



Malaysia | Tax | September 2015



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GST Chat
All you need to know

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Greetings from the GST Team of Deloitte Malaysia

Hello everyone, welcome to the September edition of GST Chat which covers the latest news and updates in the world of GST, customs and excise.

The significant weakening of the Ringgit and general economic concerns has put the focus very much on next month's Budget announcement. The Government has already announced a raft of measures to stimulate the economy and the share market, and it is likely that there will be more key announcements in the Budget.



From a GST perspective, we understand that the Budget will include a number of amendments to the Law, mainly to rectify gaps or achieve consistency with more recent guidance issued by Malaysian Customs. However, until we see the legislation it will be difficult to speculate on what impact it might have. The hope is that any amendments assist in providing more certainty to businesses as opposed to creating more uncertainty and confusion.

We are continuing to see an uptrend in GST activity from Customs. In addition to the ongoing GST refund verification exercises, we are also seeing the conduct of more desk audits. This includes a number of businesses registered under the Subang Customs office who were issued with an email request to visit the office for the conduct of a desk audit.

A number of businesses were also required to attend 'Hand Holding Programs' over the month, which served partly as an education piece for businesses but also included an audit type session which included specific questions on figures and data that had been reported. Regardless of the purpose of the session, it is important that you treat these sessions seriously and use it as an opportunity to build a good relationship with Customs.

Here are some other interesting developments and news from the past month:

- Recent data released by the Ministry of Domestic Trade, Consumerism and Cooperation (“MDTCC”) has shown the number of complaints from the public regarding price increases have significantly dropped
- Traders and small businesses have only days remaining to install point-of-sale (POS) systems to issue GST tax invoices that are printed and numbered. The Finance Ministry has stated that handwritten tax invoices cannot be issued from October 1st.
- Restaurants and lorry operators were told by the MDTCC to reduce their prices, in the wake of the drop in fuel prices.

We hope you enjoy our September edition and best wishes again us, the Deloitte GST Team.

Regards,
Tan Eng Yew

GST and Customs Country Leader – Deloitte Malaysia

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1. Recent GST Technical Updates

GST Guides

Guides which have been revised

- [Guide on Approved Toll Manufacturer Scheme](#)

The following additions were made to the revised guide:

- A statement has been inserted under the responsibility requirements to make it clear that Customs may suspend or revoke a person's approval under regulation 92 of the GST Regulations 2014 if they fail to maintain a good compliance history;
- A new FAQ has been inserted requiring the submission by ATMS participants to submit a monthly report within 15 days of the end of the taxable period. The report template is included in the appendix to the revised guide.

- [Guide on Employee Benefits](#)

Some of the key additions to the revised guide include the following new additions to the FAQs:

- Question 13 & 23
Deal with the provision of employee accommodation to employees. This confirms Customs view that residential apartments leased to employees are exempt supplies (except where the property is a hotel, motel or similar). Where the employee meets part of the payment either as a fee charged by the employer or as part of a salary deduction, these are treated as payments for exempt supplies.
- Question 24
Salary deduction as payments made to ASB, Tabung Haji, Zakat and Trade Union subscription or similar. Customs confirms these are treated as disbursements by the company and are not subject to GST.



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2. Provisional Anti-dumping Duty on Steel Coils Imported from China and Vietnam

The Ministry of International Trade and Industry ('MITI') has imposed a provisional anti-dumping duty guaranteed by a security equivalent to the amount of the duties levied on imports of pre-painted / colour coated steel coils ('steel coils') imported from China and Vietnam. All Steel coils being imported from China would attract a flat rate of anti-dumping duty of 52.10% whereas imports from Vietnam would attract a median rate of 16.45% with a lower rate for imports made from certain specific vendors.

The said provisional anti-dumping duty has been imposed as an interim measure for a period of 120 days starting from 26 September 2015 to 23 January 2016.

The above decision to impose anti-dumping duty on steel coils comes in the wake of an ongoing investigation by the MITI which was triggered by a petition made by a domestic manufacturer claiming that the imports of steel coils from China and Vietnam were adversely affecting the domestic market. The investigation also covers import of steel coils from other countries like Finland, France, Indonesia, Japan and South Korea. Therefore, importers can also expect to see an anti-dumping duty being imposed on import of steel coils from the said countries on the completion of said investigation, in the near future."

