



**ROYAL MALAYSIAN CUSTOMS**

**GOODS AND SERVICES TAX**

**GUIDE  
ON  
APPROVED TRADER SCHEME**

## **Publication**

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## **INTRODUCTION**

1. This industry guide is prepared to assist businesses in understanding matters with regards to GST treatment on Approved Trader Scheme (ATS).

### **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.

## **GENERAL OPERATIONS OF THE INDUSTRY**

### **Approved Trader Scheme (ATS)**

5. Basically, all exports are zero-rated, meaning that exporters do not collect output tax on their supplies. All major re-exporters will have positive input tax refund as they do not have collection or have minimal collection of output tax to help them offset against the GST paid on their imports. This would create a cash flow problem for them because they would have to pay GST upfront. Hence, Approved Trader Scheme (ATS) is introduced as stipulated in section 71 of the Goods and Services Act (GSTA) 2014 which allows the Director General (DG) to suspend payment of tax chargeable on the goods imported by an approved person under ATS. This alleviates the cash flow problem faced by importers who mainly re-export their supplies.

6. Any taxable person approved under the ATS (ATS approved person) will be allowed to suspend GST payable on imported goods at the point of importation. The total amount of suspended GST on all goods imported has to be accounted for in a specific column in the GST return in the taxable period when the importation takes place. ATS approved person must be on a monthly taxable period.

7. Suspension of GST only applies to goods that are imported and not for locally acquired supplies. Normally, an ATS approved person would be able to acquire supplies from the local market on a credit term. At the same time, he may be able to collect output tax on his supplies made to the local market to offset his input tax payments. Concept of ATS is illustrated in **Appendix 1**.

### **PARTIES QUALIFYING FOR ATS CONSIDERATION**

8. The following taxable persons who registered under section 20 of the act are eligible to apply for ATS subject to approval given by the DG as provided under regulation 88 of the Goods and Services Tax Regulations (GSTR) 2014:

- (a) All companies operating in a Free Industrial Zones (FIZ) under paragraph 10(1) (b) of the Free Zones Act 1990.
- (b) All Licensed Manufacturing Warehouse (LMW) operators licensed under Section 65A of the Customs Act 1967.
- (c) International Procurement Centres (IPCs) and Regional Distribution Centres (RDCs) approved by the Director General of Malaysian Investment Development Authority (MIDA).
- (d) Toll manufacturers approved under the Approved Toll Manufacturer Scheme (ATMS).
- (e) Jewellery manufacturers approved under the Approved Jeweller Scheme (AJS).
- (f) Companies with turnover above RM25 million and making at least 80% zero-rated supplies.
- (g) Any person or class of persons as determined by the Minister.

With effect from 1 January 2016, companies involved in maintenance, repair and overhaul (MRO) activities for aerospace sector are allowed to apply for the scheme, based on paragraph 88(1)(g) of GSTR 2014, subject to the following conditions:

- i. The companies have certificate for Approval of Organisation of Aircraft and Components which is still valid and issued by Department of Civil Aviation under section 2B, Civil Aviation Act 1969 [Act 3]; and/or
- ii. The companies have approval which is still valid from:
  - (aa) Design Authority of Original Equipment Manufacturer; and/or
  - (bb) Design Organisation Approval.

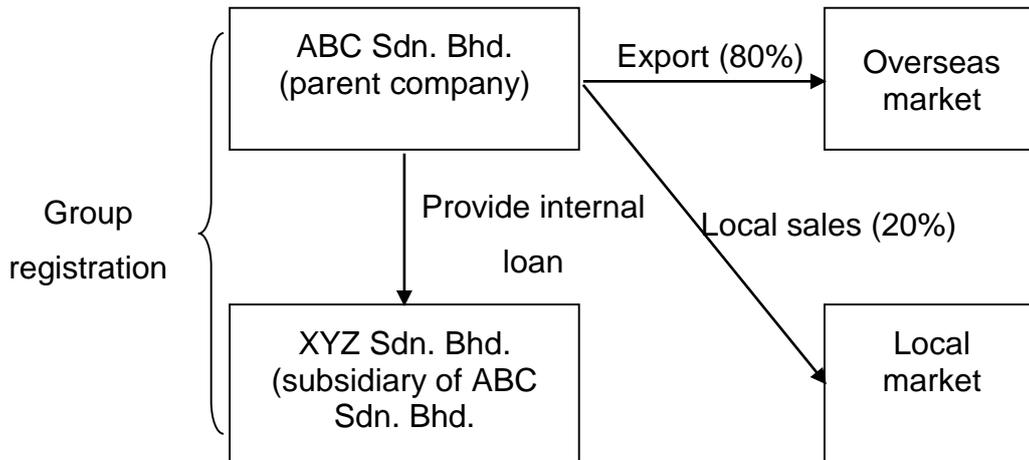
## **CONDITIONS FOR ATS APPROVAL**

9. Like any other special schemes, there are conditions imposed under the ATS in which an ATS approved person must strictly adhere to. The conditions imposed under the ATS include the following:

- (a) An ATS participant must make wholly taxable supplies;

A registered person who makes exempt supplies or partial-exempt supplies does not qualify for the ATS unless the exempt supplies are incidental to his main business. See Example 1 below.

**Example 1: Exempt supply incidental to main business.**



*Certain exempt supplies such as provision of any loans, advance or credit between connected persons, deposit of money, issuance of debt security, etc, are treated as incidental exempt supply to the taxable person's business activities if the person makes no other exempt supplies as stipulated under Regulation 40 of the GST Regulations 2014. For further details, please refer to Guide on Incidental Exempt Supplies.*

- (b) An ATS approved person must account for tax on a monthly taxable period;

An ATS approved person must only file monthly GST return. Any registered person who files other than monthly GST return is not eligible for ATS.

- (c) Electronic submission of GST return;

An ATS approved person must submit his monthly GST return through electronic filing (e-filing).

- (d) Importation of goods must be declared electronically;

All imports must be declared electronically and in the name of the ATS approved person. However, authorized forwarding agents duly

appointed can clear the goods on behalf of the ATS approved person, but the ATS approved person must sign the import/export forms and remain liable for any tax and duties due or accountable by him.

- (e) An ATS approved person must have good compliance as a GST payer; An ATS approved person must have performed and complied with all duties and obligation relating to his liabilities to account and pay tax as prescribed under the Act. A registered person blacklisted under any laws administered by the RMCD would not be considered for ATS status.

- (f) An ATS approved person must have good accounting system; Good accounting expected from an ATS approved person is explained in paragraph 16 below.

- (g) Security to be furnished; Under certain circumstances, an ATS participant may be required by the Director General (DG) of the RMCD to furnish security in the form of bank guarantee or bond or both to protect revenue.

- (h) Other conditions. The DG may impose additional or revise any condition(s) from time to time as he deems fit. The conditions set here do not preclude or override any other conditions imposed on an ATS approved person under LMW, FIZ, RDC and IPC scheme respectively. The DG also reserved the rights to reject any application, to review or revoke any approval granted to an ATS approved person at any time without prior notice to protect revenue.

## **IMPORTATION OF GOODS UNDER ATS**

10. Generally all goods imported would be subjected to GST. Under ATS, approved person is allowed to suspend the payment of GST on the importation of goods. In this case, an importer only needs to declare the goods at the place of import before it is taken out from customs control.

11. The amount of GST suspended for all goods imported in a particular month need to be declared by the importer under this scheme by declaring the amount in a specific column in the GST return for that month (the month where the suspension relates). The return needs to be furnished not later than the last day of the subsequent month. Please see Example 2 below.

**Example 2:**

*ABC Sdn Bhd is a manufacturing company with ATS approval. In the month of January 2016 he has imported raw materials with the amount CIF RM100,000. The total amount of GST suspended is RM6,000. (RM100,000 X 6%). As an approved person under ATS, ABC needs to declare the amount of GST suspended i.e. RM6,000 in his GST return for the month of January 2016.*

**IMPORTED SERVICES**

12. Since all ATS participants are taxable persons and making wholly taxable supplies, GST on imported services can be net off with the deemed input tax credit.

**TREATMENT ON GOODS LOCALLY SOURCED**

13. Any goods sourced locally do not fall within the scope of ATS and the normal rules of GST apply. This means that GST has to be paid upfront and claim as input tax credit. Similar treatment applies even if goods or raw materials purchased from another ATS approved person in Principal Customs Area (PCA). However, if the ATS approved person operates in a FIZ acquires the goods from another company in FIZ or from LMW, the acquisition of goods will be relieved from GST. On the other hand, if an ATS approved person purchased imported goods from a licensed warehouse, payment of GST on the goods is suspended.

