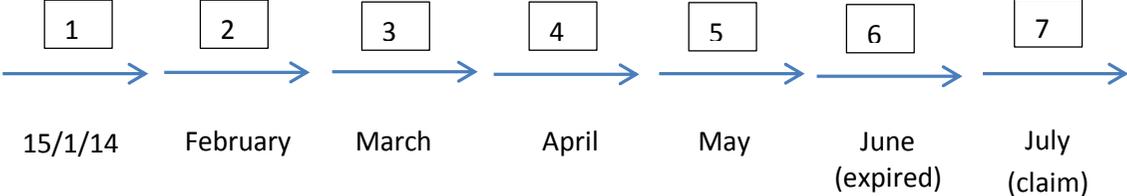


GST FREQUENTLY ASKED ISSUES

| NO. | ISSUES | RMC DECISION |
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| 1. | Issuance of invoice before effective date for supply made on or after effective date. | <ul style="list-style-type: none"> i) No invoice with indication of GST can be issued before the implementation date. (sec.183(1) Goods and Service Tax Act 2014 (GSTA 2014) ii) The supplier has to account for output tax on the supply made on or after 1/4/2015 even though invoice is issued or payment is received before 1/4/2015. The payment received and invoice issued is taken to have been received or issued on 1/4/2015 (sec 183 GSTA 2014). iii) The value on the payment received or invoice issued shall be deemed to be inclusive of GST. iv) Claiming of input tax After 1/4/15, a GST registered person can claim input tax based on the invoice issued before 1/4/15 as long as the GST ID number of the supplier is stated on the invoice. |
| 2. | Accounting for GST on imported services. | <ul style="list-style-type: none"> i) S.13(4) GSTA 2014 provides that the time of supply for imported services shall, to the extent covered by any payment by the recipient, be treated to have been made when the supplies are paid for; ii) A GST registered person however may account for output tax based on the date of invoice if it is issued earlier than the date of payment. iii) The value for imported services is tax exclusive. |
| 3. | Claiming bad debt relief. | <ul style="list-style-type: none"> i) A taxable person may claim bad debt relief subject to the requirements and conditions set forth under sec.58 of the GSTA 2014 and the person has not received any payment or part of the payment in respect of the taxable supply from the debtor after sixth months from the date of supply. |

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| | | <p>ii) The bad debt relief must be claimed immediately after the expiry of sixth months from the date of supply.</p> <p>iii) If the bad debt relief is not claimed immediately after the expiry of sixth month, than the taxable person must apply in writing for Director General's (DG) approval on his intention to claim at a such later date.</p> <p>iv) The word 'month' in sec.58 refers to calendar month or complete month –</p> <p>Example: Invoice issued at 15th January 2017. The sixth month expires at the end of Jun and the bad debt relief must be claimed immediately in July taxable period.</p>  |
| 4. | <p>Royalty</p> <p>If royalty has already been included into the customs value during importation, what is the GST treatment on royalty under sec. 13 GSTA 2014?</p> | <p>i) Supply of royalty is a supply of services.</p> <p>ii) GST need to be accounted for on any payment made in relation to imported goods, however if the royalty has been included into customs value when the declaration was made at the time of import, no GST on such royalty need to be charged separately as imported services.</p> |
| 5. | <p>GST treatment on drop shipment -</p> <p>i) Local company X purchases goods from overseas supplier and later sold the goods to local customer B and issue</p> | <p>The supply made by the local company X to the local company B is an out of scope supply if –</p> |

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| | <p>an invoice (local invoice). The local company X requests the overseas supplier to deliver the goods direct to his local customer B.</p> <p>Whether the supply by the local company X to the local company B subject to GST?</p> | <p>(a) there is proof that the transfer of ownership of the goods took place outside Malaysia and before the goods are imported into Malaysia (through shipping document); and</p> <p>(b) the import declaration was in the name of the local company B and the value of the imported goods was based on the local invoice.</p> |
| | <p>ii) Local company X purchases goods from a local manufacturer M and request the local manufacturer M to export the goods to his overseas customer.</p> <p>Whether the supply by the local manufacturer M to the local company X subject to GST?</p> | <p>i) The supply made by the local manufacturer M to the local company X is a standard rated supply, because the transfer of ownership of the goods took place in Malaysia;</p> <p>ii) The supply made by the local company X to his overseas client can be zero rated if the export declaration was in the name of the local company X.</p> |
| | <p>iii) Company ABC in Malaysia (not in Designated Area @ DA) purchases goods from company XYZ in Shah Alam and request the company XYZ to send the goods to ABC's client (MRS company) in Langkawi (Designated Area)</p> <p>Whether the supply made by the company XYZ to company ABC subject to GST?</p> | <p>i) The supply made by company XYZ to company ABC is a standard rated supply because the transfer of ownership of the goods took place in Malaysia and not in DA;</p> <p>ii) The supply made by company ABC to his client (MRS company) in Langkawi can be zero rated if the export declaration was in the name of company ABC.</p> |

