



GST Issue

Group:	PDC Subsidiaries
Sub Group:	
Entity:	Island Golf Properties Bhd
Business Unit:	

Issue No: GST IGP-01
 Title: Strategic: Registration for GST

GST Implication: **Background**

1. Based on the Outsourcing Agreement dated 22 October 2010 between Taiyo Resort (KL) Bhd ("Taiyo"), IGP and PDC, Taiyo (as a manager and operator for Bukit Jambul Country Club) is required to pay rental to PDC via IGP for a term of 20 years. The agreed rental amount is from RM1.3 million to RM1.72 million per year.
2. Currently, Taiyo has been paying the rental directly to PDC (without going through IGP) and no amount of rental has been recorded in IGP's book.
3. Other than the above, IGP only received unit trust income.

GST Implication

4. Considering that the Outsourcing Agreement require the rental payment by Taiyo to be paid to PDC via IGP, IGP may need to register for GST if the rental income is regarded as accruing to IGP as the amount has exceeded the prescribed threshold of RM500,000 of taxable supply.
5. However, excluding the rental payment from Taiyo, IGP may not be required to register as IGP will not meet the prescribed threshold of RM500,000 of annual taxable supply. IGP can still apply for voluntary registration but would need to remain registered for a minimum of 2 years.
6. IGP can be registered provided IGP can satisfy the Director General that he is committed to doing business by submitting the following documents:-
 - details of business arrangements (business plans, plants, location);
 - copies of contract for establishment of premises such as rental of premises / construction of pipelines/ purchase of equipment;
 - details of any patents;
 - details of business purchases; or
 - other documentary evidence.
7. Once registered, IGP must account for GST whenever IGP makes taxable supplies. When IGP acquires inputs from a GST registered person, IGP will be charged GST on the purchases and such GST is claimable if it is incurred for making taxable supplies.
8. No output tax / input tax is chargeable/ claimable if IGP does not register under GST.
9. In view of the above, apart from the initial cost outlay in getting ready for GST, consideration of whether or not to be registered would also need to take into account IGP's resources to support the recurring and continuous process of GST compliance (refer issue log on Budgeting and Resource Requirement for GST Implementation).

Flow Chart:

Work Plan: Recommendations

1. Review the Outsourcing Agreement between PDC, IGP and Taiyo to ascertain if the rental payment by Taiyo to PDC via IGP is rental income accruing to or belonging to IGP.
2. If there is uncertainty on the position of the rental payment to IGP, seek legal opinion.
3. Seek management decision on the final position of the rental payment to IGP and its GST registration.
4. Conduct cost-benefit analysis on whether it is feasible to register under GST (if IGP does not exceed threshold).
5. Clarify with Customs where needed.



GST Issue

Group:	PDC Subsidiaries
Sub Group:	
Entity:	Island Golf Properties Bhd
Business Unit:	

Issue No: GST IGP-02
 Title: Strategic: Budgeting and Resource Requirement for GST Implementation

GST Implication: **Background**

1. The introduction of the GST will require you to allocate necessary budget and resources to meet the cost to implement GST.

GST Implication

2. The initial cost outlay in getting ready for the GST will be material. This will involve amongst others incurring costs for upgrading IT systems, changes to stationary to comply with GST requirements, training of staff, software upgrades, etc. These will be one-off expenditure.

3. As a consequence, these costs and the timing of their acquisition would need to be considered in any budgeting / cost assessment process.

4. The introduction of the GST will also necessitate a review of the current allocation of resources with a view to determining whether further resources should be allocated to meet the additional demands of the GST.

5. As such, you will require resources to undertake the following:

- GST technical reference providing technical support to the Finance Team and other departments on the GST treatment of new transactions
- Act as a contact point for Customs enquiries
- Undertake internal GST audit / reviews of systems and processes to ensure compliance
- Process and maintain invoices to substantiate input tax claims
- Prepare, complete and submit the quarterly GST return including reviewing, verifying and reconciling all data captured.

Flow Chart:

Work Plan:

Recommendations

1. Plan and document a budget to fund the necessary expenditure.
2. Devise a plan outlining the timing of the changes (and expenditure) required.
3. Communicate changes to employees.
4. Review and assess the resource requirements for GST.
5. Management to determine the resource needed to ensure your GST requirement is met.



