SEMINAR ON GST 2013

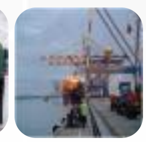
Organised by

Driving Transformation

MALAYSIA
National ICT Initiative

Venue: Aloft KL Sentral

Date : 3.4.2014



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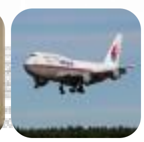
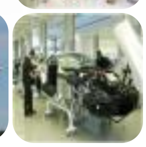
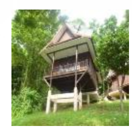
GROW & SHARE TOGETHER







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Malaysian GST model

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Malaysian GST model

- **To replace current tax system**

~~**Sales Tax & Service Tax (SST)**~~ → **GST**

GROW & SHARE TOGETHER

5%, 6%, 10%, 20% & specific rate **Various threshold**	**Rate = 6 %** **Threshold = RM500,000**

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Malaysian GST model

Charging of GST by taxable person on

- **goods that are**
  - ✓ **supplied in Malaysia**
- **services that are**
  - ✓ **supplied in Malaysia**
  - ✓ **imported services**

- **Imposition of GST on**
  - ✓ **Imported goods**

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Place of Supply

- *Goods treated as supplied in Malaysia*

  - Supply of any goods that involves removal from a place in Malaysia to another place in Malaysia

  - Supply of any goods that involves removal from a place in Malaysia to a place outside Malaysia

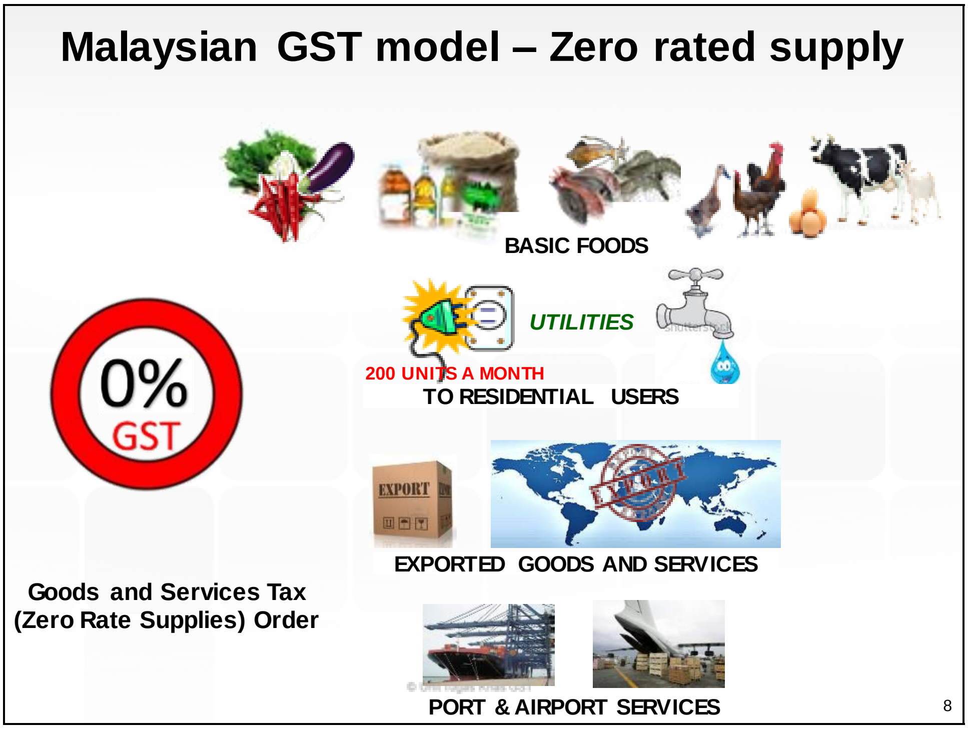
Place of Supply

- PoS RULES FOR SERVICES

  < *a* supply of services is deemed as made in Malaysia if the supplier belongs in Malaysia

  < *a* supply of services is deemed as made in another country if the supplier belongs in the other country

  < a supply of imported services for the purpose of any business by a person is treated as supply to and by the recipient


