



# Goods and Services Tax(GST)

**GST Division  
Royal Malaysian Customs**





1. Introduction
2. Why GST is required?



3. Malaysia's GST Model
4. The preparation for the implementation of GST



5. Basic Elements of GST
6. Registration for GST

# Introduction



# 30 Years towards GST- How We Got There

## Bold, New Beginnings

Malaysia sends a research team to South Korea to study the potential of GST in implementing a more sustainable, broad-based consumption tax system.

1983



Dato' Seri Anwar Ibrahim

## GST Budget Announcement

On 30 October 1992, Dato' Seri Anwar Ibrahim, then Minister of Finance, announces GST for the 1993 Malaysian budget. It was later deferred.

1992

## Cross-Country Learnings

Malaysia sends a team to visit nations such as Australia, New Zealand and Indonesia to further study the mechanics of GST.

2005



Datuk Seri Najib Razak

## GST Announced

On 25 October 2013, Prime Minister Datuk Seri Najib Razak declares GST of 6% in Malaysia. It will commence from 1 April 2015.

2013

## GST First Looks

On 21 October 1988, Tun Daim Zainuddin, then Minister of Finance, tells the Malaysian public that the government is considering implementing the GST.



Tun Daim Zainuddin

1988

## GST Budget Announcement

On 10 Sept 2004, Dato' Seri Abdullah bin Ahmad Badawi, Prime Minister at the time, announces GST for the 2005 Malaysian budget which would have come into effect by 1 Jan 2007. It was then deferred in 2006 to give time for businesses to adapt to changes in processes and training of personnel.

2004



Dato' Seri Abdullah bin Ahmad Badawi

## GST Bill Read In Parliament

As a step to developing a more effective, efficient and sustainable taxation system, the 2009 GST Tax Bill was tabled for reading at the Dewan Rakyat. It was deferred to ensure laws & regulations relating to the implementation are all in place and the rakyat will be engaged inclusively.

2009



# Why GST Is Required?



# Why GST?

To restructure the nation's tax structure to  
be more  
**efficient, effective, transparent ,  
business-friendly**  
and capable of generating  
**a stable revenue source**



# Why GST?



## Weakness in SST

- Tax on Tax
- Transfer Pricing
- No Tax Relief On Exports

## GST more Effective & Efficient

- *Self policing & Increase Tax Compliance*
- Less red tape
- Transparent

## National Revenue

- Reduce dependence on income tax - 56.4% (2012)
- Reduce dependence on petroleum products - 32.6% (2012)

## Shadow Economy

- Come out and register under the GST
- Size in Malaysia is quite big (30%)

## Not only the locals have to pay tax

- Tourist and foreigner also have to pay GST



**Sales tax is not effective → cascading tax**  
**Assume Sales Tax is at 10%**



**MANUFACTURER :**  
Cost RM100 + 10% tax (RM10) = RM110

Tax collected by government :  
**RM10.00**



**WHOLESALER :**  
Purchase cost (RM110) + 20% profit margin (RM22) = RM132

Tax collected by government : **RM0.00**  
Hidden tax : **RM2.00**



**RETAILER :**  
Purchase cost (RM132) + 30% profit margin (RM39.60) = RM171.60

Tax collected by government : **RM0.00**  
Hidden tax : **RM3.60**



**CONSUMER :**  
\*Final price RM171.60

\* Tax has increase to  
RM15.60 (10 + 2 + 3.60)