GST Issue

Group:	PDC Subsidiaries
Sub Group:	
Entity:	Island Golf Properties Bhd
Business Unit:	

Issue No: GST IGP-03
 Title: Strategic: CAPEX

GST Implication: **Background**

1. IGP may be planning to make significant capital expenditures near the GST appointed date.

GST Implication

2. Where capital goods are currently not subject to sales tax, purchasing such goods before the GST appointed date will have potential tax savings to IGP.

3. Alternatively, for capital goods that are currently subject to sales tax (10%) or have embedded sales tax element, it may be more economical to purchase these goods post-GST (GST of 6%). In addition to the lower rate of tax, IGP would be able to claim some input tax credit on the GST charged.

4. Therefore, IGP should consider accelerating or delaying its capital expenditures based upon the tax implications. It should be noted that GST should only be a factor, and not driver of purchasing decisions.

Flow Chart:

Work Plan: Recommendations

1. Identify capital expenditures to be made close to GST appointed date.
2. Analyse potential tax savings and cash flow benefit for purchasing the goods before (sales tax regime) or after implementation of GST. Consider:
 - a. Goods that are not subject to sales tax or Company enjoys sales tax exemption on such goods.
 - b. GST rate higher/lower than the current sales tax rate, input tax mechanism.
3. Consider accelerating or delaying capital expenditure based upon the above tax implications.
4. Negotiate with the suppliers/vendors on the change in the timing of these capital expenditures.
5. Obtain management sign-off on decision to accelerate or delay purchases.
6. Update the purchase policy on the change in the timing of capital expenditures.
7. Communicate the updated policy on acquisitions to the relevant staff in the Company.



GST Issue

Group:	PDC Subsidiaries
Sub Group:	
Entity:	Island Golf Properties Bhd
Business Unit:	

Issue No: GST IGP-04
 Title: Strategic: Preferred vendor management

GST Implication: **Background**

1. Malaysian businesses will only be required to register for GST if their annual turnover exceeds RM500,000. All other businesses, have the option to register, but can also opt to remain outside of the Malaysian GST system.

2. As a result, it is likely that not all of your existing suppliers and vendors will be registered for GST. This will mean that there will be some vendors / suppliers who issue tax invoices with GST, whilst others do not, even though both may be providing the same type of good or service.

3. IGP has a number of suppliers / vendors that provides goods and services who may potentially be non-GST-registered.

GST Implication

3. GST registered businesses can claim input tax and issue GST tax invoices and thus:

- Potentially have a lower cost base because they are able to claim input tax and hence offer you lower prices.
- Will be able to issue you with GST invoices that will allow you to claim an input tax credit.

4. A preferred vendor program involves establishing a policy to acquire goods and services from suppliers who are registered for GST to access the above benefits.

5. For example, IGP may consider instructing any current vendor, to voluntarily register for GST in order for you to derive the above benefits.

Flow Chart:

Work Plan:

Recommendations

1. Analyse the existing suppliers / vendors if they are potential GST registrant.
2. Determine if management would establish policy on preferred vendor program or continue engaging non-registered vendors.
3. Option 1: If management decides to implement the programme, communicate policy to vendors and develop procedures to track GST status of vendors.
4. Option 2 : If management decides to continue with current practices and engage non-registered vendors, ensure the GST status of the vendor and the transactions (i.e. with GST vs without GST) are tracked separately.
5. Update the changes to processes and systems to enable tracking of vendors and their transactions.
6. Educate staff on the updated processes and systems changes.
7. If necessary, educate suppliers / vendors on GST and propose that they voluntarily register for GST.
8. Communicate with vendors on the Company's policy on preferred vendor scheme.



GST Issue

Group:	PDC Subsidiaries
Sub Group:	
Entity:	Island Golf Properties Bhd
Business Unit:	

Issue No: GST IGP-05
 Title: Compliance: Tax coding for GST

GST Implication: **Background**

1. In order to accurately report its output tax, claim its input tax or track information for reporting requirements, IGP must 'tax code' all of its revenue and expense items. Some examples of GL codes that may have transactions with different GST treatment are as follows:

- General expenses - includes ad-hoc expenses or small purchases
- Travelling expenses - toll claims and certain public transportation (e.g. city taxi cab) are exempt, while local air travel and certain other public transportation (e.g. any airport taxi) are standard rated

GST Implication

2. 'Tax coding' is a vital step in the GST 'readiness' process whereby a designated GST treatment (e.g. standard rated, zero rated, exempt, out-of-scope) is applied to a transaction, so that IGP's systems can automatically recognise whether output tax is collected or input tax can be claimed or the information tracked for reporting requirements.

