

Deloitte.

GST Awareness Briefing

消费税简介

17th July 2014



Agenda

- Basics and Fundamentals of GST
- Supply
- Transitional Provisions (Supply)
- Acquisition
- Transitional Provisions (Acquisition)
- Impacts on Fringe Benefits
- Registration, Accounting and Administrative for GST
- Deloitte's *GetSeT* Approach to GST Implementation
- Q&A

Basics and Fundamentals of GST

What is GST?

- GST is not a new tax
- GST replaces sales tax and service tax
- Also known as Value Added Tax (VAT) in many other countries
- Multi-stage broad-based consumption tax
- All supply goods and services in the course or furtherance of business in Malaysia are taxable (proposed 6% or 0%) unless exempt by law
- Importation of goods and services from outside Malaysia are also subject to GST
- GST is not a cost of doing business if you are not providing exempt supply
- Tax borne by final consumer – no input tax credit facility

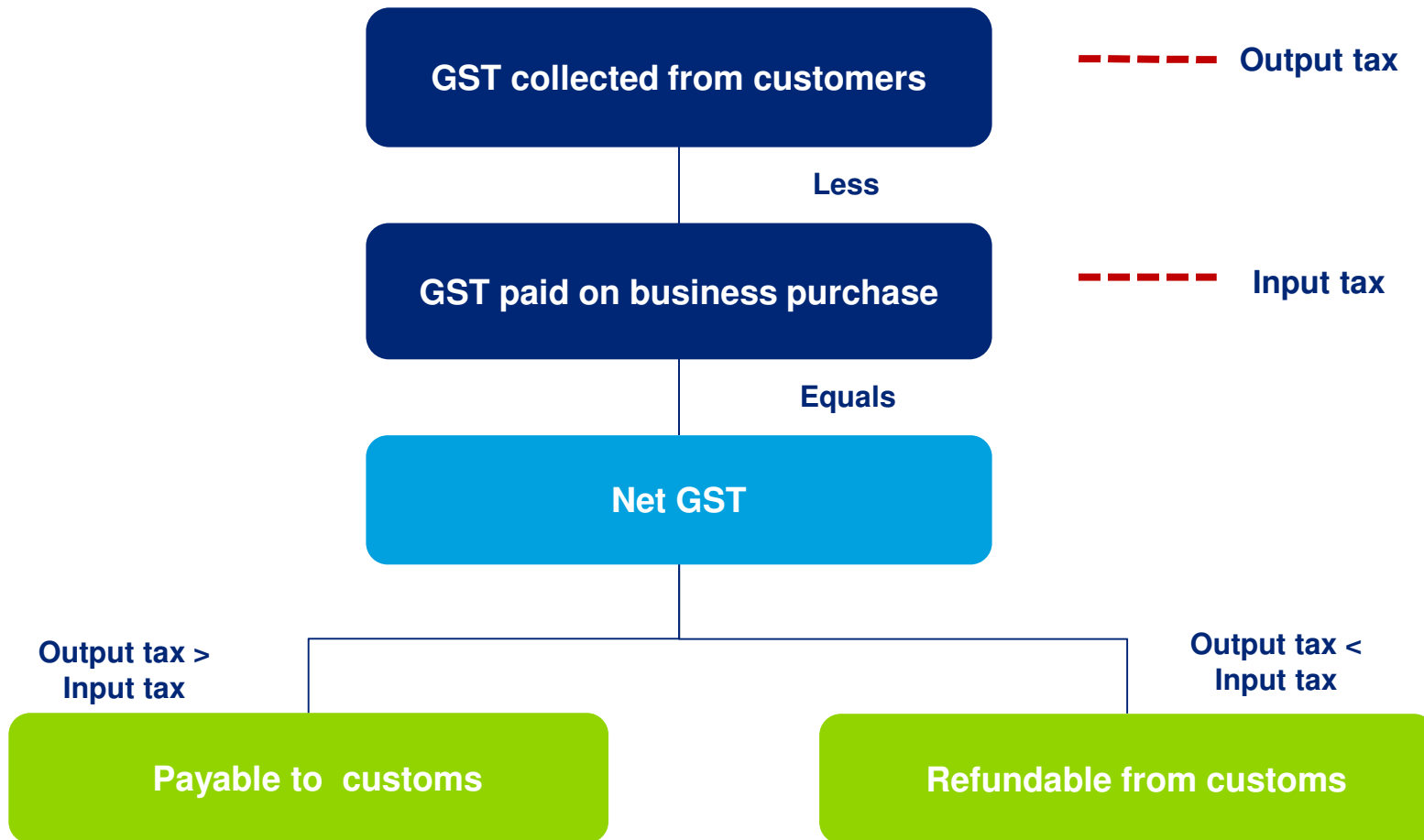
Scope of Charge

GST will be imposed :

- **ON** a Taxable Supply
- **OF** Goods and Services
- **BY** a Registered Person
- **IN** the course or furtherance of any business
- **FOR** business carried on in Malaysia

- **ON** imported goods and services

Basic GST Process



Supply

Type of Supplies

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

* Input tax claimable if certain conditions are met

Examples...

Examples of zero-rated supplies

- Exports - goods and services, i.e. including international services
- Agriculture products - rice and fresh vegetables
- Foodstuff - rice, sugar, table salt, plain flour, cooking oil
- Livestock supplies - live animals, meat of cattle, buffaloes, goat, sheep and swine (fresh or frozen)
- Poultry - live and unprocessed meat of chicken and duck
- Egg (fresh and salted) and fish
- Supply of the first 200 units of electricity to domestic users
- Supply of treated water to domestic users

Examples of exempt Supplies

- Sale and lease of residential property
- Financial services (including life insurance and family takaful)
- Toll highway
- Private health and education
- Domestic transportation of passengers for mass public transport by rail (KTM, LRT, ERL, Monorail, ships, boats, ferries, express bus, state bus, worked bus, school bus, feeder bus and taxi)
- Land for agricultural purposes and land for general use (Government building and buried ground)

Examples of out-of-scope supplies

- Supplies:
 - Not made in Malaysia
 - Not made in the course or furtherance of a business
 - Made by a person who is not registered
- Transfer of business as a going concern
- Sales of imported goods within bonded warehouses (except last sale)
- Supplies and services by Government, Statutory Bodies and Local Authorities (except certain prescribed services)

Mechanics of GST

Illustration of Standard Rated Supply

	Purchase Price (RM)	Sales Price (RM)	Net GST Payable (RM)
Supplier 1	100	200	
– GST paid at 6%	6		6
– GST collected at 6%		12	6
Supplier 2	200	400	
– GST paid at 6%	12		
– GST collected at 6%		24	12
Supplier 3	400	800	
– GST paid at 6%	24		
– GST collected at 6%		48	24
Cost to the Consumer		848	48

Mechanics of GST

Illustration of Zero Rated Supply

	Purchase Price (RM)	Sales Price (RM)	Net GST Payable (RM)
Supplier 1	100	200	
– GST paid at 6%	6		6
– GST collected at 6%		12	6
Supplier 2	200	400	
– GST paid at 6%	12		
– GST collected at 6%		24	12
Supplier 3	400	800	
– GST paid at 6%	24		(24)
– GST collected at 6%		0	0
Cost to the Consumer		800	0

Mechanics of GST

Illustration of Exempt Supply

	Purchase Price (RM)	Sales Price (RM)	Net GST Payable (RM)
Supplier 1	100	200	
– GST paid at 6%	6		6
– GST collected at 6%		12	6
Supplier 2	200	400	
– GST paid at 6%	12		
– GST collected at 6%		24	12
Supplier 3	400	824	
– GST paid at 6%	24		0
– GST collected at 0%		0	0
Cost to the Consumer (if imputed in SP)		824	24

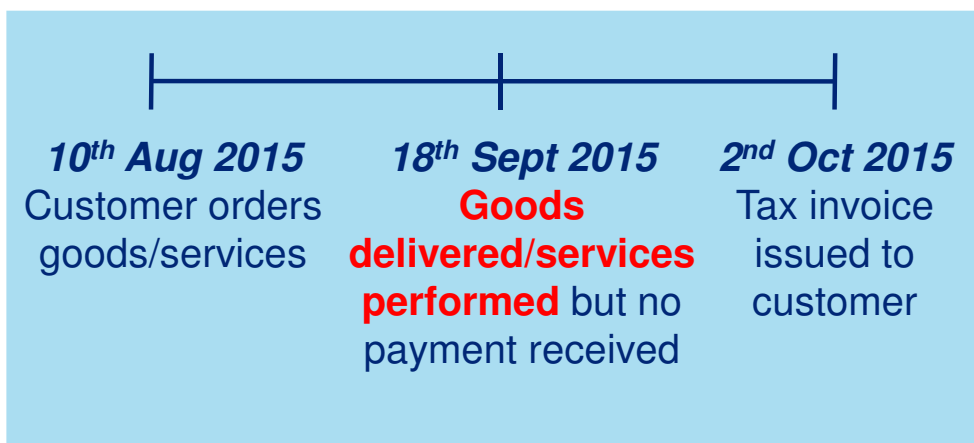
Timing Rules to Declare Output (Time of Supply)

The earliest of the following:

- Date where goods are removed/made available/services are performed;
- Date when **tax invoice is issued**; or
- Date when **payment is received**

21-day rule

- If the tax invoice is issued within 21 days from the first condition above; and
- No payment has been received before the first condition above
- Time of supply = Date of tax invoice



When is the tax point?

