

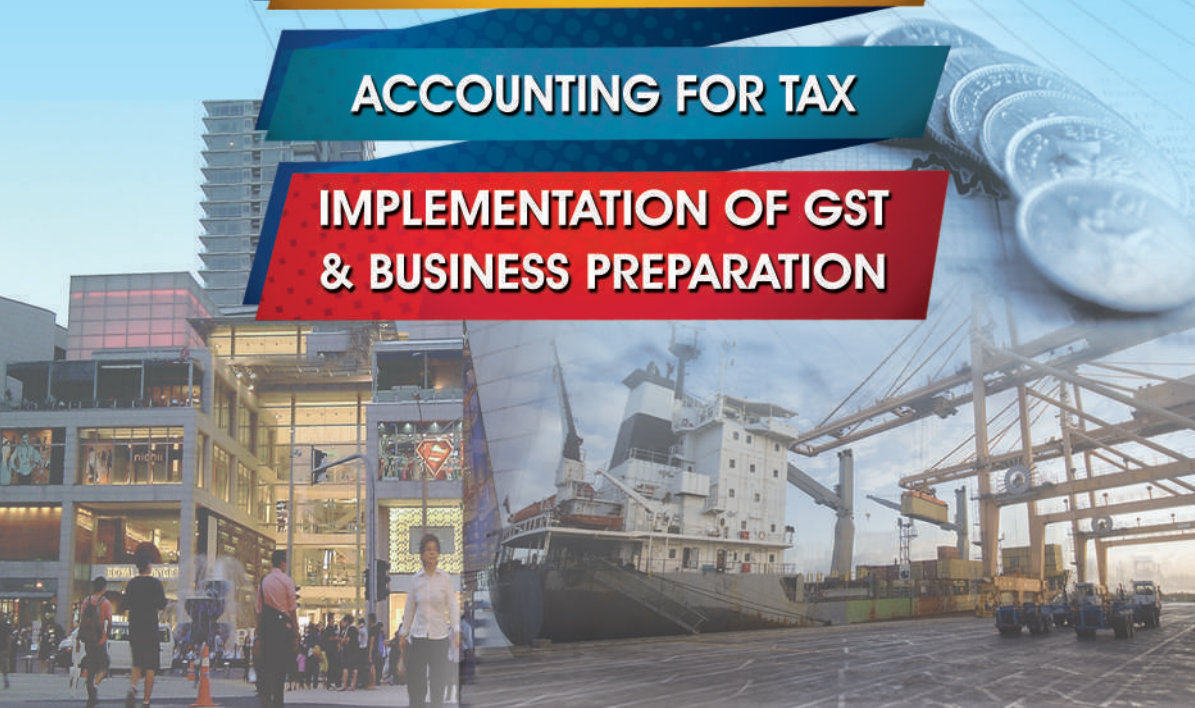


HANDBOOK FOR GOODS AND SERVICES TAX (GST) FOR BUSINESSES

SALIENT FEATURES OF GST

ACCOUNTING FOR TAX

**IMPLEMENTATION OF GST
& BUSINESS PREPARATION**



Salient Features of GST

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Accounting For Tax

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Salient Features of GST

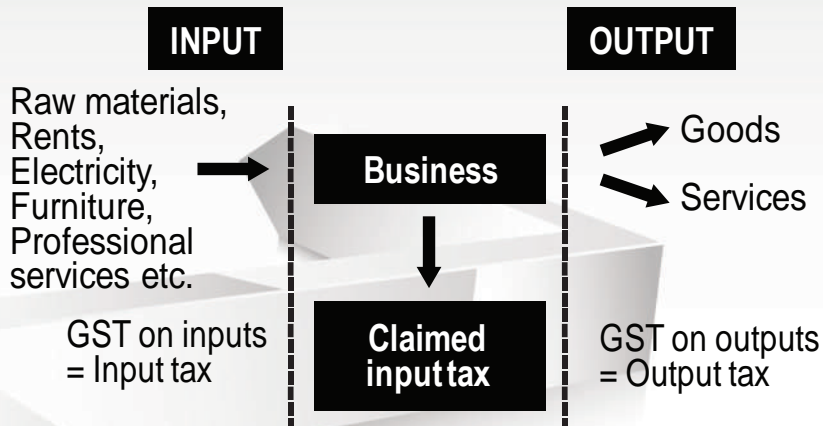
1

What is GST?

What is GST?

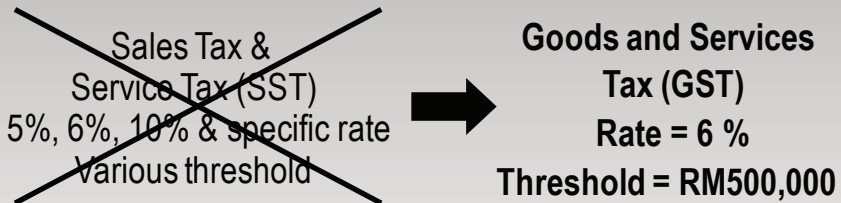
Basic principles of GST

- A consumption tax in the form of value added tax
 - ✓ each stage of business transaction up to the retail stage of distribution
- Also known as Value Added Tax (VAT)
- GST incurred on inputs is allowed as a credit to the registrant
 - ✓ offset against output tax



What is GST?

- To replace current tax system



- GST is charged on goods and services that are
 - ✓ Supplied in Malaysia
 - ✓ Imports

2

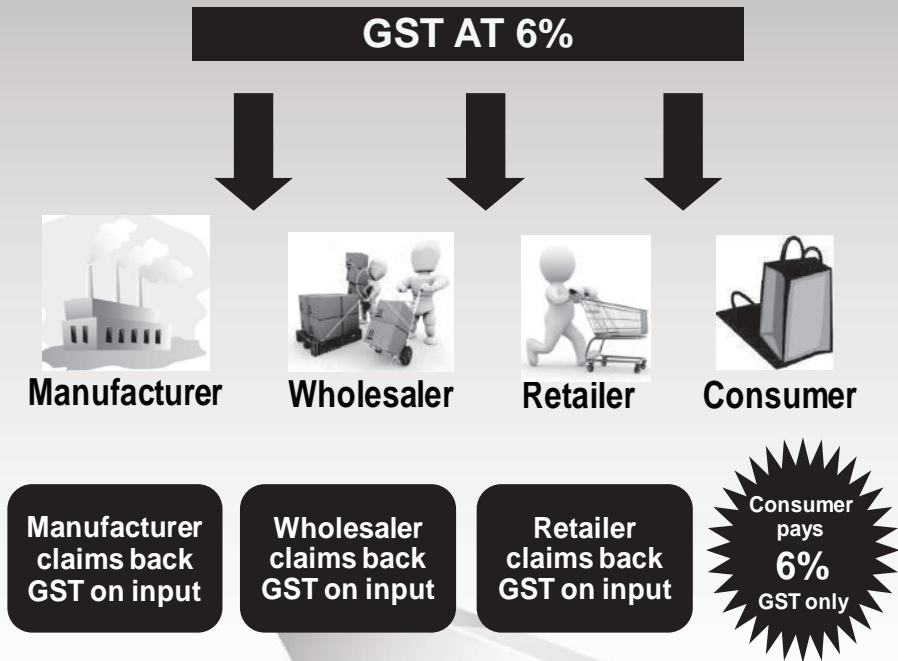
Proposed GST Model



Proposed GST Model

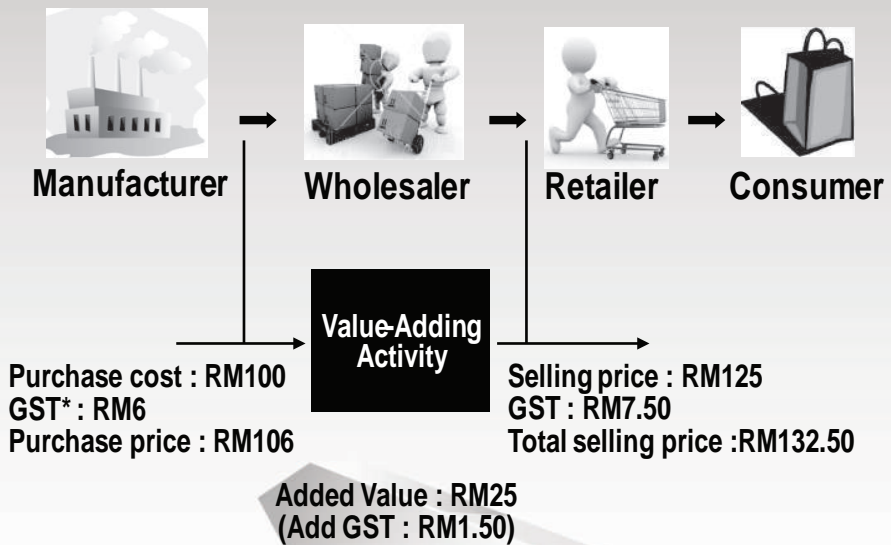
Types of supply	Output tax	Input tax
Standard-rated	6%	Claimable
Zero-rated	0%	Claimable
Exempted	No GST charged	Not claimable

HOW GST WORKS? - STANDARD RATED



HOW GST WORKS? - STANDARD RATED

Delivery / supply chain



GST Mechanism (standard rate)

- Tax computation on
STANDARD RATED SUPPLY

Business Entity	Sales (RM)	Tax on Output (RM)	Tax on Input (RM)	Net Tax Paid (RM)
Supplier	10.00	0.60	0	0.60
Manufacturer	50.00	3.00	0.60	2.40
Wholesaler	70.00	4.20	3.00	1.20
Retailer	100.00	6.00	4.20	1.80
GST collected by the Government				6.00

GST rate at 6%

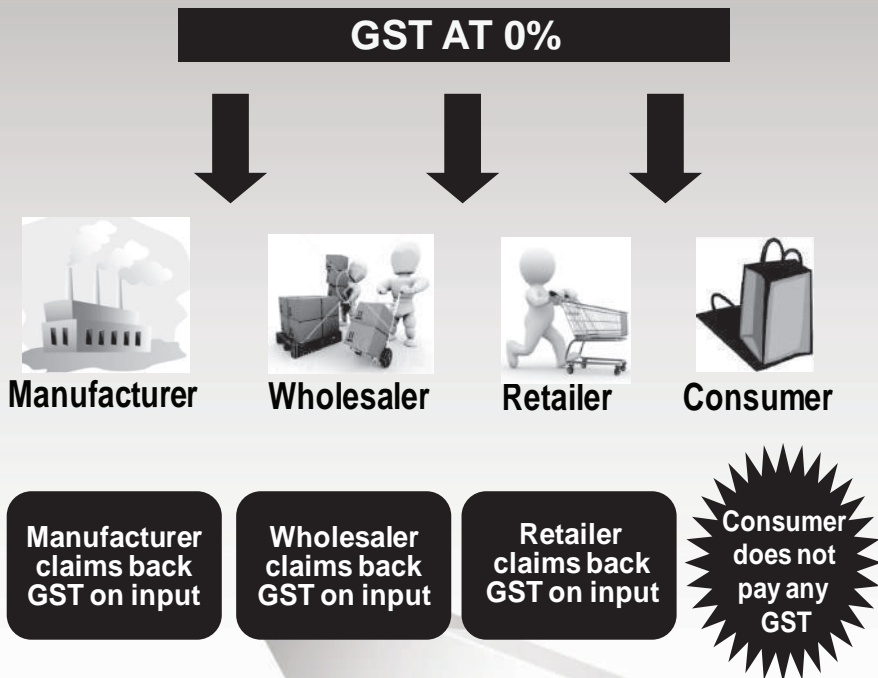
Final consumer pays RM106.00

Standard Rated Supply



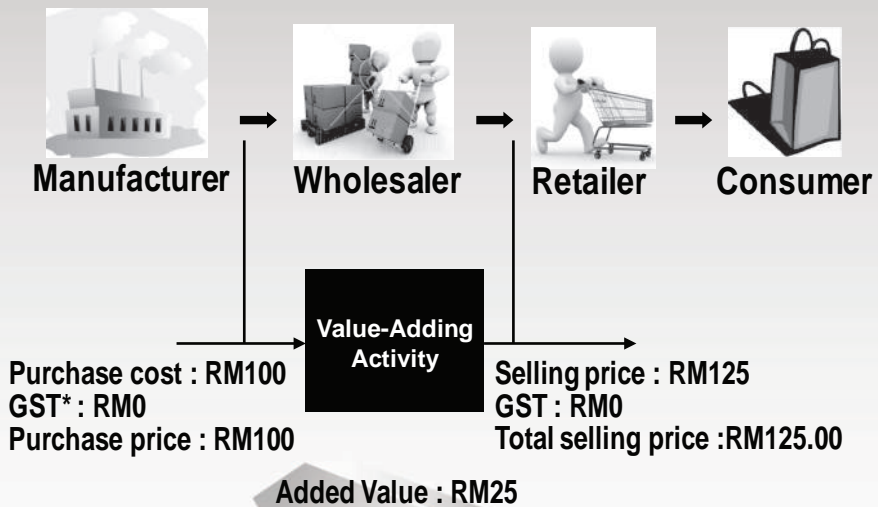
STANDARD RATE

HOW GST WORKS? - ZERO RATED



HOW GST WORKS? - ZERO RATED

Delivery / supply chain



Zero rated supply



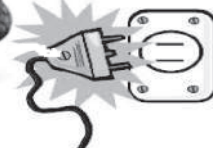
Infant milk



Exported goods and services

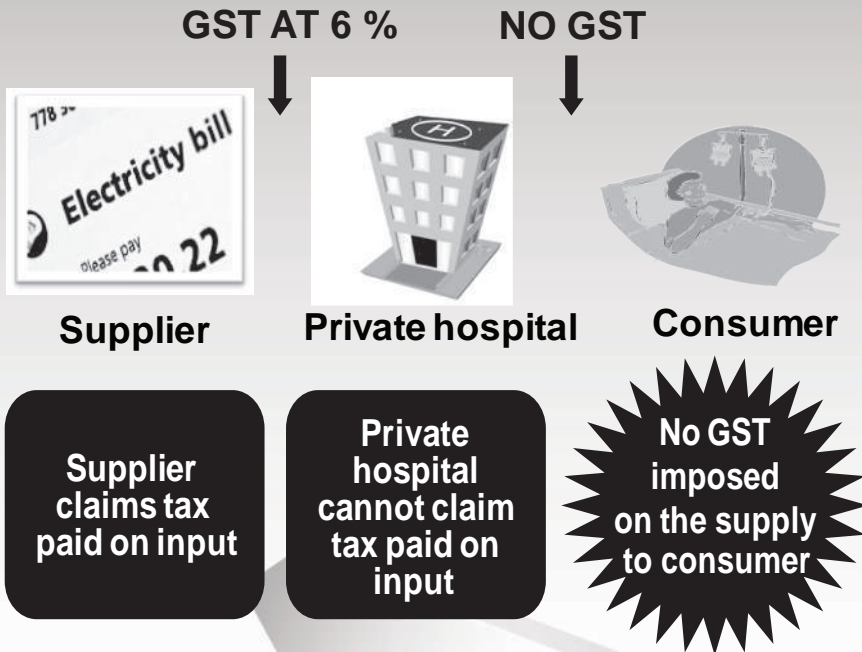


Domestic use only



**300 units a month-
domestic use only**

HOW GST WORKS? - EXEMPT



HOW GST WORKS? - EXEMPT

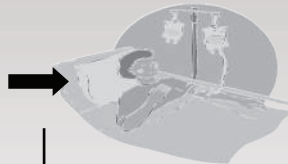
Delivery / supply chain



Supplier



Supplier



Consumer

Purchase cost : RM100
GST* : RM6
Purchase price : RM106

**Value-Adding
Activity**

Added Value : RM25

Selling price : RM131
GST : RM0
Total selling price : RM131.00

Exempt supply



HEALTH AND EDUCATION SERVICES



BUS TRANSPORTATION
-school, express, stage



TOLLS



WATER TRANSPORTATION
-ships, ferries and boats



RESIDENTIAL HOUSES



TAXIS



FINANCIAL SERVICES



RAIL TRANSPORTATION :
KTM, ERL, LRT, Monorail



LAND FOR PUBLIC USE

Supply by Government

	Federal & State Government	Local Authority & Statutory Body
Out of Scope	All supplies by Federal & State government	Supplies made in the regulatory and enforcement (R&E) functions <i>Eg. Assessment rate collection, issuance of licenses, penalty</i>
Subject to GST	Supplies that have been directed by Minister in the GST (Government Taxable Supply) Order <i>Eg. Supply made by RTM, Prison Department</i>	Non R&E functions <i>Eg. Business activities such as rental facilities, garbage collection and etc.</i>
Acquisitions	<ul style="list-style-type: none"> ▪Need to pay GST on their acquisitions ▪Relief on selected goods 	<ul style="list-style-type: none"> ▪Need to pay GST on their acquisitions ▪Relief on selected goods

