



ROYAL MALAYSIAN CUSTOMS

GOODS AND SERVICES TAX

GUIDE ON VALUATION

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INTRODUCTION

1. The value of the supply needs to be determined in order to charge GST. In addition to that, the determination of value of supply is also important for registration purposes. This guide will provide necessary information and guidance for business to determine the value of a supply.

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.

VALUE OF SUPPLY

5. The value of a supply is the value on which GST is chargeable. The amount of GST is the value multiplied by the tax rate. Value of supply depends on whether there is a consideration or not. A consideration is any form of payment in money or in kind, including anything which is itself a supply. If there is no consideration and it is a deemed supply then the value of the supply is the open market value.

Importance of Consideration

6. The term consideration does not refer only to money. In GST, consideration includes:

- (a) any payment made or to be made, whether in money or otherwise; or
- (b) any act or forbearance, whether or not voluntary,

in respect of, in response to, or for the inducement of, the supply of goods or services, whether by the person or by any other person.

7. Generally, consideration can be any payment or anything received in respect of, in response to, or for the inducement of any supply of goods or services. For example, it might be something exchanged in a barter arrangement, such as in a part exchange or where a service is performed in return for another service, or it may simply be a condition imposed upon the making of the supply. As long as the consideration is capable of being expressed in money there is a value of supply for GST purposes.

8. The value of a supply would be easy to determine if the consideration is wholly in money. However, there are cases where consideration is not wholly in money or is partly in money or where there is no consideration for the supply. In order to determine the value of the supply, different valuation rules need to be applied depending on the type of the consideration given for a supply.

Consideration in money

9. This refers to payment made in cash, cheque, credit card, monetary voucher, token or other means whether in physical or electronic form that represents a right to receive supply to the value of an amount stated or recorded on it.

Example 1: Payment in cash

A customer bought a laptop for RM2,500. He paid the seller with RM2,500 cash.

Example 2: Payment via other physical instrument in replace of cash

Ahmad pays RM250 for car service by using his debit card. The amount concerned will be automatically deducted from his bank account.

Example 3: Payment via electronic form in replace of cash

John downloaded an application from a web site to his android phone. The application cost him RM4 which is deducted from his pre-paid credit by the Telco.

Consideration not in money

10. This refers to a consideration made in the form other than money. It covers anything which might possibly be done, given or made in exchange for the supply. For example:

- (a) Barter transaction;
- (b) Exchange of service; or
- (c) Condition imposed on making the supply.

11. Non-monetary consideration exists when a supply is made in return for payment in the form of goods or services. In this situation, it is necessary to determine the amount that would have been given in money for the supply if something had instead been used for all of the payment. However if something given in exchange is incapable of being expressed in monetary terms, it cannot be regarded as non-monetary consideration.

Example 4: Barter arrangement

Ali who is a durian trader buys a second hand table from Ahmad. Ali does not pay in money but agrees to provide Ahmad with 30 kg of durians.

Example 5: Exchange of services

Chef Azura provides catering services for Ahmad's birthday party. In return Ahmad agrees to draw lay out plan for Azura's new wet kitchen for free.

Example 6: Condition imposed upon the making of the supply

A marketing company offers a sundry shop with a supply of 500 cartons of mineral water at a price which is 50% lower from the market price, on the conditions that the sundry shop provides a special shelf at the cashier's counter for the company to display its product for 2 weeks.

In agreeing to provide a special shelf, the sundry shop is providing non-monetary consideration, with the value equals to the 50% reduction in the price of the mineral water.

Consideration not wholly in money

12. This refers to the consideration for the supply which is partly made in money and partly something else (either goods or services). In this instance, it is necessary to determine the monetary equivalent of the consideration for the supply if only part of the consideration is in monetary form whereas the balance is in kind.

Example 7:

A furniture company is offering its customers a new model of sofa set for RM11,500. Ali who wants to redecorate his living room, negotiates with the company to accept his antique sofa set as a trade in, together with a cash payment of RM8,000 for the new sofa set. The deal is finalized when the furniture company agrees with Ali's suggestion.

