

**ROYAL MALAYSIAN CUSTOMS DEPARTMENT
DIRECTOR GENERAL'S DECISION
7 SEPTEMBER 2018**

DG'S DECISION ON SST: 3/2018

ITEM 3:

RETENTION PAYMENTS (GST TRANSITIONAL ISSUE)

Contractor A started a construction project in 1.1.2017 and due to complete in 30.6.2020. There is progress billing issued by Contractor A to the client who is a developer. Under this project, the developer may retain or hold a certain amount of money payable to the contractor known as retention sum. Contractor A can only claim the retention sum from the developer after the end of the defect liability period which is 6 months after the completion of the project (according to the contract).

Is Contractor A allowed to issue a tax invoice and account for GST in year 2020 after the completion of the project for the retention sum in his final GST-03 return?

(i) Tax Invoice issued before 1/9/2018

Contractor A is only allowed to issue a tax invoice relating to the retention sum before 1/9/2018 and account and pay for the output tax in his return for the last taxable period which is not later than 120 days from 1/9/2018 according to section 6(2) of the Goods and Services Tax (Repeal) Act 2018. However, contractor A is not allowed to issue a tax invoice on or after 1/9/2018. If Contractor A issues the tax invoice to the developer before 1/9/2018 and if the input tax is allowable then developer is entitle to make such input tax claim in his return for the last taxable period.

(ii) Invoice issued after 1/9/2018

Contractor A may issue an invoice for the retention sum in year 2020 but he is required to account and pay for GST on the retention sum for supply made before 1/9/2018 in his return for the last taxable period which is not later than 120 days from 1/9/2018. However, the developer is not allowed to claim input tax relating to the retention sum.