ROYAL MALAYSIAN CUSTOMS

GOODS AND SERVICES TAX

GUIDE
ON
E-COMMERCE SERVICES

Publication

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CONTENTS

INTRODUCTION

1. This Industry Guide is prepared to assist you in understanding matters with regards to Goods and Services Tax (GST) treatment on e-Commerce.

Overview of Goods and Services Tax (GST)

2. Goods and Services Tax (GST) is a multi-stage tax on domestic consumption. GST is charged on all taxable supplies of goods and services in Malaysia except those specifically exempted. GST is also chargeable on the importation of goods and services into Malaysia.

3. Payment of tax is made in stages by the intermediaries in the production and distribution process. Although the tax would be paid throughout the production and distribution chain, only the value added at each stage is taxed thus avoiding double taxation.

4. In Malaysia, a person who is registered under the Goods and Services Tax Act 2014 is known as a “registered person”. A registered person is required to charge GST (output tax) on his taxable supply of goods and services made to his customers. He is allowed to claim back any GST incurred on his purchases (input tax) which are inputs to his business. Thus, this mechanism would avoid double taxation and only the value added at each stage is taxed.

GENERAL OPERATIONS OF THE INDUSTRY

Overview of e-Commerce

5. Electronic commerce (e-commerce) is the use of computer networks to engage in commercial activities. Businesses use e-commerce to buy and sell goods and services, create greater corporate awareness, and provide customer service. While many consider e-commerce to be synonymous with trading on the Internet, the actual scope is far greater. E-commerce encompasses all kinds of business actions, including transactions pertaining to the buying and selling of goods (‘mail order’ types of transactions), various kinds of services and digital information transfers (image, audio, text and software), all of which are conducted electronically using the internet, in order to improve the efficiency and effectiveness of market and business processes.

6. In the business environment, traditionally there is a need for a tangible and permanent form of communication in a transaction between buyer and seller. However, in e-commerce there is the ability to communicate in an electronic form where a computer is able to recognize, reproduce and store and this means that business could now be conducted in a paperless environment. E-commerce is the process of trading across the electronic media, that is, a buyer makes a transaction though a seller's electronic site.

7. E-commerce will lead to a situation where substantial volumes of transactions are concluded between providers of goods and services and consumers. This transaction is done at a great distances from each other. Goods, services and digitized information (such as text, image, sound and software) can be acquired by or supplied to consumers located in another country, at great distances from their suppliers. In several situations these ‘cross-border’ transactions no longer concern physical goods or tangible products.

8. Consumers now have the choice to gain faster information into the global supply of goods and services by the usage of the e-commerce.

9. Put simply e-commerce is described as doing business using the internet, whether communicating by PC, internet or applications enable mobile phone, interactive television, console gaming machine or through kiosks.

E-commerce business models

10. There are three different kinds of e-commerce business models:

(a) Business that has a presence in the physical world and without a commercial Internet presence. Virtually many established business now has a website but uses its site for passive promotional purposes rather than to engage in online commercial activity.

(b) Business that combines a physical offline presence with one online. This model of business engages in commercial activity through its physical stores and also from its website.

(c) Business that operates exclusively online. This model of business is also known as “dot-com” company.

The internet

11. The Internet is a global collection of networks connecting and sharing information through a common set of protocols. It allows computers attached to networks to communicate regardless of manufacturer or brand, architecture, operating system or location.

12. Not only does the Internet allow open communication, but many forms of communication. Voice, data and video transmissions can be carried over one infrastructure. The Internet was initially used primarily for data transmission, but telephony 'voice transmission' and video transmission are growing. Another advantage of the Internet is efficiency of data transfer.

Different e-commerce market categories

13. There exist different e-commerce categories. Business-to-consumer companies (B2C) are involved with individual consumers in a retail or service setting. Business-to-business companies (B2B) provide goods or services to other businesses. Although B2B has less public prominence than B2C, most analysts agree that the B2B sector garners a much higher volume of business than does B2C. Consumer-to-consumer companies (C2C) facilitate transactions between individual consumers. For example, EBay, an online auction site that serves the C2C market, generates revenue from transactional fees, ancillary services, and advertising. Also relevant are government-to-business (G2B) and government-to-consumer/citizen (G2C).

