



# **ROYAL MALAYSIAN CUSTOMS**

## **GOODS AND SERVICES TAX**

### **GUIDE ON RETAILING**

## **Publication**

Date Published: 11 March 2016

The Draft Guide on Retailing as at 30 December 2013 and the Draft Guide on Direct Selling as at 27 November 2013 are withdrawn and replaced by the Guide on Retailing revised as at 11 March 2016.

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## **INTRODUCTION**

1. This industry guide is prepared to assist businesses in understanding matters with regards to Goods and Services Tax (GST) treatment on retailing and related industry.

### **Overview of Goods and Services Tax (GST)**

2. Goods and Services Tax (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.

## **GENERAL OPERATIONS OF THE INDUSTRY**

### **Liability to Register for GST**

5. Any retailer who makes taxable supplies (i.e. standard and zero rated supplies) where the sales turnover in a twelve (12) months period has exceeded the threshold of RM500,000.00 is liable to be registered under GST. However, any retailer whose sales turnover does not exceed the threshold of RM500,000.00 may apply to the Director General of Customs to be registered voluntarily.

## **GST Charged on Taxable Supply**

6. When registered persons supply taxable goods or services, they are required to charge and collect GST. Non-registered persons cannot charge GST on the supplies made by them.

### **Example 1:**

*Assuming the value of goods or services supplied is RM100.00 and GST chargeable is 6%.*

<i>Value</i>	<i>:</i>	<i>RM100.00</i>
<i>6% GST charged</i>	<i>:</i>	<i><u>RM 6.00</u> (output tax)</i>
<i>(6% X RM100.00)</i>		
<i>Total price (inclusive of 6% GST):</i>		<i>RM106.00</i>

## **Price**

7. Since GST registered persons are entitled to claim the input tax incurred, GST does not become a cost to them and therefore, the value of goods or services at the point of sales before charging GST should not include the GST incurred on the input.

### **Example 2:**

*Assuming the GST-inclusive price of goods supplied to the registered retailer is RM106.00 and at the point of sales, the registered retailer marks up 20% on the value of goods.*

<i>Price of goods supplied to registered retailer</i>	<i>:</i>	<i>RM106.00</i>
<i>6% GST incurred and claimed</i>	<i>:</i>	<i><u>(RM 6.00)</u></i>
<i>(RM106.00 X 6%/106%)</i>		
<i>Actual value</i>	<i>:</i>	<i>RM100.00</i>
<i>20% Marks-up on actual value</i>	<i>:</i>	<i><u>RM 20.00</u></i>

*(20% X RM100.00)*

*Value at the point of sales : RM120.00*

*6% GST charged on the supply : RM 7.20*

*(RM120.00 X 6%)*

*GST-inclusive price at the point of sales : RM127.20*

### **Price Display**

8. Registered persons must show GST-inclusive prices on all price displays to ensure customers know the final price payable.

#### ***Example 3:***

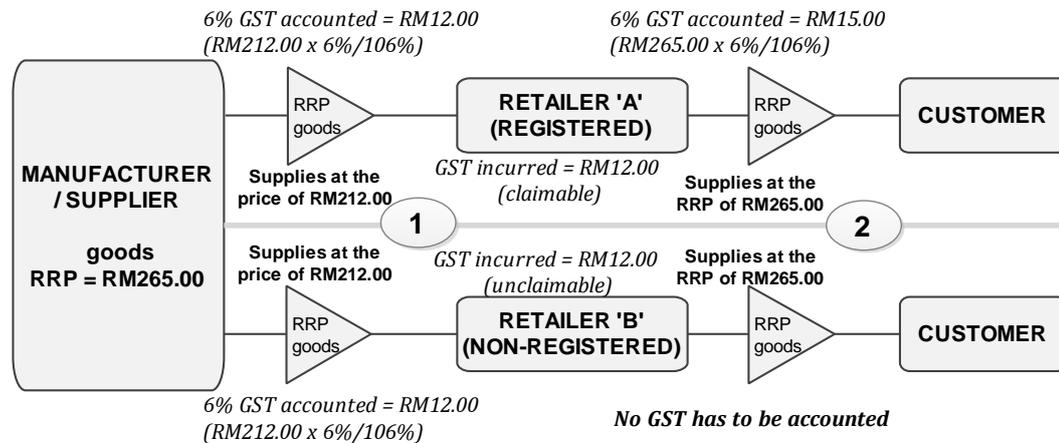
*Value of standard rated goods or services is RM100.00 and 6% GST charged is RM6.00. Example of GST-inclusive price displays may be as follows:*

- (i) RM106.00 inclusive of GST;*
- (ii) RM106;*
- (iii) RM100 + GST = RM106; or*
- (iv) RM100 + RM6 GST = RM106.*

### **Recommended Retail Price (RRP) Goods**

9. Generally, recommended retail price (RRP) is the price suggested by the manufacturers or suppliers on products which are to be sold at retail level to the consumers. Normal rules of GST are applicable on goods or services under RRP. Below is an example of a supply of RRP goods:

**Example 4: Illustration for the supply of recommended retail price (RRP) goods**



*GST treatment of RRP goods.*

**Transaction 1:**

*The registered manufacturer/supplier supplies the RRP goods to retailers 'A' and 'B' at a price of RM212.00 inclusive of GST. The manufacturer/supplier has to account for output tax of RM12.00 on the supply made to retailers 'A' and 'B'.*

*The retailers 'A' and 'B' incurred GST of RM12.00 on the purchase of RRP goods from the manufacturer/supplier. The registered retailer 'A' is entitled to input tax credit of RM12.00 but the non-registered retailer 'B' is not entitled to any input tax credit.*

**Transaction 2:**

*The registered retailer 'A' then supplies the RRP goods to a customer at a RRP of RM265.00 inclusive of GST and accounts for output tax of RM15.00 on the supply made. The cost of acquisition of RRP goods by retailer 'A' is RM200.00.*

*The non-registered retailer 'B' also supplies the RRP goods to a customer at a RRP of RM265.00 but no GST needs to be accounted on the supply made. The cost of acquisition of RRP goods by retailer 'B' is RM212.00.*

## Price Discount

10. Retailers may give customers discounts on purchases made during sales promotion or when customers utilise discount cards or discount vouchers on the purchases. When a discount for a taxable supply is offered by a retailer, GST should be calculated on the value after discount.

### **Example 5:**

*A registered retailer offers 10% discount for a shirt during a sales promotion. The normal **price** of a piece of shirt is RM106.00 **inclusive** of GST. The GST payable should be calculated as follows: -*

<i>Price of shirt (inclusive of 6% GST)</i>	<i>:</i>	<i>RM106.00</i>
<i>Less 10% Discount</i>	<i>:</i>	<i><u>(RM10.60)</u></i>
<i>Total paid (inclusive of 6% GST)</i>	<i>:</i>	<i>RM 95.40</i>
<i>6% GST inclusive</i>	<i>:</i>	<i>RM 5.40</i>
<i>(RM95.40 X 6%/106%)</i>		

*or*

*A registered retailer offers 10% discount for a shirt during a sales promotion. The normal **value** of a piece of shirt is RM100.00 **exclusive** of GST. The GST payable should be calculated as follows: -*

<i>Value of shirt (exclusive of GST)</i>	<i>:</i>	<i>RM100.00</i>
<i>Less 10% Discount</i>	<i>:</i>	<i><u>(RM10.00)</u></i>
<i>Total value (exclusive of GST)</i>	<i>:</i>	<i>RM 90.00</i>
<i>6% GST Charged</i>	<i>:</i>	<i><u>RM 5.40</u></i>
<i>(RM90.00 X 6%)</i>		
<i>Total paid (inclusive of 6% GST)</i>	<i>:</i>	<i>RM95.40</i>

*The registered retailer is required to issue tax invoice to the customer for the total amount of RM95.40 and account for output tax of RM5.40.*

11. However, if the retailer is able to recover the discount given to the customer from another party, such recovery is considered as a part payment for the supply made to that customer. Therefore, GST has to be accounted based on the total consideration which includes the recovered amount.

**Example 6:**

*A manufacturer offers 10% discount for shirts manufactured by him during a sales promotion. The recommended retail **price** of a piece of shirt is RM106.00 **inclusive** of GST.*

*A registered retailer who supplies the shirts to customers was instructed by the manufacturer to give a 10% discount for each shirts sold whereby the discounted amount will be borne by the manufacturer. The Registered retailer has to account for output tax as follows:*

<i>Price of shirt (inclusive of 6% GST)</i>	<i>:</i>	<i>RM106.00</i>
<i>Less 10% Discount</i>	<i>:</i>	<i><u>(RM 10.60)</u></i>

*Payment:*

<i>Amount paid by customer</i>	<i>:</i>	<i>RM 95.40</i>
<i>Amount recovered from the manufacturer</i>	<i>:</i>	<i><u>RM 10.60</u></i>
<i>Total paid (inclusive of 6% GST)</i>	<i>:</i>	<i>RM106.00</i>
<i>6% GST inclusive</i>	<i>:</i>	<i>RM 6.00</i>

$$(RM106.00 \times 6\%/106\%)$$

*The registered retailer is required to issue tax invoice to the customer for the total amount of RM106.00 and account for output tax of RM6.00.*

*Subsequently, when the registered retailer wants to claim RM10.60 from the manufacturer to recover the amount of discount granted to the*

*customer, he does not need to issue tax invoice to the manufacturer because GST have already been accounted for when a tax invoice was given to the customer during the sales.*

### **Discount Vouchers/ Discount card**

12. For the purpose of GST, any vouchers which entitle the holder for discounts must clearly state the words “*discount voucher*” and the entitled *amount of discount* on such voucher either in term of percentage or monetary value.

13. Supply of discount voucher is a supply of right and GST must be accounted if the supply is made for a consideration. No GST needs to be accounted if the discount vouchers are given free to customers.

