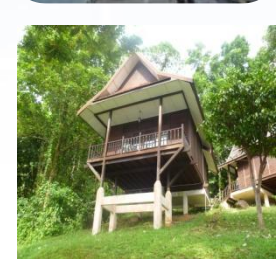


GST on Construction Industries

12 MAC 2013

Sabah

By
RAIZAM MUSTAPHA
UNIT KHAS GST



Briefing Agenda

- 1. Introduction**
- 2. Registration**
- 3. Responsibilities and Obligation of Registered Person**
- 4. Input tax**
- 5. GST Treatment on Supplies Made by Construction Industries**
- 6. Other related issue**
- 7. Transitional Period**

1

Introduction

Proposed GST Model

A common tax on

supplied in or
imported into
Malaysia



Goods and Services Tax (GST)
Rate = 6 %, Threshold = RM500,000

To replace current taxes

Sales Tax

- 5%, 10% & specific rate
- Various threshold

Service Tax

- 6%, Various threshold

What is GST?

□ Scope and charge

❖ GST is charged on

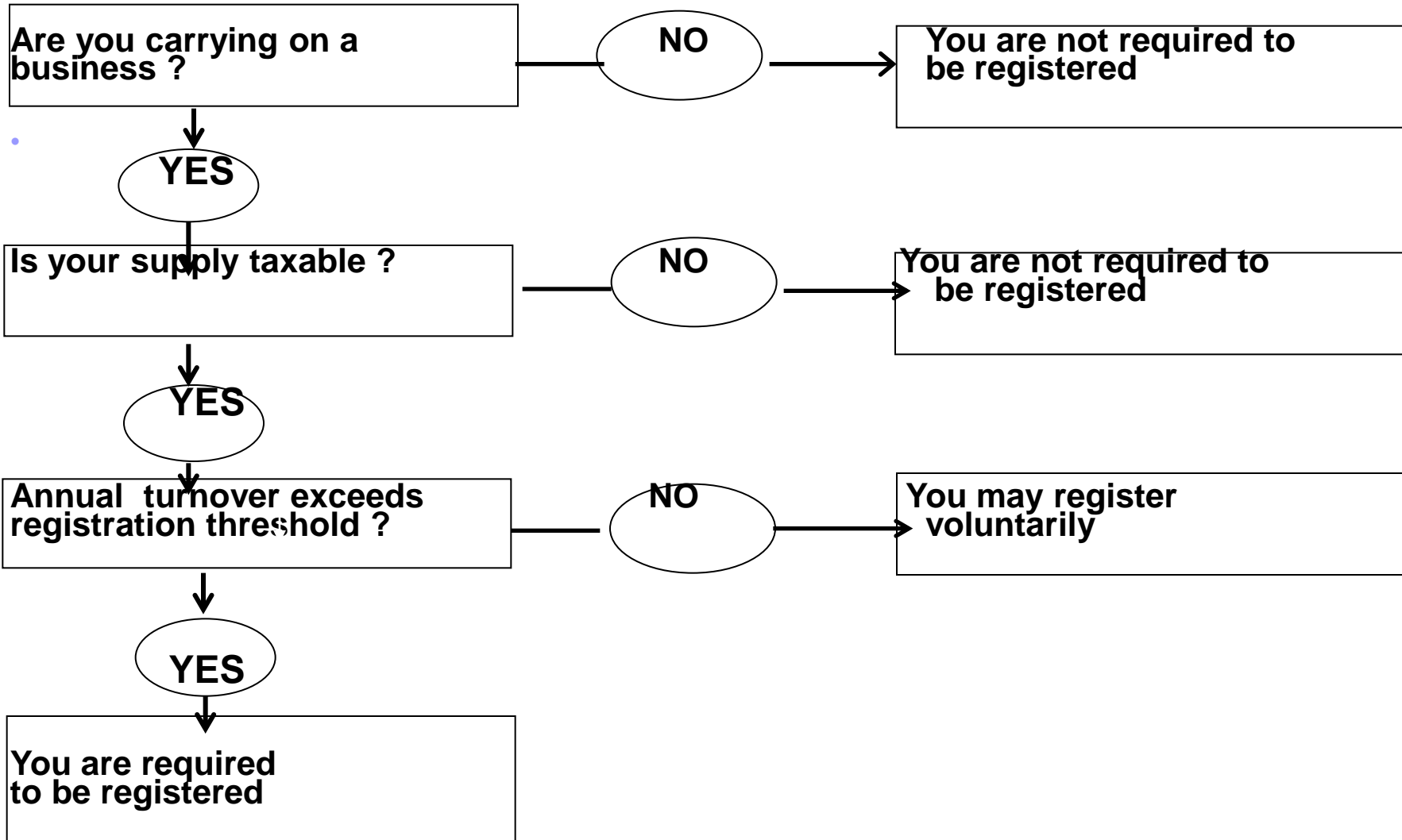
- ✓ the taxable supply of goods and services
- ✓ made by a taxable person
- ✓ in the course or furtherance of business
- ✓ in Malaysia

❖ GST is charged on imported goods and services

2

Registration

Who is required to register and who may register ?



Calculation of Taxable Turnover

For All construction services

- **turnover calculation based on**
 - **annual turnover**
 - **turnover exceeds the threshold in the past 12 months or within the future 12 months**

LATE REGISTRATION PENALTY UNDER SECTION 21(6)

No. of Days Late	Rate of Penalty	No. of Days Late	Rate of Penalty
1-30 days	200	240-270	3600
31-60 days	450	270-300	4250
61-90 days	750	300-330	4950
91-120 days	1100	330-360	5700
120-150 days	1500	> 360	6500
150-180 days	1950		
180 -210 days	2450		
210-240	3000		

3

Responsibilities and Obligations of Registered Person

Responsibilities and Obligations

- **Issuance of tax invoice**
- **Submission of returns**
- **Payment of tax**
- **Keeping of records**

Issuance of Tax Invoice

- **Types of tax invoice when making taxable supplies**
 - ✓ **full tax invoice**
 - ✓ **simplified tax invoice**

e-Business Sdn.Bhd.
1000 Jalan Tipu, Bandar Reka
Negeri Sembilan
Tel: (06)60767676

No. 007

GST No. 1234567-8-9

Full Tax Invoice

Serial number

Supplier Identification

Tax Invoice

Invoice Date: 21.11.2011

Date of invoice

The words "tax invoice" in a prominent place

Bisnes Gagal Jaya Sdn. Bhd
100, Jalan Dusta
Putra Cipta
Selangor

SHIP TO:
Bisnes Gagal Jaya Sdn. Bhd

Name and address of person being supplied

DATE	YOUR ORDER#	OUR ORDER#	SALES REP.
11.9.2011	1123	221	Rambo

NO	ITEM	UNITS	DESCRIPTION	DISCOUNT %	TAXABLE	UNIT PRICE	TOTAL
1.	70467	10	utensil	-	4%	100	1000.00
2.	10230	100	Box	-	4%	23	2300.00

Sufficient description

Subtotal	3300.00
Discount	300.00
Sub-total	3000.00
GST 4%	120.00
Total	3120.00

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

Credit terms: 30 days

E.OE Authorised Signature:

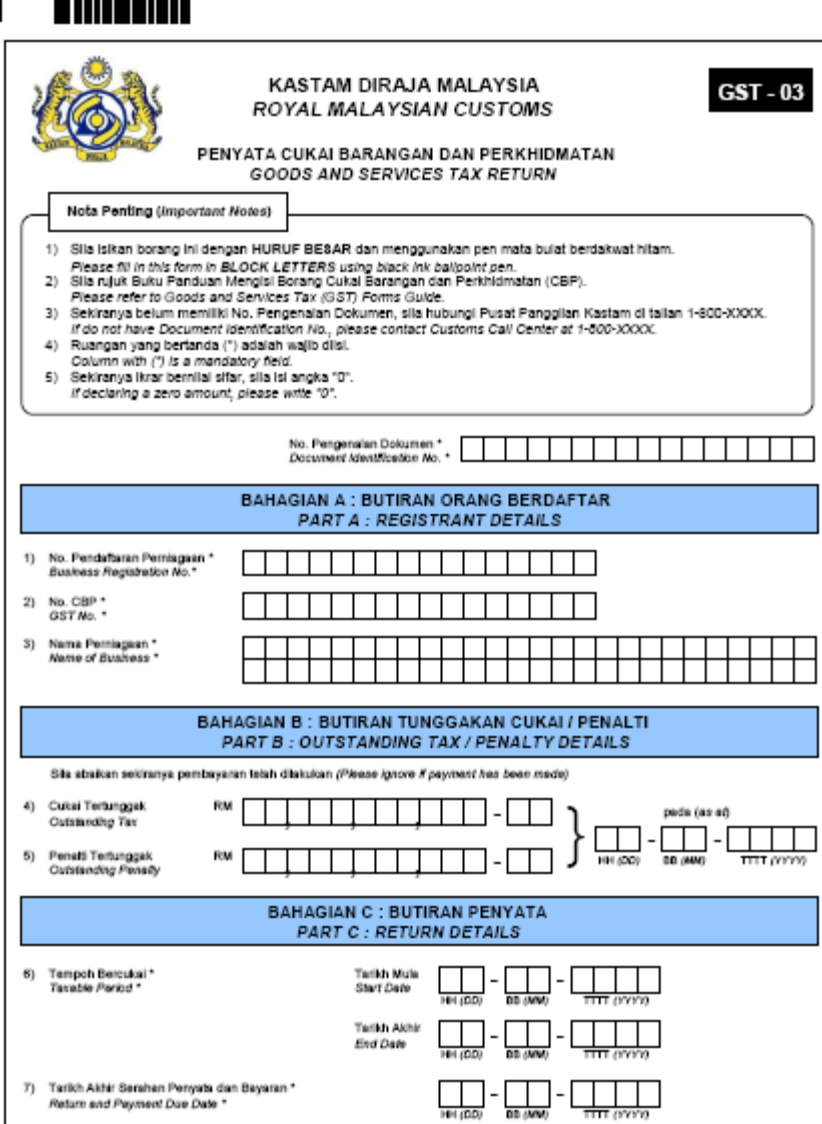
Taxable period

- Regular interval period where a taxable person accounts and pays GST to the government
- The taxable period will be determined at the time when the GST registration is approved
 - quarterly basis
 - ❖ for businesses with annual turnover not exceeding RM5 million
 - monthly basis
 - ❖ for businesses with annual turnover exceeding RM5 million
- A taxable person may apply to be placed in any other category other than his pre-determined taxable period

Submission of GST Returns

Filing of Returns

- GST returns and payments must be submitted not later than the last day of the month following the end of the taxable period
- Electronic filing is encouraged



**KASTAM DIRAJA MALAYSIA
ROYAL MALAYSIAN CUSTOMS**

GST - 03

**PENYATA CUKAI BARANGAN DAN PERKHIDMATAN
GOODS AND SERVICES TAX RETURN**

Nota Penting (Important Notes)

- Sila isikan borang ini dengan HURUF BESAR dan menggunakan pen mata bulat berdekat hitam. Please fill in this form in BLOCK LETTERS using black ink ballpoint pen.
- Sila rujuk Buku Panduan Mengisi Borang Cukai Barangan dan Perkhidmatan (CBP). Please refer to Goods and Services Tax (GST) Forms Guide.
- Sekiranya belum memiliki No. Pengenal Dokumen, sila hubungi Pusat Panggilan Kastam di talian 1-800-XXXX. If do not have Document Identification No., please contact Customs Call Center at 1-800-XXXX.
- Ruangan yang bertanda (*) adalah wajib diisi. Column with (*) is a mandatory field.
- Sekiranya ikrar bernilai sifar, sila isi angka "0". If declaring a zero amount, please write "0".

No. Pengenal Dokumen *
Document Identification No. *

**BAHAGIAN A : BUTIRAN ORANG BERDAFTAR
PART A : REGISTRANT DETAILS**

- No. Pendaftaran Perniagaan *
Business Registration No. *
- No. CBP *
GST No. *
- Nama Perniagaan *
Name of Business *

**BAHAGIAN B : BUTIRAN TUNGGAKAN CUKAI / PENALTI
PART B : OUTSTANDING TAX / PENALTY DETAILS**

Sila abaikan sekiranya pembayaran telah dilakukan (Please ignore if payment has been made)

- Cukai Tertunggak
Outstanding Tax RM
- Penalti Tertunggak
Outstanding Penalty RM

pecah (as of)
HH (DD) - DD (MM) - YYYY (YYYY)

**BAHAGIAN C : BUTIRAN PENYATA
PART C : RETURN DETAILS**

- Tempoh Bercukai *
Taxable Period *
- Tarikh Mula
Start Date
- Tarikh Akhir
End Date
- Tarikh Akhir Serahan Penyata dan Bayaran *
Return and Payment Due Date *

Submission of GST Returns

GST Return must be submitted for any condition as follows:

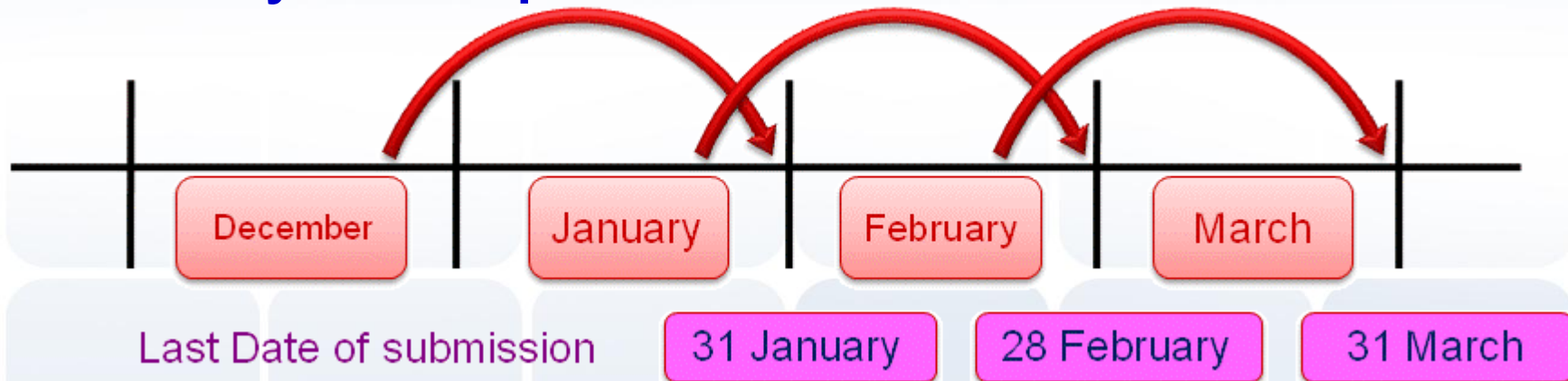
- **Payment** : **output tax > input tax**
- **Refund** : **output tax < input tax**
- **No payment** : **output tax = input tax**
→ **no output tax, no input tax**
(nil return)

Return not submitted → an offence

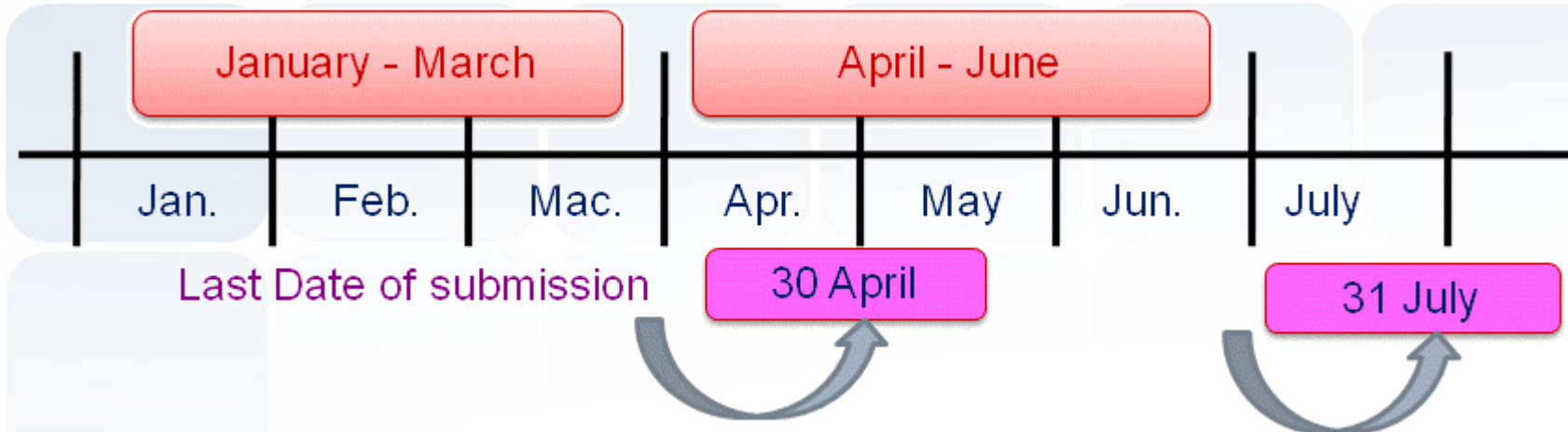
Submission of GST Returns

When to submit GST Return

➤ monthly taxable period



➤ quarterly taxable period



Submission of GST Returns

**GST charged on
taxable supplies**

Output Tax

less

**GST paid on
business purchases**

Input Tax

equal

minus (-)