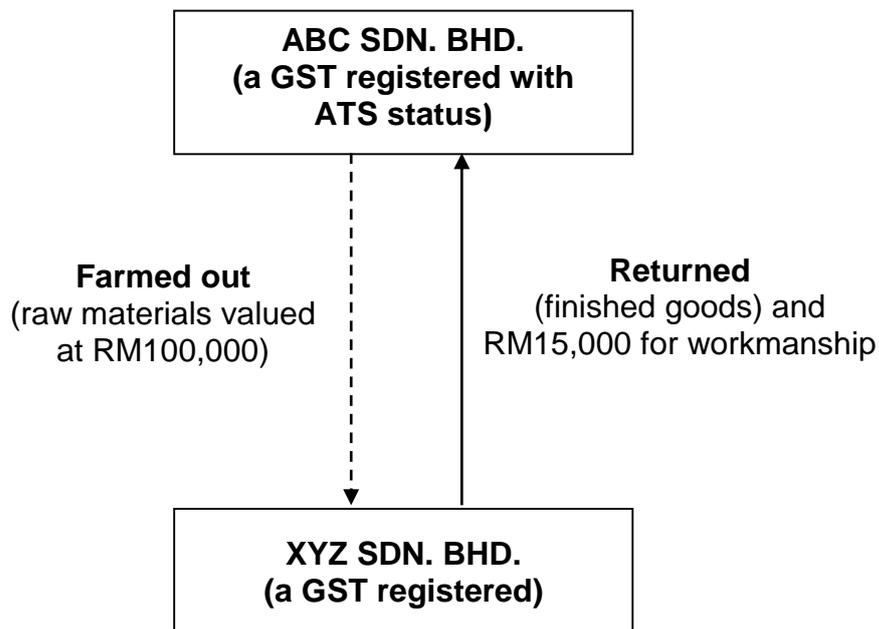
**SUPPLY OF GOODS TO THE LOCAL MARKET**

14. Any goods, whether in the form of raw materials or finished goods, supplied or disposed of in any manner to the local market are taxable supplies. An ATS approved person must account for GST on local supplies made by issuing tax invoices.

## FARMING OUT TO SUBCONTRACTOR

15. Farming out does not transfer the ownership of the goods to the subcontractor. As such, it is not a supply of goods and an ATS approved person does not have to account for GST output tax on the raw materials. However, if the subcontractor is a GST registered person, he has to account for GST output tax on the value of services supplied to the ATS approved person. Please see Example 3 below.

### **Example 3:**



*Accounting for GST will be as follows:*

- (i) ABC Sdn. Bhd. will issue a normal invoice or delivery order to XYZ Sdn. Bhd. and no GST is chargeable.*
- (ii) XYZ Sdn. Bhd. will issue a tax invoice to ABC Sdn. Bhd. when the finished goods are returned to ABC Sdn. Bhd., and XYZ Sdn. Bhd. has to account for output tax of RM900 ( $RM15,000 \times 6\%$ ) on the workmanship charge.*
- (iii) ABC Sdn. Bhd. can claim the RM900 (GST) paid to XYZ Sdn. Bhd. as his input tax credit.*

- (iv) *If XYZ Sdn. Bhd. is not a GST registered person, no GST is due on the workmanship charged.*

## **GOOD ACCOUNTING SYSTEM**

16. An ATS approved person has to maintain a good accounting system which includes the following:

(a) **At the time of application**

- (i) Accounting records must be kept in accordance with the principles of Standard Accounting Practices adopted in Malaysia. There must be sufficient original documents and proper records on the value of imports, exports and local sales kept for at least two immediate past financial years from the date of application. See Example 4 below. Exemption to this condition may be given to newly set up companies at the discretion of the DG before approval. But, for new businesses a projection on the supplies for the next 24 months from the date of application must be given and the basis for the projection is clearly stated;

***Example 4:***

- *Financial year ending 31st March 2016*
  - *Date of application is on 20th February 2016*
  - *The two relevant periods of records kept would be financial years ending **31st March 2014** and **31st March 2015**.*
- (ii) There must be a good audit trail on the accounts prepared by the applicant. RMCD may examine the accounts before an approval is granted under the ATS.

- (b) **During the validity period of the ATS approval**
- (i) ATS approved person must maintain proper records on the value of imports, exports and local sales as well as an inventory of raw materials, quantities of work-in-progress and total supplies made at all times. All documents related to imports, exports, production of goods and local sales, like import and export forms, invoices, delivery orders, credit and debit notes and receipts must be kept and properly filed for a period of not less than seven years as provided for under the GST legislation;
  - (ii) An ATS approved person must submit monthly report on details of importation including amount of GST suspended to the RMCD;
  - (iii) There must be good audit trail and the external auditor is able to issue a positive assurance report on the annual accounts and that all trading figures declared are fair and accurate; and
  - (iv) An ATS approved person must produce statements of account, reports and any other related documents upon request from RMCD.