- Actual tax point is 2nd October 2015.
- The *21-Day Rule* overrides the basic tax point.
- The company must account for tax in the taxable period of Oct instead of Sept.

Time of supply

Continuous Supply

- Special timing rules, based on the earlier of:
 - i. when payment is received; or
 - ii. when tax invoiced is issued.
- Supplies subject to above special timing rules, to be prescribed.
- General criteria: Where the supplies stretch for a period of several months or even years, and the payment is determined or received periodically.

Consignment Goods

- Manufacturer (consignor) owns the goods until consignee adopts the goods.
- Tax point is the earlier of:
 - i. The expiry date specified by consignor;
 - ii. When consignee adopts the goods; or
 - iii. 12 months from the date when the goods were sent.

Place of Supply

Goods

Determined by location / movement of the goods

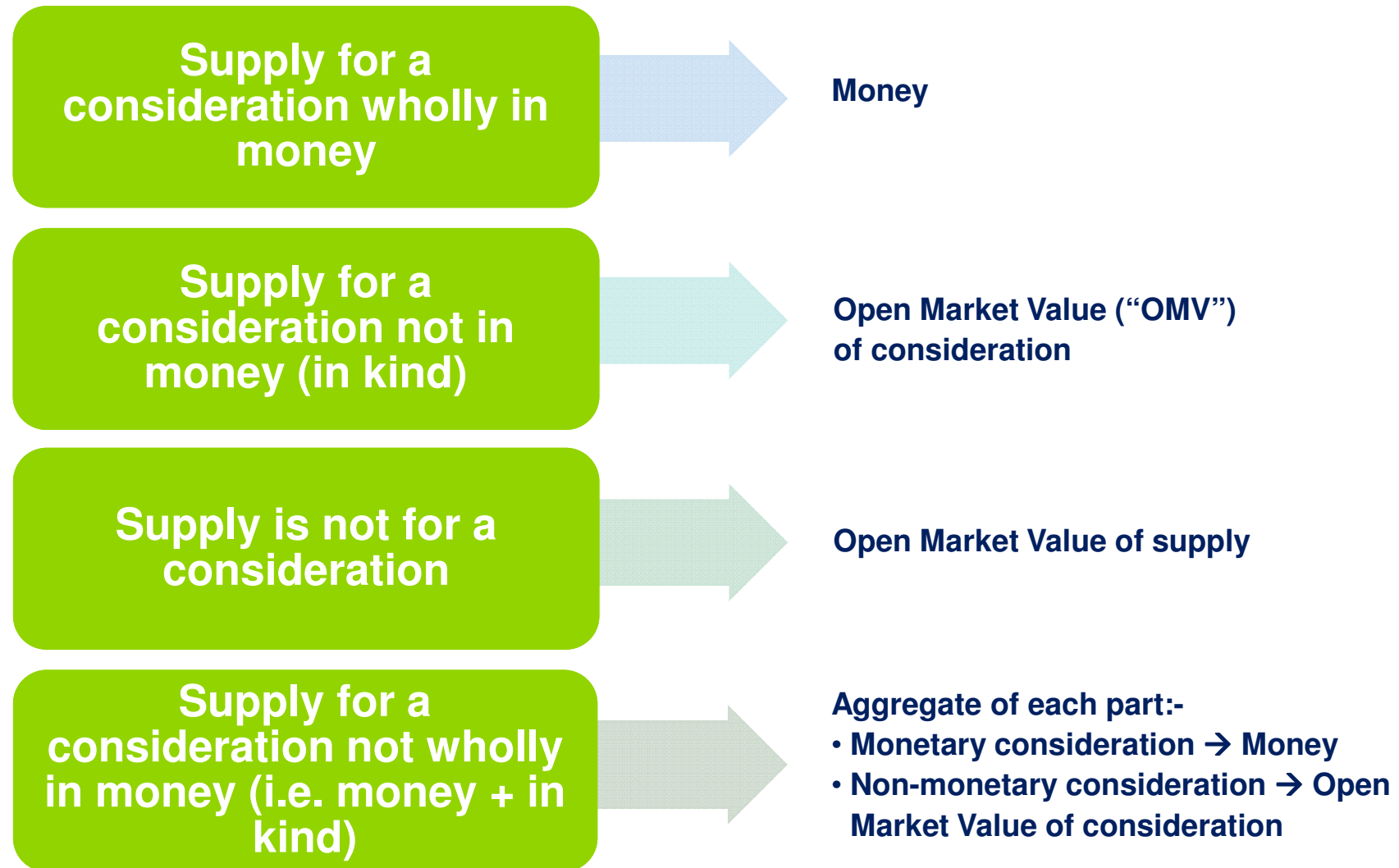
- If the supply is made outside Malaysia, GST will not be charged on the supply.
- If the supply is into Malaysia, GST is charged at point of importation.

Services

Determined by the “belonging status” of the supplier

- A supply of services shall be treated as made in Malaysia if the supplier belongs in Malaysia.
- A supply of services shall be treated as made in another country if the supplier belongs in that other country.

Value of Supply



Note: OMV is inclusive of GST

Accounting, Assessment and Recovery

Issuance of tax invoices (Section 33)

- Tax invoices must be issued by any registered person who makes taxable supplies
- Total tax chargeable shall be stated separately from the amount of the goods or services charged in the tax invoices
- All particulars related to transaction must be shown in the tax invoice

Accounting, Assessment and Recovery

Contents of a tax invoice

- a) The words 'tax invoice' in a prominent place;
- b) Serial tax invoice number;
- c) date of issuance of the invoice;
- d) name, address and GST identification number of the supplier;
- e) name and address of the person to whom the goods or services are supplied;
- f) a description sufficient to identify the goods or services supplied;
- g) For each description, distinguish the type of supply for zero rate, standard rate and exempt
- h) for each description, the quantity of the goods or the extent of the services and the amount payable, excluding tax;
- i) any discount offered;
- j) the total amount payable excluding tax, the rate of tax and the total tax chargeable shown as a separate amount; and
- k) the total amount payable including the total tax chargeable
- l) Any amount expressed in a currency other than RM, shall also be expressed in RM



Customer's name & address

Supplier's name, address and GST identification number

ABC Sdn Bhd
 PLO 38 Jalan Keluli Satu,
 81700 Rompin
 Johor
 GST ID: 123456

Distributor : ID No.787769 VICTOR DELACROIX

TAX INVOICE

ADDRESS : No. 15, Jln Mawar 5/30
 Taman Mewah
 45000 Kuala Selan
 Tel : 019-6666XXX

Tax invoice serial number

Date of tax invoice

The words "Tax invoice" clearly indicated

Discount

Tax invoice No : 142341

Date : 14/4/2014

Time : 14:30

No.	Item Code	Item Description	Qty	Unit Retail Price (USD)	Disc (%)	Unit Sale Value (USD)	Total Amount (USD)	Total Amount (RM) @ 3.00
1.	12345	transistor	2	95.40	25.00%	71.55	143.10	429.3
2.	6789	LED	3	109.00		81.75	245.25	735.75
		Radiator	2	70.00	25.00%	52.50	105.00	315
Total Sale							493.35	1480.05
GST @ 6%							19.73	59.19
Total Amount Paid							513.08	1,539.54

Description of goods supplied

Quantity of goods or extent of the services supplied

Rate of GST

Total amount payable excluding GST

Total amount of GST charged

Total amount payable inclusive of GST

Applicable foreign exchange rate conversion

Credit / Debit Note Adjustments

	Credit note	Debit note
If credit / debit note is issued	Reduces output tax	Increases output tax
If credit / debit note is received	Reduces input tax	Increases input tax
Treatments	<p>Issued / received to adjust the value of previously issued / received invoices.</p> <p>Adjustments to be made in the GST return of the taxable period in which the credit note / debit note was issued / received.</p>	

Credit / Debit Note Samples

KENSTONE (M) SDN BHD
 (COMPANY NO: 222111 U)
 15 JALAN CEPAT, KAWASAN PERINDUSTRIAN TAMPOI,
 80350 JOHOR BAHRU, JOHOR, MALAYSIA.
 TEL: 07-2323444 FAX: 07-2332442

CREDIT NOTE

To
 Ali Maju contractor Sdn Bhd
 20 Jalan Maju, Taman Maju Jaya,
 Kulai Jaya,
 Johor.

