



ROYAL MALAYSIAN CUSTOMS

GOODS AND SERVICES TAX

GUIDE ON AGRICULTURE, FISHERIES AND LIVESTOCK INDUSTRY

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INTRODUCTION

1. This industry guide is prepared to assist businesses in understanding matters with regards to GST treatment on agriculture, fisheries and livestock industry. Farmers, manufacturers, wholesalers and retailers related to those industries acting as suppliers or buyers should read this guide.

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.

GST TREATMENT FOR THE INDUSTRY

Agriculture Sector

5. Agricultural products supplied locally that are categorized as zero rated goods are listed in the Goods and Services Tax (Zero Rated Supplies) Order 2014. Importation of such supplies will be given relief from GST under the Goods and Services Tax (Relief) Order 2014. Among the supplies that are subject to zero rate are:



- (a) Rice and paddy including glutinous rice;
- (b) Fresh vegetables such as spinach, chinese kailan, water spinach, cabbage, lettuce, choysum, pak choy, lady's finger, french bean, long bean, bitter gourd, brinjal, cucumber, tomatoes, carrot, radish, yam bean, spring onion, cauliflower and pumpkin;
- (c) "ulam" such as *pucuk paku*, *petai*, *jering* and *pucuk ubi*;
- (d) Fresh onions, shallots, garlic and leeks;
- (e) Fresh spices such as chili, ginger, tumeric, nutmeg and lemon grass;
- (f) Fresh potatoes, yam, sweet potato and tapioca;
- (g) Citruscitic – musklime, lime and *limau kasturi*.

6. Supplies of agricultural products that are not mentioned in the in the Goods and Services Tax (Zero Rated Supplies) Order 2014 are subject to GST at standard rate.

Fisheries Sector

7. The following supplies of fisheries sector are subject to GST at a zero rate:
- (a) supply of fish whether marine or aquaculture which is used as foods for human consumption either live, fresh, chilled or frozen and not further processed;
 - (b) supply of fish fillet or other fish meat whether fresh, chilled or frozen;
 - (c) supply of fish which has been dried, salted or in brine (excluding sharks fin);
 - (d) all kinds of crustaceans and molluscs species in shell or not such as lobster, shrimps, prawns, crabs, oysters, scallops, mussels, cuttle fish, octopus, snail and cockle whether live, fresh, chilled, frozen, dried, salted or in brine.
8. Supply of fish other than for human consumption or those that have not undergone further process are subject to GST at a standard rate:

- (a) ornamental fish;
- (b) fish for aquaria;
- (c) non food species;
- (d) fish use as a bait fish balls, fish cake or fish paste canned sardines, tunas or mackerel.

Livestock Sector

9. Supplies of the following livestock products are subject to GST at a zero rate:
- (a) live animals (cow, buffalo, goat, sheep and swine);
 - (b) fresh, chilled or frozen meat and edible offal of cow, buffalo, goat, sheep and pig;
 - (c) live poultry (chicken and duck);
 - (d) fresh, chilled or frozen meat and edible offal of chicken and duck;
 - (e) fresh and salted egg (chicken and duck).
10. Supplies of livestock products that are not listed in the above paragraph such as deer meat, turkey, quail, goose and hedgehog are subject to GST at a standard rate.

Flat Rate Scheme

11. The Flat Rate Scheme (FRS) is only applicable to farmers/fishermen who are not registered for GST. This will include a farmers/fishermen whose turnover is below the prescribed threshold limit (RM500,000) and he is not voluntarily registered under GST. The person registered under FRS is called an 'approved person'. Once a farmer/fisherman is registered under this scheme, he may charge a Flat Rate Addition (FRA) on his output (including zero-rated goods) to the GST registered person only and keep that FRA as a compensation for his input tax. He does not have to account and submit GST return and cannot claim input tax on his purchases. He cannot charge FRA to persons who are not registered under GST. He also cannot charge the FRA on sales of machinery or land, repair and maintenance of farm buildings.



12. An approved person has to issue invoices if he charges FRA on the supply of his goods to a GST registered person. He must keep these invoices for 7 years. He is required to submit yearly statement indicating his total sales to the nearest customs office and will be subject to an audit. He must show clearly in the invoice the following particulars:

- (a) invoice serial number;
- (b) name, address and identification number of the approved person;
- (c) date of issuance of invoice;
- (d) name, address and GST identification number of the buyer;
- (e) description of the goods supplied, and
- (f) total amount payable excluding flat rate addition, the rate of flat rate addition and the total amount of flat rate addition to be shown separately.

13. A farmer/fisherman must remain in this scheme for at least two (2) years before he can cancel his registration under the FRS. However the Director General of Customs may revoke his FRS registration under the following situations:

- (a) his farming activities have exceeded the threshold limit;
- (b) his non-farming activities have exceeded the threshold limit;
- (c) he ceases to produce farming activities;
- (d) he sells his business or change company status from sole proprietor to limited company;
- (e) he becomes insolvent;
- (f) he dies or becomes bankrupt or incapacitated;
- (g) he becomes liable to be registered under the GST Act 2014;
- (h) he makes an application in writing for cancellation.