Total loss/ tax not collected  
= RM15.60 - RM10.00  
= **RM5.60**

**Unscrupulous  
Business "free  
ride"**

**GST is more efficient because there is no loss of revenue,  
and consumers do not bear the hidden tax**



**MANUFACTURER :**  
COST RM100  
GST = RM6

Tax collected by  
government : **RM6.00**



**WHOLESALER :**  
Cost (RM100) + 20% profit margin  
(RM20) = RM120  
GST = RM7.20

Tax collected by  
government :  
**RM1.20**



**RETAILER :**  
Purchase price (RM120) + 30% profit margin  
(RM36) = RM156  
GST = RM9.36

Tax collected by  
government :  
**RM2.16**

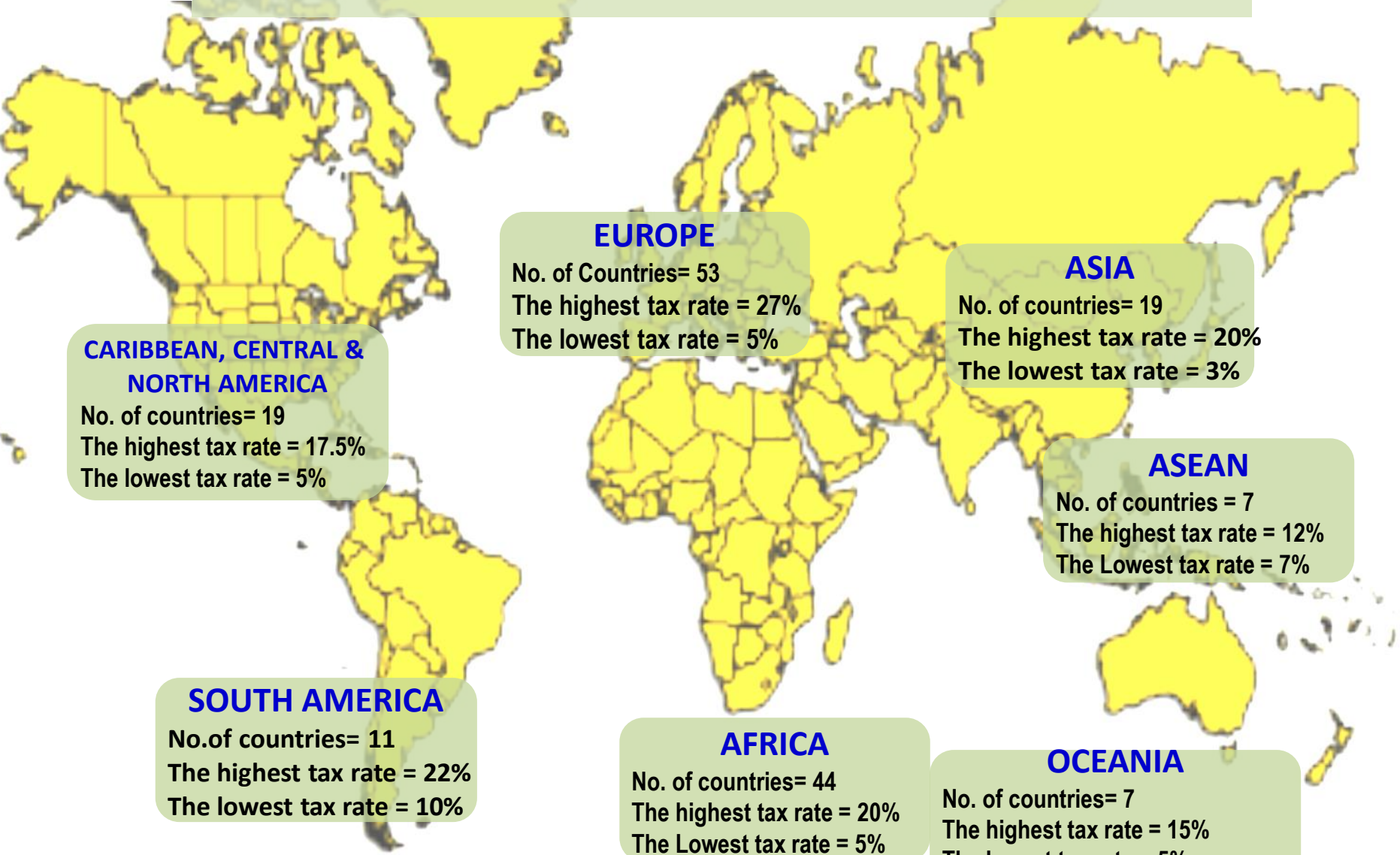
Total GST collected = RM9.36



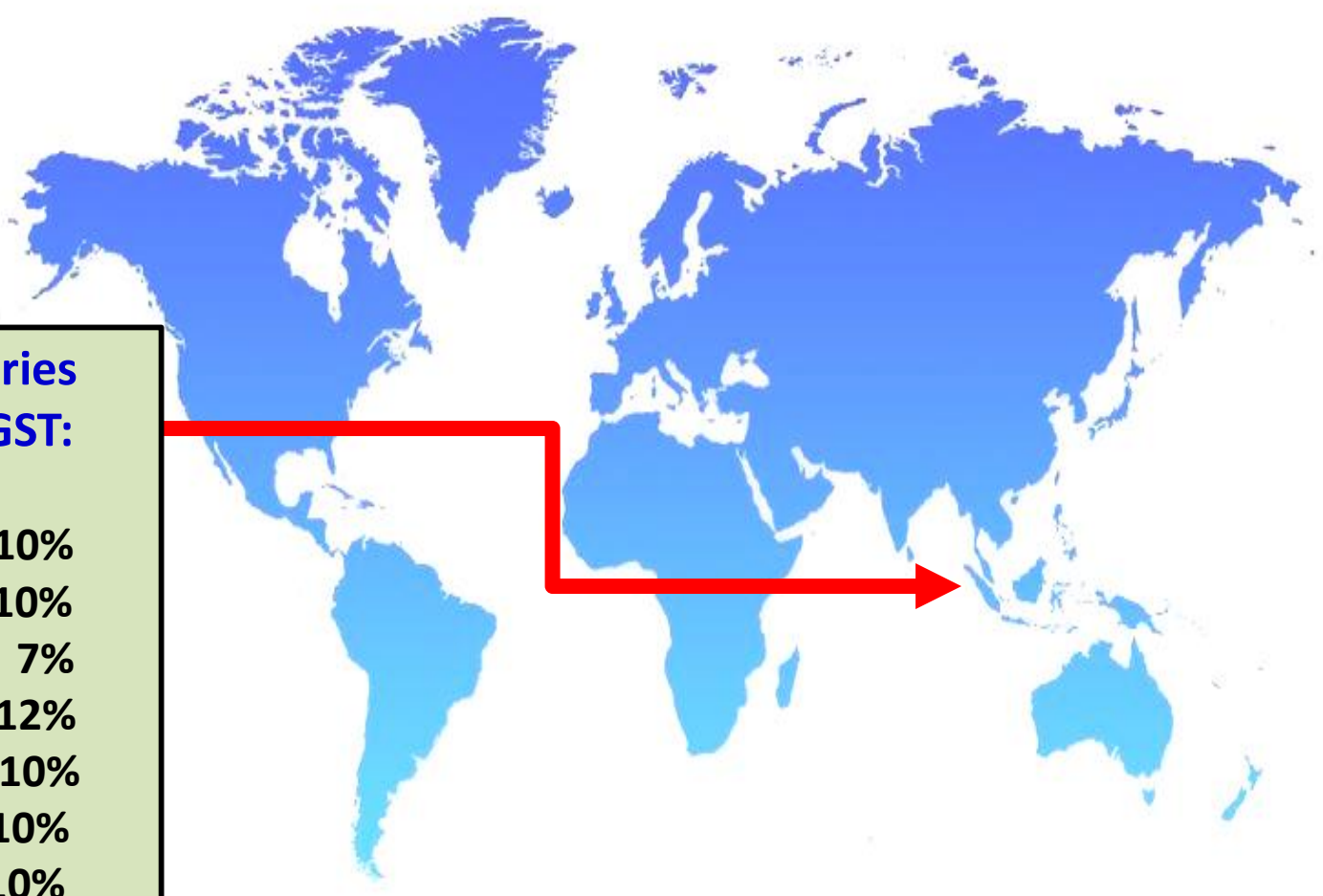
**CONSUMER :**  
Final price : RM165.36

Total lost / tax not collected  
= RM 0

# 160 GST / VAT Countries



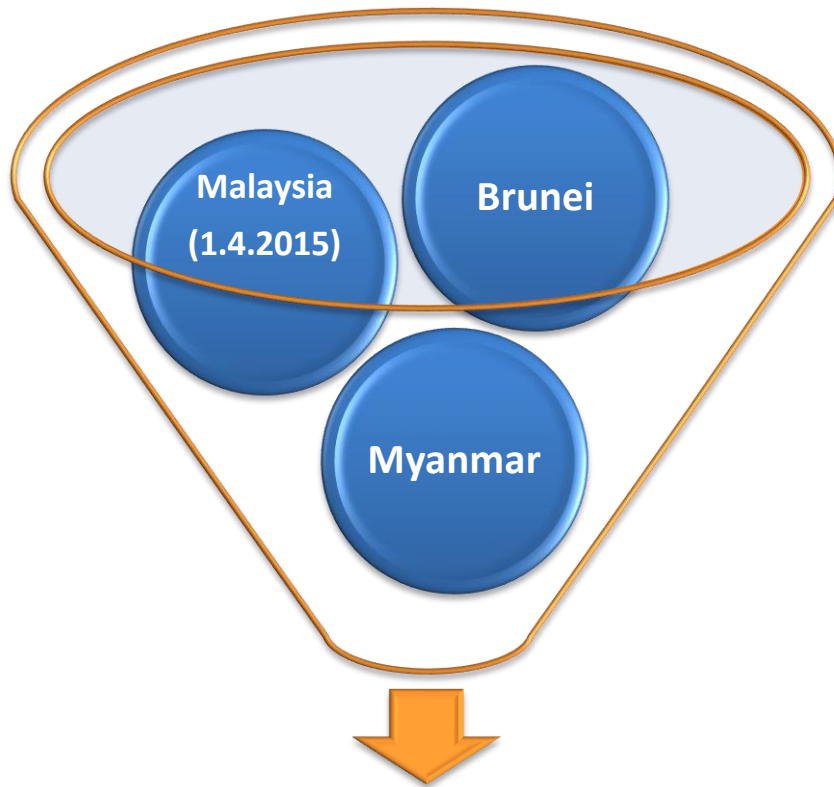
# ASEAN Countries - GST



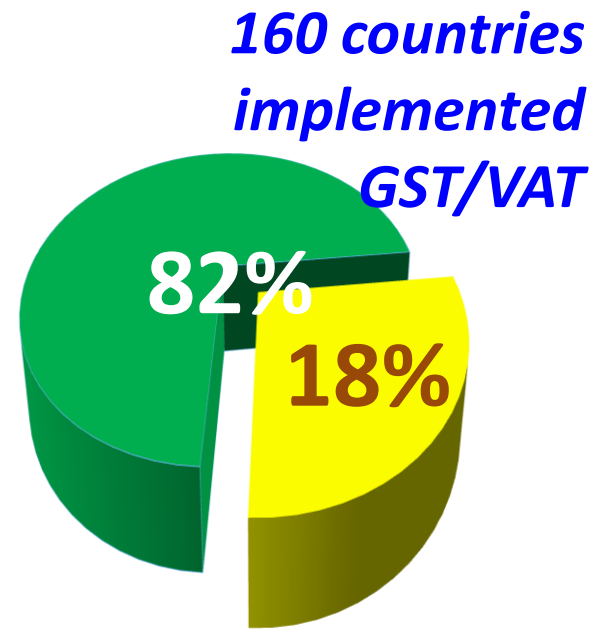
## 7 ASEAN Countries Implemented GST:

- Indonesia 1984 - 10%
- Thailand 1992 - 10%
- Singapore 1993 - 7%
- Philippines 1998 - 12%
- Cambodia 1999 - 10%
- Vietnam 1999 - 10%
- Laos 2009 - 10%

# VAT/ GST Countries



Only three Southeast Asian countries have not implemented GST / VAT



49 have not implemented GST/ VAT



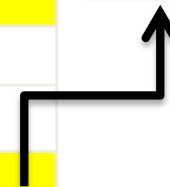
# GST Implementation in Other Countries



Countries	Implementation Date	Current Rate (%)
France	1954	19.6
Indonesia	1984	10
United Kingdom	1973	20
New Zealand	1986	12.5
Japan	1989	5
Canada	1991	5
South Africa	1991	14
Thailand	1992	10
Kazakhstan	1992	12
Singapore	1993	7
Phillipines	1998	12
Sri Lanka	1998	12
Cambodia	1998	10
Vietnam	1999	10
Laos	2000	10
Australia	2000	10
Sudan	2000	15
Malaysia	2015	6

**Source:**  
*World Development Indicator Database;*  
*World Bank as at 15 December 2010*

Rate of 6 % is in line with the current economic conditions , taking into account factors including a reduction in the individual income tax , corporate tax and financial assistance such as the BR1M



# Malaysia's GST Model



**GST Substitutes SST and it is  
not a new tax**

**Goods and Services**

**Tax (GST)**

**Rate = 6 % (1<sup>st</sup> April 2015)**

**Threshold = RM500,000**



**SST**

**5% , 6% , 10%**

**& specific rate**

**- various thresholds**





# Malaysia's GST Model

	<b>Federal &amp; State Government</b>	<b>Local Authority &amp; Statutory Body</b>
<b>Out of Scope</b>	<p>All supplies by Federal &amp; State government</p>	<p>Supplies made in the regulatory and enforcement (R&amp;E) functions</p> <p><i>Eg. Assessment rate collection, issuance of licenses, penalty</i></p>
<b>Subject to GST</b>	<p>Supplies that have been directed by Minister in the GST (Government Taxable Supply) Order</p> <p><i>Eg. Supply made by RTM, Prison Department</i></p>	<p>Non R&amp;E functions</p> <p><i>Eg. Business activities such as rental facilities, garbage collection, etc.</i></p>
<b>Acquisitions</b>	<ul style="list-style-type: none"> <li>▪ Need to pay GST on their acquisitions of services.</li> <li>▪ Relief on all goods except petroleum and imported motorcars.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Need to pay GST on their acquisitions of goods and services.</li> <li>▪ Can claim GST paid on inputs of goods and services (Regulation 49)</li> <li>▪ Have to be a GST registered person</li> </ul>

# Malaysia's GST Model

## Zero rated Supply (0%)

### Food Items

- ❖ rice , flour & Sago and peas dhal
- ❖ sugar & salt
- ❖ cooking oil ( palm oil, coconut & peanut)
- ❖ spices and cencalok , budu , belacan
- ❖ Infant milk
- ❖ Bread

### Agricultural Products

- ❖ Paddy
- ❖ fresh vegetables & salads
- ❖ All fruits

### Livestock & Meat

- ❖ cattle , sheep , buffalo , pigs
- ❖ poultry ( including eggs of poultry )

### Seafood

- ❖ all types of seafood including dry fish & anchovy

### Utility

- ❖ water supply (domestic)
- ❖ The first 300 units of electricity (domestic)

### Export

- ❖ Exported goods and services

### Medication

- ❖ Several categories of drugs zero rated (2900 drugs and medicines under National Essential Medicines are zero rated)

## GST exempt supply



Rail



Bus



Taxi



Toll



Water Transportation



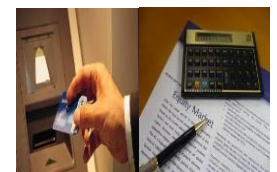
Land(General)



