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Penang Development Corporation ("PDC")

Goods and Services Tax ("GST")
- Kick-Off Meeting
- Awareness Briefing

8 May 2014

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Agenda / Contents

Objectives of today's briefing

1

Objectives of this Briefing Session

- Know the team structure & project approach
- Understand the basic GST principles and their potential impact to PDC
- Understand the project approach & your involvement
- Know where to seek clarification when required

GST Project Team Structure

Project Steering Committee
- General Manager
- Deputy General Managers
- Head of Departments
- CEO's Subsidiaries

- Make key decisions
- Remove roadblocks

GST Project Director / Industry Expert
Tony Chua (PWC)

GST Technical Team
Kao Pei Ting / Nur Diyana & Support Team (PWC)

GST Project Manager
Finance Manager
(Pn. Suzana)

Project Team Leader
HODs
- Business
- Admin
- Technical
- ICT
- Finance
- Property Management
- Physical Planning
- Entrepreneur Development
- Legal
- Internal Audit
- Corporate Communication

- Oversee project delivery
- Report to PSC

GST Project Manager
Corporate Manager of PDC Premier
(Pn. Vasandi)

- Monitor project delivery
- Report to PSC
- Manage team
- Drive methodology and output quality

Project Team Leader
CEO / GM / Accountant
- PDCP
- PDCC
- PIHH
- PGT
- PDCN
- IGP
- PDC Events
- PDC Telco

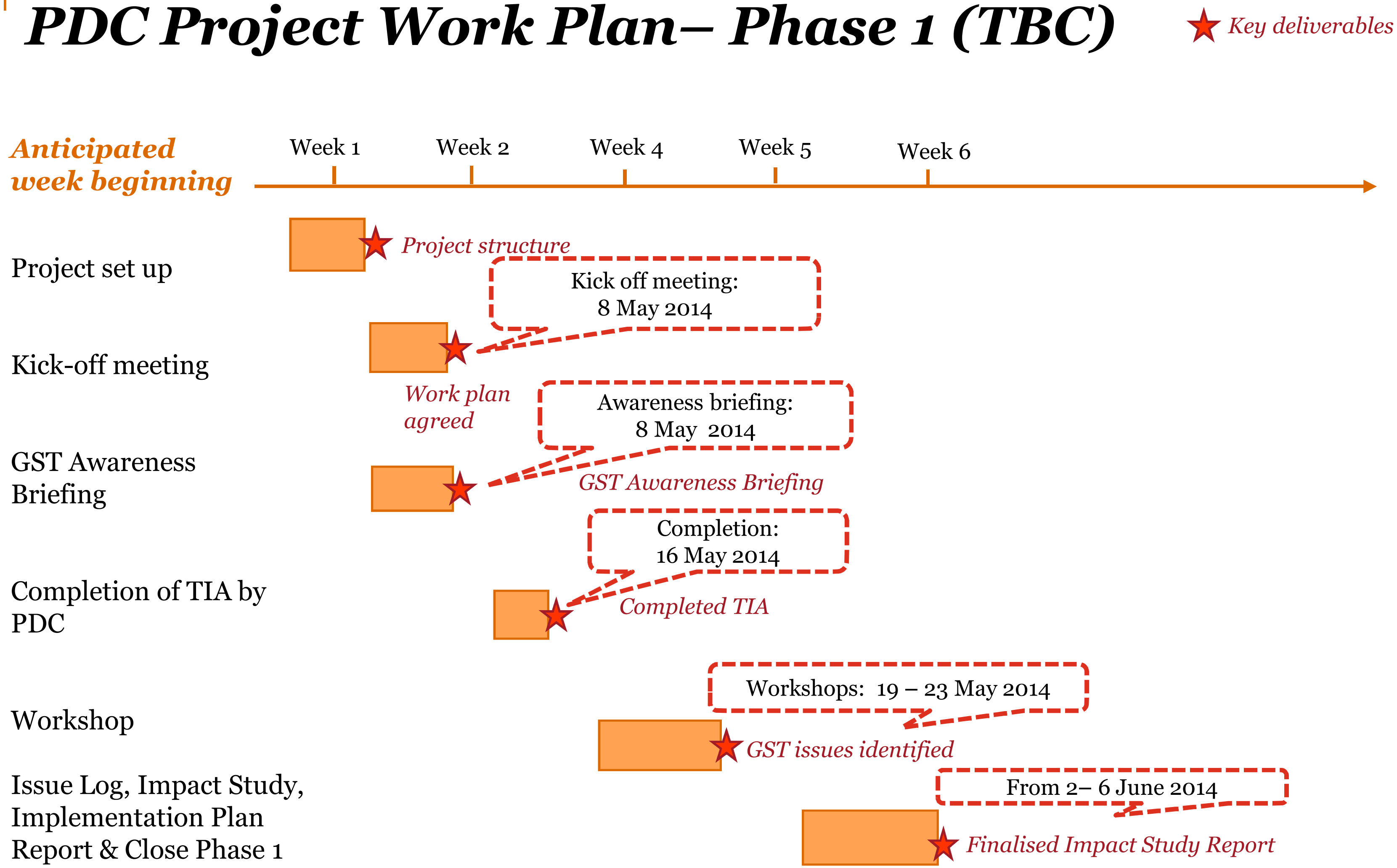
Overall Project Approach

- Prepare PDC to be GST compliant
- Staff Awareness / Transfer of GST knowledge to staff
- Early identification of issues and formulation of proposals and strategies

Phase 1 : GST Analysis and Planning & Development of Implementation Plan

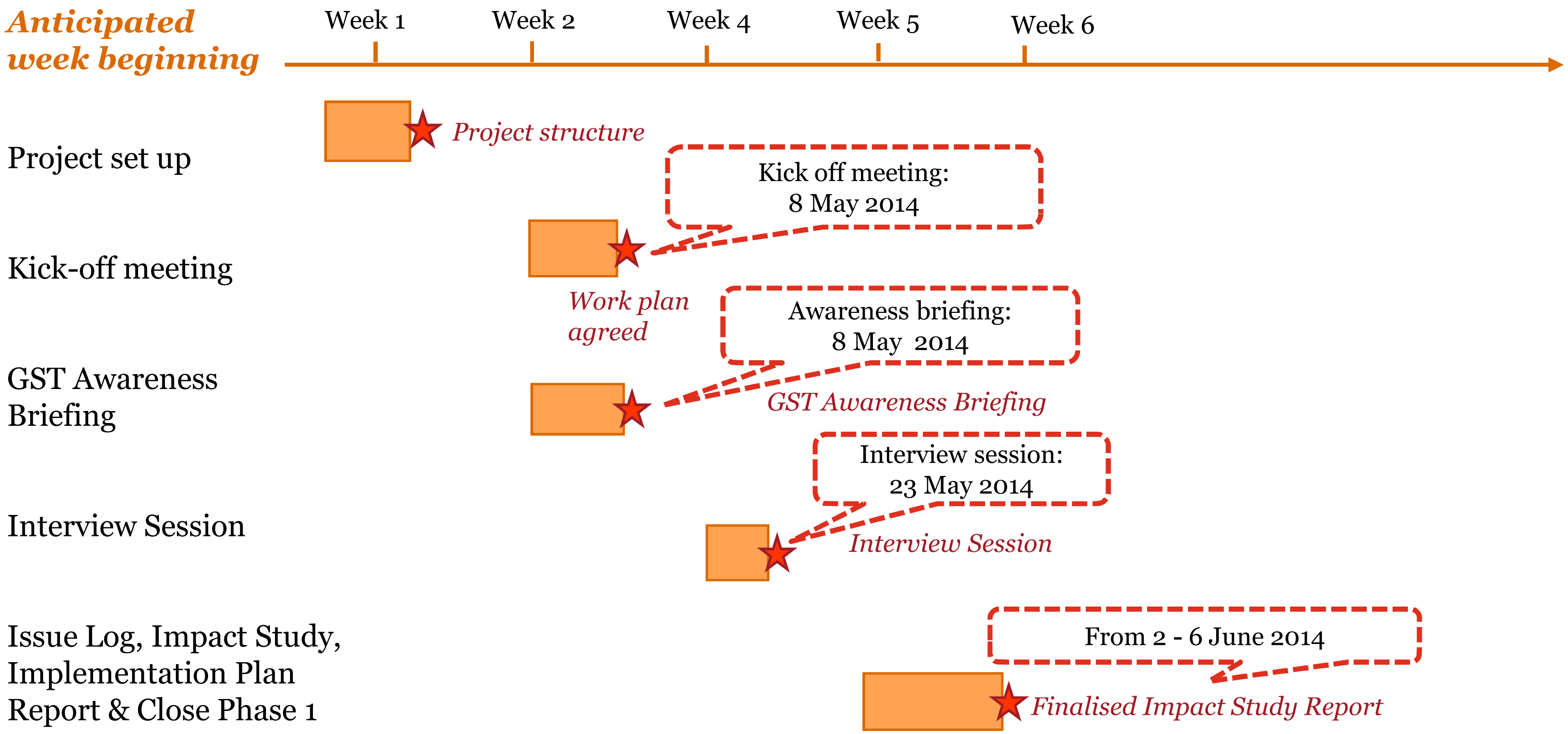
Identify potential GST impacted areas within the business via analysis templates and workshop	GST Analysis and Planning
Identify key issues to be highlighted to the Tax Review Panel ("TRP")	Proposal to Authorities
Develop a high level action plan that will form the basis for PDC's implementation	High Level Action Plan

PDC Project Work Plan– Phase 1 (TBC)



PDC's Subsidiary Project Work Plan – Phase 1 (TBC)

Key deliverables



Checklist for GST Administration

- Apply a risk management approach to GST administration
- Establish an internal control environment that effectively supports GST processing
- Identify and document all GST-impacted transactions in the organisation's operations and the technical positions related to them
- Process and report GST transactions in an accurate, complete and timely manner
- Manage changes that impact on GST administration
- Monitor and review effectiveness of GST administration

Overview of GST

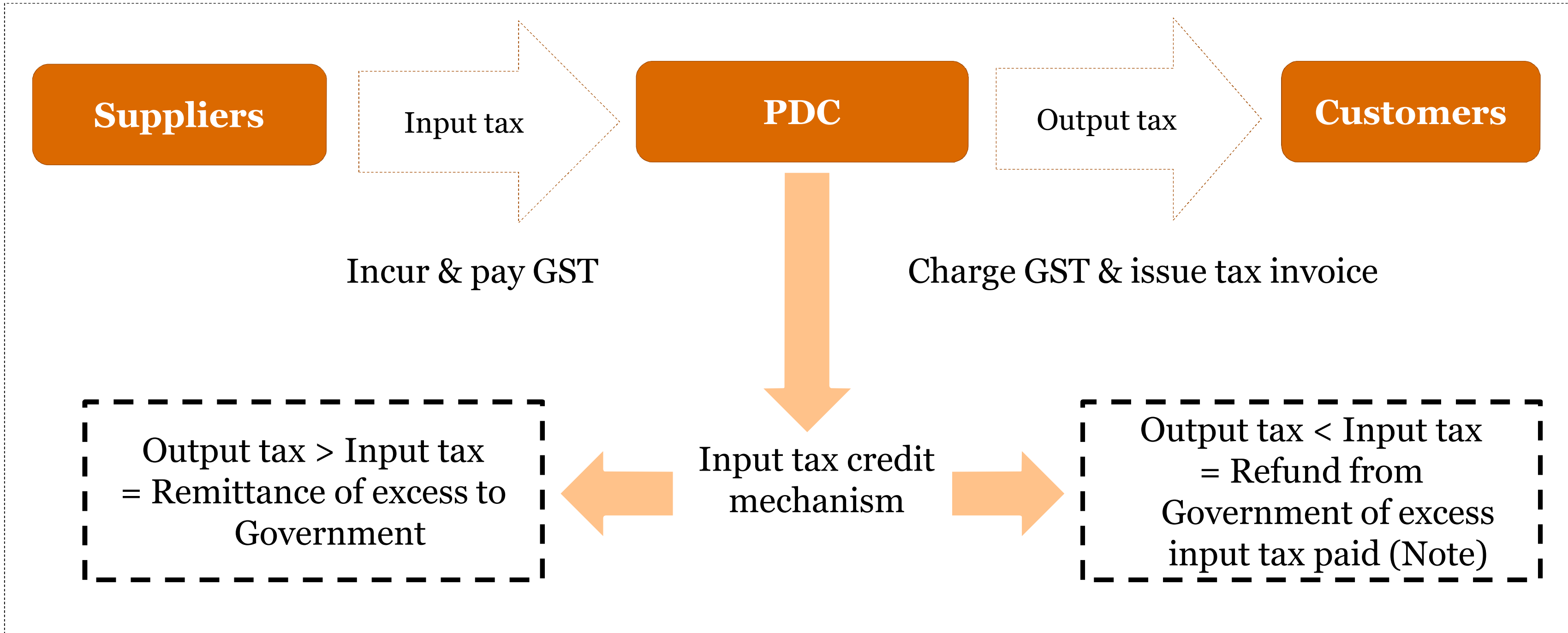
2

Overview of Malaysian GST

- The Government announced implementation of GST in Budget 2014
- The Goods and Services Tax Bill 2014 was passed in Dewan Negara on 5 May 2014
- GST rate: **6%**; GST effective date: **1 April 2015**
- Registration threshold: Annual taxable turnover >RM500,000
- Customs released draft GST Guides and GST Orders on Zero Rated Supplies and Exempt Supplies (www.gst.customs.gov.my)
- Timeline:

Input Tax Credit ("ITC") System

- Replaces current sales tax and service tax
- Multi-stage broad-based consumption tax, self assessment system
- ALL goods and services are taxable (standard-rated or zero-rated) unless specifically designated as an "exempt supply" or "out-of-scope" supply
- Application of Input Tax Credit ("ITC") system



Note: Any refund of tax may be offset against other unpaid GST, customs and excise duties. Refund will be made to the claimant within 14 working days if the claim is submitted online or 28 working days if the claim is submitted manually.