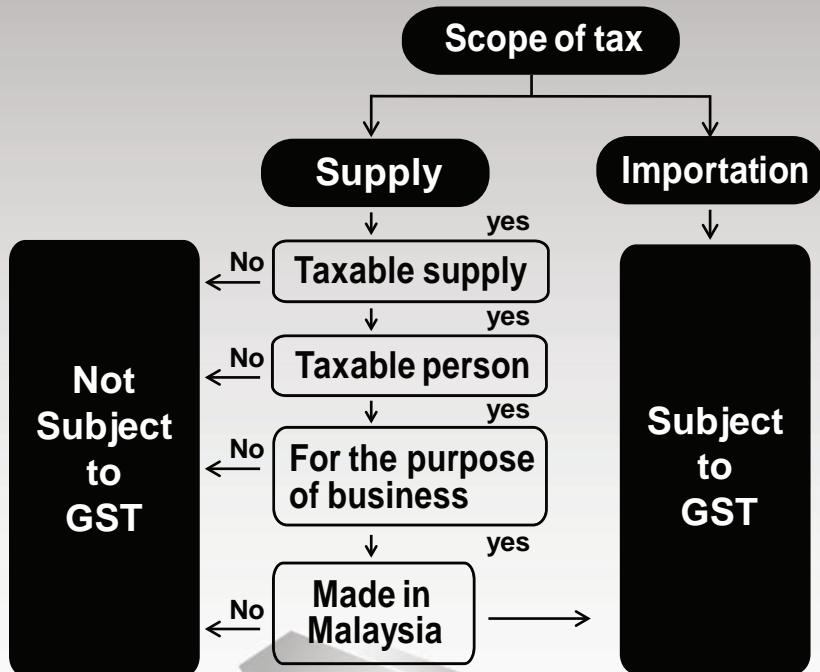
3

Basic Elements Of GST

Scope and charge

- GST is charged on
 - ✓ the taxable supply of goods and services
 - ✓ made by a taxable person
 - ✓ in the course or furtherance of business
 - ✓ in Malaysia
- GST is charged on the imported goods / services

Basic Elements Of GST



Meaning of person

- Individual, corporation, Federal Government, State Government, statutory body, local authority, society, trade union, co-operative society, trust, partnership and any other body, organisation, association or group of persons, whether corporate or unincorporated

Scope

- Includes natural and juridical persons
- Individual, sole proprietor and partnership
- Company, club, association, society, co-operative, trade union, non profit body and unincorporated bodies
- Trust, trustee, executor, administrator and joint venture
- Federal Government, State Government, statutory body and local authority

Meaning of a taxable person

- A person who is or is required to be registered under GST

Supply

GST Act 2014

- Defines a supply as “all forms of supply”
- Includes imported services
- Done for ‘consideration’
- Anything which is not supply of goods is supply of services
- Does not include money

Supply

Supplies not subject to GST

- Cash donation or grants where a person does not get benefit
- Compensation or liquidated damages
- Disbursements, dividends, loan repayments or capital injection
- Transfer of business as a going concern
- Contribution to pension, provident or social security fund

Place of supply

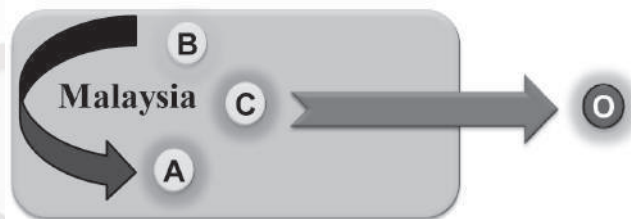
Place of supply

- To determine whether a supply is made in Malaysia or not
- Different rules for supply of goods and supply of services

Rules for supply of goods

Goods treated as supplied in Malaysia

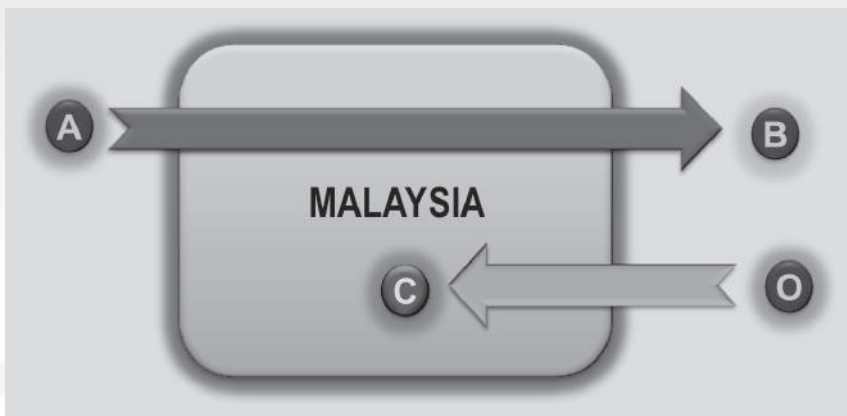
- Sec.12(2) - removal from a place in Malaysia to another place in Malaysia (local supply)
- Sec.12(3) - removal from a place in Malaysia to a place outside Malaysia (export)



Place of supply

Goods treated as supplied outside Malaysia

- Sec.12(2) - removal from a place outside Malaysia to another place outside Malaysia (out of scope)
- Sec.12(3) - removal from a place outside Malaysia to a place inside Malaysia (import)



Place of supply of services

Sec.12(4) - Rules for supply of services

- Services treated as supplied in Malaysia if
 - ✓ The supplier belongs in Malaysia
- Services treated as supplied outside Malaysia if
 - ✓ The supplier belongs in a country other than Malaysia

Place of supply of services

Sec.14(1) - Supplier treated as belonging in Malaysia if :

	MALAYSIA	OTHER COUNTRY	
Business / Fixed Establishment	YES	NO	Supplier belongs in Malaysia
Usual place of residence	YES	NO	Supplier belongs in Malaysia
Business / Fixed Establishment	YES	YES	Supplier belongs in Malaysia if the supply of the business is most directly concerned with Malaysia

Place of supply of services

Business establishment

- Head office or principal place of business

Fixed establishment

- A branch or agency through which business is carried out

Usual place of residence

- For body corporate, the place of incorporation or legally constituted (registered office)
- For unincorporated body, the place where centre of administration is located
- For individual, where he sets up home with family and is in full time employment

Time of Supply

What is Time of Supply

- Refers to the time when a supply is made
- Often referred as the 'tax point'

Why is it important?

- It determines when a taxable person should account for GST in the return

Time of Supply

Basic Tax Point

- Basic tax point for supply of goods
 - (a) At the time the goods are removed;
 - (b) At the time when the goods are made available
 - (c) At the time when the supply becomes certain or twelve months after the removal, whichever is the earlier.

Basic tax point for supply of services

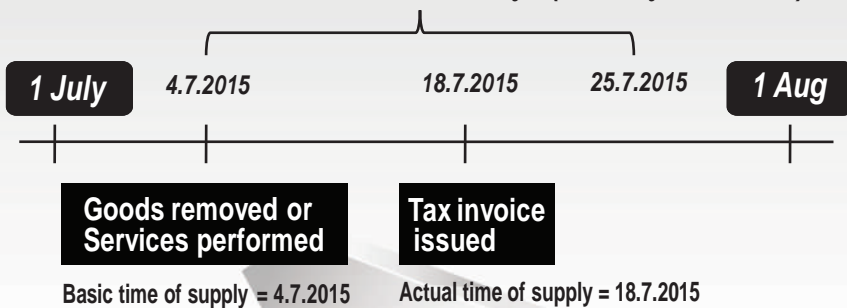
- At the time when the services are performed.

Time of Supply

21 days rule

- If tax invoice is issued within 21 days after the basic tax point, then time of supply is the time of the tax invoice

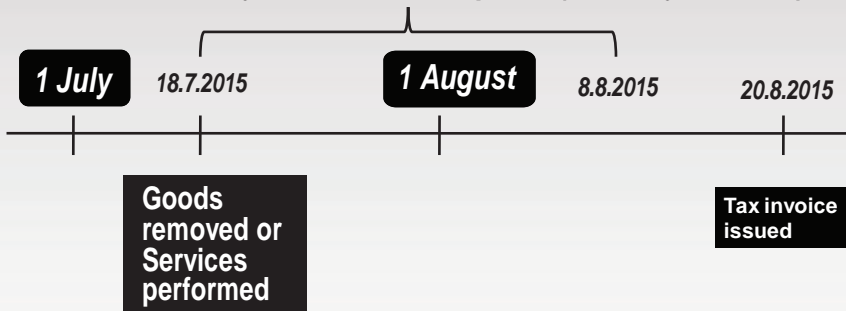
Tax invoice issued within 21 days (last day 25.7.2015)



Time of Supply

- If tax invoice is issued after 21 days ,
then time of supply will fall on basic tax point.

Period of 21 days from basic tax point (last day 8.8.2015)



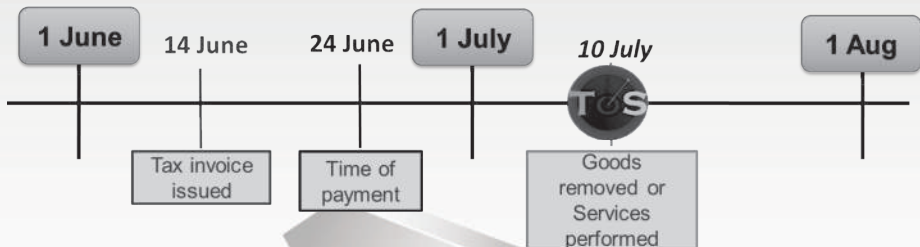
Basic Tax Point = 18.7.2015

Actual time of supply = Basic Tax Point = 18.7.2015

Time of Supply

Events before basic tax point

- Time of Supply → when the payment is received or tax invoice is issued to the extent covered by the invoice or payment, whichever is earlier.



Basic tax point 10.7.2015

Value of Supply

Value of supply (consideration in money)

- Value of supply shall be taken to be an amount, with the addition of GST chargeable, equal to the consideration

Value = consideration (money) - GST portion

Tax Fraction = Rate in percentage / (100% + rate in percentage)
= 6% / 106%

$$V = C - T$$

E.g. A sells printer to B and receives RM260

Value of supply = consideration - GST
= RM260 - (6% / 106% x RM 260)
= RM260 - RM14.72 = RM245.28

- GST = RM14.72
- VALUE OF THE PRINTER = RM 245.28

Value of Supply

- **Value of supply
(consideration not in money)**

Value = open market value (OMV)

- **Value of imported goods**

Value = value for customs duty + any customs
duty paid + any excise duty paid

- **Value of imported services**

Value = payment paid

- **Value of supply is not for consideration**

Value = OMV of supply

4

Registration



Registration

gst.customs.gov.my



Liability to Register

- Any person who makes taxable supply of goods and services in Malaysia
- Registration is mandatory for businesses with turnover that has exceeded the prescribed threshold of RM500,000
- Calculation of turnover for registration is based on the total value of the taxable supplies for a 12 month period

The determination of threshold Taxable Turnover:

Includes

- ✓ Standard Rated Supplies
- ✓ Zero Rated Supplies
- ✓ Deemed Supplies such as private use, etc.

Excludes

- ✓ Exempt Supplies
- ✓ Sale of Capital Assets
- ✓ Imported Services
- ✓ Out of scope
- ✓ Designated areas

Notification of Liability & Application to Register

- To apply for registration within 28 days from the end of the month where taxable turnover exceeds or expect to exceed RM500,000
- Effective date of registration will be on the 1st day of the following month

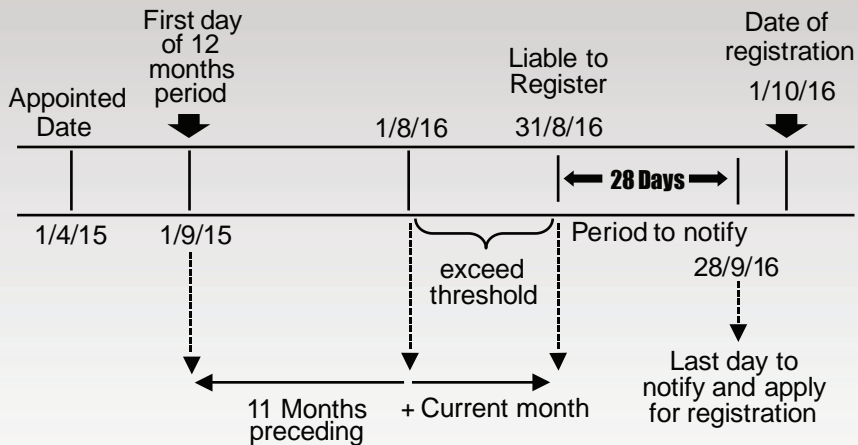
- **Determination of taxable turnover**

- ✓ Historical turnover (based on the total value of taxable supplies of the current month and the preceding 11 months)

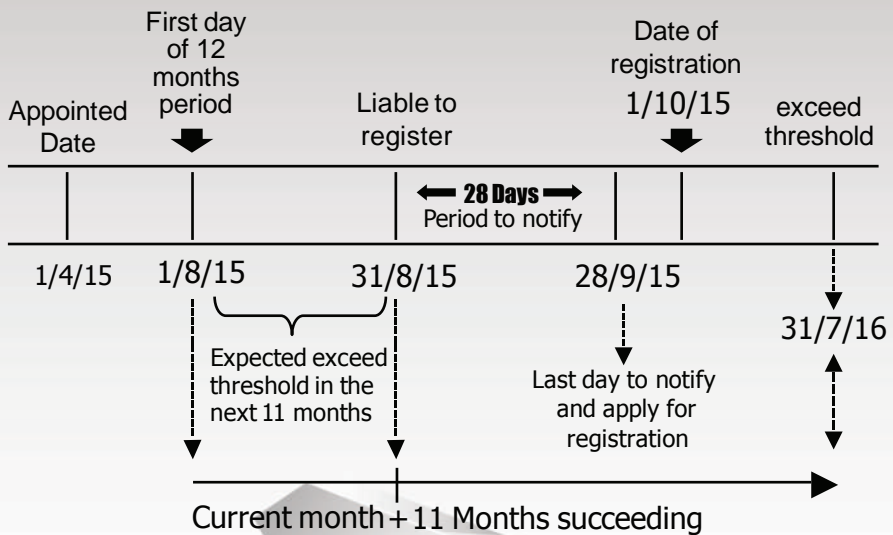
OR

- ✓ future turnover (based on the total value of taxable supplies of the current month and the next 11 months)

The determination of threshold Historical Method illustration (applicable after appointed date)



The determination of threshold Future Method illustration (applicable after appointed date)



Voluntary Registration

- Businesses below threshold may apply for voluntary registration
- Once registered - must remain in the system for at least 2 years

Other types of registration

- ✓ Branches or divisional registration
- ✓ Group registration - group of companies
- ✓ Registration for non-resident - appointment of agent
- ✓ Joint venture registration - petroleum exploration activity

Late Registration

- Effective date of registration for late registration is the date of application
- Subject to late registration penalty on number of days late
- Late registration penalty only applies with effective from 1.4.2015

Late Registration Period (Days)	Cumulative (RM)
1 – 30	1,500
31 – 60	3,000
61 – 90	4,500
91 – 120	6,000
121 – 150	7,500
151 – 180	9,000
181 – 210	10,500
211 – 240	12,000
241 – 270	13,500
271 – 300	15,000
301 – 330	16,500
301 - 360	18,000
Exceeding 360	20,000

Late Register penalty rates

<i>Date exceeds threshold</i>	- 15 th May 2017
<i>Liable to register</i>	- 31 st May 2017
<i>Notification period</i>	- 1 to 28 th June 2017
<i>Effective date of registration</i>	- 1 st July 2017
<i>Apply for registration</i>	- 1 st January 2018

Late registration period :
1st July to 31st Dec. (184 days)

Late registration penalty :
RM10,500.00

As a registered person, what are my responsibilities?

