



# **ROYAL MALAYSIAN CUSTOMS**

## **GOODS AND SERVICES TAX**

### **GUIDE ON REGISTRATION**

## **Publication**

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## **INTRODUCTION**

1. This guide provides information pertaining to the requirement and procedure for registration under the Goods and Services Tax Act (GST). It is recommended that you read the GST General Guide before reading this guide as this guide requires a fair understanding of the general concept of GST.

### **General Concept of Goods and Services Tax**

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 chargeable on the 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, it is ultimately passed on to the final consumer. Therefore, the tax itself is not a cost to the intermediaries and does not appear as an expense item in their financial statements.

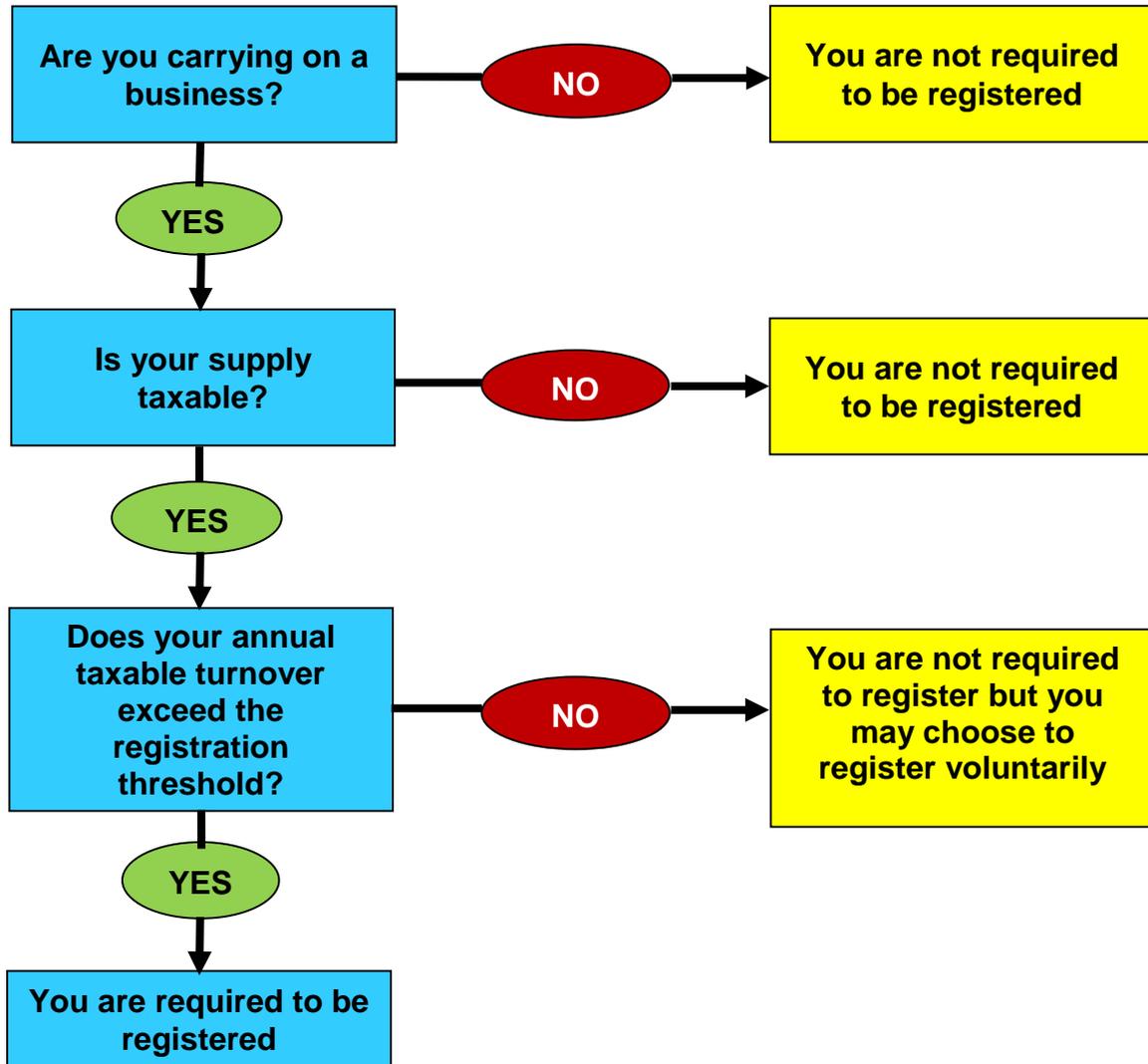
4. In Malaysia, a person who is registered under the Goods and Services Tax Act 2014 is known as a “registered person”. A registered person is required to charge GST (output tax) on his taxable supply of goods and services made to his customers. He is allowed to claim input tax credit on any GST incurred (input tax) on his purchases which are inputs to his business. Thus, this mechanism would avoid double taxation and only the value added at each stage is taxed.

### **REGISTRATION OF GOODS AND SERVICES TAX**

5. Any person who makes a taxable supply for business purposes and the GST exclusive value of the taxable turnover of that supply for a period of 12 months or less exceeds the threshold of RM500,000 is required to be registered for GST.

6. However, business with taxable turnover of RM500,000 and below, even though not required to be registered, may choose to apply for voluntary registration.

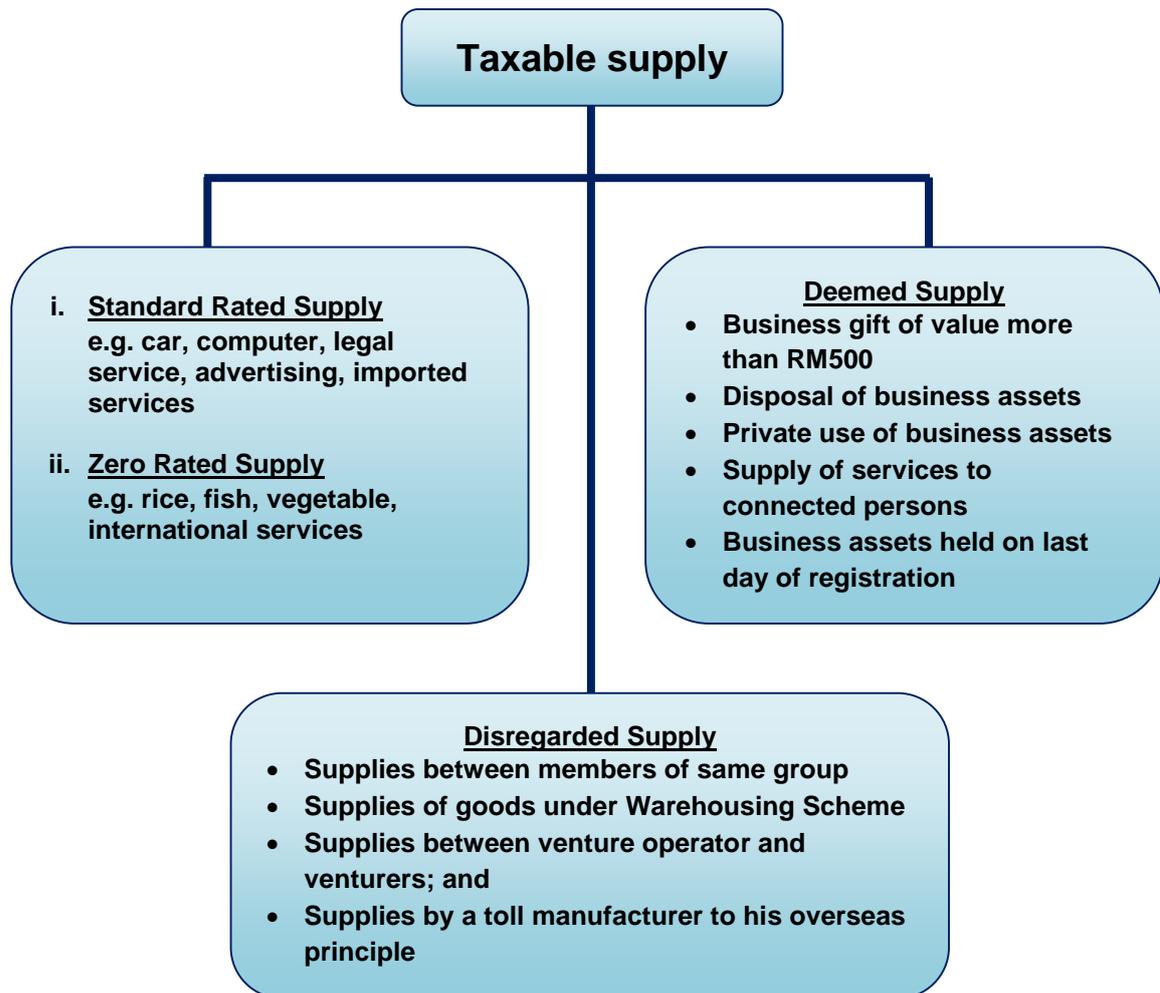
**Diagram 1: Flowchart to determine requirement for GST registration**



