



ROYAL MALAYSIAN CUSTOMS

GOODS AND SERVICES TAX

**GUIDE
ON
WAREHOUSING SCHEME**

Publication

Date Published: 11 December 2017

The Guide on Warehousing Scheme as at 15 June 2017 is withdrawn and replaced by the Guide on Warehousing Scheme revised as at 11 December 2017.

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This information is intended to provide a general understanding of the relevant treatment under Goods and Services Tax and aims to provide a better general understanding of taxpayers' tax obligations. It is not intended to comprehensively address all possible tax issues that may arise. While RMCD has taken the initiative to ensure that all information contained in this Guide is correct, the RMCD will not be responsible for any mistakes and inaccuracies that may be contained, or any financial loss or other incurred by individuals using the information from this Guide. All information is current at the time of preparation and is subject to change when necessary.

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INTRODUCTION

1. This specific guide is prepared to assist businesses in understanding matters with regards to Goods and Services Tax (GST) treatment on Warehousing Scheme.

Overview of Goods and Services Tax

2. GST is a multi-stage tax on domestic consumption. GST is charged on all taxable supplies of goods and services in Malaysia except those specifically exempted. GST is also charged on importation of goods and services into Malaysia.

3. Payment of tax is made in stages by the intermediaries in the production and distribution process. Although the tax would be paid throughout the production and distribution chain, only the value added at each stage is taxed thus avoiding double taxation.

4. In Malaysia, a person who is registered under the Goods and Services Tax Act 2014 is known as a “registered person”. A registered person is required to charge GST (output tax) on his taxable supply of goods and services made to his customers. He is allowed to claim back any GST incurred on his purchases (input tax) which are inputs to his business. Therefore, the tax itself is not a cost to the intermediaries and does not appear as an expense item in their financial statements.

TERMINOLOGY

5. There are several categories of warehouses such as follows:

- (a) Public warehouse – it is managed by private companies or government linked companies (GLCs) for convenience of the public bringing in dutiable goods;
- (b) Private warehouse – it is managed by companies for storing their own goods only;
- (c) PEKEMA warehouse – it is allowed only for keeping motor vehicles imported by PEKEMA members; and

- (d) Public agent warehouse – it is approved to be established at cargo complexes at ports or airports and managed by their respective agents for handling goods.

6. Under the GST law, the definition of warehouse is defined as follow:

- (a) **'warehouse'** means –
 - (i) any customs warehouse under section 63 of the Customs Act 1967;
 - (ii) any licensed warehouse under section 65 of the Customs Act 1967;
 - (iii) any duty free shop licensed under section 65D of the Customs Act 1967; or
 - (iv) any inland clearance depot licensed under section 65E of the Customs Act 1967.

7. The definition of an inland clearance depot, in transit and licensed carrier are provided under section 2 of the Customs Act 1967 as follows:

- (a) **'inland clearance depot'** means a common-user inland facility equipped with fixed installations and offering services for handling and temporary storage of any kind of goods carried by land and placed under customs control.
- (b) **'in transit'** means taken or sent from any country and brought into Malaysia by land, sea or air (whether or not landed or transshipped in Malaysia) for the sole purpose of being carried to another country either by the same or another conveyance.
- (c) **'licensed carrier'** means a person approved by the Director General to operate vehicles by road for the carriage of any goods in transit or any dutiable goods under the Customs Act 1967 or under the Excise Act 1976.

GENERAL OPERATIONS OF THE INDUSTRY

Warehousing Scheme

8. A licensed warehouse is a designated area, approved by the Royal Malaysian Customs (RMC) under Section 65 of the Customs Act 1967, for storing dutiable goods. However, since 1981, its function has been enhanced for other activities such as break bulking and trading to facilitate commercial activities as well as to make it a distribution hub within the ASEAN region. Its creation also help to reduce port congestion and for convenience of the importers.

9. There are several categories of warehouse under the Customs Act, subject to approval, such as public warehouse, private warehouse, PEKEMA (The Association of Malay Importers and Traders of Motor Vehicles Malaysia) warehouse and public agent warehouse. Each category has different criteria and different type of goods to be kept but all of them need to be licensed under Section 65 of the same act.

