



GST Treatment For Specific Industry



Entertainment Industry

Date: 27 January 2015

Time: 2.15 – 3.45 pm

**Place: Perbadanan Kemajuan
Kraftangan Malaysia**



Entertainment industry

Scope of entertainment industry

- any exhibition, performance, amusement, game or sport or any activities treated as entertainment.
- gaming, betting, lotteries or sweepstakes are not covered by this presentation.

Entertainment Industry

Key players in the entertainment industry includes

- **singers, actors, dancers, etc**
- **musicians, magicians, comedians, clowns, etc**
- **support group – make up artist, costume designer, etc**
- **lyricists, composers, promoters, managers, choreographers, etc.**
- **broadcaster, theater house, production and recording companies, etc**
- **operator of entertainment outlets such as theme park, night club, etc.**

Entertainment services provided by the key players

- **subject to GST**

Service provider

- **need to be registered (above the prescribed threshold)**

Taxable supplies

- **sale of goods (food, beverages, tobacco, merchandise, ticket and etc)**
- **services (hospitality, advertising, consultation, broadcast, appearance and etc)**
- **rental of spaces to tenants (exhibitor)**
- **self consumption of goods**
- **gifts exceeding RM500**
- **employee benefits**

GST Treatment of services

Standard rate

- **supply services**
- **outsourced services**

Zero rate

- **exported services**

Supply of services

➤ **transportation services**

- coach bus, helicopter - standard rated
- public transport / bus, taxi (domestic transport) are exempt supply.

➤ **hospitality services**

- rooms, spa treatment – standard rated

➤ **advertising services**

- provide space, live advertising, billboard space - standard rated

Supply of services (cont.)

➤ Consultation services

- technical work – standard rated

➤ Broadcast

- live broadcast – standard rated

➤ Appearance

- appearance fee, TV rights – standard rated

GST Treatment on Entertainment industry

Admission fee

- **Entertainment duty is levied on admission fees under Entertainment Duty Act 1953, levied at rate 25% administered & collected by the State Government**
- **Charged & Collected upon every payment for admission to any exhibition, performance, amusement , game or sport or any activity declared as entertainment by Ministry of Finance**
- **GST to be levied on the net ticket price excluding Entertainment Duty**

Admission fee

How to calculate GST on Admission fee

(Price exclusive GST)

Example:

Admission fee	RM 3.00
Entertainment duty	RM 0.75(RM 3.00 x 25%)
GST 6%	RM 0.18 (RM 3.00 x 6%)
Total price	RM 3.93

-Entertainment duty to be retained and GST imposed on the ticket cost of RM 3.00

Admission fee

- **levied on the net ticket price excluding entertainment duty**
 - **subject to GST at standard rate**

Advance ticket sales

- **Payment received in advance of the supply of goods or services are liable to GST at the time the payment made**
- **If an event is cancelled the promoter, ticket agent or distributor refunds the full amount including GST**

Royalty

- **Payment of royalty is considered as payment for a right to use the intellectual property or trade mark**
 - **subject to GST at standard rate**
- **Collected royalties on behalf of foreign composers, lyricists and producer also subject to GST because service rendered / consumed in Malaysia**

Agent acting on its own name

- **Supply is treated as normal supply by agent**
- **Input tax can be claimed by the agent**
- **Agent to account for output tax**

Agent acting on behalf of principal who is taxable person

- **Supply shall be deemed to be made by and to the principal and not by the agent**
- **Principal allowed to claim input tax and account for the output**
- **Agent can claim input tax on his services and account output tax on his commission**

Sponsorship

- **Cash sponsor (donation)**
 - **non supply**

- **Cash sponsor with benefit in return such as advertising**
 - **standard rated**

- **Sponsorship in kind given with condition attached to it such as advertising the name of the sponsor**
 - **standard rated**

Exported Service

- **Broadcasting services**
 - **broadcasting rights to telecast in foreign network**
 - **transmission of program to overseas network provider**
- Zero - Rated Supply**

- **License**

- **The treatment of License issued by the government agency as a regulatory and enforcement function is out of scope.**
- **License issued by the commercial organization for example licensing music usage is subject to GST**

Private function

- **Invited by individual including foreign artistes**
- **Not liable to pay GST on the fees charged by the foreign artists**
- **unless organized by promoter involved in entertainment, individual liable for GST on any payment through the reverse charge mechanism.**

Non Resident

- **Non resident who does not belong in Malaysia is not required to be registered**
- **Non resident who has business establishment or fixed establishment in Malaysia liable to register**
- **Under Malaysian law any foreign entertainer or business organization involved in entertainment industry is required to appoint local promoter (through PUSPAL) as their agent to account for whatever tax liability including GST.**

Copyright damages

- **Copyright damages received by recording company from copyright infringer pursuant to enforcement action are not subject to GST**
- **Compensation is not a consideration for the services provided**

TOP UP CARD (theme park)

- **Treated as monetary voucher**
- **Not subject to GST at the time of purchase**
- **Subject to GST upon redemption**

Machine operated by coins, cards, etc.

- **Supplies take place when the collections are removed from machine or at the time the transaction is recorded by the machine**
Subject to GST - standard rate

Discount

- **Discount is allowed**

Gift

- **Gift of goods not more than RM500 made in the course or furtherance of business to the same person in the same year**
 - ✓ **not subject to GST**

Prepaid cards and top up cards

- **not subject to GST**
- **GST is chargeable upon redemption**
- **if service fee is charged on top up, GST becomes chargeable**

Transitional Rules

Stocks on Hand

- **Special refund to be given subject to conditions**
 - ✓ **claimant is a GST registered person**
 - ✓ **claimant on the appointed date holds the goods for the purpose of making a taxable supply**
 - ✓ **goods subject to sales tax and the sales tax has been paid**
 - ✓ **invoice 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**

Stocks on Hand

- **20% method**
 - ✓ if sales tax is not shown in the purchase invoice, the special refund
 - **actual purchase price x 20% x sales tax rate**
- special refund to be given in eight equal installments over a period of two years
- to account as output tax if special refund is claimed and goods are returned

Matters to consider

- **price display**
 - ✓ **GST inclusive**
- **tax invoice to show GST chargeable**

End of
Presentation