- Must comply with the requirements under the GST legislation as follows:
 - i) **Account for GST** on taxable supplies made and received
 - ii) **Submit GST return (GST-03)** and pay tax not later than the last day of the following month after the taxable period;
 - iii) Issue **tax invoice**
 - iv) **Inform Customs of the cessation of business** within thirty days from the date of business cessation
 - v) **Inform Customs on any changes** of address, taxable activity, accounting basis and taxable period; and
 - vi) keep **adequate records** of business transactions relating to GST in the National or English language for seven years.



The screenshot displays the official website of the Malaysian Customs Department for GST. The header includes the site URL, navigation links like 'Glosari' and 'Peta Laman', and a search bar. The main banner features the GST logo and the text 'Laman Web Rasmi CUKAI BARANG & PERKHIDMATAN MALAYSIA (CBP)'. Below this is a navigation menu with links such as 'Laman Utama', 'Mengenai CBP', 'Pengguna', 'Industri', 'Rujukan & Panduan', 'Sorotan CBP', and 'Hubungi Kami'. The central content area has a large video player titled 'APA ITU CBP?' with a description of CBP as VAT and a 'Lagi' link. To the right, there are sections for 'TAXPAYER ACCESS POINT', 'UNTUK PENGGUNA', 'UNTUK INDUSTRI', and 'UNTUK PELANCONG'. The footer contains links for 'Perkhidmatan Online', 'Kalkulator Online', 'Galeri Media', and 'Pengumuman'.

1

Customs Call Centre (CCC)
Monday to Friday (8.30a.m-5.00pm)
Tel : 03- 78067200
Fax : 03- 78067599
Email : ccc@customs.gov.my

2

GST Hotline
Monday to Friday (8.00a.m-5.00pm)
Tel : 1-300-888-500
: 03-8882 2111 / 2222 / 2608

3

GST Portal
gst.customs.gov.my



ACCOUNTING FOR TAX



1

Charging Output Tax

Scope and charge

- GST is charged on
 - the taxable supply of goods and services
 - made by a taxable person
 - in the course or furtherance of business
 - in Malaysia
- GST is charged on imported goods

GST charged on

- taxable supplies (sales of goods / services)
- deemed supplies
 - disposal of business assets
 - private use of business asset
 - imported services
 - goods sold in satisfaction of a debt
 - gifts costing more than RM 500

Supplies which may not subject to GST

- cash donation or grants where a person does not get benefits
- compensation or liquidated damages
- disbursements, dividends, loan repayments or capital injection
- transfer of going concern
- contribution to pension, provident or social security fund
- supplies by any society or similar organisation
- supplies excluded from input tax credit

What is Tax Invoice?

A tax invoice is a document containing certain information about the supply that has been made and it is similar to a commercial invoice except for some additional information such as details of registered person and supply, GST rate and the amount of GST payable.

Importance of a tax invoice:

- may trigger the time of supply for a transaction.
- primary evidence to support a customer's input tax claim.
- determine when he may claim his input tax.
- determine which supplies made by him should be included in a particular taxable period

Issuance of Tax Invoice

- Tax invoice shall be issued by every registered person who makes any taxable supply in the course or furtherance of any business in Malaysia
- Tax invoice can be issued to the customer either :
 - ✓ Hard copy
 - ✓ Electronic
- May be issued within 21 days after supply has taken place (Time of supply)
- Containing prescribed particulars

Tax Exclusive

- Refers to the amount of GST paid as shown in tax invoice with separate GST amount.

Example:

Assume you sell an oven at RM1,000.

$$\begin{aligned}\text{GST} &= \text{Price} \times \text{Rate of Tax} \\ &= \text{RM1,000} \times 6\% \\ &= \text{RM60}\end{aligned}$$

Charge customer RM1,000 + RM60 (GST) = RM1,060
and remit RM60 to Customs

Tax Inclusive

- In retail business, it may be more practical to treat the sum of money received from your customer (consideration) as inclusive of GST.
- The tax invoice should still show the GST as a separate amount, and you can state the GST inclusive prices and indicate with the words 'price inclusive of GST'

Example:

Assume you sell an oven at RM1,000.

$$\begin{aligned}\text{GST} &= \text{Price} \times \text{Tax Fraction} \\ &= \text{RM1,000} \times 6/106 \\ &= \text{RM56.60}\end{aligned}$$

Charge customer RM1,000 and remit RM56.60 to Customs

Tax Fraction

- Tax fraction is the GST amount of the consideration.
- The calculation of the tax fraction is as follows:

$$\text{Tax fraction} = \frac{\text{tax rate}}{100 + \text{tax rate}}$$

- Example:

Assuming your consideration is RM100.

$$\begin{aligned}\text{GST} &= \frac{\text{GST rate}}{100\% + \text{GST rate}} \times \text{consideration} \\ &= \frac{6\%}{100\% + 6\%} \times \text{RM100} \\ &= \text{RM5.66}\end{aligned}$$

Types of tax invoice when making taxable supplies

- full tax invoice
- simplified tax invoice
- self-billed invoice



Tax Invoice - Full Tax Invoice

The following particulars are required in the full tax invoice;

- (a) the words “tax invoice” in a prominent place;
- (b) the tax invoice in serial number;
- (c) the date of issue of the tax invoice;
- (d) name of supplier, address and GST identification number;
- (e) the customer’s name (or trading name) and address;
- (f) a description sufficient to identify the goods or services supplied
- (g) for each description distinguish the type of supply for standard rate, zero rate and exempt, the quantity of goods or the extent of the services and amount payable, excluding GST;
- (h) any discount offered;
- (i) the total amount payable excluding GST, the rate of tax and the total tax chargeable shown as a separate amount;
- (j) total amount payable including the GST charged; and
- (k) any amounts referred to (i) and (j) must be expressed in Malaysian currency.

Example of Full Tax Invoice

Supplier's name, address and GST identification number

Tax Invoice serial number

Customer's name & address

Date of Tax Invoice

KILANG KASUT SEDAP PAKAI SDN.BHD.
Lot 123, Jalan Pengkalan, 31500 Lahat, Perak
(GST ID No : 100001/2015)
Tel : 05-3349876

Invoice No: 0001111

Date : 25 Jun 2015

D/O No : S000345

TAX INVOICE

The words "Tax Invoice" clearly indicated

To : Syarikat Kasut Ali Sdn. Bhd.
No. 27, Jalan Maju Jaya,
31400 Ipoh, Perak

Serial No.	Description	Quantity	Unit Price (RM)	Total (RM)
1.	SchoolShoes SS1201	200	8.00	1,600.00
2.	SchoolShoes SS1210	200	10.00	2,000.00
3.	Sport Shoes SP2315	50	25.00	1,250.00
				4,850.00
Discount @ 10%				(485.00)
Total before GST				4,365.00
Add GST @ 6%				261.90
Total Sales				4,626.90

Quantity of goods or extent of the services supplied

Total amount payable, excluding GST

Total amount of GST charged

Total amount payable inclusive of GST

Rate of GST

KILANG KASUT SEDAP PAKAI SDN.BHD.



Tax Invoice - Simplified Tax Invoice

- A tax invoice which exclude certain prescribed particulars in full tax invoice as approved by the Director General due to the nature of the business
- Upon request in writing to DG
- This type of invoice is used by retailers who normally generate large volume of invoices daily to end consumers e.g. supermarkets, restaurants, petrol kiosks and other point of sales outlets.
- Can take the form of an invoice, receipt, voucher or any other similar document, as long as it has all the required information of a simplified tax invoice



Example of Simplified Tax Invoice

Supplier's name, address and
GST identification number

COMFORT PARKING SDN.BHD.
GF1-03, Kompleks Beli-Belah,
Jalan Kenangan, 41100 Klang,
Selangor.
(GST ID No : 003456/2015)
Tel : 03-33498765

Tax invoice serial number

Inv No: A00295

Date: 25.6.2015

Date of tax invoice

Description	Total (RM)
Parking fee – 3 hours @ RM1 per hour	3.18
Rounding Adj.	0.02
TOTAL AMOUNT DUE	*3.20

** GST @ 6% included in total*

Description of goods or
services supplied

Rate of GST

RM0.18

Total amount payable
inclusive of GST

Total amount of GST charged



Tax Invoice - Mixed Supplies

- A supplier may make exempt, zero rated and/or standard rated supplies simultaneously to the same customer.
- Issues one invoice to document such transactions.
- The tax invoice issued must clearly distinguish the taxability of the supplies (exempt, zero rated or standard rated) made.
- Indicate separately the applicable values and the GST rate charged (if any) on each supply.

Example of Full Tax Invoice - Mixed Supplies

Supplier's name, address and GST identification number
LILY SDN.BHD.
 Lot 123, Jalan Meru, 43210 Klang, Selangor
(GST ID No : 100001/2015)
 Tel : 03-33498765

Customer's name & address
To : Ali Mini Mart Sdn. Bhd.
 No. 27, Jalan Maju Jaya,
 31510 Ipoh.

Date of Tax Invoice
Tax Invoice No : 0001111
 Date : 25 Jun 2015
 D/O No : S000345

TAX INVOICE
 The words "Tax Invoice" clearly indicated

Description of goods or services supplied

No.	Description	Qty	Unit Price (RM)	GST Amount (RM)	Total (RM)
1.	* School Shoes SS1	200	8.00	64.00	1600.00
2.	* School Shoes SS2	200	10.00	80.00	2000.00
3.	# Cooking Oil CO1	50	25.00	0.00	1250.00
					4850.00
Add GST (6%)					216.00
Total Sales					5066.00

Indicator for standard rated supply

Indicator for zero rated supply

Quantity of goods or extent of the services supplied

Rate of GST

Total amount of GST charged

Total charge made, including GST

Total Charge made, excluding GST

Note: * - GST @ 6%
 # - GST @ 0%

.....
LILYSDN. BHD.



Example of Simplified Tax Invoice - Mixed Supplies

Supplier's name, address and GST identification number

AGRO SHOPPING CENTRE SDN BHD

DESA PINGGIRAN PUTRA, SG. MERAB

TEL: 03 - 8896XXXX FAX: 03 - 896XXXX GST Reg. No :

Date: 30/7/2015

15:35:45

Tax invoice serial number

Date of Tax Invoice

Tax Invoice No: V001619

Description of goods or services supplied

IKAN BILIS CRACKER [PACK]
010611

1

3.90

3.90

S

Indicator for standard rated supply

PRINGLES SC 182G [PCS]
001002

1

6.90

6.90

S

SUGAR
123235

2

1.45

2.90

Z

Rate of GST

Item Count

4

Total Sales Inclusive GST @ 6%

13.70

Rounding Adjustment

0.00

Cash

14.00

Balance

0.30

Indicator for zero rated supply

Total amount payable including GST

GST analysis

Goods

Tax

S = 6%

10.19

0.61

Z = 0%

2.90

0.00

Total amount of GST charged

Print

: 30/7/2015

Salesperson

: Amin

Tax Invoice - Self - billed Invoice

- Recipient is allowed to issue self-billed invoice for supply in his possession if
 - ✓ the value at the time of supply is not known by the supplier;
 - ✓ the recipient and the supplier are both registered persons;
 - ✓ both agree in writing; and
 - ✓ both agree that no tax invoice will be issued by the supplier.

Tax Invoice - Self - billed Invoice

The following particulars are required in the self-billed invoice;

- a. the supplier's and recipient's names, addresses & identification numbers;
- b. the words "self-billed invoice" in a prominent place;
- c. the invoice serial number;
- d. the date of issue of the invoice;
- e. the **reference number of Director General's approval**;
- f. a description sufficient to identify the goods or services supplied
- g. for each description distinguish the type of supply for standard rate, zero rate and exempt, the quantity of goods or the extent of the services and amount payable, excluding GST;
- h. any discount offered;
- i. the total amount payable excluding GST, the rate of tax and the total tax chargeable to be shown separately;
- j. total amount payable including the GST charged; and
- k. any amounts referred to (i) and (j) must be expressed in Malaysian currency.



Tax Invoice - Self - billed Invoice

The words "Self-Billed Invoice" clearly indicated

KILANG TEMBAKAU SELANGOR SDN BHD

SELF-BILLED INVOICE

RMCD approval number

Supplier's name, address and GST identification number

Supplier

SYARIKAT DAUN TEMBAKAU SDN BHD

No. 27, Jalan Persiaran,
51100 Kota Baru, Kelantan.

(GST ID No: 100900/2015)

Recipient

KILANG TEMBAKAU SELANGOR SDN BHD

Lot 123, Jalan Meru, 43210 Klang, Selangor.

Tel: 03-33498765

(GST ID No: 100003/2015)

Approval No.:

Invoice serial number

Invoice No: 0001113

Date : 25 Jun 2015

D/O No: S000345

Recipient's/Customer's name, address and GST identification number

Rate of GST

Description of goods or services supplied

Serial No.	Description	Tax Rate (%)	Quantity	Unit Price (RM)	Total (RM)
1.	Daun Tembakau Gred C	6.00	200	8.00	1,600.00
2.	Daun Tembakau Gred B	6.00	200	10.00	2,000.00
3.	Daun Tembakau Gred A	6.00	50	25.00	1,250.00

Total amount payable excluding GST

Quantity of goods or extent of the services supplied

Amount Excluding Tax	4,850.00
Add Total GST Amount 6%	291.00
Total Sales	5,141.00

Total amount of GST charged

* The GST shown is your output tax due to the Government.

Total amount payable inclusive of GST

KILANG TEMBAKAU SELANGOR SDN.BHD.