3. There are three common approaches to tax coding:

- Account (GST code assigned to each GL account code);
- Customer (GST code assigned to each vendor / customer);
- Transaction (GST code assigned to each individual transaction recorded in system)

Account Approach

4. IGP may opt for an account approach. This may require more GL codes if IGP's current list of GL codes do not accommodate the separation of different GST treatment (i.e. currently a single GL code may record revenue streams with multiple transactions with different GST treatment).

5. If IGP elect to use the account approach, transactions in these accounts will need to be separated to reflect their respective GST treatment leading to the need for more account codes. Some examples of GL codes that may have transactions with different GST treatment are as follows:

- Travelling expenses - toll claims and certain public transportation (e.g. taxi fares) are exempt, while local air travel and certain other transportation (e.g. any airport bus) are standard rated
- Sundry income/expenses
- Entertainment expenses - incurred for employees and clients (claimable), non-employees (blocked from claim)

Customer Approach

6. A customer approach may be difficult to maintain given that multiple customers / vendors will have multiple transactions with different GST treatments. In a situation where customer numbers are voluminous this approach would be impractical as each

customer account would need to be segregated by the different GST treatment of transactions undertaken.

Transaction Approach

7. A transaction approach will require specific identification of the GST treatment attached to each transaction. This will likely be done at the transaction processing system requiring more involvement by the individual(s) processing the transaction to ensure each transaction is coded correctly. This can be achieved by the creation of an automated process and checklists in the system or through the use of manual processes and checklists contained in a policy manual.

Flow Chart:

Work Plan:

Recommendations

1. Assess and determine most appropriate approach to tax coding (i.e. account, customer or transaction approach).
2. Develop policy for the periodic review of selected tax coding approach.
3. Seek management guidance on any new items arises from the selected tax coding approach (i.e. new GL code).
4. Establish an audit and review policy to review and update GST coding for existing and new items (i.e. account, customer or transaction).
5. Determine changes to processes and systems to accommodate the new GST coding for new items.
6. Implement changes to processes and systems.
7. Educate staff on the updated processes and systems changes.



GST Issue

Group:	PDC Subsidiaries
Sub Group:	
Entity:	Island Golf Properties Bhd
Business Unit:	

Issue No: GST IGP-06
 Title: Compliance: Record keeping requirements for GST purposes

GST Implication: **Background**

1. IGP may keep / manage / maintain records on your transactions in either soft or hard copies.

GST Implication

2. The GST legislation requires that every taxable person and certain non-taxable person to keep full and true records of all transactions which affect or may affect his liability to tax.

3. These records should be kept in Malaysia except as otherwise approved by the Director General and shall be in the national or English language, and should be preserved for a period of seven years from the latest date to which the records relate.

4. The "certain non-taxable person" mentioned above are as follows:

- any person who has ceased to be a taxable person and has made/may make bad debt relief claim;
- imported services supplied to the recipient, who is a non-taxable person, for the purposes of business;
- goods of a taxable person are sold by a non-taxable person to recover any debt owed by the taxable person;
- supply by the auctioneer, who is a non-taxable person in his own name on behalf of the principal/owner of the goods who is a taxable person; and
- a non-taxable person in Malaysia, who receives goods (in the course or furtherance of business) from an approved toll manufacturer.

5. The proper retention of such documents are essential as evidence of your GST liabilities and entitlements.

6. For instance, in the event of a Customs audit, if you are unable to substantiate a claim for input tax credits with the relevant documentation, there is a risk those input tax credits would be denied and penalties would be imposed for submitting an incorrect GST return.

7. The registered person must keep the original documentation which is normally kept in paper (hard copy) format. However, where the record is in an electronically readable form, the record shall be kept in such manner as to enable the record to be readily accessible and convertible into writing.

8. When the record is originally in a manual form and is subsequently converted into an electronic record, the record shall be retained in its original form prior to the conversion. Such records shall be admissible as evidence in any proceedings. For example, records kept in a computer using magnetic tape or disc, should be readily converted into a satisfactory legible form and available to Customs on request to allow its officers to check registered person's operation and the information stored through the person in

charge of the computer or its software.