10. The following value-added activities can be performed on stored goods in all licensed warehouses except PEKEMA warehouse:

- (a) warehousing dutiable goods;
- (b) break bulking - where goods are released from a warehouse in smaller quantities;
- (c) repacking - where homogeneous goods being packed in smaller or larger quantities, or packing of various types of goods into a set;
- (d) relabeling - where goods are being relabeled, for example with importers or distributors name before distributing them locally;
- (e) devenning - where goods are allowed to be sold directly to a buyer in a warehouse either duties and/or tax on the goods have been paid or not;
- (f) consolidation - where goods (dutiable and locally sourced) are consolidated for export;
- (g) entreport trade - where imported goods are to be re-exported;

(h) Internal transport (e.g. forklift) and handling charges.

11. In general, under the GST system, goods are subject to GST upon importation. The payment of GST by importers at the point of importation would cause difficulties in terms of cash flow as they have to pay the tax upfront. Thus, a special scheme known as a **Warehousing Scheme** is introduced to assist them to alleviate cash flow problems. Generally, GST on all goods imported and deposited in a public licensed warehouse is suspended.

12. This scheme is provided for importers or owners of the goods as the users of a licensed warehouse since it provides storage facilities with payment of GST suspended. No application is required for users to enjoy this scheme.

Inland Clearance Depot

13. Inland Clearance Depot (ICD) is an area licensed under the Customs Act 1967 and it offers handling and storage services to facilitate the activities of import and export. It is created to reduce port congestion and for convenience of the public by adhering to door-to-door delivery principle. It functions as a 'dry port'. For the purpose of this guide, ICD also includes the Inland Container Terminal in Ipoh.

14. Basically, ICD provides storage and customs clearance services for imported goods which have been transported from a customs port or airport by road or rail. Similar services are provided for goods to be exported through a customs port or airport or any other place approved by the Director General. In both situations, the transactions or movements of goods into ICD would attract GST as under the GST system, GST is charged on goods and services supplied in Malaysia as well as on the importation of goods into the country. However, charging the tax on goods entering or placing in ICD would cause difficulties to importers, exporters or owners of the goods in terms of cash flow as such goods are stored temporarily before removing them to their final destination. Hence, special rules are introduced in certain circumstances under the ICD regime in order to overcome the difficulties.

GST TREATMENT FOR MOVEMENT OF GOODS INTO A LICENSED WAREHOUSE

Imported Goods deposited into a Licensed Warehouse

15. Payment of GST on imported goods is suspended when the goods are stored in a licensed warehouse. The movement of the goods shall be declared in Customs No. 8 Form.

Goods from a Free Zone into a Licensed Warehouse

16. GST is suspended on the goods being transported from a free zone to a licensed warehouse. Such movement of goods must be declared using Customs No. 8 Form.

Goods from a Designated Area into a Licensed Warehouse

17. GST is suspended on the movement of goods from a Designated Area to a licensed warehouse. Such movement of goods is covered by Customs No. 8 Form.

Goods from a Licensed Manufacturing Warehouse (LMW) into a Licensed Warehouse

18. Goods manufactured in LMW is considered as locally produced goods for GST purposes. Thus, supply of goods from LMW to a licensed warehouse is subject to GST at a standard rate and a tax invoice need to be issued.

19. However, GST is not applicable if there is no transfer of ownership on such movement as no supply has taken place. The movement of goods shall be declared in GPB No. 2 Form.

GST TREATMENT FOR MOVEMENT OF GOODS FROM A LICENSED WAREHOUSE

Goods from a Licensed Warehouse to a Principal Customs Area (PCA) / LMW

20. GST shall be due and payable upon removal of goods from a licensed warehouse for local supplies or to a LMW as if the removal were importation into Malaysia. Thus, declaration on the movement of goods must be made in Customs No.1 Form for payment of GST or any customs duties. Under the warehouse procedure, if the goods are removed partially, then the declaration and payment of GST or any customs duties has to be made in Customs No.9 Form. If the buyer in PCA/ LMW is an Approved Trader Scheme (ATS) holder, he can suspend the payment of GST by using Customs No. 1 Form.

Example 1:

I keep my imported goods in a warehouse approved under section 65 of the Customs Act 1967. One of my local customers has agreed to buy certain goods at RM10,000.00. How does my customer determine the value of the GST import that need to be paid?

