



ROYAL MALAYSIAN CUSTOMS

GOODS AND SERVICES TAX

GUIDE ON EVENT MANAGEMENT INDUSTRY

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INTRODUCTION

1. This Industry guide is prepared to assist you in understanding the Goods and Services Tax and its treatment on event management industry.

Overview of Goods and Services Tax (GST)

2. 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.

3. 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, only the value added at each stage is taxed thus avoiding double taxation.

4. In Malaysia, a person who is registered under the Goods and Services Tax Act 2014 is known as a “registered person”. A registered person is required to charge GST (output tax) on his taxable supply of goods and services made to his customers. He is allowed to claim back any GST incurred on his purchases (input tax) which are inputs to his business. Therefore, the tax itself is not a cost to the intermediaries and does not appear as an expense item in their financial statements.

OVERVIEW ON EVENT MANEGEMENT

5. Event management is categorized as the supply of the application of management practice of project management to the creation and development of festivals and events. Event management services comprise a variety of services such as:

- (a) Corporate events
 - Product launches;
 - Press conferences;
 - Corporate meetings, Conferences.



- (b) Marketing programs
 - Road shows and exhibitions;
 - Grand opening events.
- (c) Special events
 - Concerts, circus;
 - Award presentation ceremonies;
 - Film premieres;
 - Corporate parties, annual dinners;
 - Family days;
 - Fashion shows and beauty pageants;
 - Company's leisure company trip;
 - Motivational and team building trip.
- (d) Private events
 - Weddings;
 - Birthday parties;
 - Re-union.

6. Services in event management can be categorized into three main groups:

(a) Event services

Some of the most common features related to event services are event planning, logistic research and planning, strategic planning, venue management, promotion planning, on-site management, stage and floor management, signage and promotional and rental of equipment.

(b) Creative services

The common features related to event creative services such as; event conceptualization, event design and presentation, 3D visualization and blueprints, stage and props designs, booth and exhibition designs, script and storyboarding, development light design.