Net GST

plus (+)

**Refund to
taxable person**

**Pay GST to
Government**

Submission of GST Returns

Sample of GST Return

■ Calculation of output tax

- Value of taxable supplies made
- Output tax

RM1,000,000

1

RM 60,000

2

■ Calculation of input tax

- Value of taxable supplies received
- Input tax

RM 600,000

3

RM 36,000

4

■ Net tax payable/refundable

- GST payable (2 – 4)
- GST refundable (4 – 2)

RM 24,000

5

6

Submission of GST Returns

Sample of GST Return

■ Calculation of output tax

- Value of taxable supplies made
- Output tax

RM1,000,000

1

RM 60,000

2

■ Calculation of input tax

- Value of taxable supplies received
- Input tax

RM1, 600,000

3

RM 96,000

4

■ Net tax payable/refundable

- GST payable (2 – 4)
- GST refundable (4 – 2)

5

RM 36,000

6

Payment of Tax

- payments must be submitted not later than the last day of the month following the end of the taxable period
- **Payment** of tax may be made
 - at JKDM office, in person
 - ✓ cash, cheque, bank draft, postal order, money order

Payment of Tax

Cont.....

➤ **Payment** of tax may be made..

- **over the counter at dedicated bank**
 - ✓ **cash, cheque, bank draft**
- **by post**
 - ✓ **cheque, bank draft, postal order**
- **by electronic means**
 - ✓ **Internet banking, FPX (financial processing exchange)**

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Input Tax

What is GST?

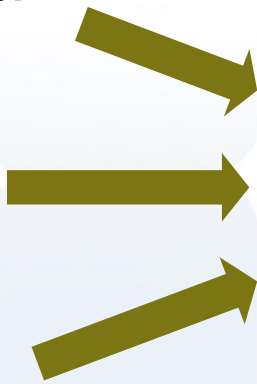
INPUT

Goods (raw materials,
machines and other
goods)

Services (rental
telephone and
insurance)

Utilities
(electricity and
water)

**GST on inputs
= Input tax**



Construction



**Claimed
input tax**

OUTPUT

Services (e.g.
residential
property)

**GST on outputs
= Output tax**



Mechanism to Claim Input Tax

- entitle to deduct input tax from output tax (S38(1))
- claim for input tax to be made in GST return
(*Regulations*)
- where input tax exceeds output tax, input tax credit will be refunded (S38(3))
- claim to be made within 6 years after the date GST return is made (S38(6) *and Regulations*)

Input Tax Credit

- **No apportionment if can attribute wholly to taxable or exempt supplies**
 - ✓ **full input tax if wholly attributable to taxable supplies**
 - ✓ **no input tax if wholly attributable to exempt supplies**
- **Apportionment rules**
 - ✓ **applicable when goods and services are used for both taxable and non-taxable**

Prerequisite for ITC Claim

- **Claimant must be a taxable person**
- **Must have a valid tax invoice**
- **Invoice issued under the name of the claimant**
- **Goods and services acquired are not subject to any input tax restriction e.g. motorcars**
- **Goods and services are acquired for the purpose of making taxable supply**

Non Allowable Input Tax

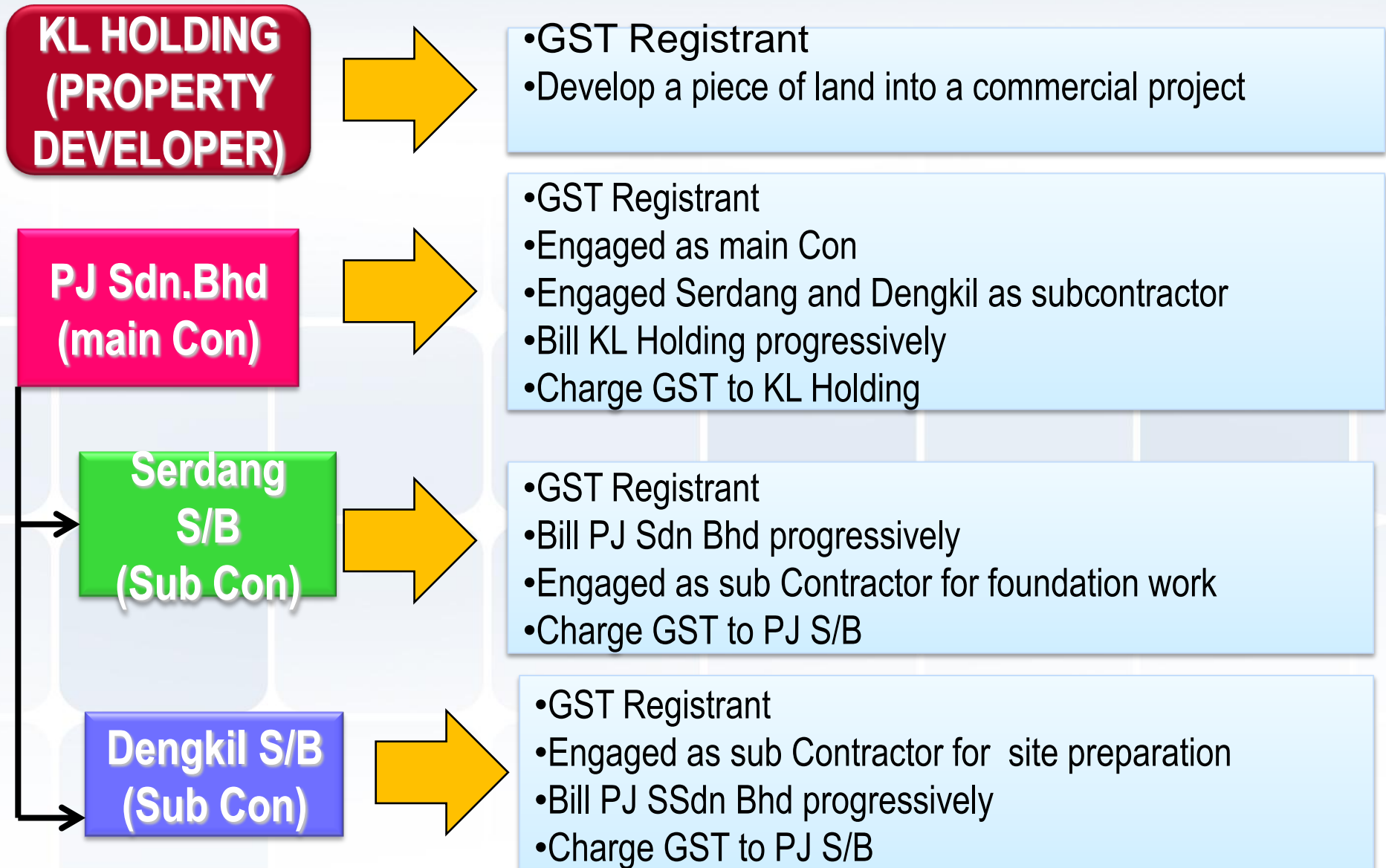
Blocked input tax

- ✓ passenger motor cars including hiring of car
- ✓ family benefits
- ✓ club subscription fee
- ✓ medical and personal accident insurance
- ✓ medical expenses
- ✓ entertainment expenses for family members and potential clients



