



# **ROYAL MALAYSIAN CUSTOMS**

## **GOODS AND SERVICES TAX**

### **GUIDE ON IMPORT**

## **Publication**

Date Published: 21 December 2015.

The Guide on Agents as at 23 January 2015 is withdrawn and replaced by the Guide on Agents revised as at 21 December 2015.

## **Copyright Notice**

Copyright 2015 Royal Malaysian Customs Department.

All rights reserved. Subject to the Copyright Act, 1987 (Malaysia).

The Guide may be withdrawn, either wholly or in part, by publication of a new guide. No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form, including on-site for commercial purposes without written permission from the Royal Malaysian Customs Department (RMCD). In reproducing or quoting the contents, acknowledgment of source is required.

## **Disclaimer**

This information is intended to provide a general understanding of the relevant treatment under Goods and Services Tax and aims to provide a better general understanding of taxpayers' tax obligations. It is not intended to comprehensively address all possible tax issues that may arise. While RMCD has taken the initiative to ensure that all information contained in this Guide is correct, the RMCD will not be responsible for any mistakes and inaccuracies that may be contained, or any financial loss or other incurred by individuals using the information from this Guide. All information is current at the time of preparation and is subject to change when necessary.

## CONTENTS

<b>INTRODUCTION.....</b>	<b>1</b>
Overview of Goods and Services Tax (GST) .....	1
<b>Terminology .....</b>	<b>1</b>
<b>IMPORTATION OF GOODS AND SERVICES.....</b>	<b>2</b>
Importation of goods .....	2
Direct Importation of Goods from Overseas .....	3
Importation of services.....	5
<b>PLACE AND TIME OF IMPORTATION .....</b>	<b>6</b>
<b>LIABILITY OF GST ON IMPORTED GOODS .....</b>	<b>6</b>
<b>VALUATION.....</b>	<b>7</b>
Valuation of Imported Goods .....	7
Status of GST chargeable for Customs declaration .....	9
Value of supply for goods under the Warehousing Scheme .....	9
<b>TEMPORARY IMPORT.....</b>	<b>9</b>
<b>FREQUENTLY ASKED QUESTIONS.....</b>	<b>12</b>
<b>INQUIRY .....</b>	<b>23</b>
<b>FURTHER ASSISTANCE AND INFORMATION ON GST .....</b>	<b>23</b>
<b>AMENDMENTS .....</b>	<b>34</b>

## INTRODUCTION

1. The guide on Import is prepared to assist all importers in understanding matters with regards to GST treatment on importation of goods.

### 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 charged on 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. Therefore, the tax itself is not a cost to the intermediaries and does not appear as an expense item in their financial statements.

## TERMINOLOGY

5. It is important to understand the meaning of some of the terms used in this guide. The following terms are defined under section 2 of Customs Act 1967:

- (a) **“Import”** with its grammatical variations and cognate expressions means to bring or cause to be brought into Malaysia by land, sea or air. Provided that goods bona fide in transit, including goods for transshipment, shall not, for the purpose of levy of customs duties, be deemed to be imported unless they are or become uncustomed goods.
- (b) **“Importer”** includes and applies to any owner or other person for the time being possessed of or beneficially interested in any goods at and

from the time of importation thereof until such goods is duly removed from customs control.

- (c) **“Owner”** in respect of goods includes any person (other than an officer of customs acting in his official capacity) being or holding himself out to be the owner, importer, exporter, consignee, agent or person in possession of, or beneficially interested in, or having any control of, or power of disposition over, the goods.

## **IMPORTATION OF GOODS AND SERVICES**

### **Importation of goods**

6. Generally, all imported goods into Malaysia are subject to GST. However, certain goods imported by any person or class of persons are given relief from payment of GST upon importation under the Goods and Services Tax (Relief) Order 2014.

7. If goods are imported under the Approved Traders Scheme (ATS), GST is suspended at the time of importation but the approved person needs to declare the suspended GST and the value of import in the return for the taxable period where the importation took place.

8. If goods are imported and subject to warehousing scheme, GST is not chargeable until the goods are released for home consumption from the warehouse.

9. GST is not chargeable on goods imported from a place outside Malaysia to Labuan, Langkawi or Tioman (known as designated area) unless the goods are prescribed in paragraph 2 (d) and 2 (e) of the Goods and Services Tax (Imposition of Tax for Supplies in Respect of Designated Areas) Order 2014. For example, the importation of cement, marble, rubber, petrol, diesel and liquefied petroleum gas into Langkawi. However, goods supplied from a designated area into Malaysia e.g. Langkawi to Alor Star is subject to GST as if the supply were importation of goods into Malaysia.

10. An importer who is a taxable person would be eligible to recover the GST paid on imports subject to the normal rules. The recovery of GST incurred on imports is

made by crediting the amount allowable against his output tax chargeable on his taxable supplies.

### **Direct Importation of Goods from Overseas**

11. When goods are imported directly from overseas, the declaration of such goods may be made at the import station (port / airport), Free Commercial Zone (FCZ) or Bonded Warehouse.

12. If the import declaration is made at the import station, the duty import and GST is to be paid on Customs Form No. 1.