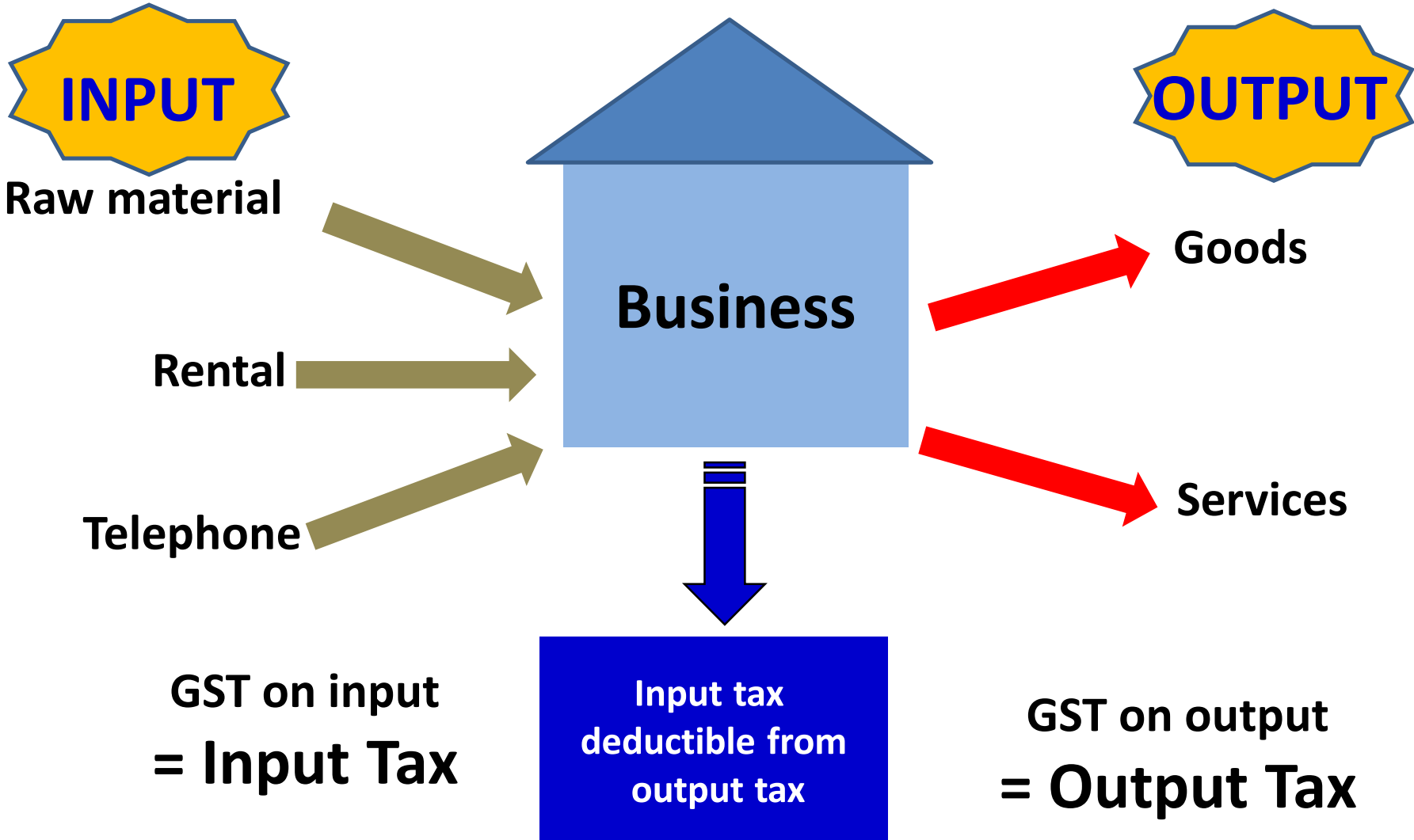
education / Health



Residential



financial institutions



# How GST Works? Standard-Rated



## GST @ 6%

Price: RM30  
GST: RM 1.80



**Wholesaler**

Price: RM50  
GST: RM 3.00

**Retailer**

Price: RM60  
GST: RM 3.60



**Consumer**

**Consumer  
pays  
6%**

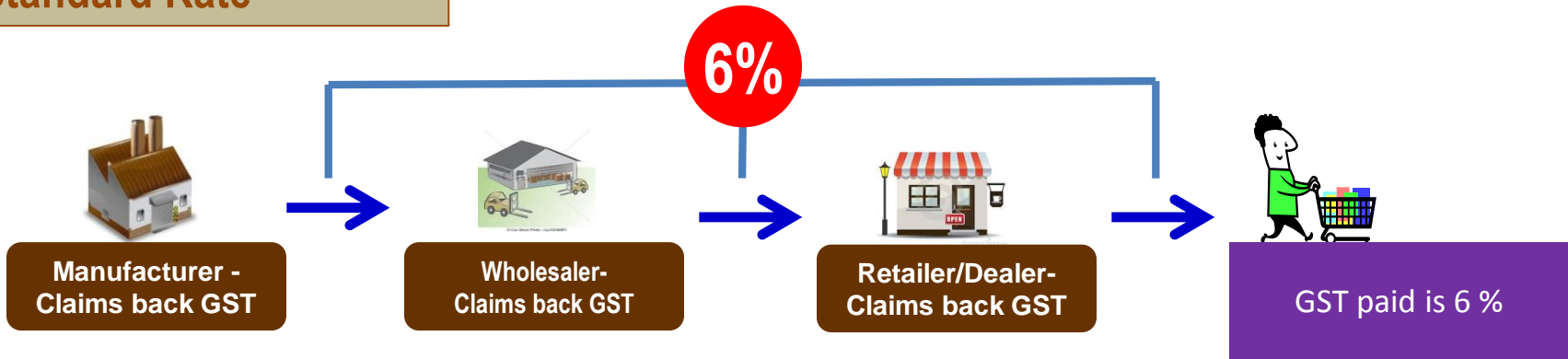
## Tax remitted to Government

Output tax =	<u>RM 1.80</u>	1
Input tax =	<u>RM 1.80</u>	
Output tax =	RM 3.00	2
Input tax =	<u>RM 1.80</u>	
	<u>RM 1.20</u>	
Output tax =	RM 3.60	3
Input tax =	<u>RM 3.00</u>	
	<u>RM 0.60</u>	

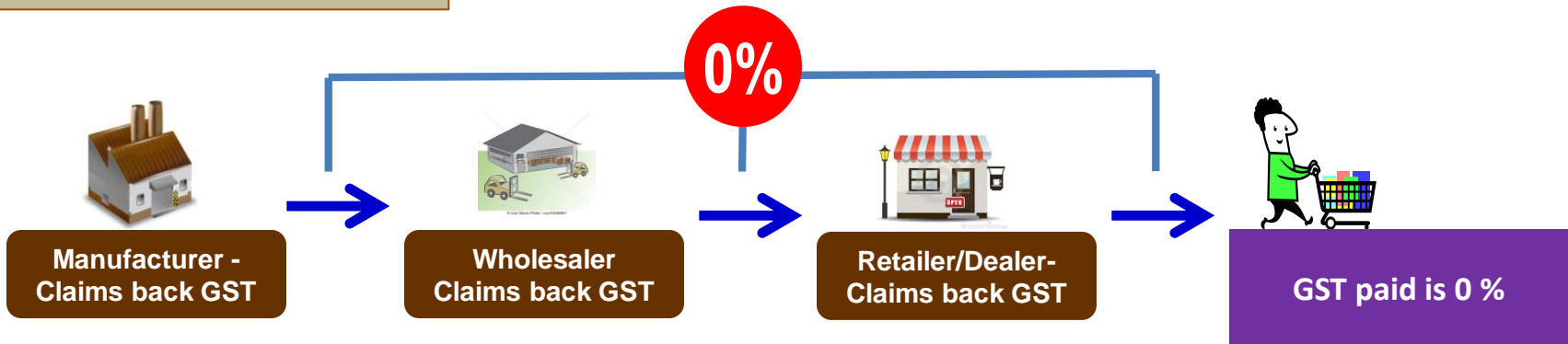
Total amount [ 1 + 2 + 3 ]  
remitted to  
Customs = RM 3.60

Assumption: GST 6%

## Standard Rate



## Zero Rate



## Exempt





**TABLET TERKINI DARI SERENDAH RM9.57 SEMINGGU!**

**SAMSUNG GALAXY TAB 8T-PROCHROME**  
• Android 4.1 Jelly Bean  
• 7" LCD Display  
Sesuai RM12.39 (RM1199)

**MSI WINDPAD 10**  
• 10.1" IPS Display  
• 1GB RAM  
• 16GB Storage  
Sesuai RM10.99 (RM1145)

**ASUS ME571C**  
• 7" IPS Display  
• 1GB RAM  
• 16GB Storage  
Sesuai RM9.57 (RM99)

**HP SLIDESHOT 7**  
• 7" IPS Display  
• 1GB RAM  
• 16GB Storage  
Sesuai RM10.99 (RM1145)

**LENOVO TAB 2**  
• 7" IPS Display  
• 1GB RAM  
• 16GB Storage  
Sesuai RM10.99 (RM1145)



**AKSESORI TABLET SERENDAH RM49 SAHAJA!**

**MOTOROLA** Sesuai RM20.85 (RM2099)

**APPLE IPAD 2** Sesuai RM15.21 (RM1499)

**HTC MYEYE** Sesuai RM24.81 (RM2499)

**LENOVO TAB 2** Sesuai RM10.99 (RM1145)

**ASUS ME571C** Sesuai RM10.99 (RM1145)

**HP SLIDESHOT 7** Sesuai RM10.99 (RM1145)

**LENOVO TAB 2** Sesuai RM10.99 (RM1145)

**AKSESORI TABLET SERENDAH RM49 SAHAJA!**

**POWER BANK** Sesuai RM49 (RM49)

**CHARGER** Sesuai RM99 (RM99)

**KEYCHAIN** Sesuai RM109 (RM109)

**SLIPCASE** Sesuai RM129 (RM129)

**SCREEN PROTECTOR** Sesuai RM70 (RM70)

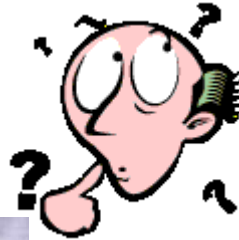
**COURTS Max CREDIT** **Beli 1 Percuma 3**