5

GST Treatment on Construction



GST Treatment On Construction

- **Example of construction services**

- ✓ site preparation
- ✓ foundation work
- ✓ scaffolding
- ✓ brick laying
- ✓ roofing
- ✓ renovation and repair
- ✓ carpentry
- ✓ electrical works
- ✓ paintings
- ✓ plumbing
- ✓ heating

→ (i) Building or general contractors
(ii) heavy and construction contractor
(iii) special trade contractors

} Taxable supplies

Type of Construction Services

- ✓ Subject to GST at standard rate
- ✓ regardless of whether the services are in relation to residential or non-residential properties
- ✓ ITC claimable because all inputs in the construction sector can be attributable to making taxable supply

Value Of Contract

- ✓ includes the value of all works and materials permanently incorporated in or affixed on the site of the building or construction project

Time Of Supply

Account For GST

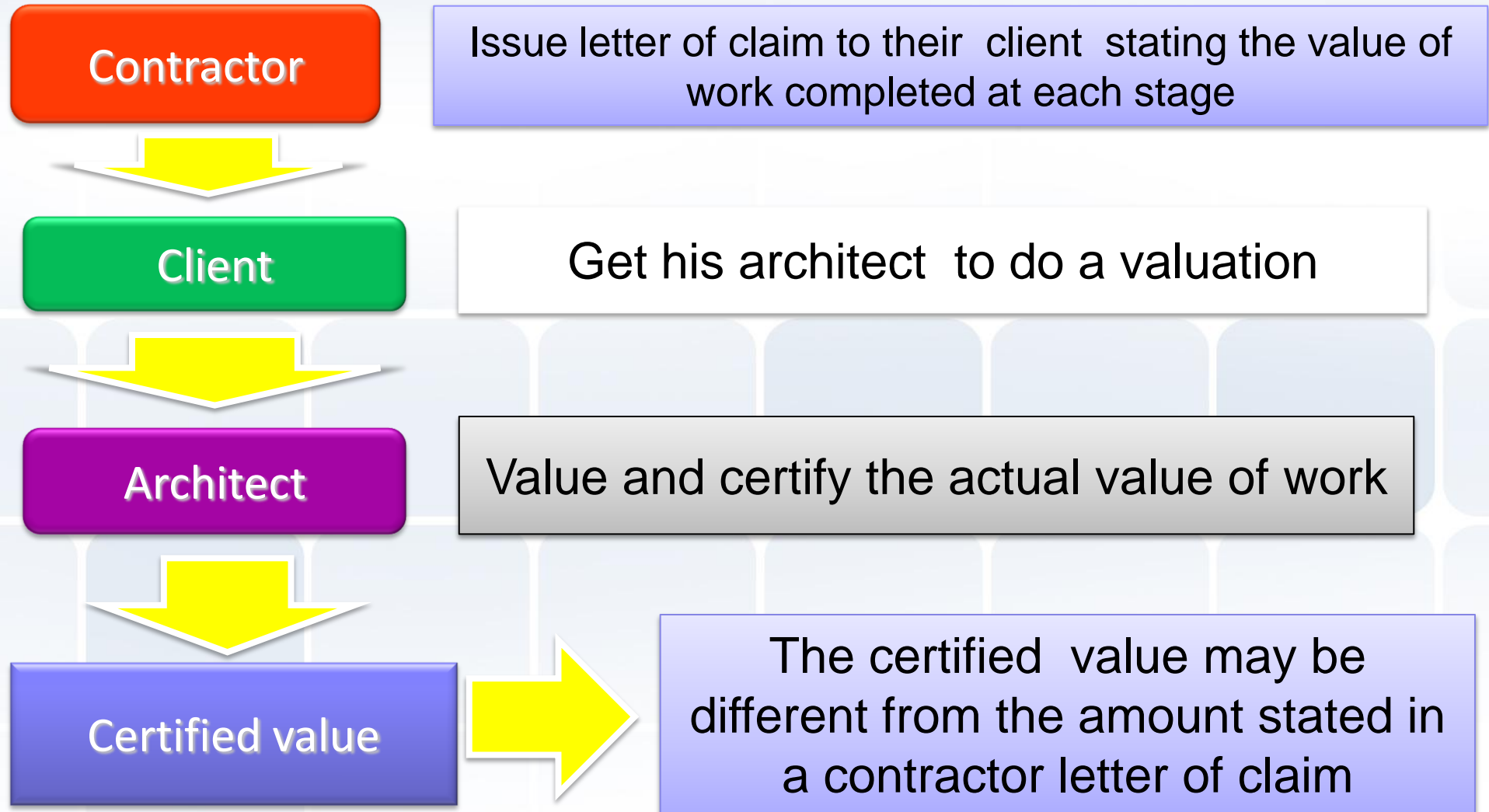
Certificate of work done(interim certificate) not required

- **account for GST based on whichever is the earlier :**
 - ✓ **payment received. or**
 - ✓ **tax invoice issued**

Certificate of work done required

- **account for GST on the earliest whether:**
 - ✓ **payment received**
 - ✓ **tax invoice issued**
 - ✓ **certificate of work done is issued if no tax invoice issued within 21 days or payment is received**

Tax invoice and letter of claims



GST Treatment On Construction

- ✓ The letter of claim cannot be treated as a tax invoice (does not contain the final amount payable by client).
- ✓ Issuance of a Tax invoice upon certification by the architect (architect will issue certificate of work done).
- ✓ Adjustments to a tax invoice by issuing a credit note (to reduce the appropriate amount) or an debit note (to increase the amount payable)

PROGRESS PAYMENT

Example

A contractor AB Sdn Bhd enters into an agreement to contract a project for BC Sdn Bhd. The work is scheduled for 4 successive intervals and estimated

Date of claim	Estimated value by contractor
1 st interval (31 March 2014)	RM 40,000.00
2 nd interval (30 June 2014)	RM 100,000.00
3 rd interval (30 Sept 2014)	RM 160,000.00
4 th interval (31 Dec 2014)	RM 300,000.00

AB Sdn Bhd issues the letter of claim for the respective date and amounts as above.

PROGRESS PAYMENT

The architect issues the interim certificate after each interval period

Progress Payment -1st interim certificate

- Value of material and works RM
30,000.00
- **Less** : Retention sum (30,000.00 x 5%) (RM 1,500.00)
- **Amount Paid to** **RM 28,500.00**
(AB Sdn Bhd)

Progress Payment- 2nd interim certificate

- Value of material and works RM 90,000.00
- **Less** : Retention sum (90,000 x 5 %) (RM 4,500.00)
- **Less** : 1st interim certificate (RM 28,500.00)
- **Amount Paid** **RM 57,000.00**

PROGRESS PAYMENT

Progress Payment- 3rd interim certificate

- Value of material and works
RM150,000.00
- **Less** : Retention sum (150,000 x 5 %) (RM 7,500.00)
- **Less** 1st interim certificate (RM 28,500.00)
- **Less** 2nd interim certificate (RM57,000.00)
- **Amount Paid** **RM 57,000.00**

Progress Payment- 4th interim certificate

- Value of material and works
RM300,000.00
- **Less** Retention sum (300,000.00 x 5 %) (RM15,000.00)
- **Less** 1st interim certificate (RM28,500.00)
- **Less** 2nd interim certificate (RM57,000.00)
- **Less** 3rd interim certificate (RM57,000.00)
- **Amount Paid** **RM142,500.00**

PROGRESS PAYMENT

1st interval

- Payment received = **RM 28,500.00**
- GST (28,500.00 X 6%) = **RM1,710.00**
- Invoiced issued = **12th April 2014**

2nd interval

- Payment received = **RM 57,000.00**
- GST (57,000.00 X 6%) = **RM 3,420.00**
- Invoiced issued = **18th July 2014**

3rd interval

- Payment received = **RM 57,000.00**
- GST (57,000.00 x 6%) = **RM 3420.00**
- Invoiced issue = **16th October 2014**

4th interval

- Payment received = **RM142,500.00**
- GST (142,500.00 x 6%) = **RM 8550.00**
- Invoice issued = **31st January 2015**

RETENTION SUM

- General concept under Contract Agreement
- the amount of progress billings not paid until the conditions specified in the contract for the payment of such amounts have been met or until defects have been rectified.
- Construction contracts provide for a contractor to render progress billings as work on a contract progresses.
 - ✓ stipulate that contractor be paid, usually after the relevant part of the work has been satisfactorily completed, as certified.
 - ✓ requires the client to withhold a percentage from the payment of each progress billings pending satisfactory completion of the entire contract.