13. The importation of goods into a FCZ directly from overseas into FCZ, no tax shall be chargeable on the importation excluding goods to be used in the FCZ. The declaration is to be made in ZB1 Form. A supply or removal of goods from the FCZ into the Principal Customs Area (PCA) is treated as importation into Malaysia. The GST treatment is as shown in Table 1 below:

**Table 1: GST Treatment on the Supply or Removal of Goods from the FCZ to PCA/ FIZ/ LMW.**

No	Supply or Removal From	To	Customs Forms	GST Treatment
1	FCZ	PCA	K1	With ATS – GST is suspended No ATS – subject to GST, payable in K1
2	FCZ	FIZ	K8	With ATS – GST is suspended No ATS – subject to GST, payable in K1 GST Payable Form
3	FCZ	LMW	K1 / K9	With ATS – GST is suspended No ATS – subject to GST, payable in K1

14. In the case of Warehousing Scheme, the GST is suspended under the following conditions:

- (a) Removal of goods from import station to bonded warehouse.
- (b) Removal of goods from FCZ to a bonded warehouse.
- (c) Removal of goods from bonded warehouse to FCZ.
- (d) Removal of goods from bonded warehouse to a bonded warehouse.

For the supply of imported goods in a bonded warehouse to PCA/FIZ/LMW, the GST treatment is as shown in Table 2 below:

**Table 2: GST Treatment on the supply of Imported Goods in a Bonded Warehouse to PCA/FIZ/LMW**

No	Supply or Removal From	To	Customs Forms	GST Treatment
1	Bonded Warehouse	PCA	K1 / K9	With ATS – GST is suspended No ATS – subject to GST, payable in K1 / K9
2	Bonded Warehouse	FIZ	K8	With ATS – GST is suspended No ATS – subject to GST, payable in K1 GST Payable Form
3	Bonded Warehouse	LMW	K1 / K9	With ATS – GST is suspended No ATS – subject to GST, payable in K1 / K9

However, if the goods in the bonded warehouse are not imported goods but belongs to LMW or FIZ companies, the supply of such goods when they are removed from the warehousing scheme, the GST treatment is as shown in Table 3 below:

**Table 3: GST Treatment on the Supply of Goods in a Bonded Warehouse that belongs to LMW or FIZ companies**

No	Supply or Removal From	To	Customs Forms	GST Treatment (ATS not applicable)
1	Bonded Warehouse*	PCA	K1 / K9	GST to be charged in tax invoice Only Customs duties to be charged in K1 / K9
2	Bonded Warehouse*	FIZ	K8	Relief from charging GST under Paragraph 56 (3) (b) of the GST Act 2014 Customs duties exempted
3	Bonded Warehouse*	LMW	K1 / K9	Relief from charging GST under Paragraph 56 (3) (b) of the GST Act 2014 Customs duties exempted

### Importation of services

15. Under the GST Act, “imported services” means any services by a supplier who belongs in a country other than Malaysia or who carries on business outside Malaysia to a recipient who belongs to Malaysia and such services are consumed in Malaysia. When services are imported from outside Malaysia and supplied to a recipient in Malaysia, being taxable supplies if made in Malaysia, the recipient of the supply shall account and pay GST if such imported services are for the business purposes and consumed in Malaysia. Generally, the GST legislation provides for the supplier to charge GST on taxable supplies he makes to the recipient.

16. Services acquired from overseas which is directly connected to services (e.g financial services) and benefits a person in Malaysia even though the services are consumed overseas, it is to be treated as imported services.

17. Services acquired from overseas which is directly connected to goods or land overseas and consumed overseas, although it benefits a person in Malaysia, it is to be treated as an out of scope supply. For example, the foreign ship owner bills



demurrage charges due to a delay in loading of cargo into the ship by the Malaysian cargo owner.

18. However, in the case of imported services, the GST liability shifts from the supplier to the recipient if the recipient's fixed or business establishment or his usual place of residence is in Malaysia.

19. Hence, the recipient is liable to account GST on the supply made for the purpose of any business carried on by him. For further information, please refer to GST General Guide.

## **PLACE AND TIME OF IMPORTATION**

20. An importation of goods shall be made at the legal landing place or at the place permitted by the proper officer of customs irrespective of whether it is imported to Malaysia by sea, air or land.

21. Upon arrival in Malaysia, all goods need to be declared within one month from the date of import by the owner or his agent in the prescribed form. Imported goods can only be released from customs control after the duty and/or tax paid in full except as otherwise allowed by the Director General. In the case of goods imported by road, such declaration shall be made on arrival of such goods at the place of import.

22. If the importation is done by post, the addressee or his agent shall make the declaration of the goods imported on demand by the proper officer of customs in the prescribed form.

23. GST on imported goods will be collected together with other customs duties, if any, at the point of entry. The tax and duties, if any, shall be paid to Customs within 14 days of such declaration before the goods are released from customs control.

## **LIABILITY OF GST ON IMPORTED GOODS**

24. Importer or owner of the imported goods is liable to pay GST and customs duty, if any, at the time of importation or at the time when the goods are released for home consumption. However, if the importer or owner of the imported goods appoints an agent who is a taxable person to act on his behalf, and the owner is not a taxable

person, then the goods is deemed to be imported by the agent. In such a case, the agent is liable for GST and customs duty, if any, on the imported goods.

## VALUATION

### Valuation of Imported Goods

25. Generally, all imported goods are subject to GST unless certain goods imported by any person or class of persons are given relief from payment of GST upon importation under the Goods and Services Tax (Relief) Order 2014.

26. The value of imported goods is determined under the Customs (Rules of Valuation) Regulations 1999. For GST purpose, the value for imported goods will be aggregate of the following:-

- (a) Value determined for customs purposes;

Value of the goods or transaction value, which is generally shown on the invoice, plus adjustments to be included such as freight, insurance, packing, commission and brokerage, assist, royalty, proceeds and other charges and expenses associated with the transportation of goods until the goods have arrived in the country of importation but not costs incurred after importation.

- (b) Customs duty paid or to be paid, if any; and

- (c) Excise duty paid or to be paid, if any.