Flow Chart:

Work Plan:

Recommendations

1. Develop procedures for retention of GST records for the required period.
2. Determine and review current record retention procedures/policy.
3. Communicate to the relevant employees on the retention policy and procedures.



GST Issue

Group:	PDC Subsidiaries
Sub Group:	
Entity:	Island Golf Properties Bhd
Business Unit:	

Issue No: GST IGP-07
 Title: Compliance: Issuance of Tax Invoices

GST Implication: **Background**

1. IGP currently may issue invoices for the services rendered and normally it is being issued semi-annually.

GST Implications

2. Once registered for GST, IGP is required to issue a valid tax invoice when IGP make any taxable supply of goods or services in the course of its business. The tax invoice must contain the prescribed particulars in respect of the supply as required by the GST law.

3. IGP is not required to issue tax invoices when it makes the following:

- zero-rated supply;
- deemed supply of imported services; or
- a supply made without consideration on which tax is charged (e.g. free good over the Gift Rule threshold of RM 500 per person per year).

4. Although exempt and zero rated supplies do not require tax invoice to be issued, for administrative ease IGP may choose to issue tax invoices for all its transactions with customers but correctly code the transactions in the tax invoice issued as standard rated, exempt or zero rated.

Content of a valid tax invoice

5. The tax invoice should contain the following particulars:

- the words "tax invoice";
- an invoice serial number;
- date of issue of the invoice;
- name, address and GST identification number of IGP;
- the name and address of the recipient to whom the goods and services are supplied;
- description of (including the type of supply) and the quantity / extent of the goods or services supplied;
- any discount offered;
- the amount payable (excluding GST) for each supply;
- the total amount payable (excluding GST and including GST); and
- GST rate and total GST chargeable.

Statements, special forms, receipts or endorsements could be allowed to be used as invoices for GST purposes, provided the necessary information as required for a valid tax invoice is in those documents. Conversely, if you wish a particular document not to be considered as such, it would be best practice to state such on the invoice. This is significant because the issuance of a tax invoice triggers the 'time of supply' (IGP's liability to account for output tax).

Tax invoices expressed in a foreign currency

6. Where amounts on a tax invoice are expressed in a foreign currency (other than Malaysian ringgit), IGP must convert the amounts to Malaysian currency. The conversion into Ringgit must be at the selling rate of exchange prevailing in Malaysia at the time of supply.

Mixed supply invoices

7. Where IGP issue an invoice containing both standard rated (subject to GST) and exempt or zero rated supplies, IGP must state separately on the invoice the gross total amount payable in respect of each supply and the corresponding GST rates.

8. If a mistake is made on an invoice, IGP should treat the invoice as cancelled and clearly mark the tax invoice "cancelled". A corresponding Credit Note should be issued to cancel the invoice.

Flow Chart:

Work Plan:

Recommendation

1. Identify type of documents (i.e. statements, memo, debit note etc) that are issued to clients/customers/related companies.
2. Management to decide on:
 - Whether present documents should be standardised to meet the prescribed requirement for valid tax invoice.
 - Whether to modify current documentation to meet requirements of tax invoice, or develop a new tax invoice.
3. IT to review and document invoicing module modifications to comply with the tax invoicing requirements under the GST.
4. Design and implement the necessary modifications to the current invoices / documentation.
6. Identify instances where IGP cannot meet GST tax invoice requirements (e.g. where you do not know all the invoicing details at the time of supply or until a later date).
6. Ensure a process or system is in place to enable the issuance of tax invoice.
7. Determine processes and systems changes to enable the issuance of a tax invoice.
8. Implement processes and systems changes.
9. Educate staff on the processes and systems changes.



GST Issue

Group:	PDC Subsidiaries
Sub Group:	
Entity:	Island Golf Properties Bhd
Business Unit:	

Issue No: GST IGP-08
 Title: Compliance: Time of Supply

GST Implication: **Background**

1. IGP received rental income from their client which will billed on semi-annually basis.

GST Implication

2. For GST purposes, GST must be accounted for in the tax period in which the earlier of the following events takes place:

- the date when goods are removed or made available or when the services are performed (the basic tax point);
- the date when a tax invoice is issued; or
- the date when payment is received.

3. The GST legislation provides a concession to the above when a tax invoice is issued within 21 days from the basic tax point, the date of invoice is taken as the time of supply for GST purposes.

