



ROYAL MALAYSIAN CUSTOMS

GOODS AND SERVICES TAX

GUIDE ON AGRICULTURE, FISHERIES AND LIVESTOCK INDUSTRY

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The Guide on Agriculture, Fisheries And Livestock Industry as at 20 September 2014 is withdrawn and replaced by the Guide on Agriculture, Fisheries And Livestock Industry revised as at 3 November 2015.

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INTRODUCTION

1. This industry guide is prepared to assist businesses in understanding matters with regards to GST treatment on agriculture, fisheries and livestock industry. farmers, manufacturers, wholesalers and retailers related to those industries acting as suppliers or buyers should read this guide.

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.

GST TREATMENT FOR THE INDUSTRY

Agricultural Industry

5. Generally, GST is charged on any taxable supply of goods and services made by a taxable person in the course or furtherance of his business in Malaysia and this would include those who are involved in the agricultural industry. This means agricultural products are subject to GST. For example, supply of fresh fruit bunches, supply of latex, supply of coffee beans are subject to GST at a standard rate.

However, basic needs for human consumption such as rice, vegetables and fruits are zero-rated.

6. Agricultural products supplied locally that are categorized as zero-rated goods are listed in the Goods and Services Tax (Zero-Rated Supplies) Order 2014. Importation of such supplies will be given relief from GST under the Goods and Services Tax (Relief) Order 2014. Among the supplies that are zero-rated:

- (a) Rice and paddy including glutinous rice;
- (b) Fresh vegetables such as spinach, chinese kailan, water spinach, cabbage, lettuce, choysum, pak choy, lady's finger, french bean, long bean, bitter melon, brinjal, cucumber, tomatoes, carrot, radish, yam bean, spring onion, cauliflower and pumpkin;
- (c) "ulam" such as *pucuk paku*, *petai*, *jering* and *pucuk ubi*;
- (d) Fresh onions, shallots, garlic and leeks;
- (e) Fresh spices such as chili, ginger, turmeric, nutmeg and lemon grass;
- (f) Fresh potatoes, yam, sweet potato and tapioca; and/or
- (g) Citruscitic – musklime, lime and *limau kasturi*.

7. Supplies of agricultural products that are not listed in the Goods and Services Tax (Zero-Rated Supplies) Order 2014 are subject to GST at a standard rate.

Fishery Industry

8. The fishery industry supplies that are subjected to GST at a zero rate are as follows:

- (a) supply of fish whether marine or aquaculture which is used as foods for human consumption either live, fresh, chilled or frozen and not further processed;
- (b) supply of fish fillet or other fish meat whether fresh, chilled or frozen;
- (c) supply of fish which has been dried, salted or in brine (excluding sharks fin); and/or

- (d) all kinds of crustaceans and molluscs species in shell or not such as lobster, shrimps, prawns, crabs, oysters, scallops, mussels, cuttlefish, octopus, snail and cockle whether live, fresh, chilled, frozen, dried, salted or in brine.

9. Supply of fish other than for human consumption or those that have undergone further processes are subject to GST at a standard rate such as follows:

- (a) ornamental fish;
- (b) fish for aquaria;
- (c) non-food species;and/or
- (d) fish used as a bait, fish balls, fish cake or fish paste canned sardines, tunas or mackerel.

Livestock Industry

10. Supplies of the following livestock products are subject to GST at a zero rate:

- (a) live animals (cow, buffalo, goat, sheep and swine);
- (b) fresh, chilled or frozen meat and edible offal of cow, buffalo, goat, sheep and pig;
- (c) live poultry (chicken and duck);
- (d) fresh, chilled or frozen meat and edible offal of chicken and duck;
- (e) fresh and salted egg (chicken and duck).

11. Supplies of livestock products that are not listed in the above paragraph such as deer meat, turkey, quail, goose and hedgehog are subject to GST at a standard rate.