Registration

- Value of the taxable turnover of supply for a period of 12 months or less exceeds the threshold of RM500,000 **(i.e. >RM500,000)**
- Any person who makes a **taxable supply** (i.e. standard-rated, zero-rated, deemed supply and disregarded supply) for **business purposes**
- However, businesses with taxable turnover of RM500,000 and below, even though not required to be registered, may voluntarily apply to be GST-registered
- 12-month period may be determined based on either:
  - ➢ Historical method; or
  - ➢ Future method

#

Taxable Period

- Every taxable person shall be assigned a taxable period depending on the amount of annual sales:-

Annual sales	Category	Taxable period of
RM5 mil. and above	A	One month
Less than RM5 mil.	B	Three months

- The taxable period will end on the last day of the calendar month
- GST return is required to be furnished to the Director General not later than the last day of the month following the end of the taxable period

Penalty for Non-Compliance

No.	Offence	Penalty
1	Incorrect return (omission of information, understatement of output tax, overstatement of input tax)	• Up to **RM600,000** per year (RM50,000 per offence x 12 returns)
2	General offences (i.e. transactional)	• Up to **RM30,000** per offence • Transactional base (RM30,000 x No. of transactions)
3	Late registration	• Penalty ranges to from **RM1,500** (within 30 days) to **RM20,000** (more than 360 days)

We would highlight that the risk of non-compliance is HIGH. As such, PDC should have appropriate internal controls in place to minimise risk of non-compliance

Basic GST Concepts
Charge to Tax

GST will be charged on **any supply** of goods or services if it is:

- A taxable supply (i.e. standard rated/zero rated)
- Made in Malaysia
- Made by a taxable person
- In the course or furtherance of business

  (e.g. local sales of real property/ sale of capital assets)

AND

- On **imported goods and services**

  (e.g. imported raw material / machinery etc)

Basic GST Concepts
Meaning of "Supply"

- Includes "all forms of supply, including supply of imported services, **done for a consideration**, and anything which is not a supply of goods but is done for a consideration is a supply of services"

- A supply arises where
  - consideration is received
  - it is for something that is done

- Consideration – anything (in money or in kind) received in exchange for something else

- **Deemed supply** may apply where no consideration is received for the supply of goods or services

Basic GST Concepts

1 TYPES of supply	Are my outputs taxable? – 1.1 Standard rate – 1.2 Zero rate – 1.3 Exempt – 1.4 Out-of-scope – 1.5 Deemed supplies Is my input tax recoverable?
2 PLACE of supply	Is my supply made in Malaysia? Territorial scope of GST
3 TIME of supply	When do I account for GST? 21 days rule
4 VALUE of supply	At what value should I charge GST?

1 Types of supply

Are my outputs taxable?
– 1.1 Standard rate
– 1.2 Zero rate
– 1.3 Exempt
– 1.4 Out-of-scope
– 1.5 Deemed supplies
Is my input tax recoverable?

Taxable Supply	**Standard-rated supply** **GST rate 6%**	Input tax is recoverable
	Zero-rated supply **GST rate 0%**	
Non-taxable Supply	**Exempt supply** **No GST**	Input tax is not recoverable
	Out-of-scope **Not a supply**	

1.1 *Taxable Supply: Standard-Rated Supplies*

- All supplies taxable at standard rate (i.e. charge GST at 6%) unless:
  - ➢ Specifically zero-rated; or
  - ➢ Specifically designated as an exempt supply
- Input tax credit claimable in respect of GST paid on inputs (i.e. purchases)
- Examples:

Standard-rated supplies	Standard-rated purchases
Sale or rental of commercial or industrial property (i.e. shop lots, office, factory, hotel)	Local purchase of raw material for commercial units
Construction services for both residential or commercial property	Purchase of plant and machinery for construction services
Sales of scrap	Office stationery

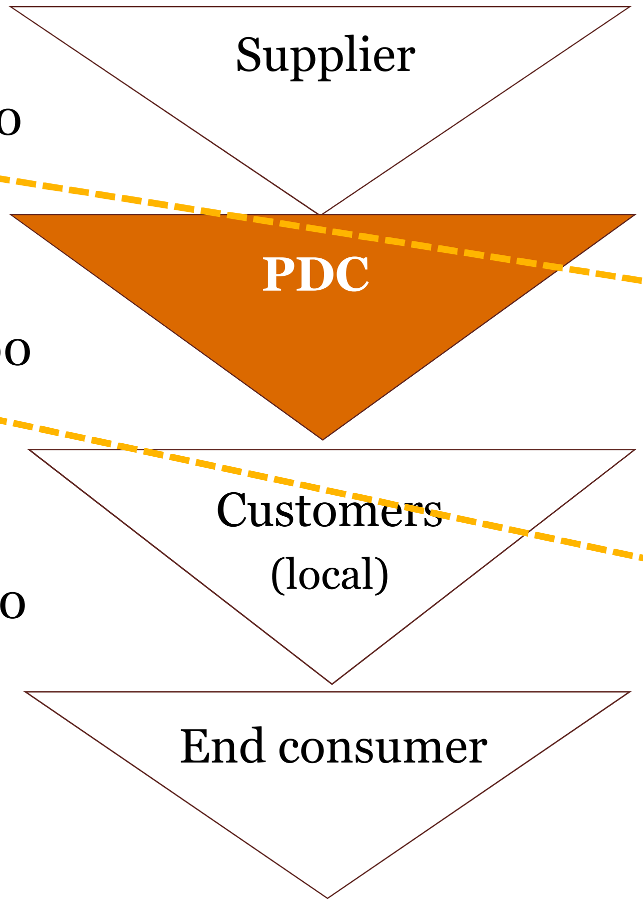
To charge GST of 6%

To claim input tax credit

GST – how does it work?

Illustration: supply in Malaysia (Standard rated)

GST @ 6%



Price: RM100
GST: RM6

Price: RM200
GST: RM12

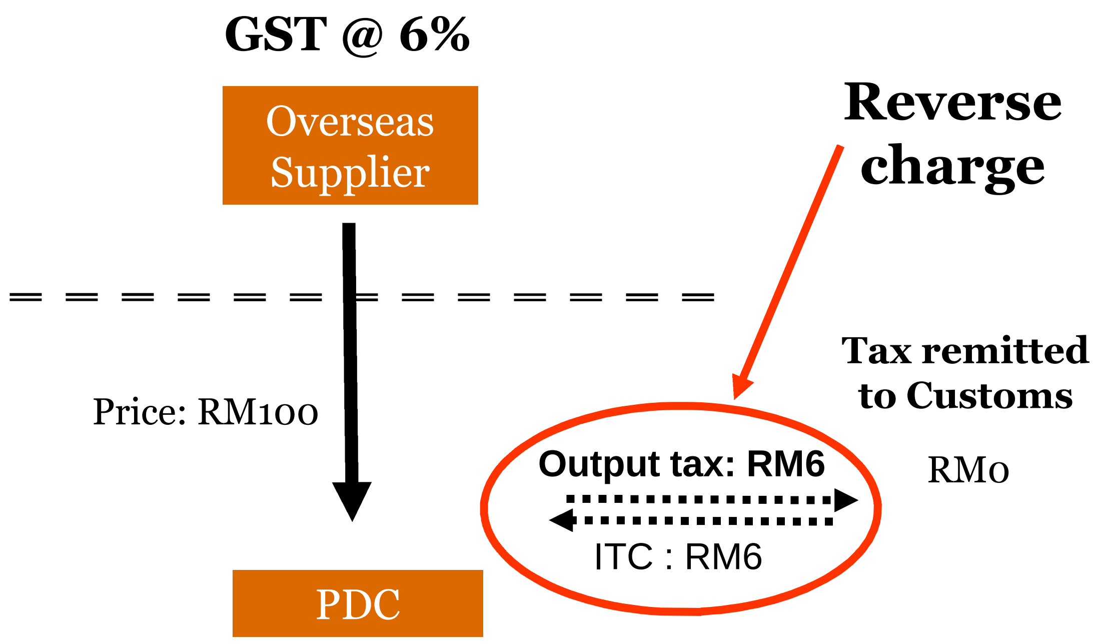
Price: RM250
GST: RM15

Tax remitted to Customs

Output tax =	RM6.00
Output tax =	RM12.00
ITC =	RM6.00
	RM6.00
Output tax =	RM15.00
ITC =	RM12.00
	RM3.00

Total amount remitted to Customs = RM15.00

Imported Services
Illustration of reverse charge mechanism



- PDC is liable to account GST on supply of imported services (output tax) when payment is made to supplier.
- PDC claims this GST as input tax credit (only if it is attributable to taxable supply)

1.2 *Taxable Supply: Zero-Rated Supplies*

- Charge GST at 0%
- Input tax credit claimable in respect of GST paid on inputs (i.e. purchases)

  - Provide relief to lower income group: basic foodstuff, first 300 units of electricity and water

  - Increase competitiveness abroad: Exports of goods and services, international services

- Examples:

  -Goods exported from Malaysia where proof of export is held
  -International / Exported Services
  -Purchase of fish (fresh or chilled)
  -Purchase of vegetables (e.g. cabbages, cauliflowers, lettuce etc.)
  -Purchase of rice and salt
  -Purchase of meat

* See Appendix 1 of Briefing Pack for full list of zero-rated supplies

Zero-rated Supplies

Generally, all international services are zero-rated provided the conditions are met as specified under the Goods and Services Tax (Zero Rated Supplies) Order. Example of international service:-

- Any supply of services to a person who belongs outside Malaysia not being any supply of services related to land and goods situated in Malaysia and he is not in Malaysia at the time the services are performed.

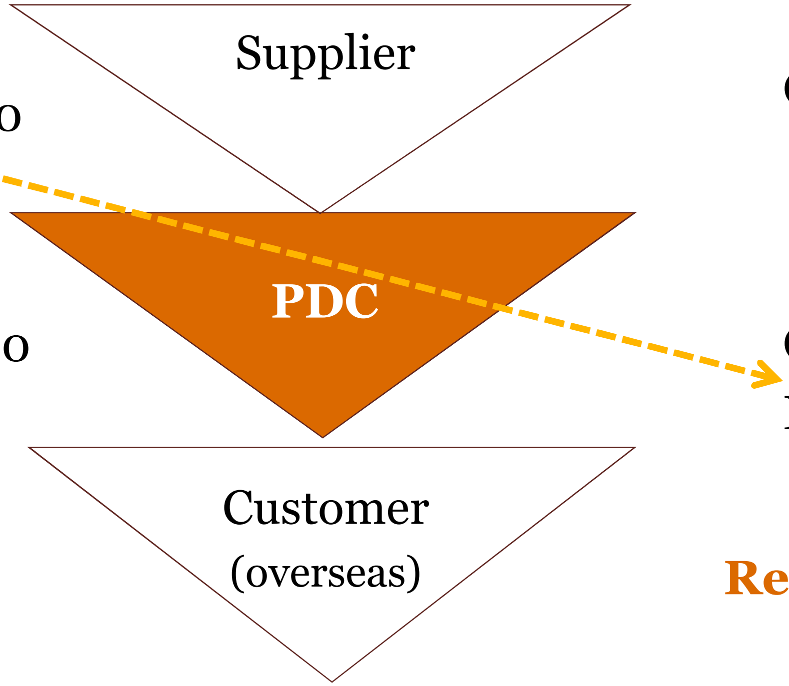
GST – how does it work?

Illustration: supply out of Malaysia (Zero rated)

GST @ 6%

Price: RM100
GST: RM6

Price: RM500
GST: RM0



Tax remitted to Customs

Output tax = RM6.00

Output tax = RM0.00
ITC = RM6.00
(RM6.00)

Refund to PDC

Total amount remitted to Customs = RM0.00

1.3 *Non-taxable supply : Exempt Supplies*

- No GST charged on supply
- Input tax credit **NOT CLAIMABLE** in respect of GST paid on inputs (i.e. purchases)

Examples:

- Financial services, life insurance
- Domestic public transportation
- Toll highway services
- Private healthcare / education services
- Sale and lease of residential property, land for agricultural use, burial ground

*See Appendix 1 of Briefing Pack for full list of exempt supplies.

GST – how does it work?

Illustration: supply in Malaysia (Exempt)

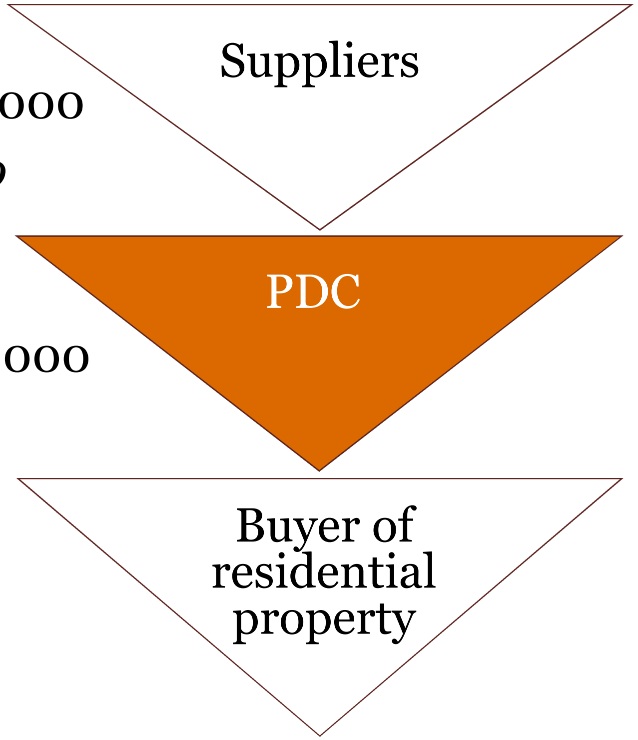
GST @ 6%

Price: RM10,000

GST: RM600

Price: RM40,000

GST: RM0



Tax remitted to Customs

Output tax = RM600.00

Output tax = RM0.00

ITC = RM0.00

RM0.00

Total amount collected by Customs = RM600.00

1.4 *Non-taxable supply : Out-of-Scope Supplies*

- No GST is charged on out-of-scope supplies
- Generally input tax is not claimable
- Input tax may be claimable if supplies were (made outside Malaysia) taxable if made in Malaysia

Examples:

- Supply of goods or services made by the Federal Government and State Governments or any local authority and statutory body in respect of its regulatory and enforcement functions (i.e. quit rent, premium, survey fees, registration of titles, assessment)
- Dividends
- Wages and salaries
- Allowances
- SOCSO / EPF
- Supply of goods outside Malaysia
- Non business supply

1.5 *Deemed Supplies*

- Arises where no consideration is received, but liable to account for GST

No.	Scenario	Output tax
1	Transfer or disposal of goods forming part of the assets of the business • Unless it is: ➢ a gift of goods where the cost is not more than RM500 ("Gift rule"); or ➢ sample given to customer (or potential customer) and sample is industrial or commercial sample	To charge
2	Goods held by business which are put to private / non-business use (deemed supply of services)	To charge
3	Supply of services to connected persons for no consideration	To charge

Where there is a deemed supply, PDC must account for output tax

Deemed Supply of Goods – Gift rules

- Where no consideration is received, but liable for GST:
  - Transfer / disposal of business assets for no consideration where the cost of goods is more than RM500 to the same person per year

Gift	Value of Gift	Accumulated Value For the Year	To account for output tax?
1	RM300	RM300	No
2	RM100	RM400	No
3	RM200	RM600	Yes

  - Examples:
    - ➢ Provision of uniform, diary, long service award, etc to employees *
    - ➢ Prizes given away during competition (e.g. TVs, tablets, watch etc.)
- Must still account for the output tax even if input tax is not claimed.