## Taxable Supply

7. A taxable supply is a supply with consideration and it includes standard-rated and zero-rated supply. Supply without consideration can also be deemed to be a supply. However, certain taxable supplies are not regarded as supplies for GST purposes. Please refer to the GST Guide on Supply for further clarification on the various types of supply.

**Diagram 2: Category of taxable supply**



*Note: To further understand the phrase "supply of services to connected persons", please refer to para 2, Third Schedule and para 5, First Schedule of the GST Act for the definitions of "connected persons" and "supply of services to connected persons" respectively*

## **Taxable Turnover**

8. Taxable turnover means the total value of taxable supplies for a period of twelve months excluding the amount of GST.
9. The determination of taxable turnover for GST registration purposes has to include all supplies of goods and services which are taxable, i.e. standard rated supply, zero rated supply, deemed supply as well as disregarded supply.
10. However, the following taxable supplies will not be included:
- (a) disposal of capital assets;
  - (b) imported services;
  - (c) supplies made in relation to Warehousing Scheme;
  - (d) supplies of goods made within or between designated areas; and
  - (e) supplies made by a foreign principal or a recipient under the Approved Toll Manufacturer Scheme.

### ***Example 1:***

*Syarikat Dickson Sdn. Bhd. makes the following supplies:*

- (i) standard rated supply – RM300,000;*
- (ii) zero rated supply – RM250,000;*
- (iii) disposal of capital goods – RM200,000;*
- (iv) supply made within Langkawi – RM200,000; and*
- (v) supply made to members of the same group – RM100,000*

*Syarikat Dickson Sdn. Bhd. is required to apply for GST registration because its total taxable turnover of RM650,000*

*has exceeded the threshold, i.e. supplies covering (i), (ii) and (v).*

**Example 2:**

*Syarikat PD Sdn. Bhd. is an electrical goods supplier. This supplier also performs installation works for customers and charges installation fees for the service.*

*The calculation of taxable turnover is determined by the total value of electrical goods supplied and installation fees charged.*

**Example 3:**

*A car workshop has to include labour charges as well as sale value of parts replaced to determine its total taxable turnover:*

*Total labour charges – RM 200,000*

*Total parts sold – RM 350,000*

*This workshop is required to apply for registration because the total taxable turnover of RM 550,000 has exceeded the threshold.*

**Example 4:**

*A transport company provides express bus and tour bus services which are exempt and standard rated supplies respectively. Determination of taxable turnover will only include supply of tour bus services.*

11. For GST registration purposes, the method to use for computing taxable turnover depends on the category of person, e.g. sole-proprietorship, partnership or company.

**Table 1:**

Category of Person	Taxable Turnover
A company	the value of all taxable supplies made by that company
A company with divisions or branches	the value of all taxable supplies from all divisions and branches (We allow branch registration only IF the company itself is already registered, i.e either mandatory registration or voluntary registration. Sec 30 requires the company to fulfill 6 conditions before approval for branch registration is allowed)
A sole proprietor/ an individual	the value of all taxable supplies of his business
A partnership	the value of all taxable supplies by the partnership
A single taxable person	the value of all taxable supplies by the business entities registered as a single taxable person
A joint venture	the value of all taxable supplies made by the joint venture
A foreign principal	the value of all taxable supplies made in Malaysia by the foreign principal

**Example 5:**

*A sole proprietor has 2 sole-proprietorship businesses (Business A and B). In the past 12 months, the taxable turnover of Business A is RM150,000 and for business B is RM400,000.*

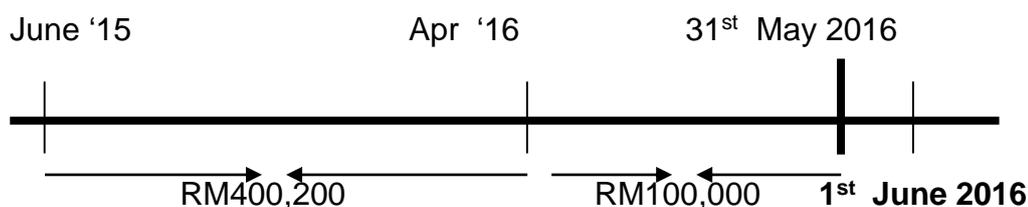
*To compute his taxable turnover for GST registration purposes, he needs to combine the taxable turnover for Business A and Business B.*

$$\begin{array}{l}
 \text{Taxable} \\
 \text{Turnover}
 \end{array}
 : RM150,000 + RM400,000 = RM550,000$$

*As the combined taxable turnover is RM550,000, he is required to register for GST.*

12. The taxable turnover for a period of twelve months can be determined based on either the historical or the future method. The historical method is based on the value of the taxable supplies in any month plus the value of the taxable supplies for the eleven months immediately before that month. The determination of historical method is explained as in Diagram 1.

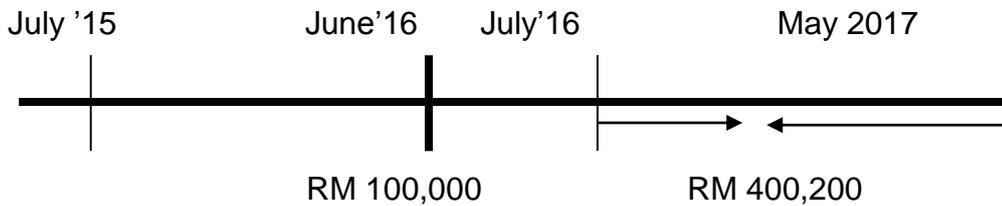
**Diagram 3: Historical Method**



13. At the end of May 2016, the value of taxable supplies for the month of May is RM100,000 and the value of taxable supplies for the eleven months backward (i.e. from June 2015 to April 2016) is RM400,200. The total value (annual taxable turnover) of all taxable supplies is RM500,200. The taxable turnover has exceeded the threshold starting from 1 June 2016 and the business is liable to be registered for GST within twenty eight days from this date, i.e. 1 June 2016. The effective date for GST registration is 1 July 2016 (first day of the following month after the end of the twenty-eight day liability) since the annual taxable turnover has exceeded the threshold limit on 31 May 2016.

14. For the future method, the taxable turnover is based on the value of taxable supplies in any month plus the expected value of taxable supplies for the eleven months immediately after that month. A business will have reasonable grounds to expect its taxable turnover to exceed the threshold if it has signed a written contract to supply taxable goods or services. The determination of future method is explained as in Diagram 2.