Example 8:

Chua intends to sell his old lorry for RM5,000. John who is having RM3,000 in cash persuades Chua to reduce the price to RM3,000 since he urgently needs a lorry for his business. Both parties finally agree that for a full settlement for the lorry, John will pay RM3,000 in cash and will repaint Chua's car.

The General Valuation Rule

13. The general valuation rule is applicable in circumstances where the supply is for a consideration wholly in money. When the consideration for the supply is wholly

in money, the value of the supply shall be taken to be such amount, with the addition of the tax chargeable, is equal to consideration.

$$\text{Consideration} = \text{Value of supply} + \text{GST}$$

14. Under this rule, the value of a supply for GST purposes is therefore that part of payment which, when added to the GST itself, gives a total equal to the consideration. The GST element is derived by multiplying the value of supply by the tax rate. Then the formula is

$$\text{Consideration} = \text{Value of supply} + (\text{value of supply} \times \text{GST Rate})$$

15. Therefore, if a taxable person decides that the value of the shirt he wants to sell is RM100, then the GST amount for the shirt is RM6 (RM100 X 6%). He should sell the shirt at the price of RM106.

16. However, in some situation the prices quoted are GST inclusive. In order to determine the value of the supply, the following formula is applied to the consideration.

For GST rate of 6%

$$\begin{aligned} \text{Value of supply} &= \frac{\text{Value}}{\text{Value} + 6} \times \text{consideration} \\ &= (100/106) \times \text{consideration} \end{aligned}$$

Example 9:

Goods subject to standard-rated GST are sold for a cash payment of RM96.

The value of supply is;

$$100/106 \times \text{RM96} = \text{RM90.57}$$

17. In order to determine the amount of GST, the following formula is applied to the consideration.

$$\begin{aligned}\text{Value of supply} &= \frac{\text{GST rate}}{\text{Value + GST rate}} \times \text{consideration} \\ &= (6/106) \times \text{consideration}\end{aligned}$$

The Special Valuation Rules

18. This rule is applicable if the consideration for the supply is partly or totally not in money. Even though it is not totally in monetary form, the consideration has the value of the monetary payment which can be established. This monetary payment will then be used in determining the value of the supply.

19. The special valuation rules are applicable when the supply is for:-

- (a) a consideration not in money (e.g. as in a barter transaction);
- (b) a consideration is partly in money and partly in something else (e.g. as in part-exchange transaction); or
- (c) no consideration (e.g. as in a deemed supply).

20. In the above cases, the establishment for the value of the supply depends on the correct identification of the monetary equivalent of the consideration.

Example 10:

A customer gives the taxable person a teak dining table as the consideration for a mahogany chair which is GST inclusive price at RM424. The taxable person needs to convert the dining table into monetary terms in order for him to determine the value and the GST portion for the chair. Assuming that the table is worth RM500, the consideration for the chair is RM76 higher than the price he sets for the chair. Thus the value of the chair is no longer RM400 but RM471.70 i.e.

$$\begin{aligned}\text{Value of supply} &= 100/106 \times \text{consideration} \\ \text{Value of supply} &= 100/106 \times \text{RM500} \\ \text{Value of supply} &= \text{RM471.70}\end{aligned}$$

21. The special valuation rules sets out by the Goods and Services Tax (GST) Act 2014 are as follows:

- (a) If the supply is for a consideration not consisting of money, the value of supply shall be taken to be an amount, with the addition of the tax chargeable, equal to the open market value of that consideration.
- (b) If the supply is for consideration partly in money and partly in something else, the value of the supply shall be taken to be an amount, with the addition of the tax chargeable, equals to the aggregate of;
 - (i) the amount of money given as the consideration; and
 - (ii) the open market value of that consideration which is not in money.
- (c) If the supply has no consideration, the value of supply is the open market value of that supply.
- (d) If the supply is made by a taxable person to a connected person who is not entitled to a credit under section 38 and 39 of the GST Act for the whole or any part of the tax on the supply and the consideration for the supply is less than its open market value, the value of the supply is its open market value.
- (e) Open market value shall be taken to be an amount, with the addition of the tax chargeable.

