GST Seminar

Transitional Issues & Readiness for GST

Organized by
Royal Malaysian Customs
Putrajaya.

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GST UNIT

ROYAL MALAYSIAN CUSTOMS DEPARTMENT

Agenda

1. Acts Repealed
2. Registration
3. Supply Spanning GST
4. Special Refund
5. Business Preparation

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Acts Repealed

Repeal of Sales Tax and Service Tax

From the appointed date (AD – implementation of GST)

- Still enforced on matters where tax is due and payable and liability (offences) incurred:

Collection

Recovery

Drawback

Remission

Refund

Penalty

Repeal of Sales Tax and Service Tax

Final return for sales tax

- Final return must be submitted not later than 28 days from the date the GST Act comes into force (GST implementation date)
- All tax liabilities must be accounted in the final return

Final return for services tax

- Return can be submitted in accordance with the Service Tax Act(payment basis). The licensee may have to submit two returns:
  - ✓ GST return
  - ✓ Special form for service tax until the expiry of 12 months from the GST implementation date

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Registration

Registration before Appointed Date

- Registration exercise begins 6 months before appointed date.
- Persons liable to register must register three (3) months prior the appointed date
  - Commit an offence if fail to be a registered person on AD
  - Advisory audit
- Registration either electronically or manually
  - Use Form GST-01
  - GST registration number issued upon registration

http://www.gst.customs.gov.my

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Supply Spanning GST

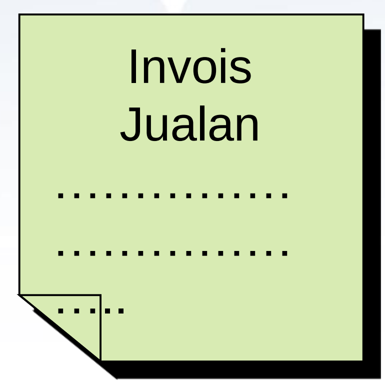
Transitional Period

Before GST

Payment received/invoice issued

After commencement of GST

Goods supplied/delivered to the buyers



Transitional Period

Goods sent before GST but payment received after the commencement of GST

Transitional Period

Before GST

Flight ticket sold

After GST commencement

The services rendered

Imported Goods Deposited in Bonded Warehousing

Goods imported before GST but clearance after commencement of GST

Supplies Spanning GST

What is supply spanning GST?

- Payment or invoice before appointed date and supply takes place on and after appointed date or vice versa e.g. sales of goods, airline tickets and cinema

General Rule

- Any supply before appointed date is not subject to GST
- Any supply on or after appointed date is subject to GST

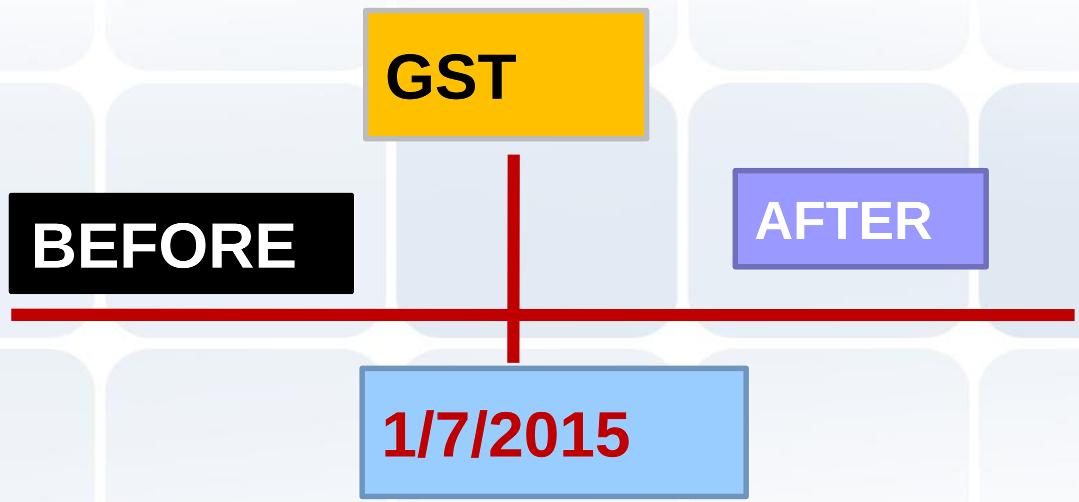
Exception to general rule

- Supply of warranty
- Provision of goods where sales tax has been charged
- Provision of services where service tax has been charged
- Non reviewable contracts

Supplies Spanning GST

- When the goods are made <u>available</u>
- When goods are <u>removed</u>
- When services are <u>consumed</u>

Exception for supply:
-Goods subject to sales tax
-Services subject to service tax
-warranty



If you provide goods or services before 1 July 2015 and raise a tax invoice after that date , what do you account for.................