Malaysian GST model – Zero rated supply
BASIC FOODS
UTILITIES
200 UNITS A MONTH
TO RESIDENTIAL USERS
0%
GST
EXPORT
EXPORTED GOODS AND SERVICES
Goods and Services Tax
(Zero Rate Supplies) Order
PORT & AIRPORT SERVICES
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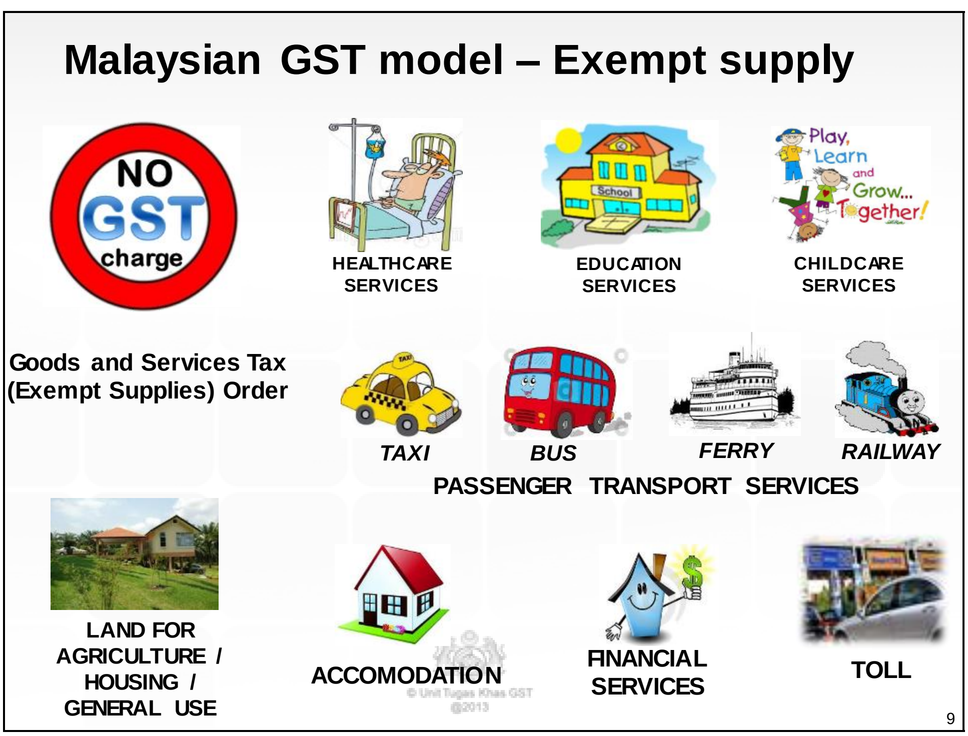
Malaysian GST model – Exempt supply
NO
GST
charge
HEALTHCARE
SERVICES
School
EDUCATION
SERVICES
Play, Learn and Grow... Together!
CHILDCARE
SERVICES
Goods and Services Tax
(Exempt Supplies) Order
TAXI
BUS
FERRY
RAILWAY
PASSENGER TRANSPORT SERVICES
LAND FOR
AGRICULTURE /
HOUSING /
GENERAL USE
ACCOMODATION
FINANCIAL
SERVICES
TOLL
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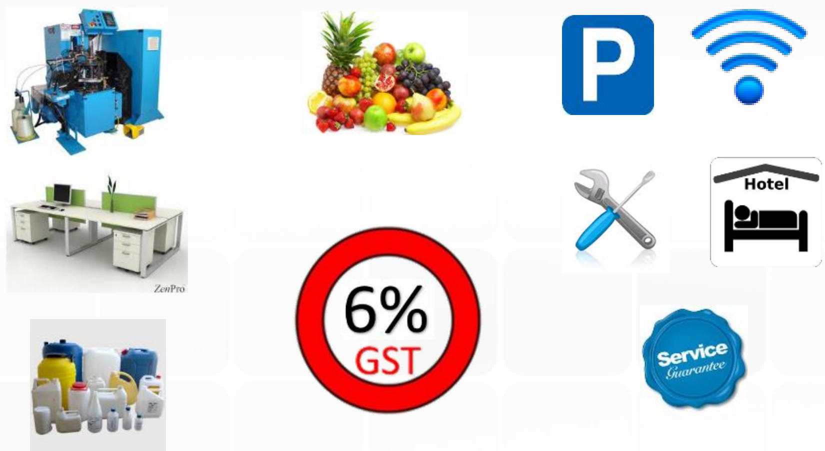
Malaysian GST model – standard rated supply