EFFECT OF VALUE ADDED ON ZERO-RATED GOODS

12. Generally, agricultural products which have undergone further processes or manufacturing processes are subject to GST at a standard rate. However, if the process is a simple process such as repacking, it will not be subjected to GST. For example, Basmati rice is imported from overseas, then repacked and sold to the local market in Malaysia. The sales of Basmati rice is still a zero-rated supply. In the case of 'instant ketupat', it is subject to GST at a zero rate since its content is still in the form of rice.

FLAT RATE SCHEME

13. Flat Rate Scheme is spelled out under section 74 of the Goods and Services Tax 2014. Flat Rate Scheme is introduced to help any person who is a qualified person and in carrying on a business involving the prescribed activities such as small scale farmers, fishermen and livestock breeders in reducing the cost of production where input tax incurred on acquisition of goods or services for furtherance of their businesses is not claimable. The Flat Rate Scheme (FRS) is applicable to farmer/fisherman/livestock breeder who is not registered under GST because his yearly turnover is below the prescribed threshold limit (RM500,000) and he is not voluntarily registered under GST.

14. The person who qualifies for FRS is called an 'approved person'. The conditions for approval is stipulated in regulation 97 of the Goods and Services Regulations 2014 (GSTR). Once a farmer/fisherman/livestock breeder is an approved person under this scheme, he may charge a Flat Rate Addition (FRA) of 2% on his output (including zero-rated goods) to the GST registered person only and keep that FRA as a compensation for his input tax that he is unable to claim. He does not have to account for the FRA and has no obligation to submit GST return. However, he has to submit an annual sales statement as or when directed by the Director General.

15. An approved person under FRS cannot claim input tax incurred on his purchases as he is not registered under GST. He cannot charge FRA to person who

are not registered under GST and he also cannot charge the FRA on any supply of goods made by him from any other activity than the prescribed activities.

Example 1

Ahmad is a banana grower who is an approved person under FRS. He also involves in producing banana crackers. Ahmad may charge the flat rate addition of 2% when he supplies banana to his registered buyers but he cannot charge the FRA when he makes supply of banana crackers because the latter does not fall under supply of goods from prescribed activities. Ahmad also cannot charge the 2% FRA on sale of machinery, farming equipment or land.

16. An approved person has to issue invoices (*please refer to **Appendix 1** for example of an invoice*) if he charges FRA on the supplies of his goods to a GST registered person as per regulation 98 GSTR 2014 He must keep these invoices and related records for seven years. He is required to submit yearly statement indicating his total sales to the nearest Customs office and will be subject to an audit. He must show clearly in the invoice the following particulars:

- (a) invoice serial number;
- (b) date of invoice;
- (c) name, address and identification number of the approved person;
- (d) name, address and GST identification number of the buyer;
- (e) description of the goods supplied; and
- (f) total amount payable excluding flat rate addition, the rate of flat rate addition and the total amount of flat rate addition to be shown separately.

17. Under this scheme, as stipulated in regulation 98 GSTR 2014, a registered buyer may issue an invoice in relation to a supply made by an approved person under the FRS. This is upon application by him to the Director General subject to the following conditions:

- (a) the value is not known by the approved person at the time of making the supply;
- (b) the registered person and the approved person agreed in writing that the approved person shall not issue an invoice in respect of his supply;
- (c) the registered person shall issue an invoice showing the particulars as stated in paragraph 16 above;
- (d) a copy of the invoice is given to the approved person (seller) while the original copy is retained by the registered person (buyer);
- (e) the approved person must notify the registered person if he ceases business, transfers his business as a going concern or becomes a registered person;
- (f) in the case where the invoice is issued before the supply is made, the invoice shall be issued with a payment; and
- (g) any other conditions as the Director General deems fit to impose.

18. The approval of this scheme is for a period of two years or less. The approved person may apply for renewal within 6 months prior to the expiry date of the existing approval. However, the Director General may revoke his FRS registration under the following situations:

- (a) his farming activities have exceeded the threshold limit;
- (b) his non-farming activities have exceeded the threshold limit;
- (c) he ceases to produce the prescribed farming activities;
- (d) he sells his business or change company status from sole proprietor to limited company;
- (e) he becomes insolvent;
- (f) he dies or becomes bankrupt or incapacitated;
- (g) he becomes liable to be registered under the GST Act 2014;
- (h) he makes an application in writing for cancellation.