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Supplies Spanning GST

BEFORE GST	ON OR AFTER GST	IMPLICATION ON GST
Goods Supplied (available / removed)	Payment received / Invoice issued	Not subject to GST BUT subject to SALES TAX
Invoice issued or payment received	Goods subject to sales tax supplied	Not subject to GST BUT subject to SALES TAX
	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 appointed date
Goods imported	Release from customs control	Subject to GST and date of importation is when released from customs control

Supplies Spanning GST

Supply of non-taxable goods under sales tax before GST but goods delivered after implementation date:

Example

On 28.3.2015, Sen Hiap Sdn Bhd has bought 2 laptops and 1 printer worth RM4,500.00. The payment was made on the same day and hence the supplier has issued an invoice for the purchase also on the same day. However, the goods were delivered to Sen Hiap on 3.4.2015.

Printer and laptop are non- taxable goods under Sales Tax.
=>All goods purchased by Sen Hiap are subject to GST. RM4,500.00 is GST inclusive and the tax has to be accounted in the first GST return.
GST Implementation date : 1 April 2015

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INVOICE

ABN Office Appliances
31 Jalan SS 21/7A
46300 Petaling Jaya, Selangor
GST Registration No: 123456

Invoice No: 10001
Invoice Date : 28 March 2015

Sen Hiap S/B
14 Jalan SS 3/2
46000 Petaling Jaya, Selangor
GST Registration No: 126543

QTY	Description	Price/Unit (RM)	Total (RM)
1	Printers	500	500
2	Laptop 007 - Dell	2,000	4,000
	Total		4,500

GST Implementation : 1 April 2015 ; Goods delivered on 3 April 2015

Supplies Spanning GST

Before GST	On or After GST	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 prescribed services	Value of supply deemed inclusive of GST and account in the 1st taxable period after the appointed date

Supplies Spanning GST

If the invoice for renting a hall is issued before GST implementation date, prior to an event which would only take place after AD:

The services will not subjected to GST but subject to service tax.

Progressive or Periodic Supply

What is progressive or periodic supply?

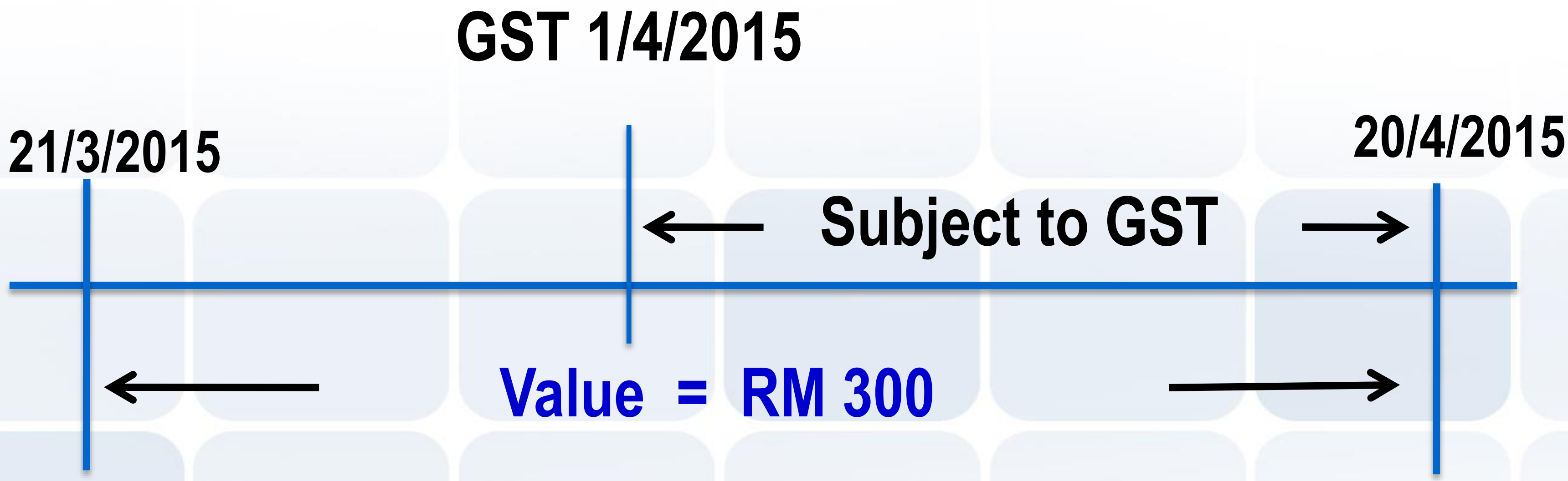
- Part of supply before appointed date and part of supply on and after appointed date , supply is continuous and uniform e.g. electricity and commercial rental, telephone rental