Invoice in a Foreign Currency:

If the amount of the supply stated in a tax invoice is in foreign currency, the following particulars in the tax invoice have to be converted into Ringgit Malaysia (RM) for GST purposes:

- a. The amount payable before GST;
- b. The total GST chargeable; and
- c. The total amount payable (including GST).

The foreign currency is converted into Ringgit Malaysia by using the selling rate of exchange prevailing in Malaysia at the time when the supply takes place.



Tax Invoice - Foreign Currency

KENZOU ELECTRONIC BHD

Supplier's name, address and
GST identification number

Kenzou Electronic Bhd
Lot 169, Jalan Pasar, 32100 Ipoh, Perak
(GST ID No:)
Tel: 03-33161900

Tax Invoice serial number

Invoice No : 0002121
Date : 3.11.2015
D/O No : D100011

Customer's name & address

To: Kenzo Sdn Bhd
No. 24, Jalan Silibin
32100 Ipoh, Perak

TAX INVOICE

The words
"Tax Invoice"
clearly indicated

Price in
foreign
currency

Price in
Ringgit

No.	Description	Qty	Unit Price (USD)	Total (USD)	Total (RM) @ 3.50
1.	LCD TV 42" T004S	20	1,000.00	20,000.00	70,000.00
2.	Blue-Ray Player BD001	20	500.00	10,000.00	35,000.00
3.	Home Theatre HT010	10	300.00	3,000.00	10,500.00
Total Sales				33,000.00	115,500.00
Add GST @ 6%				1,980.00	6,930.00
Total Amount Due				34,980.00	122,430.00

Description of goods
or services supplied

Total amount
payable
excluding
GST

Total tax
chargeable

Total amount payable including GST

KENZOU ELECTRONIC BHD



Tax Invoice - Pro forma Invoice

- A pro forma invoice is not regarded as a tax invoice.
- You can only claim input tax in your GST return if you have a proper tax invoice.
- Your supplier should give you a proper tax invoice for claiming input tax.

2

Entitlement of Input Tax

Entitlement To Claim Input Tax

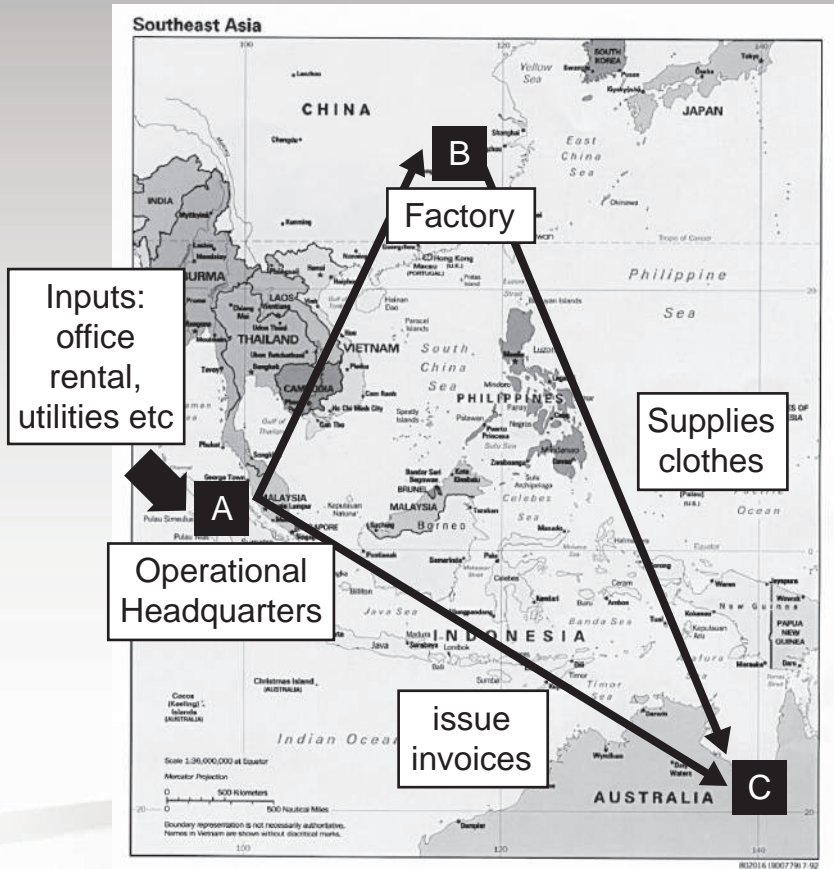
Entitled to claim input tax if he is making a taxable supply and satisfies the following:

- input tax has been incurred;
- input tax is allowable;
- he is a taxable person;
- goods or services acquired for business; and
- made in Malaysia

Supplies

- taxable supplies
 - standard rated or zero rated supplies
 - disregarded supplies (supplies within group, supplies made in warehouse, supplies between venture operator and venturers and supplies between toll manufacturer and overseas principal)
- supplies made outside Malaysia which would be taxable supplies if made in Malaysia

Supplies Made Outside Malaysia



Incidental exempt financial supplies

- deposit of money
- exchange of currency
- holding of bonds or other debt securities
- transfer of ownership of securities
- provision of loans, advance or credit to employees or connected persons
- assignment of provision of trade receivables
- holding or transfer of trust unit
- hedging of interest, commodity, utility or freight risk

Special tax treatment does not apply to:

- commercial or investment bank or money broker
- development financial institutions or money lenders
- Insurance/takaful company
- stock or futures brokers
- pawn broker or hire purchase companies
- Credit, charge or debit card companies
- investment or unit trust or venture capital company

Non Allowable Input Tax

Blocked input tax

- The supply or importation of a passenger motor car, and goods and services related to maintenance of car
- The hiring of a passenger motor car



Club subscription fee

- any joining fee, subscription fee, membership fee, transfer fee or other consideration charged by any club, association, society or organization established principally for recreational or sporting purposes or by the transferor of the membership or such club, association, society or organization



medical and personal accident insurance



Medical expenses

- any medical or dental expenses to any person employed by a taxable person but exclude expenses incurred under the provisions of the Employees' Social Security Act 1969 and the Workmen's Compensation Act 1952 to any workman employed by him where such expenses is obligatory under the Act or any other collective agreement under the Industrial Relations Act 1967

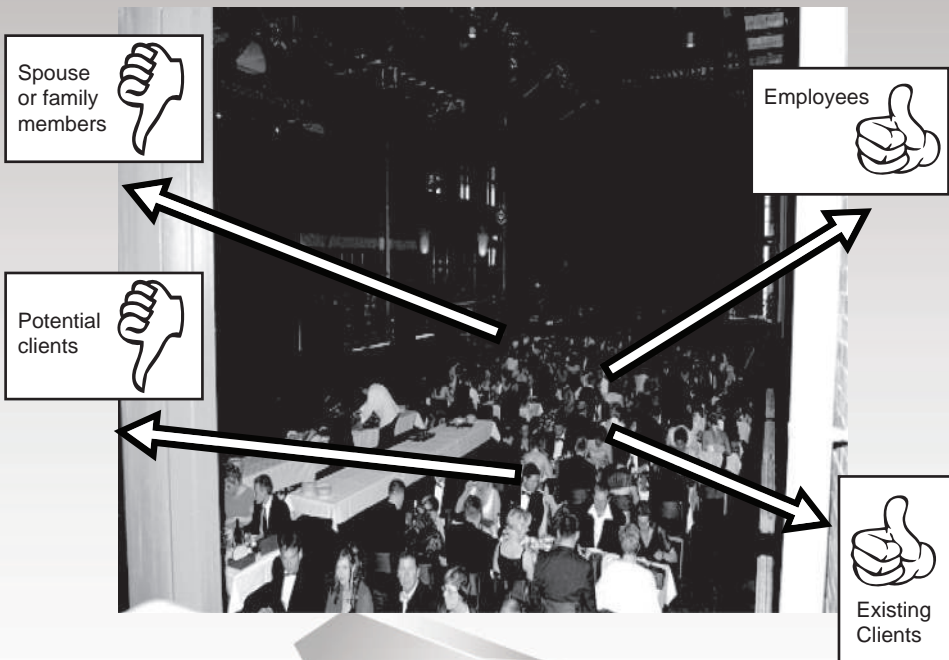


Family benefits

- any benefits (including hospitality of any kind) provided by the taxable person for the benefit of any person who is the wife, husband, child or relative of any person employed by the taxable person for the purposes of any business carried on or to be carried on by the taxable person



Entertainment expenses



Criteria To Claim Input Tax

Must hold valid document:

- tax invoice
- tax invoice issued by approved person for Flat Rate Scheme
- Customs No 1 for imported goods
- Customs No 9 for goods removed from bonded warehouse
- document to show claimant pays imported services

Criteria To Claim Input Tax

- For the purpose of claiming ITC :
 - ✓ simplified tax invoice can be used to claim input tax.
 - ✓ But an approved tax invoice without the name and address of the recipient, the allowed input tax amount claimable is RM30 or less.
 - ✓ Therefore, request for a tax invoice with name and address of the recipient to enable him to claim the full input tax if it is more than RM30.



Criteria To Claim Input Tax

- tax invoice in the name of taxable person
 - not in the name of third party such as employees or directors
- tax invoice is lost
 - get certified copy
- no matching of input to output
 - can claim input tax if holds valid document

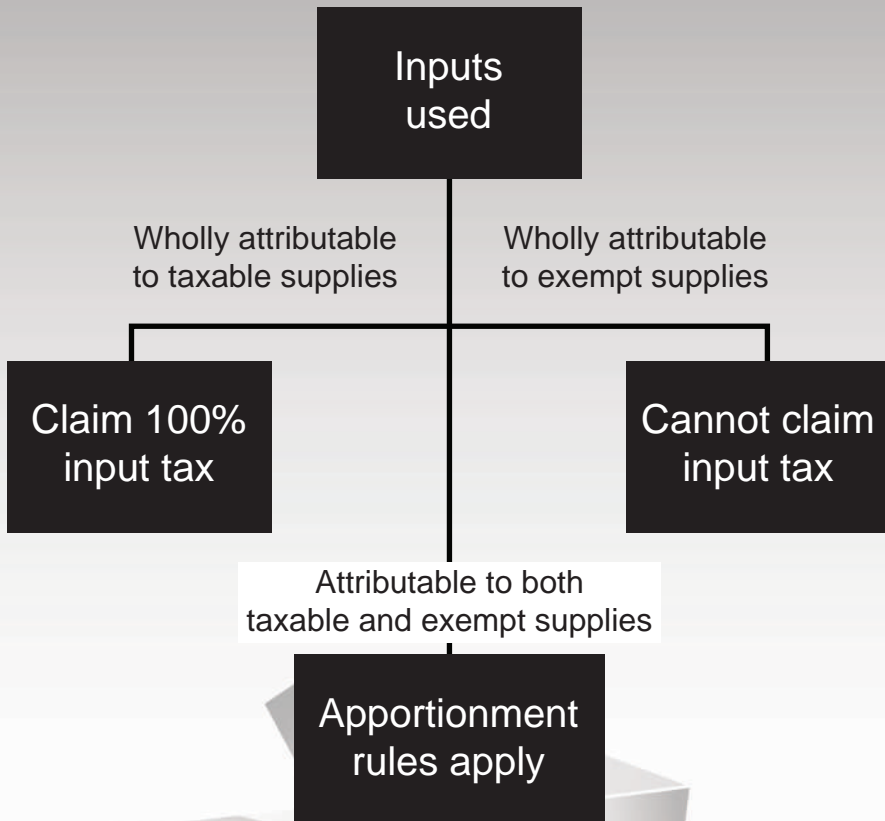
3

Apportionment Rules

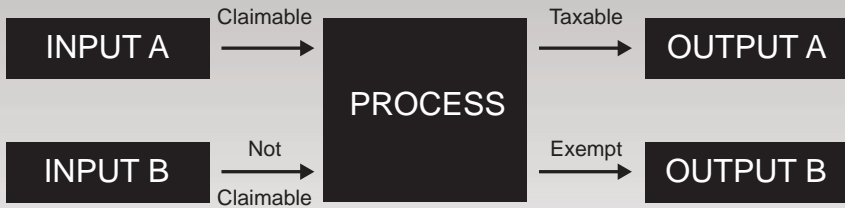
Apportionment Rules

- No apportionment if can attribute wholly
 - full input tax if wholly attributable to taxable supplies
 - no input tax if wholly attributable to exempt supplies
- Apportionment rules
 - applicable when goods and services are used for both taxable and non-taxable

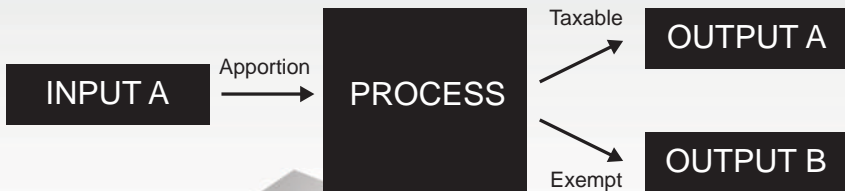
Apportionment Rules



DIRECT ATTRIBUTE



INDIRECT ATTRIBUTE - Apportionment



Mechanism for input tax apportionment

- ▶ Turnover-based method as a standard method for apportioning any residual input

$$\text{Taxable portion} = \frac{\text{Value of taxable supplies}}{\text{Value of all supplies}}$$

- ▶ round up or down to the nearest two decimal places

Input tax claimable = Taxable portion X Residual input tax

Supplies excluded from standard method

- disposal of capital goods
- incidental exempt financial supplies
- supplies of imported services

Example:

Taxable supplies	=	RM300,000	} exclusive of tax
Exempt supplies	=	RM250,000	
Residual input tax	=	RM8,000	
Taxable portion	=	$\frac{\text{RM300,000}}{\text{RM300,000} + \text{RM250,000}} \times 100\%$	
	=	54.5454%	
	=	54.55% (2 decimal places)	
Input tax claimable	=	54.55% X RM8,000	
	=	RM4,364	

Standard method

- must reflect correct proportion to which the inputs are put to use
- if does not reflect correct proportion, use alternative methods
 - floor space method
 - transaction based method
 - input base method
 - cost centre accounting method
 - employee time method
- use of alternative methods requires prior approval

Example:

A finance company Arbus Sdn Bhd. deals in taxable leasing and exempt personal loans services. The value and number of transaction of taxable and exempt supplies are as follows:

Activities	No. of Transactions	%	Value (RM)	%
Leasing agreements entered into	75	60	750,000	42.86
Personal loans entered into	50	40	1,000,000	57.14
TOTAL	125	100	1,750,000	100

Mechanism for input tax apportionment

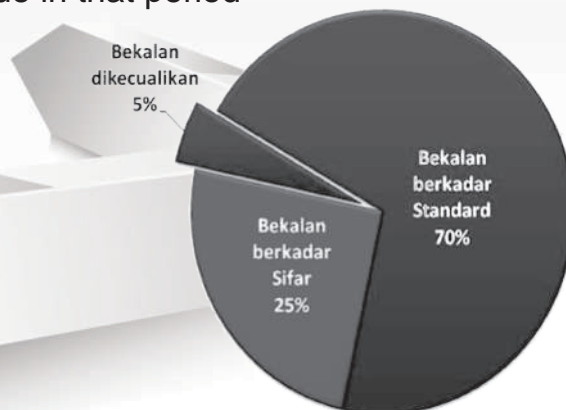
- an initial apportionment for the taxable period
- adjustment to the initial apportionment must be made annually to reflect change of use (partial exemption)
- if value of capital assets is RM100,000 or more, require to make capital goods adjustments to reflect change of use of capital goods

Apportionment Rules

Applicable if
registered
person has
exempt supply

De Minimis Limit

- Exempt input tax can be recovered in full if the total value less than a prescribed amount
- Prescribed amount of *de minimis* limit
 - ✓ total value of the exempt supplies does not exceed
 - an average of RM5,000 per month and
 - not exceeding 5% of the total value of total supplies (all taxable and exempt supplies) made in that period



Example 1:

A manufacturing company provides transport to its workers bus and charges their employees on the services given.