4. If the tax invoice fails to be issued within 21 days, the GST liability is brought back to the basic tax point, which would result in a cash flow loss to IGP and a potential penalty for an incorrect GST return.

5. When a service is provided continuously, it can be difficult to determine when the service is actually performed. In the circumstance where a supply is provided 'continuously', the GST legislation allow for the GST to be accounted for on each progressive / periodic invoice or payment. This will mean that there will be no requirement to identify the date of service.

6. For cases where deposit forms part of the consideration for the supply, such payments fall within the scope of GST and tax must be accounted for on receipt of the deposit (if it is received before the issuance of the tax invoice).

7. For retention of any part of a consideration by your customer pending full and satisfactory performance of the contract, or any part of it, by IGP, the time of such supply is the earliest of the payment is received or tax invoice is issued by IGP.

8. IGP need to ensure that process and procedures are in place to identify every payments received since advance payment or prepayment received may have GST's time of supply implications.

9. IGP will be required to monitor the trigger points for time of supply (above) and ensure GST is accounted for in the correct taxable period.

Flow Chart:

Work Plan:

Recommendations

1. Put in place processes and systems to monitor the trigger points for time of supply and ensure GST is accounted for appropriately.

2. Review listing of all services provided by IGP and identify those that qualify as continuous services.
3. Establish policy and processes to account for GST correctly on continuous services.
4. Determine capability of current process and system to issue tax invoice for all taxable supplies within 21 days from the date the goods are removed / services are performed.
5. If the 21 days rule cannot be complied with, reach agreement with customs authorities on alternative approach or concessionary treatment for longer time frame on the requirement to issue tax invoice or use of alternative documents (e.g. bank statement as a tax invoice).
6. Communicate policies and processes to the relevant staff.



GST Issue

Group:	PDC Subsidiaries
Sub Group:	
Entity:	Island Golf Properties Bhd
Business Unit:	

Issue No: GST IGP-09
 Title: Compliance: Sundry income and Miscellaneous Expenditure

GST Implication: **Background**

1. IGP currently records certain income and expenses into miscellaneous income/expenses, general and administration expenses accounts.
2. These accounts are meant to capture non recurrent or ad hoc income or expenses during the year.

GST Implication

3. The use of 'general' or 'catch-all' general ledger codes will not be appropriate for GST purposes, as the GST treatment of the transactions recorded could vary. It is important that transactions are appropriately captured and recorded to ensure that GST is correctly accounted for.
4. IGP will need to ensure that the transactions recorded in its "general" or "catch-all" general ledger codes be tax coded through the transaction method so that the appropriate GST treatment of each transaction is correctly accounted for. It would therefore be beneficial to minimise the number of transactions that are recorded in the "general" or "catch-all" general ledger codes

Flow Chart:

Work Plan: Recommendations

1. Identify the type of income and expenses that are posted into these sundry and general expenses accounts.
2. Ascertain the GST treatment on each type of income and expenses identified.
3. Identify the process and system change required to account for GST appropriately.
4. Implement the process and system changes.
5. Communicate the updated process and system changes to the relevant employees.



GST Issue

Group:	PDC Subsidiaries
Sub Group:	
Entity:	Island Golf Properties Bhd
Business Unit:	

Issue No: GST IGP-10
 Title: Compliance: De minimis and Incidental Financial Supplies

GST Implication: **Background**

1. IGP make the following supplies in its business:
 - Income from unit trust

GST Implications

2. For GST purposes the above supplies are treated as exempt. The implication is that input tax incurred in making these exempt supplies would not be claimable.

3. The GST Guide however provides a concession whereby prescribed "incidental exempt supplies" are treated as taxable supplies; the implication being that all input tax incurred would be claimable (without the need for tracking and / or apportionment). The list of prescribed "incidental exempt supplies" are as follows:-

- the deposit of money;
- the exchange of currency;
- the provision of any loan, advance or credit to your employees;
- the provision of any loan, advance or credit between related parties;
- the holding of bonds, debentures, notes or other similar instruments representing or evidencing indebtedness, whether secured or otherwise;
- the transfer of ownership of securities;
- the holding or transfer of ownership of any unit or other similar instruments under a trust fund; and
- the hedging of any interest rate risk, currency risk, utility price risk, freight price risk or commodity price risk.

