



ROYAL MALAYSIAN CUSTOMS

GOODS AND SERVICES TAX

**GUIDE
ON
AUCTION SERVICES**

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INTRODUCTION

1. This industry guide is prepared to assist businesses in understanding matters with regards to GST treatment on Auction Services.

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 (GSTA) 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.

GENERAL OPERATIONS OF THE INDUSTRY

Background

5. In Malaysia, services provided by auctioneers have progressed over the years, especially in the properties and used vehicle sectors. They do not only provide auctioning services for sellers but also render incidental services such as advertising, assessment, consultation on price and short term storage services. These services are taxable supplies under the GSTA and if an auctioneer has achieved the prescribed threshold he is obliged to register as a GST registered person.



Terminology

6. For the purpose of this guide, the following terms have the meaning as assigned to it:-

(a) Auction

An auction refers to the offer to sell goods or property by an auctioneer to the members of the public to bid for the goods or property put up for sale and the person making the highest bid will be given the right to purchase the said goods or property. In certain cases, goods may be sold by way of a tender. Goods that are normally sold in an auction include antiques, land and properties, collectibles items such as stamps, coins and fine art as well as used goods like cars and machineries.

(b) Auctioneer

This term refers to a person who acts as an agent to sell goods or property in an auction. An auctioneer may be an individual, a company or an auction house established for the purpose of carrying out auction, who would receive a commission or fee for carrying out the auction. Typically, an auctioneer may charge commission to both the buyer and seller. In Malaysia, auctioneers are regulated by the respective state authorities.

SUPPLY CHAIN IN THE AUCTION INDUSTRY

7. The supply chain in an auction would basically involve four parties, namely:-

(a) The owner

The owner is the person who owns the property or goods that were put up for auction. In this guide, the owner of the goods put up for auction would be referred to as the “owner”.

(b) The auctioneer

Another important party in the auctioning chain of supply is the auctioneer. As explained above, the auctioneer merely acts as an agent



to dispose of any property or goods through an auction on behalf of the principal. However, almost all auctioneers would be acting in their own name and without disclosing the identity of the owner. Therefore, under the general rule for agents, auctioneers would be regarded as the principals making the supplies. However, paragraph 65(4)(b) of the GST Act 2014 regards supplies made by an auctioneer acting on his own name as supplies made by the principal who is a taxable person. However, the auctioneer whether or not he is a taxable person, shall be liable for tax payable on the supply if the goods are acquired from a taxable person.

(c) The financier

The financier is a person or institution which had provided a loan or credit facility to finance the purchase of a property or goods. Due to default in payment by the buyer or borrower, such property or goods would be repossessed by the financier who would dispose off the property or goods to recover the loan. The financier would come into picture when the auctioned goods are financed and repossessed by the financier. In this guide, the person or institution which provides the financing and later repossess the property or goods to recover a loan would be referred to as the “financier”.

(d) The bidder

A person who has successfully bid for a property or goods in an auction would be referred to as the “bidder” in this guide.

GST LIABILITY IN THE AUCTION SUPPLY CHAIN

Ownership of Goods

8. Ownership of goods sold under an auction never passes to the auctioneer. This is because the auctioneer only acts as an agent for the owner or financier. Although goods will be auctioned on behalf of an owner or a financier, the auctioneer will be held responsible to account for tax if the auctioned goods belong to a taxable person.



Output Tax on Auctioned Goods

9. The GST status of the owner would determine whether goods that were auctioned off should be charged output tax. If the owner is a taxable person, any goods auctioned on his behalf would be subjected to output tax.
10. If the owner is not a taxable person, then no output tax is due on the goods that were auctioned off.
11. If the auctioneer is not a taxable person, but the owner is a taxable person, output tax is still chargeable. However, commission charged by the auctioneer is not subject to tax.
12. No GST is required to be imposed on any goods that are exempted from tax (exempt supplies) or where its input tax is blocked (not claimable) when such goods are auctioned off.

Input Tax on Auctioned Goods

13. The auctioneer cannot claim input tax credit on the goods that were auctioned off as the input tax credit would have been claimed by the owner at the time he acquired the goods.

Output Tax on Commission

14. Services rendered by an auctioneer to an owner or financier are taxable supplies. Thus, commissions earned by an auctioneer would be liable for output tax if the auctioneer has reached the prescribed threshold. The auctioneer in such a case must register himself as a GST registered person.

Input Tax Credit on Incidental Services

15. An auctioneer, who is a GST registered person, is allowed to claim tax credit on any GST incurred by him which is incidental to his business as an auctioneer.
16. The treatment of GST on taxable goods that are auctioned off and commission earned by an auctioneer can be summarized as below:-

Table 1: GST Treatment and Payment of Tax on Taxable Goods Auctioned on Behalf of Taxable Person and Non-Taxable Person

Scenario	Status of Owner	Output Tax	Auctioneer	Payment Form
1	Taxable Person	Chargeable	Registered Person	GST - 03
2	Taxable Person	Chargeable	Non-Registered Person	GST - 04
3	Non-taxable Person	Not chargeable	Registered Person	-
4	Non-taxable Person	Not chargeable	Non-Registered Person	-

Scenario 1:

When the owner is a taxable person, output tax is chargeable on the auctioned goods. If the auctioneer is a registered person, he will account for the output tax on the auctioned goods in the form GST-03.

