



# **GOODS AND SERVICES TAX**

## **ROYAL MALAYSIAN CUSTOMS**

**GST GUIDE ON  
TAX INVOICE, DEBIT NOTE, CREDIT  
NOTE AND RETENTION PAYMENT  
AFTER 1<sup>st</sup> SEPTEMBER 2018**

## **Publication**

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## **INTRODUCTION**

1. This guide is specifically prepared to assist businesses in understanding matters with regards to the liability of good and services tax (GST) on the issuance of tax invoice, debit note, credit note and GST treatment on retention payment after the repeal of Goods and Services Tax Act 2014 (GSTA) effective 1<sup>st</sup> September 2018.
2. Where there is any inconsistency between previous GST decisions and the decisions stated in this guide, the GST decisions of this guide shall prevail.

## **TERMINOLOGY**

3. “Registered person” – a person who was registered under the Goods and Services Tax Act 2014
4. “Final return” – GST return in respect of the taxable period ended 31<sup>st</sup> August 2018
5. “Final taxable period” – taxable period ended on 31<sup>st</sup> August 2018

## **REGISTERED PERSON LIABILITIES UNDER THE REPEAL ACT**

6. Any taxable supply made before 1<sup>st</sup> September 2018 is subject to GST and shall be accounted for in the relevant taxable period. Although GST Act has been repealed, a registered person is still liable for any liabilities incurred during the GST era as specified in Section 4(1)(a), Goods and Services Tax (Repeal) Act 2018 (Repeal Act). Any GST due, overpaid or erroneously paid may be collected, refunded or remitted.
7. Any person who fails to comply with any provision of the GSTA is still subject to legal action.

## **TAX INVOICE AND ACCOUNTING FOR TAX**

8. Any registered person who makes a taxable supply of goods or services before 1<sup>st</sup> September 2018 may issue a tax invoice or invoice after 1<sup>st</sup> September 2018 and account for tax in the final return. Registered person who fails to account and pays the tax commits an offence.

9. Any GST due and payable and not yet accounted in the final return, shall be accounted and paid by amending the final return.

10. A registered person who is the recipient of the tax invoice shall claim the input tax credit in his final return on or before 29<sup>th</sup> December 2018, and that claim shall be considered as the final claim for all input tax. A recipient of the tax invoice is not allowed to claim the input tax credit after 29<sup>th</sup> December 2018.

## **DEBIT NOTE AND ACCOUNTING FOR TAX**

11. In the case there is a change in the consideration for a taxable supply made before 1<sup>st</sup> September 2018 and subsequently a debit note is issued by the supplier who is a registered person, any GST which has been accounted for in any return shall be adjusted accordingly.

12. In the case the debit note is issued between 1<sup>st</sup> September 2018 and 29<sup>th</sup> December 2018, adjustment shall be made in the final return before 29<sup>th</sup> December 2018 by increasing the amount of output tax.

13. In the case the debit note is issued after submission of the final return, as adjustment shall be made, on or before the last day of the month in which the debit note is issued by amending the final return and increase the amount of output tax.

### ***Example 1***

*Cash Sdn Bhd (Cash) has made a taxable supply in May 2018 to his client Dodi Sdn Bhd worth of RM1,000 and GST of RM60. Subsequently on 10<sup>th</sup> February 2019, Cash has issued debit note amounting to RM2,000 with a GST of RM120. Cash has to account for the remaining output tax by amending his final return and increasing the*

*amount of RM2,000 in column 5(a) and RM120 in column 5(b). The amendment of final return has to be made on or before 28<sup>th</sup> February 2019.*

14. A registered person who acquired taxable supply before 1<sup>st</sup> September 2018 and subsequently received a debit note from his supplier who is also a registered person, may make the GST adjustment accordingly for claiming the remaining input tax.

15. In the case the debit note is received before 29<sup>th</sup> December 2018, a registered person may make an adjustment for input tax in his final return.

16. In the case the debit note is received after 29<sup>th</sup> December 2018, a registered person may make an adjustment for input tax by amending the final return accordingly in the month when the debit note is received.