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

Progressive or Periodic Supply

Supply of electricity



Taxable Value = RM300/30 x 20

= RM200

GST 6% = RM12

GROW & SHARE TOGETHER

Supplies Spanning GST

Treatment of Supplies Spanning GST

- GST to be imposed at the time when goods are removed or when services are performed
- Special transitional rules to cater for certain transactions
- e.g. Non-reviewable contract, rights granted for life such as club membership, retention payment and machine operated by coin

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Special Refund

Special Refund

Entitle to special refund of sales tax if

- claimant is registered (mandatory) person
- hold goods on appointed date for making taxable supply
- goods are subject to sales tax
- holds relevant invoices or import document to show sales tax has been paid

Special Refund

Goods not eligible for special refund

- capital goods e.g. building and land
- goods used partially or incorporated into other goods e.g. raw materials, work in progress
- goods for hire e.g. cars, generators
- goods not for business e.g. personal use
- goods not for sale or exchange e.g. containers, pellets, stationeries, moulds, manufacturing aids
- goods entitled to drawback
- goods allowed sales tax deduction under Section 31A STA 1972 (credit system)

Special Refund

Manner to claim special refund

- claim within 6 months from appointed date
- for special refund < RM10,000, require audit certificate signed by a chartered accountant
- for special refund ≥ RM10,000, require audit certificate signed by an approved company editor
- use special form to claim refund (manual or online)
- to be given in eight(8) equal instalments over a period of two years
- to account as output tax if special refund is claimed and goods are returned

Special Refund

Reduce special refund to 20%

(20% method)

- purchase goods from non licensed manufacturers
- goods are subject to sales tax
- holds invoices which does not show sales tax has been charged
- claimant is a registered (mandatory) person
- hold goods on appointed date for making taxable goods

Special Refund

20% method

- reduce the actual purchase price by 80% for goods held on hand on appointed date

Special refund = actual price x 20% x sales tax rate

Example:

Purchase RM15,000 of raw materials but holds RM10,000 on appointed date

Special refund = RM10,000 x 20% x 10%

= RM200

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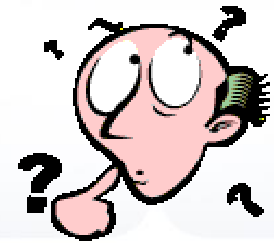
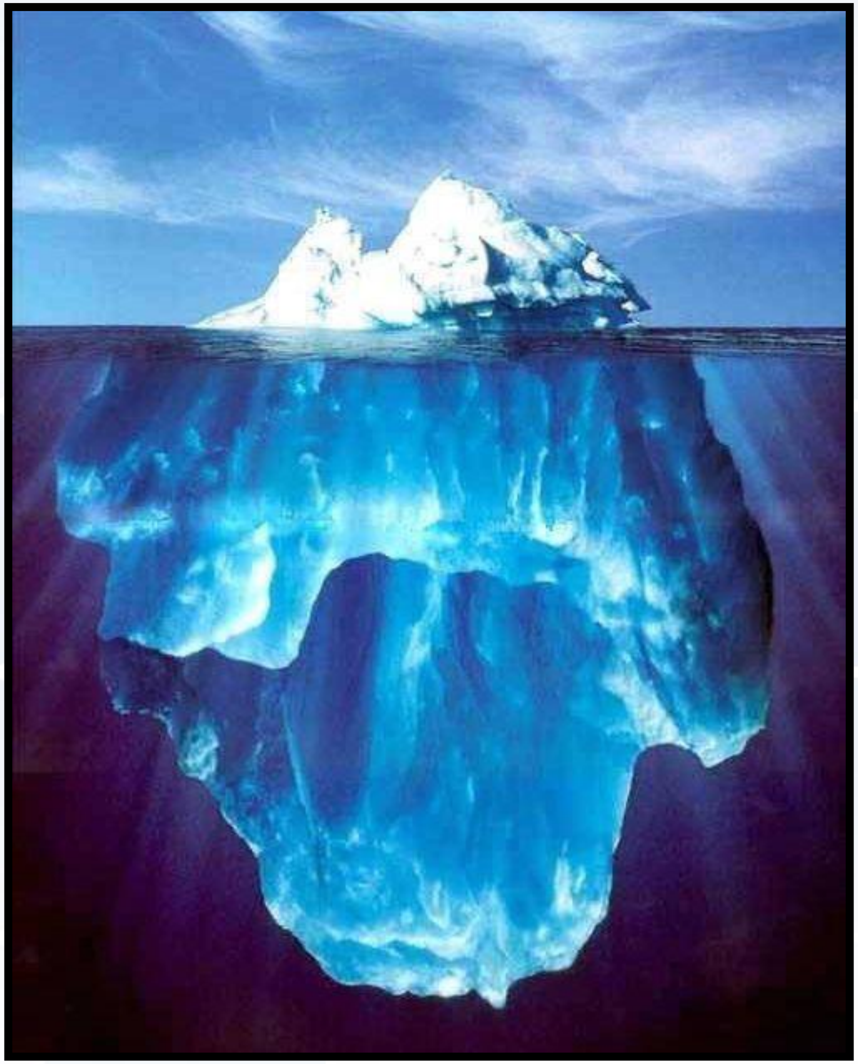
Business Preparation

