



ROYAL MALAYSIAN CUSTOMS

GOODS AND SERVICES TAX

GUIDE ON DUTY FREE SHOP

Publication

Date Published: 14 January 2016.

The Guide on Duty Free Shop revised as at 28 April 2015 is withdrawn and replaced by the Guide on Duty Free Shop revised as at 14 January 2016.

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INTRODUCTION

1. This industry guide is prepared to assist businesses in understanding matters in relation to GST treatment on goods supplied by Duty Free Shop (DFS).

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

5. Duty Free Shop (DFS) in Malaysia is licensed under Section 65D of Customs Act 1967. DFS typically operates at international airports, seaports, downtown and at borders. DFS is set up for the purpose of promoting the tourism industry in Malaysia, especially to foreign tourists. Foreign tourists as well as eligible local tourists are able to purchase goods free of duty and GST at any DFS.

TYPES OF DUTY FREE SHOP

6. Basically, there are several types of DFS operating in Malaysia which are as follows:

(a) DFS Located at Airports

This type of DFS is normally located at the airport terminal building. It is meant to cater for plane crew and air passengers.

(b) DFS Located at Seaports

As in airports, DFS is also located at various seaports in Malaysia, for example at Port Klang, Port of Tanjung Pelepas, Pasir Gudang Ferry Terminal, and Tanjung Belungkor Ferry Terminal in Johor Bahru.

(c) DFS Located at Borders

This type of DFS is located at certain border checkpoints, like Padang Besar and Bukit Kayu Hitam, to supply duty free goods to tourists.

(d) DFS Located Within The Country

There are also DFS within the country, like Rantau Panjang and Pengkalan Kubor which are located within Principal Customs Area but situated near Customs checkpoints.

GOODS THAT CAN BE SUPPLIED IN A DFS FREE OF DUTY AND GST

7. Under the Customs Act 1967 and Customs Regulations 1977, not all goods are allowed to be sold free of duty in a DFS. In other words, only certain categories of goods are allowed to be sold or supplied free of duty. Those goods that are allowed to be sold free of duty include the followings:

- (a) Foods products;
- (b) Chocolate ,Confectionery;
- (c) Liquor, Cigarettes, Tobacco;
- (d) Leather product;
- (e) Toilet preparation;
- (f) Textiles, Wearing Apparel, Clothing Accessories;
- (g) Footwear, Headgear;
- (h) Tableware, Glassware (ceramic, porcelain, glass);

- (i) Jewellery;
- (j) Articles of base metal;
- (k) Typewriter, Calculating Machine;
- (l) Domestic Electrical Appliances;
- (m) Telephone set;
- (n) Audio, Video media;
- (o) Television Receivers, Video Cassette Recorders, Radio Broadcast Receivers;
- (p) Toys, Games;
- (q) Cigarette Lighter, Ball Pen (plastic);
- (r) Sports goods.

8. Goods which import duty or excise duty has been paid are not allowed to be supplied in DFS. However, certain categories of manufactured goods in Malaysia such as food, beverages and goods as gifts (e.g. watches and cameras) which are not subjected to any duty or tax are allowed to be sold in DFS subject to conditions imposed by the Director General.

9. The above mentioned goods (in paragraph 8) were not subject to any duty or sales tax previously. However, these goods are now subject to GST at a standard rate. Hence, to facilitate the industry and for the DFS operators to supply goods free of GST as provided under Item 3, Second Schedule of the Goods and Service Tax (Relief) Order 2014, the following actions should be taken:

- (a) Any company that applies for DFS status to sell goods that are subject to GST at a standard rate, the application should be submitted to the State Director of Customs before the application is forwarded to Customs Head Quarters for consideration and approval by the Ministry of Finance.
- (b) Any company that have obtained DFS status and wishes to add their products by selling goods subject to GST, the application can be considered by the State Director of Customs for approval.

- (c) Any company that have been given approval to sell goods that are subject to GST at a standard rate, the list of goods need to be submitted to the State Director of Customs for approval.

10. Duty Free Shops are not allowed to supply goods that are not listed as duty free goods as approved by RMCD.

GST TREATMENT ON GOODS SUPPLIED TO OR CONSUMED IN A DFS

11. GST payment on eligible goods that are imported is suspended when imported by a DFS operator. Such importation has to be declared in the prescribed form (Customs No. 8).

12. GST payment on goods acquired by a DFS operator from a bonded warehouse is also suspended. The declaration on the movement of goods from a bonded warehouse to a DFS must be made in Customs No.8 form.

13. GST payment on supply of goods from an excise warehouse to a DFS is subjected to GST at a standard rate. Declaration on the movement of goods from such premise to a DFS must be made in Excise No.8 form.