** except if stated in employment contract*

Deemed Supply of Services

- Where no consideration is received, but liable for GST:
  - Free services provided to connected persons, where the connected person cannot claim input tax credit on the supply received
  - Business assets put to private use
- Connected persons include:
  - Officers / directors of one another's business
  - Any one person directly or indirectly owns, controls or holds 5% or more of the voting shares of both of them
  - One of them directly or indirectly controls the other
  - Both of them are directly or indirectly controlled by a 3rd person

2 PLACE of supply

Is my supply **made in Malaysia?**

Territorial scope of GST

General rule

Goods:

originates from place in Malaysia to a place in or outside Malaysia

Services:

business establishment, fixed establishment and usual place of residence

3 TIME of supply

When do I account for GST?

21 days rule

- **<u>Earlier</u>** of the following dates:

1. **When goods are <u>removed or made available</u>, or when the services are <u>performed</u>**

or

2. **Receipt of payment**

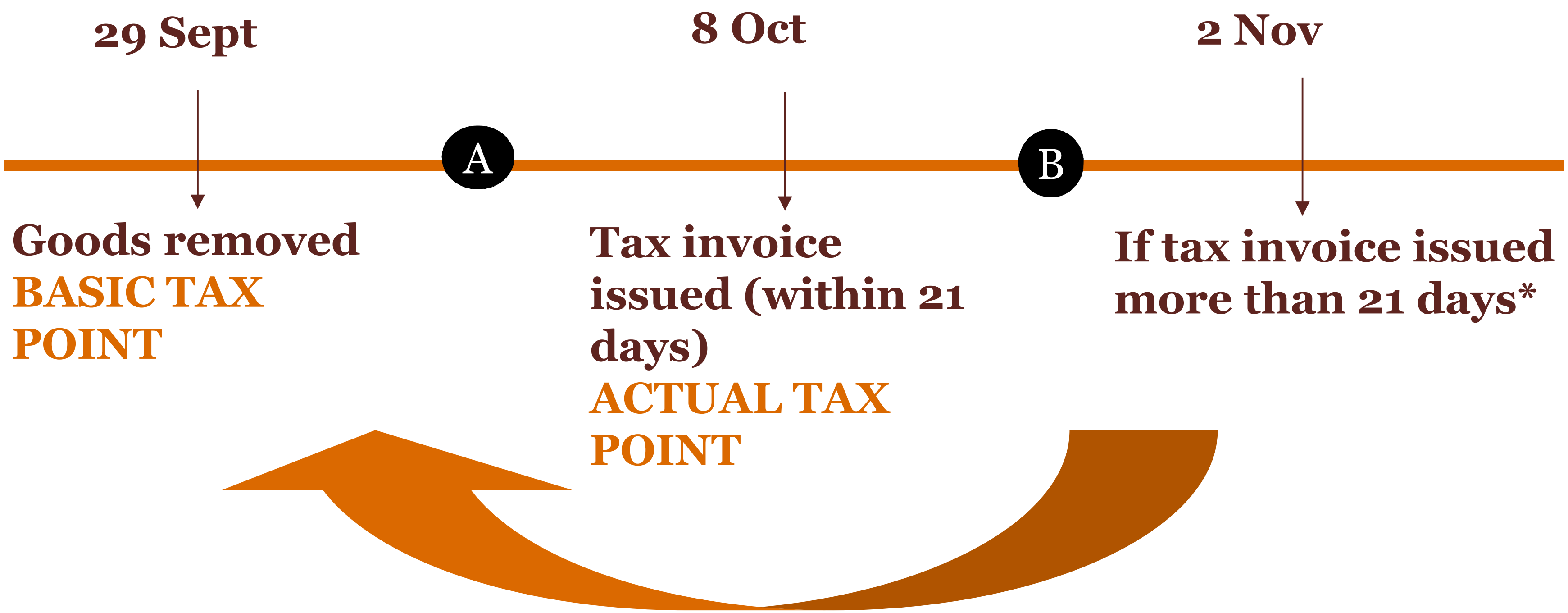
or

3. **Issuance of tax invoice***

(*) 21 days rule – if tax invoice is issued <u>within 21 days</u> from (1) and <u>no payment</u> received, date of invoice is taken as time of supply. However, if tax invoice is not issued within 21 days from (1), then the time of supply shall revert back to (1).

Time of Supply

21 Days Rule



* If tax invoice is issued after 21 days from the Basic Tax Point, then the time of supply falls back to the original date (29 Sept)

Time of Supply – Example

Implication A : If tax invoice is issued **within 21 days** from the date of delivery of goods

- If no payment has been made and PDC issues tax invoice within 21 days from the basic tax point, then the date of invoice is taken as time of supply.
- For example, if goods are delivered to the customer on 29 September 2015 and PDC issues tax invoice on 8 October 2015, then the date of invoice on 8 October 2015 is taken as time of supply.
- Therefore, PDC will have to account for tax in the taxable period of **October 2015**.

Implication B : If tax invoice is issued **after 21 days** from the date of delivery of goods

- If goods are delivered to the customer and PDC issues tax invoice after 21 days from the date of delivery (i.e. basic tax point), the time of supply falls back to its basic tax point.
- For example, if goods are delivered to the customer on 29 September 2015 (i.e. basic tax point) and PDC issues tax invoice on 2 November 2015, the time of supply falls back to the basic tax point on 29 September 2015.
- Therefore, PDC will have to account for tax in the taxable period of **September 2015**.

Time of Supply - Exceptions

Types of Supply	When to account GST?
Continuous supplies of services	When tax invoice is issued or payment is received, whichever earlier
Imported services	When the recipient pays for the services
Free services to connected persons	When the service is performed
Free goods	At the time when the goods are transferred/disposed of
Goods put to private use	At the time when the goods are appropriate to the use
Consignment sale	When consignee issues statement of sales to consignor, or 12 months from date goods were sent to consignee, whichever earlier

4 Value of supply

At what value should I charge GST?

General rule

Consideration = Value of supply + GST

(when consideration is not in monetary terms or not wholly consisting of money, the Open Market Value ("OMV" – arms length value) to be used)

Imported goods

Value = CIF (Customs, Insurance & Freight) value + customs duty + excise duty

Imported services

Value = consideration paid to overseas supplier

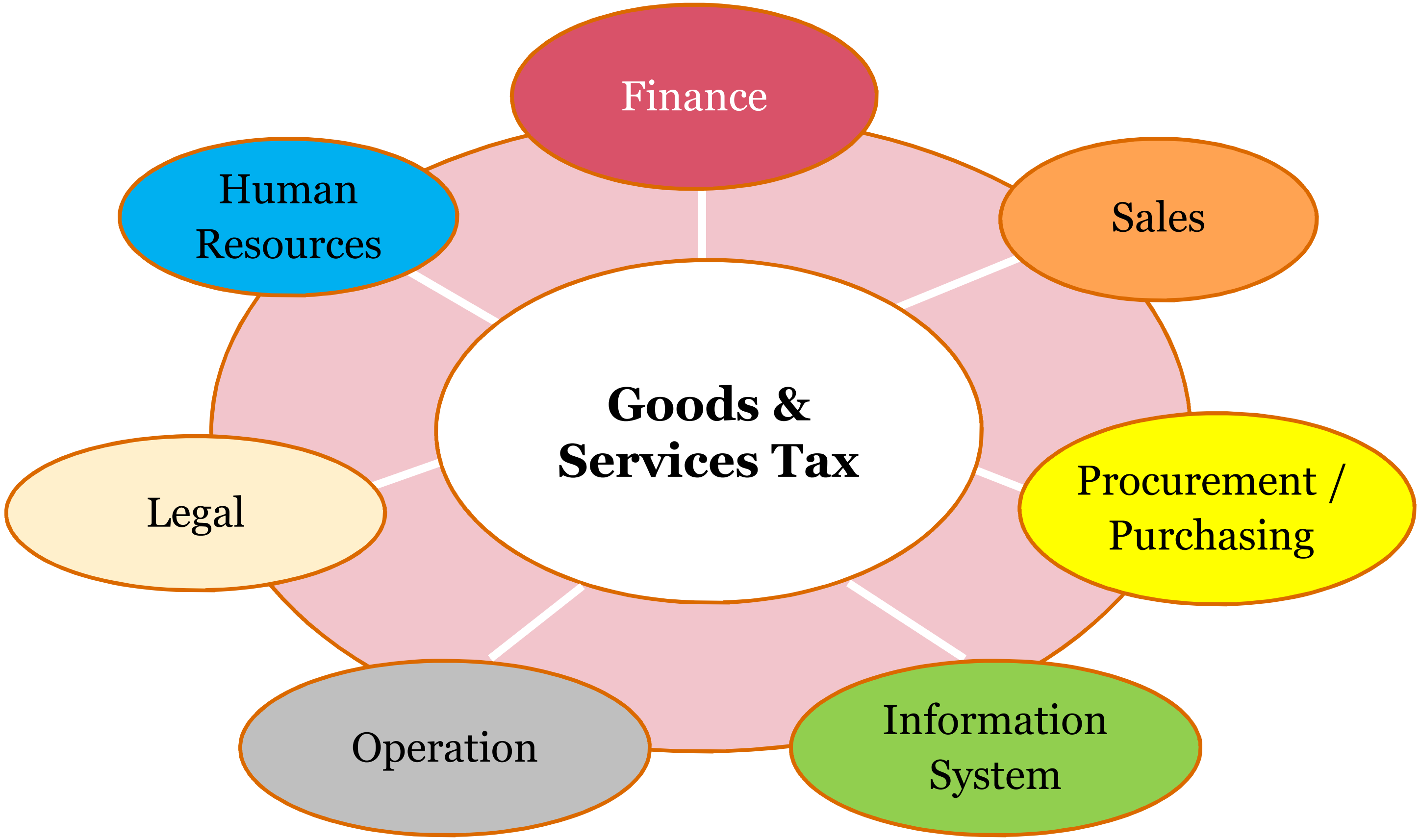
Services to connected persons (with/without consideration)

Value = OMV

GST impact and key considerations

3

Departments / Functions



GST is not just a tax matter – it is a business issue

GST Impact to Business

1	GST Collector	- Classification of Supplies - Price Discount - Disposal of Assets - Free Gifts - Employee Benefits
2	ITC Claim	- Input Tax Credit - Incidental Exempt Financial Supplies - De Minimis Limit - Vendor Management
3	Accounting for GST	- Time of Supply for Property & Construction - Inter-company Charges - Reimbursement vs Disbursements - Sponsorship & Donations - Cash Flow & Bad Debts - Tax Invoice / Debit & Credit Notes
4	Transitional Issue	- Reviewable/Non-reviewable Contract

Classification of Supplies

	Supply	GST treatment
Residential property	Sale/lease of residential property	Exempt
	Rental of residential property / room charges	
Non-residential property (i.e. commercial or industrial purpose)	Sale/lease of commercial property	Standard rated
	Rental of non-residential property / shop lots	
Land	Sale/lease of industrial land	Standard rated
Additional Supply	Sale of extra car park / Free car park (supply of goods)	Standard rate
	Built-in curtain, furniture	
Construction	Construction services	Standard rate

Classification of Supplies (cont.)

	Supply	GST treatment
Others	Dividend income	Out-of-scope
	Interest income from bank	Exempt
	Sale of plant and equipment (except passenger car - blocked)	Standard rated
	Sale of scrap / fixed assets	
	Secretarial / consultancy services (local)	
	Rental of tower, portable base transreceiver, bandwidth, roof tops and lamp posts	
	Maintenance fees, parking fees	
	Technical consultancy services (local)	
	Management services (local)	

Classification of Land and Building

Type of Property	Basis of Classification
Used Property	**Actual use** of the property, design features and the essential characteristics and attributes of the property
Newly completed property (not yet used)	Design features and the essential characteristics and attributes of the property
Vacant / bare land	According to **land title**
Change in the use (from residential to commercial)	Subject to standard rate based on:- - The premise is registered with the relevant authorities - The owner himself applies for the change of use - Evidenced by the sales and purchase agreement

Input tax		Output tax	

Sales

Finance

Price Discount

- When a discount is offered for a taxable supply, GST should be charged on the value after discount (i.e. the net selling price)
- Example:

Price of commercial property	RM 100,000.00
10% discount (RM 100k x 10%)	(RM10,000.00)
Price after discount	RM 90,000.00
6% GST (RM 90k x 6%)	RM 5,400.00
Price after discount (GST inclusive)	**RM 95,400.00**

If PDC provides discount to its customers, PDC should charge GST on the discounted price.