CN NO: 12542
DATE 21.1.2010
GST NO: 12128888

Your return ref. no.	Account no.	Tax Invoice no.	Date of invoice:
DO No. 5455	1010117879454	65473	12.1.2010

ITEM	DESCRIPTION	QUANTITY	UNIT PRICE (RM)	VALUE
No.1	Tiles	120 pcs	5.00	600.00
Total				600.00
6% GST				36.00
Refunded Charge				636.00
Reason for return:				
Damaged goods				

KENSTONE (M) SDN BHD
 (COMPANY NO: 222111 U)
 15 JALAN CEPAT, KAWASAN PERINDUSTRIAN TAMPOI,
 80350 JOHOR BAHRU, JOHOR, MALAYSIA.
 TEL: 07-2323444 FAX: 07-2332442

DEBIT NOTE

To
 Ali Maju contractor Sdn Bhd
 20 Jalan Maju, Taman Maju Jaya,
 Kulai Jaya,
 Johor.

DN NO: 1540
DATE: 20.1.2010
GST NO: 12128888

Your ref. no.	Account no.	Tax Invoice No.	Date of invoice:
DO No. 5455	1010117879454	14345	15.1.2010

ITEM	DESCRIPTION	QUANTITY	UNIT PRICE (RM)	VALUE (RM)
No.2	Sale Value for Tiles code no. A5 as per invoice no: 124345 dated 15.1.2010	1000pcs	5.00	500.00
	Revised sale value			5000.00
	Difference			4500.00
Total				4500.00
6% GST				270.00
charge to be paid:				4,770.00
				0
Reason:				Approved By:
The sale price for item no.2 worth RM5,000 for RM500 by mistake.				Faizulnudin Hashim

Documents to Support Zero-Rating Also Known as Exportation

Goods are considered to be exported when

- It have been cleared by the proper officer of customs at the last customs station on their route out of Malaysia
- It have been loaded on to a vessel or an aircraft which is about to depart from a port or place in Malaysia; or
- They have been cleared by the proper officer of customs at an inland clearance depot or station on their route out of Malaysia through a customs port or airport

Exporter must possess the following valid documents to proof that the goods have been exported

- Purchase order
- Export declaration form (K2)
- Sales invoices
- Bill of lading
- Shipping note
- Insurance note
- Payment document, such as documentary credit, debit advice, bank statement, etc.
- Debit and Credit note
- Tally sheet from Port Authority
- Short ship / short landed certificate
- Other documents related to export
- Bank Document
- Certificate of origin

Exportation of Services

Exportation services / International services includes

- Under a **contract** with a person who belongs in a country other than Malaysia; and
- Which **directly benefit** a person who belongs in a country other than Malaysia and who is **outside Malaysia** at the time the services are performed

Flat Rate Scheme

Overview

- A person approved under this scheme may charge a prescribed flat rate addition of 2% on taxable supply including zero-rated supply that he made to any registered person, subject to the approval from Customs and conditions applicable.
- The person shall not claim any input tax incurred in the acquisitions / purchases.
- Yearly sales statement indicating the total sales made to registered buyers is to be submitted.

Persons that are eligible to apply

- Any person not liable to be GST registered (i.e. < RM500,000 per annum of taxable supplies); and
- Undertaking the business of prescribed activities such as crop production, livestock and fishery.

Rationale

- The Government recognises the costs (i.e. embedded GST) to these non-registered suppliers and is introducing such scheme to allow them to recover such costs.

Self-billing Mechanism by Customers

In certain instances, the pricing of the FFB supplied by the planters may be undetermined at the time of supply, possibly due to the following reasons :-

- MPOB average pricing, which is only attainable at the beginning of the following month of supply;
- FFB grading reports prepared by the oil mills; or
- FFB pricing based on the surrounding oil mills.

Due to such pricing uncertainty, customers may apply to Customs to issue **self-billed invoice**, subject to the following conditions :-

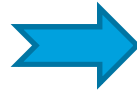
- i. the value at the time of supply is not known by the supplier (i.e. the planter);
- ii. the customer and the supplier are both GST-registered persons;
- iii. the customer and the supplier agree in writing to a self-billed invoice; and
- iv. the supplier and the customer agree that the supplier shall not issue a tax invoice.

This mechanism allows both the FFB supplier to account for output tax and facilitates the buyer (i.e. oil mills) to claim ITC, on a timely manner.

Deposit vs Advance Payment & Discounts

Deposit vs Advance Payment

Deposit serves as security to ensure performance of contract



• Not subject to GST

Advance payment subject to GST !

Discounts

- Discounts have a GST effect at the point of sale of goods or services.
- GST computation on the sales with discount will be on the discounted price (sales after discount) which is the amount actually paid by the customer or buyer.

Incidental Financial Supplies

For non financial institutions

- Exempt incidental financial supplies treated as taxable supplies for input tax credit purposes



- deposit of money
- exchange of currency whether effected by the exchange of currency, bank notes or coin by crediting or debiting accounts or otherwise;
- holding of bonds, debentures, notes or other similar instruments representing or evidencing indebtedness;
- transfer of ownership of securities or derivatives relating to securities;
- provision of loan, advance or credit or other similar facility to employees or between connected persons
- holding or redemption of any unit or other similar instruments under a trust fund
- hedging of any interest rate risk, currency risk, utility price risk, freight price risk or commodity price risk

Bad Debt Relief (Section 58)

Bad debt is the outstanding amount for the payment in respect of the taxable supplies including GST, which is due to the person but has not been paid to and is irrecoverable by the person

No application for refund is necessary as the amount for bad debt relief can be adjusted in the GST return

A taxable person may make a claim, if:

- GST is already paid;
- The person has not received any payment or part payment six months from the date of supply or debtor has become insolvent (bankrupt, wound up or receivership) before the six months has elapsed; and
- Sufficient efforts have been made to recover the debt

Bad Debt Relief (cont'd)