# Preparation and Implementation of GST

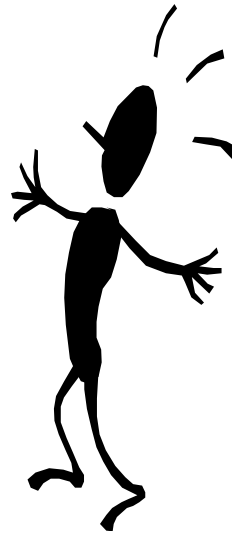
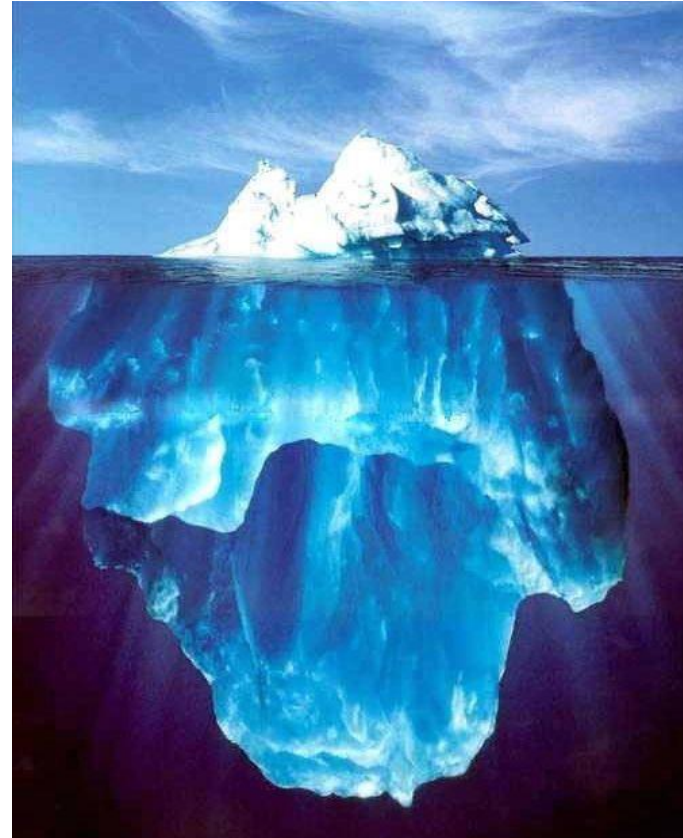


# Iceberg Syndrome

How Far Do You Look At an iceberg ?

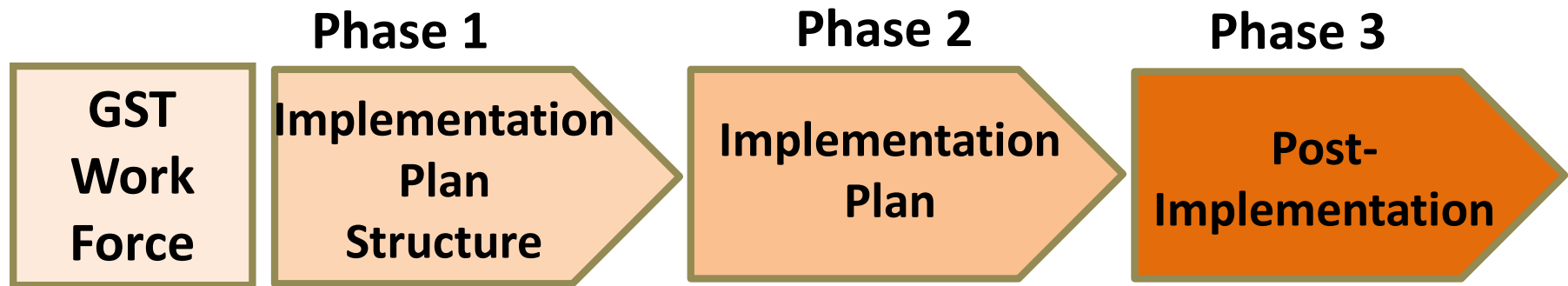


Only 10%!





Provide system that complies with the GST



## Key points to be addressed

Compliance with requirements of the Act

Documentation & System

legislation ( Contract ) & Transition issues

Human Capital Training

Vendor & Supplier Relations

# Basic Elements of GST





## Meaning of Supply

- **to serve, to furnish, to provide something**
  - in the case of goods – the transfer of title or ownership, outright cash or credit sale, hire purchase etc
  - in the case of services – the provision of services
- **anything done for consideration**
  - sale, barter, exchange, license, rental, lease, right to use, gifts or disposition
  - linked to the supply
  - everything received in return for the supply of goods or services (in monetary or non-monetary terms)

## Meaning of Supply (cont)...

- **certain transactions are not supplies**
  - **transfer of going concern (neither supply of goods nor services)**
- **anything done with no consideration can be deemed to be a supply**
  - **disposal of business assets**
  - **business gifts (>RM500)**
  - **Private use of business asset**

## Meaning of person

- Includes individual, corporation, Federal Government, State Government, statutory body, local authority, society, trade union, co-operative society, joint venture, trust, partnership and any other body, organisation, association or group of persons, whether corporate or unincorporated

