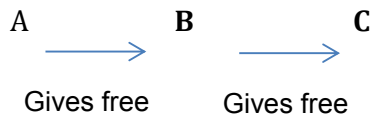


GST FREQUENTLY ASKED ISSUES (FAI)**ITEM 2:
Goods received free and given away free**

Regarding gifts above cost of RM500, received by a taxpayer (B) from another taxpayer (A) and subsequently given away free again by B to C after the gift becomes B's business asset –

- (i) whether B is entitled for ITC as he received the goods free from A?*
- (ii) whether B is liable to account for GST when the goods are subsequently given free to C?*



- (i) Para 5(1) of the First Schedule of GSTA provides that subject to subparagraph (2), where goods forming part of the assets of a business are transferred or disposed of by or under the directions of the person carrying on the business so as no longer to form part of those assets, whether or not for a consideration, the transfer or disposal is a supply of goods by the person.
- (ii) Para 5(2)(a) of the First Schedule of GSTA provides that subparagraph (1) does not apply where the transfer or disposal is a gift of goods made in the course or furtherance of business made to the same person in the same year where the total cost to the donor is not more than RM500;
- (iii) Decision
Since B has not incurred any cost on the goods he received from A, B is not entitled to claim input tax credit and is not liable to account for GST when the goods are subsequently given free to C.