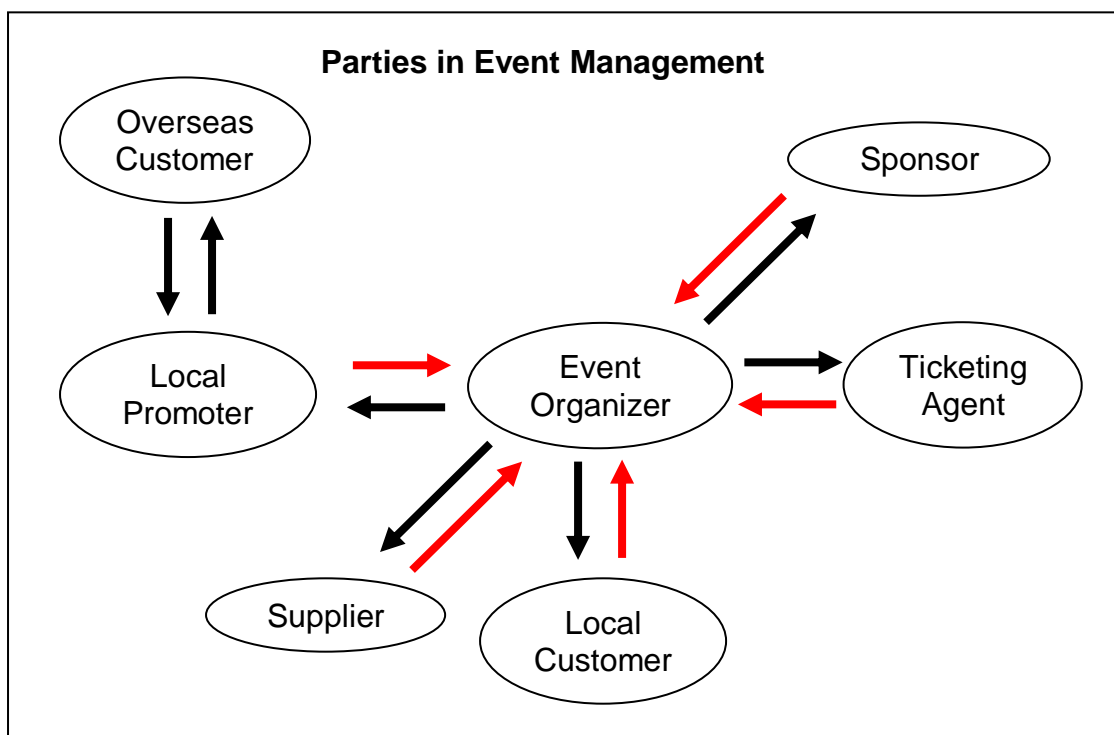
(c) Production services

The productions services of event production such as; stage and props production, video and animation production, web content, and event documentation.

GST TREATMENT ON EVENT MANAGEMENT SERVICES

7. Supplies of event management services provided by an event manager to a person or company in Malaysia is subject to GST at standard rate. If the supplies are meant for overseas, the fees received by the event manager in Malaysia is to be zero rate. Diagram A below illustrates the parties involved in event management and will help further in understanding the GST treatment on event management.

DIAGRAM A



8. In the above illustration, the event manager needs to organize the event by acquiring inputs from various key players such as the sponsor, the ticketing agent, the local promoter or overseas promoter. The event manager needs to pay GST at standard rate on the inputs acquired. In case of imported services acquired, it is to be subjected to GST by way of reverse charge mechanism.

9. Input tax is claimable on acquisition and the event manager has to account for output tax on the supplies made.

10. Any foreign company or foreign business organization who is involved in the entertainment industry is required to appoint a local promoter as their agent to account for the tax liability including GST. Non-resident promoters supplying services in Malaysia must have a local counterpart. The company must account GST on the taxable supplies made by the foreign company by way of reverse charge mechanism.

11. During the event, sponsorship is an important element to cover the cost of organizing an event. Event organizer can receive benefit through sponsorship either in cash or kind. Under GST cash benefit is a non supply. However, if there is a material benefit provided to the sponsor in return of the sponsorship received such as advertising during commercial break of a direct telecast, then the sponsorship is considered as a consideration in return of advertising services. Therefore, there is a need to account GST on the sponsorship (amount) received.

12. Sponsorship in kind is subject to GST. Sponsorship in kind if given with the condition attached to it, such as advertising the name or brand of the sponsor is taxable supply. The sponsor need to account GST on the ticket / clothing sponsored. On the other hand if the receiver provides advertisement service in return for the sponsorship, the receiver must account GST for the supply of advertisement services.

13. To ensure a broad awareness of the event and distribution of the tickets, event organizer also uses ticketing agents to sell ticket on his behalf. The actual sale of the ticket by ticketing agent is a supply to the customer. The agent who sells ticket is liable to account for GST on the ticket price plus all booking charges and commission charges if he is a GST registered person.

14. All goods and services provided by an event organizer related to event management services are subject to GST at a standard-rate. As a GST registered person you must charge and account GST to the customer who received the services.

FREQUENTLY ASKED QUESTIONS

Registration

Q1. Which event management providers need to register?

A1. All event management providers are required to be registered under the GST Act if they are making taxable supplies in the course or furtherance of business and have exceeded the prescribed threshold of RM500,000 in a twelve months period. (*For further information on registration, please refer to Guide on Registration*).

Taxable supply

Q2. Which event management activities attract GST?

A2. All event management activities attract GST since they are taxable supplies; Examples are:

- (a) Conceptualization of the event;
- (b) Event Production;
- (c) Management services;
- (d) Event Supervision;
- (e) Admission into events;
- (f) Event Advertising;
- (g) Facilities for hire; and
- (h) Security services.

Q3. Is GST payable on a supply of space for an exhibition given free of charge to regular exhibitors?

A3. A supply of space for exhibition offered free to regular exhibitors is not subject to GST provided this service is also available to any other exhibitor free of charge.