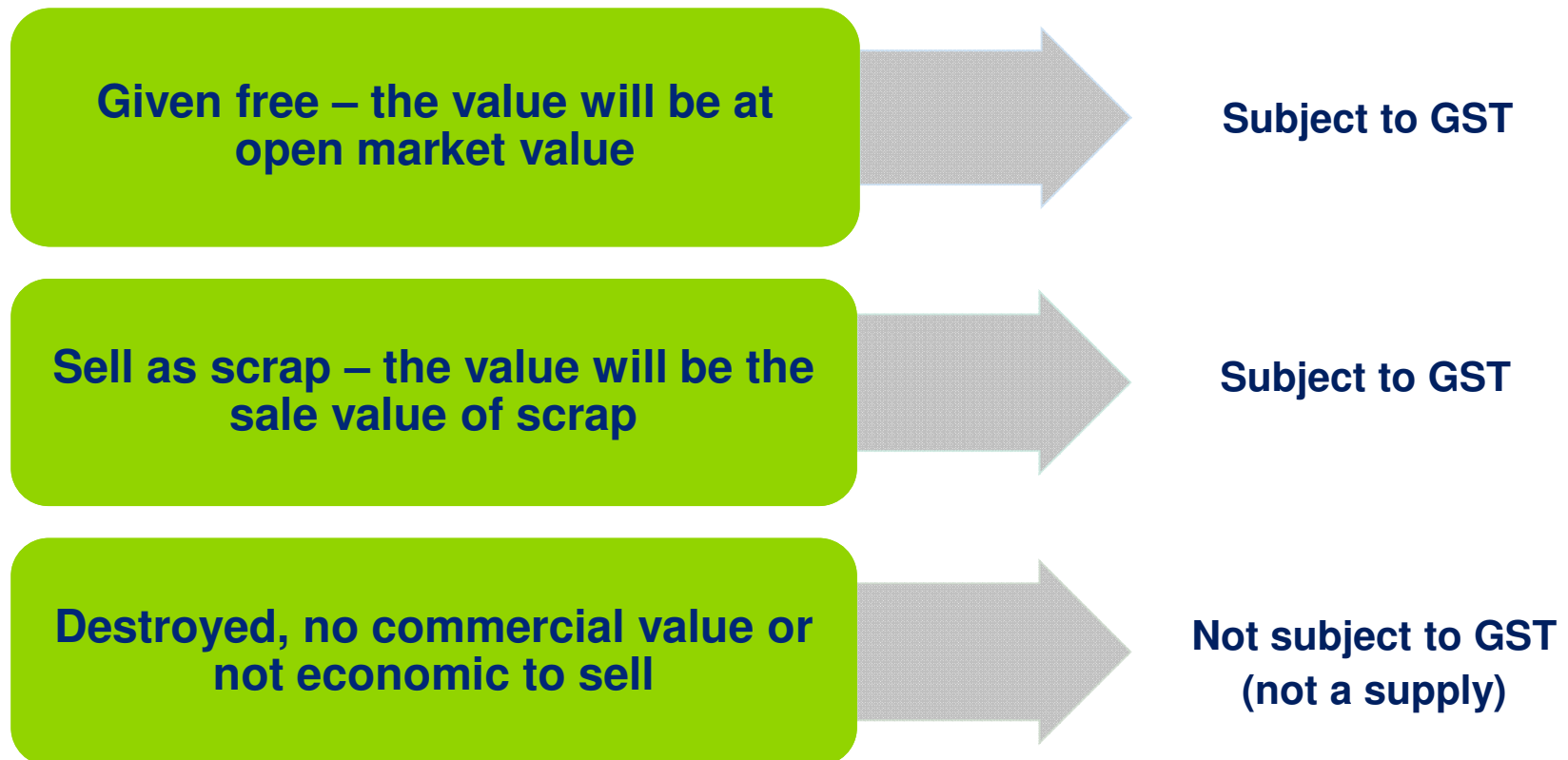
Bad Debt Relief – Records Requirements

- A taxable person is required to keep additional records to support bad debt relief claims such as:
 - a) Other documentary evidence showing the time, nature, purchaser's details and the consideration of the supply;
 - b) Records or any other documents showing that you have accounted for and paid the tax.
 - c) Records of any other documents such as debtor's aging list showing consideration after 6 months from date of supply not received.
 - d) Records showing sufficient efforts had been taken out. E.g. Solicitor letter.
 - e) Insolvency records
 - f) Maintain a single account known as "refund for bad debts account"

Disposal of Assets

- Sales of assets could be potentially subject to GST depending on the type of asset disposal

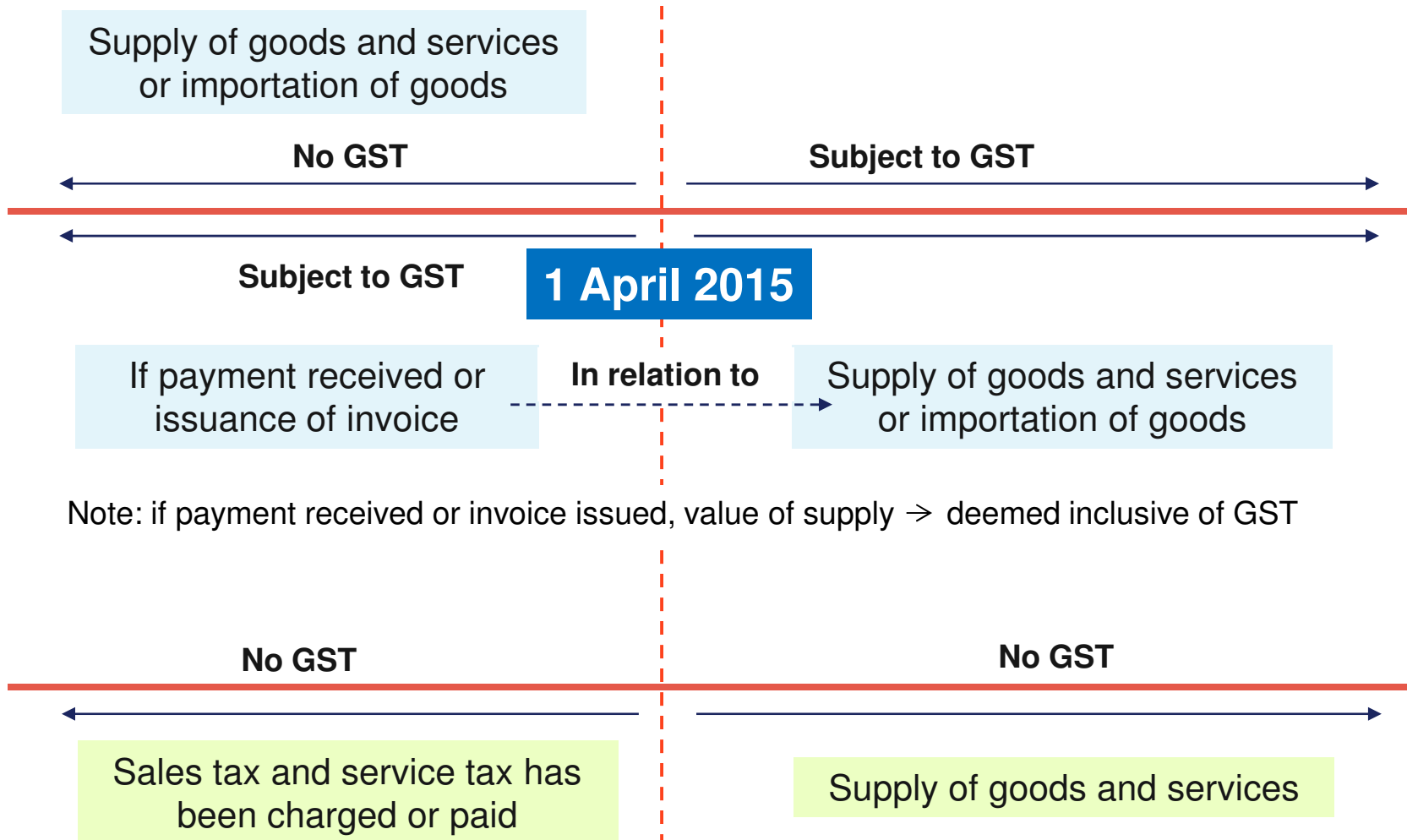
GST Impacts on Disposal of Assets



Transitional Provisions (Supply)