22. The application of the special rules of valuation for various transactions is given in the later part of this guide.

23. In all the scenario in paragraph 21 above, the open market value plays an important role in determining the value of a supply. Please refer to Rules in Determining the Open Market Value for further information on open market value.

Inclusion of Excise Duty in Valuation

24. In determining the value of supply, any entertainment duties, gaming tax, state sales tax or windfall profit levy on the supply will not be included. However, in the case

of goods which are subjected to customs duty paid or excise duty, the amount of customs duty or excise duty paid or to be paid should be included in the total value of supply before GST is calculated.

Example 11:

The ex-factory value of 1,000 liter of alcohol is RM3,000. Assuming the excise duty for the alcohol is RM2.50 per liter, the value of supply for the alcohol is

$$\begin{aligned} \text{Value of supply for 1,000} &= \text{Ex factory value + excise duty} \\ \text{liter alcohol} &= \text{RM3,000 + (Excise duty)} \\ &= \text{RM3,000 + (1,000 X RM2.50)} \\ &= \text{RM5,500} \end{aligned}$$

Notes: In the case of motor vehicle which is subjected to excise duty, the valuation of the excise duty on the motor vehicle is subjected to government approval. Appendix I is the current method used for the purpose of calculating excise duty and GST.

RULES IN DETERMINING THE OPEN MARKET VALUE

25. In determining the open market value (OMV) of any supply of goods or services, the following rules are to be applied based on the hierarchal order:

- (a) The OMV of any supply of goods or services shall be the consideration in money in which the supply of those goods or services would generally fetch, if the supply is freely offered and made between persons who are not connected and the supply is made substantially under the same circumstances at or about the same time.
- (b) If the OMV of any supply cannot be determined under (a), the OMV shall be the value of similar supply being freely offered and made between persons who are not connected.

- (c) If the OMV of any supply cannot be determined under paragraphs (a) or (b) the OMV shall be determined by using the reasonable means on the basis of data available in Malaysia which provides a sufficiently objective approximation of the consideration in money which could be obtained for those supply.
- (d) The open market value determined under the above rule is inclusive of GST charged and levied on the supply.

First Rule in Determining OMV

26. The OMV of any supply of goods or services shall be the consideration in money in which the supply of those goods or services would generally fetch, if the supply is freely offered and made, under the same circumstances at or about the same time, between persons who are not connected.

27. This rule requires the comparison of identical supply that exists in the market. If the same supply exists at or about the same time and under same circumstances, the arm's length transaction price of this supply is considered as the OMV.

28. In making the comparison, the following conditions should be taken into account:

- (a) the supply is freely offered and made

The transaction with regards to the supply is at the arm's length principle where both parties in the transaction are independent and have equal bargaining power in deciding the outcome of the transaction.

- (b) the supply exists at or about the same time

Reasonable time should be considered based on the type of supply being valued. If there are many transactions, the time that is closest to the supply should be selected.

- (c) the supply is under the same circumstances

These factors are taken into account in comparing the supply with the supply being valued:

- (i) the recipient of the supply is at the same or substantially the same trade level; for e.g. all recipient is at retail level.
- (ii) the quality, reputation and nature of the supply are identical; and
- (iii) the size, quantity or duration of the supply is the same

29. Where there are two or more transactions for the supply being valued, the OMV shall be determined on the basis of such a transaction value of the lowest.

Example 12:

A trader is offered a pair of shoes as a consideration for a supply of a bag value at RM230. The buyer (the owner of the shoes) informed the trader that he bought the shoes from a shop in the shopping complex for RM250 one week ago and produced an invoice as proof. The trader then contacted his friend who is the owner of another shop in the same shopping complex that sells the same brand of shoes to enquire about the price. He found out that similar branded pair of shoes he just received is priced at RM245 in his friend's shop. The trader can take the lowest price available which is RM245 as the Open Market Value for the shoes.