Input tax Output tax Finance

Disposal of assets

	GST	Value
Sale of capital assets	✓	Sale value
Sale as scrap	✓	Sale value
Given free	✓	Open market value
Destroyed, no commercial value or not economic to sell	x (non supply)	Not applicable

Input tax Output tax

Sales

Human resources

Free Gifts

- Subject to gift rule – **RM500 per person per year**
- If the cost of the gift given to the same person in the same year is more than RM500, PDC must **account for output tax** even though the gifts are given for no consideration
- If the cost of the gift given to the same person in the same year is RM500 and below, there is **no need to account for output tax**
- Includes free gifts given to employees

To consider:

- Costs vs. benefits of tracking free goods given

Input tax Output tax

Human resources

Employee Benefits

Input tax

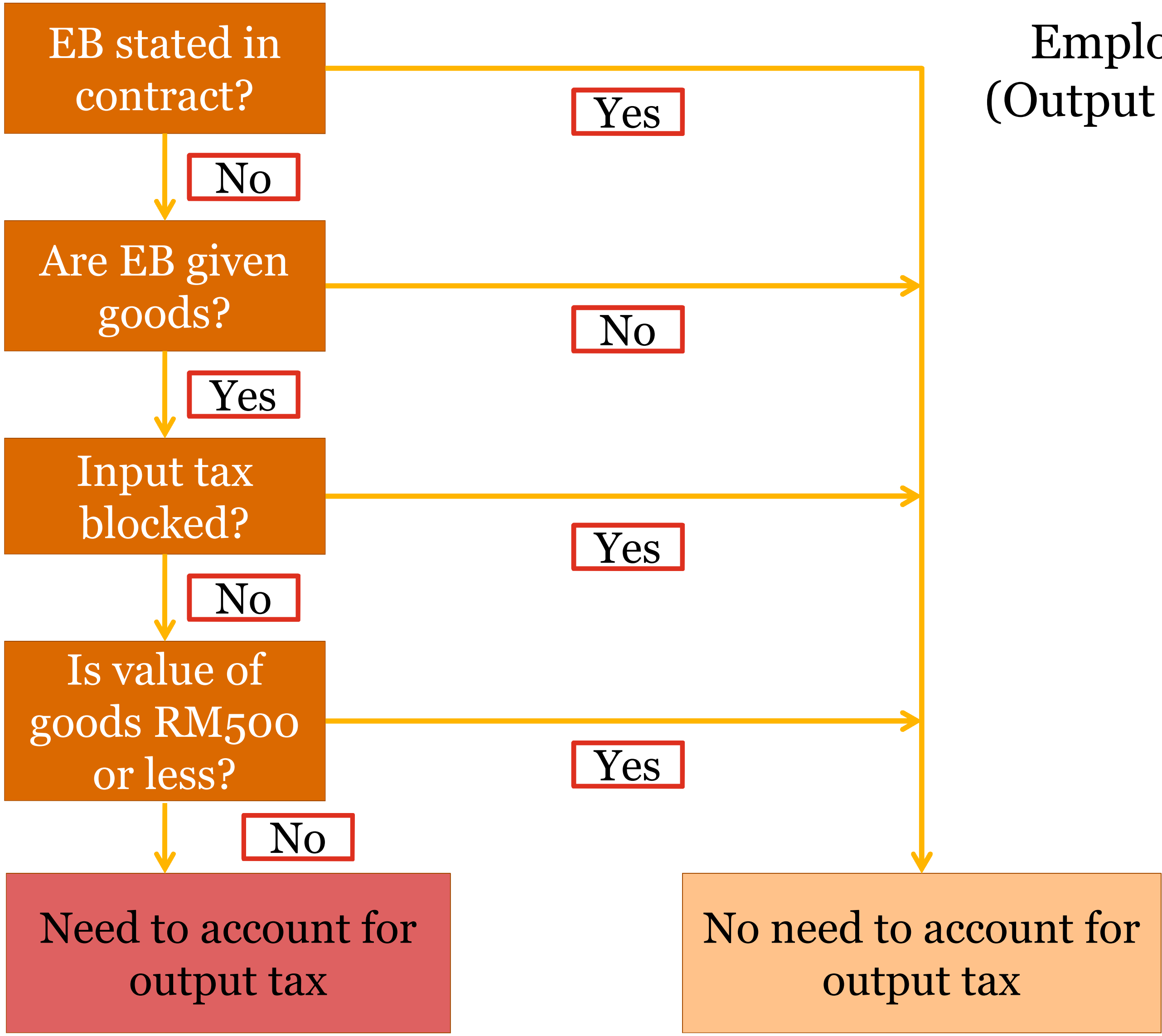
- PDC is eligible to claim ITC on acquisition of goods / services given for free as employee benefits as they are regarded as being for the purpose of the business (except for blocked input tax items).

Output tax

- PDC must account for GST output tax on employee benefits

	Included in the employment contract	**NOT** included in the employment contract
Goods	Not subject to GST	• Subject to GST - Account for output tax • Exception - value less than RM500 per year/employee
Services		• Not a supply - not subject to GST (except to connected person)

Employee Benefit (Output Tax Liability)



GST Impact to Business

1 GST Collector

- Classification of Supplies
- Price Discount
- Disposal of Assets
- Free Gifts
- Employee Benefits

2 ITC Claim

- Input Tax Credit
- Incidental Exempt Financial Supplies
- De Minimis Limit
- Vendor Management

3 Accounting for GST

- Time of Supply for Property & Construction
- Inter-company Charges
- Reimbursement vs Disbursements
- Sponsorship & Donations
- Cash Flow & Bad Debts
- Tax Invoice / Debit & Credit Notes

4 Transitional Issue

- Reviewable/Non-reviewable Contract

Input Tax Credit (“ITC”)

No.	Criteria to claim ITC	Compliance status
1	You must be a registered person (i.e. taxable person)	Yes
2	The goods / services must have been acquired in the course or furtherance of the business (i.e. for business purpose). **ITC is claimable on acquisition of capital assets used in the business (e.g. IT equipment, furniture and fittings etc.)**	Yes
3	Goods or services are acquired for making taxable supplies (i.e. standard-rated or zero-rated supplies)	Yes
4	It must not be subject to any restriction such as blocked input tax items	Yes
5	You must hold a valid tax invoice / valid customs importation document	Yes*
6	Tax invoices must be in the name of claimant unless simplified invoice is used	Yes*

** PDC should ensure that appropriate internal control policies and procedures are implemented in relation to tax invoices it receives to ensure that there is minimal ITC leakage*

Blocked Input Tax Credit

No input tax credit available for the following:

- Supply or importation or hiring of passenger motor car (including lease of passenger motor vehicles)
- Club subscription fee
- Medical and personal accident insurance premium
- Medical expenses
- Family benefits
- Entertainment expenses (includes provision of food, drink, recreation or hospitality, or provision of accommodation or travel associated with the provision of food, drink or recreational) except those for employees and existing customers

Any irrecoverable input tax is a cost to the business

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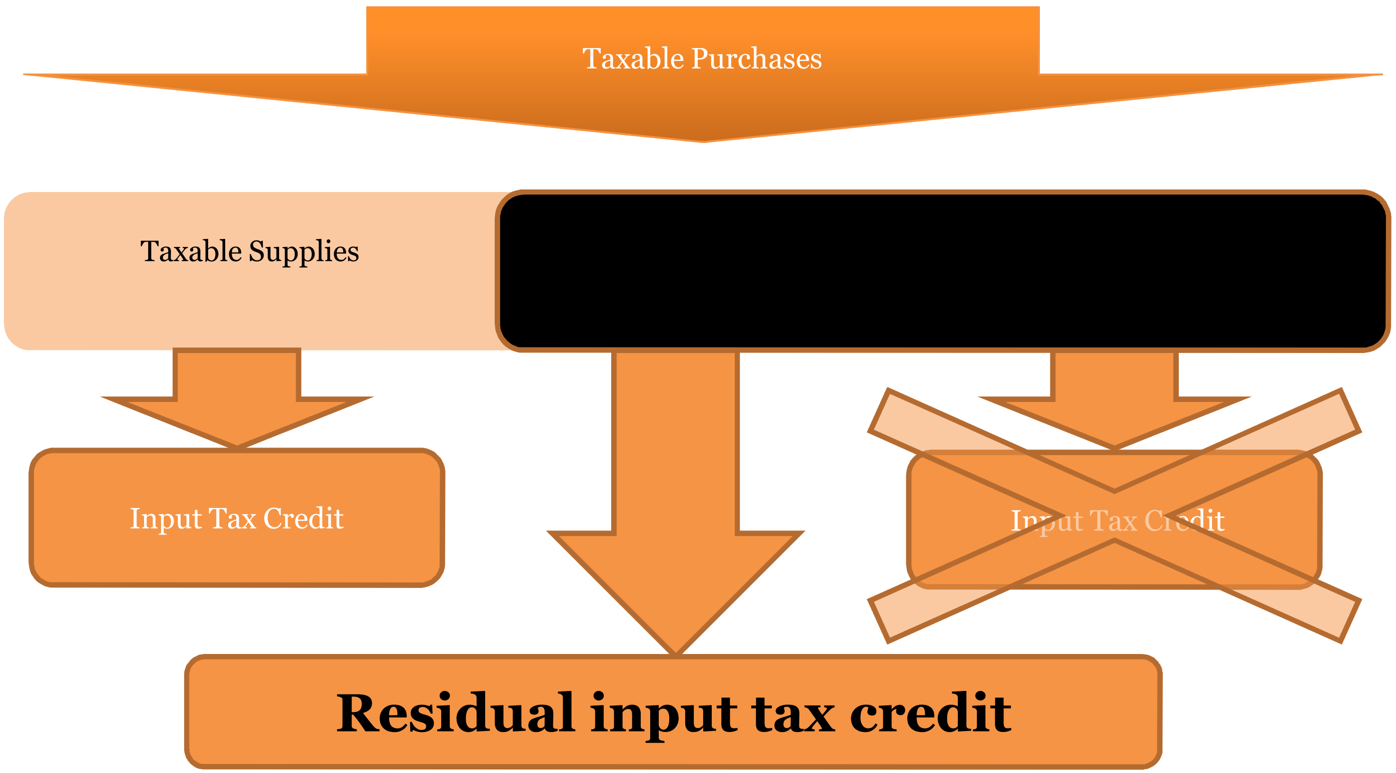
ITC - Direct attribution & apportionment rules

1) Direct attribution of ITC

– ITC directly attributable to taxable supplies : Wholly recoverable

– ITC directly attributable to exempt supplies : Not recoverable



ITC - Direct attribution & apportionment rules

2) Apportionment rule shall apply for residual ITC :

$$\text{ITC claim on residual} = \frac{\text{Total value of taxable supplies}}{\text{Total value of all supplies (taxable \& exempt)}} \times \text{GST incurred on residual inputs}$$

Incidental exempt financial supplies

- If a person only make the following EXEMPT "incidental financial supplies", the input tax attributable to these exempt supplies is treated as attributable to TAXABLE supplies and fully claimable:
  - Deposit of money
  - Exchange of currency
  - Holding of bonds or other debt securities
  - Transfer of ownership of securities
  - Provision of loan, advance, credit or other similar facility to employees or connected person (includes inter-company loans)
  - Holding or redemption of any trust unit
  - Hedging of interest, commodity, utility, freight or commodity price risks.

De minimis limit

Input tax you incur in making negligible exempt supplies (excluding incidental exempt financial supplies) can be recovered in full if:

- The total value of exempt supplies you make does not exceed an average of RM5,000 per month; and
- The total value of your exempt supplies does not exceed 5% of total value of total supplies (taxable and exempt supplies) you make in that tax period

Input tax Output tax

Finance

Procurement

Capital goods

- Standard-rated
- One-off claim of input tax allowed on the capital items used in the business to make taxable supplies (except for blocked inputs)
- Input tax is claimable in the taxable period in which the capital items are acquired.
- Intangible assets treated as out-of-scope supply (e.g. goodwill)
- Capital goods adjustment (at intervals) would need to be made on the input tax claimed if there is a change in the proportion of taxable use versus non-taxable use of capital goods

Vendor management

- Input tax is only claimable if a valid tax invoice is received from the supplier
- Acquisition from non-registered supplier could potentially lead to higher cost of acquisition and no input tax to be recovered
- **Issues to consider**:-
  - Confirmation that vendors are registered for GST purpose and comply with invoice requirements
  - Reviewing tax invoice template of suppliers (optional)
  - Establish a preferred vendor program
  - Education and communications of PDC's policies to suppliers / vendors

Industry Specific Issues – Property

Issues to consider:

- Apportionment rules has to be applied when PDC makes a mixed supply
- Consider De Minimis Limit for companies making taxable supply and exempt supply e.g. rental/lease of residential property
- Adjustment of capital goods for mixed supplier

GST Impact to Business

1 GST Collector

- Classification of Supplies
- Price Discount
- Disposal of Assets
- Free Gifts
- Employee Benefits

2 ITC Claim

- Input Tax Credit
- Incidental Exempt Financial Supplies
- De Minimis Limit
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- Time of Supply for Property & Construction
- Inter-company Charges
- Reimbursement vs Disbursements
- Sponsorship & Donations
- Cash Flow & Bad Debts
- Tax Invoice / Debit & Credit Notes

4 Transitional Issue

- Reviewable/Non-reviewable Contract

Industry Specific Issues – Property

Time of Supply

i) For the sale of <u>uncompleted</u> non-residential property under <u>progressive</u> payment contracts, you have to account for GST at various stages of the progressive / scheduled payment based on the earlier of the following:

- when tax invoice is issued; or
- when payment is received.

Industry Specific Issues – Property

Time of Supply (cont'd)

ii) For the sale of completed non-residential property, you have to account for GST:

Stage 1 – At the stage when Sales and Purchase (S&P) Agreement is signed:

GST should be accounted at the earlier of the following:

- when a tax invoice is issued; or
- when payment is received.

Stage 2 – at the transfer stage:

GST should be accounted at the earliest of the following:

- when a tax invoice is issued;
- when payment of the balance of the purchase price is received;
- when the property is made available to the purchaser; or
- when the transfer is effected.

Industry Specific – Construction

Time of supply

(a) Schedule payment under construction contracts where certificate of work done is required. To account for GST at the earlier of the following:

- when payment is received;
- when tax invoice is issued; or
- the date certificate of work done is issue, if invoice is not issued within 21 days from date of certificate issued.