**Diagram 4: Future Method**

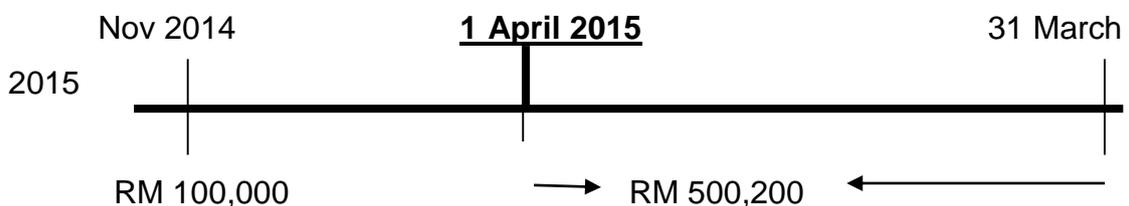


15. If at the end of June 2016, the value of taxable supplies for the month of June is RM100,000 and his supplies for the preceding eleven months (i.e. from July 2015 to May 2016) does not reach the threshold, he must look at the expected turnover from July 2016 to May 2017. Since his taxable supplies for the month of June 2016 is RM100,000, if he reasonably expects his turnover for the next eleven months (i.e. from July 2016 to May 2017) to be more than RM400,000, then he is liable to be registered for GST within 28 days from the end of the month of June 2016, i.e. from 1 July 2016 to 28 July 2016. The effective date for GST registration is 1 August 2016 (first day of the following month after the end of the twenty-eight day liability) since the annual taxable turnover has exceeded the threshold limit on 30 June 2016.

16. Since the effective date of GST implementation is on 1 April 2015, early registration is allowed starting June 2014. The determination of taxable turnover will be done based on future method as in Diagram 3.

**Diagram 5: Future Method**

**(Registration before GST implementation date: 1 April 2015)**



17. If he expects his turnover from April 2015 and for the next eleven months (i.e. from May 2015 to March 2016) to be more than RM500,000, then he is liable to notify for registration at least 3 months before the effective date i.e. by

31 December 2015. The effective date of registration is **1 April 2015**, which is the effective date of GST implementation.

## EFFECTIVE DATE OF REGISTRATION

18. The effective date of registration is on the first day of the following month after the end of the twenty eight days liability.

### **Example 6:**

*The sales turnover of ABC Furniture Sdn. Bhd. has exceeded RM500,000 on 15.11.2015. ABC Furniture Sdn. Bhd. must apply for GST registration within the period from 1.12.2015 to 28.12.2015. The effective date of GST registration will be on 1.1.2016 and it has to charge GST on the sales of furniture starting from 1.1.2016*

### **Example 7:**

*The total annual taxable turnover of a company has exceeded the threshold of RM500,000 on 28.1.2016. This company is not allowed to charge GST from this date because it has yet to be registered. It will only be a GST registered person from the effective date of GST registration and can start charging GST from that date. The company must take the following actions:*

1.2.2016 – 28.2.2016	apply for registration
1.3.2016	start charging GST i.e. effective date of registration

## HOW TO REGISTER

19. You have to complete registration form **GST-01**. Application for GST registration can be made in the following manner:

- (a) apply electronically through [gst.customs.gov.my](http://gst.customs.gov.my)
- (b) at the registration kiosk made available at any Customs office; or
- (c) manual submission by post to the following address:

GST Processing Centre

Jabatan Kastam Diraja Malaysia,

Kompleks Kastam WPKL, 22,

Jalan SS 6/3 Kelana Jaya, 47301, Petaling Jaya

20. **GST-01** registration form is available at the nearest Customs office or you may download from the GST website, i.e. [gst.customs.gov.my](http://gst.customs.gov.my).

21. Documents relating to business or company registration are required to be submitted only upon request by Customs.

22. Upon successful application, you will receive an approval letter which informs you of your GST registration number and effective date of GST registration. A license in the form of hard copy will not be issued.

### **RESPONSIBILITIES OF A REGISTERED PERSON**

23. A registered person must comply with the requirements under GST legislation as follows:

- (a) account for GST on taxable supplies made and received, i.e. output tax and input tax respectively;
- (b) submit GST return (**GST-03**) and pay tax not later than the last day of the following month after the taxable period;
- (c) issue tax invoice on any supply unless as allowed by Customs;
- (d) inform Customs of the cessation of business within thirty days from the date of business cessation;
- (e) inform Customs on any changes of address, taxable activity, accounting basis and taxable period; and
- (f) keep adequate records of all business transactions relating to GST in the National or English language for seven years.

24. If you do not have any business transaction for a taxable period, you are still required to submit a NIL return, i.e. to fill in 'zero' in the respective column.

25. It is an offence if a registered person fails to pay tax due and payable within the stipulated period, and shall on conviction, be liable to a fine not exceeding fifty thousand ringgit or to imprisonment for a term not exceeding three years or to both.

26. Failure to submit GST return is an offence, and if convicted will be liable to a fine not exceeding fifty thousand ringgit or to imprisonment for a term not exceeding three years or to both.

### **REGISTRATION FOR TRANSFER OF BUSINESS AS A GOING CONCERN (TOGC)**

27. The transfer of business as a going concern from one taxable person to another taxable person is not treated as a supply for GST purposes. Hence, the transferor is not required to account for output tax on business assets transferred, and there is no input tax to be claimed by the transferee. TOGC is a facility provided for both the transferor and the transferee to alleviate cash flow problem.

28. The transfer of business can be considered as a transfer of going concern if:

- (a) the transferor is a taxable person;
- (b) the transferee must be a taxable person or will be a taxable person immediately after the transfer of business;
- (c) the transfer of business must be accompanied by a transfer of business assets and to be used in carrying on the same kind of business; and
- (d) if only part of the business is transferred, then that part of the business must be capable of separate operation.

29. The transferee must apply for registration within twenty eight days from the date of transfer of business. Registration is required if the transferee has not registered at the time of transfer of business. If the transferee is already registered, he is not required to apply for a new registration and will continue with his existing GST number. Please refer to Guide on Transfer of Going Concern for further information.

30. The effective date of TOGC registration for a transferee who is not a registered person is from the date of the transfer. The transferor must apply for deregistration if he ceases making taxable supply or ceases business after the business is being transferred.

**Example 8:**

*A sole proprietorship business is transferred on 1.11.2015 to Company A which is not registered under GST. Company A must apply for GST registration within twenty eight days from the date of transfer of the business, i.e. from 1.11.2015 to 28.11.2015. The effective date of GST registration for Company A will be on 1.11.2015.*

**Example 9:**

*Referring to the above example, the sole proprietor has to apply to cancel his GST registration if he has ceased making any taxable supply.*

**Example 10:**

*Company A transfers its business to Company B whereby both companies are GST-registered persons. Company B is not required to apply for a new registration for the transferred business, and it is allowed to carry on both businesses using the existing GST registration number of Company B.*

## REGISTRATION OF PERSONS MAKING ZERO-RATED SUPPLIES

31. A person who makes wholly zero-rated supplies must be registered for GST if the value of the annual taxable turnover exceeds RM500,000. However, he may request for approval from the Director General to be exempted from registration. The effect of the exemption from registration to a person making wholly zero-rated supplies is that, the exempted person cannot claim input tax credit on any input tax incurred in furtherance of his business.

32. The rationale of giving such an exemption is to provide an option to such a person whether to register or not for GST as his compliance costs may outweigh the benefits of claiming input tax credit.

### **Example 11:**

*Company A makes wholly zero-rated supplies and is eligible to apply for exemption from registration using **GST-Adm11** form - "Application For Goods and Services Tax Registration Exemption".*

### **Example 12:**

*Referring to the above example, if Company A is granted exemption from GST registration, it will not be eligible to claim input tax incurred on its business purchases of goods and services.*

## REGISTRATION OF AGENT AND FOREIGN PRINCIPAL

33. Registration of a foreign principal who makes taxable supplies in Malaysia is allowed with the condition that he appoints a local agent to act on his behalf for all matters pertaining to GST. Such appointed agent, irrespective whether he is a taxable person or not, will be liable for the accountability for tax. The registration of a foreign principal will be under the name of such foreign principal.

