



## **ROYAL MALAYSIAN CUSTOMS**

### **MALAYSIA GOODS AND SERVICES TAX (GST) GUIDE**

### **GST GUIDE ON DUTY FREE SHOP (DRAFT)**

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DRAFT

# DUTY FREE SHOP

## 1. INTRODUCTION

This Industry Guide is prepared to assist you in understanding the Goods and Services Tax and its implications on Duty Free Shop.

### 1.1. Overview of Goods and Services Tax (GST)

Goods and Services Tax (GST) is a multi-stage tax on domestic consumption. GST is charged on all taxable supplies of goods and services in Malaysia except those specifically exempted. GST is also charged on importation of goods and services into Malaysia.

Payment of tax is made in stages by the intermediaries in the production and distribution process. Although the tax would be paid throughout the production and distribution chain, it is ultimately passed on to the final consumer. Therefore, the tax itself is not a cost to the intermediaries and does not appear as an expense item in their financial statements

In Malaysia, a person who is registered under the Goods and Services Tax Act 2009 is known as a registered person. A registered person is required to charge output tax on his taxable supply of goods and services made to his customers. He is allowed to claim input tax credit on any GST incurred on his purchases which are inputs to his business. Thus, this mechanism would avoid double taxation and only the value added at each stage is taxed.

## 2. BACKGROUND

Duty Free Shop (DFS) in Malaysia are licensed under Section 65D, Customs Act 1967. DFS typically operates at international airports, seaports, downtown and at borders. DFS is set up for the purpose of promoting the tourism industry in Malaysia, especially to foreign tourists. Foreign tourists as well as eligible local tourists are able to purchase goods free of duty and GST at any DFS.

## 3. TYPES OF DFS

Basically, there are several types of DFS operating in Malaysia, as follows:

### 3.1. DFS located at airports.

They are normally located at the “air side” at airport terminal building. They are meant to cater for plane crew and air passengers.

### **3.2. DFS located at seaports.**

Like at the airports, we also have DFS at the various seaports in Malaysia, for example Port Klang, Port of Tanjung Pelepas in Johor and the Pasir Gudang Ferry Terminal and Tanjung Belungkor Ferry Terminal, both located at Johor Bahru.

### **3.3. DFS located at borders.**

These are DFS located at certain border checkpoints, like Padang Besar and Bukit Kayu Hitam, to supply duty free goods to tourists.

### **3.4. DFS located within the country.**

We also have DFS within the country, like Rantau Panjang and Pengkalan Kubor, located within principal customs area but situated near customs checkpoints.

## **4. GOODS THAT CAN BE SUPPLIED AT DFS FREE OF DUTY AND GST**

Under the Customs Act 1967 and Customs Regulations 1977, not all goods are allowed to be sold free of duty at DFS. Only certain categories of goods are allowed to be sold or supplied free of duty. Those goods that are allowed to be sold free of duty and GST include the following:

- a) Foods products
- b) Chocolate ,Confectionery
- c) Liquor, Cigarettes, Tobacco
- d) Leather product
- e) Toilet preparation
- f) Textiles, wearing apparel, Clothing Accessories
- g) Footwear, Headgear
- h) Tableware, Glassware (ceramic, porcelain, glass)
- i) Jewellery
- j) Articles of base metal
- k) Typewriter, calculating machine
- l) Domestic Electrical Appliances
- m) Telephone set
- n) Audio, Video media
- o) Television Receivers, Video Cassette Recorders, Radio Broadcast Receivers

- p) Toys, Games
- q) Cigarette Lighter, Ball Pen (plastic)
- r) Sports goods

Goods on which import duty, excise duty has been paid is not allowed to be supplied at DFS.

**4.1. What is the GST implication on goods sold in DFS that are not listed as duty free?**

You will not be allowed to supply goods that are not listed as duty free at your DFS.

**5. ACQUISITION OF GOODS TO BE SUPPLIED TO DFS**

Only goods that are approved by Director General are allowed to be supplied to DFS free of GST.

**5.1. What is the GST treatment on goods that I import from overseas and send to my DFS?**

GST on eligible goods that are imported is suspended when imported by the DFS operator. Such importation has to be declared in the prescribed form (Customs no. 8).

**5.2. What is the GST treatment on goods that are acquired by a DFS operator from a bonded warehouse?**

GST on such acquisitions is suspended. The movement of goods from **bonded warehouse** to DFS must be made in Customs No.8 form.

**5.3 What is the GST treatment on goods acquired from an excise warehouse?**

Acquisitions of goods from an excise warehouse are also suspended. The movement of goods from such premise to DFS must be made in Excise no.8 form.