#### ***Example 7: Supply of discount voucher***

(i) *Voucher issuer gives free RM20.00 discount voucher to customers. No GST has to be accounted by the voucher issuer; or*

(ii) *Customer purchases RM20.00 discount voucher for RM10.00 inclusive of GST from a voucher issuer. The voucher issuer is required to issue a tax invoice to the customer and account for output tax as follows:*

*Consideration : RM10.00*

*6% GST inclusive : RM 0.57*

*(RM10.00 x 6%/106%)*

14. When a customer purchases goods or services and presents a discount voucher to the supplier of the goods or services, the customer is entitled to a discount as stated on the voucher. GST is calculated based on the discounted value of the purchased goods or services.

**Example 8: Redemption of discount voucher**

- (i) Customer utilises RM20.00 discount voucher when he purchases goods or services worth RM100.00 **inclusive** of GST from a supplier. The supplier has to account for output tax as follows:

Price (inclusive of 6% GST)	:	RM 100.00
Less discount (voucher)	:	<u>(RM 20.00)</u>
Price after discount (inclusive of 6% GST)	:	RM 80.00
6% GST inclusive	:	RM 4.53
<i>(RM80.00 x 6%/106%)</i>		

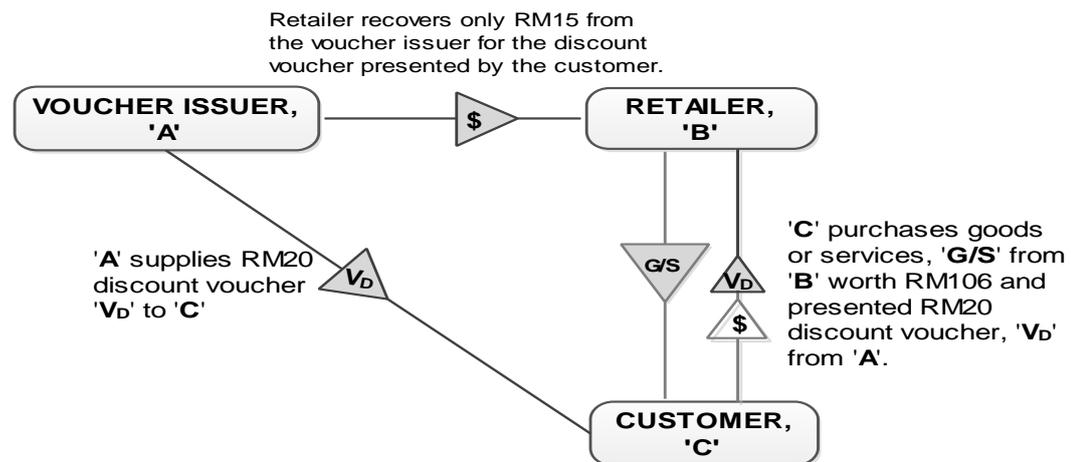
- (ii) Customer utilises 20% discount voucher when he purchases goods or services worth RM100.00 inclusive of GST from a supplier. The supplier has to account for output tax as follows:

Price (inclusive of 6% GST)	:	RM 100.00
Less 20% discount (voucher)	:	<u>(RM 20.00)</u>
Price after discount (inclusive of 6% GST)	:	RM 80.00
6% GST inclusive	:	RM 4.53
<i>(RM80.00 x 6%/106%)</i>		

15. When a retailer who accepts a third party's discount vouchers makes a claim over the amount of discount granted to the customer, such claim shall be regarded as a part payment for the total supply made to that customer. Therefore, GST has to be accounted based on the total consideration which includes the claimed amount. No tax invoice is needed to be issued to the third party (discount voucher issuer) because GST have already been accounted for when the tax invoice was given to the customer earlier.

**Example 9: Supply and redemption of discount voucher from other party**

Customer utilises RM20.00 discount voucher from voucher issuer when he purchases goods or services worth RM106.00 inclusive of GST from a retailer. The retailer deducts RM20.00 for the purchase and subsequently recovers only RM15.00 from the voucher issuer and the balance of RM5 is borne by him.



The retailer has to account for output tax as follows:

Price (inclusive of 6% GST)	:	RM106.00
Less RM20.00 Discount voucher	:	<u>(RM20.00)</u>
Payment:		
Amount paid by customer	:	RM 86.00
Amount recovered from voucher issuer	:	<u>RM 15.00</u>
Total paid (inclusive of 6% GST)	:	RM101.00
6% GST inclusive	:	RM 5.72
(RM101.00 X 6%/106%)		

The registered retailer is required to issue tax invoice to the customer for the total amount of RM101.00 and account for output tax of RM5.72.

*Subsequently, when the registered retailer wants to claim RM15.00 from the voucher issuer to recover the amount of discount granted to the customer, he does not need to issue tax invoice to the manufacturer because GST have already been accounted for when a tax invoice was given to the customer during the sales.*

### **Prompt Payment Discount**

16. Prompt payment discounts are normally given to encourage customers to pay early even though one month or two months' credit term is given. The example of GST treatment on prompt payment discount is as follows:

#### **Example 10:**

*The registered manufacturer supplies goods to a retailer at the price of RM1,060.00 inclusive of GST and accounts for GST on the full amount as stated in the tax invoice. Payment terms are as follows:*

*Payment made within 30 days - 10% discount*

*Payment made within 60 days - 3% discount*

*The retailer then pays within the 30 days period and therefore is entitled to a 10% discount.*

*Price of goods (inclusive of 6% GST) :RM1,060.00*

*6% GST inclusive :**RM60.00***

*(RM1,060.00 X 6%/106%)*

*Less 10% Discount :(RM 106.00)*

*(10% X RM1,060.00)*

*Price after discount (inclusive of 6% GST): RM 954.00*

*6% GST inclusive :(RM54.00)*

*(RM954.00 X 6%/106%)*

*GST difference*

**:RM 6.00**

*If GST of RM60.00 has been paid by the manufacturer, he is now entitled to reduce his output tax of RM6.00 on the condition that a credit note has been issued. The output tax entitlement is to be adjusted in his tax return in the taxable period in which the credit note has been issued.*

*If the retailer is a registered person, he also has to reduce his input tax of RM6.00 according to the credit note received from the manufacturer.*

### **Volume Discount**

17. In some cases, wholesalers may give volume discounts to retailers when the retailers purchase goods in bulk. The following examples show the GST treatment on volume discount.

#### **Example 11:**

- (i) *A retailer purchased 200 units of goods from a registered wholesaler at a price of RM106.00 per unit inclusive of GST. The retailer is entitled to a 5% volume discount if he purchases more than 150 units of goods in a single purchase.*

<i>Price per unit (inclusive of 6% GST)</i>	<i>:</i>	<i>RM106.00</i>
<i>Number of units purchased</i>	<i>:</i>	<i>200 units</i>
<i>Total Price inclusive of GST</i>	<i>:</i>	<i>RM21,200.00</i>
<i>(200 X RM106.00)</i>		
<i>Less 5% Volume discount</i>	<i>:</i>	<i><u>(RM 1,060.00)</u></i>
<i>(5% X RM21,200.00)</i>		
<i>Total price after discount</i>	<i>:</i>	<i>RM20,140.00</i>
<i>6% GST inclusive</i>	<i>:</i>	<i>RM 1,140.00</i>
<i>(RM20,140.00 X 6%/106%)</i>		

*The registered wholesaler is required to issue tax invoice to the retailer for the total amount of RM20,140.00 and account for output tax of RM1,140.00; or*

- (ii) *If the retailer purchases more than 1,500 units of goods in a month, he is entitled to a 10% volume discount. The retailer purchased the goods as follows:*

*1<sup>st</sup> purchase : 500 units*

*2<sup>nd</sup> purchase : 600 units*

*3<sup>rd</sup> purchase : 100 units*

*4<sup>th</sup> purchase : 500 units*

*5<sup>th</sup> purchase : 800 units*

*Number of units purchased: 2,500 units per month*

*For the first three purchases, the wholesaler will charge and account for GST on the full value of the goods. However, when the fourth purchase is made, the retailer has already purchased more than 1,500 units and he is entitled to a 10% discount on the purchases. The wholesaler charges GST on the value after discount for the fourth and fifth purchases and makes adjustment for the first three purchases as follows:*

**Fourth purchase:**

*Price before discount (inclusive of 6% GST): RM53,000.00*

*(500 X RM106.00 per unit)*

*Less 10% discount : (RM 5,300.00)*

*(10% X RM53, 000.00)*

*Price after discount (inclusive of 6% GST): RM47,700.00*

6% GST inclusive : RM 2,700.00

(RM47,700.00 X 6%/106%)

The wholesaler accounts for output tax of RM2,700.00.

**Fifth purchase:**

Price before discount (inclusive of 6% GST): RM84,800.00

(800 X RM106.00 per unit)

Less 10% discount : (RM 8,480.00)

(10% X RM84,800.00)

Price after discount (inclusive of 6% GST): RM76,320.00

6% GST inclusive : RM 4,320.00

(RM76,320.00 X 6%/106%)

The wholesaler accounts for output tax of RM4,320.00.