Transitional Provisions

Payments, invoices and importation before effective date



Transitional Provisions

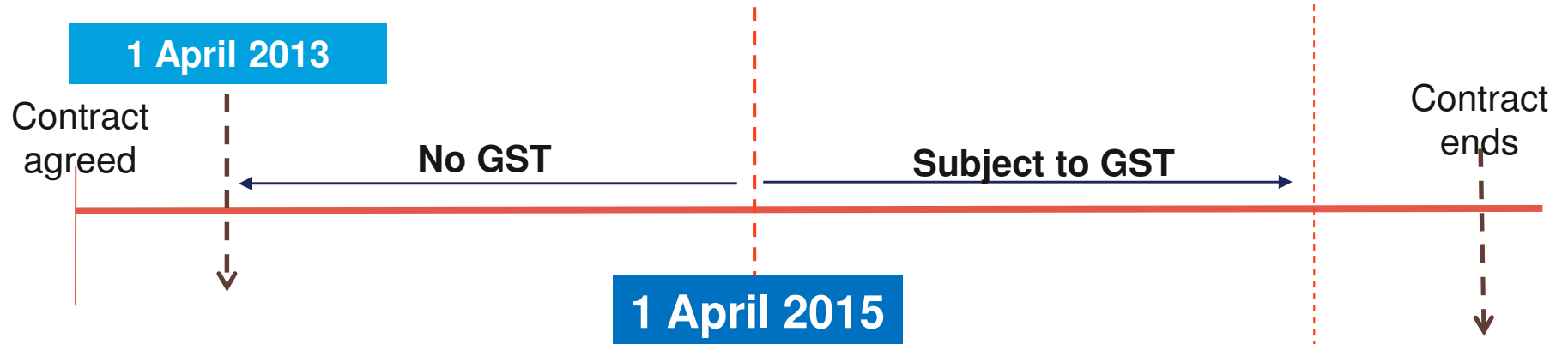
Long term contracts

Non-Reviewable Contracts

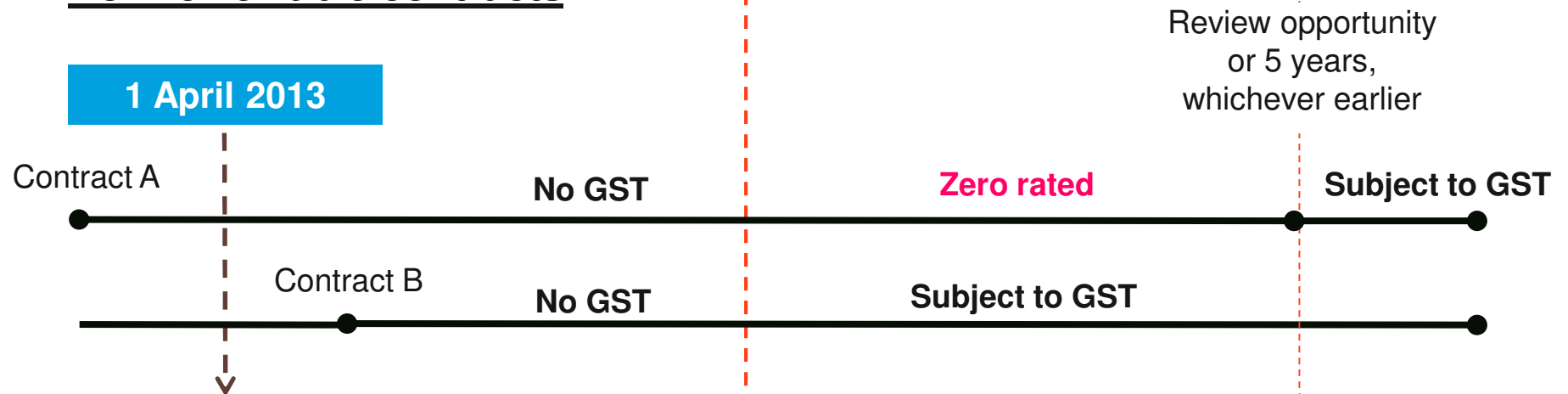
- Supply under non-reviewable contract will be treated as a **zero rated supply** to the extent that is made before the following:-
 - i. For a period of **5 years** after the implementation of GST; or
 - ii. When a review opportunity arises.
- Other conditions:-
 - i. Both the supplier and the recipient must be GST registrant
 - ii. The supply is a taxable supply
 - iii. Contract is agreed to **not less than 2 years** before implementation date
 - iv. The **recipient** of the contracted supply is making **wholly taxable supplies**

Transitional Provisions

Illustration – contracts spanning effective date



Non-reviewable contracts



Transitional Provisions

Progressive or periodic supply

Section 188 (1)

Supply made

- For a period or progressively over a period (at regular intervals or not)
- Period begins before effective date and ends on/after effective date

Section 188 (2)

Referring to above, if supply is a supply of services

- Taken to be made continuously and uniformly throughout the period of the agreement

Section 188 (3)

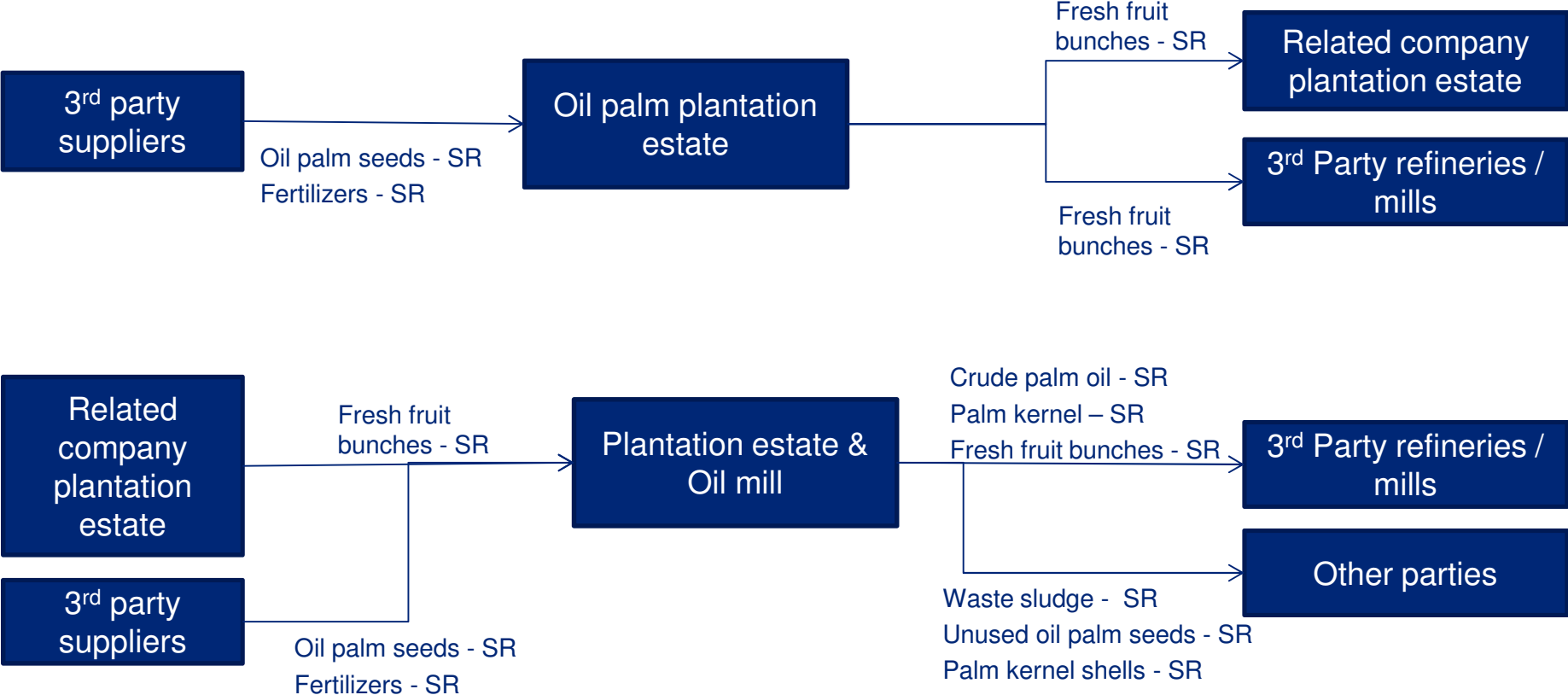
- Supply of warranty where the value of warranty is included in the price of the goods and services
- Provision of services where service tax has been paid
- Any contract with no opportunity to review
- Provision of goods where sales tax has been paid

Supply attributable to the part of the period on or after 1 April 2015 – chargeable to tax

Section 188 does not apply

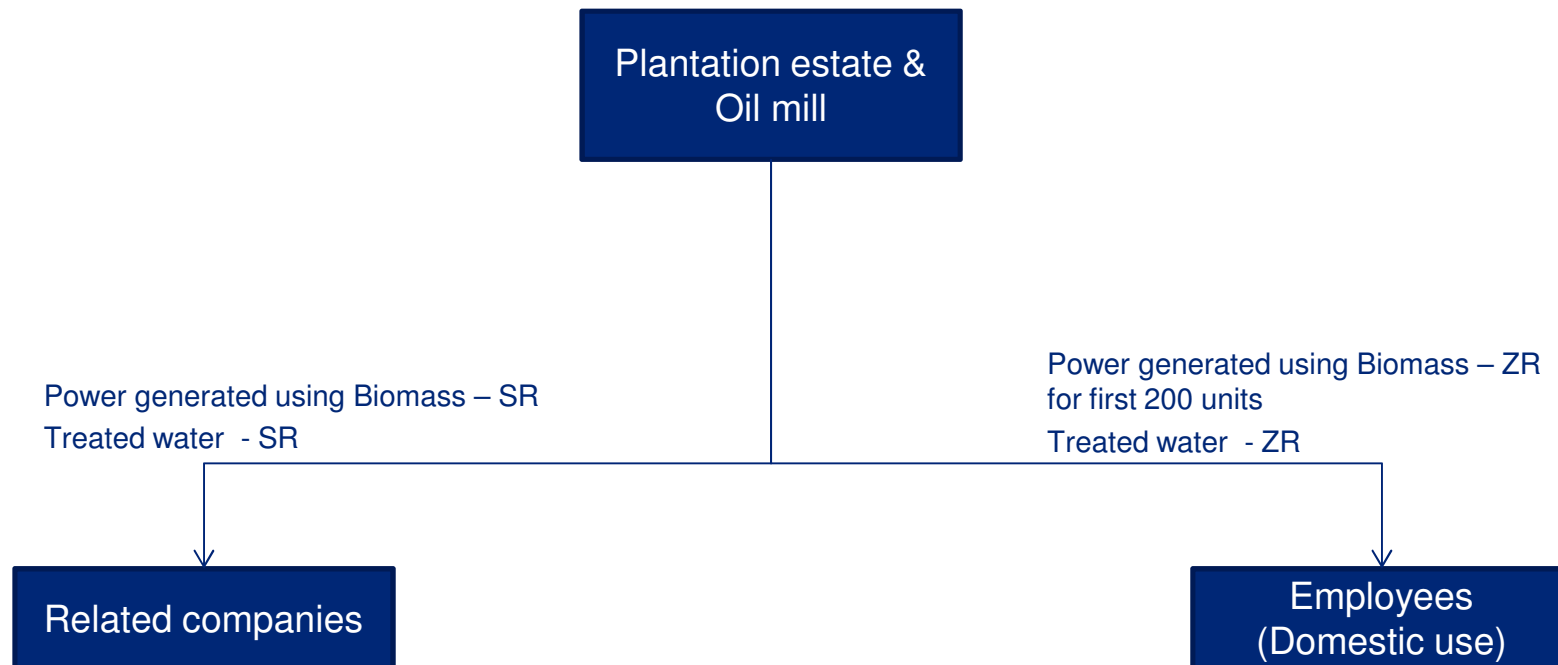
Plantation - Overview of Typical Business Stream

Oil Palm



Plantation - Overview of Typical Business Stream

Utilities



Key GST Implications for considerations.....