RETENTION SUM

- specified amount withheld at each stage of progress payment (for a period of 6-18 months after the contract is completed).
- released when customer is satisfied with the work performed(after the housing project has been completed).
- GST has to be accounted whenever a payment is received or a tax invoice is issued for it, whichever is earlier

Does not trigger GST tax point

Example

project cost RM 100,000.00 and the contractors has completed the project. In his billing will have

housing works:	RM 100.000.00
Less 5% Retention Sum	(RM 5,000.00)
:	
GST Payable =	GST Rate X (RM 100,000 – RM 5,000.00)

RETENTION SUM

- is not subject to GST until the money is released to the contractor
- Client claims ITC on retention sum after amount of retention sum is released and tax invoice is issued by contractor
- Account RM 300 ($6\% \times 5,000.00$) after such amount received or when tax invoice for retention sum be issued.

General concept under Contract Agreement

Contractor to deliver the completed construction work within the period stipulated in the contract agreement.

Failure;

- ✓ to pay the client a liquidated damages for the period during which the relevant works remain incomplete.
- ✓ deduct any amount from any money due to the contractor.

General concept

Liquidated damages

- Involving late delivery charges or breach of warranty
- Not subject to GST (compensatory in nature)

Example

MC(main contractor)fails to complete the building by the stipulates completion date in its contract with the developer(D).It is required to pay liquidated damages to D at rate of RM 2000 per calendar day(including Sunday and public holidays)for every day where the completion of the project delayed. Such liquidated damages is not subject to GST

- After taken possession by the purchaser(main contractor is required to carry out such rectification works during the defect liability period)

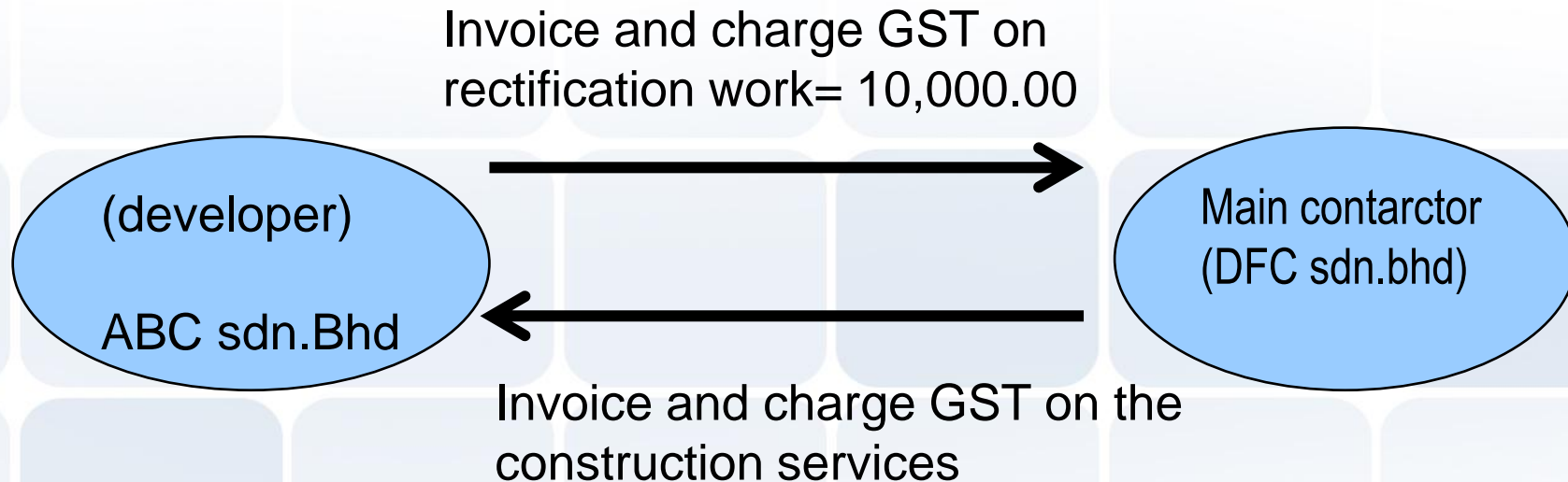
Scenario (a)(Deduct the full value of rectification from the retention sum).

- ✓ Treated as two separate supplies.
 - (1)Supply from (MC) to (D) for completing the entire job on the value of the contract (including the retention sum).
 - (2) supply from D to MC for the full value of rectification works because D is making good such defects .

GST Treatment On Rectification Of Defects

Rectification work = 10,000.00

Retention sum 50,000.00



GST Treatment On Rectification Of Defects

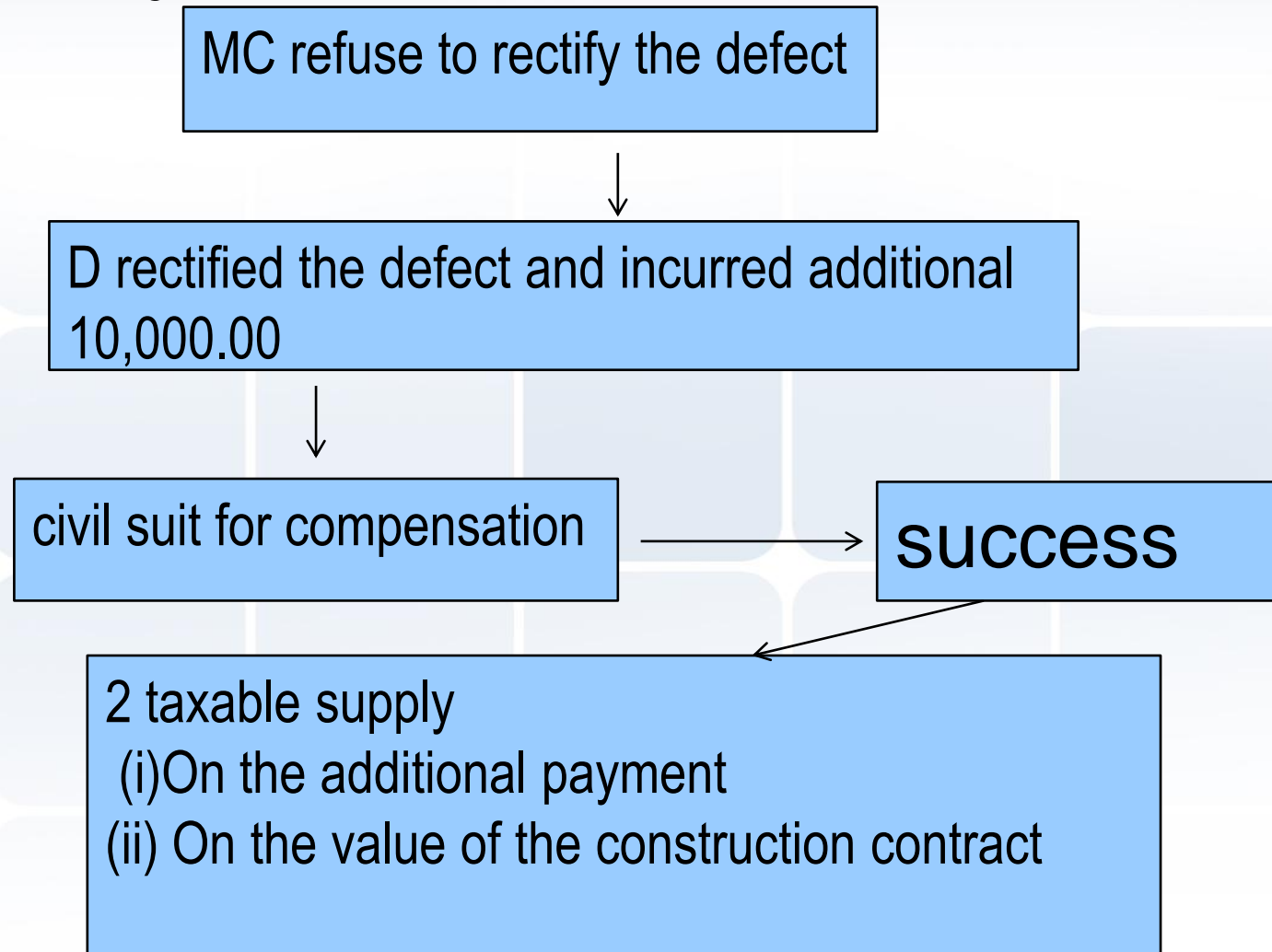
Scenario (b) Claim payment from Main Contractor.

