

**DECISION BY DIRECTOR GENERAL, ROYAL MALAYSIAN CUSTOMS****ITEM 6:****Disbursement and reimbursement**

*What is the GST treatment for disbursement and reimbursement.*

- (1) Recovery of expenses may be treated as disbursement or reimbursement and this will depend on whether the expenses are incurred by a principal or an agent acting on behalf of a client.
- (2) GST treatment on disbursement and reimbursement are as follows –

<b>Disbursement</b>	<b>Reimbursement</b>
Not a supply	Is a supply
Not entitled for input tax claim	Entitled for input tax claim

- (3) In general, to determine whether recovery of expenses is a disbursement for GST purposes, a registered person must fulfilled **all the following criteria**, – *(Subst. w.e.f. 6/6/2016)*
  - (i) Incur expenses as an agent acting on behalf of the client.
  - (ii) The client is the recipient of the supply (invoice is in the client's name)
  - (iii) The client is the person responsible to pay for the supply
  - (iv) The payment is authorised by the client.
  - (v) The client knew that the supply is made by a third party.
  - (vi) The exact amount is claimed from the client and the agent has no right to alter or add on the value of the supply.
  - (vii) The payment is clearly an additional to the supply made to the client.