(b) Periodic payment when certificate is not required. To account for GST at the earlier of the following:

- when payment is received or
- when tax invoice is issued

Input tax Output tax

Finance

Inter-Company Charges

- Inter-company charges - Subject to GST (unless companies are eligible and elect to be grouped)

GST Grouping:-

- Supplies between group members disregarded
- Positive impact on cash flow, cost and administrative efficiency (no tax invoices)

Issues to consider:-

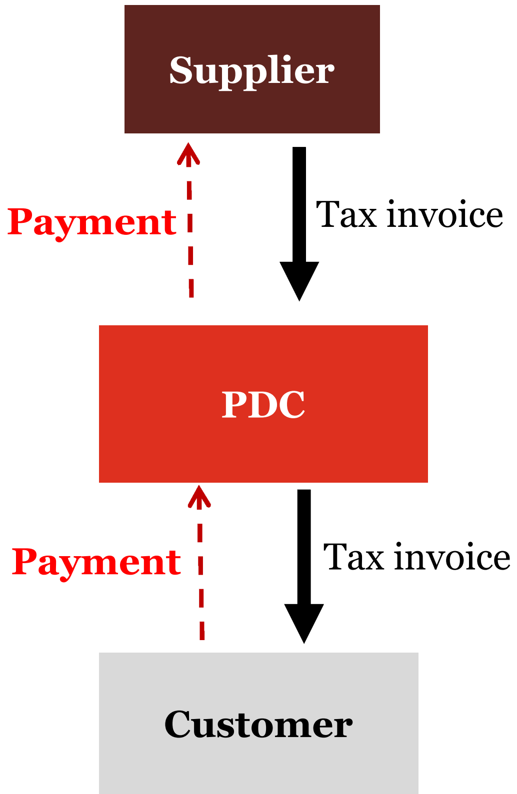
- Companies making exempt or mixed supply cannot group
- Equity controlling interest under Companies Act 1965
- Assessing cost / benefit of filing on a group vs. individual basis

Input tax Output tax

Finance

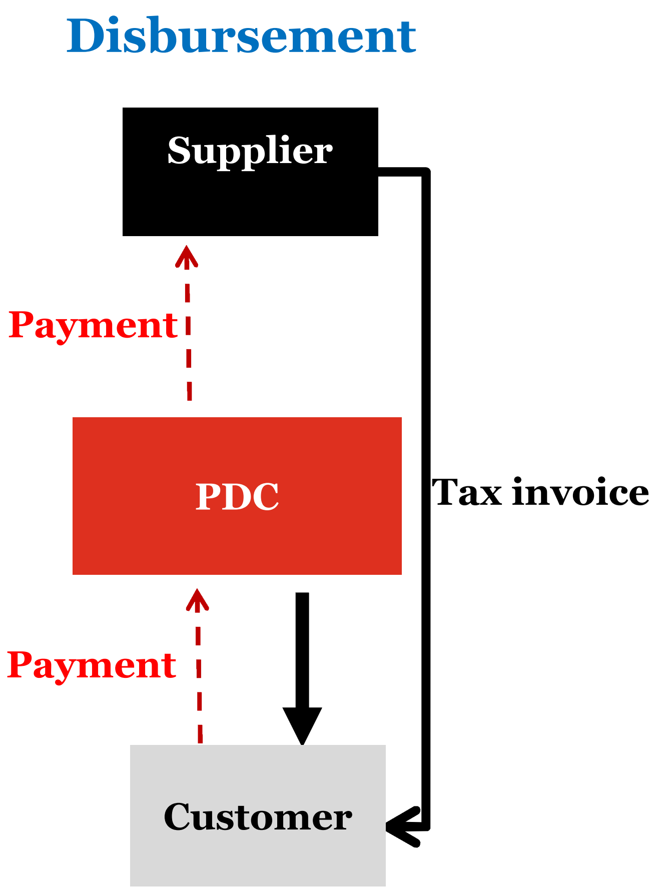
Reimbursement vs Disbursements

Reimbursement



- For example:
  - Supplier issues a tax invoice to PDC for goods or services supplied.
  - PDC is legally obligated to pay the supplier for the goods and services.
  - PDC then invoices its customers for the goods and services acquired from the supplier.
- The provision of goods / services by PDC to its customers is considered a separate supply.
- GST would have to be accounted on the amount invoiced by PDC to its customer.

Reimbursement vs Disbursements (cont'd)



- For example:
  - Supplier issues a tax invoice to PDC's customer for goods or services supplied
  - PDC's customer is legally obligated to pay the supplier for the goods and services.
  - PDC pays to the supplier on behalf of its customer
  - PDC then invoices its customers to recover the amount paid to the supplier
- Under this scenario, NO GST is chargeable on the recovery of the amount paid to the supplier from PDC's customers if certain conditions are fulfilled.
- The recovery of the expenses is treated as a disbursement and no input tax can be claimed for the supply as in the first place, the supply was not made by PDC to its customers.

Sponsorship & Donations

- Sponsorship and donation in cash –generally no GST (no supply)
- Need to consider any <u>services being provided in return</u>

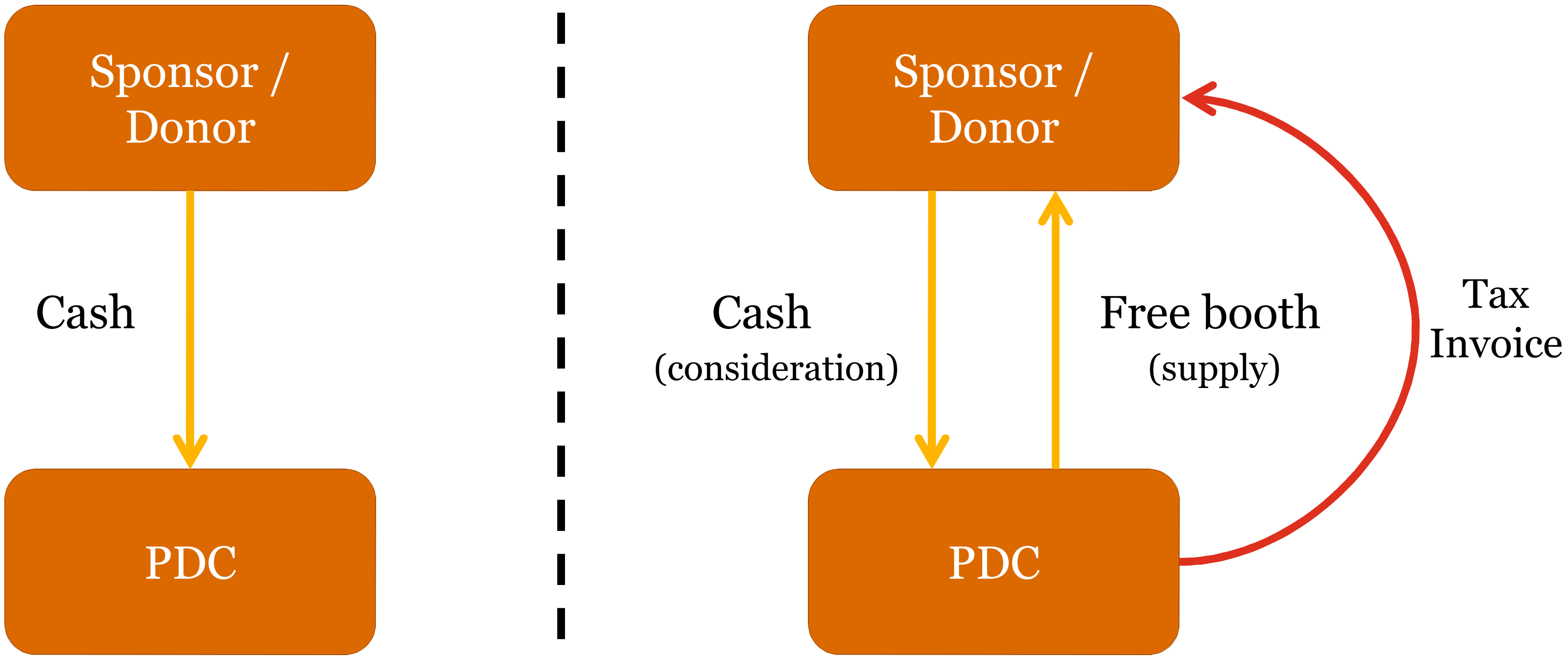
  Example: free booth / banners displaying PDC's name when PDC sponsors an event
- Sponsorship / donation in goods :
  - subject to gift rule (RM500 per person per year)
  - determine if any consideration received in return

Sponsorships & Donations (cont'd)

Cash

Out of Scope

Taxable Supply



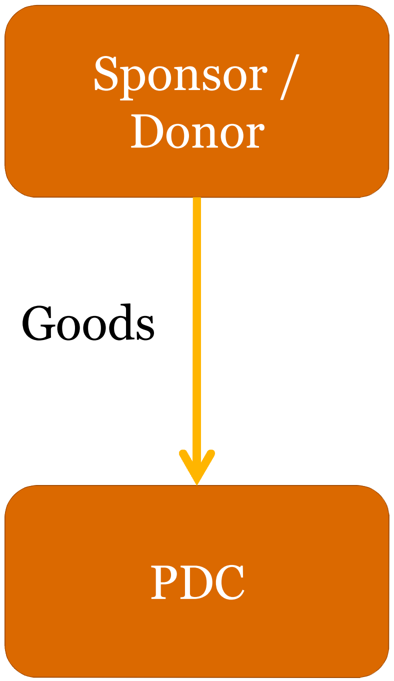
Provides nothing in return

Provides benefit (e.g. free booth)

Sponsorships & Donations (cont'd)

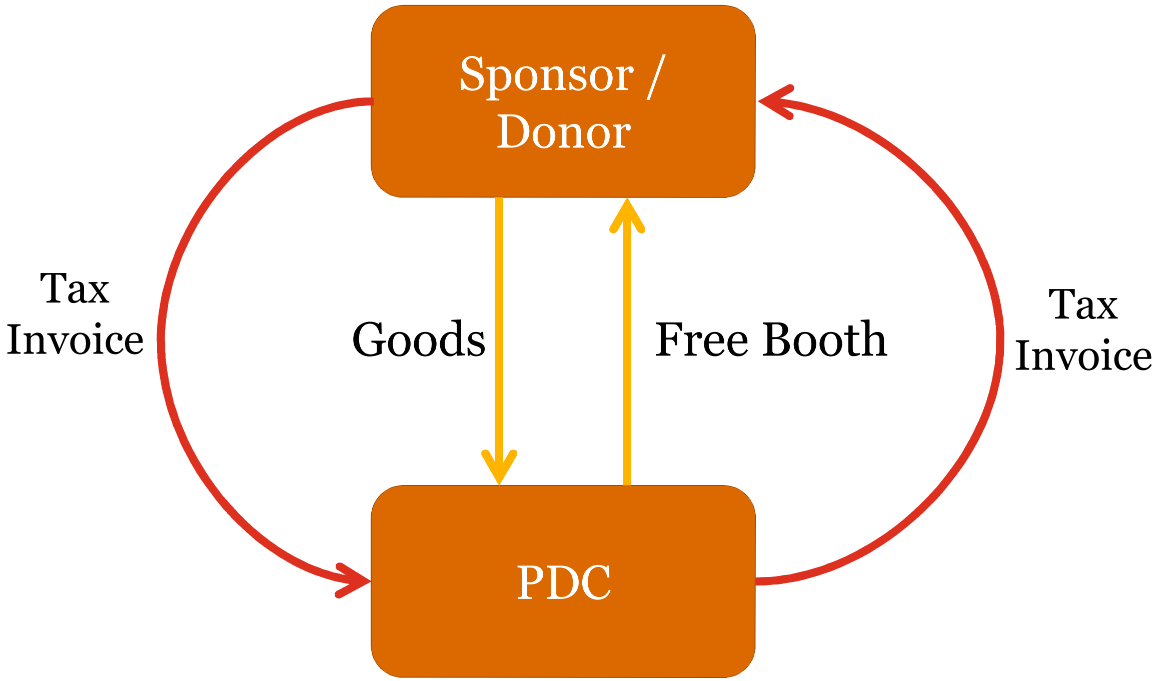
In Kind

Subject to "gift" rule



Provides nothing in return

Barter Trade



Provides benefit (e.g. free booth)

Effect of GST on cash flow

- Businesses account for output tax based on Time of Supply rules and claim input tax credit when a tax invoice is received.
- Output tax – payable on submission of GST return (notwithstanding not yet collected from customers).

  Input tax – refunded 14/28 days after submission of GST return.
- The timing difference between GST accounting and actual receipt / payment of cash may result in negative cash flow implications:
  - **Upfront payment of output tax**
  - **Payment of invoice (plus input tax) earlier than input tax refund**

Input tax Output tax

Finance

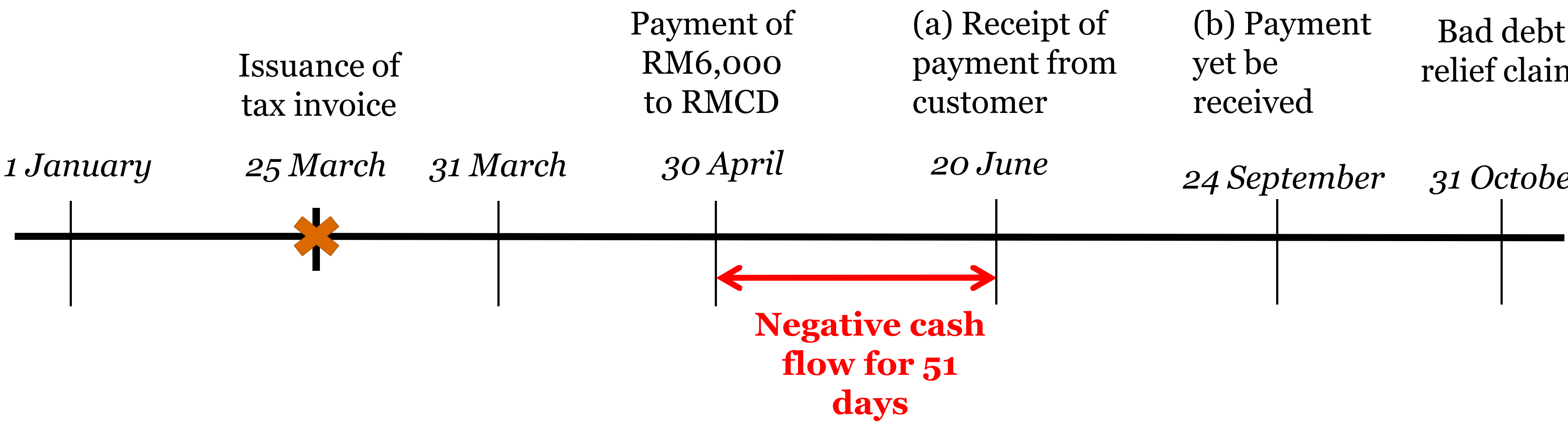
Effect of GST on cash flow (cont'd)

<u>Scenario 1 – Upfront payment of output tax</u>

Invoice amount = RM106,000 (inclusive of GST of RM6,000)