GST will be imposed on the aggregate value of paragraph 26(a), 26(b) and 26(c).

#### **Example 1:**

*Ahmad imported fabric from Japan for a customs value of RM4,000. The rate for import duty is 30%. The value on which GST is chargeable is as follows:*

<i>Customs Value</i>	<i>= RM 4,000</i>
<i>Import duty 30%</i>	<i>= (RM 4,000 x 30%)</i>

$$\begin{aligned} &= \text{RM } 1,200 \\ \text{Total value for GST} &= \text{RM } 4,000 + \text{RM } 1,200 \\ &= \text{RM } 5,200 \\ \text{GST (6\% X RM5,200)} &= \text{RM } 312 \end{aligned}$$

**Example 2: :**

*Ali imported fabric from Japan for a customs value of RM4,000. The rate for import duty is 30%. He is given import duty exemption of 50%. The value on which GST is chargeable is as follows:*

$$\begin{aligned} \text{Customs Value} &= \text{RM } 4,000 \\ \text{Import duty 30\% (exemption 50\%)} &= (\text{RM } 4,000 \times 30\%) \times 50\% \\ &= \text{RM } 600 \\ \text{Total value for GST} &= \text{RM } 4,000 + \text{RM } 600 \\ &= \text{RM } 4,600 \\ \text{GST (6\% X RM4,600)} &= \text{RM } 276 \end{aligned}$$

**Example 3:**

*Ahmad and Ali imported cars from Japan for a customs value of RM40,000. The rate for excise duty is 25%. The rate for import duties is 70%. He is given excise duty exemption of 10%. He is also given import duty exemption of 20%. The value on which GST is chargeable is as follows:*

$$\begin{aligned} \text{Customs Value} &= \text{RM } 40,000 \\ \text{Import duty 70\% (20\% exemption)} &= (\text{RM } 40,000 \times 70\%) \times 80\% \\ &= \text{RM } 22,400 \\ \text{Excise duty 25\% (10\% exemption)} &= (\text{RM } 22,400 + \text{RM } 40,000) \\ &\quad \times 25\% \\ &\quad \times 90\% \\ &= \text{RM } 14,040 \\ \text{Total value for GST} &= \text{RM } 40,000 + \text{RM } 22,400 + \text{RM } 14,040 \\ &= \text{RM } 76,440 \end{aligned}$$

$$\text{GST (6\% X RM76,440)} = \text{RM 4,586.40}$$

### **Status of GST chargeable for Customs declaration**

27. The GST chargeable status on Customs declaration relating to Customs Form No. 1, 8 and 9 can be identified through the Matrix Movement / Transaction Type as attached in Appendix 1, Appendix 2 and Appendix 3.

### **Value of supply for goods under the Warehousing Scheme**

28. If there is more than one supply (for imported goods) within a warehouse, then only the last supply is subject to GST because it triggers the duty point, i.e. when the goods are released from Customs control or removed from warehouse. The intermediate supplies within the warehouse are disregarded for GST purposes.

29. However, GST is payable on any supply made in a warehouse if the goods supplied are used for consumption in the warehouse.

30. The value of the supply is treated as including any duties (whether customs duty or excise duty or both, if any). The tax on the supply must be paid at the duty point, together with the duty (if any).

For further information, please refer to GST Guide on Warehousing Scheme.

### **TEMPORARY IMPORT**

31. Generally, goods imported temporarily are subject to GST. However, under First Schedule of Goods and Services Tax (Relief) Order 2014, the following relief is given to the importer from payment of GST on the acquisition of goods:

- (a) Under Item 15, relief is given for goods imported into the PCA for repair and subsequently re-exported provided that the importer fulfills the following conditions:
  - (i) the goods are imported and re-exported by the same route;
  - (ii) the importation and re-exportation are registered by the proper officer of Customs at the place of import and re-export;

- (iii) the goods are identified to the satisfaction of the proper officer of Customs;
- (iv) the security as determined by the proper officer of customs is furnished to amount of tax on the goods imported; and
- (v) the importer must produce a relief certificate in the Third Schedule of Goods and Services Tax (Relief Order) 2014 and this certificate shall be accompanied with the Customs declaration form to the proper officer of customs to whom the goods have been declared.

***Example 4:***

*An importation of machine into PCA for repair and subsequently re-exported is not subject to GST under Item 15 of the Goods and Services Tax (Relief) Order 2014.*

- (b) Under Item 16B, relief is given for goods imported temporarily and subsequently re-exported provided that the importer fulfills the following conditions:
  - (i) that the goods are re-exported within three months or such further period as the Director General may allow;
  - (ii) that security for the amount of goods and services tax payable on the goods is furnished to the satisfaction of the proper officer of customs; and
  - (iii) the importer must produce a relief certificate in the Third Schedule of Goods and Services Tax (Relief Order) 2014 and this certificate shall be accompanied with the Customs declaration form to the proper officer of customs to whom the goods have been declared.
- (c) Under Item 16C, relief is given for goods imported solely for the purpose of propaganda, research or demonstration provided that the importer fulfills the following conditions:

- i) that it is shown to the satisfaction of Director General that the goods are imported solely for the purpose of propaganda, research or demonstration;
- ii) that an authorization signed by or on behalf of the Director General certifying that the goods are intended for propaganda, research or demonstration purposes is produced to the proper officer of customs at the place of import or export;
- iii) that in issuing such authorization, the Director General may impose such conditions as he may deem necessary; and
- iv) the importer must produce a relief certificate in the Third Schedule of Goods and Services Tax (Relief Order) 2014 and this certificate shall be accompanied with the Customs declaration form to the proper officer of customs to whom the goods have been declared.