**Adjustment**

**First purchase:**

Price before discount (inclusive of 6% GST): RM53,000.00

(500 X RM106.00 per unit)

6% GST inclusive : **RM 3,000.00**

(RM53,000.00 X 6%/106%)

Less discount 10% : (RM 5,300.00)

(10% X RM53,000.00)

Price after discount (inclusive of 6% GST): RM47,700.00

6% GST inclusive : **RM 2,700.00**

*(RM47,700.00 X 6%/106%)*

*GST difference* : **RM 300.00**

**Second purchase:**

*Price before discount (inclusive of 6% GST):* RM63,600.00

*(600 X RM106.00 per unit)*

*6% GST inclusive* : **RM 3,600.00**

*(RM63,600.00 X 6%/106%)*

*Less discount 10%* : *(RM 6,300.00)*

*(10% X RM63,600.00)*

*Price after discount (inclusive of 6% GST):* RM57,240.00

*6% GST inclusive* : **RM 3,240.00**

*(RM57,240.00 X 6%/106%)*

*GST difference* : **RM 360.00**

**Third purchase:**

*Price before discount (inclusive of 6% GST):* RM10,600.00

*(100 X RM105.00 per unit)*

*6% GST inclusive* : **RM 600.00**

*(RM10,600.00 X 6%/106%)*

*Less discount 10%* : *(RM 1,060.00)*

*(10% X RM10,600.00)*

*Price after discount (inclusive of 6% GST):* RM 9,540.00

*6% GST inclusive* : **(RM 540.00)**

*(RM9,540.00 X 6%/106%)*

*GST difference* : **RM 60.00**

*The wholesaler is allowed to reduce the output tax amounting to RM720.00 (RM300.00 + RM360.00 + RM60.00) on condition that a credit note has been issued to the retailer. The output tax is to be adjusted within the taxable period in which the credit note has been issued. If the retailer is a registered person, he is required to reduce his input tax of RM720.00 according to the credit note issued by the wholesaler.*

### **Deposits**

18. When a deposit is collected by a registered retailer, which is a part payment for a taxable supply, the registered retailer must account for GST on such deposit. However, a registered retailer does not need to account for GST if the deposit is collected as a security and is refundable.

### **Tax Invoice**

19. Registered retailer must issue a serially printed or pre-printed tax invoice to the customer in respect of every taxable supply of goods or services made by him. A tax invoice must show the prescribed particulars. For more information, please refer to Regulation 22 of the GST Regulations 2014 and GST Guide on Tax Invoice and Record Keeping.

20. Registered retailer may issue a simplified tax invoice to a customer instead of full tax invoice. According to the GST requirements, a taxable person has to get approval from the Director General if he wants to exclude one or more prescribed particulars from the tax invoice under section 33(1) GSTA 2014

21. A tax invoice is not required to be issued for a zero rated supply. If a registered retailer makes mixed supplies (i.e. standard rated and zero rated supply or standard rated and exempt supply), he can issue one tax invoice for the mixed supplies. However registered retailer has to distinguish the different types of supply (standard

rated, zero rated and exempt supply). In the case of a registered retailer who makes only exempt supply to a customer, he must not issue a tax invoice.

### **GST Incurred On Purchases**

22. When a registered retailer purchases taxable supplies from another registered person in the course or furtherance of his business, the registered person will charge GST to the registered retailer. The GST paid by the registered retailer on the purchases is known as **input tax**, which he is entitled to claim back except for those supplies with blocked input tax. A non-registered retailer is not entitled to claim input tax.

#### **Example 12:**

*Assuming the price of goods supplied to the registered retailer is RM106.00 inclusive of 6% GST.*

*Price (inclusive of 6% GST) : RM106.00*

*6% GST incurred : RM 6.00 (input tax)*

*(RM106.00 X 6%/106%)*

### **Input Tax Claim**

23. A registered retailer must hold a tax invoice or import documents in his name to enable him to claim the input tax incurred on his purchases or importation.

24. If a registered retailer holds a simplified tax invoice without his name and address, the registered retailer is allowed to claim the input tax up to an amount not exceeding RM30.00 per simplified tax invoice. If the registered retailer wants to claim the full amount of input tax, he has to request the registered supplier to include his name and address in the simplified tax invoice.

25. The registered retailer can offset input tax incurred against his output tax charged in his tax return (GST-03) in the related taxable period. If the amount of output tax is greater than the amount of input tax in that taxable period, then the net tax has to be paid to the government. However, if the amount of input tax is greater than the amount of output tax, the difference will be refunded to the registered retailer.

### **Credit Note**

26. A credit note is issued by a registered supplier when the consideration of a supply is reduced after a tax invoice has been issued by him. If the GST return (GST 03) has been submitted by the registered supplier, he must make an adjustment to reduce the output tax in the GST return for the taxable period in which the credit note is issued. Likewise, if the customer is a registered person, he must also make an adjustment to reduce the input tax in his GST return for the taxable period in which the credit note is issued by the supplier.

### **Debit Note**

27. A debit note is issued by a registered supplier when the consideration of a supply is increased after a tax invoice was issued by him. If the GST return (GST 03) has been submitted by the registered supplier, he must make an adjustment to increase the output tax in the GST return for the taxable period in which the debit note is issued. Likewise, if the customer is a registered person, he must also make an adjustment to increase the input tax in his GST return for the taxable period in which the debit note is issued by the supplier.

### **Time of Supply**

28. Generally;

- (a) the **basic tax point** with regard to the time of supply of goods is: -
  - (i) at the time of removal of the goods if the goods are to be removed;  
or
  - (ii) at the time when the goods are made available to the person to whom the goods are supplied if the goods are not to be removed.
  - (iii) In the case of consignment goods, the basic tax point shall be at the time when the supply becomes certain (*sales statement issued by the consignee*) or twelve (12) months after the removal of goods, whichever is the earlier.
- (b) the **basic tax point** with regard to the time of supply of services shall be

at the time when the services are performed.

29. If a tax invoice is issued or payment is received before the supply has taken place (**before the basic tax point**), then the time of supply is the date when the tax invoice is issued or the date when the payment is received, whichever is the earlier.

30. If a tax invoice is issued within twenty-one (21) days after the supply is made (**after the basic tax point**), then the time of supply is the date when the tax invoice is issued.

31. If a tax invoice is issued after twenty-one (21) days after the supply is made (**after the basic tax point**), then the time of supply is the date of the basic tax point.

### **Open Market Value (OMV)**

32. The open market value of goods or services is the value in money for a supply of goods or services offered freely and made between persons who are not connected persons. The open market value means the value which includes any tax charged and levied on the supply of goods or services. For more information, please refer to GST Guide on Valuation.

### **Consideration**

33. Consideration is something that is given by a person or other person in exchange for a supply of goods or services to a person. The coverage of consideration is wide and may include payment in cash, loyalty points, monetary vouchers or coupons, goods or services in kind.

34. For a consideration not in money, the value of the supply shall be taken to be an amount, with the addition of the tax chargeable, equal to the open market value (OMV) of that consideration.

35. For a consideration not wholly in money, the value of the supply shall be taken to be an amount, with the addition of the tax chargeable, equal to the aggregate of:

- (a) to the extent that the supply is for a consideration in money, the amount of the money; and
- (b) to the extent that the supply is not for a consideration in money, the open

market value of that consideration.

For more information, please refer to GST Guides on Supply and Guide on Valuation.

### **Taxable Period**

36. The taxable period will be assigned to one of the following categories at the time when the GST registration is approved: -

- (a) period of one-month ending on the last day of any month of any calendar year;
- (b) period of three months ending on the last day of any month of any calendar year; or
- (c) other period approved by Director General of Customs

### **Tied-in Goods**

37. When a person purchases goods with free tied-in goods, the value of the tied-in goods is treated as being included in the price of the principal goods supplied.

#### **Example 13:**

*Scenario 1: If both tied-in and the principal goods are standard-rated*

*Principal goods - Toothpaste (standard rate)*

*Tied-in goods (free item) - Toothbrush (standard rate)*

*Since the principal goods is a standard rated supply, GST is chargeable on the supply. If the price of the goods with the free tied-in goods is RM6.36 inclusive of GST, GST should be accounted from RM6.36 as the tied-in goods and principal goods are treated as one supply.*

*Price (inclusive of 6% GST) of toothpaste : RM 6.36*

*6% GST inclusive : RM 0.36*

*(RM6.36 X 6%/106%)*

*The registered retailer accounts for output tax of RM0.36*

*Scenario 2: If the 'tied-in goods' is standard-rated and the principal goods is zero-rated.*

*Principal goods - Rice (zero rate)*

*Tied-in goods (free item) - plate (standard rate)*

*Since the principal goods is a zero rated supply, GST is not chargeable on the supply. If the price of the goods with the free tied-in goods is RM30.00, no GST is charged on RM30.00 because the principal goods is a zero rated.*

*Price of goods with free 'tied-in goods' (+0% GST): RM30.00*

*0% GST : RM 0*

## **Vouchers**

38. A voucher is taken to include any voucher, stamp (other than a postage stamp), loyalty points, coupon, token or similar article or facility. For the purpose of GST, vouchers are divided into two categories which are monetary vouchers and non-monetary vouchers.

### **Monetary Vouchers – Voucher, Token, Stamp (other than postage stamp), or loyalty points**

39. Monetary voucher (face value vouchers) confers a right to receive goods and services up to the monetary value which is stated or recorded on the voucher or assigned to the voucher (token, stamp or loyalty points).

40. Supply of monetary voucher for consideration up to the face value (or assigned monetary value), is disregarded and no GST is chargeable.

#### **Example 14:**

*Supply of RM100 monetary voucher by voucher issuer to customer for a consideration RM100 or less. No GST has to be accounted.*

41. If a monetary voucher is sold for more than a face value, the supplier must account for GST on the difference between the sale value and the face value of the voucher.

**Example 15:**

*Supply of RM100 monetary voucher by voucher issuer to customer for a consideration of RM105.*

*Difference between the sale value and the face value: RM 5.00*

*(RM105 – RM100)*

*6% GST inclusive : RM 0.28*

*(RM5.00 X 6%/106%)*

42. When a customer presents a monetary voucher to redeem goods or services, the goods or services redeemed is a supply made for a consideration and such supply is subject to GST. The supplier of the goods or services has to account for GST on the consideration (face value or assigned monetary value) received. No GST is chargeable for zero rated and exempt supplies.