Activity	Taxable	Exempt	%
Value (RM)	150,000	4,000	2.6

Full recovery of input tax

Example 2 :

A manufacturing company provides bus transportation to its workers and charges them.

Activity	Taxable	Exempt	%
Value (RM)	500,000	10,000	2.0

Full recovery of input tax are not allowed, have to apply apportionment rule on ITC

Residual Input Tax	Taxable Supplies	Exempted Supplies	ITC Claimable	Total Input Tax
RM500	RM500,000	RM10,000	98%	RM490.00

4

Credit Note

Issuance of Credit Notes

- Credit notes are issued by a supplier when the price for a supply is reduced after a tax invoice was issued, e.g. reduction in price because of lower quality and credit note issued
- Shall make declaration in the GST return (return amendment) in the taxable period in which the credit note was issued

Adjustments - Credit note

Adjustments due to credit note issued

- Supplier, already accounted for output tax, reduces output tax in the return for the taxable period in which the credit note was issued
- Buyer , already claimed input tax, reduces input tax in the return for the taxable period in which he received the credit note

Example :

Goods sold on 20/7/15 by company A to company B, amount RM 1,000 plus GST 6%. Goods returned on 10/8/15 to company A, amount RM 200 plus GST 6%. Credit note issued on 25/8/15 by company A.

Company A (Seller)

Jul 2015 (Return)

Output tax : $RM1000 \times 6\% = RM60$

Aug 2015 (Adjustment)

Decrease Output tax : $RM 200 \times 6\%$
 $= RM 12$

OUTPUT
TAX



INPUT
TAX



**Monthly taxable period*

**Adjust by
declaring
the related
output & input
in form
GST - 03**

Company B (Buyer)

Jul 2015 (Return)

Input tax – $RM1000 \times 6\% = RM60$

Aug 15 (Adjustment)

Decrease Input tax – $RM200 \times 6\%$
 $= RM 12$

Credit Note

The name, address & GST identification number of the supplier

KENSTONE (M) SDN BHD
(COMPANY NO: 222111 U)
15 JALAN CEPAT, KAWASAN PERINDUSTRIAN TAMPOI,
80350 JOHOR BAHRU, JOHOR, MALAYSIA.
TEL: 07-2323444 FAX: 07-2332442

The words "Credit Note" clearly indicated

The serial number & date of issue

CREDIT NOTE

To

Ali Maju contractor Sdn Bhd
20 Jalan Maju, Taman Maju Jaya,
Kulai Jaya,
Johor.

The name & address of the person to whom the goods or services are supplied

CN NO: 12542
DATE : 17.12.15
GST NO: 12128888

Your return ref. no.	Account no.	Tax invoice no.	Date of invoice:
DO No. 5455	1010117879454	65473	12.1.2010

The number & date of the original tax invoice

ITEM	DESCRIPTION	QUANTITY	UNIT PRICE (RM)	VALUE
No.1	Tiles	120 pcs	5.00	600.00
Total				600.00
GST 6%				36.00
Total				636.00

Description of the goods or services

The quantity & amount for each supply

The total amount excluding tax

The rate & amount of tax

Reason for return:

Damaged goods

The reasons for its issue

5

Debit Note

Issuance of Debit Notes

- Debit notes are issued by a supplier when the price for a supply is increased after a tax invoice was issued, e.g. wholesaler wrongly charging retailer a lower price
- Shall make declaration in the GST return (return amendment) in the taxable period in which the debit note was issued.

Adjustments due to debit note issued

- supplier has to increase output tax in the return for the taxable period in which the debit note was issued
- buyer has to increase input tax in the return for the taxable period in which he received the debit note

On 20/10/15, ABC Ent. issued a tax invoice to Maju Sdn. Bhd for RM10,000 inclusive GST 6%

In October taxable period for that particular transaction:

- ABC Ent. accounts output tax of RM600 [i.e. $\text{RM10,000} \times 6\%$]
- Maju Sdn.Bhd claimed an input tax of RM600 [i.e. $\text{RM10,000} \times 6\%$]

On 10/11/15, ABC Ent. raised a debit note for the amount of RM 1,000 plus GST 6%.

In November taxable period,

- ABC Ent. has to make an adjustment by increasing the output tax by RM60 [i.e. $\text{RM1,000} \times 6\%$]
- Maju Sdn.Bhd has to make an adjustment by increasing the input tax by RM60 [i.e. $\text{RM1,000} \times 6\%$]

Debit Note

The name, address & GST identification number of the supplier

KENSTONE (M) SDN BHD
(COMPANY NO: 222111 U)
15 JALAN CEPAT, KAWASAN PERINDUSTRIAN TAMPOI,
80350 JOHOR BAHRU, JOHOR, MALAYSIA.
TEL: 07-2323444 FAX: 07-2332442

The words "Debit Note" clearly indicated

The serial number & date of issue

DEBIT NOTE

To

Ali Maju contractor Sdn Bhd
20 Jalan Maju, Taman Maju Jaya,
Kulai Jaya,
Johor.

DN NO: 1540

DATE: 17.12.15

GST NO: 12128888

The name & address of the person to whom the goods or services are supplied

Your ref. no.	Account no.	Tax Invoice No.	Date of invoice:
DO No. 5455	1010117879454	124345	15.1.2010

The number & date of the original tax invoice

Description of the goods or services

ITEM	DESCRIPTION	QUANTITY	UNIT PRICE (RM)	VALUE (RM)
No.2	Sale Value for Tiles code no. A5 as per invoice no: 124345 dated 15.1.2010 Revised sale value Difference	1000pcs	5.00	500.00 5000.00 4500.00
Total				4500.00
GST 6%				270.00
Charge to be paid				4770.00

The quantity & amount for each supply

The total amount excluding tax

The rate & amount of tax

Reason :

The sale price for item no.2 worth RM 5,000 for RM500 by mistake.

Approved By:

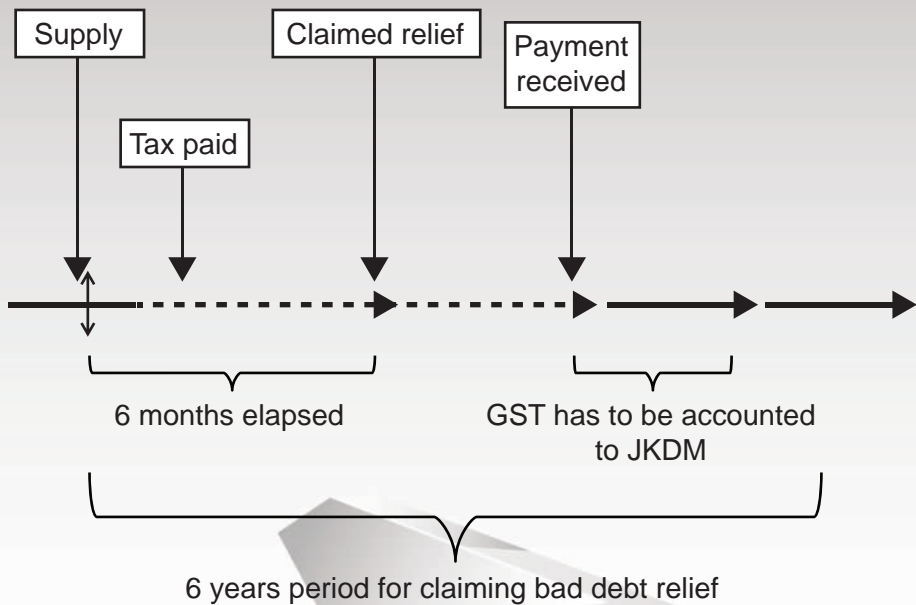
Farizulhuda Huda

The reasons for its issue

6

Bad Debt

Concept:



- **Bad Debt Relief**
 - ✓ entitle to relief on bad debts if the taxable person has not received any payment or part of payment in respect of the taxable supplies
- **Conditions to apply relief**
 - ✓ GST has been paid
 - ✓ has not received any payment or part payment 6 months from the date of supply or the debtor has become insolvent before the period of 6 months has elapsed
 - ✓ sufficient efforts have been made to recover the debt
- **Shall make adjustment in the GST return for bad debt relief claim**

Adjustments due to bad debts

- supplier is entitled to bad debts relief
- supplier claims as input tax in the return for the taxable period in which the bad debts are given relief
- input tax amount to be claimed is computed as follows:

$$\text{input tax} = \frac{A1}{B} \times C$$

where

A1 is the payment not received in respect of the taxable supply

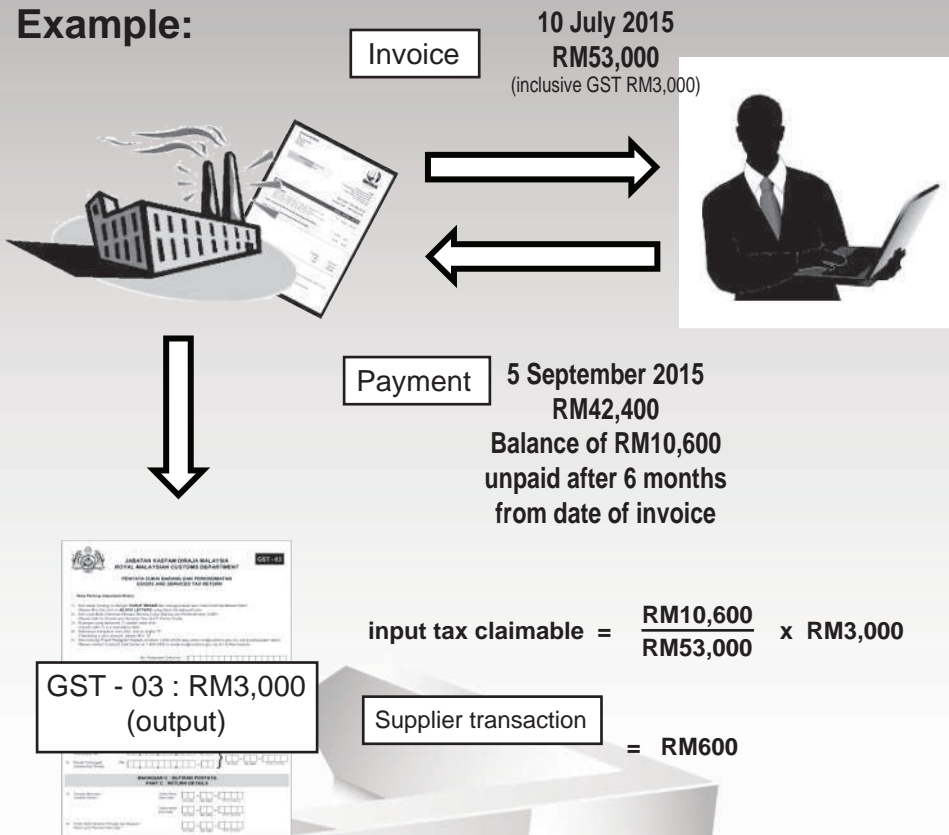
B is the consideration for the taxable supply

C is the tax due and payable on the taxable supply

- buyer account as output tax in the return for the taxable period in which the bad debts are given relief

Bad Debt Relief

Example:



If buyer who is a taxable person fails to pay his supplier the consideration (wholly / part) on the supply after the period of six months :-

- Need to account for GST on the outstanding amount owed to the supplier, if already claim the input tax
- Deemed to be his output tax (RM600 in the previous example)
- Account the output tax in the taxable period after the period of six months in his GST Return
- If he had ceased to be a registered person and had claim the input tax, account the tax in GST-03 form

Adjustments due to payment received in respect of bad debts

- customer makes payment in respect of bad debts (*relief has been claimed by supplier*)
- supplier accounts as his deemed output tax in the return for the taxable period in which the payment is made
- output tax amount to account

$$\text{output tax} = \frac{A2}{B} \times C$$

where

A2 is the payment received in respect of the taxable supply

B is the consideration for the taxable supply

C is the tax due and payable on the taxable supply

- customer account as input tax in the return for the taxable period in which the payment is made

SUPPLIER

Based on the earlier example:

On 5 March 2016, the customer pays RM8,000. The balance of RM2,600 is still unpaid.

$$\begin{aligned} \text{output tax to} \\ \text{be accounted} &= \frac{\text{RM8,000}}{\text{RM53,000}} \times \text{RM3,000} \\ &= \text{RM452.83} \end{aligned}$$

Customer

Allowed to claim the RM452.83:-

- If he is a Registered person – claim as input tax in GST Return (GST-03)
- If he ceased to be a registered person – claimed input tax by amending GST-03

7

Filing of GST Return & Payment

Taxable Period

- Regular interval period where a taxable person accounts and pays GST to the government
- To determine at the time when the GST registration is approved
 - ✓ quarterly basis
 - for businesses with annual turnover not exceeding RM5 million
 - ✓ monthly basis
 - for businesses with annual turnover exceeding RM5 million
- A taxable person may apply in writing to Director General for other taxable period

Last day for filing return

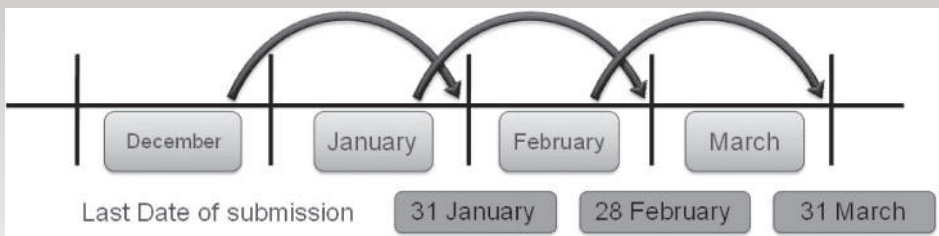
- Not later than the last day of the month following after the end of the taxable period
- Late filing return commits an offence and be liable to a fine not exceeding fifty thousand ringgit or to imprisonment not exceeding 3 years or to both

Last day to pay tax

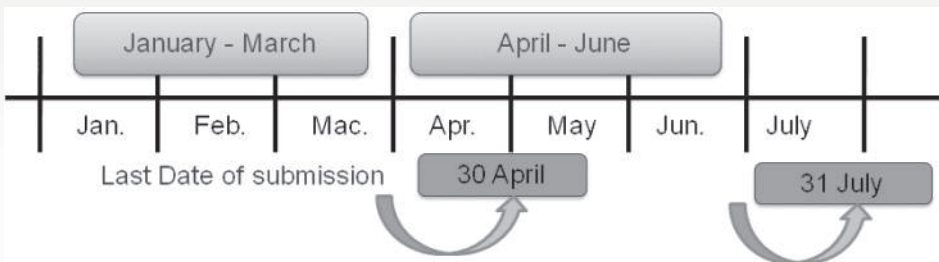
- Not later than the last day on which he is required to furnish the return