How GST affects e-commerce

14. GST is a general consumption tax, which is subject to a number of general principles. One of the principles is that it operates on a territorial basis. Another principle is that it must be neutral or in other words, it may not interfere with the commercial flow.

15. In business to business (B2B) transactions, where the consumer is entitled to input tax credit, GST cannot be regarded as an item of expenditure. The GST payable by the provider of goods or services will invariably be paid by the consumer (transferred), while GST paid previously will be returned.

16. For consumers who are not entitled or only partially entitled to deduct input tax incurred, GST is an item of expenditure for their business because GST paid is not claimable. This also applies to private individuals.

GST TREATMENT FOR E-COMMERCE SERVICES

Persons required to collect GST

17. Only a GST registered person can charge and collect GST on all supplies of goods or services made in Malaysia apart from exempt or zero-rated supplies. A person is a taxable person for GST purposes if he is or is liable to be registered under the Goods and Services Tax Act 2014.

18. If you are supplying goods or services in Malaysia via the Internet you are accountable for the collection of GST as in conventional commerce. This also applies regardless that the transactions are done through a third party e-commerce service provider (e.g. web hosting company).

Principal Rule for Place of Supply

A. Goods

19. The formal rule is that the place of supply of the goods is the place where the delivery of goods begins. If this location is in Malaysia, then GST will be payable for supply purchased in Malaysia. If goods purchased (imported) from outside of Malaysia, then GST is payable upon importation.

20. If a Malaysian business exports goods to a consumer in another country, the goods are subject to a zero rate with deduction of input tax. The goods therefore leave Malaysia GST free.

B. Services

21. The principal rule is that the supply of service is treated as belonging (and taxed) at the location of the service provider. However, there are numerous exceptions to this rule, such as services pertaining to imported services, exported services, or services perform outside of the country by the supplier who belongs in Malaysia.

Criterion of ‘belonging to Malaysia’ in relation to supply of services

22. Subject to subsection 14(1) of the Goods and Services Tax Act 2014, the supplier of services shall be treated as belonging in a country if:

(a) he has in that country a business establishment or some other fixed establishment.

(b) he has no such establishment in any country but his usual place of residence is in that country; or

(c) he has such establishments both in that country and elsewhere and the establishment of his which is most directly concerned with the supply is in that country.

Example 1:

What does ‘belonging in Malaysia’ mean?

<u>In the case of supplier:</u>

- *Instance 1: The Malaysian Company pays a web host in Singapore to host its site.*
- *Instance 2: The Singapore-based company leases office space in Malaysia.*
- *Instance 3: The Singapore-based company rents a dedicated web server in Malaysia.*
- *Instance 4: The Singapore-based company pays a web host based in Malaysia to host its site.*

In instance 1 and 2, the supplier belongs to Malaysia because of its physical presence. The establishment directly concerned with supply is in Malaysia.

In instance 3, a server on which a Website is stored is tangible property.

Computer equipment, such as a server may on its own qualify as a fixed establishment of the supplier, provided that the activities carried out through the server are a significant and essential part of its business activity and the server entails physical intrusion by the supplier. Nonetheless, by virtue of having only a server with pre-designed application software and without human intervention to operate, will not constitute fixed establishment. It lacks physical operation by the supplier to substantiate that the establishment is directly concerned with the supply. Thus the supplier does not belong to Malaysia.

In instance 4, the supplier does not belong to Malaysia. A website, which merely consists of software and electronic data, is not tangible property, and therefore does not have a location that can constitute a place of business. It lacks physical presence and does not has its own resources to maintain the server.

<u>In the case of recipient:</u>

- *Instance 5: An individual is a citizen of Singapore but he resides in Johor Bahru.*
- *Instance 6: The Singapore-based company has a factory in Ipoh.*
- *Instance 7: A Malaysian-based company has a branch in Singapore.*

In instance 5 the individual is treated as belonging in Malaysia since his usual place of residence is in Malaysia.