**Example 16:**

*Redemption of monetary voucher for goods or services from supplier.*

(i) *Scenario 1 – Price of goods or services (e.g. RM100) is equal to face value (e.g. RM100) of the monetary voucher. GST is accounted as follows:*

*Consideration received:*

*Monetary voucher : RM100.00*

*6% GST inclusive : RM 5.66*

*(RM100.00 X 6%/106%)*

*The registered supplier of goods or services is required to issue tax invoice to the customer for the total amount of RM100.00 and account for output tax of RM5.66*

- (ii) *Scenario 2 – Price of goods or services (e.g. RM80) is less than face value (e.g. RM100) of the monetary voucher but no refund is made for the difference. GST is accounted as follows:*

*Consideration received:*

*Monetary voucher : RM100.00*

*6% GST inclusive : RM 5.66*

*(RM100.00 X 6%/106%)*

*The registered supplier of goods or services is required to issue tax invoice to the customer for the total amount of RM100.00 and account for output tax of RM5.66*

43. Sometimes, a customer may use the monetary voucher as part payment and pays additional money for the goods or services purchased. In this situation, the supplier has to account for GST on the total amount of consideration received which is the aggregate of: -

- (a) the face value or assigned monetary value of the voucher as part of the consideration not in money; and
- (b) the amount in money as part of the consideration in money.

**Example 17:**

*A customer used a monetary voucher (e.g. face value of RM100) as part payment and pays additional money (e.g. RM50) for the goods or services worth RM150.00. GST is accounted as follows:*

*Consideration received:*

*Monetary voucher : RM100.00*

---

Cash	:	<u>RM 50.00</u>
Total payment	:	RM150.00
6% GST inclusive	:	RM 8.49
<i>(RM150.00 X 6%/106%)</i>		

*The registered supplier of goods or services is required to issue tax invoice to the customer for the total amount of RM150.00 and account for output tax of RM8.49*

44. Where the consideration (voucher) covers a standard rated supply and zero rated or exempt supply, the consideration received is required to be apportioned that is attributable to the supply.

**Example 18:**

- (i) Scenario 1 – Price of goods or services is equal to face value of the monetary voucher:

*A customer used a monetary voucher (e.g. face value of RM100) as payment for the purchase of RM30 zero rated goods and RM70 (inclusive of 6% GST) standard rated goods. GST is accounted as follows:*

Zero rated goods	:	RM30.00
Standard rated goods (inclusive of 6% GST):		<u>RM70.00</u>
6% GST inclusive	:	RM 3.96
<i>(RM70.00 X 6%/106%)</i>		
Consideration received (Monetary voucher):		RM100.00

*The registered supplier of goods is required to issue tax invoice to the customer for the total amount of RM100.00 and account for output tax of RM3.96*

- (ii) *Scenario 2 – Price of goods or services is less than face value of the monetary voucher but no refund is made for the difference.*

*A customer used a monetary voucher (e.g. face value of RM100) as payment for the purchase of RM30 zero rated goods and RM50 (inclusive of 6% GST) standard rated goods. GST is accounted as follows:*

*Zero rated goods : RM37.50*

*(RM100.00 X RM30/RM80)*

*Standard rated goods (inclusive of 6% GST): RM62.50*

*(RM100.00 X RM50/RM80)*

*6% GST inclusive : RM 3.54*

*(RM62.50 X 6%/106%)*

*Consideration received (Monetary voucher): RM100.00*

*The registered supplier of goods is required to issue tax invoice to the customer for the total amount of RM100.00 and account for output tax of RM3.54*

45. If a supplier of goods and services accepts monetary vouchers from another party (voucher issuer) and subsequently recovers the payment from that party up to the face value of the voucher, he does not need to account for GST. This is because, the GST involved had already been accounted for when the monetary vouchers were used to redeem goods or services. At the same time, no tax invoices have to be issued to the voucher issuer since GST have been accounted for when the customer was given a tax invoice.

46. If the amount of payment recovered by the supplier exceeds the face value of the monetary voucher, he must account for GST on the difference between the amount received and the face value. In this case, tax invoice must be issued by the supplier to the other party on the additional amount received which is regarded as consideration for the supply of services.

47. Where the sold monetary voucher which is unredeemed until it has expired, the voucher issuer is not required to account for GST on the unredeemed amount.

### **Stamp (Monetary Vouchers) - Other Than Postage Stamp**

48. Stamps are treated as a monetary voucher and normally are given free to customers when the customers purchase goods or services. The customer will accumulate the stamps before he can redeem a goods or services offered. For the purpose of GST, the stamps which are given free are not subject to GST. After accumulating a certain number of stamps, the customer is entitled to redeem a goods or services and such redeemed goods or services is a supply of goods or services for a consideration.

#### **Example 19:**

*A registered hypermarket conducts a promotional program which encourages its customers to accumulate 100 stamps to be entitled to a free cooking pot worth RM15.90. One stamp is given free for every RM20.00 purchase of goods in the hypermarket. The supply of cooking pot upon redemption will be subject to GST. GST has to be accounted based on the assigned monetary value of the stamps (Assumed the equivalent value of the 100 stamps assigned by the hypermarket is RM15.90).*

<i>Open Market Value for Cooking Pot</i>	<i>:</i>	<i>RM15.90</i>
<i>6% GST accounted</i>	<i>:</i>	<i>RM 0.90</i>
<i>(RM 15.90 X 6%/106%)</i>		
<i>Consideration</i>	<i>:</i>	<i>100 stamps</i>

*Hypermarket is required to issue a tax invoice to the customer for the total amount of RM15.90 and account for output tax of RM0.90.*

49. Sometimes, the customer may have insufficient number of stamps to redeem goods. In this case, the retailer may allow the customer to redeem goods provided the customer pays additional cash. For the purpose of GST, the retailer is required to

account for GST on the total amount of the consideration which comprised the equivalent value monetary value of the stamps and the additional cash received.

**Example 20:**

*In the example above, the hypermarket allows the customer to redeem the cooking pot if the customer has accumulated 50 stamps provided that he pays an additional cash amount of RM8.90. The hypermarket accounts for GST as follows:*

<i>Open Market Value for Cooking Pot</i>	<i>:</i>	<i>RM 15.90</i>
<i>Consideration</i>		
<i>Cash</i>	<i>:</i>	<i>RM 8.90</i>
<i>50 stamps (Equivalent to RM7.00)</i>	<i>:</i>	<i><u>RM 7.00</u></i>
<i>Total Consideration</i>	<i>:</i>	<i>RM15.90</i>
<i>6% GST accounted</i>	<i>:</i>	<i>RM 0.90</i>
<i>(RM 15.90 X 6%/106%)</i>		

*Hypermarket is required to issue a tax invoice to the customer for the total amount of RM15.90 and account for output tax of RM0.90.*

**Token (Monetary Vouchers)**

50. A token is a piece of metal or plastic card which has a certain value (assigned value) to redeem goods or services in the future. For the purpose of GST, a token is treated as a monetary voucher. Hence, no GST will be accounted at the time when the token is supplied. GST will be subjected at the time when the token is redeemed for goods or services.

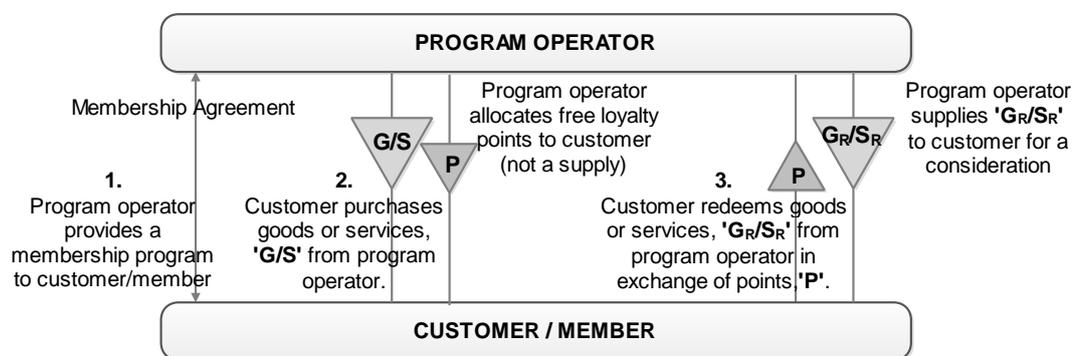
51. For token or coins operated machine, the time of supply is treated at the time when the token is removed from the machine.

## Loyalty points (Monetary Vouchers)

52. Loyalty point program is a scheme designed to maintain customers' loyalty. This is done by linking purchases to a reward through the issuance of points.

53. Generally, loyalty program operator (supplier) will assign the monetary value (*assigned monetary value*) on each loyalty point issued to customer or member of the program.

### **Example 21: Illustration of two parties' loyalty points program arrangement**



#### **Transaction 1:**

*Program operator (supplier) provides membership of loyalty points program to customers and charges service fee (membership fee).*

*Payment for membership fee made by the customer to program operator is a payment for services (loyalty points program membership) and GST has to be accounted by the program operator from the amount of fee received. No GST is chargeable for **free** membership.*

#### **Example 22:**

*The annual fee paid for the membership is RM30.00.*

$$\text{GST} = \text{RM}30.00 \times 6\%/106\% = \text{RM}1.70$$

**Transaction 2:**

Customer purchases goods or services, 'G/S' from program operator and consequently program operator allocates loyalty points, 'P' to the customer.

Payment made by the customer is only for the price of goods or services, 'G/S' and he does not pay anything extra for the loyalty points. Therefore:

- (i) The supply of goods or services, 'G/S' by program operator to the customer is subject to GST; and
- (ii) The allocation of loyalty points from program operator to a customer is treated as a supply of services (right) made without a consideration and no GST has to be accounted by program operator.

**Transaction 3:**

Program operator supplies a reward (i.e. goods or services, 'GR/SR') to the customer in exchange of loyalty points, 'P'. Supplies of reward, 'GR/SR' by program operator to the customer is treated as a supply made for a consideration.