***Example 2***

*Alpha Sdn Bhd (Alpha) received a debit note on 15<sup>th</sup> March 2019 from Infinity Sdn Bhd with a principal value of RM500 and a standard rated GST of RM30. Alpha has to amend his final return at the end of March 2019 by increasing the amount of RM500 in column 6(a) and RM30 in column 6(b).*

17. The GST adjustments as mentioned in paragraph 10 to 14 are subject to the following conditions:-

- (i) Debit note is issued in accordance with Regulation 25 of the GST Regulations 2014 (GSTR);
- (ii) The debit note issued must be valid and agreed by both parties and accepted by the recipient;
- (iii) The adjustment to the principal amount and GST amount must be recorded in the relevant account by the issuer and the recipient;
- (iv) All records related to the debit note adjustment need to be kept for 7 years.

## CREDIT NOTE AND ACCOUNTING FOR TAX

18. In the case there is a change in the consideration for a taxable supply made before 1<sup>st</sup> September 2018 and subsequently a credit note is issued by the supplier who is a registered person, any GST which has been accounted for in any return may be adjusted accordingly.

19. In the case the credit note is issued between 1<sup>st</sup> September 2018 and 29<sup>th</sup> December 2018, an adjustment shall be made in the final return before 29<sup>th</sup> December 2018 by reducing the amount of output tax.

20. In the case, the credit note is issued after 29<sup>th</sup> December 2018, an adjustment shall be made, on or before the last day of the month in which the credit note is issued by amending the final return and reduce the amount of output tax.

21. Where there is no amount of output tax in the final return, a registered person shall make an adjustment by declaring the amount of adjusted output tax as his input tax in column 6(b) of the GST-03 return.

### **Example 3**

*Hurry Sdn. Bhd. (Hurry) issued a credit note on 10<sup>th</sup> February 2019 to Bali Sdn. Bhd with a principal value of RM1,000 and a standard rated GST of RM60. Since there is no amount of output tax declared in his final return, Hurry has to amend his final return by declaring RM1,000 in column 6(a) and RM60 in column 6(b), on or before 28<sup>th</sup> February 2019.*

Field in GST Return	Value (RM)
5 (a)	
5 (b)	
6 (a)	1,000
6 (b)	60

22. A registered person who received a credit note on or before 29<sup>th</sup> December 2018, shall make an adjustment by reducing the amount of input tax in his final return.

23. In the case the credit note is received after 29<sup>th</sup> December 2018, a registered person shall reduce the amount of input tax by amending his final return, on or before the last day of the month when the credit note is received.

24. Where there is no amount of input tax in the final return, a registered person shall make an adjustment by declaring the adjusted amount as his output tax in column 5(b) of the GST-03 return.

**Example 4**

*SoFa Sdn Bhd (SoFa) received a credit note on 15<sup>th</sup> February 2019 from Pulp Sdn Bhd with a principal value of RM500 and a standard rated GST of RM30. Since there is no amount of input tax declared in his final return, SoFa has to amend his final return by declaring RM500 in column 5 (a) and RM30 in column 5 (b), on or before 28<sup>th</sup> February 2019.*

Field in Final Return	Value (RM)
5 (a)	500
5 (b)	30
6 (a)	
6 (b)	

25. The GST adjustment as mentioned in paragraph 16 to 22 is subject to the following conditions:

- (i) Credit note is issued in accordance with Regulation 25 of the GSTR;
- (ii) The credit note issued must be valid and agreed by both parties and accepted by the recipient;
- (iii) The adjustment to the principal amount and GST amount must be recorded in the relevant account by the issuer and the recipient;
- (iv) All records related to the credit note adjustment need to be kept for 7 years.

## RETENTION PAYMENT

26. Most of the construction contracts provide a provision to retain part of the amount of a consideration (known as “retention payment”) due to the contractor(s). Retention payment is the amount of progress payment which is not paid until the conditions specified in the contract for the payment of such amount have been met or until defects have been rectified.

27. Construction contracts provide for a contractor to render progress payments as work on a contract progresses where the contractor will be paid, usually after the relevant part of the work has been satisfactorily completed, as certified. Such contract allows the client to withhold a percentage of payment from each progress payment pending satisfactory completion of the entire contract.

28. This retention amount is a specified amount withheld at each stage of progress payment and will only be released to the contractor when the client is satisfied with the work performed. Retention payments are usually released only after the construction project has been completed or at the expiry of the defect liability period.

29. A registered person is **not required** to account for tax on any invoice issued pertaining to a retention payment or retention payment received, whichever is the earlier, on or after 1<sup>st</sup> September 2018 which relates to work done before 1<sup>st</sup> September 2018.

30. Where a registered person who has issued a tax invoice or received a payment on any retention sum (i.e. whichever is earlier) on or after 1<sup>st</sup> September 2018 and he has declared and paid the tax in the final return, he may issue a credit note to his client and make a necessary amendment in the final return.