(Assumption: Prevailing import duty rate = 10% and GST = 6%)

Your customer needs to declare the following amount:

<i>Value of goods</i>	<i>= RM 10,000.00</i>
<i>Import duty 10%</i>	<i>= RM 1,000.00</i>
<i>GST 6% on RM11,000.00</i>	<i>= RM 660.00</i>
<i>Total GST & Import duty to be paid</i>	<i>= RM 1,660.00</i>

Movement of Goods within or between Licensed Warehouse

21. GST is disregarded on the supply or removal of goods within or between a licensed warehouses. Declaration of goods must be made using Customs No.8 Form.

22. However, goods and services consumed in a licensed warehouse are subject to GST at a standard rate.

Goods from a Licensed Warehouse to be exported

23. Warehoused goods which are to be exported can be zero rated. Declaration has to be made in Customs No.8 Form at the licensed warehouse. Any input tax incurred on exported goods is claimable. Documentary proof of export must be kept for auditing purposes. Please refer to the *Specific Guide on Export* for further details.

Goods from a Licensed Warehouse to a Free Zone

24. GST is suspended on the movement of goods from a licensed warehouse to a free zone. Such movement of goods need to be declared using Customs No. 8 Form.

Goods from a Licensed Warehouse to a Designated Area

25. No GST shall be due and payable on the movement of goods from a licensed warehouse to a designated area. Such movement of goods is covered by Customs No. 8 Form.

GST TREATMENT FOR MOVEMENT OF GOODS INTO AN ICD

26. The GST treatment on the movement of goods into an ICD is as follows:

- (a) For imported goods, once the goods are landed at a customs port or airport from a place outside Malaysia or goods from Free Commercial Zones, declaration on such goods must be made in Customs No.8 Form for transporting them to an ICD. The goods must be forwarded by road through a licensed carrier or by rail. GST on the goods is suspended when the goods are stored in the ICD.
- (b) Basically, goods produced in Malaysia can be divided into several categories depending on where they are sourced from. Hence, the GST treatments on such goods are as follows:
 - (i) If the owner of the goods move locally produced goods including from Free Industrial Zone or LMW, then it is sufficient to cover the movement of such goods to an ICD by a delivery order. No GST is due on such movement as there is no supply taken place under the GST system.
 - (ii) However, services provided for moving the goods are subject to GST. GST incurred on such services may be claimed as input tax. For further details, please refer to the *Industry Guide on Freight Transportation*.
 - (iii) If goods are moved from a licensed warehouse under Section 65 of the Customs Act 1967, then declaration of the goods must be made in Customs No.8 Form. GST is suspended on the movement of the goods.
- (c) If goods are moved from East Malaysia, then the movement of such goods into ICD needs only be declared in Customs No.3 Form. GST is not applicable on such movement as no supply has taken place.

GST TREATMENT ON REMOVAL OF GOODS FROM AN ICD

27. The GST treatment on the removal of goods from an ICD are as follows:

- (a) Exportation of goods is zero rated. However, documentary proof of export must be maintained by the exporter for verification by the GST officer. The exporter may claim any input tax incurred on the exported goods. For the exportation, he needs to declare the goods in Customs No.2 Form at the ICD. Declaration can be made by him or his appointed agent. After declaring the goods, such goods must be forwarded by rail or road by a licensed carrier to a customs port or airport.
- (b) If goods are removed from an ICD for local consumption such removal is considered as import and GST will be collected by Customs. Declaration must be made in Customs No.1 Form and any customs duties and GST due must also be paid before the goods are taken out.
- (c) For the removal of goods stored in an ICD to another ICD, declaration of the goods has to be made in Customs No.8 Form. No GST is imposed on such removal of the goods as it is suspended.

ALLOWABLE ACTIVITIES ON WAREHOUSED GOODS IN AN ICD

28. Value-added activities are not allowed on warehoused goods in an ICD as they are kept only on temporary basis. However, if any value-added activities need to be carried out on the goods, then such goods must be removed to a bonded warehouse.

