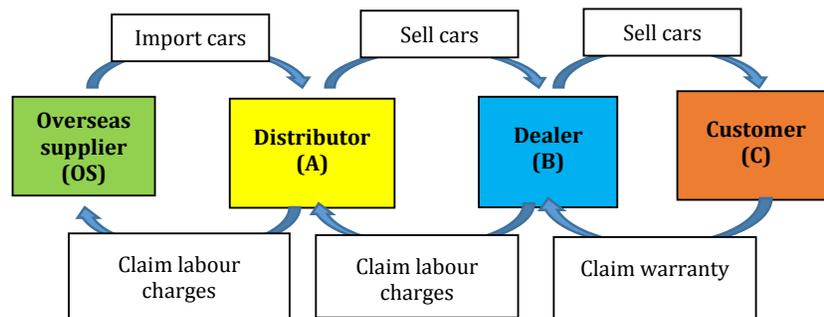


DECISION BY DIRECTOR GENERAL, ROYAL MALAYSIAN CUSTOMS**ITEM 4:****Cost recovery under warranty**

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.

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- (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.