32. Goods that qualify as temporary imports under Item 16B of the Goods and Services Tax (Relief) Order 2014 may also be imported under A.T.A. Carnet issued by the Chamber of Commerce of the respective country. Under this facility, the importer is given relief from payment of GST on the importation of goods subject to conditions as prescribed in the A.T.A Carnet document and customs duties will be exempted.

33. If the goods are not exported within 3 months or such longer period as approved by the Director General, or the prescribed time limit under A.T.A Carnet, sold in the domestic market, transferred or disposed off locally, GST and customs duty will be collected in full as the goods will no longer be entitled for the relief.

## FREQUENTLY ASKED QUESTIONS

### **Q1. Are all goods subject to GST upon importation?**

A1. Yes, all goods are subject to GST. However, you do not have to pay GST on your imported goods if a relief is given under Goods and Services Tax (Relief) Order 2014. GST is suspended if you enjoy facilities under Approved Trader Scheme (ATS) or under a Warehousing Scheme. No GST will be levied on supply of goods which are exempted and zero-rated.

### **Q2. How and when do I pay the GST on import?**

A2. GST on imported goods needs to be declared in a specific customs declaration form and the tax must be paid at the point of entry. GST is generally payable before the goods are released from customs control.

### **Q3. Can an importer suspend the payment of GST on imported goods?**

A3. Yes, an importer who is a taxable person may be able to suspend the payment of GST on imported goods by participating in the Approved Trader Scheme (ATS) and Warehousing Scheme.

For further details please refer to Guide on ATS and Warehousing Scheme.

### **Q4. If an LMW or FIZ company makes a local sale (finished goods or scrap), is this supply regarded as an importation into Malaysia for GST purposes?**

A4. No. The supply is regarded as a local supply. The GST treatment is as shown in Table 4 below:

**Table 4: GST treatment on a local sale made by LMW or FIZ company**

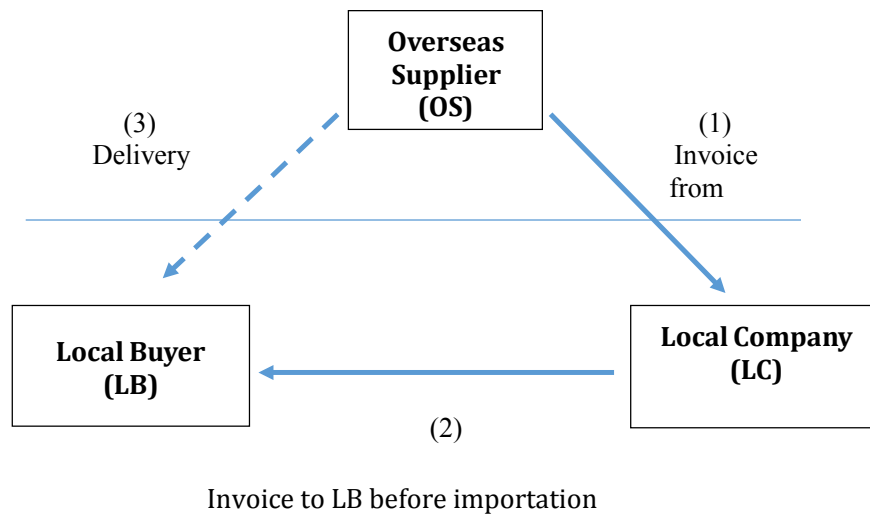
No	Local sales From	Customs Forms	GST Treatment (ATS not applicable)
1	FIZ	K1	For GST purposes the supply is treated as local supply and

			subject to GST and to be charged in the tax invoice. However, supply by FIZ to another FIZ or LMW, the local supply is given relief from charging GST under paragraph 56 (3) (b) GST Act 2014. Only Customs duties to be charged in K1.
2	LMW	K9	For GST purposes the supply is treated as local supply and subject to GST and to be charged in the tax invoice. However, supply by LMW to another LMW or FIZ, the local supply is given relief from charging GST under paragraph 56 (3) (b) GST Act 2014. Only Customs duties to be charged in K9
3	Company given exemption under Section 14(2) Customs Act 1957	K1	For GST purposes the supply is treated as local supply and subject to GST and to be charged in the tax invoice. Only Customs duties to be charged in K1

**Q5. Local company (LC) purchased goods from overseas supplier (OS) and later sold the goods to local buyer (LB) and issue an invoice (local invoice). The LC requests the overseas supplier to deliver the goods direct to his local buyer (LB). Whether the supply made by LC to LB subject to GST?**



A5.



The supply made by LC to LB will qualify for an out of scope supply, subject to compliance with the following conditions:

- (a) There is proof that the transfer of ownership of the goods took place outside Malaysia before the goods are imported into Malaysia (through shipping document or incoterm);
- (b) The import declaration was in the name of LB and the value of the imported goods was based on the local invoice which stated that the goods are originated from OS;
- (c) LC must keep and maintain the following documents –
  - i) Purchase order from LC to OS;
  - ii) Invoice from OS to LC;
  - iii) Tax invoice issued by LC to LB stated that the goods are originated from OS;
  - iv) written instruction from LC to OS that the purchase goods is to be exported to LB; and

- v) Proof of payment from LC to OS and from LB to LC;
- (d) LB must keep and maintain the following documents –
  - i) Purchase order from LB to LC;
  - ii) Tax invoice issued by LC to LB;
  - iii) Proof of payment from LB to LC;
  - iv) Import declaration form under LB's name as consignee;
  - v) Bill of lading / airway bill stating the following details:
    - (ac) OS as the shipper;
    - (bc) LB as the consignee;
    - (cc) LC as a notify party.
- (e) Any other necessary conditions as the Director General may require from time to time.