Credit period = 90 days

Assume that Time of Supply = Date of tax invoice



Input tax Output tax

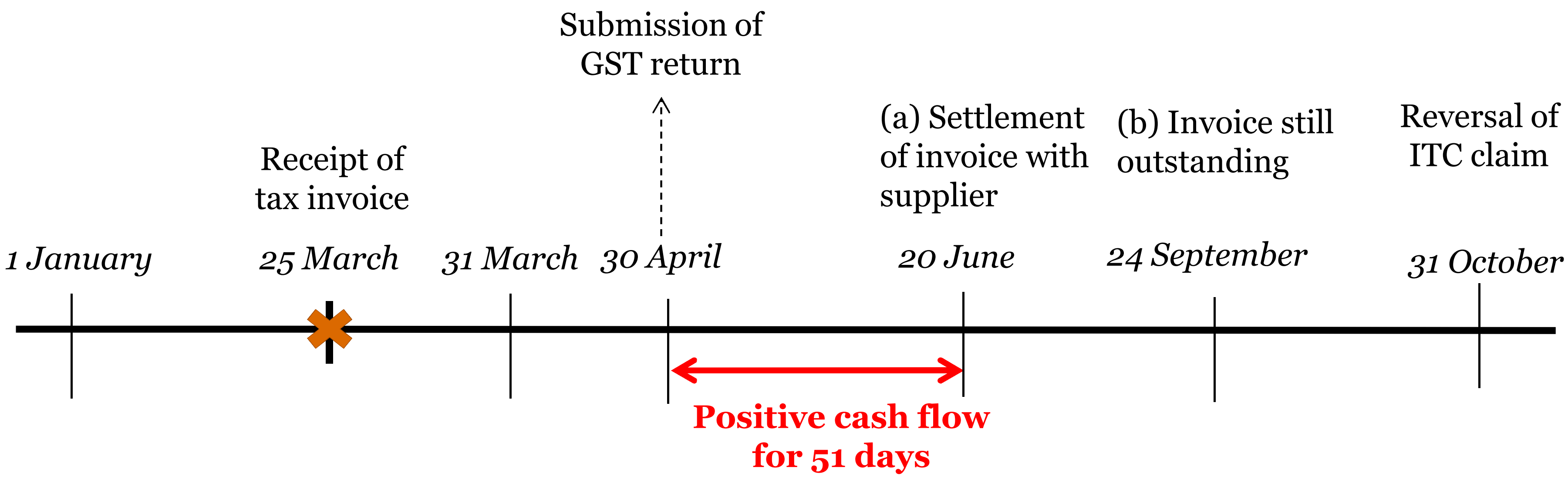
Finance

Effect of GST on cash flow (cont'd)

<u>Scenario 2 – Upfront receipt of input tax credit</u>

Invoice amount = RM106,000 (inclusive of GST of RM6,000)

Credit period = 90 days



Effect of GST on cash flow (cont'd)

- The negative cash flow effect is likely to arise where:
  - GST registered person grants a longer credit period to its customers compared to what it receives from its own suppliers
  - Customers of GST registered person generally do not pay within the given credit period
  - GST registered person has minimal or no input tax credits
  - GST registered person sells on credit but pays for purchases in cash

To consider:

- Shortening the credit period granted to accelerate recovery of output tax paid upfront
- Educating customers to pay promptly
- Incentivizing customers to settle their invoices early (e.g. early settlement discount, rebates)
- Negotiating for a longer credit period from suppliers

Bad Debt Relief

<u>Scenario 1 – Where PDC is the creditor</u>

Conditions to claim bad debt relief:

- Payments or part payment not received, <u>6 months from date of supply</u> (date of invoice) or debtor has become insolvent before the period of 6 months has elapsed;
- Tax has been paid; and
- All sufficient efforts have been made to recover the debt;
- Sufficient efforts include:
  - ➢ Letter from company's solicitor or legal action taken against the debtor
  - ➢ Engagement and actions from credit agency
  - ➢ Reminders and repeated letters of demand from company and etc.

Entitled to claim bad debt relief even though the bad debt is not written off from the taxable person's books

Input tax Output tax Finance

Bad Debt Relief (cont'd)

Scenario 2 – Where PDC is the debtor

- PDC is required to reverse its ITC claim if it fails to pay its supplier the consideration or any part thereof for supply of taxable goods / services within 6 months from date of invoice issued
- Reversal is done by way of deeming the ITC claimed as output tax in the taxable period immediately after the expiry of the 6 months period
- If PDC subsequently pays its supplier, it is entitled to claim ITC in the taxable period in which the payment was made

Tax invoice

- ✓ **Taxable person needs to submit a <u>written application</u> to the Director General to issue a simplified tax invoice**
- ✓ **Simplified tax invoice can be issued regardless of any sales amount subject to prior approval from the Director General**

No.	**Requirements**	**Full tax invoice**	**Simplified tax invoice**
1	"Tax Invoice" stated prominently	Yes	No
2	Tax invoice serial number	Yes	Yes
3	Date of issuance of tax invoice	Yes	Yes
4	Name, address and GST identification number of supplier	Yes	Yes
5	Name and address of the recipient of the goods / services	Yes	No
6	Description of goods / services supplied	Yes	Yes

Tax invoice (cont'd)

No.	Requirements	Full tax invoice	Simplified tax invoice
7	Distinction of type of supply for GST purpose (i.e. standard-rated / zero-rated / exempt supply)	Yes	Yes
8	Quantity of goods / Extent of services supplied and amount payable excluding GST	Yes	No *
9	Discount offered (if any)	Yes	No
10	Total amount payable excluding GST, rate of GST and total GST chargeable	Yes	No **
11	Total amount payable inclusive of GST	Yes	Yes

**Only the amount payable excluding GST does not need to be disclosed*

***Only the total amount payable excluding GST does not need to be disclosed*

Please note that the requirements prescribed above for Simplified Tax Invoice are the minimum criteria that must be fulfilled

GST Credit Notes and Debit Notes

- Mechanism to allow necessary adjustments in respect of a **previously invoiced** taxable supply
- Adjustments due to subsequent increase or decrease in the original value of the supply:
  - Credit note: value of supply is reduced
  - Debit note: value of supply is increased
- Where there is a change in description or rate:
  - The supplier and recipient shall make adjustments in the return for the taxable period where the change occurs.
- Where there are any adjustments made in the course of business:
  - The supplier and recipient shall make adjustments in the return for the taxable period in which the credit note or debit note is issued or received.

GST Impact to Business

1	GST Collector	- Classification of Supplies - Price Discount - Disposal of Assets - Free Gifts - Employee Benefits
2	ITC Claim	- Input Tax Credit - Incidental Exempt Financial Supplies - De Minimis Limit - Vendor Management
3	Accounting for GST	- Time of Supply for Property & Construction - Inter-company Charges - Reimbursement vs Disbursements - Sponsorship & Donations - Cash Flow & Bad Debts - Tax Invoice / Debit & Credit Notes
4	Transitional Issue	- Reviewable/Non-reviewable Contract

Transitional - Contracts

- Contracts spanning pre & post GST implementation - GST chargeable on supplies made post GST implementation date
- Inclusion of tax clauses in contracts to ensure PDC is able to charge and collect GST
- Proposed relief for **non reviewable contracts** for transitional period
  - Taxable supplies to be **zero rated** up to the earlier of:
    (i) 5 years after GST implementation date (1 April 2015)
    (ii) review opportunity arises

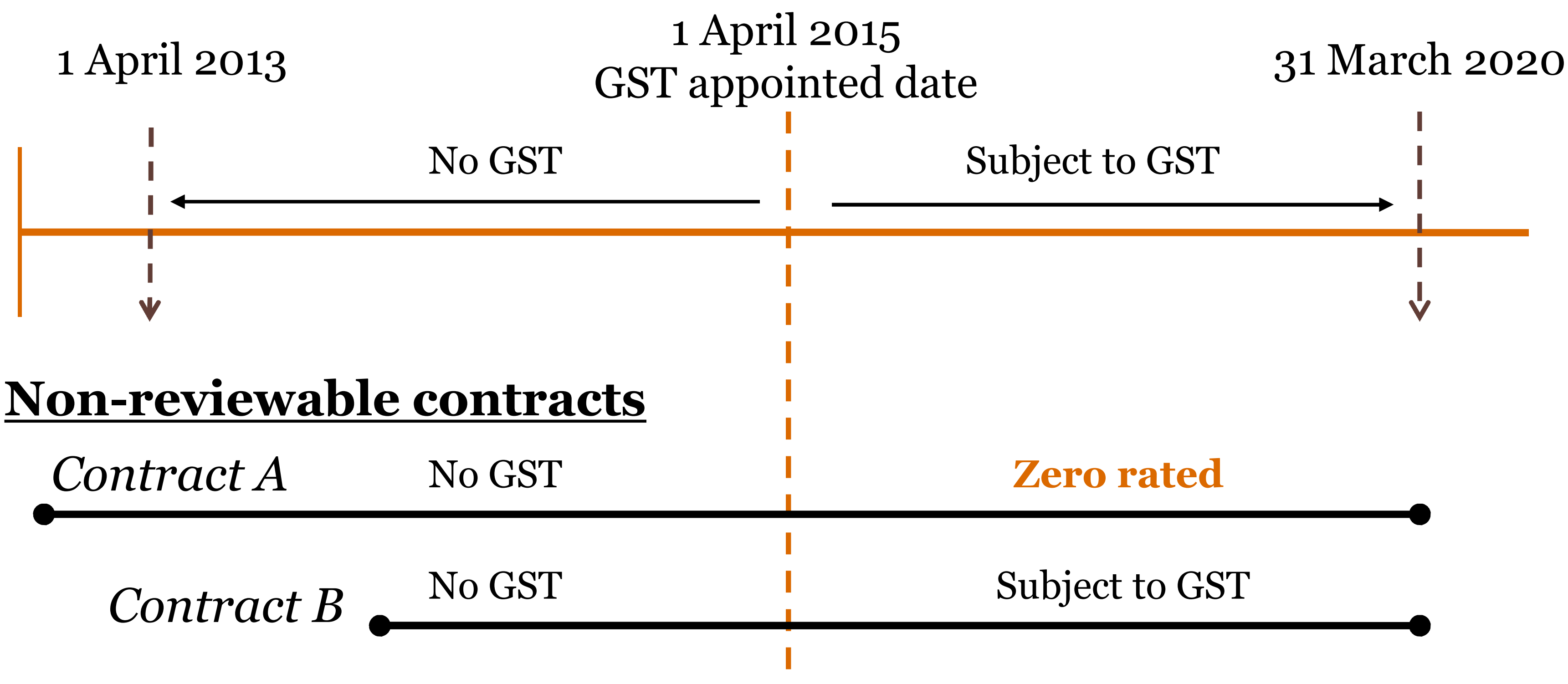
    provided that -
    (a) the supplier and recipient are GST registered persons (B2B);
    (b) the supply is a taxable supply;
    (c) recipient is making wholly taxable supplies (entitled to full ITC) ; and
    (d) contract is agreed and **signed before 1 April 2013.**

#

Input tax Output tax

Finance

Illustration - Contracts Spanning GST Appointed Date



- Value for charges up to 31 March 2015 for GST purposes?
- Annual charges for services spanning GST?
- PDC need to issue invoice at cut off date?

Input tax Output tax Finance

Transitional - Contracts

Type	Account for GST
Taxable property completed and delivered after GST	Subject to GST (even the contract were signed before GST)
Taxable property completed before GST but sold after GST	Subject to GST
Construction of building spanning GST implementation	Subject to GST (only for the part constructed after GST) *

(*) need to be verified by engineer and architect by issuance of interim certificate

Reference

4

List of GST Forms – www.gst.customs.gov.my

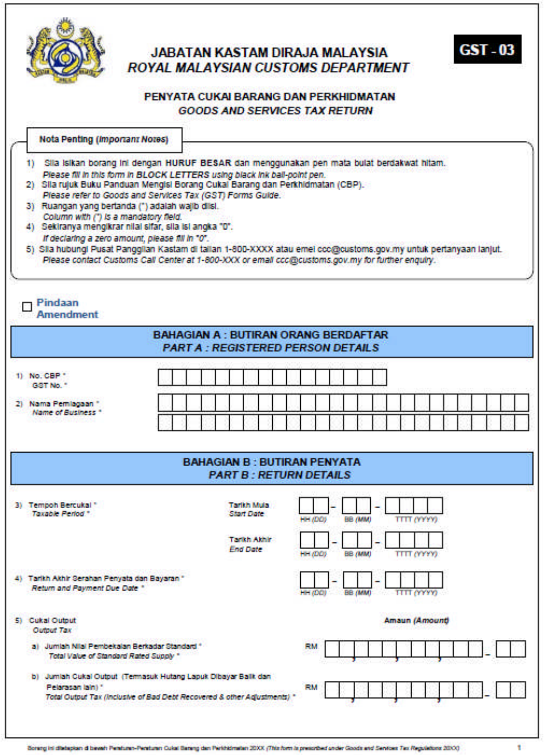
GST Forms	Registration / Return
GST 01	Goods and Services Tax Registration
GST 02	Group / Joint Venture Registration
GST 03	Goods and Services Tax Return

GST Forms	Registration / Inclusion / Removal / Update Information
GST - A	Registration / Inclusion / Removal / Update of Director / Owner / Partner / Office Bearer / Capital Market Services Representative Details
GST - B	Registration / Inclusion / Removal / Update of Branch or Division Details
GST - C	Registration / Inclusion / Removal / Update of Authorized Person Details
GST - D	Registration / Inclusion / Update of Constituent Member for Single Taxable Person Details
GST - D1	Registration / Inclusion / Removal / Update of Director / Partner / Office Bearer of Constituent Member Details
GST - E	Registration / Removal / Update for Trustee / Executor / Administrator / Receiver / Liquidator Details

GST Forms (con't)

GST Forms	Schemes
Adm 1	Approved Trader Scheme / Approved Toll Manufacturer Scheme / Approved Jeweller Scheme
Adm 1A	Details of Finished Goods / Services Supplied Under Approved Trader Scheme / Approved Toll Manufacturer Scheme / Approved Jeweller Scheme
Adm 1B	Details of Raw Materials / Components / Accessories and Machine Imported under the Approved Trader Scheme
Adm 1C	Details of Principal and Value Added Activities under the Approved Toll Manufacturer Scheme
Adm 1C(i)	Local Customer Details and Undertaking under the Approved Toll Manufacturer Scheme
Adm 1C(ii)	Raw Materials / Components Details under the Approved Toll Manufacturer Scheme
Adm 3	Goods and Services Tax Registration Exemption
Adm 4	Cancellation of Goods and Services Tax Registration / Special Scheme
Adm 5	Notice of Changes in Normal Registration / Single Entity / Single Taxable Person / Branch / Division / Group / Joint Venture Details
Adm 6	Notice of Change of Representative / Removal of Constituent Member for Single Taxable Person
Adm 7	Details of Group / Joint Venture Member Registration
Adm 8	Notice of Change of Representative / Removal of Group Member

GST Return Form



JABATAN KASTAM DIRAJA MALAYSIA
ROYAL MALAYSIAN CUSTOMS DEPARTMENT

GST - 03

PENYATA CUKAI BARANG DAN PERKHIDMATAN
GOODS AND SERVICES TAX RETURN

Nota Penting (*Important Notes*)

1) Sila isikan borang ini dengan **HURUF BESAR** dan menggunakan pen mata bulat berdakwat hitam.
Please fill in this form in BLOCK LETTERS using black ink ball-point pen.
2) Sila rujuk Buku Panduan Mengisi Borang Cukai Barang dan Perkhidmatan (CBP).
Please refer to Goods and Services Tax (GST) Forms Guide.
3) Ruangan yang bertanda (*) adalah wajib diisi.
Column with (*) is a mandatory field.
4) Sekiranya mengikrar nilai sifar, sila isi angka "0".
If declaring a zero amount, please fill in "0".
5) Sila hubungi Pusat Panggilan Kastam di talian 1-800-XXXX atau emel ccc@customs.gov.my untuk pertanyaan lanjut.
Please contact Customs Call Center at 1-800-XXXX or email ccc@customs.gov.my for further enquiry.