19. A farmer/fisherman/livestock breeder can be involved in non-farming activities such as providing “farm visit”, sales of agriculture produce or charges a fee for fishing at his fish ponds. He can still remain in this scheme as long as his supplies of non-farming activities do not exceed 20% of his total supplies. The supply of “farm visit”, sales of agriculture produce or fee charges for fishing at his fish ponds are standard rated supplies. If the approved person under the FRS provides supply of bed and breakfast or holiday accommodation, those supplies are also subjected to GST at a standard rate.

OTHER MATTERS RELATED TO AGRICULTURAL SECTOR

Subsidy

20. Subsidy is given to any person such as farmers and fishermen by way of cash to help them to recover their cost of production. Certain fishermen are allowed to purchase diesel at a subsidised price. If the sale of diesel at retail level is RM1.70 per litre, the eligible fishermen can purchase the diesel with a subsidised price of RM1.45. The seller such as Persatuan Nelayan Kawasan who sells the diesel to the fishermen will claim the subsidy (RM0.25 per litre) from the Ministry of Finance. This subsidy is not subject to GST.

21. Persatuan Nelayan Kawasan is given relief from charging GST under section 56(3)(b) of the GST Act 2014 on supply of petrol RON 95 and diesel to fishermen of fishing zone A, B and C. However, supply of diesel by Persatuan Nelayan Kawasan to fishermen of fishing zone C2 is subject to GST at a standard rate.

22. If the subsidy given is in the form of goods where the supply of the goods is subject to GST, then GST is charged at a subsidised price.

Example 2

Chris is a tobacco grower. He is eligible to buy fertiliser at a subsidised price of RM20.00 per ten kilogram. The market price of the same fertiliser is RM25.00 per ten kilogram. If a supplier of the fertiliser is a GST registered person, the sale of 100 kg fertilisers amounting to RM200.00 to Chris is subject to GST at 6%.

FREQUENTLY ASKED QUESTIONS

Q1. If I buy seeds, plants and grains for the purpose of planting zero-rated products, do I have to pay GST at a standard rate?

A1. Yes, because seeds, plants and grains are subject to GST at a standard rate. If you are a registered person, you can claim the GST that you have paid for the purposes of making a taxable supply.

Q2. Are herbs/medicinal plants subjected to GST?

A2. Yes, they are subjected to GST at a standard rate.

Q3. What is the status of agricultural land if I acquire or purchase for the purpose of planting zero-rated and standard rated crops?

A3. If you acquire or purchase agricultural land for planting zero-rated or standard rated crops, the acquisition of the land is not subject to GST as it is an exempt supply.

Q4. Do I need to charge GST if I lease my agricultural land to another person?

A4. You are not required to charge GST because it is an exempt supply and not subject to GST.

Q5. Besides supplying zero-rated products, I also supply other services to my customers such as supply of labour, hiring of machinery and equipment, is GST chargeable for those supplies?

A5. You must charge GST if you are a registered person as those services are subject to GST at a standard rate.

Q6. As a tobacco manufacturing company, our products are subject to excise duty at the factory stage. How is GST imposed on these products?

A6. GST will be charged on the sales value of the tobacco products including the excise duty.

Q7. Is there any relief given to the tobacco industry in terms of buying raw materials or acquiring inputs from farmers who are approved under the Flat Rate Scheme?

A7. No. You are entitled to claim the Flat Rate Addition (FRA) charged as your input tax credit.

Q8. What is the GST implication if I have a fishing pond and commercialize it as a recreational area where people can do fishing activities with fee charged based on hours?

A8. Supply of recreational activity such as fishing is subject to GST at a standard rate. Thus, you have to charge GST on the fee imposed.

Q9. Do I need to charge GST for hiring fishing equipment including fishing vessel to other parties?