## Scope

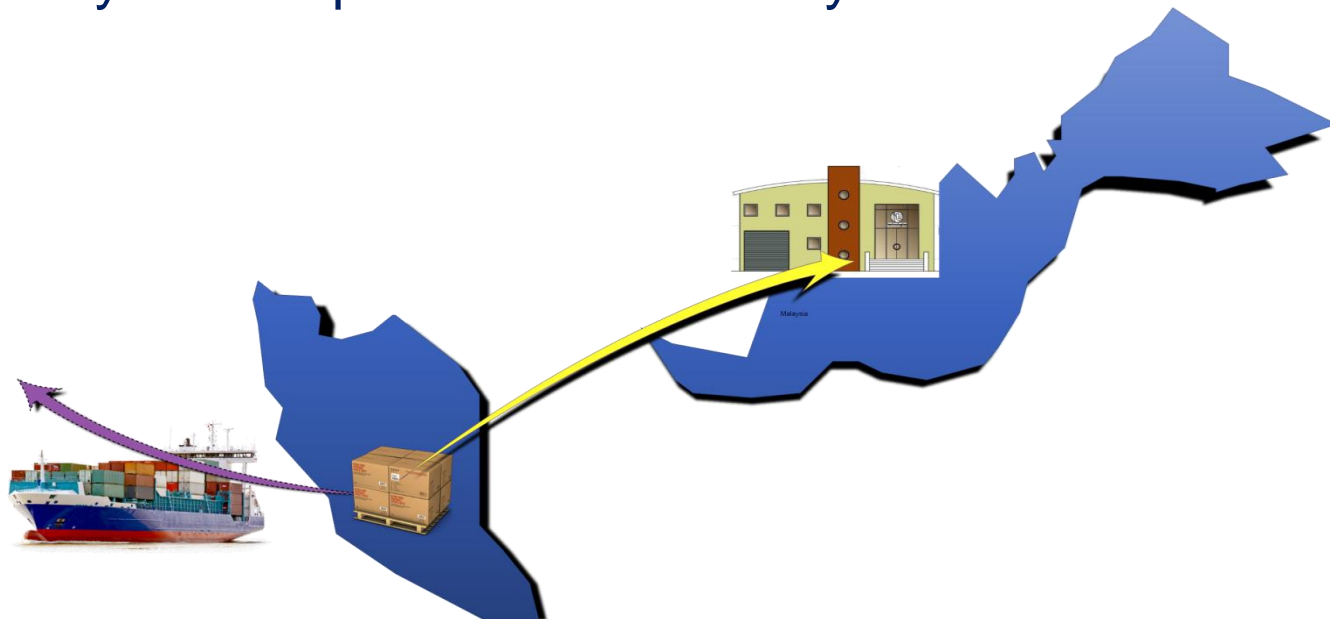
- Includes natural and juridical persons
  - individual, sole proprietor and partnership
  - company, club, association, society, co-operative, trade union, non profit body and unincorporated bodies
  - trust, trustee, executor, administrator and joint venture
  - Federal Government, State Government,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

## Meaning of taxable person

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

- ***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



- *Goods treated as supplied outside Malaysia*
  - Goods removed from a place outside Malaysia to a place inside Malaysia
  - Goods removed from a place outside Malaysia to another place outside Malaysia



# Place of Supply

***The supplier of services is treated as belonging in a country based on –***

- the presence of a business establishment or fixed establishment in the country and no elsewhere ; or
- if the supplier has no such establishments in any country, his usual place of residence; or
- If the supplier has establishments in many countries, the establishment which is most directly concerned with the supply

**Note: Fixed establishment**

A branch or agency through which business is carried

**Place of residence**

For body corporate → the place of incorporated or legally constituted

For unincorporated body → the place where centre of administration is located

# **SUMMARY:** WHERE THE SUPPLIER OF SERVICES BELONGS



Business / fixed Establishment in Malaysia	Business / Fixed establishment in other country	Establishment most directly concern with the supply	Belongs to
<b>YES</b>	<b>NO</b>	<b>MALAYSIA</b>	<b>MALAYSIA</b>
<b>NO</b>	<b>YES</b>	<b>OTHER COUNTRY</b>	<b>OTHER COUNTRY</b>
<b>YES</b>	<b>YES</b>	<b>MALAYSIA</b>	<b>MALAYSIA</b>
<b>YES</b>	<b>YES</b>	<b>OTHER COUNTRY</b>	<b>OTHER COUNTRY</b>
<b>NO</b>	<b>NO</b>	<b>---</b>	<b>USUAL PLACE OF RESIDENCE</b>

## Basic Tax Point

- **basic tax point** for supply of goods



the time when goods are removed

- ❖ the supplier sends the goods to the customer
- ❖ the customer collects the goods from the supplier



the time when goods are made available

- ❖  e.g. if the supplier is assembling something on the customer's premises

- **basic tax point** for supply of services



the time when the services are performed

# Time of Supply

- **Events before basic tax point**

Time of Supply → when the **payment is received** or **tax invoice is issued** to the extent covered by the invoice or payment, whichever is the earlier

- **21 days rule**



if tax invoice **is issued within 21 days** after the basic tax point, then time of supply is the time of the tax invoice

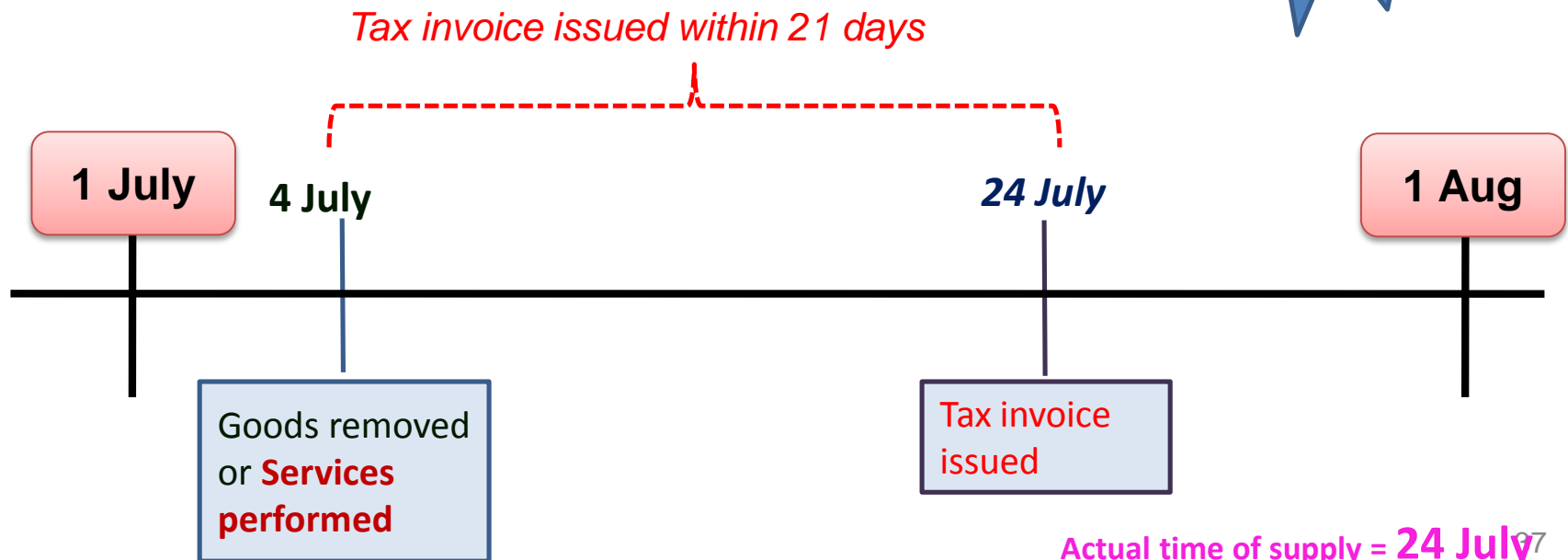
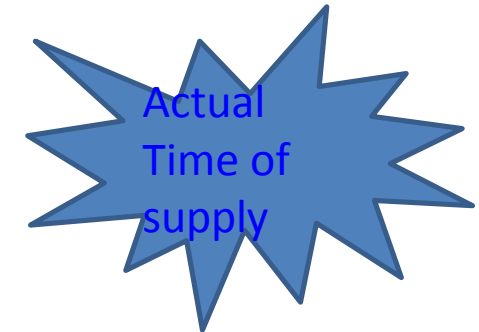
- **Power of the DG**