34. Registration of an agent under GST is as follows:

**Table 2:**

<b>Condition</b>	<b>Determination of Taxable Turnover</b>	<b>Liability to Register</b>
1. Agent acting on his own name	value of taxable supplies he made (including agent's commission received)	register if exceeds the threshold
2. Agent acting on behalf of local principal	agent's commissions received (value of taxable supplies on behalf of local principal to be excluded)	register if exceeds the threshold
3. Agent acting on his own name and acting on behalf of local principal	value of taxable supplies he made in his own name, <b>and</b> agent's commissions received (value of taxable supplies on behalf of local principal to be excluded)	register if exceeds the threshold
4. Agent acting on behalf of foreign principal	<p><b><u>Situation 1</u></b> value of taxable supplies he made in his own name <b>and</b> agent's commissions received (value of taxable supplies on behalf of the foreign principal to be excluded)</p> <p><b><u>Situation 2</u></b> Value of taxable supplies he made in his own name is below threshold but value of taxable supplies made by the foreign principal in Malaysia exceeds the threshold.</p> <p><b><u>Situation 3</u></b> Value of taxable supplies he made in his own name exceeds threshold and value of taxable supplies made by the foreign principal in Malaysia also exceed the threshold.</p>	<p><b><u>Situation 1</u></b> register if exceeds the threshold</p> <p><b><u>Situation 2</u></b> Agent to register on behalf of the foreign principal. The GST liability of the foreign principal will fall on the agent</p> <p><b><u>Situation 3</u></b> Agent to register in its own name and also to register on behalf of the foreign principal</p>

35. For further information regarding Agent, please refer to the GST Guide on Agent.

## **VOLUNTARY REGISTRATION**

36. A person may apply for voluntary registration even though the value of his taxable supplies does not exceed the prescribed threshold of RM500,000. A person can also be registered if he intends to make any taxable supplies provided he can satisfy the Customs that he is committed to doing business by submitting the following documents:

- (a) details of business arrangements (e.g. business plans, plants and location);
- (b) copies of contract for establishment of premises such as rental of premises / construction of pipelines/ purchase of equipments;
- (c) details of any patents;
- (d) details of business purchases; or
- (e) other documentary evidence.

37. A person making wholly exempt supplies is not allowed to be registered voluntarily under GST. If he makes wholly out of scope supplies, he may be allowed to register subject to Customs' approval. A person who is registered voluntarily will remain registered for a period of not less than two years.

38. Since a voluntarily registered business needs to remain registered for a period of not less than two years, it is advisable to perform a cost and benefit analysis before registering for GST. Factors which require careful consideration are as follows:

- (a) a GST registered business has to comply with certain responsibilities which may increase its administrative costs, e.g. filing of GST returns, pay tax due and payable in a timely manner to avoid committing an offence, keep proper business and accounting records;
- (b) training of staff to ensure correct charging and claiming of GST;

- (c) change of price displays and invoices to reflect tax-inclusive prices. Any price displays, advertisements, publications or quotations in respect of goods and services made to the public must be inclusive of GST. Therefore, the business may need to incur costs to reprint price displays and tax invoices; and
- (d) to ascertain the GST status of suppliers, i.e. whether GST registered or otherwise. If the suppliers are GST registered, a business will benefit from GST registration because it will be able to claim GST incurred on the purchase of goods and services. However, if the suppliers are not GST registered, the business cannot claim any GST since the suppliers do not charge GST.

### **REGISTRATION OF SOCIETIES OR SIMILAR ORGANIZATIONS**

39. Societies or similar organizations refer to any club type organization irrespective of whether it is registered under the Commissioner of Companies, Registrar of Societies, Commissioner of Sports or any act of Parliament.

40. Club type organization can be public interest organization, non-profit organization or any organization gazetted under the relevant Ministries. Examples of societies or similar organizations are trade union, professional association, trade association and recreation club.

41. Societies or similar organizations are required to be registered if their supplies of taxable goods and services exceed the prescribed threshold.

**Table 3:**

<b>Person</b>	<b>Supply</b>	<b>Liability</b>
Societies or similar organizations	supplies of goods and services for the purposes of business	register if the value of taxable turnover exceeds threshold

42. For further information, please refer to GST Guide on Societies or Similar Organizations.

## PERSONAL REPRESENTATIVE

43. A personal representative is a person who has been appointed to carry on a business activity on behalf of a taxable person who has died, goes into liquidation or receivership, becomes bankrupt, or becomes incapacitated. A personal representative is not required to apply for new registration but he must inform in writing to the Customs within twenty one days from the date of his appointment as a personal representative. A personal representative may have to produce supporting document such as death certificate, liquidation, receivership or bankruptcy order from the court, or hospital confirmation letter. Examples of personal representative are as follows:

### **Example 13:**

*Ali, a sole proprietor has appointed his brother Ahmad to manage his business on his behalf while he is recuperating from his illness. Ahmad has to inform in writing to Customs regarding his appointment and commencement date as a personal representative, as well as Ali's condition within twenty one days from the date he is appointed to manage the business. A letter from the hospital which has treated Ali may be required to support Ahmad's appointment as the personal representative.*

### **Example 14:**

*Encik Samy and Encik Singh from an accounting firm are appointed as the joint receivers for Company A. Both the receivers will act as the personal representatives of Company A until another person is registered in respect of the said business.*

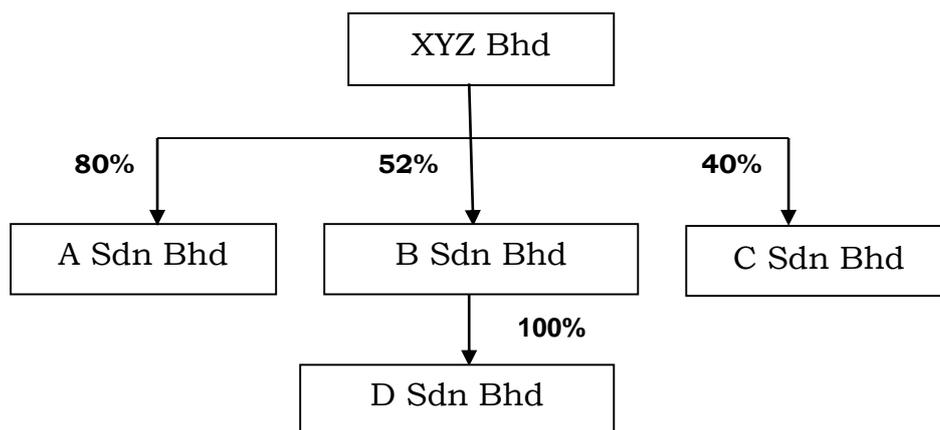
## GROUP REGISTRATION

44. Group registration is a facility that allows two or more related companies to register as a group for GST purposes. The pre-requisite conditions for group registration are:

- (a) each company must be making wholly taxable supplies. However, where a company is making incidental exempt supplies, the company is also allowed to be a member of the group. Please refer to GST General Guide for details on incidental exempt supplies;
- (b) each company must be GST registered individually before they register as a group;
- (c) company holding more than 50% of the issued share capital is considered as having controlling power over the other companies; and
- (d) all members of the group shall be jointly and severally responsible for the payment of tax.

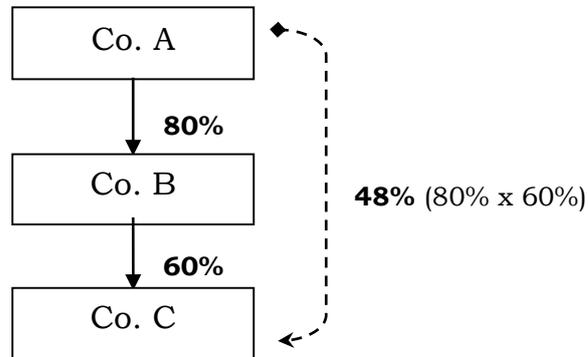
45. For the purposes of group registration, a company is considered to have control over another company either directly or indirectly through subsidiaries by holding more than 50% of the issued share capital of the other company.