LIABILITIES OF A WAREHOUSE OPERATOR

29. Liabilities as a warehouse operator may be described as follows:

- (a) Must apply to be a GST registered person if he makes taxable supplies and the value of the taxable supplies has exceeded or is expected to exceed the prescribed threshold for the past or future 12 months.
- (b) Taxable supplies made by a warehouse operator include the following:
 - (i) rental of warehouse space or equipment;
 - (ii) loading and unloading of goods;
 - (iii) customs clearance services;
 - (iv) forwarding fee charged to customers; and
 - (v) any other value-added services.

LIABILITIES OF AN ICD OPERATOR

30. As an ICD operator, you can apply to be a GST registered person if the following criteria are complied with:

- (a) activities are carried out in the course or furtherance of a business; and
- (b) make taxable supplies in Malaysia and the value of supplies has reached/ is expected to reach the prescribed threshold for the past or future 12 months.

RESPONSIBILITIES AS A GST REGISTERED PERSON

31. As a licensed warehouse or ICD operator registered for GST, your responsibilities are as follows:

- (a) Bank Guarantee

You must furnish a bank guarantee or bond to cover the estimated duty and/ or GST payable on the imported goods held at any one time.

(b) Stock records

(i) You must maintain lot number records.

(ii) A lot number is a unique transaction number assigned by the warehouse operator for each product in a shipment of goods. It is required for the purpose of tracking the particular goods of a shipment.

(c) Returns/ Audit

You are required to submit monthly return on the movement of goods and discrepancy report (when applicable). You are also required to furnish an audit report to the GST officer or proper officer of customs. Your account may be audited by GST officer whenever necessary.

32. All records and accounting documents of your business are required to be kept and maintained under the GST law, which include the following:

- (a) import/ export/ in-transit declaration forms;
- (b) monthly stock returns;
- (c) discrepancies report;
- (d) in-handling report;
- (e) out-handling report; and
- (f) monthly stock listing.

KEEPING OF RECORD AND ACCOUNT

33. As an ICD operator registered for GST, all records and accounting documents of your business that are required to be kept under the GST system are as follows:

- (a) tax invoices;
- (b) invoices/ receipts;

- (c) debit/ credit notes;
- (d) ledgers;
- (e) import/ export/ in-transit declaration forms;
- (f) monthly stock returns;
- (g) discrepancies report;
- (h) in-handling report;
- (i) out-handling report;
- (j) monthly stock listing;
- (k) supporting documents with regard to movement of goods, such as shipping notes, bills of lading/ airway bill, customer's instructions or letters of credit; and
- (l) other records as required by the Director General.

34. To maintain other supporting documents which provide evidence for the movement of goods, such as:

- (a) shipping notes;
- (b) bills of lading/ airway bills;
- (c) customer's instructions; and
- (d) letters of credit.

FREQUENTLY ASKED QUESTIONS

Movements of goods into a licensed warehouse

Q1: If I am an importer in a principal customs area and I would like to buy goods from Labuan, can I keep the goods that I purchased in a licensed warehouse? What is the GST implication on the movement of such goods?

A1: Goods purchased from Labuan are deemed to be imported under the GST law. Hence, you are allowed to store your goods purchased from Labuan in a licensed warehouse with GST suspended using Customs No.8 Form.

Q2: If I want to transport my goods from a licensed warehouse to another licensed warehouse for value-added activities, will the GST on goods be suspended?

A2: GST on goods that are to be removed from a licensed warehouse to another licensed warehouse is disregarded. Such movement is to be covered under Customs No.8 form.

Movements of goods from a licensed warehouse

Q3: If I am a trader and I have consolidated goods consisting of locally acquired and imported goods in a bonded warehouse which I would like to sell them to duty free shops (DFS) or to an operator in a designated area, what is the treatment of GST on such goods?

A3: GST is disregarded for movement of goods between a licensed warehouses to a duty free shop since duty free shop is also a licensed warehouse. No GST on the supply of the consolidated goods from a licensed warehouse to a designated area.

Q4: If I am an approved person under an Approved Trader Scheme (ATS), can I use the scheme to suspend GST on goods purchased from a licensed warehouse?

A4: Yes, GST can be suspended when you buy goods from a licensed warehouse using an ATS. Please refer to the *Industry Guide on Approved Trader Scheme* for further details.

Q5: Are incidental services such as transportation and other charges provided by a transport company and forwarding agent attract GST when goods are removed from or to a licensed warehouse?

A5: Generally, services in relation to removal of goods from or to a licensed warehouse such as transportation and other charges would attract GST if the service provider is a GST registered person.