☐ Pindaan *Amendment*

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

1) No. CBP * *GST No.* *
2) Nama Perniagaan * *Name of Business* *

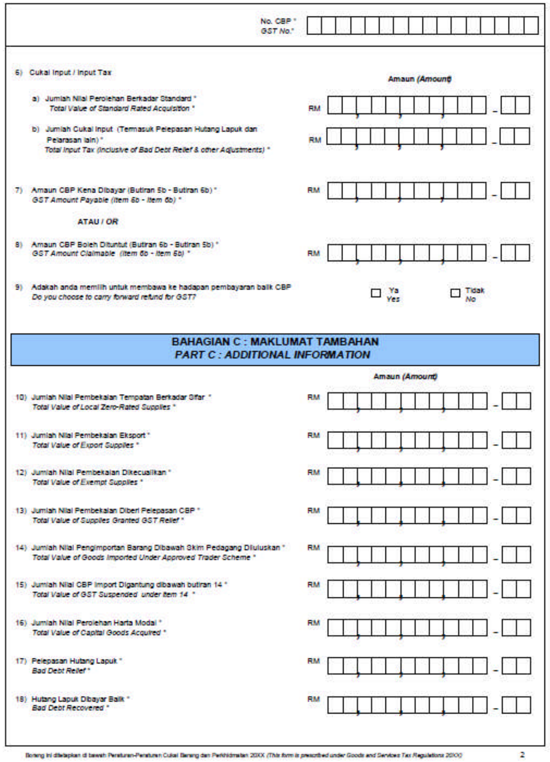
BAHAGIAN B : BUTIRAN PENYATA
PART B : RETURN DETAILS

3) Tempoh Bercukai * *Taxable Period* *
Tarikh Mula *Start Date* HH (DD) BB (MM) TTTT (YYYY)
Tarikh Akhir *End Date* HH (DD) BB (MM) TTTT (YYYY)

4) Tarikh Akhir Serahan Penyata dan Bayaran * *Return and Payment Due Date* * HH (DD) BB (MM) TTTT (YYYY)

5) Cukai Output *Output Tax* — Amaun (*Amount*)
a) Jumlah Nilai Pembekalan Berkadar Standard * *Total Value of Standard Rated Supply* * RM
b) Jumlah Cukai Output (Termasuk Hutang Lapuk Dibayar Balik dan Pelarasan lain) * *Total Output Tax (Inclusive of Bad Debt Recovered & other Adjustments)* * RM

Borang ini ditetapkan di bawah Peraturan-Peraturan Cukai Barang dan Perkhidmatan 20XX (*This form is prescribed under Goods and Services Tax Regulations 20XX*) 1



No. CBP * *GST No.* *

6) Cukai Input / *Input Tax* — Amaun (*Amount*)
a) Jumlah Nilai Perolehan Berkadar Standard * *Total Value of Standard Rated Acquisition* * RM
b) Jumlah Cukai Input (Termasuk Pelepasan Hutang Lapuk dan Pelarasan lain) * *Total Input Tax (Inclusive of Bad Debt Relief & other Adjustments)* * RM

7) Amaun CBP Kena Dibayar (Butiran 5b - Butiran 6b) * *GST Amount Payable (Item 5b - Item 6b)* * RM

ATAU / OR

8) Amaun CBP Boleh Dituntut (Butiran 6b - Butiran 5b) * *GST Amount Claimable (Item 6b - Item 5b)* * RM

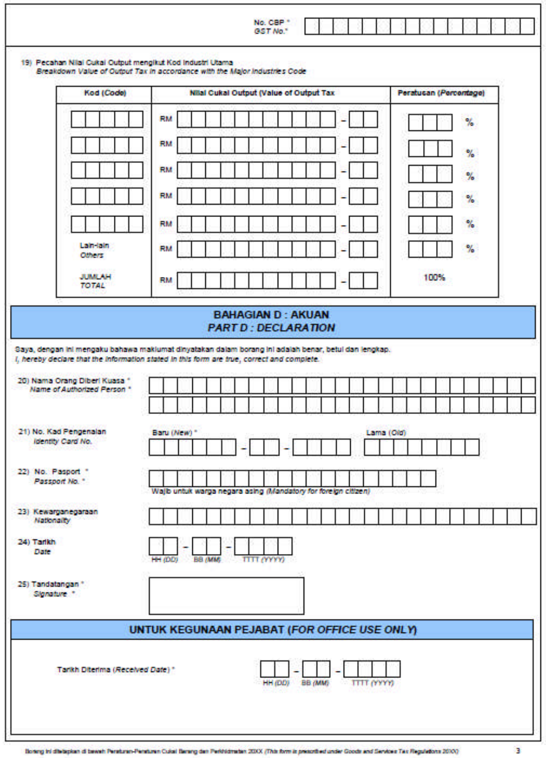
9) Adakah anda memilih untuk membawa ke hadapan pembayaran balik CBP *Do you choose to carry forward refund for GST?* ☐ Ya *Yes* ☐ Tidak *No*

BAHAGIAN C : MAKLUMAT TAMBAHAN
PART C : ADDITIONAL INFORMATION

Amaun (*Amount*)

10) Jumlah Nilai Pembekalan Tempatan Berkadar Sifar * *Total Value of Local Zero-Rated Supplies* * RM
11) Jumlah Nilai Pembekalan Eksport * *Total Value of Export Supplies* * RM
12) Jumlah Nilai Pembekalan Dikecualikan * *Total Value of Exempt Supplies* * RM
13) Jumlah Nilai Pembekalan Diberi Pelepasan CBP * *Total Value of Supplies Granted GST Relief* * RM
14) Jumlah Nilai Pengimportan Barang Dibawah Skim Pedagang Diluluskan * *Total Value of Goods Imported Under Approved Trader Scheme* * RM
15) Jumlah Nilai CBP Import Digantung dibawah butiran 14 * *Total Value of GST Suspended under item 14* * RM
16) Jumlah Nilai Perolehan Harta Modal * *Total Value of Capital Goods Acquired* * RM
17) Pelepasan Hutang Lapuk * *Bad Debt Relief* * RM
18) Hutang Lapuk Dibayar Balik * *Bad Debt Recovered* * RM

Borang ini ditetapkan di bawah Peraturan-Peraturan Cukai Barang dan Perkhidmatan 20XX (*This form is prescribed under Goods and Services Tax Regulations 20XX*) 2



No. CBP * *GST No.* *

19) Pecahan Nilai Cukai Output mengikut Kod Industri Utama
Breakdown Value of Output Tax in accordance with the Major Industries Code

Kod (Code)	Nilai Cukai Output (Value of Output Tax)	Peratusan (Percentage)
	RM	%
	RM	%
	RM	%
	RM	%
	RM	%
Lain-lain *Others*	RM	%
JUMLAH *TOTAL*	RM	100%

BAHAGIAN D : AKUAN
PART D : DECLARATION

Saya, dengan ini mengaku bahawa maklumat dinyatakan dalam borang ini adalah benar, betul dan lengkap.
I, hereby declare that the information stated in this form are true, correct and complete.

20) Nama Orang Diberi Kuasa * *Name of Authorized Person* *
21) No. Kad Pengenalan *Identity Card No.* — Baru (*New*) * — Lama (*Old*)
22) No. Pasport * *Passport No.* * — Wajib untuk warga negara asing (*Mandatory for foreign citizen*)
23) Kewarganegaraan *Nationality*
24) Tarikh *Date* HH (DD) BB (MM) TTTT (YYYY)
25) Tandatangan * *Signature* *

UNTUK KEGUNAAN PEJABAT (*FOR OFFICE USE ONLY*)

Tarikh Diterima (*Received Date*) * HH (DD) BB (MM) TTTT (YYYY)

Borang ini ditetapkan di bawah Peraturan-Peraturan Cukai Barang dan Perkhidmatan 20XX (*This form is prescribed under Goods and Services Tax Regulations 20XX*) 3

GST Return – GST -03

BAHAGIAN A : BUTIRAN ORANG BERDAFTAR
PART A : RE

1) No. CBP *
GST No. *

2) Nama Perniagaan *
Name of Business *

BAHAGI
PAI

3) Tempoh Bercukai *
Taxable Period *

4) Tarikh Akhir Serahan Penyata dan Bayaran *
Return and Payment Due Date *

5) Cukai Output
Output Tax

a) Jumlah Nilai Pembekalan Berkadar Standard *
Total Value of Standard Rated Supply *

b) Jumlah Cukai Output (Termasuk Hutang Lapuk Diba
Pelarasan lain) *
Total Output Tax (Inclusive of Bad Debt Recovered &

STANDARD RATED SUPPLY - Considerations:

INCLUDE

1. Supplies of good or services made in the course of the business
2. Sale of business assets
3. Deemed supplies

DEDUCT

1. Value of goods or services for which a credit note is issued or debit note received

EXCLUDE

1. Goods whereby no GST was not collected
(eg. suspended tax payment, blocked ITC, relief given, goods imported under ATS)

GST Return – GST -03

BAHAGIAN C : MAKLUMAT TAMBAHAN
PART C : ADDITIONAL INFORMATION

Amaun *(Amount)*

10) Jumlah Nilai Pembekalan Tempatan Berkadar Sifar *
*Total Value of Local Zero-Rated Supplies **

11) Jumlah Nilai Pembekalan Eksport *
*Total Value of Export Supplies **

12) Jumlah Nilai Pembekalan Dikecualikan *
*Total Value of Exempt Supplies **

13) Jumlah Nilai Pembekalan Diberi Pelepasan CBP *
*Total Value of Supplies Granted GST Relief **

14) Jumlah Nilai Pengimportan Barang Dibawah Skim Pedag
Total Value of Goods Imported Under Approved Trader Sc

15) Jumlah Nilai CBP Import Digantung dibawah butiran 14 *
*Total Value of GST Suspended under item 14 **

16) Jumlah Nilai Perolehan Harta Modal * RM
*Total Value of Capital Goods Acquired **

17) Pelepasan Hutang Lapuk * RM
*Bad Debt Relief **

EXPORT SUPPLIES

Considerations:

1. Goods exported from Malaysia where proof of export is held
2. International services
   - ✓ Services consumed for land or goods outside the country
   - ✓ Services connected with export of goods

GST Return – GST -03

BAHAGIAN C : MAKLUMAT TAMBAHAN
PART C : ADDITIONAL INFORMATION

Amaun *(Amount)*

10) Jumlah Nilai Pembekalan Tempatan Berkadar Sifar *
Total Value of Local Zero-Rated Supplies * RM

11) Jumlah Nilai Pembekalan Eksport *
Total Value of Export Supplies *

12) Jumlah Nilai Pembekalan Dikecualikan *
Total Value of Exempt Supplies *

13) Jumlah Nilai Pembekalan Diberi Pelepasan CBP *
Total Value of Supplies Granted GST Relief *

14) Jumlah Nilai Pengimportan Barang Dibawah Skim Peda
Total Value of Goods Imported Under Approved Trader S

15) Jumlah Nilai CBP Import Digantung dibawah butiran 14
Total Value of GST Suspended under item 14 *

16) Jumlah Nilai Perolehan Harta Modal *
Total Value of Capital Goods Acquired * RM

17) Pelepasan Hutang Lapuk *
Bad Debt Relief * RM

EXEMPT SUPPLY

1. Financial services – interest income , sale of securities, provision of life insurance etc.
2. Domestic public transportation, toll highway, sale and lease of residential property, private health & education, land for agricultural use, burial ground

List of GST Bills, Orders & General Guide

Title	Date	Updated Date
General Guide	27 October 2013	
Goods and Services Tax (Exempted Supplies)	28 November 2013	
Goods and Services Tax (Zero Rated Supplies)	28 November 2013	
Goods and Services Tax Bill 2014	-	
Accounting Software Guide	9 March 2014	13 March 2014

List of Guides

Specific Guides

No.	Title	Date	Updated Date
1	Capital Goods Adjustment	15 November 2013	
2	Designated Areas	11 November 2013	
3	Employee Benefits	16 August 2013	
4	Export	04 November 2013	
5	Free Commercial Zone	06 November 2013	
6	Import	04 November 2013	
7	Inland Clearance Depot	11 November 2013	
8	Input Tax Credit	27 October 2013	
9	Partial Exemption	04 November 2013	
10	Payment Basis	30 January 2014	
11	Registration	20 January 2014	
12	Supply	25 October 2013	
13	Tax Invoice & Record Keeping	28 October 2013	
14	Transfer of Business as a Going Concern	27 October 2013	
15	Transitional Rules	28 October 2013	21 February 2014
16	Valuation	21 March 2014	

List of Guides

Industry Guides

No.	Title	Date	Updated Date
1	Advertising Services	28 January 2014	
2	Agent	22 July 2013	
3	Airline Industry	31 July 2013	
4	Approved Jeweller Scheme	26 October 2013	
5	Approved Trader Scheme	26 July 2013	
6	Approved Toll Manufacturer Scheme	27 October 2013	
7	Auctioneer	18 July 2013	
8	Commercial Banking	19 November 2013	04 January 2014
9	Construction Industry	18 November 2013	
10	Development Financial Institutions	30 January 2014	
11	Direct Selling	27 November 2013	
12	Duty Free Shop	27 October 2013	
13	Free Industrial Zone and Licensed Manufacturing Warehouse	05 January 2014	
14	Freight Transportation	10 May 2013	
15	Fund Management Industry	27 October 2013	
16	Hire Purchase and Credit Sale	28 October 2013	17 December 2013
17	Insurance and Takaful	28 October 2013	31 December 2013

List of Guides

Industry Guides (cont'd)

