

GST FREQUENTLY ASKED ISSUES (FAI)**ITEM 5:****Supply of goods under lease agreement from Designated Area (DA) to Principal Customs Area (PCA)**

- (i) Whether supply of goods under lease agreement from DA to PCA subject to GST?
- (ii) What if the goods supplied from DA to PCA are not return back to DA after the expiry of the lease agreement but are supplied to another person in PCA under a new lease agreement?
- (iii) If such goods under lease agreement are supplied from DA to PCA before 1.4.2015 and the agreement ends on or after 1.4.2015 is subjected to GST?

Note:

- (a) PCA refers to Malaysia other than DA.
 - (b) DA refers to Labuan, Langkawi and Tioman
- (i) Tax shall be due and payable upon all goods including any goods under any lease agreement supplied from a DA to PCA to all intents as if the supply were importation into Malaysia (section 156(a) GSTA).
 - (ii) Tax shall be charged on taxable supply of services made by any taxable person from a DA to PCA or from PCA to a DA but excluding a supply of services which comprises the use of goods under any lease agreement from a DA to Malaysia (section 156(b) GSTA).
 - (iii) Section 157 GSTA provides that notwithstanding any provision of this Act, tax shall be charged on all goods or services supplied within Malaysia by a taxable person whose principal place of business is located in a DA.
 - (iv) Importation of goods under lease agreement supplied from DA to PCA is subjected to GST as if the supply were importation into PCA and the collection of tax due and payable shall be made in a DA.
 - (v) If the goods supplied from DA to PCA are not return back to DA after the expiry of the lease agreement but are supplied to another person in PCA under a new lease agreement, such supply of leasing services is subjected to GST.
 - (vi) If goods under lease agreement are supplied from DA to PCA before 1.4.2015 and the agreement ends on or after 1.4.2015, the proportion of the supply as leasing services on or after 1.4.2015 shall be subjected to GST.

- (vii) Supplier in DA shall register if his threshold of supply for the leasing services to PCA is more than RM500,000 and will have to charge GST.