In instance 6 and 7 the establishment should be considered as belonging in Malaysia is the one which is most directly concerned with the supply of services.

The place of supply of imported services with regard to different market categories

23. If services are supplied by a supplier who is not a resident in Malaysia to a consumer in Malaysia, these services are not generally subject to GST.

Example 2:

How is the supply of services made via the Internet to Malaysian residents from non-resident suppliers treated for GST purposes?

Supplier:

Virus protection software is purchased from www.viruses_buster.com. After payment the files are downloaded to the recipients' computer. Viruses_buster.com is owned and operated by Earn Money Corp a US controlled and owned corporation. All of the equipments (servers etc) is located in the United States. (Note: for GST purpose, supply of digital products over the internet is deemed as supply of service).

<u>*Scenario 1*</u>

Recipient is Niaga Software Enterprise is a GST registered person making wholly taxable supply.

As Niaga Software Enterprise has acquired the software for solely making taxable supply, he has, therefore, to account GST on the reverse charge mechanism via GST-03 return. He is deemed to make taxable supply to himself and he can recover the input tax in full.

<u>*Scenario 2*</u>

Recipient is Jamin Insurance Bhd., a GST registered person making mixed supplies.

Jamin Insurance Bhd. acquires the supply for the purpose of its business carried on in Malaysia. The acquisition made by Jamin Insurance Bhd. is for making taxable and exempt supplies. Therefore, Jamin Insurance Bhd., as a registered person is liable to account GST *on reverse charge mechanism via GST-03 return. However, for the purpose of recovery of input tax, Jamin Insurance has to apportion the recovery of the input tax based on the percentage of taxable supplies made by Jamin Insurance Bhd. in the taxable period.*

Scenario 3

Recipient is Bas Baru Sdn. Bhd. is not GST registered person making wholly exempt supply.

Bas Baru Sdn. Bhd. has acquired the software for business purpose. Since Bas Baru Sdn. Bhd. is not a registered person, he has to pay GST on the importation of service via GST-04 declaration.

Scenario 4

Recipient is Mr. C. Polan, an individual consumer who acquired the software for private use.

Mr. C. Polan is not a taxable person and has acquired the software for private use. Since the services are not used for business purpose, Mr. C. Polan is not required to account for GST.

The Reverse Charge Mechanism

A. What does it mean?

24. The reverse charge mechanism generally applies to supplies of imported services that would be taxable if made in Malaysia and that are acquired by any person for the purpose of business. If the reverse charge applies, the GST-registered recipient must self-assess GST on the value of services imported and pay the GST to the Customs as if it had made (instead of received) the supply of services. The effect is that the customer (if registered for GST) must account for output tax on the supply and can treat the same amount as input tax. The input tax may, or may not, be deductible in full depending on the use to which the supplies are put.

B. What are the guidelines?

25. The guidelines are:

(a) Time of supply:

When the supplies are paid for or the date of invoice issued by the supplier, whichever is earlier.

(b) Value of supply:

The value of the supply is treated as made by the recipient shall be taken to be such amount as is equal to:

(i) whatever consideration paid; if the recipient is not connected to the supplier, or

(ii) open market value; if the recipient is connected to the supplier.

(c) Documentation:

A recipient of a supply of imported services must have records which establish the value on which the GST was charged. This includes the following information:

(i) the name and address of the supplier

(ii) the date on which (or period during which) the supply was received

(iii) a description of the services supplied

(iv) the consideration for the supply

(v) the time by which payment is due

C. How to declare?

26. The GST on supplies of imported services subject to the reverse charge will be included in a registered person's GST return (GST-03) in the same way as other

supplies. However non registered person has to declare in the GST declaration form (GST-04) for output tax incurred on the imported services.

GST Treatment on Goods

A. Supply of physical goods via the internet subject to GST

27. If a GST registered person sells goods via the internet and the goods are physically supplied to a customer in Malaysia, the supply is subject to GST. The principle guiding the charging of GST on e-commerce transactions is the same as that for conventional commerce. Therefore, if a GST registered person sells goods via the Internet and the goods are delivered locally, he is then making a standard-rated supply. The medium through which the transaction occurs does not alter the taxability of the transaction.