31. Whereas, a client who received the credit note relating to the retention sum shall also make an adjustment in the final return. In the case where, late payment penalty is imposed on the such declaration of tax, he may apply for a remission via GST TAP.

## RECORD KEEPING

32. A registered person has an obligation to keep a proper, full and true accounting records on all his business transactions in the National or English language and maintain them either electronically or manually in Malaysia for a period of seven years.

33. In respect of his relevant supply or acquisition, a registered person shall hold records that include;

- (i) All records of goods or services supplied by or to a registered person, including tax invoices, invoices, statements of sales, receipts, credit notes, debit notes and export declaration forms;
- (ii) All records on importations of goods;
- (iii) Physical books of accounts, financial statements and paper based source documents including computer printouts of business and accounting records;
- (iv) Electronic records; and
- (v) All details of the accounting system, including charts, codes of accounts, instruction manuals, system and program documentation and specification, etc.

## FREQUENTLY ASKED QUESTIONS

**Q: 1 I have issued an invoice in October 2018 for a taxable supply made in May 2018. When do I need to account for the GST, and is my customer entitled to claim input tax?**

A: 1 You have to account for the output tax in May 2018 return but your customer is not allowed to claim the input tax on the normal invoice received.

**Q: 2 I have issued an invoice in January 2019 for a supply of services made to my customer for a period commencing March 2018 to December 2018. Do I need to account for the output tax in my final return?**

A: 2 Yes but you only have to account for the output tax on taxable supply of services made commencing March 2018 to August 2018 by amending the final return on or before 31<sup>st</sup> January 2019.

**Q: 3 I have received tax invoices in August 2018 but the input tax incurred was not claimed in the final return. Can I claim the unclaimed input tax incurred in the month of January 2019?**

A: 3 You are not allowed to claim the input tax in January 2019 as it should be claimed in your final return, on or before 29<sup>th</sup> December 2018.

**Q: 4 I have sent an official letter to the Director General of Customs (DG) for an application to claim the input tax incurred before 1<sup>st</sup> September 2018 that required DG's special approval. Do I entitle for the input tax credit?**

A: 4 Yes. You are entitled for the input tax credit based on the approval given by the DG provided that input tax has been declared in the final return on or before 29<sup>th</sup> December 2018.

**Q: 5 Tupper Sdn Bhd (Tupper) issued several debit notes to his customer after 1<sup>st</sup> September 2018 to recover for the GST amount on previous taxable supplies made. Is Tupper allowed to make such arrangement?**

A: 5 No, Tupper is not allowed to issue debit notes for the purpose of recovering GST not paid by his client. However, Tupper is still liable to issue debit notes should there be any adjustments made relating to taxable supplies made before 1<sup>st</sup> June 2018, and such issuance of debit notes must be subject to all prescribed particulars stated in Regulation 25 of the GSTR. Accordingly, Tupper is also required to make necessary adjustments in his final return. He may amend his final return once before the end of the month irrespective of the number of debit notes issued in the same month.

**Q: 6 My customers were not able to pay me the taxable supplies which I have made to them before 1<sup>st</sup> June 2018. Am I allowed to issue credit notes to them?**

A: 6 You are not allowed to make a GST adjustment due to issuance of the credit note to your customer if there is no change in the consideration for the taxable supplies.

**Q: 7 Faster Sdn Bhd (Faster) issues a credit note with a principal value of RM10,000 and GST amount of RM600 in April 2019. How should Faster make the GST adjustment if the company is in a payable position of RM300 in his final return submitted on 29<sup>th</sup> December 2018?**

A: 7 Faster need to make the GST adjustment in his final return as follows;

Field in GST-03 Return	Value (RM) Before Adjustment	Value (RM) After Adjustment
5 (a)	5,000	0
5 (b)	300	0
6 (a)	0	5,000
6 (b)	0	300

**APPENDIX 1 (AMENDMENTS)**

<b>NO</b>	<b>DATE</b>	<b>HEADING/ SUB-HEADING/ PARAGRAPH</b>	<b>DESCRIPTION</b>
1.	29/4/2019	Paragraph 8	New Update
2.	29/4/2019	Paragraph 10	New update
3.	29/4/2019	Paragraph 30	New para
4.	29/4/2019	Paragraph 31	New para
5.	29/4/2019	Question 6	New update

## **INQUIRY**

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