Other Impact Areas	Treatment/ Recommendations
<p>Incidental Exempt Financial Supply</p> <ul style="list-style-type: none"> • Interest from cash deposits • Exchange gain • Hedging gain • Securities/derivatives gains 	<ul style="list-style-type: none"> • eligible to claim input tax
<p>Purchase of goods (eg FFB) and services (contractors) for small timers without purchase invoice.</p> <p>Condition for self billing:</p> <ul style="list-style-type: none"> • Value unknown at time of supply • Suppliers and receipts are GST registered person • Both agree in writing and suppliers agree not to issue tax invoice 	<ul style="list-style-type: none"> • consider self billing • encourage voluntary registration • select GST registered suppliers

Key GST Implications for considerations.....

Other Impact Areas	Treatment/ Recommendations
<p>Corporate Social Responsibilities roads, bridges, school, clinic Issue : related to supply?</p>	<ul style="list-style-type: none"> • seek customs clarification/lobby
<p>Food, lodging, transport and other services provided to employee</p> <ul style="list-style-type: none"> • Goods – not taxable provided stated in employment contract, link to HR manual • Services – not taxable unless provided to ‘connected’ person 	<ul style="list-style-type: none"> • review employment contract • charge connected person a fee/account for output tax
<p>Group registration is available for companies within the group (> 50% shareholding)</p>	<ul style="list-style-type: none"> • to assess the cash flow impact before opting

Acquisition

Input Tax Credit (ITC) Mechanism

Prerequisite for ITC Claim

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

Input Tax & Output Tax

- Tax paid on inputs can be offset against the output tax charged to customers.
- Subject to a time limit of **6 years** from the date of return required to be made

Excess Input Tax Receivable Refund

- **14** working days for **online submission**
- **28** working days for **manual submission**

Input Tax Credit (ITC) Mechanism

Input Tax Recovery

Business Providing Taxable Supplies

- Eligible to claim ITC for GST paid **in the course of making taxable supplies** except those specifically blocked from ITC and exempt supplies.
- No distinction between capital and revenue expenses.

Imports

- GST paid to Customs at importation can be claimed

Input Tax Credit

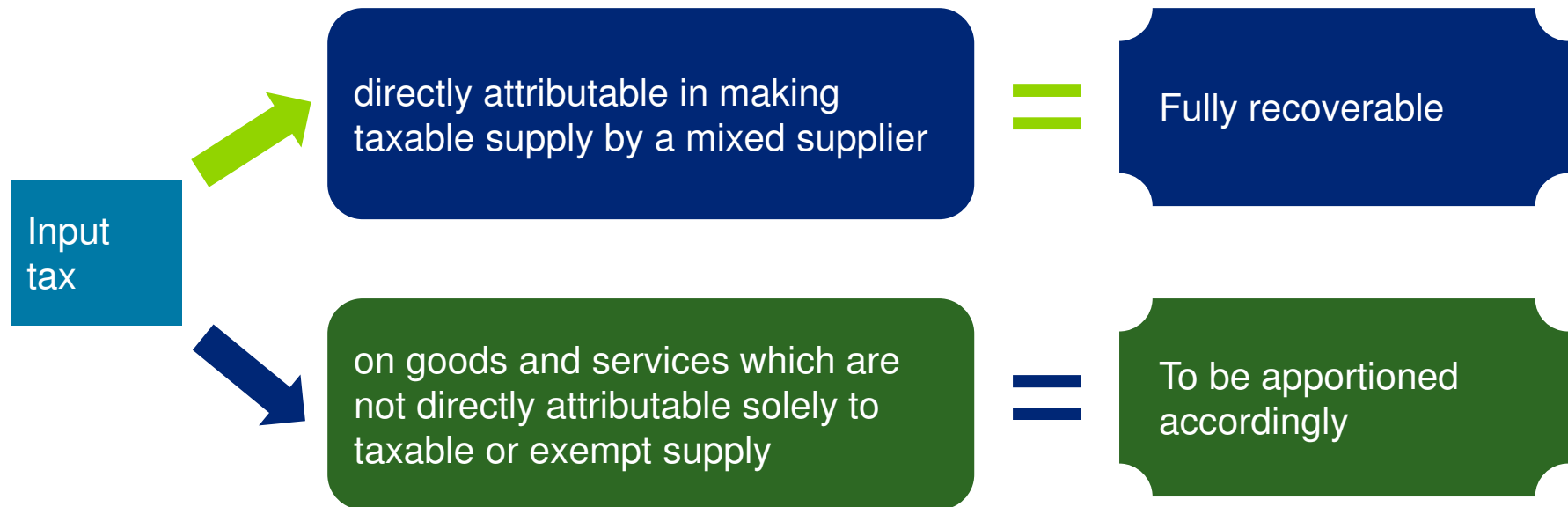
Attribution and Apportionment

- Input tax directly attributable to taxable supply can be claimed in full
- Input tax directly attributable to exempt supply cannot be claimed
- Input tax attributable to both taxable and exempt supply (residual input) need to be apportioned

$$\frac{\text{Taxable Supplies}}{\text{Taxable Supplies} + \text{Exempt Supplies}} \times 100 = Y \text{ ("recoverable \% ")}$$
$$Y \times \text{GST incurred on residual input} = \text{Input Tax Claim (ITC)}$$

Input Tax Credit

Apportionment of residual input tax



- Mixed development of exempt residential house and commercial premises

Claim GST on residual input tax

Examples of residual input tax

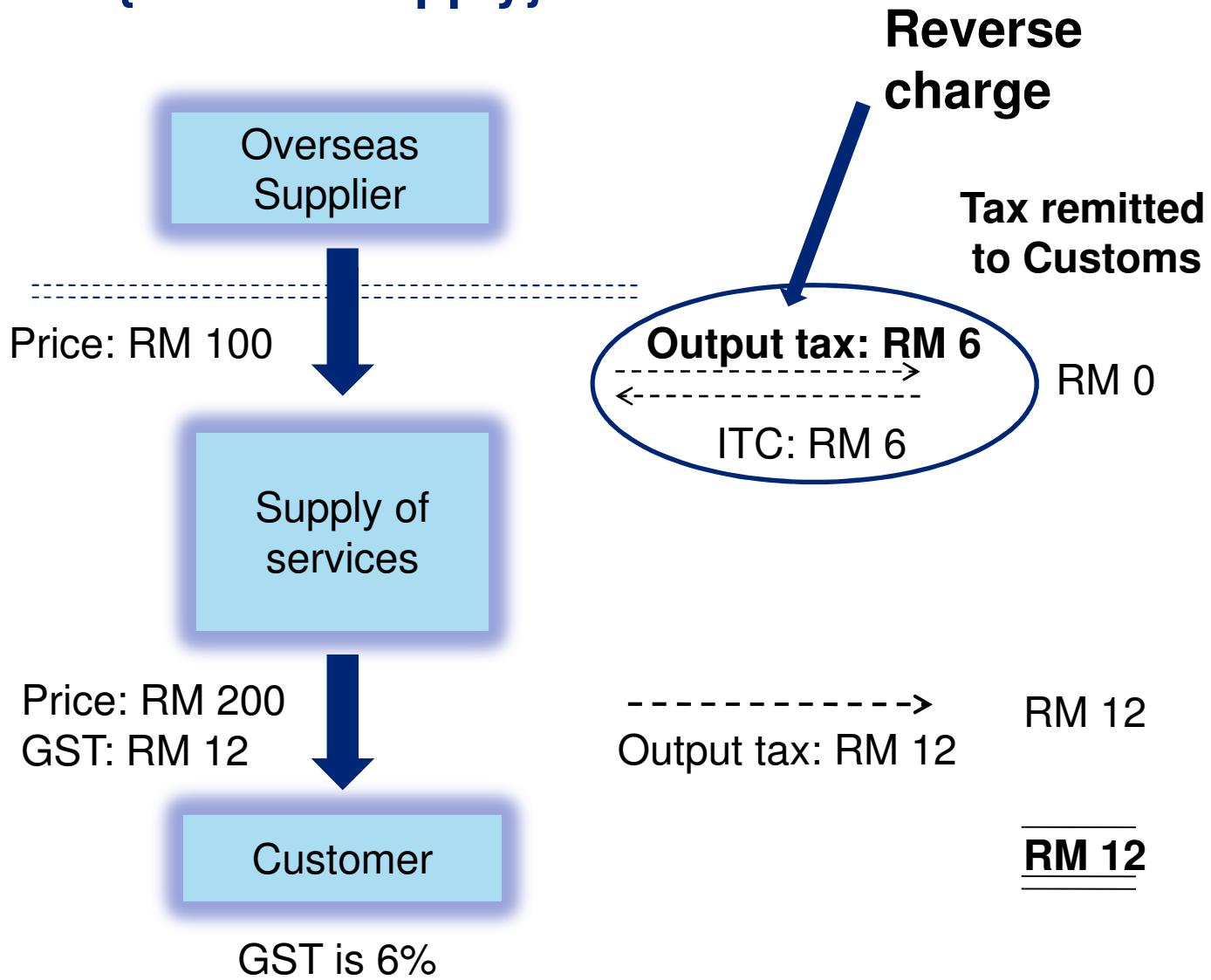
- ✓ utilities, rental, office equipments and stationeries etc.
- ✓ infrastructural and recreational works such as landscaping, community hall, car park facilities, playgrounds and incidental services