B. When supply of goods made over the Internet can be zero rated

28. If goods are sold via the internet and the goods are physically supplied to customers overseas, the sales can be zero-rated for GST purposes. It is important to prove the goods have been exported and sufficient evidence should be held to prove the export. (Please refer to paragraph Q7 for further information). Hence, whether GST is charged at standard rate or zero-rate for the supply of goods, depend on the destination of where the goods are to be delivered.

Example 3:

There are number of scenarios where supply of goods can be zero-rated:

Scenario 1 – Tangible goods are exported overseas by the supplier. The customer is located overseas.

Scenario 2 – Tangible goods are exported overseas by the supplier. The customer is located in Malaysia at the time of purchase.

Scenario 3 – Tangible goods are delivered to local customer’s agent and then exported overseas by the agent.

Note: Each scenario may require different set of documents as evidence for zero rating.

C. GST liability on goods obtained from an overseas supplier through the internet.

29. GST is levied on the value of the goods (the total of the declared purchase price inclusive of transport or freight and insurance plus any duty payable) when the goods arrive in Malaysia. It is collected by Customs from the importer before the goods are released. As a GST-registered person, you can claim an input tax credit.

GST treatment on secondhand goods

30. Secondhand goods sourced in Malaysia and sold via the internet to a customer in Malaysia is subject to GST and to be accounted for as output tax in the GST return.

31. Secondhand goods sold via the internet to an overseas customer and exported, the sale can be zero-rated and the seller must prove that the goods have been exported and sufficient evidence should be held to prove the export.

GST treatment for digital products

32. For GST purpose, supply of digital products over the internet is deemed as supply of service.

What is digital product?

33. Digital product refers to information-based products that never manifest itself outside the digital environment. Principally, digital product requires electronic media as a form of delivery such as software, stream video, MP3, etc.

Is digital product sold locally taxable?

34. If a GST-registered person sells digital product via the internet or other electronic media, such as software or digital book to individual consumer or a business entity, it must be standard rated unless the customer does not belong in

Malaysia. Please refer to paragraph 22 to decide whether the customer belongs or does not belong in Malaysia.

How about digital products sold to overseas customer?

35. If digital products are sold via the internet and downloaded by an overseas customer it can be zero-rated but it is important to prove that the products are "exported" otherwise GST must be charged.

If digital products are provided free by the supplier, what is the GST treatment?

36. Service without consideration is not a supply of service under GST. Thus, digital product is provided as free download by GST registered person is not subject to GST.

Certain digital product can be delivered physically or digitally. What is the GST treatment?

37. For GST purposes, tangible properties or hardcopies of digital product (e.g.: software programs) are "goods" while the intellectual property (includes patents, trademarks, brand names, copyrights, registered designs, licenses, literary and artistic property rights, and other similar items, which are valued for their intellectual or intangible content) in relation to digital product is "service". The supply of intellectual property related to digital product and the supply of a hardcopy of digital product are distinguishable. In the latter there is no transfer of intellectual property rights. The supply of digital product through downloading directly from an overseas supplier via the internet is a supply of service only.

38. Normally, when digital product is downloaded directly from a supplier via the internet, it may be noted that the customer acquires data in the form of a digital signal and does not obtain the copyright. Nonetheless if the purchase of the digital product is inclusive of its intellectual property, it is still regarded as supply of service. On the other hand, the delivery of digital products through tangible mediums is regarded as supply of goods.

39. For local purchases of digital products, there is generally no necessity to distinguish between the supply of goods and the supply of services because goods

and services supplied in Malaysia are subject to GST. However, the distinction is relevant in cross-border situations. Please refer paragraphs 22 and 23 for further explanation of GST treatments on imported services.

GST Treatments on Supply of Service

40. For GST purposes services are defined as "anything done for consideration which is not a supply of goods".

What is service in e-commerce?

41. Service in e-commerce refers to uploading and transferring of data via electronic media where input in one jurisdiction is used by a customer in another jurisdiction.