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3. Decoding GST Tax Codes

To date Malaysian Customs has set out in its Accounting Software Guide, 23 recommended GST tax codes. Of the 23, 10 are to different types of supply transactions while another 13 are for the acquisition transactions. Whilst the Guide includes explanations in relation to the purpose and usage of each of these codes, the burning questions remain as to whether all of these codes are in fact necessary and what risks do businesses face if they do not use all of these codes or use an incorrect code.



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Now just what is tax code and why do we need it. As complicated as it may sound another data attribute to be assigned to a transaction, just like the general ledger account number, in order for a transaction to be recorded meaningfully and for which businesses can understand the nature and type of transactions that has been recorded. It facilitates report generation and clear segregation of transactions into different GST treatments.

With the proper assignment of tax codes, you would be able to tell if a purchase you have made is from a GST registered person or if it is a purchase ineligible for input tax credits. This is useful as the Malaysian GST Return (GST-03) contains a multitude of fields to fill out, and an extensive set of tax codes could make it easier for you to map transactions to each of those data fields. This would also make the Customs GST audit process all the more easier, as it would enable production of detailed transaction data mapped to each field as would be required by Malaysian Customs.

It should be noted that not all of the 23 tax codes have an impact on the GST-03 as some are assigned to transactions that have no GST impact. If the selection of tax codes is a manual process or requires significant manual intervention by staff with limited GST knowledge, then the use of the codes poses a risk. Automation would be ideal, but costly and may not always be possible.

Ultimately, the guidance provided by Malaysian Customs on tax codes is merely a recommendation and it is not mandated. It is a 'nice to have' and something that would make it easier for you to comply during a GST audit. It should ultimately be a commercial decision weighing up the cost of systems upgrades / modifications, staff training and the updates to processes. The critical focus needs to be on ensuring that what is reported in each GST-03 is correct and that the numbers are auditable and verifiable. The use of extensive tax codes can, if done correctly, assist with this.

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4. Employee Reimbursements – Are You Claiming the Right Amount of GST?

We are continuing to see cases of staff claims being made with invalid invoices. If such a practice continues without correction, it can cost the business both in terms of unrecoverable GST and also administrative costs in trying to go back to the supplier and obtain a valid invoice.

The issue boils down to the requirement in the Malaysian GST Law that a GST input tax credit can only be claimed if a valid tax invoice is obtained bearing the customer's name. In a staff reimbursement scenario, this is the employer. The requirements are such that it needs to be the employer's name to be stated clearly on the tax invoice, which is another source of confusion, when you are dealing with large groups or companies with long names. Failing to correctly name the employer on the tax invoice can risk the claim being denied by Customs at a later date.

At this stage the only relaxation on the employer name requirement is for simplified tax invoices (where the invoice value is below RM 500) or on mobile phone bills issued to the employee. In all other circumstances, a valid tax invoice needs to be issued. This is of course posing a challenge for employees and employers alike in sourcing valid tax invoices for expense claims, especially when dealing with small business suppliers.

Fortunately, we have not seen Customs penalising these errors and one hopes that as businesses become more aware the issuance of tax invoices bearing a company name will become second nature to most suppliers. Nevertheless, it is important to stay on top of processes and ensure that both employees and your accounts payable / human resources team maintain focus on this issue, so to avoid any bad habits creeping in over time.



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5. Publications and Media

Our Deloitte GST team have been active in assisting in spreading the GST message. Here are some publications and events that have occurred in the past month.

Published in the New Sarawak Tribune (10th September 2015) 'Deloitte hopes GST-related issues will be addressed' by Kane Bong, GST Manager which may be read [here](#).

Wong Poh Geng, GST and Customs Director shared her views on GST refunds getting quicker in The Edge Financial Daily (28 September 2015). Please [click here](#) to read in detail.

We hope that you have enjoyed this edition of the GST Chat and for now, we bid you farewell.

For our past and upcoming events related to indirect taxes, please [click here](#).

We invite you to explore other tax related information at:

<http://www2.deloitte.com/my/en/services/tax.html>

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