The actual reward (i.e. goods or services, 'GR/SR') depends on the number of points redeemed by the customer. Accordingly, the greater the number of points redeemed, the more valuable the reward to the customer. Reward supplied by program operator to the customer is subject to GST and GST has to be accounted based on the assigned monetary value of the loyalty points, 'P'.

**Example 23:**

The amount of points, 'P' exchanged for a standard rated goods, 'GR/SR' (reward) is 2000 points and the monetary value of point assigned by program operator is RM0.01 per point (assigned monetary value or face value).

$$\text{GST} = \text{RM}0.01 \times 2000 \text{ pts} \times 6\%/106\% = \text{RM}1.13$$

*Customer also has the ability to make an additional payment to obtain a reward where he has insufficient points (points plus cash). GST has to be accounted based on the total amount of consideration received which is the aggregate of:-*

- (i) the amount of assigned monetary value of the loyalty points, 'P' as part of the consideration not in money; and*
- (ii) the amount in money as part of the consideration in money.*

**Example 24:**

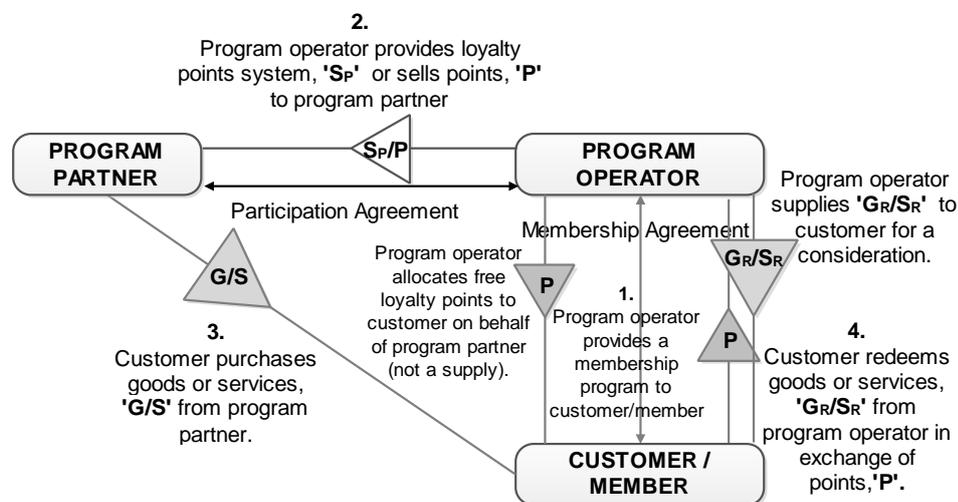
*The amount of points exchanged for a GST standard rated goods (reward) is 2000 points with additional RM10.00 cash paid. The assigned monetary value per point is RM0.01.*

*Amount of consideration:*

$$\begin{aligned} \text{Total monetary value of points} &= \text{RM0.01} \times 2000 \text{ pts} \\ &= \text{RM20.00} \\ \text{Additional cash paid} &= \underline{\text{RM10.00}} \\ \text{Total amount of consideration} &= \text{RM30.00} \\ \text{GST} = \text{RM30.00} \times 6\%/106\% &= \text{RM1.70} \end{aligned}$$

54. Loyalty points program may involve program operator who is contracted by program partner to provide loyalty points and reward to customers of the program.

**Example 25: Illustration of loyalty points program arrangement where the program operator is contracted by program partner to provide loyalty points and reward to customers**



**Transaction 1:**

Program operator provides membership of loyalty points program to customers and charges service fee (membership fee).

Payment for membership fee made by the customer to program operator is a payment for services (loyalty points program membership) and GST has to be accounted by the program operator from the amount of fee received. No GST is chargeable for free membership.

**Transaction 2:**

Program operator provides loyalty points system, 'Sp' (services) to program partners. The service supplies may include the supply of points, marketing, promotion or administration. Payment made for the supply of such services is subject to GST. Registered program partner is entitled to claim input tax incurred.

**Example 26:**

Program partner made a participation agreement with the program operator to provide marketing promotion services through a loyalty points program, 'Sp'. In the agreement, the program operator charges program partner

amounting to RM0.03 for each loyalty point allocated to customers when the customers swipe program operator member card at program partner outlets. For December monthly claim, program operator issued a statement of 10,000 points to program partner and those 10,000 points is paid by program partner amounting to RM300.00. The GST is accounted as follows:

$$\begin{aligned} \text{Consideration for 'Sp':} & \quad \text{RM0.03} \times 10,000 & = \text{RM300.00} \\ \text{GST} & \quad : & \quad \text{RM300.00} \times 6\%/106\% & = \text{RM16.98} \end{aligned}$$

If the payment made by program partner to program operator is distinguishable for points, 'P' and other related services, the amount attributed to the points, 'P' which is not more than the total assigned monetary value of points, 'P', **such payment** is disregarded and no GST is chargeable. GST is chargeable only on the excess amount of assigned monetary value of the loyalty points, 'P'.

**Example 27:**

Program partner entered into a participation agreement with the program operator to provide marketing promotion services through a loyalty points program. In the agreement, program operator charges program partner amounting to RM0.03 for each loyalty point allocated to customers when the customers swipe program operator member card at program partner outlets. The assigned monetary value of the points allocated to the customers is agreed at RM0.01 per point. For December monthly claim, program operator issued a statement of 10,000 points to program partner and those 10,000 points is paid by program partner amounting to RM300.00 where the total of RM100 is for the loyalty points allocated to the customer of program partner. The GST is accounted as follows:

$$\begin{aligned} \text{Payment for the services, 'Sp':} & \quad = (\text{RM0.03} - \text{RM0.01}) \times 10,000 \\ & \quad = \text{RM200.00} \\ \text{GST} & \quad = \text{RM200.00} \times 6\%/106\% & = \text{RM11.32} \end{aligned}$$

*(This is a similar treatment with regard to excess amount for the supply of monetary voucher).*

**Transaction 3:**

*Customer purchases goods or services, 'G/S' from program partner and consequently program operator allocates loyalty points, 'P' to the customer.*

*Payment made by the customer is only for the price of goods or services, 'G/S' and he does not pay anything extra for the loyalty points. Therefore:*

- (i) The supply of goods or services, 'G/S' by program partner to customer is subject to GST; and*
- (ii) The allocation of loyalty points from program operator to a customer is treated as a supply of service made without a consideration and no GST has to be accounted by program operator.*

**Transaction 4:**

*Program operator supplies a reward (i.e. goods or services, 'GR/SR') to the customer in exchange of loyalty points, 'P'. Supplies of reward by program operator to customer are treated as a supply made for a consideration.*

*The actual reward (i.e. goods or services, 'GR/SR') depends on the number of points redeemed by the customer. Accordingly, the greater the number of points redeemed, the more valuable the reward to the customer. Reward supplied by the program operator to the customer is subject to GST and GST has to be accounted based on the assigned monetary value of the loyalty points, 'P'.*

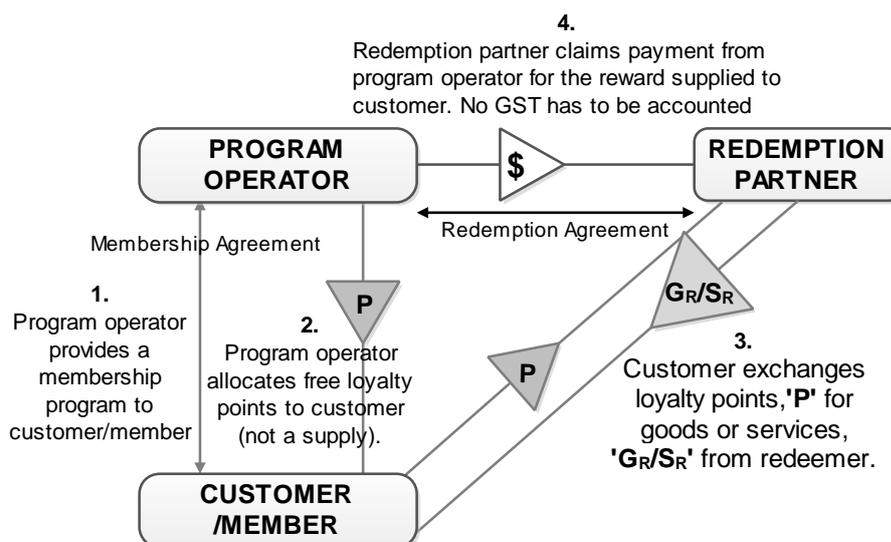
*Customer also has the ability to make an additional payment to obtain a reward where he has insufficient points (sometimes known as points plus pay). GST has to be accounted based on the total amount of consideration received which is the aggregate of:-*

- (i) the amount of assigned monetary value of the loyalty points, 'P' as part of the consideration not in money; and*

(ii) the amount in money as part of the consideration in money.

55. In other cases, the loyalty points program may involve redemption partner who is contracted by program operator to provide reward to customers of the program.

**Example 28: Illustration of loyalty points program arrangement where the redemption partner is contracted by program operator to provide rewards to customers**



**Transaction 1:**

Program operator (supplier) provides membership of loyalty points program to customers and charges service fee (membership fee).

Payment for membership fee made by customer to program operator is a payment for services (loyalty points program membership) and GST has to be accounted by program operator from the amount of fee received. No GST is chargeable for free membership.

**Transaction 2:**

Program operator allocates loyalty points, 'P' to the customer. The allocation of loyalty points from program operator to a customer is treated as a supply of service made without a consideration and no GST has to be accounted by program operator.