When do I need to charge GST for services supplied via the Internet?

42. If you are registered for GST in Malaysia, you must standard rate the supply unless the services are zero-rated under the GST (Zero-Rate Supply) Order 2014. Some examples of these zero-rated services are:

(a) supply of international transport of passenger (e.g. sales of international air tickets);

(b) services performed for a person who does not belong in Malaysia at the time the service is performed and the services are not supplied directly in connection with land or goods situated inside Malaysia.

How do I know if my business customer has business in Malaysia or has a fixed establishment in Malaysia?

43. If your customer has a Malaysian address in your membership database (for instance, your regular business customer), a Malaysia domain name or a Malaysia IP address, these are indications that he has establishment in Malaysia.

44. However, the following may indicate that your business customer belongs in a country outside Malaysia:

(a) address of the business entity as shown in your membership database is outside Malaysia; and

(b) domain name or IP address indicates that the business is a foreign establishment; and

(c) company gives a declaration, at the time of transaction, that the company is located outside Malaysia; and

(d) any other information you have that indicates your customer as belonging outside Malaysia*.

Guidelines relating to determining the location of customer will change with advancement in technology.

If my customer is an individual consumer, how do I know that he belongs in Malaysia?

45. As a supplier, you should take reasonable steps to determine where your customer belongs.

(a) If your customer has a Malaysia domain name or a Malaysia IP address, such as namasaya@tm.net.my, you must charge GST on the supplies of services.

(b) If your customer does not have a Malaysia domain name nor a Malaysia IP address, such as saya@gmail.com, then you need to obtain a declaration of his usual place of residence.

(i) If he declares that his usual place of residence is Malaysia, then you must charge GST on the supplies of services.

(ii) If he declares that it is outside Malaysia, then you can treat him as belonging outside Malaysia and zero-rate your supply of services to him.

(iii) If your customer fails to declare his usual place of residence, then you should charge GST on the supplies of services.

46. Please refer to **Appendix 2** on the possible situations and the GST treatment for each of the situations.

Example 4:

Scenario – Digital products are downloaded by a customer who claimed to be located overseas.

What are the steps to verify his claim?

(a) *The customer should make a declaration at the time of the transaction that he is located overseas and that the products will be used outside Malaysia. For example, "I declare that I am not in Malaysia at this time and will not be making use of this supply in Malaysia" and provides his name and full address.*

(b) *Evidence of payment received from the customer. Credit card information may be a guide as certain credit card number series may only be issued in Malaysia. However, this process is changing and is not entirely reliable.*

(c) *Email address may suggest that the customer is overseas but is not final proof as a Malaysia resident can obtain an overseas email address.*

(d) *Internet Protocol (IP) address of the customer - although this is not final proof that the customer is overseas.*

(e) *Usage of geo-locator software may help in verifying the claimed.*

Note: In this scenario, as can be seen from the above list, it is unlikely that only one form of information will prove that the customer is overseas. It is expected that a reasonable attempt would be made to confirm the customer is overseas to support zero-rating.

What if I sell on behalf of another person over the internet?

47. If you are a registered person and acting as an agent in selling taxable goods and services on behalf of a person (vendor), the vendor is the supplier and not the agent. Different rules will have to apply to determine who has to charge GST on the sale.

When the vendor is a registered person

48. When the vendor has to charge GST on the supply of taxable goods and services, the vendor has made the supply of the goods or services to the purchaser, and as agent, you have provided services to the vendor. Your services is subject to GST.

When the vendor is not a registered person

49. When the vendor is not a taxable person, the agent is considered to have made a non-taxable supply of the goods or services to the purchaser. As a result, there is no GST to be charged on the supply. However, you are required to charge the vendor GST on commissions or other services that relate to the supply of the goods or services.

FREQUENTLY ASKED QUESTIONS

Q1. When should I charge GST and account for the output tax to the Director General for supply via Internet?

A1. The time of supply determines when you should charge and account for GST. The supply is treated as taking place at the earliest of the following events:

(a) supplies are removed or are made available.

(b) a tax invoice is issued for that supply.

(c) payment is received for that supply.