Q4. A company organizes a fashion show and gives away some free admission tickets and free T shirts. How does the company account for

GST on free goods or free services if these goods or services are given to selected customers?

- A4. The treatment of GST can be divided into two different treatments as follows;
- (a) Goods given free are subject to gift rules. Goods which cost the company RM500 and below per person within a year is not subject to GST.
 - (b) Free services are treated as non supply and therefore not subject to GST.

There are no special GST treatment rules on the gift given to selected customer. Normal GST rules apply.

Q5. As an event organizer, I organize seminars, workshops, conferences for both the private and government sectors. Do I have to account for GST if I provide such services:

- (a) solely to the private sector (companies);
- (b) solely to the public sector (government agencies); or
- (c) to both the private and public sectors?

- A5. Irrespective of whether your clients are from the private or public sectors you have to charge GST for providing the above services if you are GST registered person.

Q6. MICE (Meeting, Incentive, Convention & Exhibition) being an event organizer, organizes seminar on behalf of Ministry of Defence which is open to the public locally and internationally. How is GST accounted for the event?

- A6. There are three element of GST on the above scenario;
- (a) Event management fees charged to Ministry Of Defence by MICE is subject to GST.
 - (b) If there is a charge on admission ticket, it is subject to GST.
 - (c) Goods sold / services perform during exhibition are subject to GST.

If MICE is a GST registered person, input tax credit on inputs are claimable.



Q7. Occasionally certain personnel from the public or private sector are invited to attend these events as guests without any charges. What is the GST treatment in these cases?

A7. Such free participation not a supply and therefore is not subject to GST.

Q8. What is the GST treatment on supplies made by an event management company who organizes an exhibition in Malaysia but the participants are mainly from abroad?

A8. The GST treatment has to take into account 'where the supplier belong concept'. In this case, the suppliers belong to Malaysia. Therefore the event management company has to account for GST if the event management company is a GST registered person.

Q9. An event management company on behalf on Ministry of Defence organizes Langkawi International Maritime Aerospace (LIMA) show in Langkawi. What is the GST treatment on this exhibition organized by the event management company?

A9. Under section 154 of the Goods and Services Tax Act 2014, Langkawi is classified as designated area and therefore no GST is payable on goods supplied in designated area and on services performed (provided the supplier of services is from Langkawi).

Admission fees and ticket

Q10. What is the GST treatment on admission fees on exhibition? Who is liable to account for GST if the admission fees are collected by a ticketing Agent?

A10. Admission fees are taxable supplies and subjected to GST. If the organizer is a GST registered person, he must account for output tax. If the tickets are sold by an agent appointed by the organizer (principal), the organizer must account for GST on the admission fees and the commission paid to the agent if he happens to be a GST registered person.

Q11. I am an event manager and a GST registered person. Is it necessary to indicate the GST charged on the admission tickets to an event?

A11. The ticket must show the total amount payable excluding tax, the rate of tax and the total tax chargeable shown as a separate amount.

Q12. What is the GST treatment on the commission received by ticketing agent?

A12. If ticketing agent is a GST registered person, the agent need to account for GST on the commission received.

Imported service for performance services

Q13. As an event management provider and GST registered person, I have engaged a professional entertainer from overseas to perform at a dinner and fashion show. Is the performance provided subject to GST and who should pay the tax?

A13. Services from overseas is regarded as imported services and are subject to GST. You should account GST for the imported services by reverse charge mechanism. *(For more information on imported services and reverse charge mechanism, please refer to the GST General Guide).*

Co-organizers of reality show

Q14. Company XYZ, an event management provider, co- organized with a broadcasting station and Telekom Malaysia to jointly produce a reality show. How is the GST accounted for in this case?

A14. If the reality show is co-organized by few parties, each party must be able to identify its own supply to determine the GST liability. XYZ must charge GST on the exclusive right to air the show. The broadcasting station, in return would charge GST on advertising space to Telekom Malaysia. Telekom Malaysia would charge GST on services provided to the short message system (SMS) users for sending SMS to the show.