**Example 15:**



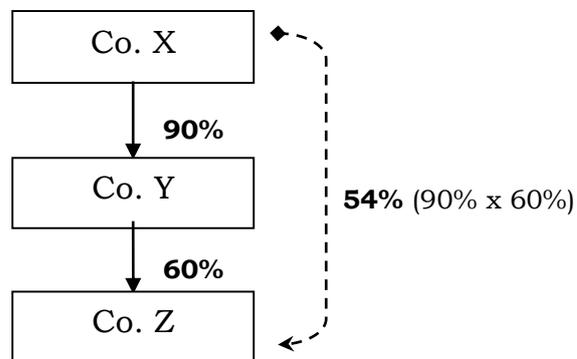
*XYZ Bhd has direct control over A and B, and also controls D indirectly through B. Companies XYZ, A, B and D can register for GST as a group. Since C is not controlled by XYZ, therefore it is not eligible as a group member.*

**Example 16:**



*Company A has direct control over company B (80%) but it has no control over company C (48%). For GST registration purposes, companies A and B can form a group but company C is not eligible to be a group member.*

**Example 17:**

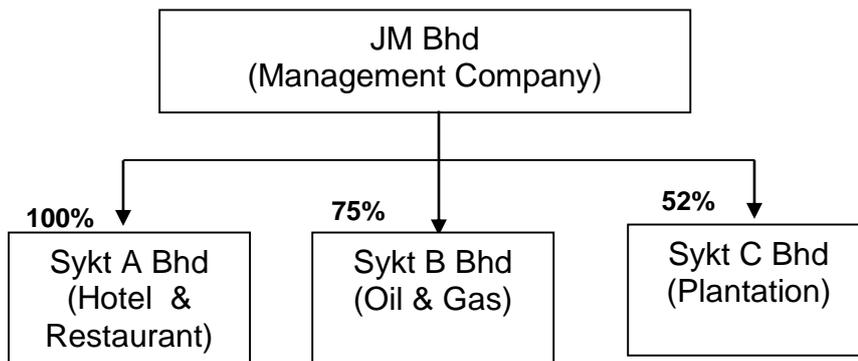


*In this example, company X has direct control over company Y (90%) and indirect control over company Z (54%). For GST registration purposes, companies X, Y and Z can form a group.*

46. Inter-company charges on supply between members of a group will be disregarded. However, supplies from any member of a group to companies which are not members of the group are considered supplies for GST purposes, and therefore are subject to GST.

47. Group registration is allowed regardless of the type of taxable supplies made by companies within the same group provided that the companies are making wholly taxable supplies.

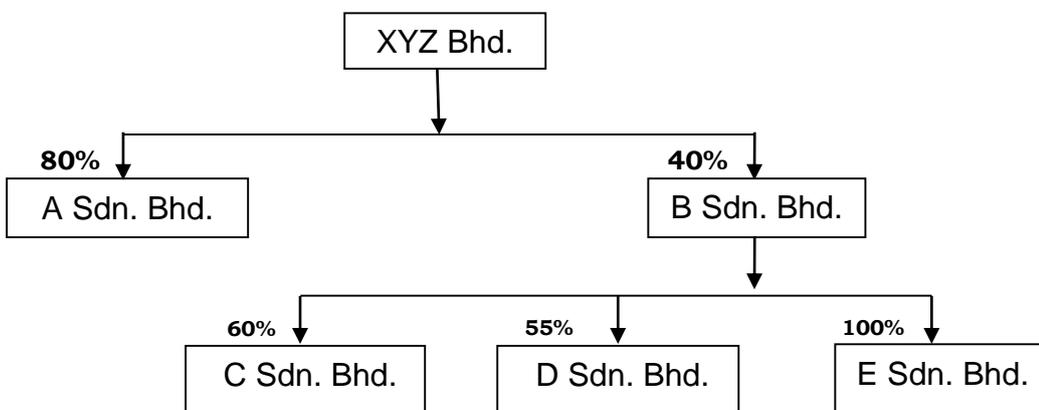
**Example 18:**



*Companies JM, A, B and C are eligible to apply for group registration even though they carry out diversified business activities as they fulfill the following conditions:*

- (a) *making wholly taxable supply;*
- (b) *each company is registered under GST; and*
- (c) *the holding company (JM Bhd) controls more than 50% of the issued share capital of each of the other companies in the group.*

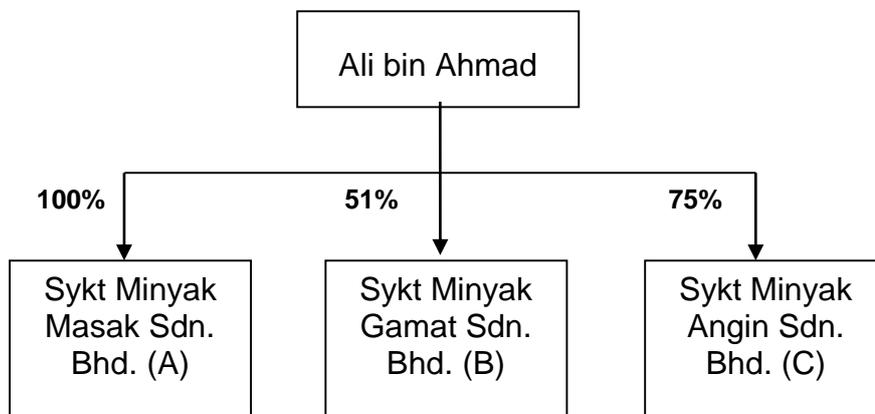
**Example 19:**



*In this example, company B is not eligible to be a group member with XYZ and A because XYZ has no control over B. However, since B has control over C, D and E, they are eligible to form a group for GST registration purposes.*

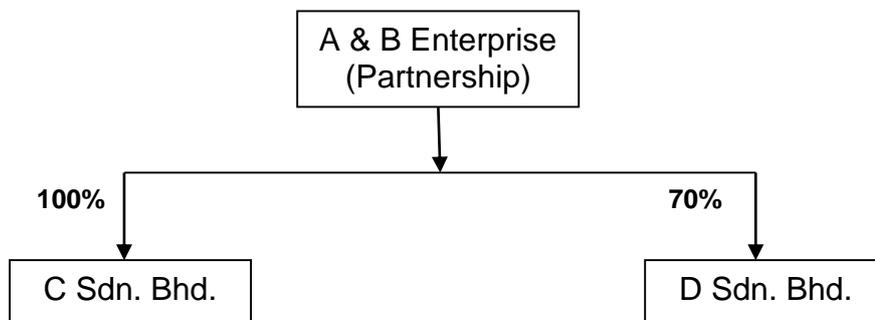
48. Individual or partnership is not eligible to be a member of a group. However, companies controlled by individual or partnership may register as a group.

**Example 20:**



*Ali bin Ahmad owns three companies A, B and C. A, B and C are registered under GST and make wholly taxable supplies. A, B and C are allowed to register as a group since they are all controlled by Ali bin Ahmad. However, being an individual Ali bin Ahmad is not eligible to be a member of the group.*