4. If IGP provides exempt supplies other than the above prescribed "incidental exempt supplies", the GST Guide further provides for a concession where the total value of your exempt supplies does not exceed;

- an average of RM5,000 per month; and
- an amount equal to 5% of the total value of all taxable and exempt supplies made in that period.

If these restrictions are satisfied, IGP will be eligible to claim all input tax incurred on your exempt supplies and avoid apportionment and tracking of input tax. (refer to issues log on "Apportionment of 'Indirect Costs' for Recovery of Input Tax")

Flow Chart:

Work Plan:

Recommendations

1. Review and document all exempt supplies made by IGP.
2. Determine and confirm the incidental financial supplies provided.
3. Ensure that the input tax attributable to the above incidental financial supplies are being tax coded properly as fully claimable.
4. Determine if the de minimis criteria will be met for non-prescribed "incidental exempt supplies".

5. If the de minimis criteria will be met, determine and implement steps to monitor the criteria moving forwards.
6. If the de minimis criteria is or will be breached, IGP needs to determine on appropriate formula to apportion its input tax.
7. Identify the process and system changes to monitor the input tax claim.
8. Educate staff on the processes and systems.



GST Issue

Group:	PDC Subsidiaries
Sub Group:	
Entity:	Island Golf Properties Bhd
Business Unit:	

Issue No: GST IGP-11
 Title: Compliance: Documentation to Claim Input Tax Credit

GST Implication: **Background**

1. With the implementation of GST, the tax charged by local vendors and GST paid to Customs on imported goods via the customs import declaration form, 'K1', will become an additional expense to IGP, unless IGP is able to claim an input tax credit ("ITC"). GST is also payable on imported services.
2. Currently, there may be occasions where IGP does not receive any invoice for services rendered by its related companies.
3. There may also be services rendered by IGP's related companies for which invoices are not issued.
4. There may also be occasions also where costs are incurred and invoiced under the name of the employees instead of IGP (e.g. purchase of flight tickets online or premises where IGP doesn't have a corporate account).

GST Implications

5. GST incurred on local acquisition of goods and services can be claimed as input tax provided that the claimant is in possession of a valid tax invoice, and the input tax to be claimed is:

- In respect of a taxable supply (i.e. a standard rated or zero rated supply) made by you; and
- Not blocked from input tax claim.

Without a valid tax invoice, input tax is not claimable.

6. The criteria for a valid tax invoice includes:

- The invoice must be issued in the full name of "Island Golf Properties Bhd" to enable IGP to claim the ITC. For example any tax invoice issued in the name of "IGP" or "PDC" cannot be used to make an input tax claim by IGP.
- The invoice contains all the prescribed information required for a tax invoice.

7. For purchases of not more than RM500 in a single invoice, a simplified tax invoice would be sufficient for IGP to claim an ITC whereby the name of IGP is not required on the simplified tax invoice.

8. For purchases exceeding RM500 in a single invoice, a simplified tax invoice would not be sufficient for IGP to claim the full ITC. Under the GST Guide, the maximum amount of ITC that IGP can claim on a simplified tax invoice is restricted to RM30. Therefore, when IGP's staff make any purchases exceeding RM500 for business purpose, they must request a full tax invoice from the supplier in the full name of "Island Golf Properties

Bhd" in order for IGP to claim the full ITC.

9. You are not required to make payment before claiming an ITC; possessing a valid tax invoice is sufficient evidence for making a ITC claim. However, if after 6 months of the invoice being issued and IGP still have not made payment to its supplier, IGP must repay any ITC it has claimed with respect to the invoice. In the event of settlement of the debt, you may then reclaim the ITC.

10. However, do note that a pro forma invoice is not regarded as a valid tax invoice. IGP can only claim ITC on local acquisitions if IGP has a valid tax invoice.

11. In respect of importation of goods, IGP must hold a valid Customs declaration form K1. In respect of clearance of goods from bonded warehouses, IGP must hold Customs declaration form K1 or K9.

12. For importation of services, IGP is required to hold a document such as the foreign supplier's invoice to show that IGP is entitled to ITC.

Flow Chart:

Work Plan:

Recommendation

1. Develop new policy and guidelines for purchases to have valid tax invoices from GST registered person.
2. Establish new policy where tax invoice for purchases must be issued in IGP's full name.
3. Update current process to ensure that a tax invoice is issued by GST-registered vendor for any purchases.
4. Implement procedures and processes to ensure ITC are only claimed on valid tax invoices for local purchases of supplies or Customs declaration forms, K1, for imported goods.
5. Determine the processes and systems changes to monitor ITC claimed based on vendor's tax invoices or Customs K1 forms (for imports).
6. Ensure a policy and processes are in place to review tax invoice received from vendors are accurate and issued on timely basis or value in Customs K1 forms are declared accurately.
7. Implement processes and systems changes.
8. Educate staff and vendors on the processes and systems changes.



