Impact of Changes in FEA rules on GST Reporting

By Senthuran Elalingam

A change in the Foreign Exchange Administration (FEA) rules took effect on 5 December 2016. Under the new rules, although tax invoices could be issued in foreign currency for domestic trade transactions, all settlements would need to be made in Malaysian Ringgit.

Questions have been asked as to how this might impact reporting and invoicing for GST purposes. In short, this should not impact GST reporting at all.

Under the requirements in the Goods and Services Tax Act 2014, any GST needs to be reported in Malaysian Ringgit on any tax invoice issued, as well as on the GST Return (GST-03). Although tax invoices can be issued in foreign currency, the tax invoice must clearly provide a rate of conversion and the relevant GST amount still be displayed in Malaysian Ringgit. The rate of conversion must correspond to the relevant time of supply for GST purposes, i.e. the earlier of invoice, payment, and goods being made available or services performed.

Any supplier must ensure that they report the amount that corresponds to the GST amount quoted in Malaysian Ringgit on the invoice that has been issued and likewise, the purchaser must ensure that they claim the same.

To the extent that there are any foreign exchange gains or losses that arise due to the timing differences between the issuance of the invoice and settlement, these gains or losses are not subject to GST.

Senthuran Elalingam is Deloitte Malaysia's Executive Director that specializes in GST.