A9. Yes, the supply of hiring services is subject to GST at a standard rate.

Q10. If I am an importer of fresh fish from other countries, do I need to pay GST?

A10. No. Whether you acquire them locally or from outside Malaysia, the fresh fish is still subject to GST at a zero rate. For importation of fresh fish, you have to make an import declaration at the point of importation.

Q11. Is animal food purchased for the purpose of feeding animal also subject to GST at a zero rate?

A11. No. Animal food is subject to GST at a standard rate. However, you can claim the GST incurred on your purchases of animal food if you are a GST registered person.

Q12. When must I notify if there is any change in my business details?

A12. Subject to regulation 21 GSTR 2014, you must notify Customs in writing if you:

- (a) have changed your business name or business address;
- (b) is in a partnership where a partner joins or leaves the business; or
- (c) is a sole proprietor and converts to a partnership.

Q13. Are all kinds of pesticides subject to GST at a standard rate including pesticides purchased for household use?

A13. Yes. Supplies of all kinds of pesticides are subject to GST at a standard rate regardless of their usage.

Q14. Fertilizer is subject to GST at a standard rate. Is this treatment applicable to all forms of packaging size and usage?

A14. Yes. Supplies of fertilizers are subject to GST at a standard rate regardless of packaging size or usage.

Q15. When I supply zero-rated goods to my customers, I will separately charge them for ancillary services such as tagging, grading and delivery services. What is the GST treatment on such supply of services?

A15. Supplies of such ancillary services are subject to GST at a standard rate.

INQUIRY

1. For any inquiries for this guide please contact :

Sector VI
GST Division
Royal Malaysian Customs Department
Level 3 – 7, Block A, Menara Tulus,
No. 22, Persiaran Perdana, Presint 3,
62100 Putrajaya.

Email : gstsector6@customs.gov.my

FURTHER ASSISTANCE AND INFORMATION ON GST

2. Further information on GST can be obtained from :

(a) GST website : www.gst.customs.gov.my

(b) Customs Call Center :

- Tel : 03-7806 7200 / 1-300-888-500
- Fax : 03-7806 7599
- Email : ccc@customs.gov.my

APPENDIX 1

Sample of Invoice issued under Flat Rate Scheme

ALLE TOBACCO ENTERPRISE (I0000897) Lot 123, Jalan Mahsuri, 81200 Johor Bahru Tel : 07-2312 345 (Flat Rate Scheme. No : SKR1010111213)	Invoice No : 0001114 Date : 1 June 2016																					
INVOICE																						
DUNVILLE MANUFACTURING SDN. BHD. Lot 123, Jalan Padi, 81200 Johor Bahru Tel : 07-3349 765 (GST Reg No : 100004/2014)																						
<table border="1"><thead><tr><th>No.</th><th>Description</th><th>Total (RM)</th></tr></thead><tbody><tr><td>1.</td><td>10 kg Green Tobacco Leaves (Grade 1) @ RM100/kg</td><td>1,000.00</td></tr><tr><td>2.</td><td>20kg Tobacco Leaves (Grade 2) @ RM50/kg</td><td>1,000.00</td></tr><tr><td>3.</td><td>40kg Spring Tobacco Leaves (Grade 3) @ RM30/kg</td><td>1,200.00</td></tr><tr><td colspan="2">Total (excluding Flat Rate Addition)</td><td>3,200.00</td></tr><tr><td colspan="2">Flat Rate Addition @ 2%</td><td>64.00</td></tr><tr><td colspan="2">Total Amount Payable</td><td>3,264.00</td></tr></tbody></table>	No.	Description	Total (RM)	1.	10 kg Green Tobacco Leaves (Grade 1) @ RM100/kg	1,000.00	2.	20kg Tobacco Leaves (Grade 2) @ RM50/kg	1,000.00	3.	40kg Spring Tobacco Leaves (Grade 3) @ RM30/kg	1,200.00	Total (excluding Flat Rate Addition)		3,200.00	Flat Rate Addition @ 2%		64.00	Total Amount Payable		3,264.00	
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