Standard Rate

(Other supplies not listed in GST (Zero rate Supplies) Order or GST (Exempt Supplies) Order

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Malaysian GST model – Supply by Government

	Federal & State Government	Local Authority & Statutory Body
~~GST~~ Out of Scope	All supplies by Federal & State government	Supplies made in the regulatory and enforcement (R&E) functions *eg. Assessment rate collection, issuance of licenses, penalty*
6% GST	Supplies that have been directed by Minister in the GST (Government Taxable Supply) Order *eg. Supply made by RTM, Prison Department*	Non Regulatory & Enforcement functions *ie. Business activities for example rental facilities and etc.*
Acquisitions	▪Need to pay GST on their acquisitions ▪Relief on selected goods	▪Need to pay GST on their acquisitions ▪Relief on selected goods

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TAXABLE PERSON

Meaning of taxable person

- **A person who is or is required to be registered for GST**

Meaning of person

- **Includes natural and juridical persons**
  - **individual, sole proprietor and partnership**
  - **company, club, association, society, co-operative, trade union, non profit body and unincorporated bodies**
  - **trust, trustee, executor, administrator and joint venture**
  - **Federal Government, Sate Government, statutory body and local authority**

GST Registration

Determination of annual sales turnover

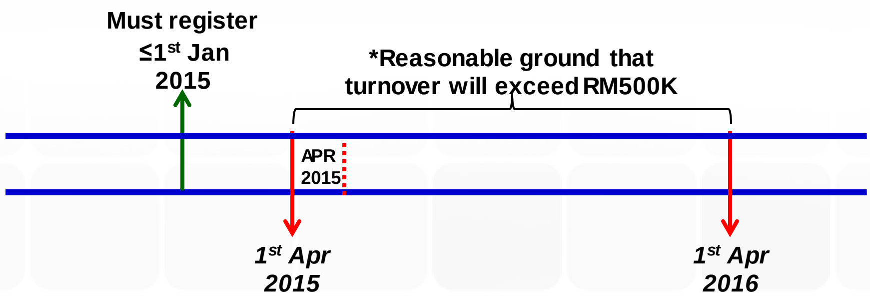
Includes:

- Standard rated supply
- Zero rated supply (includes goods exported)
- Deemed supply (private use of business assets, business gift > RM500, supply to connected person)
- Disregarded supply (supplies between group members)

Excludes:

- Disposal of capital assets
- Imported services
- Disregarded supplies made in relation to Warehousing Scheme or made within / between DA

Registration before appointed date



** May use historical turnover as basis for future sales*

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Registration before effective date

- Effective date of registration will be on the 1st April 2015
- Pre-Registration before implementation of GST
  - application to be made 3 months before 1st April 2015
    - **Commit an offence if fail to be a registered person on 1st April 2015**
  - pre-registration exercise begins 6 months before 1st April 2015

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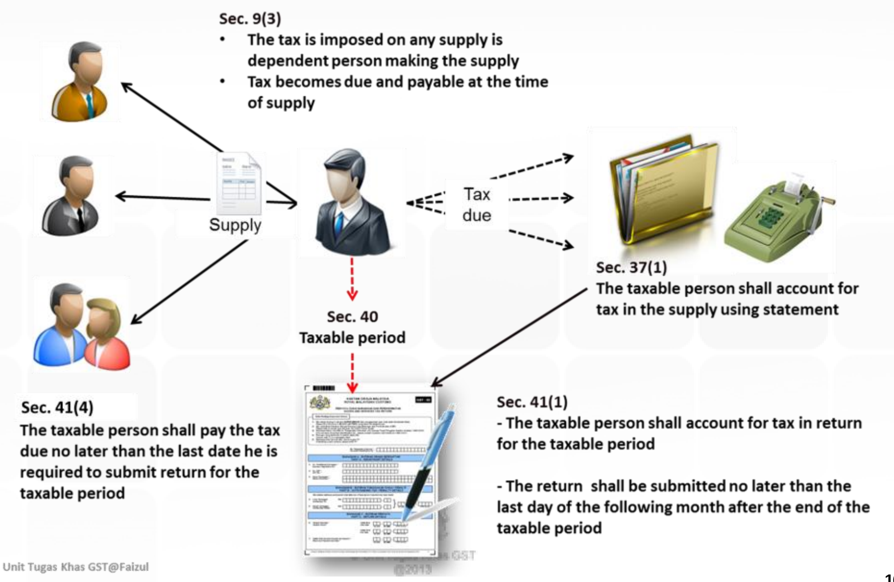
Liability of taxable person