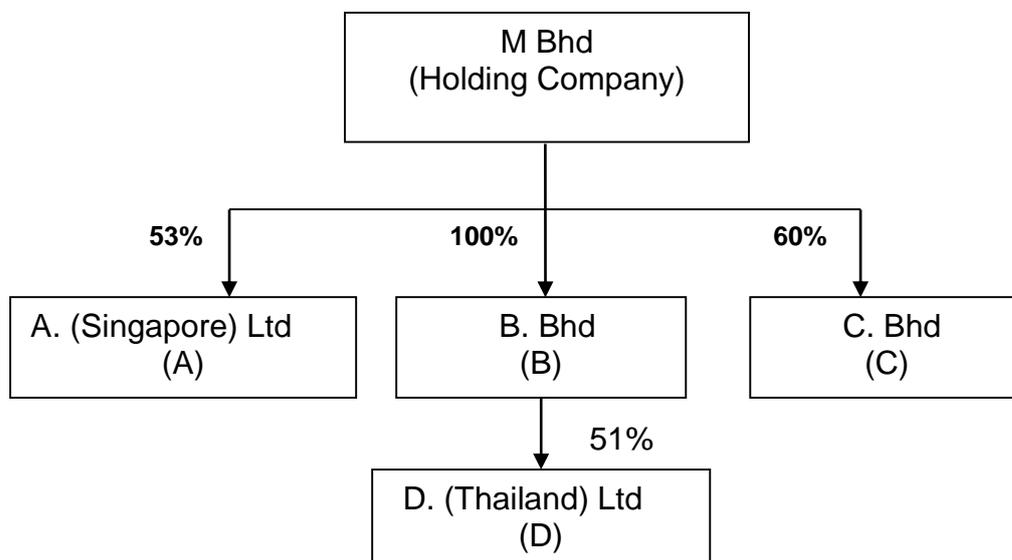
**Example 21:**



*Companies C and D are registered under GST and make wholly taxable supplies. C and D are eligible to register as a group for GST purposes since both companies are under the control of A & B Enterprise. However, A & B Enterprise which is a partnership business is not allowed to be a member of the group.*

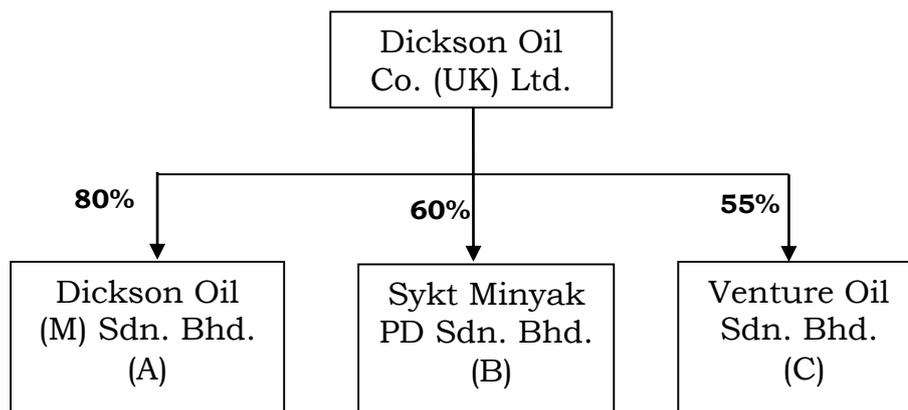
49. Foreign companies which are not established in Malaysia cannot become members of a group. However, for the purpose of eligibility for group registration, their subsidiaries or registered branches in Malaysia can be considered as members of a group.

**Example 22:**



*Companies M, B and C can form a group for GST registration purposes. However, A and D cannot become members of the group because these are foreign companies.*

**Example 23:**



*Dickson Oil Co. (UK) Ltd. owns three companies in Malaysia. For the purposes of GST registration, only A, B and C are allowed to register as a group. Dickson Oil Co.(UK) Ltd. is not eligible to be a member of the group because it is a foreign company.*

50. Companies incorporated in Malaysia are allowed to be members of a GST group even though they make taxable supplies outside Malaysia.

***Example 24:***

*A manufacturer of motor vehicle parts in Japan has established an operational headquarter in Malaysia. The manufactured parts are supplied to motor vehicle assemblers in Thailand and India direct from Japan. The operational headquarter can be a member of a group of companies in Malaysia.*

## **REGISTRATION OF PARTNERSHIP**

51. The registration of a partnership for the purposes of business will be in the name of the firm. The same persons can form separate partnerships for separate businesses, and the registration will be in the name of the respective firms.

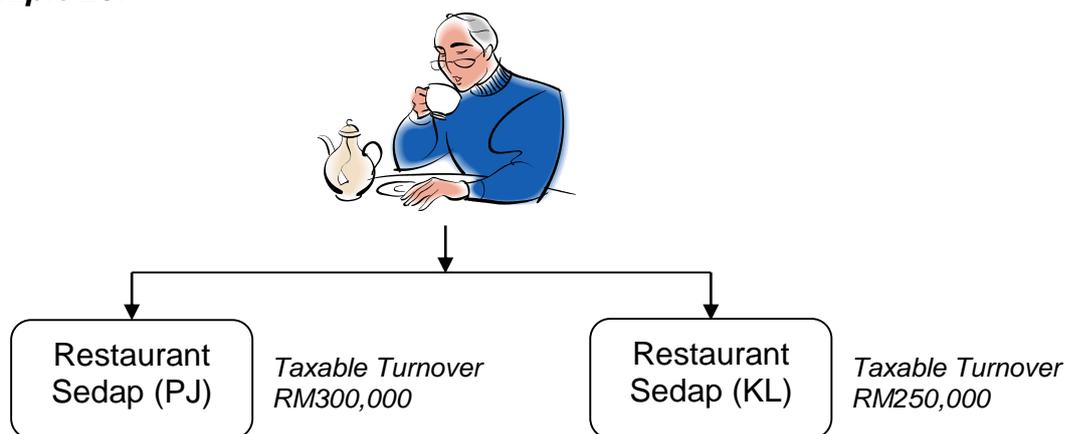
52. The calculation of taxable turnover to determine whether a partnership is required to be registered or otherwise is based on the value of all taxable supplies by the partnership.

53. Computing taxable turnover for partnership business depends on the following situations:

**Table 4:**

No	Partners	Firm	Business	Taxable Turnover
1.	Same persons	Same name	Same business	Combine turnover of all partnership businesses
2.	Same persons	Same name	Different business	Combine turnover of all partnership businesses
3.	Same persons	Separate name	Different business	Combine turnover of all partnership businesses but may be registered separately.

**Example 25:**

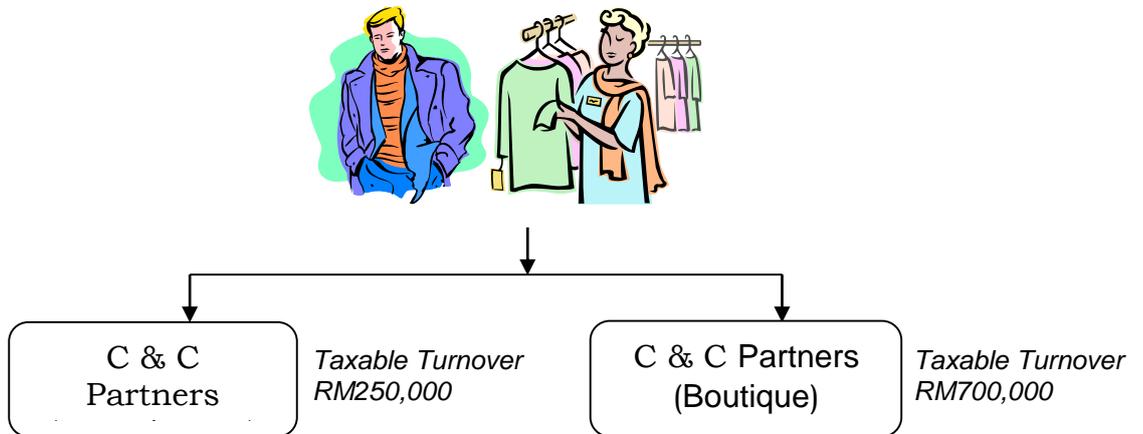


*Encik Ali and Encik Ahmad have two partnership businesses operating restaurants in PJ and KL. The taxable turnover of restaurant PJ is RM300,000 and the taxable turnover of restaurant KL is RM250,000.*

*To compute the taxable turnover for GST registration purposes, Ali and Ahmad have to combine the total taxable turnover of the two partnership businesses totaling RM550,000.*

*As the combined taxable turnover has exceeded the prescribed threshold, these partnerships will be registered under a single registration number.*