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| 6. | <p>Foreign exchange Can businesses use any exchange rate for transaction involving foreign currency?</p> | <p>i) Paragraph 5 of 3rd Schedule of the GSTA requires business to convert the foreign exchange into ringgit –</p> <ul style="list-style-type: none"> a) In the case of supply or imported services, at the selling rate of exchange prevailing in Malaysia at the time the supply takes place; or b) In the case of importation of goods, at the rate of exchange determined by DG at the time applicable for the calculation of customs duty or excise duty and valuation <p>ii) Therefore, for imported goods, irrespective whether the importer is GST registered or not, he must use the exchange rate determined by the DG;</p> <p>iii) In the case of local supply –</p> <ul style="list-style-type: none"> a) The businesses may use any of the following exchange rates published by – <ul style="list-style-type: none"> i. BNM; ii. any commercial banks in Malaysia or any other banks registered under BNM; iii. news agencies e.g. Bloomberg, Reuters, Oanda; iv. foreign central banks e.g. European Central Bank and Federal Reserve Bank of New York. b) The exchange rate must be – <ul style="list-style-type: none"> i. the prevailing exchange rate (selling rate) corresponding to the time of supply; ii. consistently used for internal business reporting and accounting purposes; and |

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| | | <ul style="list-style-type: none"> iii. used consistently for at least one year from the end of the accounting period in which the method was first used. c) If a GST registered person wants to use an exchange rate other than the rates as in subparagraph iii(a) above, he must apply in writing to the Director General for his approval. |
| 7. | <p>Financial Guarantee Contract: Financial guarantees in relation to loans or payables of subsidiary companies provided by the Company for no compensation, where the fair values are accounted for as contributions and recognised as part of the cost of investment in subsidiary companies. What is the GST treatment on this supply?</p> | <p>This type of guarantee is not within the scope of financial services under GSTA 2014 and such supply is to be standard rated supply.</p> |
| 8. | <p>GST treatment on Office holders/directors' fees</p> | <ul style="list-style-type: none"> i) 'Business' under section 3(1) includes any trade, commerce, profession, vocation or any other similar activity, whether or not it is for profit. ii) Section 3(5) GSTA 2014 provides where any person, in carrying on any trade, commerce, profession, vocation or any other similar activity accepts any office, any services supplied by the person as the holder of the office shall be treated as supplied in the course or furtherance of trade, commerce, profession, vocation or any other similar activity. iii) Office holder/director's fees is subject to GST when a person is carrying on a profession or vocation (professional services such as accountant, advocate and solicitor, engineering, architect, surveyor, consultant or other similar professional services) and he is – |

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| | | (a) employed under contract for service; and (b) accept the position of a holder of an office in his personal capacity; |
| 9. | Adjustment with credit or debit note For supply of utilities, telecommunication, TV paid broadcasting services and other similar supplies, can adjustment be done in the next billing instead of issuing credit or debit note? | i) According to Goods and Services Tax Act 2014, a taxable person making a taxable supply to another taxable person shall issue a credit or debit note and make adjustment in his return when there is a change of any consideration. ii) However, for supply of utilities, telecommunication, TV paid broadcasting services or other similar supplies made to end consumer who is a non-GST registered person, adjustment can be made in the next billing instead of issuing credit or debit note. |

AMENDMENT TO GST FREQUENTLY ASKED ISSUES (FAI) 1/2014

| No. | Date | Description |
|-----|------------|--|
| 1. | 19.12.2014 | Para i) a) 3 rd column in item 6 of FAI 1/2014 is amended by inserting the word ' <i>or imported services</i> ' after the word ' <i>In the case of supply</i> '. This is to allow the taxpayer to use the same exchange rate for imported services. |