<u>Exception</u>: If you issue a tax invoice within 21 days after the event in (a), then the time of supply is the date of this tax invoice.

If the supply is on sale or return terms, the time of supply is the earliest of the following events:

(a) time when the supply is made certain;

(b) 12 months after removal of the goods; or

(c) the date of the tax invoice.

Exception: If you issue a tax invoice within 21 days after the event in (a) or (b), whichever is the earlier, then the time of supply is the date of this tax invoice.

You should account for GST on e-commerce supplies together with other business transactions in your GST returns.

Q2. What are the responsibilities of a GST registered person?

A2. A GST registered person is responsible to do the following:

(a) Keep your business records for 7 years. These records include:

(i) business and accounting records;

(ii) copies of serially printed receipts and tax invoices issued by you;

(iii) tax invoices and receipts received by you;

(iv) import/export declarations, if any;

(v) all credit and debit notes issued;

(vi) any other documents that may be prescribed by the Director General.

(b) Issue a tax invoice to a taxable person for provision of taxable supply.

(c) Complete and submit the GST returns and pay the Director General the amount of tax no later than one month after the end of each taxable period.

(d) Provide all information and reasonable assistance as requested by the Director General in the event of an inspection.

(e) Notify the Director General in writing when you cease making taxable supplies or when you transfer your business.

(f) If you are a voluntary registered person you must remain registered for at least two years.

(g) Show the price as GST inclusive when you issue a receipt.

Q3. What are the requirements of a proper tax invoice?

A3. A tax invoice verifies a GST registered person's claim for the GST incurred on purchasing a taxable supply. Details to be shown on the tax invoice include the following:

(a) the words "tax invoice" in a prominent place;

(b) the tax invoice serial number;

(c) the date of issue of the tax invoice;

(d) the name, address and identification number of the supplier;

(e) the name and address of the person to whom the goods or services are supplied;

(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 the goods or the extend of the services 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 shown as a separate amount;

(j) the total amount payable inclusive of total tax chargeable; and

(k) any amount referred to in paragraphs (i) and (j) expressed in a currency other than ringgit shall also be expressed in ringgit using the selling exchange rate prevailing in Malaysia at the time when the supply takes place.

Q4. Do I have to issue a hardcopy of the tax invoice to my customer if sale is made via the Internet?

A4. Tax invoice can be issued either a physically (hardcopy) or by electronic means. However, the use of electronic invoices has to be agreed with the recipient and the authenticity of origin and the integrity of data must be guaranteed. In addition, when tax invoice is issued electronically, it must conform to the general content requirements for tax invoice.

Both the recipient and supplier of the taxable supply need to retain copies of the tax invoice. When the original tax invoice is in an electronic format, it must be kept in an electronically readable format even if it has been transferred to another medium (e.g., compact disc, microfilm etc.) for storage purposes. It is acceptable for businesses to print out and store tax invoices if they wish to do so.

Example 5:

Tax invoices were generated electronically by application software. For safe keeping the data (of the invoices) were then stored in Compact Disc. The data (tax invoices) in the CD must be readable for retrieval purposes.

Q5. Do I have to retain hardcopies of tax invoices or business records?

A5. A GST registered person is obliged to produce hardcopies of tax invoices and business records if requested by the Director General. The invoices and business records are required to be in an appropriate form and should comply with the criteria set out in the GST regulation. As a general rule the records must contain sufficient information to allow determination of the amount of tax to be paid or collected, or the amount to be refunded, rebated or deducted from net tax and any other acts that may be relevant for GST.

The records must be stored either in the Malay or English language. If stored electronically the data must be capable to be converted into a readable format and shall be readily accessible and convertible into writing.

Tax invoice can be issued either a physically (hardcopy) or by electronic means. However, the use of electronic invoices has to be agreed with the recipient and the authenticity of origin and the integrity of data must be guaranteed. In addition, when tax invoice is issued electronically, it must conform to the general content requirements for tax invoice.

Q6. What are the responsibilities in terms of displaying prices?