**Example 26:**

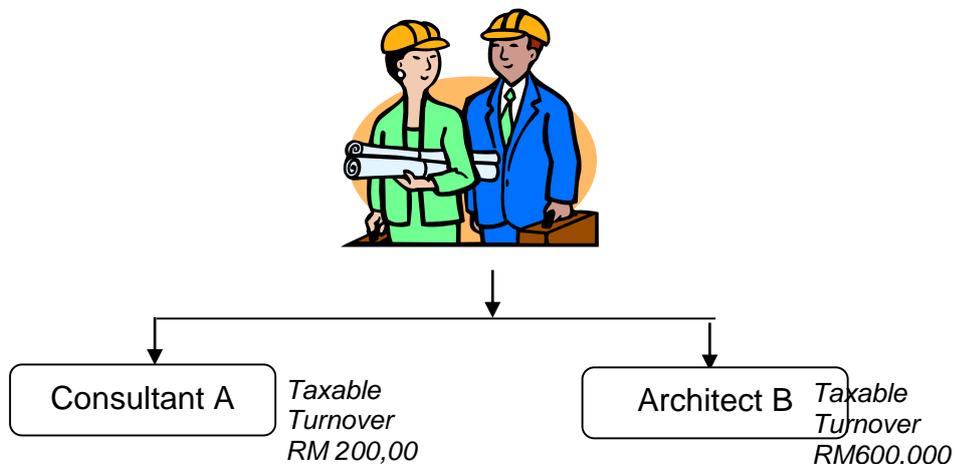


*Chong and Cindy have two partnership businesses, C & C Partners, operating a laundry shop and a boutique. The taxable turnover of the laundry business is RM250,000 and that of the boutique is RM700,000.*

*The taxable turnover of both partnership businesses has to be combined to determine the liability for GST registration.*

*Since the combined taxable turnover of RM950,000 has exceeded the prescribed threshold, these two partnership businesses will be registered under a single registration number.*

**Example 27:**



Mary and Peter have two partnership businesses i.e. Consultant A (consultancy services) and Architect B (architectural services). The taxable turnover of Consultant A is RM200,000 and that of Architect B is RM600,000. Both partnerships carry on different businesses and operate under separate names. Under this situation, the computation of taxable turnover for registration purposes will be combined. Therefore, although Consultant A is making less than the prescribed threshold, Consultant A is still liable to be registered.

Since both partnerships have a different firm's name, they will be registered under two separate registration numbers.

**Example 28:**



Ali and Samy are partners of an accounting firm. Ali also has another partnership business with Chong.

For GST registration purposes, Ali will compute the taxable turnover for the two partnership businesses separately. In this example, Business A is not required to be registered. However, Business B is liable to apply for registration since its taxable turnover has exceeded the prescribed threshold.

54. A partner is liable to notify in writing to the Director General that he has ceased to be a partner, and he is also liable for any tax due until the date of cessation as a partner.

## JOINT VENTURE

55. Registration of joint venture for GST purposes only applies to petroleum upstream activity under the Production Sharing Contract (PSC).
56. Upstream activities include exploration, exploitation, development and production of crude oil and gas. These activities are under taken and managed through PSC between PETRONAS and a number of international oil and gas companies as well as with its subsidiary, PETRONAS Carigali Sdn. Bhd.
57. PSC arrangement is considered as a joint venture for GST purposes, and the respective PSC contractors are known as venturers, whilst the operator of the joint venture is known as a venture operator.
58. PSC requires the contractors to enter into a Joint Operating Agreement (JOA) which provides for the rights, obligations and liabilities of each contractor in the PSC.
59. All venturers must be registered individually before the joint venture registration can be considered.
60. Application to register joint venture must be made in **GST-02** and **GST-2A** forms, and the application must be made not less than ninety days before the commencement of the joint venture operation.
61. In the application, the venturers must nominate one of the venturers or appoint a joint operating company (JOC) to be a venture operator. For the purposes of GST, JOC will be treated as a taxable person. The registration of the joint venture will be in the name of the venture operator or JOC, and the venture operator or JOC is required to maintain a separate account for the joint venture.
62. If there is any changes in the joint venture e.g. inclusion or removal of any venturer, the venture operator has to inform Customs not less than thirty days before the date of such changes.

## REGISTRATION OF BRANCHES OR DIVISIONS

63. A business which operates through branches or divisions has to aggregate the total taxable supplies of all the branches and divisions to determine whether it is liable to be registered.

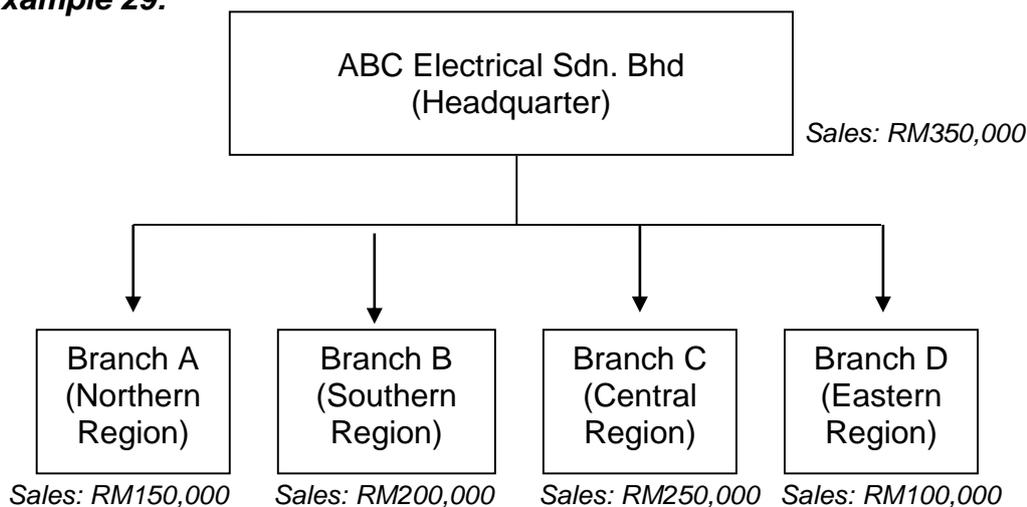
64. Once registered, all the branches and divisions are required to charge and account for GST even though any of the branch or division has not exceeded the threshold.

65. A registered person having branches or divisions may apply to register its branches or divisions individually under the name of those branches or divisions. Registration of branches or divisions may be considered if:

- (a) the registered person and all the branches or divisions are making wholly taxable supplies;
- (b) the registered person is not a member of a group;
- (c) it is difficult to submit a single return for all the branches or divisions;
- (d) each branch or division maintains a separate account;
- (e) such branch or division is separately identifiable by reference to the nature of the business or its location; and
- (f) every separately registered branch or division has the same taxable period.

66. Application for branch registration has to be made by the registered person using form **GST-05**.

**Example 29:**



*To determine the taxable turnover for GST registration purposes, ABC Electrical Sdn. Bhd has to combine the taxable turnover of all branches.*

*Total taxable turnover:*

$$RM350,000 + RM150,000 + RM200,000 + RM250,000 + RM100,000 = \underline{RM1,050,000}$$

*As the combined taxable turnover of RM1,050,000 has exceeded the prescribed threshold, ABC Electrical Sdn. Bhd. has to apply for GST registration.*

67. Branch or division which is registered separately will be given an individual GST registration number. A separately-registered branch or division is required to submit its own GST return and pay tax separately to Customs. GST tax invoice will be issued by the individual branch or division. However, the headquarter is still responsible for any tax due and payable by the separately-registered branch or division.

### **SINGLE TAXABLE PERSON**

68. A single taxable person means two or more business entities which have been directed by the Director General to be registered under one registration number. Two or more business entities can be considered as a single taxable person when they artificially separate their business activities for the purpose

of tax avoidance. To determine artificial separation of business, the following factors have to be taken into account:

(a) financial link;

Financial link refers to:

- (i) financial support given by one party to another;
- (ii) one party not financially viable without the support from another party; or
- (iii) common financial interest in the proceeds of the business

(b) economic link;

Economic link refers to:

- (i) seeking to achieve the same economic objectives;
- (ii) activities of one party benefit the other party; or
- (iii) supplying to the same circle of customers

(c) organizational link.