GST Issue

Group:	PDC Subsidiaries
Sub Group:	
Entity:	Island Golf Properties Bhd
Business Unit:	

Issue No: GST IGP-12
Title: Compliance: Accounting recognition vs GST recognition for input tax claim

GST Implication: **Background**

1. IGP may accrue some expenses in relation to daily business activities (e.g audit fees, secretarial fees, tax fees and etc).

GST Implication

1. The accounting recognition of costs or early payment of expenses does not lead to a claim of input tax if there is no tax invoice available.

2. IGP will need to ensure that input tax is only recognised when a tax invoice is received. Hence, for costs / expenses that have been incurred but invoices not yet received, IGP may want to expedite the receipt of tax invoice from these suppliers.

3. For subsequent reversal of Balance Sheet items to Profit and Loss Statement (when consumed / used), IGP must ensure there is no double claiming of input tax.

Flow Chart:

Work Plan: Recommendations

1. Identify affected transactions.
2. Implement procedures and processes to ensure input tax credits are only claimed on valid tax invoices.
3. Determine the processes and systems changes to monitor ITC claimed at the availability of tax invoice.
4. Review reversal of accrued expense to ensure correct claim of ITC.
5. Implement processes and systems changes.
6. Educate staff and vendors on the processes and systems changes



GST Issue

Group:	PDC Subsidiaries
Sub Group:	
Entity:	Island Golf Properties Bhd
Business Unit:	

Issue No: GST IGP-13
 Title: Compliance: Reimbursement vs disbursement

GST Implication: **Background**

1. In the course of IGP's daily business activities, IGP may incur various costs, or make payments to third parties, of which IGP subsequently invoice and recover from IGP's customers. For example, based on the Outsourcing Agreement, any outgoing expenses of IGP like audit fees, secretary fees, and charges for water shall be recovered from Taiyo.

GST Impact

2. The GST treatment on the recovery of costs depends on whether the expenses are reimbursement or disbursement in nature.

3. **"Reimbursements"** are recoveries of expenses incurred by IGP in the course of providing the services (e.g. printing cost, telephone charges) and are on charged to customers. GST should be charged on those expenses upon invoicing its customers.

4. **"Disbursements"** are expenses paid by IGP on behalf of its customers. These expenses are the liability of the customer and relate to a supply by a third party to your customer (and not to you). In this instance, no GST should be charged by you upon recovery from the customer.

5. When you issue the invoice to the customer, the invoice should separately identify which expenses are "reimbursement" and which are "disbursement" and to correctly identify the GST treatment on the invoice.

Flow Chart:

Work Plan: Recommendations

1. Review current practice of invoicing the recovery of payments made on behalf of customers or third parties.
2. List down the items of recoveries invoiced to customers or third parties in the course of IGP's daily business.
3. For each items of recoveries, confirm whether it is:
 - a. an expense paid on behalf of the customers (e.g. where you act as agent); or
 - b. an expense which is your legal liability.
4. Where there is ambiguity in performing (3) above, review the contract / agreement (or legal obligations to make the payment) between the parties for clarity:
 - a. Seek legal advice where appropriate.
5. Confirm disbursement or reimbursement status of each expense.
6. Update tax coding status for each disbursement or reimbursement.
7. Determine system change requirements to ensure:
 - a. Itemised recovery amounts appear on the tax invoice
 - b. Each item recovered is correctly treated as either disbursement or reimbursement, and GST calculated accordingly, where appropriate.
8. Create a policy on disbursement and reimbursement.
9. Educate employees on updated policy changes and changes to processing.



GST Issue

Group:	PDC Subsidiaries
Sub Group:	
Entity:	Island Golf Properties Bhd
Business Unit:	

Issue No: GST IGP-14
 Title: Compliance: Disposal of fixed assets

GST Implication:

1. IGP dispose of assets such as:-
 - Furniture and fittings.
 - Motor vehicles.
 - Utensils, crockery and glassware.

GST Implication

2. Where IGP dispose assets for a consideration, GST is accounted on the sale proceeds received (not on the written down value) and a tax invoice must be issued to the purchaser. The exception is where the assets are destroyed and written off or the assets are 'blocked input tax items' (refer to issue log on "Blocked input tax").