When to submit GST Return and pay tax

➤ monthly taxable period

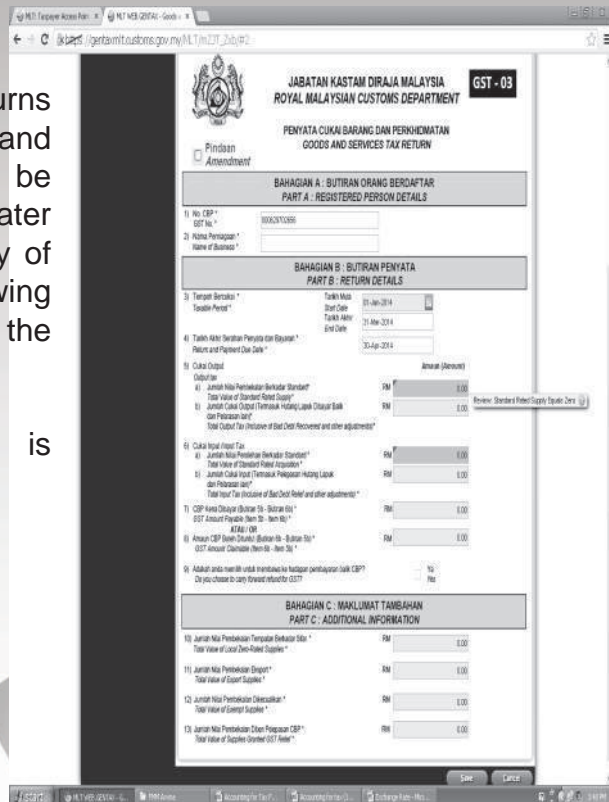


➤ quarterly taxable period



Filing of GST Returns & Payment

- GST returns (GST-03) and payments must be submitted not later than the last day of the month following the end of the taxable period
- Electronic filing is encouraged



JABATAN KASTAM DIRAJA MALAYSIA
ROYAL MALAYSIAN CUSTOMS DEPARTMENT

Penyata Cukai Barang dan Perkhidmatan
GOODS AND SERVICES TAX RETURN

BAHAGIAN A : BUTIRAN ORANG BERDAFTAR
PART A : REGISTERED PERSON DETAILS

1) No. CDP *
GST No. * 0000000000

2) Nama Perniagaan *
Name of Business *

BAHAGIAN B : BUTIRAN PENYATA
PART B : RETURN DETAILS

3) Tempoh Berakhir *
Period Ending * 31-Jan-2014

4) Tarikh Akhir Berakhir Pernyataan Berdaftar *
Return and Payment Due Date * 31-Mar-2014

5) Cukai Output
Output Tax

6) Jumlah Nilai Perolehan Berdaftar Standard *
Total Value of Standard Rated Supplies * RM 1.00

7) Jumlah Cukai Output Terlewatkan Mengikut Undang-Undang Cukai *
Total Output Tax (Inclusive of Standard Rated and other adjustments) * RM 1.00

8) Cukai Input
Input Tax

9) Jumlah Nilai Perolehan Berdaftar Standard *
Total Value of Standard Rated Supplies * RM 1.00

10) Jumlah Cukai Input Terlewatkan Mengikut Undang-Undang Cukai *
Total Input Tax (Inclusive of Standard Rated and other adjustments) * RM 1.00

11) CDP Kena Cukai (Butiran 10 - Butiran 10) *
GST Amount Payable (Item 10 - Item 10) * RM 1.00

12) Jumlah Cukai Output Berdaftar (Butiran 6 - Butiran 6) *
GST Amount Creditable (Item 6 - Item 6) * RM 1.00

13) Adakah anda menilik untuk permohonan kecutan pembayaran cukai CDP? *
Do you intend to apply for payment relief for CDP? * No

BAHAGIAN C : MAKLUMAT TAMBAHAN
PART C : ADDITIONAL INFORMATION

14) Jumlah Nilai Perolehan Tempatan Berdaftar Sisi *
Total Value of Local Zero-Rated Supplies * RM 1.00

15) Jumlah Nilai Perolehan Dapur *
Total Value of Export Supplies * RM 1.00

16) Jumlah Nilai Perolehan Dikeluarkan *
Total Value of Export Supplies * RM 1.00

17) Jumlah Nilai Perolehan Cukai Perolehan CDP *
Total Value of Supplies (Inclusive of GST) * RM 1.00



Filing of GST Returns & Payment

The screenshot displays the official GST website for Malaysia. The header includes navigation links: Home, About GST, For Consumers, For Industries, Resources & Guides, GST Highlights, and Contact Us. A large banner for 'GST Highlights' features a background image of shipping containers and text encouraging users to get the latest news and updates. To the right, there are quick links for 'TAXPAYER ACCESS POINT' (REGISTER, LOGIN), 'FOR CONSUMERS', 'FOR INDUSTRIES', and 'FOR TOURISTS'. Below the banner, there are sections for 'Online Services' (TAP Registration, Login to TAP, Drop Us Your Feedback, Complaint / Suggestion, Request a Seminar), 'Online Calculator' (GST Calculation, GST Calculation for Imports, GST Penalty Calculation), 'Media Gallery' (Pictures, Audios, Videos), 'Announcements' (no announcements displayed), and 'News & Updates' (no news displayed). Further down, there are interactive sections: 'Make a payment' (offer a range of convenient payment options), 'Poll' (Vote for GST Portal performance and view the poll result here), 'Legislation & Tax Rates' (Find out the right legislation and current tax rates), 'Check with Taxpert' (Share your opinion and feedback with GST Officers), and 'QR Code' (Scan and get access to GST Portal via mobile). At the bottom, there is a 'Subscribe News' section with an email input field and a 'SUBSCRIBE' button, a 'See Access Information' section with visitor statistics, and a 'Follow Us' section with social media icons. A 'HOTLINE' section provides the number 1300-888-500 and 03-8000 8000. The footer contains links for 'CLIENT'S CHARTER', 'PRIVACY POLICY', 'SECURITY POLICY', 'DISCLAIMER', and 'RSS'. The browser's address bar shows 'gst.customs.gov.my/en/Pages/default.aspx'.



Filing of GST Returns & Payment

The screenshot shows the official website of the Malaysia Goods & Services Tax (GST) TAP (Taxpayer Access Point). The header includes the GST logo and the text "Official Website MALAYSIA GOODS & SERVICES TAX (GST) Royal Malaysian Customs Department". The TAP logo is also present with the tagline "A BETTER TAX SYSTEM".

The main content area features a large banner with the text "Not everything gets taxed, basic necessities are still free of GST" and a "Mandatory" label. Below the banner, there is a "Login" section with fields for "Email Address" and "Password", and a "Forgot My Password" link. To the right of the login section is a "I Want To" dropdown menu with the following options:

- Register For GST
- Apply for Registration Exemption
- File GST Non-Registration Declaration
- Make a Payment
- Apply for Flat Rate Scheme
- Manage Advance Ruling
- Apply for Appeal
- Apply for Review

On the right side of the page, there is a "Common Questions" section with links to "What is TAP?", "What Can I Do in TAP?", and "Why Should I Sign Up?". Below this is a "Language" section with links to "English" and "B.Melayu". At the bottom right, there is a "Search" section with a "Retrieve Saved Request" link and a "Lookup Application Status" link.

The footer of the page shows the "start" logo and several links: "TAP Access Point", "PDRS Alerts", "Accounting for Tax F...", "Accounting for Tax F...", and "Exchange Rate - M...". The time displayed is 3:43 PM.



Filing of GST Returns & Payment

MLT: Taxpayer Access Point x MLT WEB: GST/FAX - Web Port x

← → ↻ https://gentax.mlt.customs.gov.my/TAP/_/#/4

 Official Website
MALAYSIA GOODS & SERVICES TAX (GST)
Royal Malaysian Customs Department

 **TAXPAYER ACCESS POINT 1**
A BETTER TAX SYSTEM

Menu **Log Off** **Previous** **Return Details** **Next** **Save and Finish Later** **Cancel**

Home
Back

MLT
Data: normal
Period: 12-Nov-2013

Navigation:
My Accounts
JUT: 00170244440
Goods and Services Tax Return

GOODS AND SERVICES TAX RETURN

OUTPUT TAX

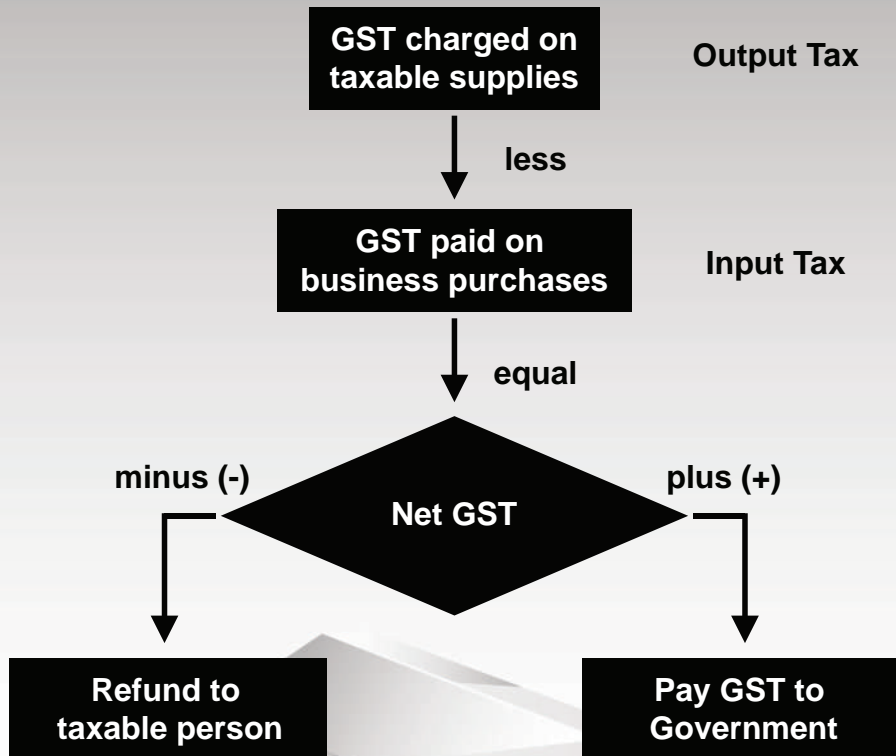
Total Value of Standard Rated Supply	RM	200
Total Output Tax (Supply x GST Rate)	RM	0.00

INPUT TAX

Total Value of Standard Rated Acquisition	RM	0.00
Total Input Tax (Acquisition x GST Rate)	RM	0.00
GST Amount Payable	RM	0.00
GST Amount Claimable	RM	0.00

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Filing of GST Returns & Payment



Filing of GST Returns & Payment

Example (payment) :

■ Calculation of output tax

- Value of taxable supplies made

RM1,000,000

 5a
- Output tax

RM 60,000

 5b

■ Calculation of input tax

- Value of taxable supplies received

RM 600,000

 6a
- Input tax

RM 36,000

 6b

■ Net tax payable/refundable

- GST payable (5b – 6b)

RM 24,000

 7
- GST refundable (6b – 5b)

--

 8

Example (refund):

■ Calculation of output tax

- Value of taxable supplies made

RM1,000,000

 5a
- Output tax

RM 60,000

 5b

■ Calculation of input tax

- Value of taxable supplies received

RM1, 600,000

 6a
- Input tax

RM 96,000

 6b

■ Net tax payable/refundable

- GST payable (5b – 6b)

--

 7
- GST refundable (6b – 5b)

RM 36,000

 8

8

Record Keeping

- Bahasa Malaysia or English
- 7 years
- can be kept in soft or hard copy
- to be kept in principal place of business

Failure to Keep Records

- Any person who contravenes Section 36 GST Act 2014, commits an offence and shall, on conviction, be liable to a fine:
 - ✓ not exceeding fifty thousand ringgit; or
 - ✓ to imprisonment for a term not exceeding three years; or
 - ✓ to both.

- Records relating to registration
 - ✓ SSM records – Form A, B, C, 8,9 and etc.
- Records relating business activities
 - ✓ tax invoices, invoices, receipts,
 - ✓ debit note, credit note
 - ✓ delivery order, purchase order
 - ✓ Bank slip, bank statement, voucher and etc.
 - ✓ Contract, agreement
- Records relating to accounting (hard copy)
 - ✓ Financial statement - Profit & Loss, Balance Sheet, Trial Balance
 - ✓ Account payable, account receivable, General ledger, Sales, Purchase , stock, cash and etc.

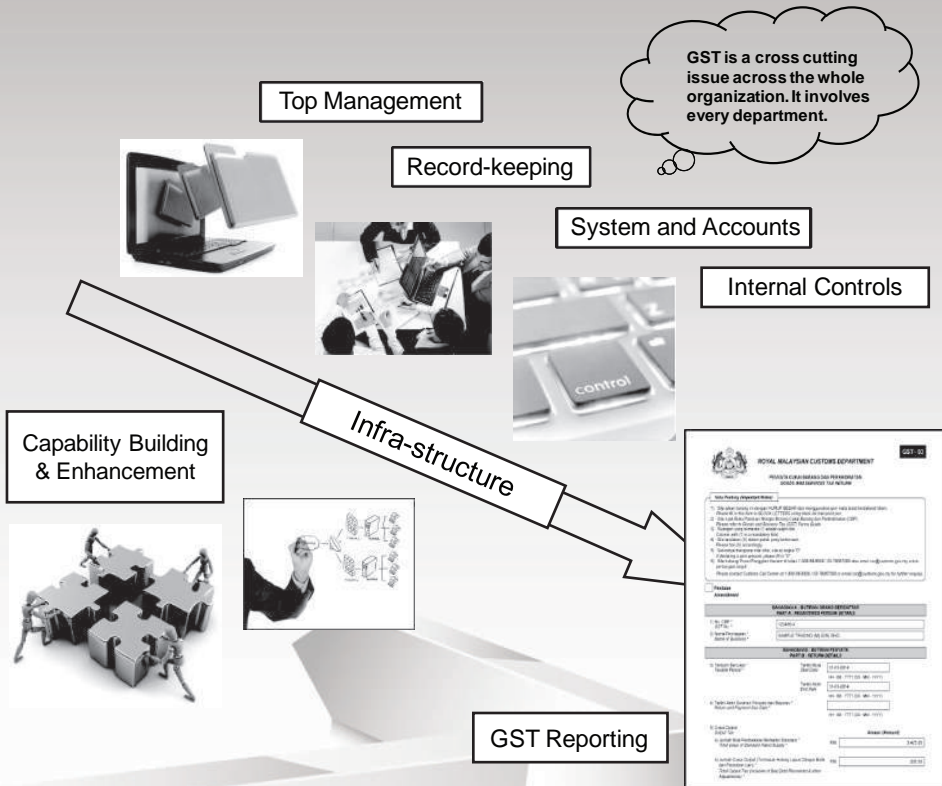
- Records relating to taxation
 - ✓ Customs forms – K1, K2, K9 and etc
 - ✓ GST – GST returns, registration and etc
 - ✓ GST adjustment sheet
 - ✓ Income tax declaration
- Records relating to electronic form
 - ✓ Accounting software manual
 - ✓ Accounts chart, access code, program documentation
 - ✓ Audit trail
 - ✓ Purchase, Sales, GL Listing (e.g standard, exempt, disregard, out of scope, deemed supply etc)
 - ✓ GAF File (GST Accounting Software)
 - ✓ Management Information Report (MIS) report
 - ✓ Other data / records keep in accounting / business software

- Methods of Preserving Records
 - ✓ The taxable person must keep the original documentation.
 - ✓ Where the record is in an electronic form, the record shall be kept in such a manner as to enable the record 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.

