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**GST FREQUENTLY ASKED ISSUES****ITEM 6:  
Foreign exchange**

*Can businesses use any exchange rate for transaction involving foreign currency?*

*(Amended 19/12/2014)*

*(Substitute with new item 23/3/2015)*

- (i) Paragraph 5 of 3rd Schedule of the GSTA requires business to convert the foreign exchange into ringgit –
  - (a) In the case of a supply including imported services, at the selling rate of exchange prevailing in Malaysia at the time the supply takes place; or
  - (b) In the case of importation of goods, at the rate of exchange determined by DG at the time applicable for the calculation of customs duty or excise duty and valuation. Therefore, for imported goods, irrespective whether the importer is GST registered or not, he must use the exchange rate determined by the DG;
- (ii) In the case of local supply including imported services or export of goods, where the supplier and the buyer are both making wholly taxable supplies and both are businesses registered for GST –
  - (a) the businesses may use any of the following exchange rates published by –
    - (aa) Bank Negara Malaysia (BNM);
    - (bb) any commercial banks in Malaysia or any other banks registered under BNM;
    - (cc) news agencies e.g. Bloomberg, Reuters, Oanda, ASWJ, XE, Strikeiron;
    - (dd) any foreign central banks e.g. European Central Bank and Federal Reserve Bank of New York, Korean Exchange Bank.
  - (b) The exchange rate from any of the published rates in sub paragraph (ii) (a) above must be –
    - (aa) the prevailing exchange rate (selling rate) corresponding to the time of supply;
    - (bb) the monthly average rate of the previous month corresponding to the time of supply;
    - (cc) the month-end average rate corresponding to the time of supply;

- (dd) the month end selling rate corresponding to the time of supply;
  - (ee) the opening selling rate of the month corresponding to the time of supply;
  - (ff) the average rate of the highest rate plus (+) the lowest rate of the previous month corresponding to the time of supply; or
  - (gg) the hedged exchange rate with banks corresponding to the time of supply;
- (c) The exchange rate as in sub paragraph (ii) (a) and (b) must be used consistently for internal business reporting and accounting purposes and used for at least one year from the end of the accounting period in which the method was first used.
- (d) If a GST registered person wants to use an exchange rate other than the rates as in sub paragraph (ii) (a) and (b) above, he must apply in writing to the Director General for his approval.