



Indirect Tax Alert Transition from GST to SST: Latest updates

The Malaysian Prime Minister Tun Dr Mahathir Mohamad announced on the 30th of May that the Sales Tax and the Services Tax ("SST") would be reintroduced from the 1st of September.

In the period since then the Government has said that new SST would have a much broader scope than the previous version. We expect more details in the coming weeks with the possibility of an implementation time frame of 8 weeks.

In the previous week we also saw a further update to the FAQ released by the Royal Malaysian Customs Department (RMCD) as well as further guidance in relation to price displays.

Price display notification

Customs has issued a notice (in BM, English translation below) on the TAP dated 30 May 2018, in relation to GST rate change impact on price displays etc, as follows (some of Customs requirements may be viewed as administrative in nature rather than requirements under the GST law):-

- Effective 1 June 2018, the GST rate has been changed from 6% to 0% and all GST-registered businesses must comply with the imposition of the new (0%) rate.
- Price displays are to be revised so that (6%) GST is not imposed to consumers i.e. GST at 0%. GST registrants must display a notice in a prominent place within their premises, indicating that their previous price displays which were inclusive of GST at 6% have been changed to GST at 0%.
- Price displays inclusive of (6%) GST which have yet to be revised are required to be revised by 1 July 2018. GST registrants are expected to deduct the (6%) GST amount from their price displays using the fraction (GST = amount stated on price display x 6/106). Transactions inclusive of (6%) GST where a tax invoice has been issued must be rectified using one of the following methods:-
 - Issuance of a credit note; or
 - Manual amendment on the tax invoice and the (6%) GST amount is to be refunded to the customer.
- Price displays which have received approval from the DG of Customs to be stated exclusive of GST do not need to be revised and (6%) GST cannot be charged to the customer
- GST registrants must issue a tax invoice on all taxable supplies and cannot collect any GST as the GST rate is 0%
- GST registrants must continue to submit their GST returns by the stipulated deadlines until further notice.
- GST registrants can refer to FAQs on the transition from 6% to 0% GST, that has been uploaded on Customs website.

Updated FAQ 30 May 2018

On 30 May 2018, the RMCD issued an [updated FAQ](#) on the transition from 6% to 0% of the standard rated supplies. The FAQ issued on 25 May 2018 has been cancelled.

We have highlighted below our comments on the key changes:

FAQ no.	Deloitte Comments
2. Registration	
2.4	Any person who breaches the threshold of RM 500,000 taxable supplies within a 12 month period would still need to apply for GST registration until further notice is given by the RMCD. This is consistent with the Law, though it is unclear whether such applications will subsequently be approved.
4. Tax Invoice	
4.11	We do not agree with the view that all self-billed invoices issued post 1 June 2018 would be subject to 0%, as it would depend on the applicability of section 66 of the GST Act and in particular on when payment is received, the services involved are performed or the goods involved are removed/made available. This could be viewed as a concession provided by RMCD
5. Input tax credit under Section 38 GST Act	
5.9	GST registrants can continue to apply to the Director General for exceptional claim of input tax for goods held on hand prior to being registered for GST as provided under Regulation 46. This is again consistent with the Law.
8. Impact on Schemes	
8.8 to 8.12	If GST registrant has special facilities which expire on or after 31 May 2018, the RMCD is of the view that renewal is not required. The RMCD further add that any new application for special facilities from 1 June 2018 will not be processed. Special facilities mentioned above covers:

	<ul style="list-style-type: none"> • Approved Trader Scheme • Approved Toll Manufacturer Scheme • Margin Scheme • Approved Jeweller Scheme <p>In considering that GST is now at 0%, the benefits afforded under these schemes are no longer relevant.</p>
8.18	<p>Supply within warehouse</p> <p>The RMCD has updated their view and now hold the position that any import declaration (K1 or K9 forms) made before 1 June 2018 where GST has yet to be paid, would be subject to GST at 0%.</p> <p>This position seems inconsistent with the Law as the GST should apply at the prevailing rate at the date of importation. However, this appears to be a concession that has been provided.</p>
10. Supply made in designated area	
10.1 to 10.6	<p>The RMCD have updated their view and now hold the view that the supplies are be taxable supplies but not chargeable to GST (i.e. disregarded supplies)</p> <p>As indicated in our previous Alert, this is in line with section 155 of the GST Act.</p>
11. Supply made within the Free Zone	
11.1, 11.2, 11.4 & 11.5	<p>The RMCD have updated their view and now consider the supplies are taxable supplies but not chargeable to GST (i.e. disregarded supplies)</p> <p>As mentioned in our earlier Alert, this is in line with section 162(b) of the GST Act.</p>
17. General	
17.11 & 17.12	<p>For imported services, the RMCD has taken a position where any invoice is received from 1 June 2018 onwards, the recipient should determine the value of services up to 31 May 2018 and reverse charge will need to be accounted at the rate of 6%.</p>

	<p>It appears RMCD are seeking to apply the rules in section 66 to imported services. However, we are of the view that section 66 does not alter the general rules governing reverse charge (set out in section 13 of the GST Act). The recipient should only account for reverse charge at the rate of 6% for invoices received or payment made up to 31 May 2018. For invoices received or payment made from 1 June 2018 onwards, reverse charge will be applicable at the rate of 0%.</p> <p>We note that the RMCD position is likely to add further complications in applying reverse charge on services that span the transitional period.</p>
17.35	The RMCD has clarified that GST registrants who provide supplies which require approval under the Relief by Minister of Finance 1/2017 are no longer required to apply for relief.
17.39 & 17.40	The RMCD has clarified that the value of 0% standard rated acquisitions will still need to be reported under column 6(a) in the GST 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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