**Q6. My clerk unintentionally made a mistake during importation and later realized he overpaid the GST after the goods has been removed from customs control. Can I claim GST overpaid even though I am not a GST registered person?**

A6. No, you are not allowed to claim GST overpaid.

**Q7. My auditor informs me that I had short paid GST on certain importations made by me. How do I do the correction?**

A7. You have to notify in writing to the proper officer of customs at the point of import on the short payment. You can make the payment once you have received the notice of short payment. Then, you can claim the payment as your input tax credit if you are a registered person.

**Q8. If my company does not belong in Malaysia, can my company appoint an agent in Malaysia to import and supply goods on my behalf?**

A8. A company which does not belong in Malaysia and is liable to be registered or who intends to be registered voluntarily is required to appoint an agent to act on his behalf and such agent, whether or not he is a taxable person, shall be liable for the tax and comply with any other requirements imposed under the GST law as if the agent is the person who does not belong in Malaysia.

**Q9. As an agent who acts for an overseas principal whose total value of turnover does not exceed the prescribed threshold, do I have to declare importation of goods on behalf of my overseas principal under my own name?**

A9. Yes, because such importation is deemed to be your own importation and if you are registered person, you are liable to account for GST on the importation of goods as well as on the supplies that you made on behalf of the principal. Furthermore, any importation is subject to GST whether you have reached the prescribed threshold or not.

**Q10. ABC Sdn. Bhd. has imported 1,000 sets of telephone with a value of RM50,000.00 and are being stored in a licensed warehouse under the Customs Act 1967. The storekeeper realized that there is a shortage of 200 sets of the telephone while depositing the goods into a licensed warehouse. Is there any implication of GST on the goods lost?**

A10. The goods lost are still subject to GST. However, ABC Sdn. Bhd. may apply for remission on GST paid together with any customs duty, if any, to the Director General. If the goods are lost after removal from customs control on account of damage, theft or loss, no abatement of GST and customs duties shall be allowed.

Calculation of GST and customs duty payable on goods lost under customs control is as follows:

Assuming import duty is 10% and GST at 6%.

Particular	Amount (RM)
Total value of goods based on invoice and Bill of Lading	50,000.00
Total value of goods (200 sets of telephone) lost (certified by custom officer)	10,000.00
Import duty at 10% for 200 sets of telephone	1,000.00
GST payable at 6% on RM11,000.00	<b>660.00</b>
Total amount GST and duty payable	<b>RM1,660.00</b>

ABC Sdn. Bhd has to pay **RM1,660.00** for the lost goods, unless remitted by the Director General.

**Q11. DEF Sdn Bhd has imported 2,000 units of LED TV from Korea with a price of RM2,000,000. The consignment has arrived at Port Klang on 1 October 2015. The description and quantity of the goods specified in the Bill of Lading and invoice are the same as those imported. Before the goods are released from customs control 500 units of LED TV valued at RM500,000 were found to be short landed. Notice of short landing was issued by the supplier and followed by short landing certificate from the shipper. The balance of the goods will be shipped within a period of one month. How does the company pay the GST and customs duties for the short landed goods?**

A11. GST and customs duties, if any, is chargeable on the value of the full consignment of goods (including the short landed goods) as stated in the invoice and Bill of Lading upon arrival in Malaysia. Thus, GST and customs duties, if any, will not be charged when the short landed goods arrived later. DEF Sdn Bhd is required to produce the supporting documents and evidence such as K1, invoice, Bill of Lading, Short Landed Certificate, letter from supplier

and other documents as requested by the proper officer of customs at the point of import.

**Q12. What is the treatment for goods temporarily exported for repair and subsequently re-imported?**

A12. Goods exported temporarily for repair and subsequently re-imported is given relief under Item 16 of the Goods and Services Tax (Relief) Order 2014. However, any replacement of parts and any components added are subject to GST at the time of importation.

**Q13. A local company would like to lease a machinery from an overseas company for a few years. Is there any GST implication on leased goods?**

A13. For the purpose of GST, leasing of machinery is a supply of services and subject to GST which is imposed on each successive lease payment. However, the leasing of goods imported from overseas is treated as importation of goods into Malaysia and is subjected to GST where the value of the machinery is determined by the rule of valuation as prescribed under the Customs Regulations (Rules of Valuation) 1999. The value is the transaction value of the goods, that is, the price paid or payable for the goods when sold for export to Malaysia, adjusted in accordance with regulation 5 of the same Regulations. In this case, the imported goods are leased from overseas. Thus, there is no transfer of ownership and no sale has taken place. Therefore, transaction value does not apply in the case of leased goods.

The importation value must then be determined by the order of application of rule of valuation as stated in regulation 3 of the same Regulations which are as follows:

- (a) the transaction value of identical goods under regulation 6;
- (b) the transaction value of similar goods under regulation 7;
- (c) the deductive value of the imported goods under regulation 8; and
- (d) the computed value of the imported goods under regulation 9.

If none of the above values can be used as a basis of valuation for such goods, the valuation may be done under regulation 10, using any other method of valuation above but flexibly interpreted and reasonably adjusted to the extent necessary to arrive at a customs value.

Under the flexible method of valuation, the importation or customs value of leased goods is based on the total rent or lease payable, excluding the maintenance cost in Malaysia, which is payable to the foreign firm. GST on the leased goods will be imposed on the aggregate of the importation value and customs duties, if any.