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Charging Output Tax

Taxable supply:

- Standard rate supply (GST@6%)
  - Supplies of goods & services in Malaysia
- Zero-rate supply (GST@0%)
  - Zero rate supplies order
  - Goods exported
  - Contract with no opportunity to review (supply within 5 years after AD)

Non-Taxable supply:

- Exempt supply (no GST)
  - Exempt supplies order
- Out of scope supply (no GST)
  - Supplies outside Malaysia
  - Supplies by non registered person

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Time of Supply

Time of supply

- To determine when tax is due and payable on a supply

Supply of goods or services

- General time of supply rules
  - ✓ Basic tax point
    - ➢ Goods removed or made available
    - ➢ Services performed
  - ✓ Actual tax point
    - ➢ Tax invoice issued or payment received before basic tax point
    - ➢ 21 days rule

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Full tax invoices

Feature

- The words “tax invoice” in a prominent place
- Serially tax invoice number
- Date of issuance of the invoice
- Name, address and identification number of the supplier
- Name and address of the person to whom the goods or services are supplied
- A description sufficient to identify the goods or services supplied
- For each description, the quantity of the goods or the extent of the services and the amount payable, excluding tax
- Any discount offered
- The total amount payable excluding tax, the rate of tax and the total tax chargeable shown as a separate amount
- The total amount payable including the total tax chargeable

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Mechanism to claim input tax

Only tax attributed to business is counted as input tax

- Input tax incurred in the course or furtherance of any business
  - In making taxable supplies
    - ✓ Claimable in full
      - × exception: blocked input – no IT recovery
  - In making exempt supplies
    - ✓ Not claimable in full
      - × exception: incidental financial services
  - In prescribed supply
    - ✓ FITR (fixed input tax recovery)

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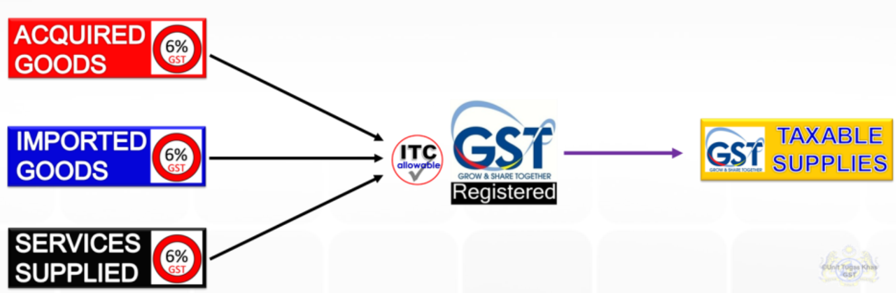
Mechanism to claim input tax



❖ Input tax incurred in the course or furtherance of any <u>business</u>:
- in making taxable supplies
  - ✓ **Claimable in full**

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Disallowable input tax

- **Taxable person cannot claim input tax incurred in the course or furtherance of business with regards to:**
  - ✓ purchases or import of passenger motor cars
  - ✓ hiring passenger motor car
  - ✓ club subscription fee
  - ✓ medical and personal accident insurance
  - ✓ medical expenses
  - ✓ family benefits
  - ✓ entertainment expenses to a person other than employees

