + profit) <del>on deferred term</del> - (Exempt Supply).  <i>Ownership transfers to customer. Debt is created (deferred sale).</i></p> <p>(c) <b>4)</b> <i>Client opts not to take delivery of commodity.</i> Client <del>requests</del> <i>instructs</i> Bank as its sale agent to sell commodity in the Market <i>for immediate settlement</i> - (Non Supply).</p> <p>(d) <b>5)</b> 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>(e) <b>6)</b> <del>Bank credits Client's account with proceeds from the sale of commodity.</del>  <i>Bank as agents, remits the commodity sales proceeds to the client.</i></p> <p>(f) <b>7)</b> Client settles amount due to the Bank (Principal <b>Cost</b> + 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](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 Islamic Banking](#) so that we may raise them to the RMCD.

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