Second Rule in Determining OMV

30. OMV shall be the value of similar supply being freely offered and made between persons who are not connected.

31. This rule requires the comparison of the supply being valued with the 'similar supply' exists in the market. If there is a similar supply and no identical supply in the market, the price of the 'similar supply' is the open market value. The term similar supply refers to the supply selected for the comparison which closely represents the supply being valued in respect of materials, components, parts or characteristics.

32. In applying this rule, the following conditions should be applied:

- (a) the supply is freely offered and made

The transaction with regard to the supply is at the arm's length principle where both parties in the transaction are independent and have equal bargaining power in deciding the outcome of the transaction.

(b) the supply is under the same circumstances

These factors are taken into account in comparing the similar supply with the supply being valued:

- (i) the recipient of the supply is at the same or substantially the same trade level; for e.g. all recipient is at retail level.
- (ii) the quality, reputation and nature of the supply exhibit similar stature; and
- (iii) the size, quantity or duration of the supply is the same.

Example 13:

An accountancy firm agrees to prepare the books for a computer programmer for the 2015 financial year. In return, the computer programmer designs a specific computer program for the accountancy firm. The taxable supply of the accountancy services is for the consideration of the specific computer program. As there is no identical computer program available for valuation purposes, reference may be made to the price of a similar computer program performing similar functions.

Third Rule in Determining OMV

33. OMV shall be determined by using the reasonable means on the basis of data available in Malaysia which provides a sufficiently objective approximation of the consideration in money which could be obtained for those supplies.

34. If the first and second rule cannot be used to determine the OMV, other methods can be used to calculate the OMV of the supply, provided that the selected methods will give objective approximation of the consideration for supply being valued. Example of such method includes,

- (a) consideration of the supply being valued is adjusted by deducting value added cost or other factors to the price of the similar or identical supply;

- (b) the cost of making the supply is used as the basis for adjustment to derive the consideration for the supply being valued;
- (c) price of goods or services gazetted by the government.

35. There is no approval needed for the method chosen in determining the OMV under this rule. However, the following conditions should be taken into account in applying the selected method:

- (a) the data used for the basis of valuation is available in Malaysia; and
- (b) the computation is consistent with accepted accounting principles in Malaysia.

Example 14:

Apple Soft Drink Sdn. Bhd. bought one unit specially constructed Panel Van for the purpose of distribution of beverages. After three years in business, the company ceases its operation. On deregistration, Apple Soft Drink Sdn. Bhd. has to account for GST on the Panel Van based on the open market value since they had claimed the input tax on the acquisition of the van. Assuming that Apple Soft Drink Sdn. Bhd. adopts in its accounting principle that the value of the panel van depreciates at 10% of the purchased value per year, the OMV of the panel van is now valued at 70% from its purchased value.

Connected Persons

36. For the purposes of open market value, person is deemed to be connected, if;

- (a) falls under this category –
 - (i) they are officers or directors of one another's business;
 - (ii) they are legally recognized partners in business;
 - (iii) any one person directly or indirectly owns, controls, or holds five per cent or more of the outstanding voting stock or shares of both of them;
 - (iv) one of them directly or indirectly controls the other;

- (v) both of them are directly or indirectly controlled by a third person;
 - (vi) together they directly or indirectly control a third person; or
 - (vii) they are members of the same family. Person is deemed to be members of the same family, if –
 - they are connected by blood relationship within the fourth degree of relationship;
 - they are married to one another or if one is married to a person who is connected within the fourth degree of relationship to the other; or
 - one has been adopted as the child of the other or as a child of a person who is within the third degree of relationship to the other.
- (b) 'trustee' in a settlement is connected with,
- (i) any individual who in relation to the settlement is a settlor;
 - (ii) any person who is connected with such an individual; and
 - (iii) a body corporate which is connected with that settlement.