**Transaction 3:**

*Redemption partner supplies a reward (i.e. goods or services, 'GR/SR') to the customer in exchange of loyalty points, 'P'. The Supply of reward by redemption partner to customer is treated as a supply made for a consideration.*

*The actual reward (i.e. goods or services, 'GR/SR') depends on the number of points redeemed by the customer. Accordingly, the greater the number of points redeemed, the more valuable the reward to the customer. Reward supplied by redemption partner to the customer is subject to GST and GST has to be accounted based on the assigned monetary value of the loyalty points, 'P'.*

*Customer also has the ability to make an additional payment to obtain a reward where he has insufficient points (sometimes known as points plus pay). GST has to be accounted based on the total amount of consideration received which is the aggregate of:-*

- (i) the amount of assigned monetary value of the loyalty points, 'P' as part of the consideration not in money; and*
- (ii) the amount in money as part of the consideration in money.*

**Transaction 4:**

*Redemption partner seeks payment from the program operator for goods or services redeemed by customers in exchange of loyalty points, 'P' from program operator. If the payment received is equivalent to the assigned monetary value of the loyalty points, no GST has to be accounted.*

**Example 29:**

*Program operator has made a redemption agreement with redemption partner to provide redemption services. In the agreement, program operator has to pay the cost incurred by redemption partner amounting to RM0.01 for each point redeemed by the members of program operator. The assigned monetary value of the points allocated to the customers is agreed*

at RM0.01 per point. At the end of January, redemption partner has submitted a statement of 10,000 points to program operator and those 10,000 points is paid by program operator amounting to RM100.00. No GST has to be accounted on RM100.00.

If the amount of payment made by program operator to redemption partner has exceeded the amount of assigned monetary value of the loyalty points, redemption partner must charge and account for GST on the exceeded amount. Registered program operator is entitled to claim input tax incurred.

**Example 30:**

Program operator has made a redemption agreement with redemption partner to provide redemption services. In the agreement, program operator has to pay the cost incurred by redemption partner the amount of RM0.015 for each point redeemed by the members of program operator. The assigned monetary value of the points allocated to the customers is agreed at RM0.01 per point. At the end of January redemption partner has submitted a statement of 10,000 points to program operator and those 10,000 points is paid by program operator amounting to RM150.00 [RM0.015 X 10,000].

$$\begin{aligned} \text{Consideration for the services} &= (RM0.015 - RM0.01) \times 10,000 \\ &= RM50.00 \end{aligned}$$

$$\text{GST} = RM50.00 \times 6\%/106\% = RM2.83$$

**Non-Monetary Vouchers/ Coupons**

56. Non-monetary vouchers are vouchers which display the specific goods or services that can be redeemed. As such, supply of non-monetary vouchers are treated as supply of specific goods or services and therefore it is subject to GST as per the normal rules of supply.

**Example 31:**

(a) *Supply of non-monetary voucher by voucher issuer to customer for a consideration:*

(i) *of a specified standard rated goods or services worth of RM100. GST is chargeable on the supply;*

$$\text{GST} = \text{RM}100 \times (6\%/106\%) = \text{RM}5.66$$

(ii) *of specified zero rated goods or services, no GST is to be accounted on the supply.*

(iii) *of specified exempt supply, no GST is chargeable on the supply.*

(b) *Supply of non-monetary voucher not for a consideration:*

(i) *of specific standard rated goods is subject to the gift rule.*

(ii) *of specific services is not a supply and no GST is chargeable. If the supply is made to a connected person, and the supply is a standard rated supply, issuer is required to account for GST based on the open market value.*

57. The goods or services redeemed by customers using non-monetary vouchers are not a supply because the supply has taken place at the time when the non-monetary vouchers are supplied to the customers.

58. When a supplier of goods and services accepts another party's (voucher issuer) non-monetary vouchers and makes a claim for payment from that party, such claims are regarded as consideration for the supply of the specified goods or services to that party. So, the supplier must charge GST on the specified goods and services supplied to that party except for zero rated and exempt supply.

**Example 32: Payment made by the non-monetary voucher issuer to the supplier of specific goods or service.**

*The amount of payment made by the voucher issuer (issuer of non-monetary voucher) to the supplier is RM80 for a standard rated goods or*

*services delivered to the customer. The supplier is required to account for GST as follows:*

$$\text{Consideration} = \text{RM}80.00$$

$$\text{GST} = \text{RM}80.00 \times 6\%/106\% = \text{RM } 4.53$$

*The supplier of specified goods or services is required to issue a tax invoice to the voucher issuer and account for output tax of RM4.53. The registered issuer is entitled to input tax credits of RM4.53*

*The basic time of supply for the goods or services supplied to the issuer is when the goods are delivered or the services are performed to the customer.*

*If payment is made or a tax invoice is issued to issuer before the goods are delivered or the services are performed by the supplier to the customer, the time of supply is the time when the supplier issued a tax invoice or payment received from the issuer or whichever is the earlier.*

### **Purchase with Purchase**

59. This is a form of sale promotion to encourage customers to purchase selected goods if the customer purchases goods more than a certain value and he is entitled to a discount when he purchases the selected goods.

#### **Example 33:**

*A hypermarket operates a purchase with purchase promotion scheme. If a customer purchases goods with a value of more than RM100 in a single receipt, he is entitled to buy a 2 kg soft pack Milo at RM31.80 inclusive of GST instead of RM33.00.*

$$\text{Price of Milo (inclusive of 6\% GST)} : \text{RM } 31.80$$

$$6\% \text{ GST inclusive} : \text{RM } 1.80$$

$$(\text{RM}31.80 \times 6\%/106\%)$$

*The hypermarket will account for output tax of RM1.80.*

## Gifts

60. It is a normal business practice that a business gives free gifts to its customers. These free gifts are goods or services normally given to customers on special occasions or festival such as the giving of door gifts and gifts given free during lucky draws. Where business goods are given free to a person other than a connected person and the cost of goods to the donor is not more than RM500.00 per year (financial year), such goods is not required to charge GST and the registered person (donor) is entitled to claim input tax incurred on the purchase of the goods.

61. If the cost of the goods is more than RM500.00 and is given to the same person in the same year, the donor if he is a registered person, must account for output tax based on the open market value of the goods.

### **Example 34:**

*A registered retailer conducts a lucky draw and the winner is entitled to a television worth RM636.00 at the open market value. If the cost of the television to the retailer is more than RM500.00 when the retailer purchases the television, the retailer must account for output tax of RM36.00 (RM636.00 X 6%/106%). No GST has to be accounted if the cost to the retailer is RM500.00 or less. The retailer is also entitled to claim input tax incurred on the television when he purchased it.*

62. GST is not chargeable on goods which are given free to any person if such goods are purchased by the donor from a non-registered person.

## Samples

63. If the goods are given free as commercial samples in **a form not ordinarily available for sale to the public**, such free samples are not subject to GST.

## GST TREATMENT FOR THE INDUSTRY

### Consignment Sales

64. A consignment sales is an arrangement under which goods are delivered by a consignor to a consignee who pays the consignor only when the goods are sold by the

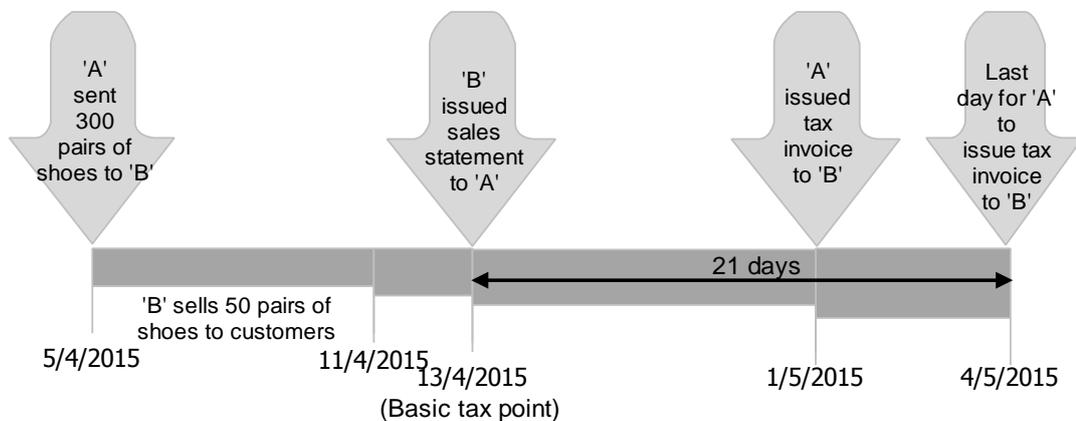
consignee to his customer. The basic tax point for the supply of goods under consignment sales is the date of sales statement issued by the consignee to consignor or twelve months after the goods are delivered to a consignee whichever is the earlier.

65. If the consignor issues a tax invoice within 21 days after the basic tax point, the time of supply is the date of tax invoice issued. However, if the tax invoice issued after the 21-day period, the time of supply is the basic tax point.