Scenario 2:

When the owner is a taxable person, output tax is chargeable on the goods. If the auctioneer is not a registered person, he will account for the output tax on the auctioned goods in the form GST-04.

Scenario 3:

When the owner is a non-taxable person, no output tax is due. The auctioneer need not account for output tax on the auctioned goods even though he is a registered person.

Scenario 4:

When both the owner and auctioneer are non-taxable persons, no output tax is due on the auctioned goods.



Table 2: GST Treatment on Services Provided By an Auctioneer

Scenario	Status of auctioneer	Input tax	Output tax
1	A registered Person	Claimable	Chargeable
2	A non-registered Person	Not claimable	Not chargeable

Scenario 5:

When the auctioneer is a registered person, he can claim input tax credit on GST incurred on incidental expenses. He also has to account for output tax on all services provided by him, for example to the owner, buyer and financier.

Scenario 6:

When the auctioneer is a non-registered person, he cannot claim input tax on expenses incurred by him in his business. He also needs not to account for output tax on the services provided by him to the owner or financier.

ACCOUNTING

17. An auctioneer who is registered under the GST must maintain and preserve proper records and accounting on all goods that he receives and auctioned off on behalf of his principals for at least 7 years. All accounting records must be supported by related original documents and must be kept in accordance with the principles of Standard Accounting Practices adopted in Malaysia and provides good audit trail. A good accounting system required of an auctioneer includes;

- (a) Quantity and description of each goods or properties that he auctioned on behalf of each individual principal;
- (b) The auctioned price of each goods or properties that he has auctioned off;



- (c) Entry fee or commission he receives for each goods or properties that he has auctioned off;
- (d) Charges on incidental services provided to each individual principal; and
- (e) Details of output tax charged and input tax claimed.

OTHER RELEVANT GUIDE FOR AUCTIONEERS

18. As an auctioneer the following guides may be of interest to you:

- (a) Guide on Registration;
- (b) Guide on Agents; and
- (c) Guide on Repossession.

FREQUENTLY ASKED QUESTIONS

Q1: I am an auctioneer as well as a GST registered person. What are those incidental expenses which I can claim input tax credits?

A1: All business acquisition made incidental to the services provided by you as an auctioneer, such as utilities, professional fees, rental and other overhead expenses are entitled to input tax claim.

Q2: Can GST paid on capital assets like building and office equipment regarded as input tax credit?

A2: If you are a GST registered person, GST paid on capital assets are also allowable as input tax credit.

Q3: I am an auctioneer acting as an agent under my own name. Must I pay GST on goods that my principals send to me for auction?

A3: Goods supplied to you for auctioning are disregarded for the purpose of GST, meaning you do not have to pay any GST on such supplies. However, when such goods are subsequently auctioned off and if the owner of the goods (seller) is a taxable person, output tax has to be accounted by you.



Q4: Who should account for output tax on the goods sold in an auction if the owner of the goods is a taxable person?

A4: Under subsection 65(4) of the GST Act 2014, the auctioneer is liable to account for GST on the supply of auctioned goods made on behalf of the principal who is a taxable person irrespective of whether the auctioneer is a taxable person or not.

Q5: I am an auctioneer who is not registered for GST, if I auction goods belonging to a taxable person, can I issue tax invoices?

A5: No, you cannot issue tax invoices even if you are auctioning goods belonging to a taxable person if you are acting in your own name. However, you have to issue a document containing the particulars of the tax chargeable and this document will be treated as a tax invoice provided by the taxable person.

Q6: As an auctioneer, am I required to find out the GST status of the owner of goods before I auction goods on his behalf?

A6: Yes, you are required to do so. You can look up his GST status from our GST website. Determining the GST status of owner of goods is necessary as you are liable to account for output tax on any goods which you auction on the owner's behalf if he is a taxable person.

Q7: Is the auction price of goods inclusive of GST?

A7: The auction prices for goods which belong to the taxable person must be treated as GST inclusive. If the goods to be auctioned are taxable goods, you as the auctioneer must inform the bidders before the auction that the goods are subject to payment of GST. This is to differentiate that the goods sold is not your goods but you are liable to account for GST on the supply.

Q8: In an auction when is the time of supply for the auctioned goods?

A8: The time of supply is the time when the auctioneer issues the document or goods are handed over to the successful bidder or when the payment received whichever is the earlier.

Q9: In certain cases, bidders to an auction may be required to furnish a certain amount of deposit to the auctioneer. Would such deposit attract GST?

A9: Deposit paid as a condition to an auction does not attract GST until the deposit become part of the payment made by the successful bidder to the auctioneer.