No.	Title	Date	Updated Date
18	Islamic Banking	01 November 2013	30 January 2014
19	Leasing	28 October 2013	
20	Manufacturing	27 October 2013	01 January 2014
21	Moneylenders	19 May 2013	
22	Passenger Transportation	06 June 2013	
23	PawnBroking	20 May 2013	28 November 2013
24	Petroleum Downstream	31 July 2013	
25	Petroleum Upstream	25 October 2013	
26	Postal and Courier Services	31 October 2013	
27	Professional Services	07 February 2014	
28	Property Developer	07 January 2014	11 March 2014
29	Relief for Second-Hand Goods (Margin Scheme)	11 November 2013	
30	Repossession	06 November 2013	
31	Retailing	30 December 2013	
32	Share Issuing House & Share Registrar	10 January 2014	
33	Shipping	24 March 2014	
34	Trustee Services	15 May 2013	
35	Venture Capital	25 October 2013	
36	Warehousing Scheme	27 October 2013	

Immediate Next Steps

5

PDC - Preparation for workshop

Complete the Transaction Identification Analysis ("TIA"), Contract Register ("CR") & Human Resource Register ("HR")

Identify:

- All the transactions in your work stream;
- Document relevant details of the transactions that will have any GST impact; and
- Existing processes that will be impacted by GST

Reference:

- GST Briefing Pack
- GST awareness slides
- Attached FAQ
- PwC GST team

Tasks

- Completion of TIA, CR & HR : 14 May 2014 (TBC)
- Queries : PwC GST Team via GST Project Manager
- Workshops : TBC

Sample Template – Transaction Identification Analysis ("TIA")

Revenue items

No.	Analysis & Planning Phase					
	(1) General Ledger account code	(2) General Ledger account description *Please refer to note 3 of Instructions*	(3) Further elaboration of description	(4) GST tax code (revenue) *Consult PwC if uncertain*	(5) Multiple GST treatments? *Please select from drop down menu*	(6) Issue Identified
EXAMPLE						
1	1000/01	Sales of building stock	Sale of commercial & industrial building	Standard rated supply	Yes	Commercial - std rated / Residential - exempt
2	1000/01	Sales of building stock	Sale of residential property	Exempt supply	Yes	
3	1000/02	Progress billing	Sale of commercial & industrial building in designated area	Zero rated supply	Yes	Commercial - std rated / Residential - exempt / Designated - zero rated
4	1000/02	Progress billing	Sale of residential property	Exempt supply	Yes	
5	1000/03	Sale of land	Commercial title	Standard rated supply	No	

Sample Template – Transaction Identification Analysis ("TIA")

Expense items

No.	Analysis & Planning Phase					
	(1) General Ledger account code *Please provide the GL code number*	**(2) General Ledger account description** *Please refer to note 3 in Instructions*	**(3) Further elaboration of description**	**(4) GST tax code (expense)** *Consult PwC if uncertain*	**(5) Multiple GST treatments?** *Please select from drop down menu*	**(6) Issue Identified**
EXAMPLES						
1	2000/10	Entertainment	Entertained employees	Full input tax credit	Yes	Not all input tax credit are claimable. Some are blocked.
2	2000/10	Entertainment	Entertained existing customers	Full input tax credit	Yes	
3	2000/10	Entertainment	Entertained potential customers	Blocked input tax credit	Yes	

Sample Template – Transaction Identification Analysis (“TIA”)

Balance Sheet items

No.	Analysis & Planning Phase						
	(1) General Ledger account code *Please provide the GL code number*	(2) General Ledger account description *Please refer to note 3 of Instructions*	(3) Further elaboration of description	(4) GST tax code (revenue) *Consult PwC if uncertain*	(5) GST tax code (expense) *Consult PwC if uncertain*	(6) Multiple GST treatments? *Please select from drop down menu*	(7) Issue Identified
Assets							
Examples							
1	3000/01	Property development cost	Residential and commercial project		No input tax credit	No	
2	3000/02	Building stock	Residential and commercial project		No input tax credit	No	
3							

Sample Template – Transaction Identification Analysis ("TIA")

Balance Sheet items

No.	Analysis & Planning Phase						
	(1) General Ledger account code *Please provide the GL code number*	(2) General Ledger account description *Please refer to note 3 of Instructions*	(3) Further elaboration of description	(4) GST tax code (revenue) *Consult PwC if uncertain*	(5) GST tax code (expense) *Consult PwC if uncertain*	(6) Multiple GST treatments? *Please select from drop down menu*	(7) Issue Identified
Liabilities							
Examples							
1	4000/01	Provision for doubtful debts	Bad debts < 6 months		No input tax credit	Yes	Bad debt relief
2	4000/01	Provision for doubtful debts	Bad debts > 6 months		No input tax credit	Yes	
3	4000/02	Provision for infrastructure cost			No input tax credit	No	

Sample Template – Transaction Identification Analysis ("TIA")

Exceptional transactions

No.	Analysis & Planning Phase						
	(1) **General Ledger account code** *Please provide the GL code number*	(2) **General Ledger account description** *Please refer to note 3 of Instructions*	(3) **Further elaboration of description**	(4) **GST tax code (revenue)** *Consult PwC if uncertain*	(5) **GST tax code (expense)** *Consult PwC if uncertain*	(6) **Multiple GST treatments?** *Please select from drop down menu*	(7) **Issue Identified**
Examples							
1	N/A	Gift of goods	Gift of pewter during opening ceremony	Deemed output tax			Deemed supply
2	N/A	Company van	Given for free for employee to use during his wedding over the weekend	Deemed output tax			Business assets put to non-business use
3							

Human Resource Register

	EMPLOYEE BENEFITS							Page 1 of 1
Reference Number: Name of Entity: Penang Development Corporation Department: HUMAN RESOURCES Name of Person Completing this: Contact Number:								Date:
No.	Benefits	Detailed description of the benefit	Cash / Non-Cash	Included in the employment contract? (Yes/No)	Included in the company policy? (Yes/No)	Given to Partner/Director/Connected Person? (Yes/No)	Receive consideration? (Yes/No)	Authorisation & Date
1								
2								
3								
4								
5								
6								
7								
8								
9								
10								

Contract Register

	CONTRACTS REGISTER ("CR")								Page 1 of 1
Reference Number: Name of Entity: Penang Development Corporation Department: Name of Person Completing this: Contact Number:									Date:
No.	Contract Title	Contract with	Contract No.	Contract Term	Payment Detail	GST Clause (Y/N)	Review Opportunity (Y/N)	GST Status	Authorisation & Date
1									
2									
3									
4									
5									
6									
7									
8									
9									
10									

Sample Template – Transaction Identification Analysis (“TIA”)

TIA

Contract Register

HR

PwC Team

Tony Chua
Senior Executive Director
E-mail: tony.chua@my.pwc.com
Tel.: 04 – 238 9118

Kao Pei Ting
Managing Consultant
Email: pei.ting.kao@my.pwc.com
Tel.: 04 – 238 9233

Nur Diyana Ahmad Fauzi
Senior Consultant
Email: nur.diyana.ahmad.fauzi@my.pwc.com
Tel.: 04 – 238 9230

Khor Ee Lin
Senior Consultant
Email: ee.lin.khor@my.pwc.com
Tel.: 04 – 238 9188

Q & A

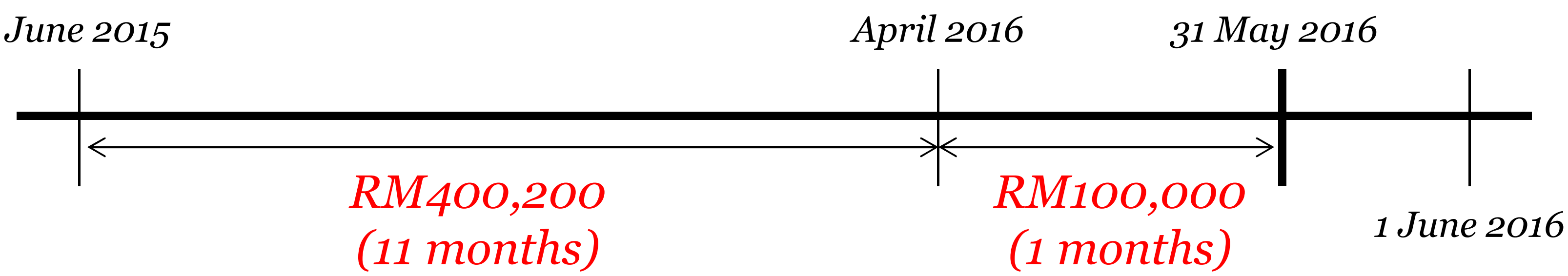
Appendix

6

Registration

<u>Historical method</u>

- Value of taxable supplies in any month + Value of taxable supplies for **immediately preceding 11 months**



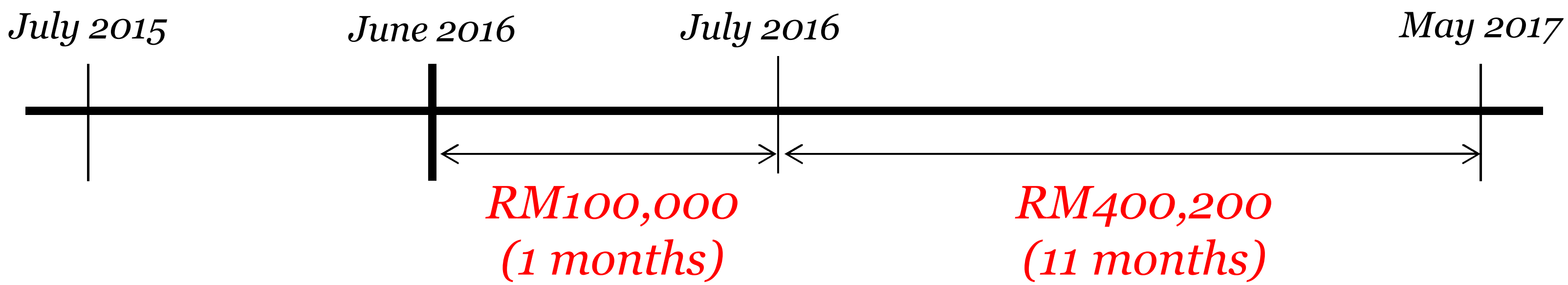
Value of taxable supply in May 2016	RM100,000
Value of taxable supply for immediate preceding 11 months (June 2015 – April 2016)	RM400,200
Total annual sales turnover for 12-month period (June 2015 – May 2016)	**RM500,200**

The taxable turnover has exceeded the threshold starting from 1 June 2016 and the business is liable to be registered for GST within 28 days from this date.

Registration

Future method

- Value of taxable supplies in any month + Expected value of taxable supplies for **next 11 months**



Value of taxable supply in June 2016	RM100,000
Value of taxable supply for next 11 months (July 2016 – May 2017)	RM400,200
Total annual sales turnover for 12-month period (June 2016 – May 2017)	**RM500,200**

The taxable turnover has exceeded the threshold starting from 1 July 2016 and the business is liable to be registered for GST within 28 days from this date.

What is a Good?

- *“Any kind of moveable and immovable property”*
- “Goods” exclude money
- Example of supply of goods: Sale of automotive products
- **Deemed supply of goods** (where no consideration is received, but liable for GST):
  - transfer / disposal of business assets for no consideration (gifts rule where the cost is more than RM500 per person per year)

What is a Service?

- *"Anything which is not supply of goods but is done for a consideration… is a supply of services"*

- Examples of supply of services:
  - repair services
  - provision of management services, e.g. bookkeeping, payroll, IT
  - maintenance services

- Imported services – subject to reverse charge mechanism (i.e. to self-account for GST)

- **Deemed supply of services** (where no consideration is received, but liable for GST)
  - Business assets put to private use

Industry Specific Issues – Property

Supply of Goods

- Any transfer of the whole right of ownership in land, land under an agreement for the sale of such land, land under an agreement which expressly stipulates that the ownership of such land will pass at some time in the future, any interest under Deed of Assignment or any strata title.
- Sale and disposable of property involving a transfer of ownership or title is regarded as a supply of goods.

Industry Specific Issues – Property

Supply of Services

- Any lease, tenancy, easement, license to occupy land or transfer of undivided share in land.
- Transaction involves a transfer of possession such as lease and rental of property.

Out of Scope Supplies

- Changes in the land title such as the replacement of title with strata title or subdivision is not regarded as a supply.
- All supplies where charges and fees imposed by the Government related to real estate such as quit rent, premium, survey fees, registration of titles.
- Assessment rates imposed by the local authorities.

Blocked Input Tax Credit

Entertainment

- Entertainment expenses incurred by a GST registered business on a person other than its employee or existing customer is subject to blocked input tax credit (i.e. taxable person cannot claim input tax credit on the entertainment expenses)
  - However, entertainment expenses incurred by a taxable person in the business of providing entertainment is not subject to blocked input tax credit
- "Entertainment expenses" includes –
  - The provision of any food, drink, recreation or hospitality of any kind; or
  - The provision of accommodation or travel associated with the provision of food, drink or recreation

by a person or an employee of his to anyone in connection with a trade or business carried on by that person

Blocked Input Tax Credit (cont'd)

Entertainment

- "Employee", in relation to an employment, means:
  - ➢ The servant, where the relationship of master and servant subsists
  - ➢ Where the relationship of master and servant does not subsist, the holder of the appointment or office which constitutes the employment
- "Recreation or hospitality" would include:
  - ➢ A trip to a theme park or recreation centre
  - ➢ A stay at a holiday resort
  - ➢ Tickets to a show or theatre; and
  - ➢ Entry to sporting activities/events
- Entertainment expenses to <u>family members</u> and <u>potential clients</u> are disallowed input tax credit claim

GST Credit Notes and Debit Notes

Must contain the following particulars:

1) **the words "credit note" or "debit note" in a prominent place;**
2) serial number and date of issue;
3) name, address and GST identification number of the supplier;
4) name and address of the person to whom the goods or services are supplied to;
5) **reasons for its issue;**
6) description of the goods or services;
7) quantity and amount for each supply;
8) total amount excluding tax;
9) rate and amount of tax; and
10) **number and date of the original tax invoice.**

#

Transitional issues

Contracts register

- **Reviewable contract**

  - A "reviewable contract" is a written contract, not being a contract where there is no opportunity to review, which provides for a general review of the consideration or contemplates a change to the price or consideration of the goods and services to be supplied under the contract

  - The review opportunity must be a "total review" and not of a specific part or parts of the consideration payable under the agreement. Hence, a review opportunity arises only if the whole or nearly all of the consideration for a supply is capable of review

- **Non-reviewable contract**

  - A contract with no opportunity to review refers to a contract where there is no specific provision to review price of consideration of the supply

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