Rental

Q15. As a GST registered person and event organizer for an exhibition, I collected RM2,500 on space rental for two days exhibition from exhibitors. Should I charge GST on the rental?



A15. Yes, space rental collected from exhibitors is subjected to GST. As a GST registered person you must account the tax on the rental collected by you.

Q16. What is the GST treatment on charges for a rental space for an exhibition which also provides furniture, electrical appliances and security to the exhibitors?

A16. Supply of rental space, whether completely furnished or unfurnished, is subject to GST. Any additional equipment facilities or services provided are taxable supplies and subject to GST. However, if it is provided as part of a package, the GST will be accounted on the charges as a single supply.

Deposits

Q17. As an exhibition organizer I also collect deposits on advanced bookings for rental space. Are these deposits subjected to GST?

A17. GST treatment on deposit would depend on whether it is a security deposit or forms part of a payment. GST is not chargeable if it is a security deposit. However, if the deposit is part of a payment for rental space, it is considered a taxable supply and therefore subjected to GST.

Sponsorship

Q18. An exhibition organizer receives sponsorship from a company in return for providing advertising space in the exhibition. Is the sponsorship subjected to GST?

A18. Sponsorships are taxable supplies if benefits are provided in return for the sponsorship. In this case, the company has received advertising space (benefit) and therefore, the sponsorship is subjected to GST.

Advertisement

Q19. Are advertisements displayed during an event (for example at the podium, publication materials, attire and promotional items) sponsored by advertising agencies subjected to GST?

A19. Yes, advertisements are taxable supplies; hence the event organizer has to account for GST.



Parking facilities

Q20. Parking facilities at an exhibition are provided to guests free of charge. Must the organizer account for GST on the parking services provided?

A20. If the parking facilities are provided free of charge, then, it is not subject to GST. However if the parking facilities are charged, then it is subjected to GST.

Coin operated machine

Q21. Is commission or shared profit paid by the vendor of coin operated machines placed in a trade show, subject to GST?

A21. The commission or shared profit is a consideration for the right to operate the machines. As such, it is subjected to GST.

Consultancy and advisory services

Q22. Apart from event management, we provide consultancy and advisory services to clients on seeking approvals from related government agencies. Are these services subjected to GST?

A22. All consultancy and advisory services are subjected to GST.

Discount

Q23. As an event organizer, we give discounts to our customers. What is the GST treatment on the discounts given?

A23. Discount is allowable if it is given to all and GST is charged on the discounted or reduced amount.

Tax point

Q24. When do we account GST for providing event management services?

A24. You have to account for GST at:

(a) the date when you received the payment; or

(b) the date when you issue a tax invoice,

whichever is the earlier.

Input tax credit

Q25. As a GST registered person, am I entitled to claim any input tax credit and how do I do it?

A25. Being a registered person you are entitled to claim input tax that you have incurred on purchases such as capital assets, utilities, material and professional fees attributable to your taxable supplies.

You can claim your input tax in the following tax returns according to your approved taxable period by offsetting from the output tax payable to the Royal Malaysian Customs (RMC). *(For further information please refer to the GST on Input Tax Credit).*

Goods for private use

Q26. Can input tax be claimed for the goods and services which were supplied for the event, but have been used by the staff for private use?

A26. No, Input tax cannot be claimed on these supplies as they are not used in the course or furtherance of business.

FEEDBACK AND COMMENTS

15. Any feedback or comments will be greatly appreciated. Please email your feedback or comments to either En. Navukarasu A/L Ganeson (navukarasu.ganeson@customs.gov.my) or En. Hari Haran A/L Karnanidi (hari.karnanidi@customs.gov.my).

FURTHER ASSISTANCE AND INFORMATION

16. Further information can be obtained from:

- (a) GST Website: www.gst.customs.gov.my
- (b) GST Hotline: 03-88822111
- (c) Customs Call Centre:
 - Tel : 03-78067200 / 1-300-888-500



- Fax : 03-78067599
- E-mail : ccc@customs.gov.my