D may go to court to seek payment from MC for the rectification cost, or this may be agreed by an out-of-court settlement.

- subject to GST (relates to taxable supplies made from D to MC for making good the defects which should have been done by MC).
- MC charge D GST on the full value of its supply, and D should charge MC for the rectification works (similar to (a)).

GST Treatment On Rectification Of Defects

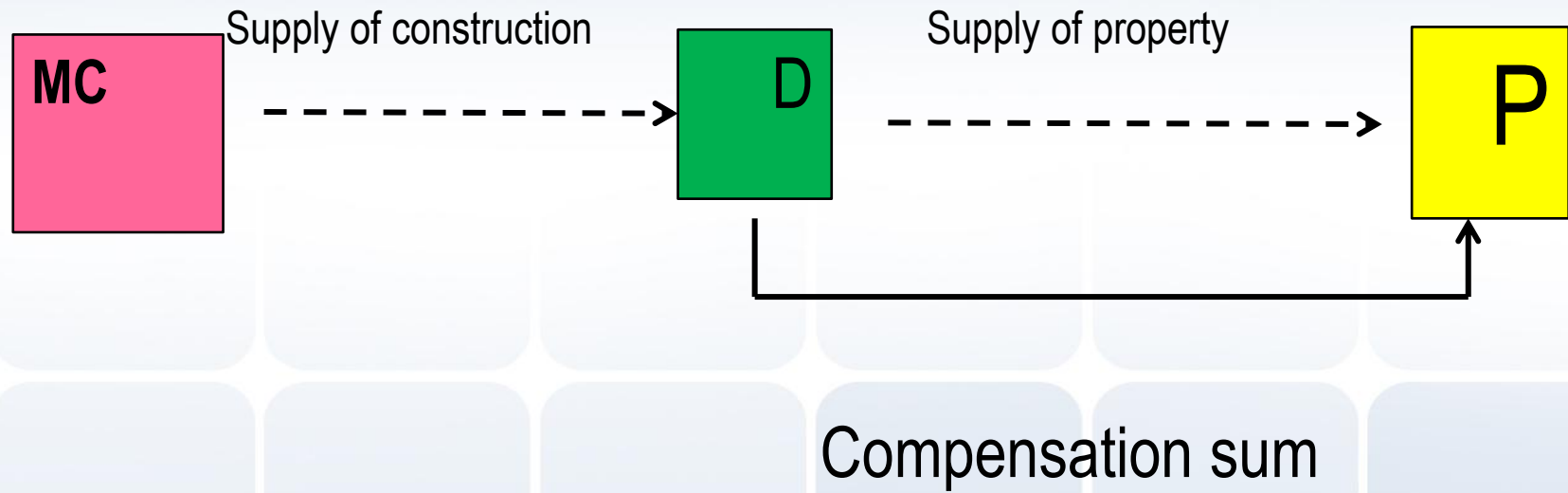
Seeking payment through court



GST Treatment On Rectification Of Defects

If D claiming compensation from MC for the poor work done (no rectification of defect).

- Such compensation is not subject to GST as there is no supply made.
- MC have to bill D for the value of the contract including the retention sum.



Another Scenario???

- (i) If another subcontractor be appointed to rectify the defect??
- (i) If the purchaser his own subcontractor to rectify the defect???

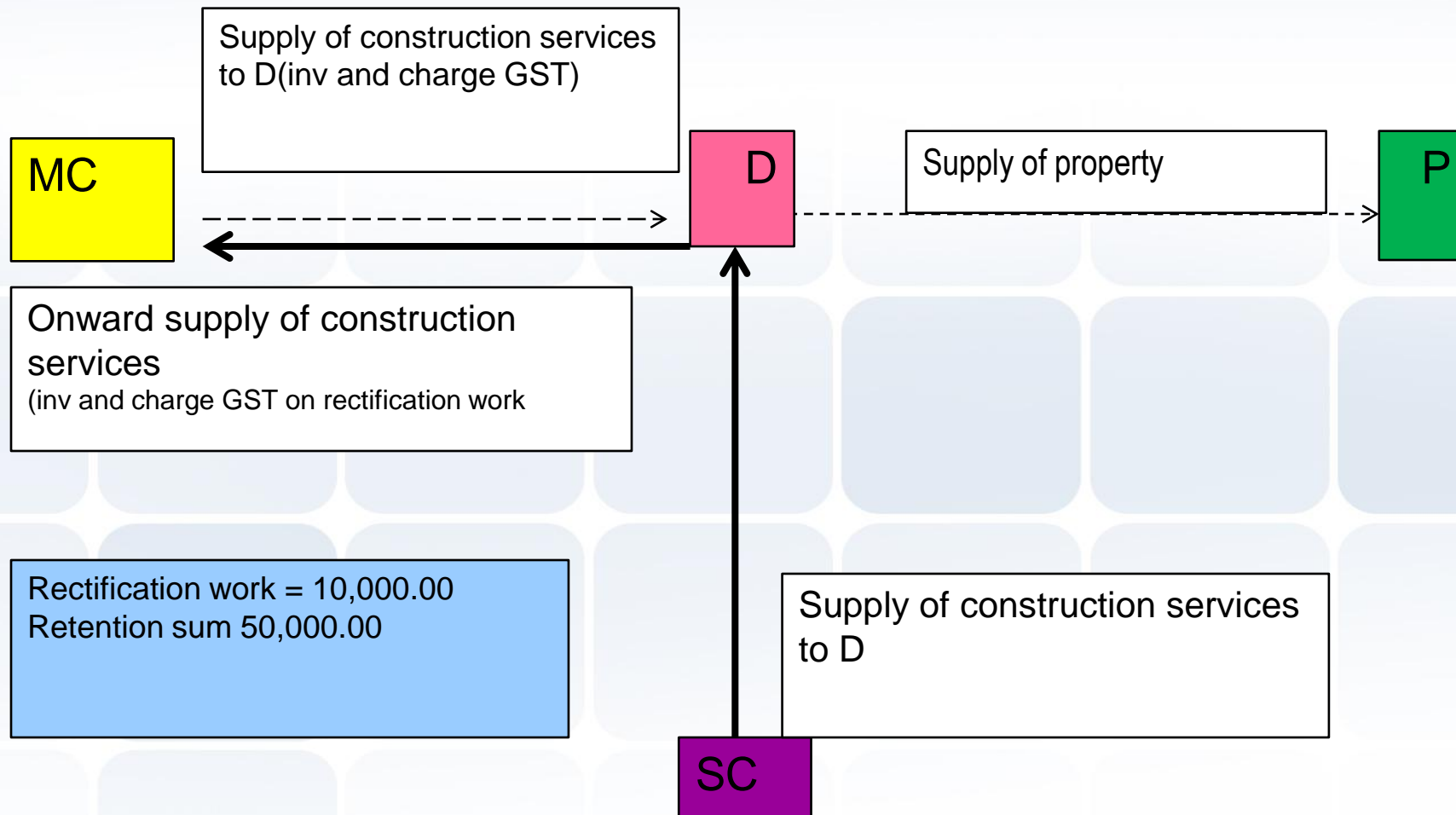
GST Treatment On Rectification Of Defects

After taken possession by the purchaser(main contractor is required to carry out such rectification works during the defect liability period)

Scenario (i)

If developer ("D") hires another sub-contractor ("SC") to do the rectification:

- ("SC") supplies his construction service to ("D").
- If SC(Registered person), has to charge ("D") GST on the supply of construction services(rectification works performed).
- ("D") then charged GST on the supply this construction services to "MC").