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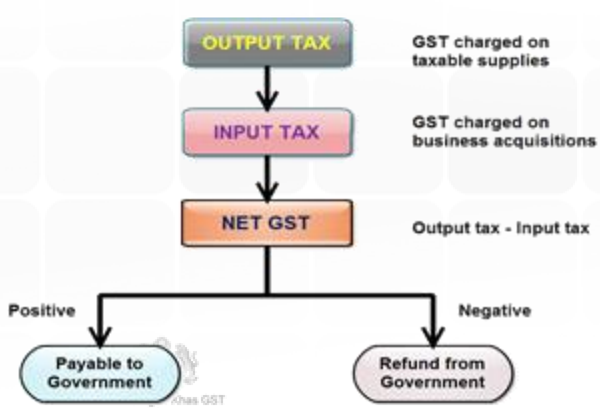
Mechanism to claim input tax

- A refund will be made to the claimant if the amount of input tax is more than the amount of output tax.



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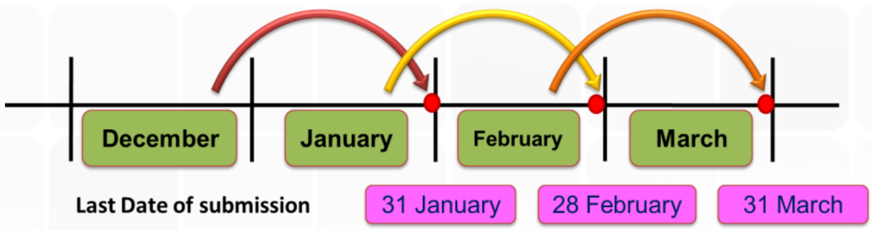
Submission of return & payment of tax

When to submit GST Return

- Normal period
  - monthly taxable period



Record keeping

- ❑ taxable person requires to keep full and true records of all transactions which affect or may affect his liability to tax
- ❑ records should be kept in Malaysia except as otherwise approved by the DG
- ❑ records shall be in the national or English language
- ❑ should be preserved for a period of 7 years from the latest date to which the records relate.

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Transitional Matters

Repeal of Sale Tax Act 1972

Facility under STA	Not GST registered person	GST Registered person
Section 9 - Acquisitions of goods free of sales tax	Account Sales tax on goods held on hand	Not required to account for Sales tax on goods held on hand.
Section 10 - Exemption of sales tax by Minister		

Supply spanning - Goods

BEFORE 1/4/2015	ON OR AFTER 1/4/2015	IMPLICATION ON GST
Taxable goods supplied (available / removed)	Payment received / Invoice issued	Not subject to GST but subject to SALES TAX*
Invoice issued / No payment or part payment received	Taxable goods supplied	Not subject to GST Subject to sales tax*
Payment received / sales tax paid / invoice issued	Taxable goods supplied	Not subject to GST Subject to sales tax*
Invoice issued / Payment received by non licensee	Taxable goods supplied	Value of supply deemed inclusive of GST and account in the 1st taxable period after the effective date
Invoice issued / Payment received	Supply non taxable goods under Sales Tax Act 1972.	Value of supply deemed inclusive of GST and account in the 1st taxable period after the effective date

** for sale tax licensee*

Supply spanning - services

Before 1/4/2015	On or After 1/4/2015	Implication on GST
Prescribed Services supplied	Payment received	Not subject to GST Subject to service tax
Payment received / service tax charged or paid	Prescribed Services supplied	Not subject to GST Subject to service tax
Payment received / invoice issued	Non ST prescribed services supplied Prescribed services supplied by non licensee	Value of supply deemed inclusive of GST and account in the 1st taxable period after the effective date

Supply spanning – Importation

Before 1/4/2015	On or After 1/4/2015	Implication on GST
Goods imported	Release from customs control	Subject to GST and date of importation is when released from customs control
Services imported	Payment made to overseas supplier	Subject to GST and date of supply is when payment made
Payment made to overseas supplier	Imported Service performed	Not subject to GST

