DECISION BY DIRECTOR GENERAL, ROYAL MALAYSIAN CUSTOMS

ITEM 4:
Cost recovery under warranty

Whether a payment made by an overseas manufacturer/supplier for a warranty claim on provision of services paid by a distributor to a dealer who provide replacement of spare parts/car servicing under warranty at no charge to a customer is subject to GST?

Example:

1. A distributor bought cars (under warranty) from overseas supplier and import into Malaysia to be sold to a dealer.

2. The dealer sold the car to customer with warranty.

3. The customer later claimed warranty on spare parts / car servicing at no charge from the dealer as it is still under warranty.

4. The dealer issued warranty claim for labour charges to the distributor.

5. The distributor made payment to the dealer on the labour charges.

6. The distributor then issue warranty claim to overseas supplier for the payment made to the dealer.

(1) Section 188(3) GSTA provides that no tax shall be charged on a supply made under a warranty that relates to goods or services whether expressed, implied or required by law and the value of the warranty is included in the price of the goods or services.
(2) Therefore, no tax shall be charged on the supply of spare parts / car servicing under warranty by the dealer to the customer if the value of the warranty is included in the price of the goods or services.

(3) The cost recovery for the labour charges claimed by –

(a) the dealer from the distributor; and

(b) the distributor from the overseas supplier;

is a reimbursement which is subject to GST at a standard rate.