



Indirect Tax Alert

Royal Malaysian Customs Department (“RMCD”) Transitional FAQ

On 22 May 2018, the Royal Malaysian Customs Department (“RMCD”) issued an [updated FAQ](#) on the transition from 6% to 0% of the standard rated supplies. The FAQ issued on 17 May 2018 has been cancelled.

The FAQ covers several topics including tax invoice, GST return, interpretation of Section 66 of the GST Act 2014 (Change of Rate), impact of schemes, etc.

Based on our initial review, we note that there is a discrepancy between the Bahasa Malaysia version and the English version. We have highlighted the discrepancies in our comments below.

We have also provided below our views on some of the FAQs where discrepancies are found with the law or regulations.

FAQ no.	Deloitte Comments
4. Tax Invoice	

4.2	We would highlight that under Regulation 25(1)(a) the supplier has to issue a credit note where the rate of GST has changed, resulting in a change in consideration. Taking into account Section 66, the requirement under Regulation 25 applies where payment has not been received before the change in rate.
4.5	In addition, the supplier should issue a credit note to reduce the rate to 0%.
4.6	We are of the view that in this scenario, there should not be any services partly performed before 1 June where a value can be attributable to it. In addition, the supplier should issue a credit note to reduce the rate to 0%.
4.10	The GST rate on the self-billed invoice will depend on the applicability of section 66, which is basically dependent on when payment is received, the services involved are performed or the goods involved are removed/made available. The rate for self-billed invoice should not automatically be 0%.
6. Return	
6.1 and 6.4	<p>In the English version of the FAQ, there are contradicting statements i.e. in 6.1 the reporting of standard rated supplies at 0% should be in column 10, whereas 6.4 states such supplies should be reported in 5(a). In the Malay version of the FAQ, the reporting of standard rated supplies is in column 5(a).</p> <p>We are of the view it should be reported under column 5(a) as the supplies are still standard rated supplies and charged at 0%.</p>
6.5	If the goods or services were formerly zero rated based on the order, post 1 June the supplies should be a standard rated supply at 0%. The reporting of the supply should be reported in column 5(a). For any exportation of goods, the reporting should be in column 11 as the exportation of goods is still zero rated based on section 17 of the GST Act.
7. Section 66 GST Act 2014 (Change of rate)	
7.1	<p>In the English version of the FAQ, the GST is to be charged at 6%.</p> <p>In the Malay version of the FAQ, the GST is to be charged at 0%.</p>

	We are of the view that the GST should be charged at 0% if the goods are removed and payment is received after 1 June.
7.4	In this scenario, our view is that the free services to connected persons will be subject to the rate of 0% only if the services are performed after 1 June.
10. Supply made in designated area	
10.1	We are of the view that these supplies should be taxable supplies but not chargeable to GST (instead of zero rated), in accordance with section 155 and the revocation of the GST (Imposition of Tax for Supplies in respect of Designated Areas) (Revocation) Order 2018.
10.2	We are of the view that these supplies should be taxable supplies but not chargeable to GST (instead of zero rated), in accordance with section 155 and the GST (Imposition of Tax for Supplies in respect of Designated Areas) (Revocation) Order 2018.
10.3 to 10.10 & 11.1 to 11.8	<p>The FAQs in 10.3 to 10.10 are repeated in 11.1 to 11.8.</p> <p>These FAQs deal with the treatment of supplies within the free zone.</p> <p>We assume that FAQs in 10.3 to 10.10 are meant for treatment of supplies within the designated area.</p>
10.3 & 11.1	We are of the view that these supplies should be taxable supplies but not chargeable to GST (instead of zero rated supplies), in accordance with section 155 and the revocation of the GST (Imposition of Tax For Supplies in Respect of Designated Area) (Revocation) Order 2018.
17. General	
17.13 to 17.15	<p>We would highlight that for the previous zero rated supplies under the GST (Zero Rated Supplies) Order 2014 are standard rated supplies at 0% from 1 June 2018 onwards.</p> <p>A tax invoice is required to be issued for these supplies.</p>
17.20	<p>The English version of the FAQ does not have an answer stated.</p> <p>Based on the Bahasa Malaysia version, the answer given is that an adjustment for the purpose of (input) tax claim has to be done using the code "AJP" and declared in box 6(b) GST 03. Adjustment for payment of (output) tax</p>

has to be done using the code "AJS" and declared in box 5(b) of the GST 03 return.

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.

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