A6. All prices displayed, advertised, published over the internet for any supply of goods or services should be inclusive of GST. This also applies to prices displayed on websites which sell to both non-residents and residents. A website can display a GST-exclusive price for recipients outside Malaysia, but will also need to display the GST-inclusive price for recipients within Malaysia.

Q7. What documents are required as evidence for zero-rating of goods sold over the Internet?

A7. The following documents should be maintained as evidence, if you supplied goods over Internet and then exported through your forwarder:

(a) bill of lading - for export via sea; or air waybill - for export via air;

(b) your invoice (not a pro-forma invoice) to the overseas customer;

(c) purchase order from your overseas customer;

(d) packing list or delivery note addressed to your overseas customer;

(e) insurance documents; and

(f) evidence of payment received from your overseas customer.

Q8. What documents are required as proof if I export the goods via a postal or courier company?

A8. If the exportation of goods is done by postal services or courier company, you need to maintain these documents:

(a) parcel posting receipt/courier consignment note; and

(b) invoice to your overseas customer.

Note: The list in A7 and A8 is neither intended to be exhaustive nor meant to be applicable to all types of businesses.

INQUIRY

1. For any inquiries for this guide please contact :

Sector V

GST Division

Royal Malaysian Customs Department

Level 3 – 7, Block A, Menara Tulus,

No. 22, Persiaran Perdana, Presint 3,

62100 Putrajaya.

Email : gstsector5@customs.gov.my.

FURTHER ASSISTANCE AND INFORMATION ON GST

2. Further information on GST can be obtained from:-

(a) GST website : www.gst.customs.gov.my

(b) Customs Call Center :

- Tel : 03-7806 7200 / 1-300-888-500
- Fax : 03-7806 7599
- E-mail : ccc@customs.gov.my

APPENDIX I

Place of supply rules for e-commerce on services

From	To	Place of supply	GST
GST Registered Person in Malaysia	Business in Malaysia	Malaysia	Standard rate
	Business outside Malaysia	Malaysia	Zero rate
	Private consumer in Malaysia	Malaysia	Standard rate
	Private consumer outside Malaysia	Malaysia	Zero rate
Business outside Malaysia	Business in Malaysia Wholly Taxable supply	Outside Malaysia	Standard rate
	Business in Malaysia Mixed supply	Outside Malaysia	Standard rate
	Business in Malaysia Exempted supply	Outside Malaysia	Standard rate
	Private consumer in Malaysia	Outside Malaysia	(no GST)

APPENDIX II

Possible situations and GST Treatment for Sales of Services/Digital Products

Situation	GST Treatment
Domain name ends with dot my, e.g. namasaya@tm.net.my.	Standard-rate. Customer treated as belonging in Malaysia and service is consumed in Malaysia.
Domain name does not end with dot my, e.g. saya@gmail.com and customer declares that his usual place of residence is outside Malaysia.	Zero-rate. Customer treated as belonging in a country outside Malaysia and the service is provided to a non-resident.
Domain name does not end with dot my, e.g. nama_saya@business.com and customer declares that his usual place of residence is in Malaysia.	Standard-rate. Customer treated as belonging in Malaysia based on his declaration and service is consumed in Malaysia.
Domain name does not end with dot my and customer does not declare his usual place of residence.	Standard-rate. Customer treated as belonging in Malaysia.

AMENDMENTS

No	Date	Heading / Sub – heading / Paragraph	Description
1.	18 Dec 2015	Paragraph 25	Guidelines of the Reverse Charge Mechanism

GLOSSARY

Domain name - The unique name that identifies an Internet site.

Downloading - The electronic transfer of information from one source to another.

E-mail – Short for electronic mail. E-mail is the transmission of messages over communications networks.

IP address - The numeric address of a computer connected to the Internet; also called Internet Protocol address (IP address). The IP address takes the form of four numbers separated by dots, for example: 123.45.67.890.

MP3 - is an audio file format, based on MPEG (Moving Picture Expert Group) technology. It creates very small files suitable for streaming or downloading over the Internet.

Tangible property – objects or things that may be seen and touched.

Web Hosting - A service that stores your information (or website) on a server, allowing it to be accessed by users on the Internet.