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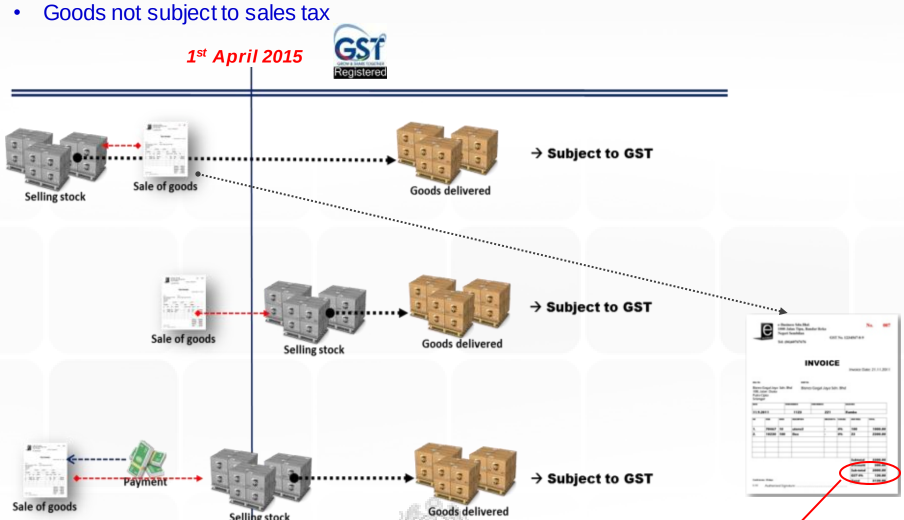
Supply spanning: goods

- Goods supplies by non sales tax licensee
- Goods not subject to sales tax



Value of supply is deemed inclusive of GST

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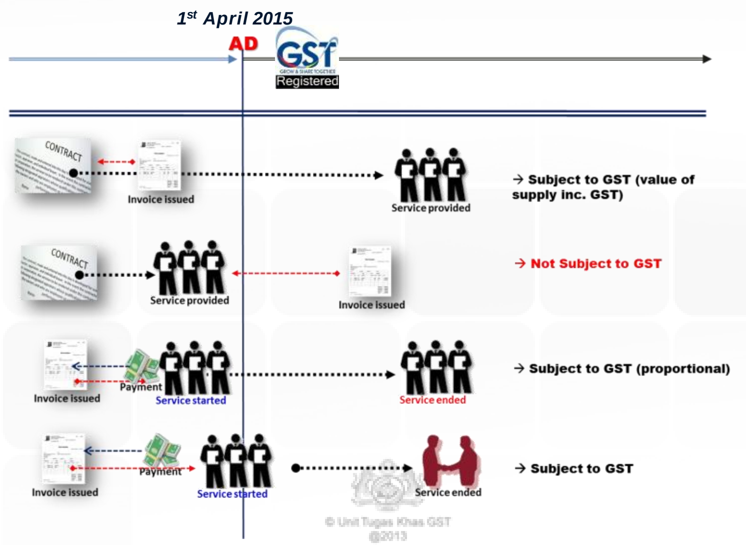
Supply spanning: services

Not Prescribed Service under Service Tax Act



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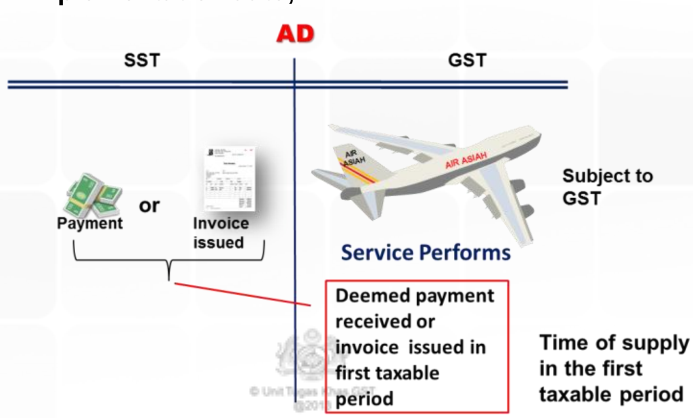
GST Transitional issues

Tax treatment on supply of services spanning implementation date

- Supply is subjected to GST
  - ✓ If payment received or invoice issued before GST implementation date,



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Progressive supply

What is progressive or periodic supply?