**Example 35:**

*A registered shoes manufacturer, 'A' appoints the shoes store, 'B' to sell various types of shoes which he manufactures. According to the agreement, the shipment of shoes will be sent from 'A' to 'B' on consignment basis. On 5 April 2015, 'A' sent 300 pairs of shoes to 'B' and until 11 April 2015 a total of 50 pairs of shoes were sold by 'B'. The illustration of the time of supply for consignment goods sent by 'A' is shown as follows:*

**Illustration of time of supply for consignment goods if 'B' issued a sales statement to 'A'**



**5 April 2015 (date of goods removed):**

*Registered shoes manufacturer, 'A' consigns 300 pairs of shoes to shoes store, 'B'.*

**5 April 2015 to 11 April 2015:**

*'B' sells 50 pairs of shoes.*

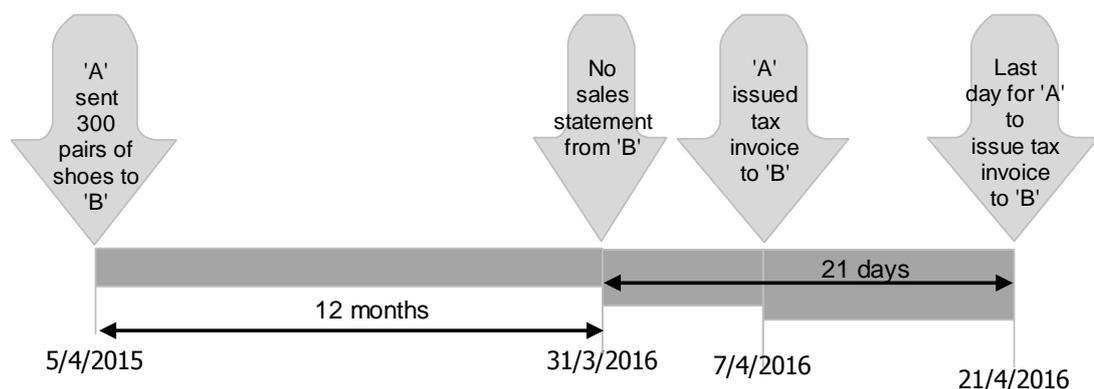
**13 April 2015:**

'B' issues a sales statement dated 13 April 2015 to 'A' for the sales made during the period of 5 April 2015 up to 11 April 2015. The basic tax point is 13 April 2015. If 'A' issues a tax invoice to 'B' within 21 days after 13 April 2015, then the time of supply is the date of tax invoice issued.

**1 May 2015:**

'A' issues a tax invoice to 'B'. The time of supply is 1 May 2015. However, if 'A' issues the tax invoice after 4 May 2015, then the time of supply is 13 April 2015.

**Illustration of the time of supply for consignment goods if 'B' does not issues any sales statement to 'A' twelve months after goods are removed.**



**5 April 2015 (date of goods removed):**

Registered shoes manufacturer, 'A' consigns 300 pairs of shoes to shoes store, 'B'.

**31 March 2016:**

'B' does not issue any sales statement to 'A' until 31 March 2016 (12 months after the goods are removed from 'A') The basic tax point is 31 March 2016. If 'A' issues a tax invoice to 'B' within 21 days after 31 March 2016, then the time of supply is the date of the tax invoice issued.

**7 April 2016:**

'A' issues a tax invoice to B'. The time of supply is 7 April 2016. However, if 'A' issues the tax invoice after 21 April 2016, then the time of supply is 31 March 2016.

**Trade-in Goods**

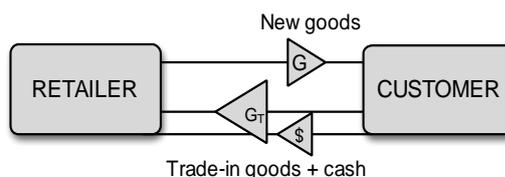
66. When a transaction involves trade-in goods, the consideration for the supply is not wholly in money. The consideration for such supply is the aggregate of: -

- (a) the amount in money as part of the consideration in money; and
- (b) the open market value of the trade-in goods as part of the consideration not in money.

**Example 36:**

A registered retailer sells to a customer a new television, for RM1,908.00 inclusive of GST. In exchange for the new television, the customer trades-in an old television where the open market value (OMV) is RM1,060.00 and the balance is paid in cash.

**Flow of trade-in goods**



**Scenario 1: Customer is a non-registered person;**

**Retailer**

Price of new television (inclusive of 6% GST) : RM1,908.00

Consideration:

Cash : RM 848.00

Trade-in old television : RM1,060.00

<i>Total Consideration</i>	:	<i>RM1,908.00</i>
<i>6% GST inclusive</i>	:	<i>RM 108.00</i>
<i>(RM1,908.00 X 6%/106%)</i>		

*The retailer will account for output tax of RM108.00.*

**Scenario 2: Customer is a registered person.**

**Customer**

*Consideration for old television:*

<i>Open Market Value of new television</i>	:	<i>RM1,908.00</i>
<i>Less Cash paid to retailer</i>	:	<i><u>RM 848.00</u></i>
<i>Net Consideration received by customer:</i>		<i>RM1,060.00</i>
<i>for old television</i>		
<i>6% GST inclusive</i>	:	<i>RM 60.00</i>
<i>(RM1,060.00 X 6%/106%)</i>		

*The customer accounts for output tax of RM60.00*

*Both registered retailer and customer are entitled to claim input tax incurred if the goods acquired is used for making a taxable supply.*

**Repossession of Goods**

67. When goods under a hire-purchase (refer to the Guide on Hire Purchase and Credit Sales) agreement is repossessed, the repossession of the goods is treated as not a supply for GST purposes. Therefore, no GST is to be charged. Subsequent supply of the repossessed goods by reposessor is treated as being made by the hirer. If the hirer is a taxable person, the reposessor has to charge and account for GST on behalf of the hirer. If the hirer is not a taxable person, the reposessor does not have to charge GST on the supply of the repossessed goods. The table below illustrates the GST treatment for repossessed goods and GST return forms to be used: -

***GST treatment for repossession of goods and forms to be used***

<b>SCENARIO</b>	<b>STATUS OF HIRER</b>	<b>REPOSSESSOR</b>	<b>OUTPUT TAX</b>	<b>RETURN FORM</b>
1	<i>taxable person</i>	<i>registered person</i>	<i>chargeable</i>	<i>GST-03</i>
2	<i>taxable person</i>	<i>non-registered person</i>	<i>chargeable</i>	<i>GST-04</i>
3	<i>non-taxable person</i>	<i>registered person</i>	<i>not chargeable</i>	-
4	<i>non-taxable person</i>	<i>non-registered person</i>	<i>not chargeable</i>	-

**Returned Goods**

68. A customer may return some goods to the registered retailer which he finds unsatisfactory. If the registered retailer makes a refund to the customer for the returned goods according to a tax invoice issued earlier, the registered retailer should issue a credit note and the credit note must make reference to the tax invoice issued. The registered retailer has to make an adjustment by reducing the output tax in his tax return (GST 03) for the taxable period in which the credit note is issued. Likewise, if the customer is a registered person, he has to make an adjustment by reducing the input tax in his tax return (GST 03) for the taxable period in which the credit note is received.

***Example 37:***

*A customer purchases 100 units of canned sardines at the price of RM4.24 (inclusive of 6% GST) per can from a registered retailer. The retailer issued a tax invoice for the purchase.*

*Price of goods* : RM424.00

*(100 X RM4.24)*

*6% GST inclusive* : RM 24.00

*(RM424.00 X 6%/106%)*

*The retailer accounts for output tax of RM24.00.*

*However, after ten days the customer returns 20 cans of sardines to the retailer due to unsatisfied quality and demands for a refund. The retailer then refunds the customer and issues a credit note as follows:*

*Price of goods returned* : RM 84.80

*(20 X RM4.24)*

*6% GST inclusive* : RM 4.80

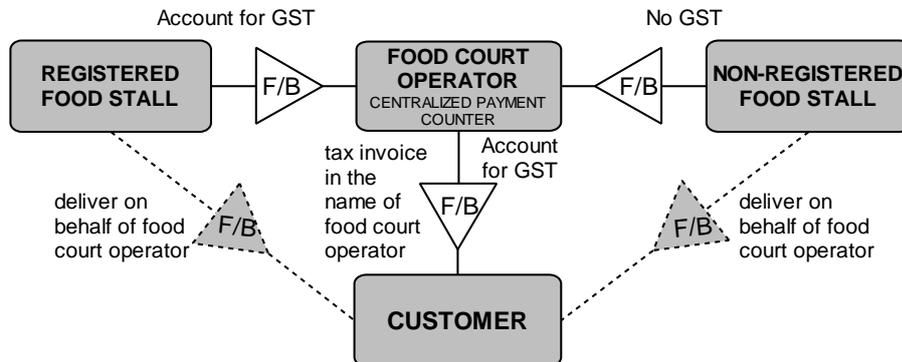
*(RM84.80 X 6%/106%)*

*The retailer reduces his output tax of RM4.80 for the unsatisfied quality of canned sardines. On the other hand, if the customer is a registered person, he has to reduce his input tax for the same amount.*

## **Food Court**

69. The GST treatment for the supply of food and beverage at food court depends on the contractual arrangement between the food court operator and the food stalls. If the food court operator operates centralized payment counter and invoices the customers for the supply made (food and beverage from food stalls) in his name, such supply is treated make by food court operator to the customers and the food stalls is treated make a supply to food court operator. The food stalls, if he is a GST registered person, must charge and account for GST on the supply made to the food court operator and the food court operator, if he is a GST registered person, must charge and account for GST on the supply made to the customer.

**Example 38: Illustration for the supply of foods and beverages at food court where the supply is treated made by food court operator**

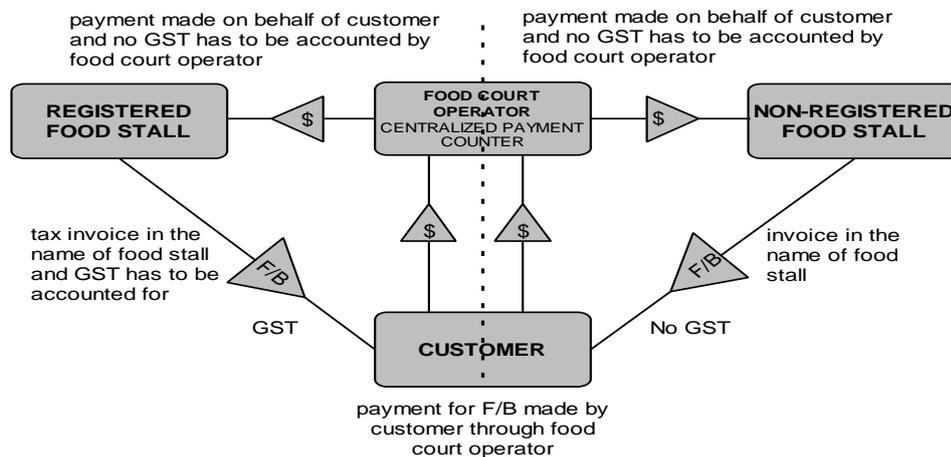


70. Supply made by food stalls to food court operator shall be treated as successively supplied at the earlier of the following times:

- (a) whenever a payment in respect of the supplies made is received by food stall; or
- (b) whenever the food stalls issue tax invoice to food court operator relating to the supply made.