Reverse Charge Mechanism

- Reverse charge on imported services is required (eg.: importation from third parties etc.)
- Should not be a cost to a business that makes standard-rated and zero-rated supplies (GST to be reported; no actual payment made)
- Will be a cost to a business making exempt supplies (GST to be reported and paid over to Customs via GST return)
- Difficult compliance requirements, watch out for intercompany flows



Imported Services for Business Purpose – By & To Business – Recipient {Taxable Supply}



De Minimus Rule

- Exempt input tax can be recovered in full if the total value (directly attributable plus the exempt proportion of any residual input tax) is less than a prescribed amount.
- Prescribed amount of ***De Minimus Rule***
 - Total value of the exempt supplies does not exceed
 - i. an average of RM5,000 per month and
 - ii. not exceeding 5% of the total value of total supplies (all taxable and exempt supplies) made in that period



Goods Lost / Destroyed

Imported Goods Lost While Under Customs Control

- Subject to GST
- May apply for remission from the Director General

Goods Lost While Not Under Customs Control

- No GST is due if incident happened before sales and proven with supporting documents (e.g. police report, insurance claim, etc)
- GST is due if the incident cannot be proven with supporting documents

Goods Lost During Delivery

- Generally not subject to GST if supply has not taken place
- However, if contract makes either buyer and/or seller liable for loss, GST liability would depend on contract

Transitional Provisions (Acquisition)

Transitional Provisions

Stock on Hand

- Special refund to be given to stocks on hand for making taxable supplies after the implementation of GST. Claim for special refund shall be made **no later than 6 months from 1 April 2015** and can only be made **once**.
- Subject to the following conditions :
 - ✓ Claimant is a GST registrant;
 - ✓ Claimant on the effective date holds the goods for the purpose of making taxable supply;
 - ✓ Goods subject to sales tax;
 - ✓ The sales tax has been charged or paid; and
 - ✓ Invoice or Customs import form is available.
- Actual amount of sales tax to be refunded
 - ✓ If the amount of sales tax paid was shown clearly on the invoice or import documents
- 20% method
 - ✓ If the amount of sales tax paid is not shown in the purchase invoice, the special refund would be → actual purchase price x 20% x sales tax rate

*Special refund to be given in **eight equal installments** over a period of **two (2) years**

Transitional Provisions

GST Treatment of Stock on Hand (con't)

- Special refund is not allowed:
 - on capital goods;
 - on goods which have been used partially or incorporated into some other goods;
 - on goods which sales tax has been paid under the Sales Tax Act where a claim for drawback on the sales tax paid is made or to be made under Section 29 of the Sales Tax Act; and
 - non-trading stocks such as raw materials, semi-processed goods, materials which are used indirectly in the manufacturing process (fuel, lubricating oil, detergents and chemicals) and consumables (stationery).
- Sales tax to be paid back:
 - on raw materials / components acquired free from sales tax by sales tax licensees who are not GST registrant.

Transitional Provisions

Special refund on stock on hand not allowed

- On capital goods
- Goods partially used or incorporated into other goods
- Goods where claim for drawback is made
- On non-trading stocks such as raw materials, consumables etc.

Offsetting unpaid sales tax against special refund

- Special refund can be used to off set the amount of sales tax supposedly paid under the Sales Tax Act 1972

GST Treatment on Goods Returned Subject to Special Sales Tax Refund

- If a GST registrant has claimed a special refund for goods held on hand and subsequently returns the goods to the supplier (the licensed manufacturer under the Sales Tax Act), he shall account the amount of special refund as his output tax.

Impacts on Fringe Benefits

Blocked Input Tax

- a. The supply to or importation of passenger motor car or hiring of passenger motorcar
- b. The supply of goods or services relating to repair, maintenance and refurbishment of a passenger motor car
- c. Club subscription fee
- d. Medical and personnel accident insurance premium
- e. Medical expenses
- f. Family benefits
- g. Entertainment expenses except for employees and existing clients

Note: No GST will be imposed on subsequent supply of the above items

Except where in compliance under:

- Employees' Social Security Act 1969
- Workmen's Compensation Act 1952
- Industrial Relations Act 1967

Fringe Benefits and Gift Rules

- Fringe benefits include any right, privilege, service or facility provided free of charge to employees
- Services provided free to employees – **not subject to GST.**
- Services provided free to “connected person” and the “connected person” is not entitled for a credit – **subject to GST**

Connected Person are persons shall be deemed to be connected if—

- a) they are officers or directors of one another’s business;
- b) they are legally recognised partners in business;
- c) any one person directly or indirectly owns, controls, or holds five per cent or more of the outstanding voting stock or shares of both of them;
- d) one of them directly or indirectly controls the other;
- e) both of them are directly or indirectly controlled by a third person;
- f) together they indirectly or indirectly control a third person; or
- g) they are members of the same family.

Fringe Benefits and Gift Rules

- All goods provided free to the employees to be subjected to GST (subject to gift rule of RM500) except those :
 - Stated in the contract of employment, exempted supply, zero rated supply, supply of goods under gift rule and blocked input tax.
- Value of fringe benefits given to employees be based on open market value
 - The value would be based on the following order of hierarchy
 - Value of identical goods,
 - Value of similar goods,
 - Cost of producing, or
 - Cost of acquisition
- ITC claimable (provided that it is not blocked)

Impact on Human Resources

Fringe Benefits

Employees benefits include any right, privilege, service or facility provided free of charge to employees.

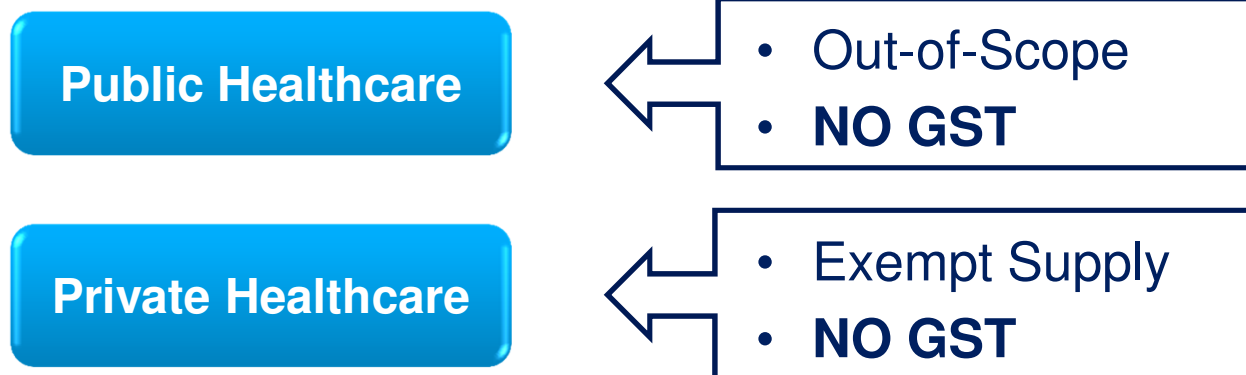
Fringe Benefits	GST Impact
Living accommodation	<ul style="list-style-type: none">GST incurred on fringe benefits to employees “<i>for the purpose of business</i>” may be claimed by taxable person as input tax credit except for blocked input tax and exempt supply.All goods provided in relation to fringe benefits to employees will be subject to GST except those exempted, blocked input tax, zero rated goods, below gift rule threshold or specified in employment contracts
Service awards	
Staff recreation activities	
Club subscription fee	
Driving license	
Insurance	
Transport	
Services supplied free to employees	<ul style="list-style-type: none">No GST

Value of Supply

- ✓ The value of fringe benefits given free to employees is based on the open market value.