may alter the time at which supplies are made

# Time of supply rule

**Time of supply** is the **date of tax invoice** if it is issued within **21 days** after the 'basic time of supply'

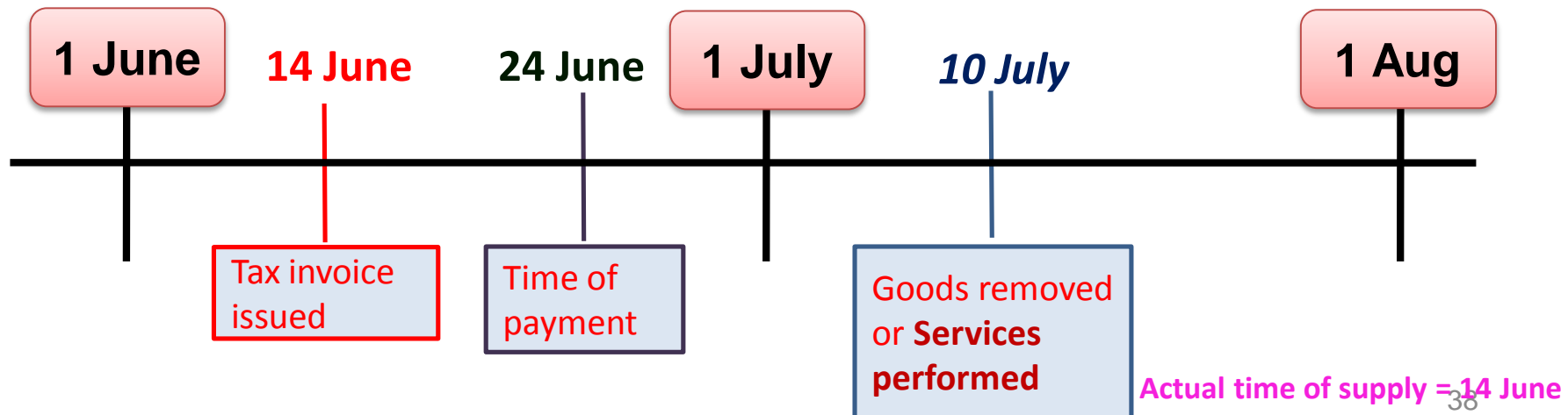


# Time of supply rule

What happened if invoice issued or payment received **before** the **'basic time of supply'**? The time of supply is.....

- at the time of invoice issued
- at the time of payment with regards to supply

whichever is the earlier



# Specific time of supply



## Exception Rules - examples

- goods on consignment – the date when the sale becomes certain
- supplies of power, water, gas, light – the date when the bills are issued or payment are made
- goods put to private use – on the last day of the taxable period when goods are used
- supplies via vending or coin operated machines – the time when the coins are removed from the machines
- supplies provided continuously – when payment is received or invoice is issued
- imported services – when services is paid by the receiver

# Value of supply

## Value for GST :

- Value of supply (consideration in money)

**Value = consideration – GST portion**

- Value of supply (consideration not in money term)

**Value = open market value**

- Value of imported goods

**Value = value for customs duty + amount of customs duty paid/to be paid + amount of excise duty paid/to be paid, if any**

- Value of imported services

**Value = payment made**



# Registration for GST





# https://www.gst.customs.gov.my



Laman Web Rasmi  
**CUKAI BARANG & PERKHIDMATAN MALAYSIA (CBP)**  
Jabatan Kastam Diraja Malaysia



- Laman Utama
- Mengenai CBP
- Pengguna
- Industri
- Rujukan & Panduan
- Sorotan CBP
- Hubungi Kami

## APA ITU CBP ?

CBP yang juga dikenali sebagai VAT ataupun cukai nilai tambah di kebanyakan negara merupakan cukai penggunaan pelbagai peringkat terhadap barangan dan perkhidmatan

[Lagi](#)

- TAXPAYER ACCESS POINT**  
[DAFTAR](#)  
[LOG MASUK](#)
- UNTUK PENGGUNA**  
[SELANJUTNYA](#)
- UNTUK INDUSTRI**  
[SELANJUTNYA](#)
- UNTUK PELANCONG**  
[SELANJUTNYA](#)

Perkhidmatan Online

Kalkulator Online

Galeri Media

Pengumuman

Tiada Pengumuman untuk dipaparkan.

TEMA

- Blue
- Red
- Green
- Grey

SAIZ TEKS

A+

A

A-

BM

EN

SET ASAL

## Liability to Register

### Mandatory

- Making taxable supply of goods and services in Malaysia
- Turnover exceeded the prescribed threshold
- Proposed turnover RM500,000.00
- Turnover is based on the total value of the taxable supplies for a 12 month period