14. A farmer/fisherman can be involved in non-farming activities such as providing “farm visit”, sales of agriculture produce or charges a fee to catch fish at his fish ponds. He can still remain in this scheme as long as his supplies of non-farming



activities do not exceed 20% of his total supplies. The supply of “farm visit”, sales of agriculture produce or charges a fee to catch fish at his fish ponds are standard rated supplies. The provision of bed and breakfast or holiday accommodation are subject to GST at a standard rate.

EFFECT OF VALUE ADDED ON ZERO RATED GOODS

15. Generally, agricultural products which have undergone further process or manufacturing process are subject to GST at a standard rate. However, if the process is a simple process such as repacking, it will not be subject to GST. For example, Basmati rice is imported from overseas, then repacked and sold to the local market in Malaysia. The Basmati rice is still a zero rated supply. In the case of 'instant ketupat', it is subject to GST at a zero rate since its content is still in the form of rice.

FREQUENTLY ASKED QUESTIONS

Q1. If I buy seeds, plants and grains for the purpose of planting zero rated products, do I have to pay GST at standard rate?

A1. Yes, because seeds, plants and grains are subject to GST at standard rate. If you are a registered person, you can claim back whatever GST that you have paid for the purposes of making a taxable supply.

Q2. Is herb/medicinal plant subject to GST?

A2. Yes, it is subject to GST at standard rate.

Q3. What is the status of agricultural land if I acquire or purchase for the purpose of planting zero rated and standard rated crops?

A3. If you acquire or purchase agricultural land for planting zero rated or standard rated crops, the acquisition is not subject to GST as it is an exempt supply.

Q4. Do I need to charge GST if I lease my agricultural land to another person?

A4. You are not required to charge GST because it is an exempt supply and not subject to GST.



Q5. Besides supplying zero rated products, I also supply other services to my customers such as supply of labour, hire of machinery and equipment, should I charge GST?

A5. You must charge GST if you are a registered person as those services are subject to GST at a standard rate.

Q6. As a tobacco manufacturing company, our products are subject to excise duty at the factory stage. How is GST imposed on these products?

A6. GST will be charged on the sales value including the excise duty.

Q7. Is there any relief given to the tobacco industry in terms of buying raw materials or acquiring inputs from farmers who are approved under the Flat Rate Scheme?

A7. No. You are entitled to claim the Flat Rate Addition (FRA) charged as your input tax.

Q8. What is the GST implication if I have a fishing pond and commercialize it as a recreational area where people can do fishing activities with fee charged based on hours?

A8. Supplying of recreational activity such as fishing is subject to GST at a standard rate. Thus, you have to charge GST on the fee imposed.

Q9. Do I need to charge GST for hiring fishing equipment including fishing vessel to other parties?

A9. Yes, the supply of hiring services is subject to GST at a standard rate.

Q10. If I am an importer of fresh fish from other countries, do I need to pay GST?

A10. No. Whether you acquire them locally or from outside Malaysia, the fresh fish is still subject to GST at a zero rate. For importation of fresh fish, you have to make an import declaration at the point of importation.

Q11. Is animal food purchased for the purposes of feeding animal also subject to GST at a zero rate?

A11. No. Animal food is subject to GST at a standard rate. However, you can claim back the GST incurred on your purchases of animal food if you are a GST registered person.

Q12. When must I notify if there is any change in my business details?

A12. You must notify customs in writing if you:

- (a) have changed your business name or business address;
- (b) are in a partnership where a partner joins or leaves the business; or
- (c) are a sole proprietor and converts to a partnership.

Q13. Are all kinds of pesticides subject to GST at a standard rate including pesticides purchased for household use?

A13. Yes. Supply of all kinds of pesticides are subject to GST at a standard rate regardless of their usage.

Q14. Fertilizer is subject to GST at a standard rate. Is this treatment applicable to all forms of packaging size and usage?

A14. Yes. Supply of fertilizers are subject to GST at a standard rate regardless of packaging sizes or usage.

Q15. When I supply zero rated goods to my customers, I will separately charge them for ancillary services such as tagging, grading and delivery services. What is the GST treatment on such supply of services?

A15. Supply of such ancillary services are subject to GST at a standard rate.

FEEDBACK OR COMMENTS

16. Any feedback or comments will be greatly appreciated. Please email your feedback or comments to either Puan Rokiah binti Embong (rokiah.embong@customs.gov.my) or Puan Sabariah binti Yusof (sabariah.yusof@customs.gov.my).

FURTHER INFORMATION

17. Further information can be obtained from:



- (a) GST Website: www.gst.customs.gov.my
- (b) GST Hotline: 03-88822111
- (c) Customs Call Centre:
 - Tel : 03-78067200 / 1-300-888-500
 - Fax : 03-78067599
 - E-mail : ccc@customs.gov.my