Organizational link refers to:

- (i) common management;
- (ii) common employees;
- (iii) common premises; or
- (iv) common equipments

69. All persons directed by the Director General to register as a single taxable person have to nominate the name to be used for the registration within fourteen days from the date of the direction. Failing which, registration will be named as specified by the Director General.

70. The effective date for single taxable person registration is the date as specified in the direction. Generally, the effective date of registration will be applied prospectively. However, if there is proof of fraud resulting in tax avoidance, the registration will then take effect retrospectively.

**Example 30:**

*X runs a restaurant business and sells food only whereas Y operates another business of selling beverages in the same premise. Both businesses share the same premise, employ the same employees and serve common customers. The total sales of food per year is RM400,000 and that of beverages is RM150,000.*

*In this example, both businesses are not liable to be registered since their respective annual taxable turnover is below the prescribed threshold. However, it is obvious that the business activities of X and Y are intentionally separated in order to avoid from the requirement to be registered.*

*Both businesses fulfill the requirement to be registered as a single taxable person because of financial, economic and organizational links such as sharing the same premise, having common customers, employing the same workers and utilizing common facilities such as chairs, tables, telephone and utilities. As such, Customs will direct X and Y to be registered as a single taxable person under one registration number.*

**CESSATION OF LIABILITY TO BE REGISTERED**

71. The liability for GST registration will end when a person:

- (a) ceases to make a taxable supply; or
- (b) ceases to have the intention of making a taxable supply; or

- (c) ceases to make or ceases to have the intention of making a supply outside Malaysia which would be a taxable supply if made in Malaysia; or
- (d) the value of taxable supplies for a period of twelve months succeeding will not exceed the prescribed threshold i.e. taxable turnover for the next twelve months will not exceed the registration threshold.

72. To determine whether the taxable turnover for the next twelve months will exceed the registration threshold or otherwise, the registered person is also required to ascertain the total taxable turnover for the preceding twelve months.

***Example 31:***

*ABC Enterprise is a GST registered person providing cleaning services. It has ceased business due to financial problems. Therefore, the liability to be a registered person has ceased.*

73. A taxable person is still liable to be registered even though his annual taxable turnover for the next twelve months is not expected to exceed the prescribed threshold if during that twelve months period he has stopped making taxable supplies for a period of thirty days or more.

***Example 32:***

*The total taxable turnover of a karaoke lounge is RM350,000 for the past twelve months ending Mac 2016. The karaoke lounge has temporarily stopped business for two months starting from July 2016 to August 2016 to carry out some renovation works. This karaoke lounge has estimated that the taxable turnover for the next twelve months i.e. April 2016 to Mac 2017 to be RM450,000. In this example the karaoke lounge is still liable to be registered because it has stopped making taxable supplies for a period of 62 days, and as such, it is not allowed to apply to cancel its registration.*

## **NOTIFICATION OF CESSATION OF LIABILITY TO BE REGISTERED**

74. A registered person who has ceased business or has ceased making a taxable supply is required to notify Customs within thirty days from the date of such occurrence.

75. A registered person who has notified his cessation of liability to be registered has to continue to fulfill his obligations as a registered person i.e. to charge GST and submit GST returns, until the approved effective date of cancellation of his GST registration.

## **CANCELLATION OF REGISTRATION**

76. A registered person may apply to cancel his registration if his liability to be registered has ceased. The registration of any person may also be cancelled by Customs if it is found that the person is not liable or eligible to be registered.

77. Application for registration cancellation can be made by completing and submitting the form **GST-Adm12** either on-line or manually in the following manner:

- (a) apply electronically through [gst.customs.gov.my](http://gst.customs.gov.my)
- (b) at the registration kiosk made available at any Customs office; or
- (c) manual submission by post to the following address:

GST Processing Centre

Jabatan Kastam Diraja Malaysia,

Kompleks Kastam WPKL, 22,

Jalan SS 6/3 Kelana Jaya, 47301, Petaling Jaya

78. The registered person will be notified of the approval and the effective date of cancellation.

**LATE REGISTRATION**

79. A person who is liable to be registered but fails to do so must immediately apply for registration. The effective date of registration will be the date the person applies to be registered.

**Example 33:**

*The annual taxable turnover of Company A has exceeded threshold on 15 May 2018. This company is required to apply for registration within twenty eight days beginning 1 June 2018 to 28 June 2018, and it should have been registered effective from 1 July 2018. However, the application for GST registration is done only on 1 September 2018. In this case, the effective date of registration for Company A is on 1 September 2018.*

80. A person who is late in applying for registration will be liable to pay a late registration penalty from the date he should have been registered to the date immediately before the date he is so registered, and this period is referred to as the late registration period. Late registration penalty will be imposed according to the following table:

**Table 5:**

Late registration period (Days)	Amount of penalty (RM)
1 – 30	1,500
31 – 60	3,000
61 – 90	4,500
91 – 120	6,000
121 – 150	7,500
151 – 180	9,000
181 - 210	10,500
211 - 240	12,000
241 – 270	13,500
271 – 300	15,000

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301 - 330	16,500
331 – 360	18,000
Exceeding 360	20,000

**Example 34:**

*Referring to Example 33, the late registration period is from 1 July 2018 to 31 August 2018 which is 62 days. Therefore, Company A has to pay a late registration penalty of RM4,500.*

81. A late registrant is required to submit tax return according to the taxable period assigned to him, i.e. monthly or quarterly. The first taxable period will commence from the date he should have been registered.

**TYPE OF GST FORMS**

82. Forms for GST registration are as follows:

- (a) **GST – 01**            Application for goods and services tax registration
- (b) **GST – 02**            Application for group / joint venture registration
- (c) **GST – 2A**            Group member/ venturer registration
- (d) **GST – 05**            Registration of branch or division
- (e) **GST – Adm 11**       Application for goods and services tax registration exemption
- (f) **GST – Adm 12**       Application for cancellation of goods and services tax registration / special scheme

## FREQUENTLY ASKED QUESTIONS

**Q1. Currently my business is not liable to be registered for GST because my total taxable turnover is below RM500,000. Am I required to apply for registration if my company has succeeded in obtaining a contract worth RM1 million to supply computers for the next one year?**

A1. You are required to apply for registration because you have reasonable grounds to expect your taxable supplies to exceed the threshold.

**Q2. The total taxable supplies of Company A for a period of 10 months has exceeded RM500,000. Is the company required to apply for registration now or has it to wait until the end of twelve-month period?**

A2. The company is liable to be registered because it has exceeded the registration threshold and it does not have to wait until the end of twelve-month period.

**Q3. A rehabilitation centre sells souvenirs and rattan baskets made by its inmates. Is this centre required to be registered under GST?**

A3. It is required to be registered if the annual taxable sales value exceeds RM500,000.

**Q4. A non-profit organization provides sport and recreation facilities for the community free of charge. Is it required to register for GST?**

A4. Supply of sport and recreation facilities is taxable under GST and the organization has to register for GST if its annual taxable turnover exceeds the prescribed threshold. However, if the facilities are provided wholly free of charge, then GST is not chargeable and it is not required to register.

**Q5. Muzium Kesenian, a non-profit organization, charges a fee for admittance to its premise. The museum also derives income from**

**selling gifts and souvenirs, and rental of its eatery outlets. Is this museum required to be registered?**

- A5. To determine whether the museum is required to be registered or otherwise, it has to take into consideration all taxable supplies, i.e. admittance fees, sales of gifts and souvenirs, and rental income in determining the annual turnover. If the annual taxable turnover exceeds RM500,000, then it is required to apply for registration.

## **INQUIRY**

1. For any inquiries for this guide please contact:

Registration Unit

GST Division

Royal Malaysian Customs Department

Level 3 – 7, Block A, Menara Tulus,

No. 22, Persiaran Perdana, Presint 3,

62100 Putrajaya.

Email: [daftargst@customs.gov.my](mailto:daftargst@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)