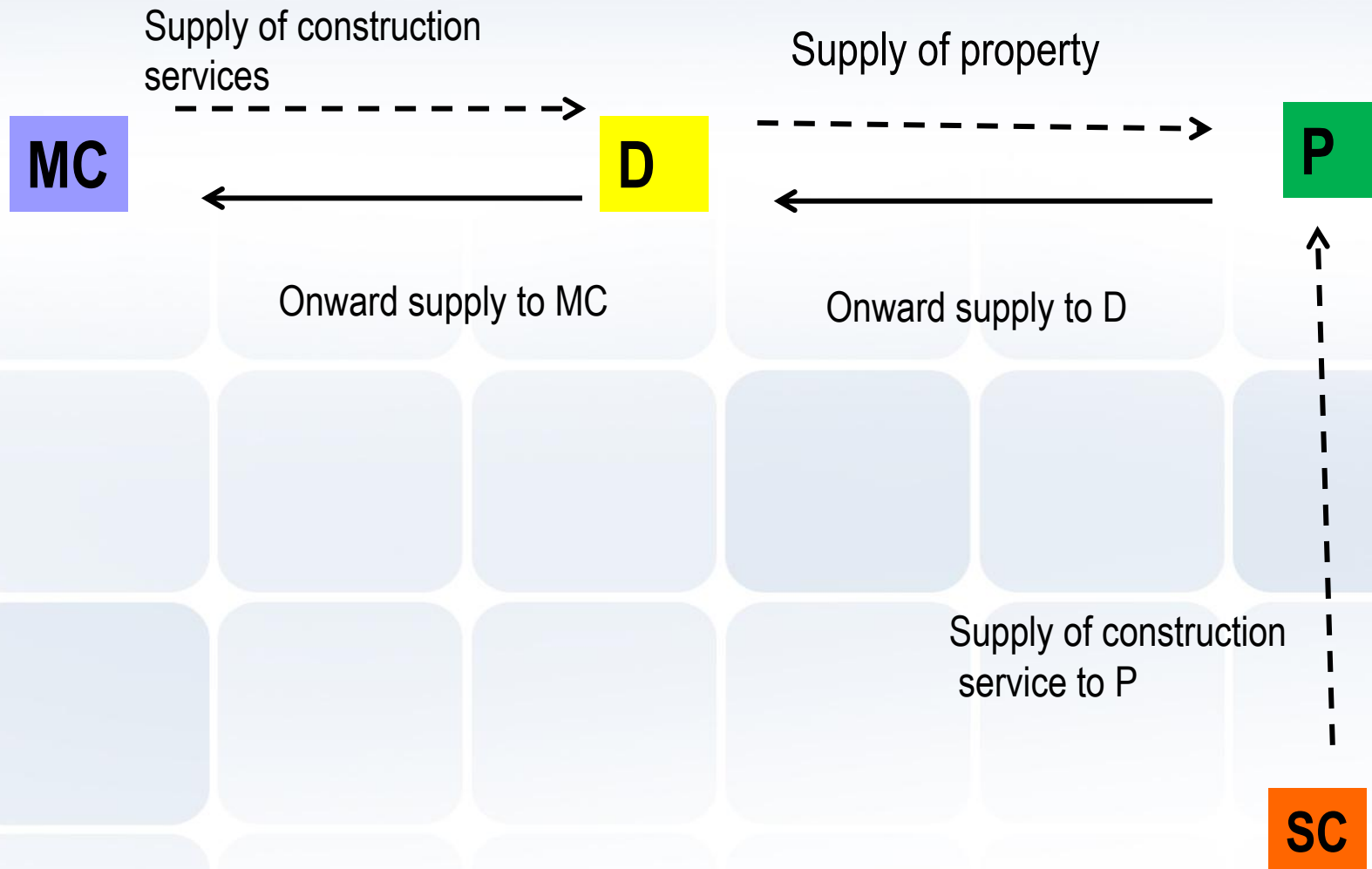
GST Treatment On Rectification Of Defects

Scenario (ii)

If the purchaser ("P") hires his own ("SC") to rectify the defects:

- a supply from ("P") to ("D") because ("P") rectified the defects that should have been done by ("D").
- If ("P") (registered person), has to charge ("D") GST on the cost of the rectification works carried out by his ("SC").
- ("D") will in turn onward supply this construction service to the ("MC") and charge him GST accordingly.

GST Treatment On Rectification Of Defects



GST Treatment On Rectification Of Defects

Key points

- GST need not to be charged on liquidated damages because it is a compensation.
- Not to be treated as a taxable supply

But

- GST is chargeable for settlement that are payment (consideration) for taxable supplies made

Counter Supplies or Back Charges

Developer supplied and charges the contractor the building materials and workers. Can the developer deduct the value charges for the supplies from the amount of progressive payment due to contractor?

**No. the developer will charge the contractor GST and the contractor can recover as input tax credit.
The contractor will charge developer for the construction services rendered.**

Example

**Developer
(registrant)**

**Supplied materials and workers
Invoices & charge GST to
contractor Invoice and charge GST
Can claim ITC charged by
Developer**

**Contractor
(registrant)**

It is incorrect for Contractor to simply bill Developer GST on the difference Based on the amount payable by Developer

GST treatment on Construction Contracts

I provide construction services to a land owner who in return lease the land and building to me for a period of 5 years. Can I contra the construction services with the lease payment?



NO! there are 2 supplies involved

Land owner
account GST on the Open market
Value of the construction services.

Contractor
account GST for open market value of the
lease

6

Other Related Issues

GST On Reimbursement

- Recovery of On-charging of expenses are reimbursements and GST is chargeable
- Not subject to GST only if it is as a disbursement:
- Conditions to fulfill:
 - (i) Customer is responsible for paying the third party;
 - (ii) Customer knows the goods or services would be provided by a third party;
 - (iii) Customer authorised contractor to make the payment on his behalf(as agent customer)
 - (iv) Customer received and used the goods or services provided by the third party;
 - (v) The payment is separately itemised when contractor invoice his customer;
 - (vi) Recover only the exact amount paid to the third party; and
 - (vii) The goods or services paid for are clearly additional to the supplies which make to the customer.

Employee Benefits

- Employees benefit include any right, privilege, service or facility provided free of charge to employees
- Goods provided free to the employees to be subjected to GST (subject to gift rule of RM500) except those exempted, blocked input tax and zero rated goods
 - ✓ input tax claimable
 - ✓ output tax on gifts > RM500
 - Value to be based on open market value
- Services supplied free
 - ✓ no GST

Supply of Foreign worker

The following are 3 situations :

✓ **Not subject to GST**

➤ **If the foreign labourer under your contract of employment**

✓ **Subject to GST**

➤ **foreign labourer under your employment be supplied to another company.**

➤ **Foreign labourer does work for you but not under your contract of employment, account for GST by reverse charge mechanism**

Treatment of tender and contract deposit

- **Subject to GST**
 - ✓ Deposit given for payment of contract documents as the transaction is a sale of the document.
 - ✓ Used to be offset against the future payment.
- **Not subject to GST**
 - ✓ deposit is a security to ensure that the tenderer proceeds with the contract or to ensure that the successful tenderer carries out the obligations

GST Treatment on Supplies Made

Fees

- Imposed for purpose of accreditation is subject to GST
- It is a standard rated supply
- Can claim input tax

Discount

- Discount is allowed
- GST is charged on the discounted or reduced amount

GST Treatment on Supplies Made

Imported Services

- **Subject to GST**
- **Reverse charge mechanism**
 - **The recipient has to account for GST if he provide the services by himself as a wholly taxable supplies**
 - **Can claim input tax**

Build in Furniture

- **Furniture and fitting that are sold together with the residential unit are subject to GST**
 - ✓ **Developer required to account GST on the furniture and fitting**
 - ✓ **Contractor may claim ITC if such furniture supplied by him in the course of construction services**

The commissioners issued a ruling that build in wardrobes failed to qualify for zero rating. The company which supplied the wardrobes appealed. The Tribunal allowed the appeal but the QB held that, in order to meet the conditions of being “ordinary installed by builders”, but the tribunal should also consider whether the specific type of article in question fell within the definition of “ordinary installed”

See also: S Leon (t/a Customs Bedrooms), MAN/94/989



GST UNIT

ROYAL MALAYSIAN CUSTOMS DEPARTMENT



Transitional Period

Supplies Spanning GST

Meaning of supply spanning GST

- payment or invoice before AD and supply takes place on and after AD e.g. sales of goods, airline tickets and cinema

General Rule

- any supply before 1.4.2015 not subject to GST
- any supply on or after 1.4.2015 subject to GST

Exception to the general rule

- supply of warranty
- provision of services where service tax has been charged
- provision of goods where sales tax has been charged
- non reviewable contracts

Supplies Spanning GST

BEFORE 1.4.2015	ON OR AFTER 1.4.2015	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 1 st 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

Special Rules

Construction agreements

- **determine value of goods or services incorporated into construction sites as at appointed date**
 - ✓ **goods or services supplied in accordance with written agreement**
 - ✓ **goods or services supplied to recipient on or after appointed date**
 - ✓ **certificate signed by authorised person**
- **charge GST on value that exceeds value as determined at appointed date**

GST treatment on construction

Calculation of GST on value of Construction work

- There are 2 situations:
 - (a) **Projects above RM1,000,000 and which requires the issuance of certificate of work done.**
 - ✓ apportion the value of construction works pre and post GST.
 - GST is only chargeable for construction work done after GST implementation.
 - A recognized person to verify the value and amount of work and materials permanently incorporated or affixed on the site of the building or civil engineering work for the period prior to commencement of GST.