IMPLEMENTATION & OF GST BUSINESS PREPARATION

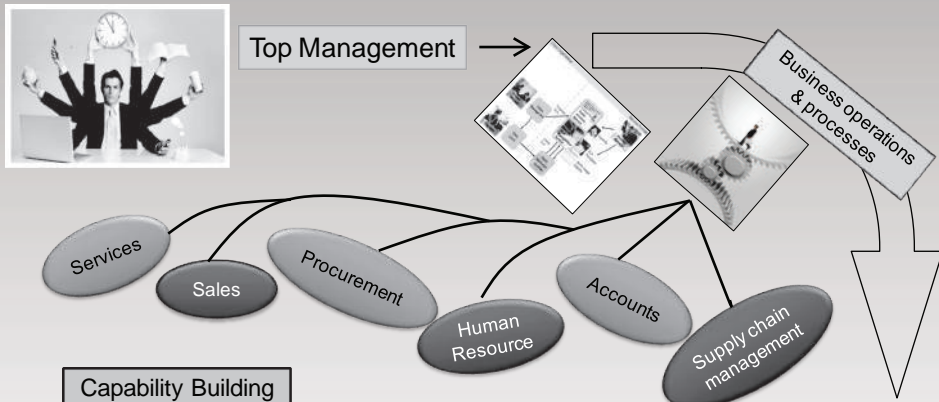


Getting Ready For GST Implementation





Embed The Critical Issues In The Business Process

[illegible]

1

Preparation For Implementation Of GST

Preparation For Implementation Of GST

Engagement with Government via their respective organisations or associations or business chambers.

Appoint senior members of the staff who will be responsible to train other staffs at all levels to understand GST and prepared in implementation, explaining the changes GST will entail in their respective work, customers and suppliers.

To review and perform transaction mapping to identify required changes.

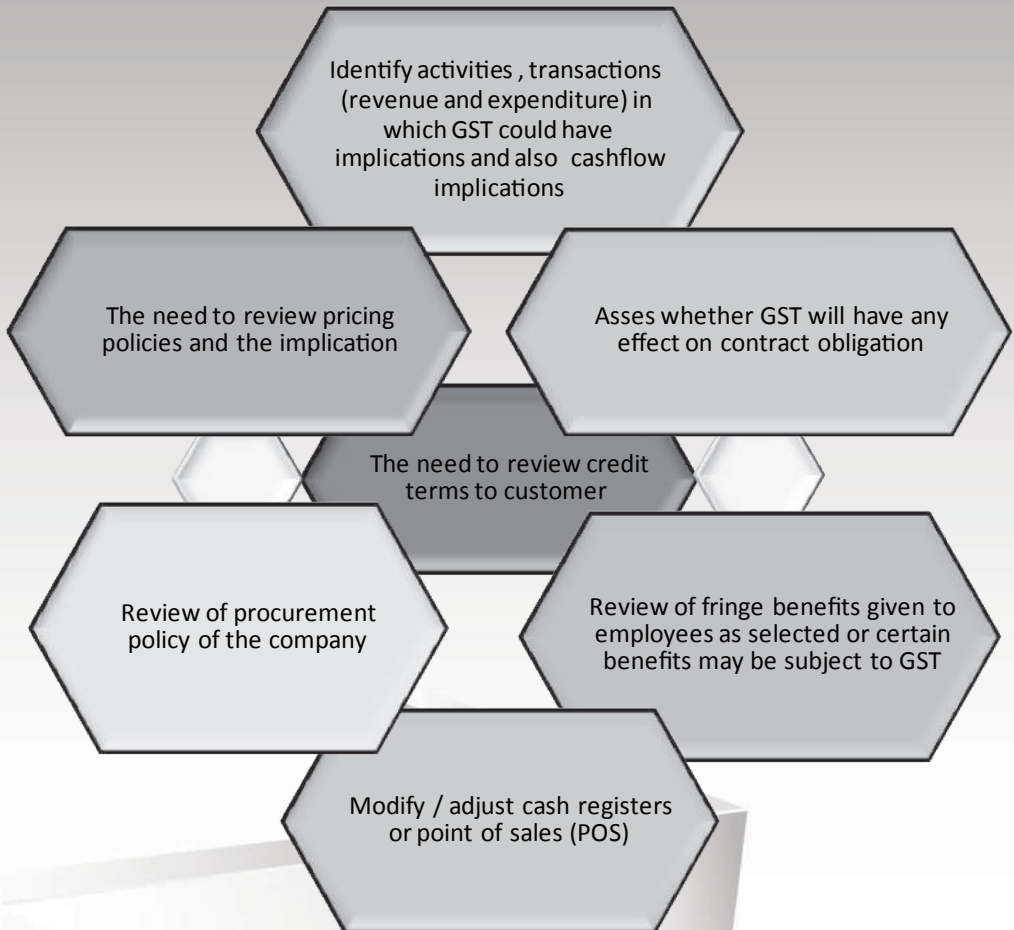
Review accounting systems to ensure that it creates the proper and convenient entries for GST compliance.

Need to understand of implication in issuing full or simplified tax invoices and the 21 days rule.

Review the documentation especially pertaining to the “tax invoices” for supply of goods or/and services. Preparation need to be done earlier in anticipation other businesses will take similar actions.

The need to know valuation issues on supply made for consideration in kind and open market value.

Preparation For Implementation Of GST





Preparation For Implementation Of GST

- The need to keep separate records for different rates, bad debts etc.
- Determine if a change is required in the accounting period for fulfilling GST requirements.
- Identify the precise stage at which GST need to be charged for each type of supply.
- Determine if there is need to apply for any special scheme in GST.
- Understanding the implication of blocked inputs not claimable.
- Understanding of input tax claims and capital goods adjustment for a mixed suppliers.
- Determine if there is need to be registered separately or as a group.
- Understanding of bad debt relief and the implications.
- Depending on the taxation of stocks and capital goods under the sales tax regime and the transitional provisions for refund , decide whether such purchases should be advanced or delayed.

Preparation For Implementation Of GST

Ensure that marketing personnel understand the basis for price displays on price tags, price cards and also in advertisements.

Review availability of resources to maintain proper accounting records to meet the GST obligations that will be called upon in any future audit by the Customs.

Register early to better prepared and opportunity to take part in Hand-Holding Programme

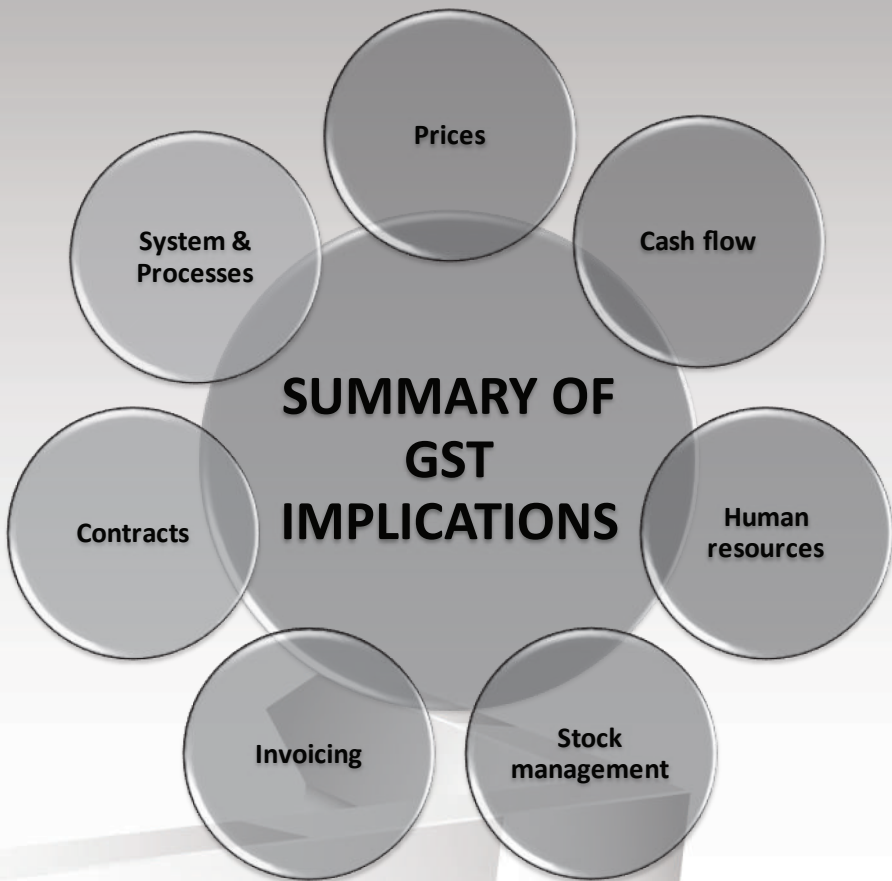
Cost benefit analysis to be done regarding the compliance cost that will incur.

GST is due to the authorities irrespective of whether payment has been received from the customer, thus failure to pay GST promptly can have serious financial consequences as severe automatic penalties may be imposed.

Preparation For Implementation Of GST

Test the newly procured or upgraded GST compliance accounting system and getting familiarize with such system

Apply for the special grant (e-voucher) given by the government (SME CORP) on the purchase of the GST compliance accounting system from the approved vendors



2

GST Implications

GST Implications on Prices

Preparation	Reason
<ul style="list-style-type: none"> ➤ Need to identify the existing suppliers ➤ Will they be registered under GST? ➤ Need to talk to small suppliers to get them registered ➤ Need to negotiate prices? ➤ Impact on purchase cost ? ➤ How to ensure that your suppliers pass on cost savings to you? ➤ Pricing strategy will affect your competitiveness ➤ Price control and Anti - profiteering Act came into force in 2011 	<ul style="list-style-type: none"> ➤ To pass on the cost saving ➤ If suppliers are not registered, input tax will not be recoverable. ➤ If the input tax is not recoverable then the price will be higher and it will impact your competitiveness.

GST Implications on Cash Flow

Need to analyze cash flow impact on the business

Cash flow is minimized via credit invoicing method under the GST model
(but could still be an issue for many businesses)

Most imports would attract GST unlike the present sales tax.
Need to look at your imports vs local purchases

GST payment could impact cash flow especially for large businesses who are on
a monthly taxable period

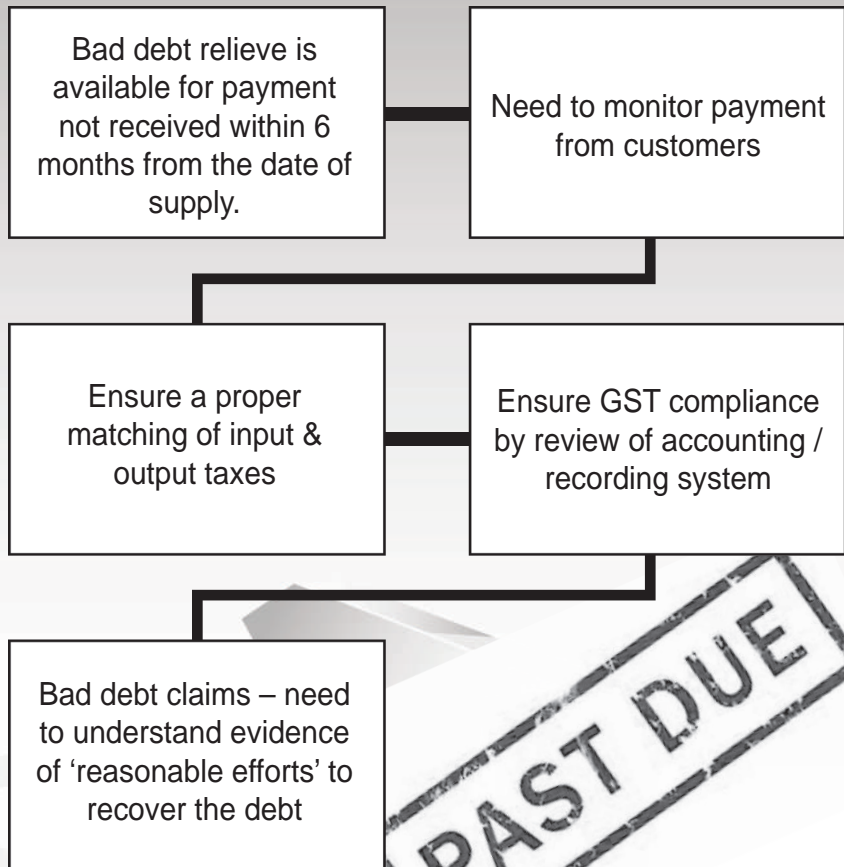
Need to provide for one time fund to cater for GST payment upfront

Make use of group provisions (limitations?)

Export orientated businesses will have little output tax to offset input tax.

ATS Eligibility?

GST Implications – Bad debts



GST Implications- Human Resource

Fringe benefits are taxable under GST



Need changes to the employment agreements?



How to introduce the changes



What are the risks?



Need to review policy on FB liabilities, incentives, reward schemes



GST Implications – Stock Management

Special refund is given on stock on hand

Full refund - proof sales tax has been paid.
20% refund - no sales tax shown on invoice

Need to review your purchasing policy?
What else?

Need to conduct stock take on the transition date.
Audit certificate is required by customs.

Review stock take management policy to minimize impact.
Special refund - only 8 instalments over a period of 2 years.

Economic order quantity may change due to changes in the demand.



GST Implications – Invoicing

1

Identify each type of supply - whether standard rate, exempt, zero rate or out of scope.

2

Simplified tax invoice - eligibility to claim is restricted to RM30.00 if name & address is not stated

3

Accounting system able to capture GST liability

4

Contract negotiations – GST inclusive / exclusive price

5

Full tax invoice if necessary

6

21 days rule

GST Implications – Output Tax

Gifts more than > RM500 →

GST

Gifts \leq RM500 made in furtherance of business
given to same person in
the same year →

No GST

Commercial samples in a form not ordinarily
available for sale to the public →

No GST

Deemed supply i.e private use, disposal of
business assets, etc. →

GST

GST Implications – Input Tax

Not all business purchases are claimable

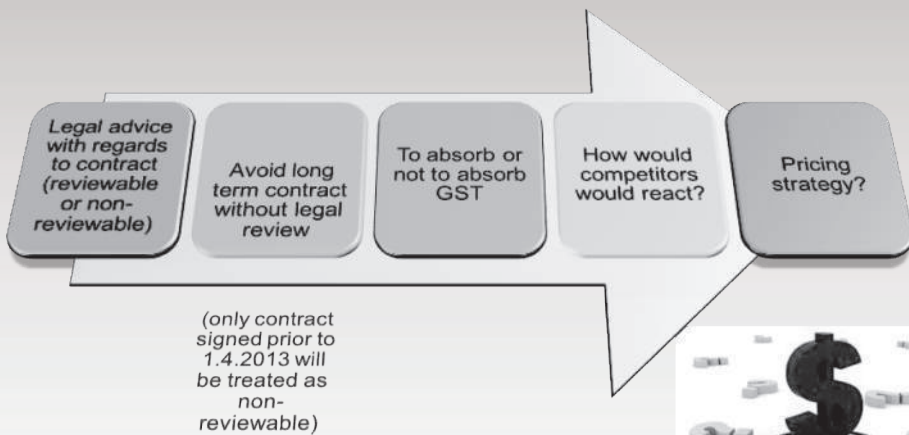
Blocked inputs are not claimable, is IT system and accounting system capable to differentiate.

ITC claim on sundry purchases from retail stores with a simplified tax invoice without name & address of the recipient is restricted to RM30 only

Claim of input tax for advance payments?