Supply of goods and services within a licensed warehouse

Q6: I outsource my labeling and repacking activities within a bonded warehouse. What is the GST implication on the outsourced services?

A6: The outsourced services are subject to GST if provided by a GST registered person even though the activities are carried out within a licensed warehouse.

Q7: I am a trader. If I would like to buy goods owned by Mr. Ali which are currently stored in a public bonded warehouse and then consolidate them in the warehouse with goods locally purchased before exporting them, do I have to pay GST on my local purchase?

A7: Yes. You have to pay GST on your local purchase. However, no GST is imposed on your purchase from Mr. Ali as the goods were supplied within licensed warehouse under the warehousing scheme. You can zero rate your consolidated goods when you export them. If you are a GST registered person, you can claim the tax charged on your local purchase as your input tax credit.

Q8: If I, as a trader, purchase warehoused goods from Mr. Ali and Mr. Wong, repack those goods and then sell them to Mr. Raju in the same warehouse, is there any GST chargeable on the purchase and sale of the goods within the warehouse?

A8: No GST is imposed on the sales of the goods since supplies that take place within a warehouse are disregarded.

Liabilities and responsibilities of a warehouse operator

Q9: If I am a warehouse operator and at the same time I am also an Inland Clearance Depot (ICD) operator, using the same company name, do I have to register both businesses separately?

A9: A company which carries out different type of businesses is still regarded as one entity. Hence, both businesses would be treated as operated by a single taxable person. However, the different business units may be registered separately according to the nature of the business under divisional or branch registration. Please refer to the *Specific Guide on Registration* for further details.

Q10: I operate a few warehouses which are located throughout Malaysia. If my turnover for each warehouse falls below the threshold level do I still have to register?

A10: If the aggregate turnover exceeds the prescribed threshold, you have to register your business under the GST law even though the turnover for each warehouse is below the threshold.

Q11: How long must I keep the records for my warehoused goods?

A11: You must keep the records, accounts or documents related to the warehoused goods in your possession for at least seven years. Failure to do so is an offence and will be subjected to a fine not exceeding fifty thousand ringgit or to imprisonment for a term not exceeding three years or both.

Q12: Do I have to keep the records in my warehouse?

A12: You must keep all your warehouse records and documents in your premise, unless allowed otherwise by the DG.

Q13: What must I do if there are discrepancies between the actual stock and the recorded stock?

A13: If any discrepancies between the actual stock and the recorded stock are discovered at any time, you must submit a report without delay, containing:

- (a) actions taken to investigate the discrepancies and their outcome;
- (b) amount of customs duty and/ or GST payable, if applicable; and
- (c) date of payment of customs duty and/ or GST.

If goods are found to be in your warehouse, you are liable to pay the GST due on such goods as you are responsible for the security and proper control of the warehoused goods. In such a case, GST has to be paid by you and you have to declare it as your output tax as such discrepancies are deemed to be a supply made by you.

However, if you can prove to the satisfaction of the Director General that the deficiency has been caused as a result of unavoidable accidents, such as a fire or break-in at the warehouse with supporting documents such as insurance claims, police report, or a survey report, then the Director General may remit the tax chargeable.

Q14: What happens if goods are damaged in a warehouse?

A14: Proper documentation such as the survey report describing the cause of the damage and the quantity involved must be furnished to the Director General immediately. However, GST is chargeable on the damaged goods unless remission of the tax is obtained from the Director General.

Q15: What are the treatments of GST on goods and services consumed in a warehouse?

A15: Supply of goods and services consumed in a warehouse are subject to GST. This means that services provided by you such as handling of goods and storage charges are standard rated. You must declare the GST levied in your GST return as your output tax.

The person who acquired your services such as importer or owner of warehoused goods can claim GST incurred on the services charged by you, as his ITC if he is a GST registered person.

Q16: As a warehouse operator, can I claim GST charged on my utilities and warehouse equipment such as forklifts?

A16: You can claim all GST incurred on your acquisition in the course of furtherance of your business if you are a registered person. This includes acquisition such as capital assets and all overheads related to your business.

Q17: Can I withdraw from GST system?