For instance, the importation value is may be calculated according to the following formula:

$$P + \frac{P}{(100\% + x\%)} + \frac{P}{(100\% + x\%)^2} + \frac{P}{(100\% + x\%)^{n-1}}$$

where P = leasing payment per year;

n = number of years; and

x% = prevailing interest rate.

**Q14. ABC Sdn. Bhd. has decided to lease second-hand machinery from an overseas company, i.e. XYZ Pte. Ltd. for a duration of 3 years. According to the terms of contract, maintenance costs incurred by Company A are RM100,000 per annum and are claimable from XYZ Pte. Ltd. The machinery is leased at a value of RM2,000,000 per year exclusive of maintenance costs. What is the import value and GST on the leased machinery?**

A14. The import value of the machinery cannot be determined by the transaction value because there is no transfer of ownership of the machinery. The importation value must then be determined by the order of application of rule of valuation as stated in regulation 3 of the Customs (Rules of Valuation) Regulations 1999. Assuming that such rule of valuation cannot be used, the

flexible method of valuation can be used for determining the customs value (CV).

Under the flexible method of valuation, the importation value for the leased machinery is calculated according to the following formula:

$$P + \frac{P}{1.05} + \frac{P}{(1.05)^2} + \frac{P}{(1.05)^{n-1}}$$

Where; P = leasing payment per year;  
           = RM2,000,000  
       n = number of years;  
           = 3  
       5% = prevailing interest rate.

Assuming import duty is 25% and GST is 6%,

$$\begin{aligned}\text{Customs Value} &= 2,000,000 + 2,000,000/1.05 + 2,000,000/(1.05)^2 \\ &= 2,000,000 + 1,904,761.90 + 1,818,181.82 \\ &= 5,722,943.72\end{aligned}$$

$$\begin{aligned}\text{Import Duty} &= 5,722,943.72 \times 25\% \\ &= \mathbf{RM1,430,735.93}\end{aligned}$$

$$\begin{aligned}\text{GST} &= [5,722,943.72 + 1,430,735.93] \times 6\% \\ &= \mathbf{RM429,220.77}\end{aligned}$$

$$\begin{aligned}\text{Total GST and customs} &= \text{RM429,220.77} + \text{RM1,430,735.93} \\ \text{duty payable is} & \\ &= \mathbf{\underline{RM1,859,956.60}}\end{aligned}$$

**Q15. Is there any GST implication on motor vehicle driven by a Singaporean entering Malaysia through Tambak Johor for a one month stay in Malaysia?**

A15. The car is exempted from customs duty under Item 12 of Customs Duties (Exemption) Order 2013 if it has been registered or licensed in any foreign country. Similarly, a relief for GST is given under Item 11 of the Goods and

Services Tax (Relief) Order 2014 subject to any conditions that the Director General may deem fit to impose.

**Q16. What is the GST treatment on imported production samples?**

A16. Production samples are given relief under Item 18 of the Goods and Services Tax (Relief) Order 2014 with Director General's approval subject to the following conditions:

- (a) the goods are imported solely as a production sample for the purpose of manufacturing
- (b) the goods shall not be sold or otherwise disposed of except in such manner as the Director General may determine
- (c) the goods must be re-exported within one year from the date of import or such further period as the Director General may approve or dispose of in such manner as the Director General may determine
- (d) a written authorization for the import from Director General is produced to the proper officer of customs; and
- (e) in issuing such authorization the Director General may impose such other condition as he may deem necessary

**Q17. What are the types of document to be kept?**

A17. All documents related to importation must be kept for a period of seven years. Any failure to do so is an offence under GST Act 2014. Documents that have to be kept are as follows:

- (a) Import declaration (K1)
- (b) Commercial invoice
- (c) Bill of lading
- (d) Shipping note



- (e) Insurance note
- (f) Payment document, such as documentary credit, debit advice, bank statement, etc.
- (g) Sale invoices
- (h) Debit and Credit note
- (i) Shortage/short-landed certificate
- (j) Tally sheet from Port Authority
- (k) Other related documents

## **INQUIRY**

1. For any inquiries for this guide please contact :

Sector VII

GST Division

Royal Malaysian Customs Department

Level 3 – 7, Block A, Menara Tulus,

No. 22, Persiaran Perdana, Presint 3,

62100 Putrajaya.

Email: [gstsector7@customs.gov.my](mailto:gstsector7@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](http://www.gst.customs.gov.my)

(b) Customs Call Center :

- Tel : 03-7806 7200 / 1-300-888-500
- Fax : 03-7806 7599
- Email : [ccc@customs.gov.my](mailto:ccc@customs.gov.my)

**MATRIX TRANSACTION TYPE  
AND  
GST CHARGEABLE STATUS  
FOR  
CUSTOMS DECLARATION  
K1 & K9**

### K1 TRANSACTION TYPE

NO	TRANSACTION TYPE CODE	DESCRIPTION	GST CHARGEABLE STATUS
1	^F	FINAL DECLARATION	Not Chargeable
2	^P	PROVISIONAL (DUTY PAID)	GST Chargeable
3	AD	ANTI DUMPING	GST Chargeable
4	B	BARTER TRADE	GST Chargeable
5	C	IMPORT UNDER CREDIT SYSTEM	GST Chargeable
6	DD	DEFERRED PAYMENT	GST Chargeable
7	F^	IMPORT FROM FIZ	Suspended GST Payment-Tax Invoice
8	FC	FINAL (LIQUOR /BEER / CIGARETTES)	GST Chargeable
9	FD	IMPORT TO DUTY FREE ISLAND	GST Not Chargeable Except for goods specified in Imposition of tax in respect of supply to DA order – cement, marble etc.
10	FF	IMPORT VEHICLE FROM DUTY FREE ISLAND (FINAL)	GST Chargeable
11	FR	RE-EXPORT VEHICLE TO FREE DUTY ISLAND	GST Not Chargeable
12	FT	TEMPORARY IMPORT VEHICLE FROM DUTY FREE ISLAND	Not Applicable. There is another system to monitor it
13	F1	IMPORT FROM FCZ	GST Chargeable
14	F2	IMPORT FROM FIZ (SUB- CONTRACT)	Suspended GST Payment-Tax Invoice
15	GF	IMPORT UNDER BG (FINAL)	GST Not Chargeable
16	GP	IMPORT UNDER BG (PROVISIONAL)	GST Chargeable