APPORTIONMENT OF MONETARY CONSIDERATION

37. Sometimes a single monetary consideration may be the payment for two or more supplies of different liabilities (mixed supplies). In such a situation, a fair proportion of the total payment to each of the supplies should be allocated. In other words, apportionment of the monetary consideration is necessary in order to reflect the value of supply for each description of supplies that constitutes in the mixed supply.

This requirement is contained in section 15(6) of the GST Act:

“Where the supply is not the only matter to which a consideration in money relates, the supply shall be deemed to be for the part of the consideration as is properly attributable to the supply.”

38. The apportionment of monetary consideration is necessary for the taxable person who has to account tax based on payment received. The circumstances where taxable person has to account tax base on payment received are:

- (a) in the case of the taxable person who wants to claim bad debt relief where only part payment is received from customer;
- (b) in the case where the taxable person has to account for tax for part payment of debt received by him after he has claimed for bad debt relief;
or
- (c) in the case where the taxable person has to account tax under payment basis.

Example 15:

ABC Company Sdn. Bhd. is an insurance company. The company issued a tax invoice to its customer for services provided which consist of RM15,000 of exempt supplies and RM12,480 (tax inclusive) of standard rated goods. The total consideration for the supplies is RM27,480. However, after a lapse of 6 months period the customer has only paid RM9,000 to ABC Company Sdn. Bhd. and it still has debt of RM8,480. For the purpose of claiming bad debt relief, ABC Company Sdn. Bhd. needs to apportion the monetary consideration to each of the supplies. (GST is at 6%).

Apportionment of monetary consideration

<i>Total price of exempt supply</i>	= RM15,000
<i>Total price of standard-rated supply</i>	= RM12,480
<i>Total invoice price (including GST)</i>	= RM27,480
<i>Total payment received</i>	= RM9,000
<i>Proportion of standard rated supply to total supply</i>	= $\frac{12,480}{27,480} = 0.45$
<i>Monetary consideration received for standard rated supply</i>	= 0.45 X RM9,000

$$\begin{aligned}
 &= \text{RM4,050} \\
 \text{Bad debt relief is claimable on the} &= \text{RM12,480} - \text{RM4,050} \\
 \text{consideration not received} &= \text{RM3,430} \\
 \text{Amount of relief is} &= \text{RM3,430} \times 6/106 \\
 &= \text{RM194.14}
 \end{aligned}$$

Example 16:

DEF Co. is a taxable person who accounts tax under payment basis. The company sells organic frozen chicken (which is zero rated supply) and burgers (standard rated supply). In one occasion DEF Co. billed its customer for the sale of RM2,000 worth of organic frozen chicken and RM3,120 (tax inclusive price) of burgers. However DEF Co. only received payment of RM4,000 from his customer. For the purpose of accounting for GST, DEF Co. has to apportion the total payment received according to the respective type of supply. (GST rate is at 6%)

Apportionment of monetary consideration

$$\begin{aligned}
 \text{Total price of zero rated supply} &= \text{RM2,000} \\
 \text{Total price of standard-rated supply} &= \text{RM3,120} \\
 \text{Total invoice price (including GST)} &= \text{RM5,120} \\
 \text{Total payment received} &= \text{RM4,000} \\
 \text{Proportion of standard rated supply to} &= \frac{3,120}{5,120} = 0.61 \\
 \text{total supply} & \\
 \text{Monetary consideration received for} &= 0.61 \times \text{RM4,000} \\
 \text{standard rated supply} & \\
 &= \text{RM2,437.50} \\
 \text{GST to be accounted based on the} &= \text{RM2,437.50} \times 6/106 \\
 \text{consideration received} & \\
 &= \text{RM137.97}
 \end{aligned}$$

39. There is no special method of apportionment. However, a registered person can use any method which can provide and achieve a fair result and can be supported by a valid calculation.

VALUATION FOR VARIOUS TYPE OF SUPPLY

Supply is for a consideration not consisting of money

40. If the supply is for consideration not in money, the value of supply shall be taken to be the amount of the open market value of that consideration minus the GST chargeable.

