ITEM 7:

What is the GST treatment on non-recurring expenditure (NRE) and other manufacturing expenditure connected to manufacture goods to be exported overseas?

The non-recurring expenses (relating to goods) incurred are for the purchase of moulds, dies, tooling, jigs, fixtures and related equipment used specifically for overseas buyer (OB) in the contract manufacturer's (CM) premises.

(1) The non-recurring expenses (NRE) incurred for the purchase of moulds, dies, tooling, jigs, fixtures and related equipment used specifically for overseas buyer (OB) in the contract manufacturer's (CM) premises is not subjected to GST if the cost recovery does not include any element of value add.

Example – purchase of mould by CM is RM100,000 and the recovery from the OC is also RM100,000 hence such cost recovery is not subject to GST.

(2) The treatment above is subject to compliance with the following conditions –

(a) Ownership of NRE must be OC and not to be accounted as asset by CM;

(b) Must have a written agreement/contract between CM and OC regarding the NRE and the exportation of manufactured goods;

(c) The NRE relating to the purchased goods are used wholly to manufacture goods to be exported to overseas buyer;

(d) NRE are incurred to manufacture goods according to specifications by OC;

(e) The CM keeps and maintain export and other related documents such as Customs No.2/8 forms, airway bill, manifest, invoice, purchase order, payment records, etc.;

(f) When the moulds, dies, tooling, jigs, fixtures and related equipment and its components are no longer to be used as specified in the contract, these goods must be returned to the OC. If such goods are disposed locally, it is subject to GST at standard rate;

AND

(g) Any other necessary conditions as the Director General may require from time to time.