Q10: What is the GST treatment on a deposit that is forfeited when the successful bidder failed to pay the balance of payment before the stipulated date?

A10: Such deposit is deemed to be a payment made on a taxable supply if such payment is meant for payment of the auctioned goods. Output tax is chargeable on the deposit forfeited. Any commission derived from the part payment by the auctioneer is also a taxable supply.

Q11: What is the GST treatment on entry fees (a sum of money paid by the owner to the auctioneer to auction goods) if the auction is unsuccessful?

A11: If goods put up for auction is not sold and the entry fee is forfeited, the auctioneer has to account for output tax on the forfeiture because it is a payment for services rendered by the auctioneer.

Q12: I am an auctioneer and if I purchase goods directly from an owner, would the purchase attract GST?

A12: Even though you are an auctioneer, any purchase of goods made by you from the owner would be treated as a normal taxable supply and output tax is chargeable by the seller who is a taxable person (GST registered person).

Q13: I am an auctioneer and if I purchase goods from a non-taxable person, do I have to charge GST when I auctioned the goods?

A13: Under such circumstances, you are not acting as an auctioneer, but as taxable person making a supply of goods. Therefore, if you are a registered person, you have to account for output tax when your goods are sold in an auction.

Q14: If a governmental department carries out the auction of its own vehicles, would that attract GST?

A14: No, any supplies made by Government departments is not within the scope of GST.

Q15: Are vehicles that are owned by the Government but auctioned by a professional auctioneer regarded as out of scope supplies?

A15: Yes, as the Government is the one who is making the supplies of the vehicles.

Q16: In furtherance to question in Q15 above, would the commission charge to the Government, being an out of scope supplies attract GST?



A16: Commissions charged by an auctioneer to the Government for the auction of vehicles or any other goods are still subject to output tax as the commissions are charged by the auctioneer for the services rendered.

Q17: I was engaged by a non-resident who is not liable for GST to auction his goods in Malaysia. What is the GST implication on the goods imported and its subsequent sales through an auction?

A17: If you are importing and supplied for a non-resident person, you are deemed to be the principal importing the goods. You have to pay GST on the goods that were imported on behalf of your principal. If you are a registered person, you can claim input tax credit on the GST paid for the importation, and you must account for output tax on the goods that are subsequently auctioned by you. For further details, please refer to Guide on Agent.

Q18: I am an auctioneer and owned a warehouse licensed under section 65 of the Customs Act 1967. What is the GST implication on goods that I brought from overseas and stored in the licensed warehouse while waiting to be auctioned?

A18: GST on goods is suspended when the goods are stored in your licensed warehouse. GST would only be due and payable when the goods are taken out from the licensed warehouse by the successful bidder or any other person.

Q19: In furtherance to question in Q18 above, how does the successful bidder account for GST and on what value should he declare?

A19: The successful bidder has to pay GST and any other taxes using a Customs No. 1 form. The price that he bid and paid for the goods in the auction would be treated as the last supply which is subject to customs duty and GST. For further details, please refer to Guide on Warehousing Scheme.

Q20: I was engaged by a non-resident from overseas to auction his goods in Malaysia, but currently the goods are located outside Malaysia. What is the GST implication on the goods if I manage to auction them?

A20: Goods located overseas would not be subjected to output tax even if they are auctioned here (in Malaysia). GST on the auctioned goods would be imposed at the time of importation when the successful bidder brings the goods back into Malaysia.



Q21: Must I account for output tax on commission charged to my overseas client if the auction is carried out on his behalf in Malaysia, but the auctioned goods remains overseas?

A21: Services performed for a non-resident in relation to goods situated outside Malaysia is treated as a zero-rated supply. Hence, the commission earned is not subjected to tax.

Q22: What are those supplies that must be included by an auctioneer when determining his threshold?

A22: Normally for an auctioneer, the commissions earned by him would form the basis of his turnover in calculating the threshold. However, if the auctioneer is also making taxable supplies other than those related or incidental to his profession as an auctioneer, such other turnovers would be included in the calculation of his threshold for GST purposes.

FEEDBACK AND COMMENTS

19. Any feedback or comments will be greatly appreciated. Please email your feedbacks or comments to gstsector7@customs.gov.my

FURTHER ASSISTANCE AND INFORMATION

20. Further information can be obtained from:

- (a) GST Website : www.gst.customs.gov.my
- (b) Customs Call Centre :
 - Tel : 03-7806 7200/ 1-300-888-500
 - Fax : 03-7806 7599
 - E-mail : ccc@customs.gov.my



AMENDMENTS

No.	Date	Heading/Subheading/Paragraph	Description
1.	20.05.2015	i. Title	Guide rename to Guide on Auction Services
		ii. Paragraph 7(b) and FAQ A4	Section 66(4)(b) change to Section 65(4)(b)
		iii. Table 1, Scenario 1, Payment Form	GST Return change to GST-03
		iv. Table 1, Scenario 1, Payment Form	Prescribed Form change to GST-04