## **RESPONSIBILITIES OF AN ATS APPROVED PERSON**

17. The responsibility of ATS approved persons are as follows:

- (a) ATS approved person must have good compliance record on any business dealings with the RMCD. Good compliance must be maintained at all time. If he flout any laws administered by the RMCD, he is at risk of being disqualified from the ATS. Any breach of conditions may result in suspension or revocation of approval under regulation 90 of the GSTR 2014 by the Director General;
- (b) ATS approved person must maintain a good accounting system;
- (c) ATS approved person must not be making exempt supplies unless the exempt supplies are **incidental to his main business**;

- (d) If his goods are cleared by authorized agent(s), all import and export forms must still be signed by the ATS approved person;
- (e) ATS approved person cannot use his ATS status to import goods on behalf of other importers.
- (f) ATS approved person is responsible and accountable for GST suspended on the goods imported by him, including those cleared for him by his forwarding agent(s);
- (g) ATS approved person must issue authorized letter to forwarding agent(s) appointed by him and keep a record of them; and
- (h) ATS approved person should immediately notify the RMCD on any changes of particulars submitted to RMCD under the ATS.

#### **APPROVAL GRANTED UNDER THE SCHEME**

18. Any approval granted under the ATS is not transferable. Any taxable person (transferee) who purchases business as a going concern and is eligible for an ATS status and wish to enjoy ATS treatment should apply for the ATS status before the transfer is made. Please refer to the Guide on Transfer of Going Concern.

19. Approval for ATS status is on a two-yearly basis or for a shorter period, as the case may be. An application for renewal must be made within six months prior to the expiry date of the approval.

## FREQUENTLY ASKED QUESTION

### Supply of goods to the local market by an ATS approved person

**Q1. If I supply raw materials or finished goods to another ATS approved person, do I still have to account for the GST?**

A1. Yes, a supply made to another ATS approved person, irrespective whether the buyer is an operator in a free industrial zone, IPC or RDC operator is a taxable supply. You have to account for the GST chargeable on the supply by issuing a tax invoice.

**Q2. I am an operator in a free industrial zone under the ATS and if I loan some raw materials to another operator in the free industrial zone for his urgent use, do I have to account for the GST?**

A2. Yes, because you are treated as making a supply of goods since the raw materials which the other operator in a free industrial zone replaces you later on would not be the same as the raw materials you loan to him. As such, it is a taxable supply and you have to account for the GST by issuing a tax invoice.

**Q3. If I am a member under a group registration, do I need to apply for a separate ATS approval for each constituent member?**

A3. Yes, each constituent member of a group registration has to apply for the ATS separately and he must fulfill the required conditions.

**Q4. If I supply goods to a group member, do I have to account for the GST on the supply?**

A4. No, supply made between members registered as a group under the GST is disregarded. However, goods imported under ATS are not allowed to be supplied to any member of the group unless the ATS approved person has IPC or RDC status. For further details, please refer to Guide on Registration.

## **Responsibilities of an ATS approved person**

**Q5. When I cease to be a GST registered person or as an ATS approved person, do I have to account for the output tax on capital assets/stocks on hand?**

A5. In both of the above instances, all goods imported, including capital assets and stocks on hand at the effective date of cessation are deemed to be taxable supplies and you must account for the output tax on the goods.

**Q6. What would happen to goods on hand if my ATS status is revoked?**

A6. If you are still registered under GST, normal rules would apply to your goods on hand, i.e. you have to account for output tax if a supply takes place.

**Q7. As an approved person under ATS, do I have to submit any report to GST office?**

A7. Yes, you have to prepare a monthly report known as Lampiran B – 0 P.T. GST Bil 2B (refer to Appendix 2) and submit it to the GST office (controlling station) within 15 days after the end of your taxable period. If you are under a category of “any person whose annual turnover is more than 25 million and at least 80% supplies made are zero-rated”, there is another report to be prepared known as Lampiran A1 (refer to Appendix 3). This report is not required to be submitted but must be prepared for audit by any GST officers when requested. The template of Lampiran B – 0 P.T. GST Bil. 2B and Lampiran A1 can be downloaded from the GST portal.