## Taxable Turnover

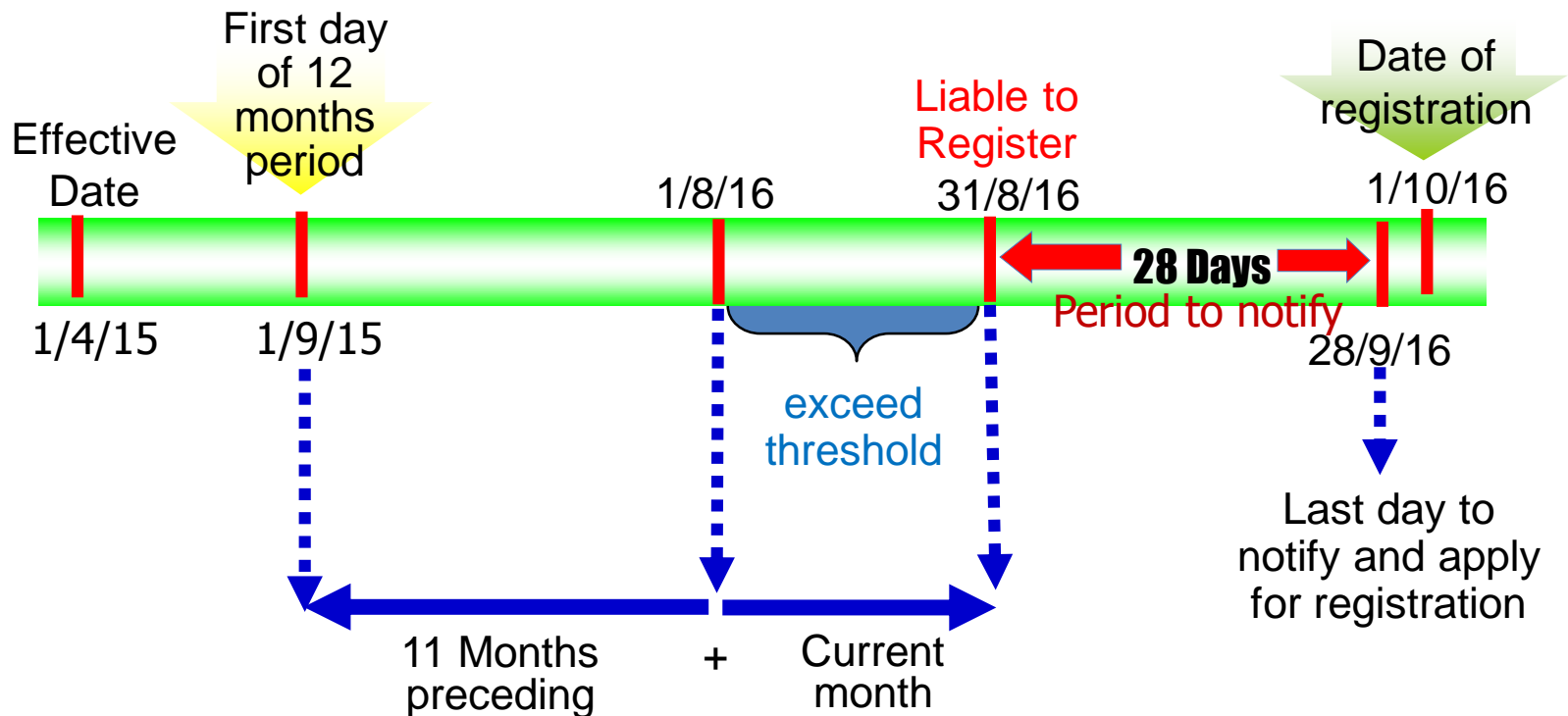
### Includes

- ✓ **Standard Rated Supplies**
- ✓ **Zero Rated Supplies**
- ✓ **Deemed Supplies such as private use, fringe benefit, etc.**

### Excludes

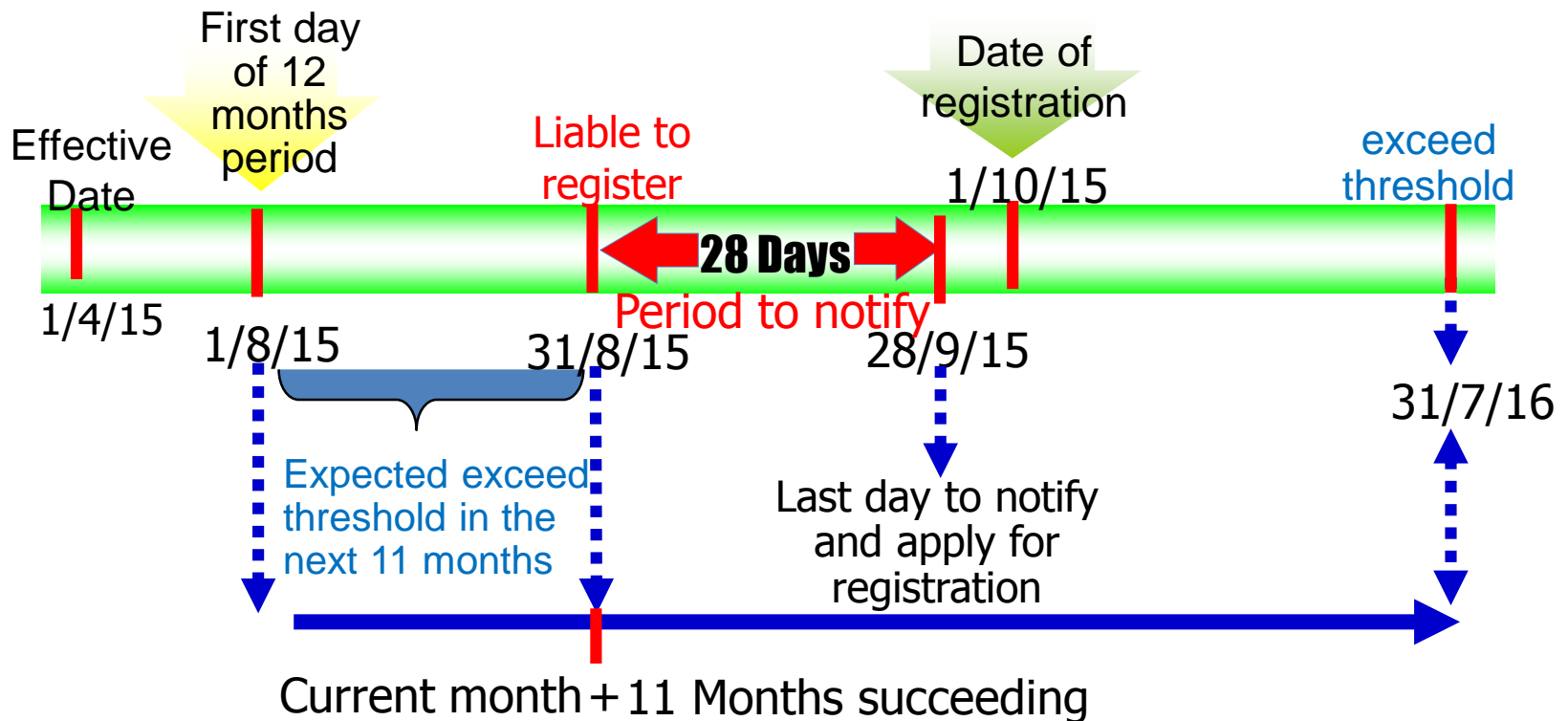
- ✓ **Exempt Supplies**
- ✓ **Sale of Capital Assets**
- ✓ **Imported Services**

## The determination of threshold Historical Method illustration (applicable after effective date)



## The determination of threshold

### Future Method illustration (applicable after effective date)



## Voluntary Registration

- For businesses below threshold
- Must remain in the system for at least 2 years

## Other types of Registration

- Branches /Divisional registration
- Group registration
  - ✓ Various members of companies under one group
- Agent principals registration
  - ✓ Registration for non-resident
- Joint Venture (JV) registration
  - ✓ Petroleum exploration activity

## As a registered person, what are my responsibilities?

Must comply with the requirements under the GST legislation as follows:

- i. **account for GST** on taxable supplies made and received
- ii. **submit GST return (GST-03)** and pay tax not later than the last day of the following month after the taxable period;
- iii. issue **tax invoice**



- iv. **inform Customs of the cessation of business** within thirty days from the date of business cessation;
- v. **inform Customs on any changes** of address, taxable activity, accounting basis and taxable period; and
- vi. keep **adequate records** of business transactions relating to GST in the National or English language for seven years.

# *Inquiry*

**Ketua Setiausaha,  
Pejabat Pelaksana GST,  
Perbendaharaan Malaysia  
Komplek Kementerian Kewangan,  
No.5, Persiaran Perdana,  
Pusat Pentadbiran Kerajaan Persekutuan Malaysia,  
62596 PUTRAJAYA.  
Tel : 03-88823000**

## **GST Call Centre (CCC)**

**1-300-888-500**

**Tel: 03- 88822111**

**Fax: 03- 78067599**

**Email: [gst@customs.gov.my](mailto:gst@customs.gov.my)**

**[GST PORTAL](http://www.gst.customs.gov.my)**

**[www.gst.customs.gov.my](http://www.gst.customs.gov.my)**



End of  
Presentation

Royal Malaysian Customs Department