- **part of supply before appointed date and part of supply on and after appointed date,**
- **supply is treated as uniform so that can be apportioned to pre and post GST components**
- **e.g. lease / rental agreement, outsourcing / franchise agreement, electricity, licensing**

General Rule

- **any supply before appointed date is not subject to GST**
- **any supply on or after appointed date is subject to GST**
- **work out GST on proportional time basis**

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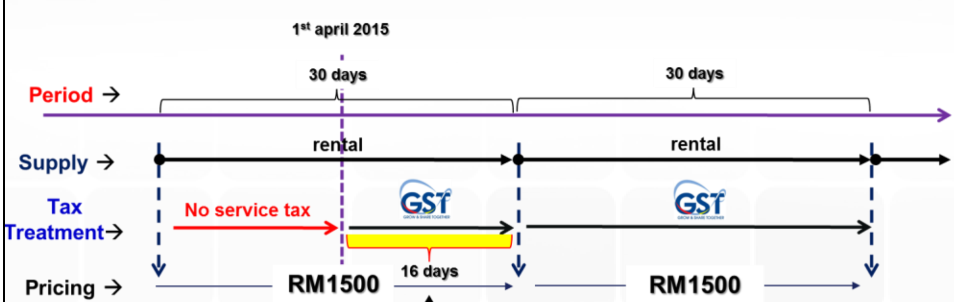
Progressive supply: services

Eg. Supply of service



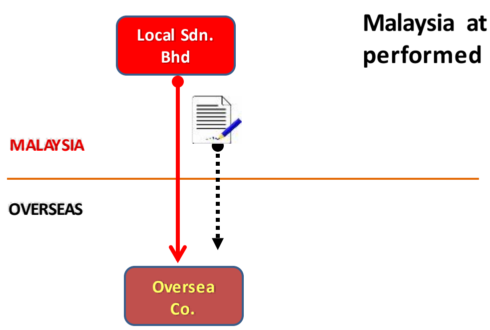
Calculation of GST on supply →
on proportional basis

Rental Value:	30 days	= RM1,500
	1 day	= RM50.00
	16 days	= 16 X RM50
		= RM800
	GST for 1 - 16 April	= RM800 X 6%
		= RM48.00

SELECTED GST TREATMENT ON SUPPLY OF SERVICES BY ICT PLAYERS

Zero Rated Supply

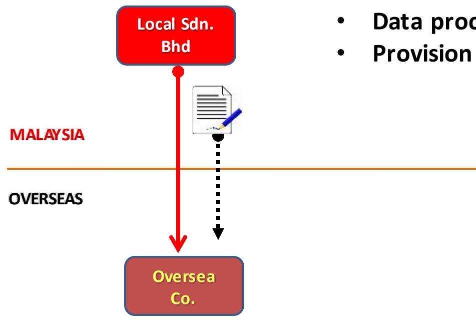
- **Supply* under contract to person belongs outside Malaysia & benefit to person outside Malaysia and who is outside Malaysia at the time services are performed**



*** NOT include supply of advertising & supply in connection with land & improvement outside Malaysia**

Zero Rated Supply

- Supply* under contract with business entity belongs outside Malaysia & benefit business entity belongs outside Malaysia with regards to
  - Data processing
  - Provision of information



* NOT include service supplied directly in connection with goods, land & improvement situated inside Malaysia

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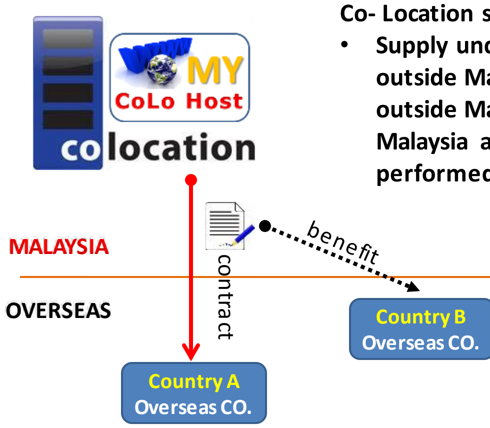
Zero Rated Supply

Co- Location services

- Supply under contract to person belongs outside Malaysia & benefit to person outside Malaysia and who is outside Malaysia at the time services are performed



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Q & A