GST treatment on construction

(b) Projects below RM1,000,000 and which does not require issuance of certificate or work done.

- ✓ apportion the value of work done before and after commencement of GST.
- ✓ account for GST for the value of work done after the period of commencement of GST.

Special Rules

Retention payment

- any payment that relates to
 - ✓ supplies made before appointed date is not subject to GST
 - ✓ supplies made on or after appointed date is subject to GST

***Retention payment RM30,000 for 90 days job:
Supplies made before AD is for 60 days
Supplies made after AD is for 30 days
GST imposed on the retention payment for 30 days
only i.e. tax fraction of RM 10,000 = $10,000/26.5 = 377.35$***

Non Reviewable Contract

Non reviewable contract

- written contract with no provision to review consideration for the supply until a **review opportunity** arises

AND

- made no less than 24 months before 1.4.2015

Non Reviewable Contract

Meaning of review opportunity

- Opportunity for supplier either by himself or with agreement to
 -
 - ✓ change the consideration because of the imposition of GST
 - ✓ conduct a review after AD , renegotiation or alteration of consideration, or
 - ✓ conduct a review before AD, renegotiation or alteration of the consideration

Non Reviewable Contract

- **Zero rate supply for 5 years from 1.4.2015 or when a review opportunity arises whichever is the earlier if**
 - ✓ **both supplier and recipient are registered persons;**
 - ✓ **supply is a taxable supply; and**
 - ✓ **the recipient of the supply is entitled to claim input tax on that supply**
- **After 5 years period, revert to either standard rate or zero rate**

Special Refund

Entitle to special refund of sales tax if

- **claimant is registered (mandatory) person**
- **hold goods on 1.4.2015 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 Sales Tax Act 1972 (credit system)**

Special Refund

Manner to claim special refund

- claim within 6 months from 1.4.2015
- for special refund < RM10,000 require audit certificate signed by a chartered accountant
- for special refund \geq RM10,000 require audit certificate signed by an approved company auditor
- use special form to claim refund (online only)
- to be given in eight (8) equal instalments over a period of two (2) 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 or traders**
- **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 1.4.2015 for making taxable goods**

Special Refund

20% method

- reduce the actual purchase price by 80% for goods held on hand on 1.4.2015

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

Business Preparation

GST Implication on the Repeal of Sales Tax and Service Tax

- **Chargeability**
- **Facilities under the taxes repealed**
- **Taxable goods and services**
- **Non taxable goods and services**
- **Invoices issued and payment received before implementation date**
- **Invoices issued or payment received after implementation date**
- **Obligation to submit return and pay tax**
- **Invoice issued deemed inclusive of GST**

Business Preparation

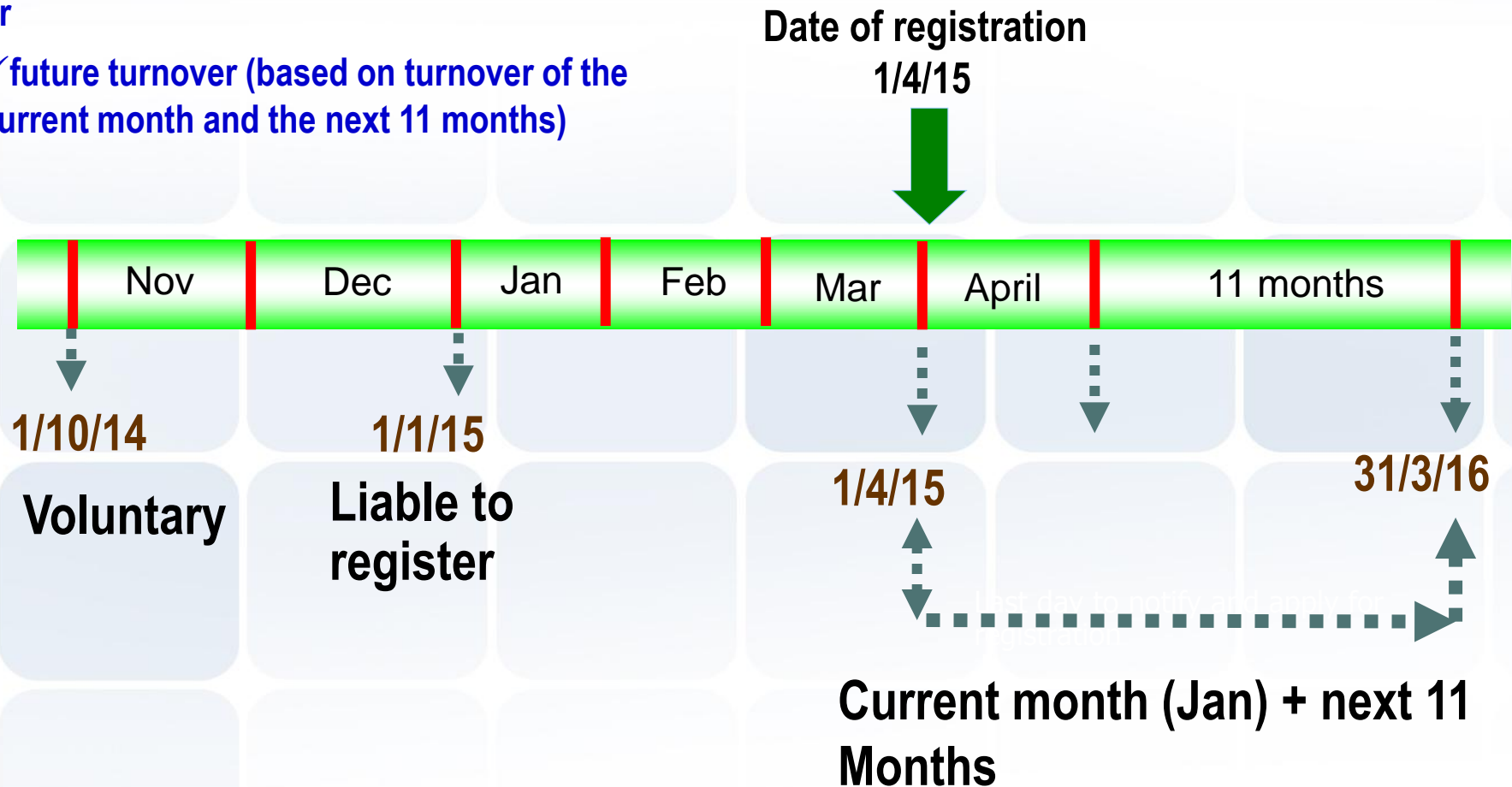
GST Implication on Registration

- can choose to be in the GST system
- are required to be in the GST system
- pre-registration
 - registration exercise begins 6 months before date of GST implementation
 - mandatory registration
 - ❖ to register 3 months before date of GST implementation
- voluntary registration
 - input tax consideration
 - consumer profile

Registration before 1.4.2015

Liability to register is determined by

- ✓ historical turnover (based on turnover of the current month and the preceding 11 months)
- or
- ✓ future turnover (based on turnover of the current month and the next 11 months)



Registration before AD

- **Offence if fail to register**
 - **Late registration penalty**
 - **GST inclusive for supplies made by unregistered taxable person and person who fails to charge GST**

- **Registration preferably electronically**
 - **Use Form GST-01**
 - **GST registration number issued upon registration**
 - **Effective date on the appointed date**

Registration before AD

➤ Group registration

- Members wishing to be group registered must first be registered individually for GST.

➤ Branch and Division registration

- Difficulty in submitting a single return for all branches /divisions (maintains separate accounts)

End of Presentation

GST Unit
Royal Malaysian Customs Department
Ministry of Finance