A17: You cannot withdraw from the GST system unless your taxable supplies have fallen below the threshold. In such a case, you must inform the Director General in writing. However, if you are a voluntary registered person, you must stay in the system for at least two years before you can apply for withdrawal. When you cease to be a registered person, you are required to account for tax in your final return on all your stocks excluding stored goods. You remain responsible for any discrepancies on the stored goods.

Inland Clearance Depot

Q18: I am a trader and purchase goods locally to be exported. If I send the goods to ICD, can my local purchase be zero-rated?

A18: Your purchase cannot be zero-rated by your supplier because it is a local supply. You however, may treat the input tax incurred as your input tax credit. You can zero rate the goods when you export such goods.

Q19: If I am a participant under Approved Trader Scheme (ATS), do I have to pay GST before removal of goods from ICD?

A19: You need not pay GST as it is suspended under this scheme. For further information, please refer to the *Industry Guide on ATS* for further details.

Q20: If I want to move goods from West Malaysia to Sabah and Sarawak through an ICD what would be the GST implication on such movement?

A20: Any duties or GST due on the goods must be accounted for before the removal. The movement of the goods to Sabah or Sarawak needs only to be declared in Customs No.3 Form.

Q21: I am an ICD operator. What must I do if there are discrepancies between the actual stock and the recorded stock?

A21: If any discrepancies between the actual stock and the recorded stock are discovered at any time, you must submit a report without delay, containing:

- (a) actions taken to investigate the discrepancies and their outcome; and
- (b) amount of customs duty and/ or GST payable, if applicable.

In addition to that, if the goods are found to be deficient while being kept in your ICD, you are liable to pay the GST due on such goods as you are responsible for the security and proper control of the warehoused goods. However, if you can prove to the satisfaction of the Director General that the deficiency has been caused as a result of unavoidable leakage, breakage or some other unavoidable accidents with supporting documents such as insurance claims, police report or survey report, then the Director General may remit the tax chargeable.

Q22: What happens if goods are damaged in an ICD?

A22: GST is chargeable on the damaged goods unless remission of the tax is obtained from the Director General. Proper documentation such as the survey report describing the cause of the damage and the quantity involved must be furnished to the Director General immediately.

Q23: What are the treatment of GST on goods and services consumed in ICD?

A23: Generally, supply of goods and services consumed in ICD are standard rated. The person who acquires the services such as importer or owner of the warehoused goods can claim GST incurred on the services provided as his ITC if he is a GST registered person.

Q24: As an ICD operator, can I claim GST charged on my utilities and office equipment such as computers?

A24: You can claim the GST incurred in your utilities such as water and telephone usages and also office equipment attributed to your business as your input tax credit.

Q25: Can I cease to be a GST registered person?

A25: You cannot cease from the GST system unless your taxable supplies are consistently below the threshold. In such a case, you must notify the Director General in writing. However, if you are a voluntarily registered person, you must stay in the system for at least two years from the date of registration before you can apply to cease as a registered person.

When you cease to be a registered person, you are required to account for tax in your final return on all your stocks excluding stored goods. You remain responsible for any discrepancies on the stored goods.

Keeping of record and account

Q26: How long must I keep the records?

A26: You must keep all records, accounts or documents of your ICD activities in your possession for at least seven years. Failure to do so is an offence under the GST law.

Q27: Do I have to keep the records in my ICD?

A27: Yes, you must keep all records and documents in your ICD premise, unless allowed otherwise by the DG.

INQUIRY

1. Any inquiries on this guide, please contact :

Sector VI

GST Division

Royal Malaysian Customs Department

Level 3 – 7, Block A, Menara Tulus

No. 22, Persiaran Perdana, Presint 3

62100 Putrajaya.

Email: gstsector6@customs.gov.my

FURTHER ASSISTANCE AND INFORMATION ON GST

2. Further information on GST can be obtained from :

(a) GST website : www.gst.customs.gov.my

(b) Customs Call Centre :

- Tel : 03-7806 7200 / 1-300-888-500
- Fax : 03-7806 7599
- Email : ccc@customs.gov.my

AMENDMENTS

No.	Date	Heading/ Sub-heading/ paragraph	Descriptions
1.	11.12.2017	Paragraph 23	Warehoused goods which are to be exported can be zero rated. Declaration has to be made in Customs No.8 Form at the licensed warehouse.