3. IGP will be required to identify and track the proceeds received, account for GST and issue tax invoice for the disposal of assets.

4. Moving forward, IGP may want to consider assigning a GL code specific to the disposal of assets which will allow IGP to identify /distinguish between the assets which are:

- written off / destroyed
- disposed to third parties
- disposed to related parties*
- blocked input tax

*For goods / equipment / assets disposed to related parties, GST would be accounted for by IGP on the open market value.

Flow Chart:

Work Plan: Recommendations

1. Review and document current processes for accounting for disposals.
2. Identify the assets which are disposed by you and determine if the tracking process in place is sufficient for GST purposes.
3. Implement policy and process for accounting for GST on disposal and issuance of tax invoice.
4. Implement system changes required to account for GST on disposal and generate tax invoice.
5. Communication to relevant employees on the updated process and system changes.



GST Issue

Group:	PDC Subsidiaries
Sub Group:	
Entity:	Island Golf Properties Bhd
Business Unit:	

Issue No: GST IGP-15
 Title: Transitional: Inclusion of GST clause in all contracts

GST Implication: **Background**

1. IGP do not as yet have GST specific clauses in all of your contracts.

GST Implication

2. The GST legislation provides that consideration paid or payable (i.e. the price) for a supply is taken to include GST. This means that GST is assumed to be included in the consideration paid / payable under a contract or agreement unless the terms provide otherwise.

3. If you enter into a contract where the negotiated price has not taken GST into account, and there is no provision in the contract to allow for the price to be increased to account for GST, then you may have to absorb the cost of the GST. Therefore, it is critical to include a clear GST clause in any contract entered into, in which you make taxable supplies.

Flow Chart:

Work Plan: Recommendations

1. Seek legal opinion on a GST clause for inclusion in all contracts.
2. Ensure GST clause is inserted in all new agreements entered into moving forward.
3. Populate all contracts into the contracts register and determine those (if any) which have a GST specific clause.
4. Allocate a resource / team to manage preparation and completion of contracts register.
5. Sign-off by appointed person that ALL contracts have been reviewed and captured in the contracts register.
6. List out in the contracts register all supply contracts made by IGP and identify all reviewable & non-reviewable contracts.
7. Develop a GST clause to be included in contracts and other transaction documents.
8. Ensure that a GST clause is on all new contracts/transaction forms and any contract being renewed or re-negotiated.



GST Issue

Group:	PDC Subsidiaries
Sub Group:	
Entity:	Island Golf Properties Bhd
Business Unit:	

Issue No: GST IGP-16
 Title: Transitional : Contracts spanning GST start date

GST Implication: **Background**

1. IGP may continue to provide taxable supplies on which no service tax is charged before.

GST Implication

2. Under the GST, where any supply is made under an agreement for a period (or progressively over a period) and that period begins before the GST appointed date and ends after the GST appointed date, the supply will be taken to be made continuously and uniformly throughout the transitional period.

3. If IGP enters a reviewable contract beginning before the GST appointed date for provision of taxable supplies ending post GST, IGP would need to account for GST on the relevant portion post GST appointed date (at the relevant GST rate).

4. Specifically, IGP will need to consider about supplies that are not subject to service tax and span across the GST appointed date as IGP will have to impose GST on the portion of supplies rendered on or after the GST appointed date.

5. It is also important for IGP to manage your customers' expectation with regards to the imposition of GST.

6. IGP must identify your supplies which may span the GST appointed date and confirm the appropriate tax treatment (both service tax and GST) for such supplies. The capability of your current IT system(s) needs to be assessed to determine whether it can cater for both service tax and GST, calculation and invoicing.

Flow Chart:

Work Plan: Recommendations

1. Identify the time of billing for supplies that will span the GST start date.
2. Ascertain the appropriate treatment (service tax / GST) for the relevant supplies.
3. Seek management decision on which approach to the supplies that span the GST start date.
4. Develop a communication plan for staff/consumer on services that span GST start date.
5. Communicate changes to staff/consumer/agent (6 months before GST start date)
6. Determine and implement processes and systems changes.
7. Educate employees on the processes and systems changes.