## **INQUIRY**

20. For any inquiries on 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](mailto:gstsector6@customs.gov.my)

## **FURTHER ASSISTANCE AND INFORMATION ON GST**

21. Further information on GST can be obtained from:

(a) GST Website : [www.gst.customs.gov.my](http://www.gst.customs.gov.my)

(b) Customs Call Centre:

• Tel : 03-78067200/ 1-300-888-500

• Fax : 03-78067599

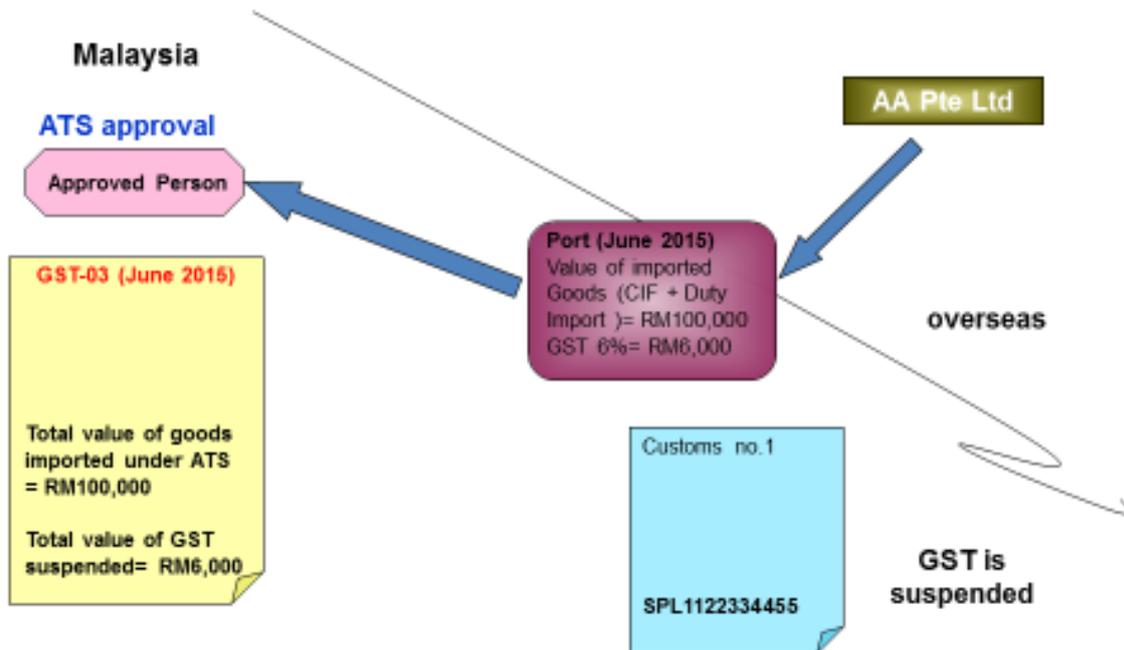
• Email : [ccc@customs.gov.my](mailto:ccc@customs.gov.my)

**AMENDMENTS**

<b>No.</b>	<b>Date</b>	<b>Heading/Subheading/Paragraph</b>	<b>Description</b>
1.	12.01.2016	Paragraph 8(g)	New subparagraph

APPENDIX 1

### Approved Trader Scheme - Concept





**APPENDIX 3**

**LAMPIRAN A1**

**PENYATA BULANAN BAGI PEMBEKALAN BARANG SIAP BAGI SYARIKAT  
SELAIN GPB/FIZ/IPC/RDC/AJS/ATMS**

Nama Syarikat:  
Alamat Syarikat:  
No. GST:  
No.SPL:

Nama Barang siap	Pengeluaran			Eksport				Pembekalan tempatan bagi barang berkadar sifar				Baki stok barang siap
	Jumlah stok permulaan barang siap	Jumlah Keluaran Semasa	Jumlah barang Siap	No. Borang Kastam 2	Kuantiti	Nilai (RM)	Peratus eksport	Tarikh Jualan/ No.Invois Jualan	Kuantiti	Nilai Jualan (RM)	Peratus Jualan	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)= f)/(d) X 100%	(i)	(j)	(k)	(l) = (j)/(d) X100%	(m )= (d) – (f) –(j)
<b>Jumlah</b>												

Tandatangan:  
Nama:  
No.Kad Pengenalan:  
Jawatan:  
Cop Syarikat:

Saya mengaku bahawa maklumat-maklumat yang diberi di atas adalah benar dan betul

Penyata ini hanya untuk tujuan audit dan perlu dikemukakan apabila dikehendaki

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