NO	TRANSACTION TYPE CODE	DESCRIPTION	GST CHARGEABLE STATUS
17	I	NORMAL IMPORT (TO PCA)	GST Chargeable
18	L	LMW IMPORT	Yes : Non –ATS No - ATS
19	LI	LMW-INTERNATIONAL PROCUREMENT CENTRE (IPC)	Yes : Non –ATS No - ATS
20	LQ	IMPORTATION OF TOBACCO	GST Chargeable
21	LR	LMW- REGIONAL PROCUREMENT CENTR E (RPC)	Yes : Non –ATS No - ATS
22	LV	LMW-VALUE ADDED,RE- MANUFACTURING, SERVICING & REPAIR	Yes : Non –ATS No - ATS
23	M	TEMPORARY IMPORT	GST Not Chargeable Item 15 GST (Relief) Order 2014
24	MS	MSC IMPORT	GST Chargeable
25	PC	PROVISIONAL (LIQUOR /BEER / CIGARETTES)	GST Chargeable
26	PK	PCKP SALES FORM 1	GST Chargeable
27	PS	PARTIAL SHIPMENT	GST Chargeable
28	P^	PETROLEUM (PAYMENT)	GST Chargeable
29	R^	RUBBER (REMILING/REPROCESSING)	GST Chargeable
30	S^	IMPORT WITH PREFERENTIAL TARIFFF	GST Chargeable
31	SC	MANUFACTURING WASTE	GST Chargeable
32	SP	SSPT	GST Chargeable
33	ST	IMPORT WITH PREFERENTIAL TARIFF (SELF- CERTIFICATION )	GST Chargeable

NO	TRANSACTION TYPE CODE	DESCRIPTION	GST CHARGEABLE STATUS
34	T	RE-IMPORT	GST Not Chargeable Item 16 GST (Relief) Order 2014
35	TE	LOCALLY ASSEMBLED VEHICLE TO DUTY FREE ISLAND	GST Not Chargeable
36	TF	LOCALLY ASSEMBLED VEHICLE FROM DUTY FREE ISLAND	GST Chargeable
37	TH	OTHERS	GST Chargeable
38	U	PAYMENT UNDER PROTEST	GST Chargeable
39	X	IMPORT WITH EXEMPTION	Yes : If GST Not exempted No : If Relief Order /ATS/Relief By Minister

#### K9 TRANSACTION TYPE

NO	TRANSACTION TYPE CODE	DESCRIPTION	GST CHARGEABLE STATUS
1	E^	LMW LOCAL SALES	Suspended
2	F^	IMPORT FROM FCZ	GST Chargeable
3	F1	IMPORT FROM FIZ	Suspended
4	F2	IMPORT FROM FIZ ( SUB- CONTRACT WORK)	Suspended
5	GF	FINAL DECLARATION (IMPORT UNDER BG)	Not Chargeable
6	GP	PROVISIONAL DECLARATION (IMPORT UNDER BG)	GST Chargeable
7	I	NORMAL IMPORT (TO PCA)	GST Chargeable
8	L	LMW IMPORT	Yes : Non-ATS No : ATS

NO	TRANSACTION TYPE CODE	DESCRIPTION	GST CHARGEABLE STATUS
9	LS	LMW LOCAL SALES WITH PREFERENTIAL TARIFF	Suspended
10	LX	LMW LOCAL SALES WITH EXEMPTION	Suspended
11	P^	PETROLEUM (PAYMENT)	GST Chargeable
12	S	IMPORT WITH PREFERENTIAL TARIFFF	GST Chargeable
13	SC	MANUFACTURING WASTE (SCRAP)	Suspended GST Payment-Tax Invoice
14	T	RE-IMPORT	GST Not Chargeable Item 16 GST (Relief) Order 2014
15	TH	OTHERS	GST Chargeable
16	U	PAYMENT UNDER PROTEST	GST Chargeable
17	X	IMPORT WITH EXEMPTION	Yes : If GST Not exempted  No : If Relief Order /ATS/ Relief By Minister

**MATRIX  
MOVEMENT TYPE  
AND  
GST CHARGEABLE STATUS  
FOR  
K8 DECLARATION**



**GST CHARGEABLE STATUS FOR MOVEMENT TYPE CODE IMPORT  
TRANSHIPMENT**

NO.	MOVEMENT TYPE CODE	MOVEMENT		GST PAYMENT STATUS
		FROM	TO	
1	ID	Import Station	Duty Free Shop	SUSPEND
2	IF	Import Station	Free Commercial Zone	SUSPEND
3	IZ	Import Station	Free Industrial Zone	YES : Non ATS NO : ATS
4	IW	Import Station	Warehouse	SUSPEND