Apportionment of input tax

GST Implications – Contracts



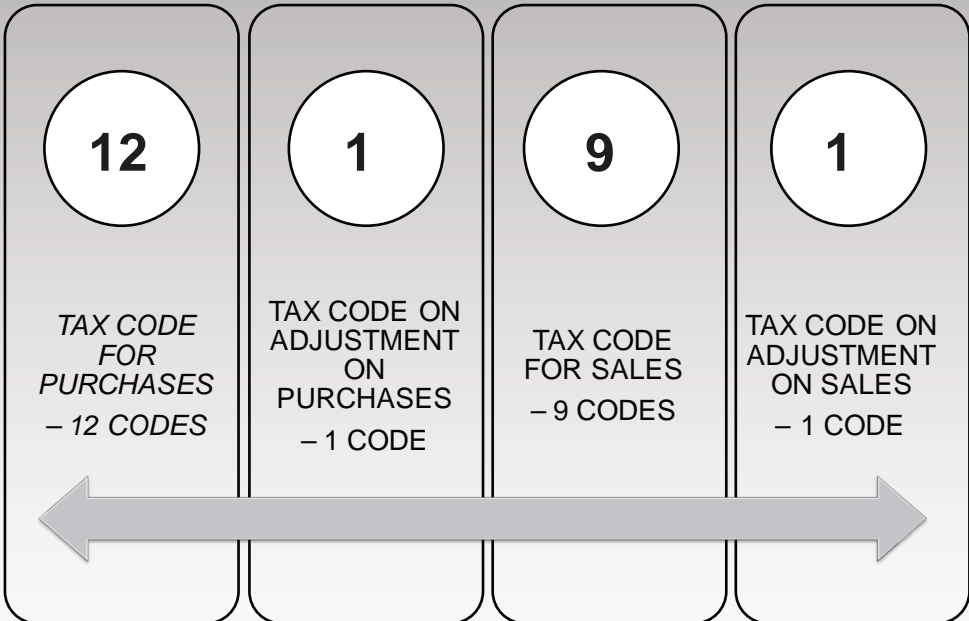
System and Processes



3

Tax Code

Tax Code



Gst Tax Code For Purchases

Tax Type	Description	Tax Code	Tax Rate	Description
GST	Goods And Services Tax (Malaysia)	TX	6%	Purchases with GST incurred at 6% and directly attributable to taxable supplies.
GST	Goods And Services Tax (Malaysia)	IM	6%	Import of goods with GST incurred.
GST	Goods And Services Tax (Malaysia)	IS	0%	Imports under special scheme with no GST incurred (e.g. Approved Trader Scheme, ATMS Scheme).
GST	Goods And Services Tax (Malaysia)	BL	6 %	Purchases with GST incurred but not claimable (<i>Disallowance of Input Tax</i>) (e.g. medical expenses for staff).
GST	Goods And Services Tax (Malaysia)	NR	0%	Purchase from non GST-registered supplier with no GST incurred.
GST	Goods And Services Tax (Malaysia)	ZP	0%	Purchase from GST-registered supplier with no GST incurred. (e.g. supplier provides transportation of goods that qualify as international services).
GST	Goods And Services Tax (Malaysia)	EP	0%	Purchases exempted from GST. E.g. purchase of residential property or financial services.
GST	Goods And Services Tax (Malaysia)	OP	0%	Purchase transactions which is out of the scope of GST legislation (e.g. purchase of goods overseas).
GST *	Goods And Services Tax (Malaysia)	TX-E43	6%	Purchase with GST incurred directly attributable to incidental exempt supplies.
GST *	Goods And Services Tax (Malaysia)	TX-N43	6%	Purchase with GST incurred directly attributable to non-incidental exempt supplies.
GST *	Goods And Services Tax (Malaysia)	TX-RE	6%	Purchase with GST incurred that is not directly attributable to taxable or exempt supplies.
GST *	Goods And Services Tax (Malaysia)	GP	0%	Purchase transactions which disregarded under GST legislation (e.g. purchase within GST group registration).

Gst Tax Code For Sales

Tax Type	Description	Tax Code	Tax Rate	Description
GST	Goods And Services Tax (Malaysia)	SR	6%	Standard-rated supplies with GST Charged.
GST	Goods And Services Tax (Malaysia)	ZRL	0%	Local supply of goods or services which are subject to zero rated supplies.
GST	Goods And Services Tax (Malaysia)	ZRE	0%	Exportation of goods or services which are subject to zero rated supplies.
GST *	Goods And Services Tax (Malaysia)	ES43	0%	Incidental Exempt supplies.
GST	Goods And Services Tax (Malaysia)	DS	6%	Deemed supplies (e.g. transfer or disposal of business assets without consideration).
GST	Goods And Services Tax (Malaysia)	OS	0%	Out-of-scope supplies.
GST	Goods And Services Tax (Malaysia)	ES	0%	Exempt supplies under GST
GST	Goods And Services Tax (Malaysia)	RS	0%	Relief supply under GST.
GST	Goods And Services Tax (Malaysia)	GS	0%	Disregarded supplies.

Adjustment

GST	Goods And Services Tax (Malaysia)	AJP	6%	Any adjustment made to Input Tax e.g.: Bad Debt Relief & other input tax adjustment.
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GST	Goods And Services Tax (Malaysia)	AJS	6%	Any adjustment made to Output Tax e.g : Longer period adjustment, Bad Debt recover, outstanding invoice > 6 months& other output tax adjustments.
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Related Party Transaction

No issue if both
seller and buyer
are registered
and buyer is
eligible to claim
ITC

If buyer is not
registered or
cannot claim
ITC the value of
the supply must
be open market
value



Price Control and Anti Profiteering Legislation

Price Control and Anti Profiteering Act 2011 will be enforced strictly

Ministry of Domestic Trade, Cooperative and Consumerism

Special committee to combat profiteering

Price Monitoring Council

Element of GST cannot be treated as a cost as it is recoverable from the authorities (FRS 102/MASB2)

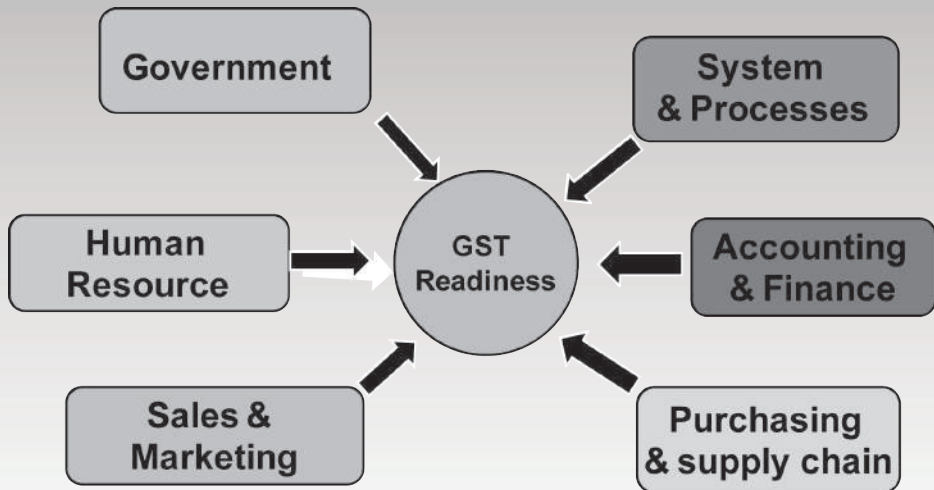
Cost savings be passed down to the next level?

Otherwise can it be assumed as making unreasonable profits?



4

Business Preparation For GST



Transitional Issues

With the coming of GST into force, Sales Tax Act 1972 and Service Tax Act 1975 is repealed with the saving of certain provisions for the levying, payment, assessment, remission, or recovery of sales tax or service tax which has become due and payable and also provision for refund of such taxes which were overpaid or erroneously paid.

Hence, sales tax and service tax shall not be charged with effect from 1 April 2015. Sales tax and service tax licensees will cease to be registered under Sales Tax Act 1972 and Service Tax Act 1975 and those licensees whose annual turnover exceeds RM500,000 will be mandatorily required to be registered under the GST law while others may choose to be registered persons under the GST system.

In addition, the facilities and exemptions given under Sales Tax Act 1972 and Service Tax Act 1975 will cease to be effective.

5

Supplies Spanning GST

Meaning of supply spanning GST

- Payment or invoice before effective date and supply takes place on and after effective date e.g. sales of goods, airline tickets and cinema

General Rule

- Any supply before appointed date not subject to GST
- Any supply on or after appointed date subject to GST

Exception to the general rule

- Supply of warranty
- Provision of services where service tax has been charged
- Provision of goods where sales tax has been charged
- Non reviewable contracts

Supplies Spanning GST

BEFORE GST	ON OR AFTER GST	IMPLICATION ON GST
Goods Supplied (available / removed)	Payment received / Invoice issued	Not subject to GST BUT subject to SALES TAX
Invoice issued or payment received	Goods subject to sales tax supplied	Not subject to GST BUT subject to SALES TAX
	Supply non-taxable goods under Sales Tax Act 1972.	Value of supply deemed inclusive of GST and account in the 1 st taxable period after the appointed date
Goods imported	Release from customs control	Subject to GST and date of importation is when released from customs control

6

Non Reviewable Contract

Non reviewable contract

- Written contract with no provision to review consideration for the supply until a review opportunity arises

AND

- 24 months before the date of GST implementation date.

Non Reviewable Contract

Meaning of review opportunity

- Opportunity for supplier either by himself or with agreement to –
 - change the consideration because of the imposition of GST
 - conduct a review after AD , renegotiation or alteration of consideration, or
 - conduct a review before AD, renegotiation or alteration of the consideration

Non Reviewable Contract

Zero rate supply for 5 years after appointed date or when a review opportunity arises whichever is the earlier if

- both supplier and recipient are registered persons;
- supply is a taxable supply; and
- the recipient of the supply is entitled to claim input tax on that supply

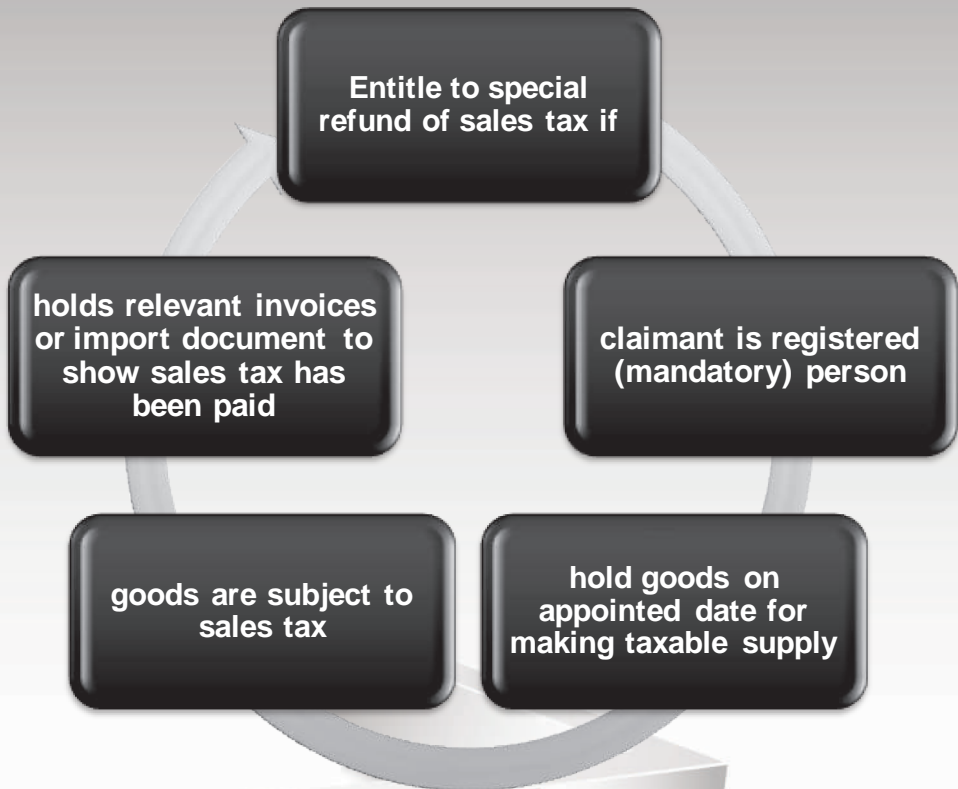
After 5 years period, revert to either standard rate or zero rate



7

Special Refund

Special Refund



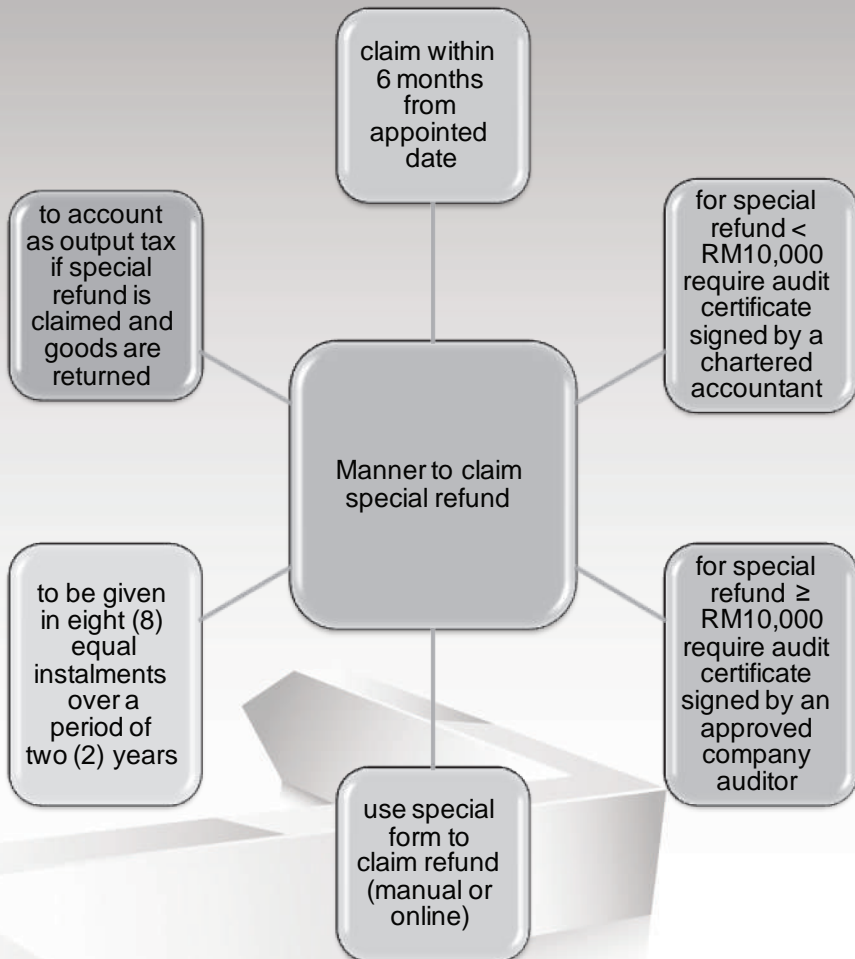
Special Refund



Special Refund



Special Refund



20% method

reduce the actual purchase price by 80%
for goods held on hand on appointed date

Special refund =
Actual price x 20% x Sales tax rate

Example :

*Purchased RM15,000 of raw materials
but holds RM10,000 on appointed date*

*Special refund =
RM10,000 x 20% x 10% = RM200*

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