



Indirect Tax Alert

Change of GST rate to 0%

Background

Further to our Indirect Tax Alert issued on 15 May 2018, the government has just issued 1 amendment order and 5 revocation orders which will be **effective on 1 June 2018**.

The list of orders can be found below:

- 1) [**GST \(Rate of Tax\) \(Amendment\) Order 2018**](#)
- 2) [**GST \(Application to Government\) \(Revocation\) Order 2018**](#)
- 3) [**GST \(Imposition of tax for supplies in respect of free zones\) \(Revocation\) Order 2018**](#)
- 4) [**GST \(Imposition of tax for supplies in respect of Designated Area\) \(Revocation\) Order 2018**](#)
- 5) [**GST \(Relief\) \(Revocation\) Order 2018**](#)
- 6) [**GST \(Zero-rated\) supply \(Revocation\) Order 2018**](#)

The impact of the above Orders are that with effect from **1 June 2018**, all goods and services that were subject to GST at 6%, will now be reduced to 0%.

The change will remain in effect until further notice from the Ministry of Finance.

The Ministry of Finance has issued a media statement in the national language on the change of rate to zero percent which can be found at the following link:

<http://www.treasury.gov.my/index.php/galeri-aktiviti/siaran-media/item/3803-siaran-media-pengenaan-cukai-barang-dan-perkhidmatan-pada-kadar-sifar.html>

How will it impact you?

For transitional purposes, businesses must take into account section 66 and 67 of the GST Act as well as the time of when the change will take effect, i.e., 1 June 2018.

In summary, Section 66 provides that GST will be charged at 6% on the *higher of the following amounts*:

- Full or part payment received before the effective date;
- OR
- Value of the supply of the goods or services supplied before the effective date.

The value of supply will be determined based on the extent to which the goods are removed or made available, or the services performed.

The new 0% rate will be charged on the difference, if any, between the amounts determined above and the total value of the supply.

In addition, for contracts which have been entered into but have not yet been executed by 31 May 2018, Section 67 of the GST Act allows the supplier to deduct from the agreed GST inclusive price, the amount of GST due to the reduction in rate on 1 June 2018.

In view of the short time frame to the change of rate, it is critical that businesses immediately focus on the following areas:

- Review status of on-going supplies and the applicable billing and payment arrangements to ensure that GST is accounted for at the correct rate.
- Ensuring that your GST 03 Return still captures standard rated supplies (at 0%), exempt supplies, disregarded and other supplies correctly.

- As exempt supplies are still in place, mixed suppliers would still need to continue to do partial exemption calculations for any input tax captured after 1 June 2018.
- Pricing strategies and considerations for post-1 June 2018, including price displays, to reflect the Governments stated intentions for removal of GST.

What we expect

We expect that the effective removal of GST is a prelude to the introduction of the new sales tax and service tax (“SST”) regime in the coming months.

In addressing the transitional issues for 1 June 2018, it is also important that business also start looking ahead to prepare for the impending SST.

How can Deloitte help?

We will be holding a series of workshops in the coming week to address these immediate transitional issues in more detail.

Please lookout for our invitations.

In the meantime, if you have any urgent questions that need to be addressed, please reach out to any of the contacts below or your usual Deloitte GST contact.

Name	Email address	Telephone
Tan Eng Yew Indirect Tax Country Leader	etan@deloitte.com	+603 7610 8870
Senthuran Elalingam Financial Services Indirect Tax Leader for Asia Pacific	selalingam@deloitte.com	+603 7610 8879
Wong Poh Geng Director	powong@deloitte.com	+603 7610 8834
Chandran TS Ramasamy Director	ctsramasamy@deloitte.com	+603 7610 8873
Larry James Sta Maria Director	lstamaria@deloitte.com	+603 7610 8636

Best regards,

Indirect Tax Team



Deloitte Tax Services Sdn Bhd

Level 16, Menara LGB
1, Jalan Wan Kadir
Taman Tun Dr Ismail
60000 Kuala Lumpur
Malaysia

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