71. However, if the food court operator invoices customers for the supplies from the food stalls in the name of the food stalls, the supply is treated as being made on behalf of food stalls and the time of supply is the date of tax invoice issued. The food court operator acts as an agent to the food stalls.

**Example 39: Illustration for the supply of foods and beverages at food court where the supply is treated made by food court operator on behalf of food stall.**



72. The fee or commission collected by food court operator from the food stalls is a consideration for the services supplied by the food court operator. The services shall be treated as successively supplied at the earlier of the following times:

- (a) Whenever a payment in respect of the supplies of services is received by food court operator; or
- (b) Whenever the food court operator issues a tax invoice relating to the supply of such services.

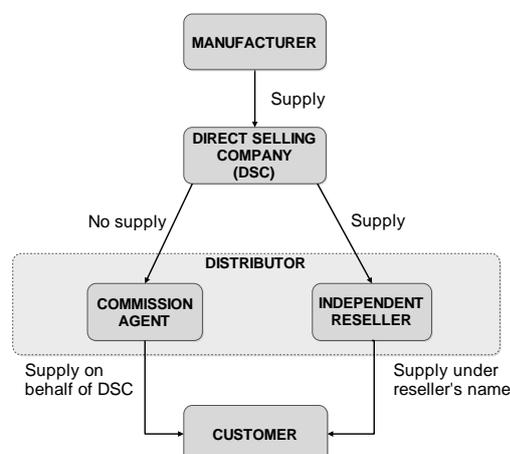
### Direct Selling

73. Direct selling is part of retail activities and is a method of marketing that the distributor (retailer) initiates contact with the potential customer instead of waiting for the customer to come to a store or permanent place of business. The distributor, therefore, is a person who sells goods or renders a services by direct personal contact with the consumer. It does not rely on product advertisement, fixed retail outlets or direct mail.

74. When you are a distributor for a direct selling company (DSC) you may fall into one of the categories below:

- (i) commission agent; or
- (ii) independent reseller

#### **Example 40: Direct selling method**



75. Manufacturer supplies goods to direct selling company and charges 6% GST. If the direct selling company is a GST registered person, he is entitled to claim GST charged as his input tax.

### **Independent resellers**

76. Independent reseller is a person who buys products from the DSC at wholesale prices or discounted prices and sells the products to customers at retail price. DSC will charge 6% GST when he sells the products to the independent reseller. If the independent reseller is a GST registered person, he is entitled to claim the GST charged by the DSC. When the GST registered independent reseller sells the products, he has to charge GST to the customers.

### **Commission agents**

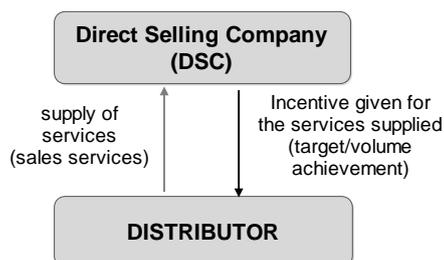
77. Commission agent is a person who is appointed to make a supply on behalf of DSC (principal). Therefore, any supply made by the commission agent would be treated as a supply made by the principal. If the DSC is a registered person, the commission agent whether he is a GST registered person or not, is required to charge GST on behalf of DSC on the supply made and issue a tax invoice in the name of DSC. The commission agent must submit a copy of DSC tax invoice to DSC for the purpose of submission of DSC's GST return and record keeping.

78. Commission/bonuses/incentives paid by DSC to commission agent is a consideration for the services supplied to DSC. For the purpose of GST registration, the agent's turnover should include the commission/bonuses/incentives received and other taxable supplies made by him. If the commission agent is a GST registered person, he has to account for GST on the commission/bonuses/incentives received by him. DSC is entitled to claim the GST incurred as his input tax.

### **Incentive for Achievement**

79. Generally, there are two separate supplies under the incentive program arrangement. The supplies are as follow:

**(a) Supply of services made by the distributor.**



Any incentive received by a distributor from DSC under an incentive program, is treated as a consideration for a supply of services made by the distributor.

The distributor is required to issue tax invoice to DSC and account for output tax based on:

- (i) *the amount of money (commission/bonus/incentive) received if the incentive is wholly in money;*
- (ii) *the open market value of goods or services received if the incentive is not in the form of money; or*
- (iii) *the amount of money (commission/bonus/incentive) as part of the incentive and the open market value of goods or services received as part of the incentive not in the form of money.*

*Registered DSC is entitled to claim input tax incurred under this incentive program arrangement.*

**(b) Supply of goods or services made by DSC (incentive given).**

Where goods or services are given out by DSC to distributor under an incentive program, such goods or services is treated as a supply made by the DSC for a consideration from the distributor. The DSC is required to issue tax invoice to the distributor and account for output tax based on the open market value of the services received from the distributor. (For further detail on valuation please refer to Third Schedule of GST Act 2014 and GST guide on Valuation).

Registered distributor is entitled to claim input tax incurred under this incentive program arrangement.

### **Buy-back Policy**

80. In a buy-back policy, a DSC purchases unsold goods or products including promotional materials, sales aids and sales kits from their distributor before they cease to be their distributor. For the buying back process, the DSC charges a handling fee of 10% of the net purchase price.

81. For GST purposes, the chargeability of GST on the buy-back policy depends on the status of the distributor. If the distributor is a registered person, he is required to charge GST on the supply of goods or products made to the DSC. If the distributor is not a registered person, the supply of goods or product made to the DSC is not subject to GST. On the other hand, the DSC is required to charge GST on his handling fee. Both registered DSC and distributor are entitled to claim the input tax incurred.

#### **Example 41:**

*Citing poor sales, a registered distributor decides to cease being a distributor and sells back all goods and material to DSC. The price of all goods and material are inclusive of 6% GST:*

<i>20 cans bathroom freshener (RM8.00/can)</i>	<i>:</i>	<i>RM160.00</i>
<i>10 bottles easy iron spray (RM5.50/bottle)</i>	<i>:</i>	<i>RM 55.00</i>
<i>20 bottles glass cleaner (RM5.20/bottle)</i>	<i>:</i>	<i>RM104.00</i>
<i>20 bottles multi-purpose cleaner (RM8.40/bottle):</i>		<i><u>RM168.00</u></i>
<i>Total price</i>	<i>:</i>	<i>RM487.00</i>
<i>6% GST inclusive (RM487.00 X 6%/106%)</i>	<i>:</i>	<i><u>RM 27.57</u></i>

*The distributor is required to issue a tax invoice and account for GST of RM27.57.*

<i>Handling fee (10% X RM487.00)</i>	<i>:</i>	<i>RM48.70</i>
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*6% GST inclusive (RM48.70 X 6%/106%) : RM 2.77*

*The DSC is required to issue tax invoice and account for GST of RM2.77.*

## FREQUENTLY ASKED QUESTIONS

**Q1. What is the GST requirement involving the rounding of a fraction of a cent?**

A1. If the GST payable amounts to a fraction of a cent, the following treatment will apply:

- (a) for fraction of a cent that is 0.005 cent and above, it will be rounded up. For example, RM2.245 will be rounded up to RM2.25;
- (b) for fraction of a cent below 0.005 cent, it will be rounded down. For example, RM2.243 will be rounded down to RM2.24.

**Q2. How do I account for GST on deposit?**

A2. Generally, the retailers do not have to account for GST on the deposit if it is not a part payment for a supply. If the deposit becomes a part payment, then the deposit is subject to GST depending on the taxability of the supply.

**Q3. What is the GST treatment on the bargain price?**

A3. Price bargaining is a normal practice in the retail business. The amount of GST charged to the customer will be the prevailing tax fraction of the final price paid by the customer. The amount of GST is included in the consideration and is calculated as follows:

**Example 45:**

*Display price* : *RM106.00*

*Price after bargain* : *RM 95.40*

*GST to be accounted* : *tax fraction of the consideration*

$$\begin{array}{rcl}
 & & \%GST \\
 & : & \text{Consideration} \times \frac{\quad}{100\% + \%GST} \\
 & : & RM 95.40 \quad \times \quad \frac{6\%}{\quad}
 \end{array}$$



subsequently sells the commercial motor vehicle, he is required to charge GST on the sales of the commercial motor vehicle.

**Q8. I am a GST registered person. Do I have to account GST on goods used for personal use (private use)?**

A8. Yes. Goods used for private use is subject to GST. Therefore, GST has to be accounted based on the open market value of the goods.

**Q9. When should I account GST for coin operated machines in my premise?**

A9. You have to account GST in the relevant taxable period when coins are removed from the machines

**Q10. What is the GST treatment on the supply of sales aid kit to distributors?**

A10. The DSC is required to charge GST on the supply of sales aid kit to any distributor.

## **INQUIRY**

1. For any inquiries for this guide please contact:

Sector II

GST Division

Royal Malaysian Customs Department

Level 3 – 7, Block A, Menara Tulus,

No. 22, Persiaran Perdana, Presint 3,

62100 Putrajaya.

Email: [gstsector2@customs.gov.my](mailto:gstsector2@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](http://www.gst.customs.gov.my)

(b) Customs Call Center :

- Tel: 03-7806 7200 / 1-300-888-500
- Fax : 03-7806 7599
- E-mail: [ccc@customs.gov.my](mailto:ccc@customs.gov.my)