**GST CHARGEABLE STATUS FOR MOVEMENT TYPE CODE  
NORMAL TRANSHIPMENT**

NO.	MOVEMENT TYPE CODE	MOVEMENT		GST PAYMENT STATUS
		FROM	TO	
1	FF	Free Commercial Zone	Free Commercial Zone	SUSPEND
2	FZ	Free Commercial Zone	Free Industrial Zone	YES : Non ATS NO : ATS
3	FD	Free Commercial Zone	Duty Free Shop	SUSPEND
4	FW	Free Commercial Zone	Warehouse	SUSPEND
5	ZZ	Free Industrial Zone	Free Industrial Zone	SUSPEND
6	ZF	Free Industrial Zone	Free Commercial Zone	SUSPEND
7	ZD	Free Industrial Zone	Duty Free Shop	SUSPEND
8	ZW	Free Industrial Zone	Warehouse	SUSPEND
9	T1	Transshipment (T1) -	Exit Port	Out of Scope

		Entry Port		(NA)
10	T2	Transit (T2) - Entry Station	Exit Station	Out of Scope (NA)
11	WW	Warehouse	Warehouse	SUSPEND
12	WZ	Warehouse	Free Industrial Zone	YES : Non ATS NO : ATS
13	WF	Warehouse	Free Commercial Zone	SUSPEND
14	WD	Warehouse	Duty Free Shop	SUSPEND
15	DD	Duty Free Shop	Duty Free Shop	SUSPEND
16	LH	Labuan	High Sea	Movement Type Deleted
17	HL	High Sea	Labuan	Movement Type Deleted

**GST CHARGEABLE STATUS FOR MOVEMENT TYPE CODE  
EXPORT TRANSHIPMENT**

NO	MOVEMENT TYPE CODE	MOVEMENT		GST PAYMENT STATUS
		FROM	TO	
1	FE	Free Commercial Zone	Export Station	NO
2	ZE	Free Industrial Zone	Export Station	NO
3	WE	Warehouse	Export Station	NO

**GST CHARGEABLE STATUS FOR MOVEMENT TYPE CODE  
MASTER K8**

NO	MOVEMENT TYPE CODE	MOVEMENT		GST PAYMENT STATUS
		FROM	TO	
1	IF	Import Station	Free Commercial Zone	SUSPEND
2	IZ	Import Station	Free Industrial Zone	YES : Non ATS NO : ATS
3	IW	Import Station	Warehouse	SUSPEND

**GST CHARGEABLE STATUS FOR MOVEMENT TYPE  
SHIP / AIRCRAFT STORE (INTERNATIONAL)**

NO	MOVEMENT TYPE CODE	MOVEMENT		GST PAYMENT STATUS
		FROM	TO	
1	FE	Free Commercial Zone	Export Station	NO
2	ZE	Free Industrial Zone	Export Station	NO
3	WE	Warehouse	Export Station	NO

**GST CHARGEABLE STATUS FOR MOVEMENT TYPE  
SHIP / AIRCRAFT SPARE (INTERNATIONAL)**

NO	MOVEMENT TYPE CODE	MOVEMENT		GST PAYMENT STATUS
		FROM	TO	
1	FE	Free Commercial Zone	Export Station	NO
2	ZE	Free Industrial Zone	Export Station	NO
3	WE	Warehouse	Export Station	NO

**GST CHARGEABLE STATUS FOR MOVEMENT TYPE  
BUNKERING VIA PIPELINE**

NO	MOVEMENT TYPE CODE	MOVEMENT		GST PAYMENT STATUS
		FROM	TO	
1	WE	Warehouse	Export Station	SUSPEND

**GST CHARGEABLE STATUS FOR MOVEMENT TYPE  
BUNKERING VIA OTHER MODE**

NO	MOVEMENT TYPE CODE	MOVEMENT		GST PAYMENT STATUS
		FROM	TO	
1	WE	Warehouse	Export Station	SUSPEND

**GST CHARGEABLE STATUS FOR MOVEMENT TYPE  
MoU MALAYSIA-THAILAND**

NO	MOVEMENT TYPE CODE	MOVEMENT		GST PAYMENT STATUS
		FROM	TO	
1	T2	Transit (T2) - Entry Station	Exit Station	Out of Scope (NA)

## AMENDMENTS

No	Date	Heading / Sub – heading / Paragraph	Description
1	22 / 5 / 2015	Importation of goods	<u>No. 7</u> – removal Previous – No. 7
2	22 / 5 / 2015	Importation of goods	<u>No. 8</u> – addition
3	22 / 5 / 2015	Direct Importation of Goods from Overseas	<u>New sub-heading</u> No.10,11,12,13 - addition
4	22 / 5 / 2015	Valuation	<u>No. 23</u> Example 1,2,3 - addition
5	22 / 5 / 2015	Status of GST chargeable for Customs declaration	<u>New sub-heading</u> No. 24 - addition
6	22 / 5 / 2015	Temporary Import	<u>No. 28</u> – addition
7	22 / 5 / 2015	Temporary Import	<u>No. 29</u> – correction Previous – No. 24
8	22 / 5 / 2015	FAQ [Q4-A4]	<u>Q4-A4</u> - addition
9	22 / 5 / 2015	FAQ [Q5 A5]	<u>Q5 A5</u> - addition
10	22 / 5 / 2015	FAQ [Q16-A16]	<u>Q16-A16</u> - correction Previous - Q14-A14
11	22 / 5 / 2015	Feedback or Comments	Change of email address
12	22 / 5 / 2015	Appendix 1 & Appendix 2	Appendices to No. 24 – addition
13	30 / 10 / 2015	FAQ [Q5 – A5]	Additional Info
14	30 / 10 / 2015	FAQ [Q6 –A6]	Correction