**5.4 Are goods supplied by local manufacturers to DFS subject to GST?**

Goods supplied by local manufacturers (including from FIZ and LMW companies) to DFS are treated as local supplies. However, for those goods that are allowed to be sold in DFS, GST relief will be given under the Goods and Services Tax Relief Order 20XX. Hence, such goods would not be subjected to GST.

**5.5 Are goods other than those permitted to be sold free of duty in DFS, such as photocopying machine, furniture and stationery acquired by a DFS operator for his own use, subject to GST?**

Goods other than those allowed to be supplied free of duty in DFS would be subjected to GST. However, the DFS operator can claim input tax credit on such acquisition.

**6. SERVICES SUPPLIED AND CONSUMED AT DFS**

All services supplied to or consumed in a DFS are subjected to GST. However, the DFS operator can claim GST paid on such services as his input tax credit.

**6.1. What is the treatment of GST on freight for transporting goods to my DFS?**

Freight for the transportation of goods to DFS would attract GST.

**6.2. Must I also pay GST on insurance for transportation of goods to my DFS?**

Yes, insurance on transportation would also attract GST.

**6.3. Are services consumed in DFS such as security and utility services subject to GST?**

Yes, services consumed in DFS like security and utility charges are subject to GST.

**7. SUPPLIES OF GOODS AT DFS**

**7.1. Are goods sold in DFS located at seaport or airport subject to GST?**

DFS located at airports and seaports are allowed to sell goods to ship crew and passengers. Foreign passengers or bona fide tourists and ship crew are allowed to purchase goods at such DFS free of duty and GST.

**7.2. Are Malaysians normally residing in Malaysia but returning from overseas eligible to purchase goods without duty and GST from DFS?**

Only Malaysians returning from overseas after an absence from Malaysia not less than 72 hours are allowed to purchase duty free goods at DFS without duty and GST. Such eligible Malaysians must provide proof of their overseas stay.

**7.3. I operate a downtown “Tourist Refund Scheme (TRS)” outlet. What is the GST treatment on goods supplied by me in the outlet?**

Goods sold at TRS outlets are subject to GST at standard rate. Any foreign tourist leaving Malaysia can claim back GST paid on goods purchased at TRS outlet provided they fulfilled the conditions imposed under the TRS. For further details, please refer to the guide on TRS.

**7.4. What is the GST treatment on goods sold in DFS located at borders, like Bukit Kayu Hitam, Kedah?**

All goods sold at border DFS are free of GST. However, if such goods are brought into Malaysia, GST would be imposed at the checkpoint by the customs.

**7.5. What is the GST treatment on goods purchased by ineligible persons at airport and seaport DFS?**

Ineligible persons who purchased goods would have to pay GST on such purchases at the customs checkpoint.

**8. RESPONSIBILITIES AND LIABILITIES OF A DFS OPERATOR**

**8.1. As a DFS operator, do I need to register for GST?**

As a DFS operator you must register as a GST registrant if your taxable turnover exceed prescribed threshold. Sale of duty free goods is regarded as taxable supply.

**8.2. If I operate several DFS in Malaysia, can I register all the DFS under one single GST registration?**

Yes you can register as one single entity. However, you may choose to register your DFS separately under branch registration. Refer to guide on GST registration.

**8.3 What are my responsibilities as a DFS operator?**

Your responsibilities as DFS operator include the following:

a. Bank Guarantee.

You must furnish a bank guarantee or bond to cover the duty and/GST payable on the goods supplied at your DFS.

b. Stock Record.

You must maintain and keep stock records, sale record, daily sale record, monthly return and sales invoices.

c. Return/audit report.

You are required to submit monthly report to the RMC on your sale, acquisition and stock keep. Besides that, you have to submit an annual certified audit report to the RMC.

**8.4. How do I register as a GST registrant?**

You are required to fill in an application form to be submitted together with supporting documents such as your DFS license, your form 24, and 49 of the company Act. Copies of your I/C or passport, location plan. For further details please refer to guide on GST registration.

**9. OTHER RELATED MATTERS**

**9.1. What happens if goods are damaged or lost in the DFS?**

Proper documentation, such as survey report describing the cause of damage and quantity involved must be furnished to the DG immediately. However, GST is chargeable on the damage goods unless remission of tax is obtained from the DG.

**10. FURTHER INFORMATION**

If you require any further information regarding GST, please contact our officer at any of our GST office or call toll free line No. 1800 XX XXXX. You can also visit our website at <http://www.customs.gov.my>.