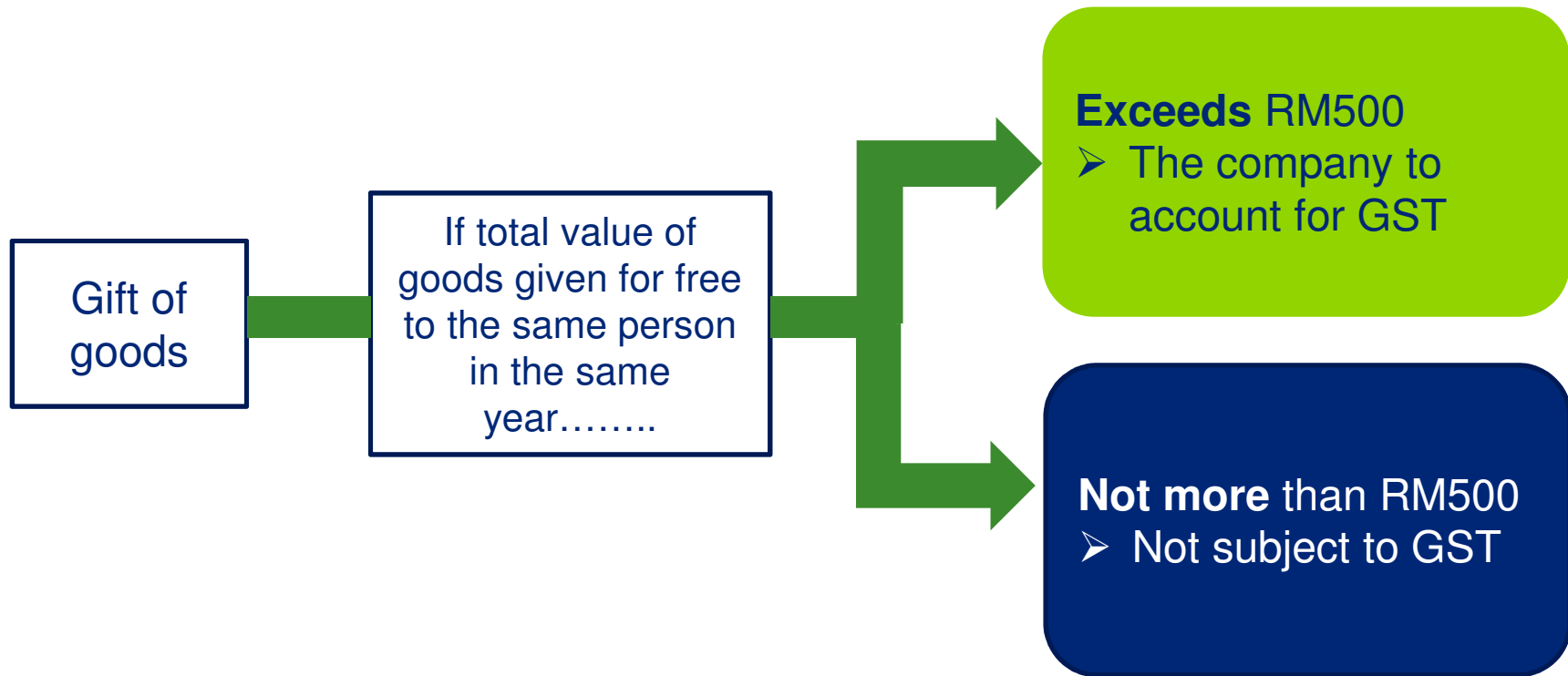
Fringe Benefits

Healthcare



- Certain healthcare services and medical expenses are proposed to be treated as taxable supplies and GST will be charged at the standard-rate (6%) on the following services:-
 - ✓ Pharmaceutical services
 - ✓ Optician services
 - ✓ Outsourced services (laboratory, x-ray scanning and others)
 - ✓ Traditional and Chinese medicine services
 - ✓ Other health related activities (gymnasium, spa, sauna, slimming center, massage)
- No GST will be imposed on the subsequent supply of such goods or services.

Gift Rule



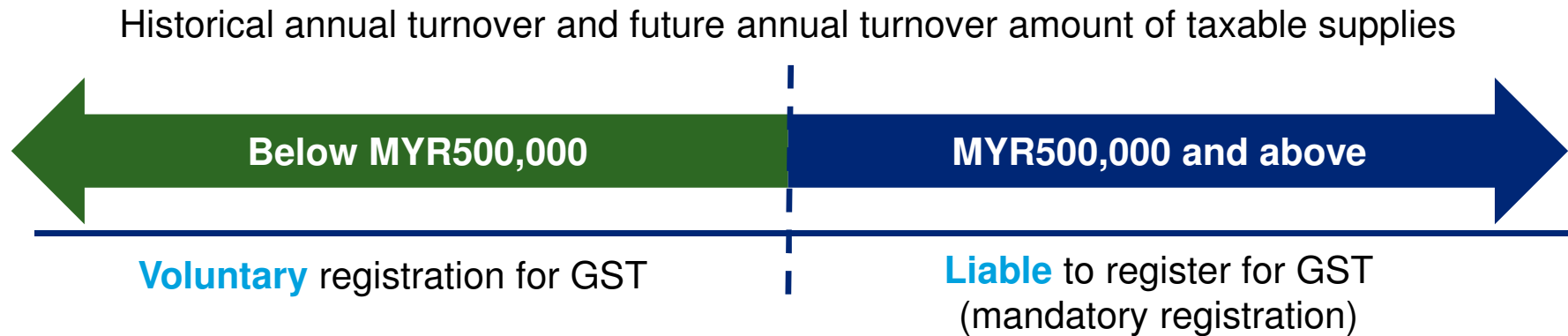
Note:

GST incurred in the acquisition of the gift above is claimable

Registration, Accounting and Administrative for GST

Registration Requirements

Prescribed threshold to register for GST



Mandatory registration

- Registrations are opened from 1st June 2014
- Businesses must register 3 months before the GST implementation date, ie. by 31st December 2014
- If threshold is met after GST implementation, to register within 28 days from the end of the relevant month when the business is first liable to register

Voluntary registration

- Once registered, must remain registered for at least 2 years

Taxable Period (Section 40)

Taxable period	Conditions
3 months	Annual turnover < RM 5 Million
1 month	Annual turnover > RM 5 Million Export-based trader
6 months	Special cases

Note: Payment and filing of GST returns must be submitted not later than the last working day of the month following the end of the taxable period. This is mandatory even if nil tax position.

Accounting, Assessment and Recovery

Record Keeping (Section 36)

- Records to be kept in Bahasa Malaysia or English for 7 years
- Records should exist for all transactions
- Maintaining proper records is very important to prevent Customs from making assessment of tax which they may think is due when in fact not due when full information is examined

Accounting, Assessment and Recovery

Valid documents to be kept as proof of importation

- Import declaration (K1)
- Commercial invoice
- Bill of lading
- Shipping note
- Insurance note
- Payment document, such as documentary credit, debit advice, bank statement, etc.
- Sale invoices
- Debit and Credit note
- Shortage/short-landed certificate
- Other documents
- Tally sheet from Port Authority
- Other related documents

Penalties (based on GST Act 2014)

- **Late registration (Sec. 21(6))**
 - Any person who is liable to be registered but fail to register commits an offence
 - A fine not less than RM1,500 if within 30 days and not exceeding RM20,000 for a period of more than 360 days
- **Late Filing (Sec. 41 (6))**
 - A fine not exceeding RM50,000 or to imprisonment for a term not exceeding 3 years or to both
- **Late payment (Sec. 41(7))**
 - A fine not exceeding RM50,000 or to imprisonment for a term not exceeding 3 years or to both
 - Any tax due and payable remains unpaid by any taxable person
- **Incorrect return (Sec. 88)**
 - A fine not exceeding RM50,000 or to imprisonment for a term not exceeding 3 years or to both; and
 - A penalty equal to the amount of tax which has been undercharged or would have been so undercharged if the return or information had been accepted as correct.
- **Evasion of tax, fraud (Sec. 89)**
 - For the first offence, to a fine of not less than 10 times and not more than 20 times the amount of tax or imprisonment for a term not exceeding 5 years or to both; and
 - For a second or subsequent offence, to a fine of not less than 20 times and not more than 40 times the amount of tax or to imprisonment for a term not exceeding 7 years or to both.

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