14. Goods supplied by local manufacturers (including from Free Industrial Zone and Licensed Manufacturing Warehouse companies) to a DFS are treated as local supplies. However, the DFS operator can claim the GST charged by the local manufacturers as his input tax credit.

15. Goods supplied to a DFS to be consumed or used in the DFS such as computers or office equipment is subjected to GST a standard rate.

GST TREATMENT ON SERVICES SUPPLIED TO OR CONSUMED IN A DFS

16. All services supplied to or consumed in a DFS are subjected to GST at a standard rate. For example, supply of telecommunication to be consumed by a DFS operator. The DFS operator can claim GST paid on such services as his input tax credit.

GST TREATMENT ON GOODS SUPPLIED BY A DFS OPERATOR

17. Goods approved to be supplied by a DFS operator is given relief under Item 3 of the Goods and Services Tax (Relief) Order 2014.

RESPONSIBILITIES AND LIABILITIES OF A DFS OPERATOR

18. Duty free shop operators are responsible to keep full and true records of all supplies made and purchases acquired. DFS operator responsibilities also include the followings:

(a) Bank Guarantee

Must furnish a bank guarantee or a bond to cover the duty and/or GST payable on the goods supplied at the DFS;

(b) Stock Record

Must maintain and keep stock records, sales record, daily sales record, monthly return and sales invoices;

(c) Return/audit report

DFS operator is required to submit monthly report to the RMCD on his sales, acquisitions and stock records. Besides that, he also need to submit an annual certified audit report to the RMCD.

FREQUENTLY ASKED QUESTIONS

Goods Supplied to or Consumed in a Duty Free Shop

Q1. Are goods consumed in DFS such as water and electricity subject to GST?

A1. Yes, goods consumed in DFS like utilities are subjected to GST at a standard rate.

Services Supplied to or Consumed in a Duty Free Shop

Q2. What is the treatment of GST on freight for transporting goods to my DFS?

A2. Freight for the transportation of goods to DFS is subject to GST at a standard rate.

Q3. Must I also pay GST on insurance for transportation of goods to my DFS?

A3. Yes, insurance on transportation is also subject to GST at a standard rate.

Q4. Are services consumed in DFS such as security services subject to GST?

A4. Yes, services consumed in DFS like security services are subject to GST at a standard rate.

The treatment of GST on goods supplied in DFS

Q5. Are goods sold in DFS located at seaport or airport subject to GST?

A5. Goods sold in DFS located at airports and seaports are free of duty and GST as stipulated in Item 3, Second Schedule of the Goods and Service Tax (Relief) Order 2014.

Q6. Are Malaysians residing in Malaysia but returning from overseas eligible to purchase goods without duty and GST from DFS?

A6. Only Malaysians returning from overseas after an absence from Malaysia not less than 72 hours are allowed to purchase duty free goods at DFS without duty

and GST for certain quantities. The excess is subject to GST at a standard rate. Such eligible Malaysians must provide proof of their overseas stay.

Q7. Shelly operates a downtown “Tourist Refund Scheme (TRS)” outlet. What is the GST treatment on goods supplied by Shelly in the outlet?

A7. Goods sold at TRS outlets are subject to GST at a standard rate. Any foreign tourist leaving Malaysia can claim GST paid on goods purchased at TRS outlet provided that they have fulfilled the conditions imposed under the TRS. For further details, please refer to *Guide on Tourist Refund Scheme*.

Q8. What is the GST treatment on goods sold in DFS located at border like Bukit Kayu Hitam, Kedah?

A8. All goods sold at DFS located at border are free of GST. However, if such goods are brought into Malaysia, GST would be imposed at the checkpoint by the Customs.

Q9. What is the GST treatment on goods purchased by an ineligible person at airport or seaport DFS?

A9. An ineligible person who purchases goods at the airport or seaport DFS would have to pay GST on his purchases.

Responsibilities and Liabilities of a DFS Operator

Q10. As a DFS operator, do I need to register for GST?

A10. You must register under GST if your taxable turnover has exceeded the prescribed threshold. Sales of duty free goods are regarded as taxable supplies.

Q11. How do I register for GST?

A11. You can apply for GST registration via online and attach relevant supporting documents such as your DFS licence, form 24, form 49 of the Company Act, copy of your I/C or passport, and location plan of your premise. For further details, please refer to the *Guide on Registration*.

Q12. If I operate several DFS in Malaysia, can I register all the DFS under one single GST registration?

A12. Yes, you can register all your DFSs as one single entity. However, you may also choose to register your DFS separately under branch registration. For further details, please refer to the Guide on Registration.

Q13. What happens if goods are damaged or lost in the DFS?

A13. Proper documentation such as a survey report describing the cause of damage or lost and the quantity involved must be furnished to the Director General (DG) immediately. However, GST is chargeable on the damaged or lost goods unless remission of tax is obtained from the DG.

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

• E-mail : ccc@customs.gov.my