Iceberg Syndrome

HOW MUCH DO YOU SEE OF AN ICEBERG?



Iceberg Syndrome



ONLY 10% OF ANY ICEBERG IS VISIBLE

GST Implementation Approach

To implement a GST compliant system

GST Project Team

1st phase: Develop implementation plan

2nd phase: Implementation and execute

3rd phase: Post implementation

Key areas requiring attention

- Tax regulatory compliance
- Documentation and system
- Legal and transitional issues
- Education and training
- Vendor and supplier communication

Business' Role

Getting the tax right

- Engagement with government
- Understanding the principles, application and impact on your business accounting, invoicing pricing and contracts
- Assist in developing a practical solution
- Conduct executive awareness sessions to begin preparation for GST
- Perform transaction mapping to identify required changes

Businesses' Preparation

GST Implication on Prices

- **Identify existing suppliers**
  - Talk to small suppliers to get them registered
  - Review procurement policy to avoid tax cascading
  - Negotiate prices with suppliers to pass on saving
- **Review sales price**
  - Pass on saving
  - Absorption of GST
  - Price Control and Anti Profiteering Act 2011

Businesses' Preparation

GST Implication on Stock Management

- **Monitor business stocks**
  - Purchase strikes and lulls
  - Procurement policy
  - Registration and deregistration
- **Special refund**
  - Physical stock take on hand
  - Documents to support refund
  - Audit certificate

Businesses’ Preparation

GST Implication on Cash Flow

- Need to analyze cash flow impact
  - Cash recover from customer before GST is due
  - Assess the need to provide for one time fund to cater for GST payment upfront
- Review credit terms to customers
- Review requirement to apply for special schemes

Businesses' Preparation

GST Implication on Bad Debts

- Ensure a proper matching of GST payment to government and payment received from customers
- Monitor payment from customers
- Understand evidence of 'reasonable efforts'

Businesses' Preparation

GST Implication on Invoicing

- Identify whether standard rate, exempt, zero rate or out of scope supply
- Issuance of full and simplified tax invoice
- Requirement not issue tax invoice for imported services and second hand goods under margin scheme
- 21 days rule
- Self billed invoice

Businesses' Preparation

GST Implication on Output Tax

- Gifts > RM500 subject to GST
- Discounts
- Commercial samples in a form not ordinarily available for sale to the public not subject to GST
- Deemed supply e.g., private use and disposal of business assets subject to GST
- Supplies to connected persons

Businesses' Preparation

GST Implication on Input Tax

- Input tax credit
  - apportionment of input tax
  - annual adjustment (partial exemption)
  - Capital Goods Adjustment
- Blocked inputs not claimable
- Incidental financial supplies
- Claim of input tax > RM20 to be supported by full tax invoice or simplified tax invoice where name and address are indicated on the invoice
- De Minimis Limit

Incidental Exempt Supplies

Can claim input tax on financial supplies:

- ✓ deposit of money
- ✓ exchange of currency
- ✓ holding of bonds or other debt securities
- ✓ transfer of ownership of equity securities
- ✓ provision of loans, advance or credit to employees or connected persons
- ✓ holding or redemption of unit trust
- ✓ hedging of interest, commodity, utility or freight risk

Businesses' Preparation

GST Implication on Contracts

- Avoid long term contract without legal review
- Absorption of GST
- Pricing strategy to pass on saving

GST Implication on Human Resource

- Upgrade staff understanding of GST
- Avoid unnecessary mistakes
- False information may open to audit case
- Review policy on fringe benefits

Businesses' Preparation

GST Implication on System

- Review system and processes
- Perform complete mapping of transactions to identify required changes
- GST liability on every transaction
- Use of online submissions to tax agency
- Computerized system
  - Ready made software
  - Upgrading present system

Comments, Clarifications and Suggestions

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End of Presentation

Royal Malaysian Customs