Example 17:

Malim Sdn. Bhd. sells a computer with tax inclusive price at RM2,300 to Tini Sdn. Bhd. Instead of paying in money, Tini Sdn. Bhd. gives a smartphone for the consideration. The value of the supply (computer) is determined by this calculation.

GST rate is 6% and the smartphone's tax inclusive price is RM2,340.

General formula:

Value of supply	of	=	100/106 X Consideration
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For special rule for supply with consideration not in money, the value of supply is:

Value of supply	of	=	100/106 X OMV of Consideration
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Thus, to determine the value of supply for the computer in this transaction:

<i>OMV for smartphone</i>	<i>=</i>	<i>RM2,340</i>
<i>Value of supply for computer</i>	<i>=</i>	<i>100/106 X RM2,340</i>
	<i>=</i>	<i>RM2,207.55</i>

Example 18:

Ai Ling Beauty Salon provides hair dressing and facial treatment to Cleopatra which is normally priced at RM200. But instead of paying in money, Cleopatra gives a hair dressing set as consideration. The consideration of the supply is determined by this calculation.

Assuming the hair dressing set is price at RM250; GST rate is 6%

General formula:

Special rule for supply with consideration not in money the formula is:

Value of supply	=	100/106	X	OMV of Consideration
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Thus, to determine the consideration for the service:

<i>Consideration of service</i>	<i>=</i>	<i>OMV of hair dressing set</i>
<i>OMV of hair dressing set</i>	<i>=</i>	<i>RM250</i>
<i>Value for the hair dressing and facial treatment services</i>	<i>=</i>	<i>100/106 X RM250</i>
	<i>=</i>	<i>RM235.85</i>

Supply is for a consideration not wholly in money

41. Where the supply is for consideration not wholly in money, that is partly in money and partly in kind, 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 consideration in money, the amount of money; and
- (b) To the extent that the supply is not for a consideration in money, the open market value of that consideration.

42. If the consideration for a supply is partly in money and partly something else (either goods or services), the monetary equivalent of the consideration is represented by this formula;

$$\text{Consideration} = \text{Monetary portion} + \text{OMV of the consideration}$$

43. In order to determine the value of supply in this scenario, this formula is applicable

$$\text{Value of supply} = 100/106 \times \text{Total Consideration}$$

Example 19:

Global Indah Sdn. Bhd. sells a painting with a price tag of RM3,000 to Mr. Ah Chong. As consideration, Mr. Ah Chong pays RM1,000 in cash and gives 2 pieces of office table (total value of RM1,400) and 2 chairs (total value of RM460). The value of the painting is determined as follows:

GST rate is at 6%:

<i>Amount of cash</i>	=	<i>RM1,000</i>
<i>OMV of 2 tables</i>	=	<i>RM1,400</i>
<i>OMV of 2 chairs</i>	=	<i>RM460</i>
<i>Total OMV of goods</i>	=	<i>RM1,860</i>
<i>Total Consideration</i>	=	<i>Cash + OMV of goods</i>
<i>Total Consideration for painting</i>	=	<i>RM1,000 + RM1,860</i>
	=	<i>RM2,860</i>
<i>GST portion</i>	=	<i>RM2,860 X 6/106</i>
	=	<i>RM161.89</i>
<i>Value of supply</i>	=	<i>100/106 x RM2,860</i>
	=	<i>RM2,698.11</i>

Example 20:

Vision Sdn. Bhd. who is a GST registered person sells 20 units of new television where each television is priced at RM1,500 (GST inclusive), to Karaoke ABC who is GST registered person. The supplier agrees to accept RM25,000 in cash and 1 year membership fee to Karaoke ABC (price GST

inclusive at RM6,000) as a consideration for the supply. The actual value of the new television is determined as follows:

GST rate is at 6%:

Supply by Vision Sdn. Bhd. of 20 units new TV

<i>Consideration</i>	=	<i>Cash + 1 year membership fee</i>
<i>Consideration in cash</i>	=	<i>RM25,000</i>
<i>GST inclusive</i>	=	<i>RM25,000 X 6/106</i>
<i>GST</i>	=	<i>RM1,415.09</i>
<i>Membership fee</i>	=	<i>RM6,000</i>
<i>GST inclusive</i>	=	<i>RM6,000 X 6/106</i>
<i>GST</i>	=	<i>RM339.62</i>
<i>Total GST portion</i>	=	<i>RM1,415.09 + RM339.62</i>
	=	<i>RM1,754.71</i>
<i>Actual value for 20 new TV</i>	=	<i>RM31,000. – RM1,754.71</i>
	=	<i>RM29,245.29</i>

Supply is not for a consideration

(a) Supplies of goods with no consideration

Generally, supply means anything done for a consideration. It implies that if anything is done not for a consideration it is not a supply. However, under certain circumstances, the supply of goods with no consideration is deemed as a supply (refer to paragraph 5 of the First Schedule, GST Act 2014). Similarly, supply of services made for no consideration is deemed as supply of service if the supply is made by a taxable person to a connected person (refer to paragraph 6 of the First Schedule, GST Act 2014).

The value of the supply with no consideration is determined by the open market value of that supply.

$\text{Value of supply} = 100/106 \times \text{OMV of the supply}$
--

Supplies of goods with no consideration which are treated as supplies are:

- (i) gifts of goods where the total cost to the donor is more than RM500;

Example 21:

ABC Sdn. Bhd, bought furniture at a price of RM7,000 for its office. The company then, decides to donate the furniture to a charity organization. The disposal of the furniture is a supply of goods by ABC Sdn. Bhd. In identifying the value of the supply of the furniture, the company needs to apply the open market value of the furniture in the market, at the time of the disposal (giving it to charity). Assuming that the open market value of the supply is RM6,800. The GST portion for the supply is

$$= \text{RM6,800} \times 6/106$$

$$= \text{RM384.91}$$

- (ii) disposal of goods in favor to himself where the business is carried on only by that individual;

Example 22:

N. Masir who is an entertainer, uses the audio video equipment he bought under his business entity for the purpose of his private use. When he bought the equipment, its value was RM3,000 inclusive of GST. Assuming that he used the audio video equipment as a private use six months after he bought the goods, and the price of the goods still remains at RM3,000, N. Masir has to account GST on that open market value.

$$\begin{aligned}
 \text{Audio Video} &= \text{RM3,000} \\
 \text{Equipment (OMV)} & \\
 \text{GST at 6\%} &= \frac{6}{106} \times \text{OMV} \\
 &= \frac{6}{106} \times \text{RM3,000} \\
 &= \text{RM169.81}
 \end{aligned}$$

(b) Change of use of passenger motor cars

In paragraph 5 of the First Schedule, GST Act, the change of use of car by a taxable person in the business of making taxable supply of cars, which results the car is excluded from any tax credit on input, is a supply of goods. This activity is regarded as a supply of car by the taxable person to himself. Since there is no consideration for the supply, the value of the supply is determined by the open market value.

Example 23:

GS Limousine Sdn. Bhd. converted one of its limousines to be a company car. The usage of the car is subject to GST. However GS Limousine Sdn. Bhd. is not allowed to claim tax credit on the input since the car status has changed to the category of passenger car which input tax is disallowed. Since GS Limousine Sdn. Bhd. has previously claimed the input tax, the company has to account the output tax for the taxable supply.

For the purpose of calculating the GST chargeable on the supply of the car in the above example, the value of the car can be categorized into two:

- (i) If the car is registered in Malaysia for a period of less than 6 months. The value should be based on the original transaction value or value declared on the importation whichever is applicable.
- (ii) If the car is registered in Malaysia for a period of more than 6 months, the value should be based on the open market value as determined in Rules in Determining the Open Market Value of this guide.

Example 24:

Melorwangsa Enterprise Sdn. Bhd., a travel agency imported one unit Mercedes Benz C250 CGI for the purpose of "hire and drive car". The company is licensed under Tourism Vehicle Licensing Act, 1999 to provide that service. After three years period, the agency surrendered back the license to the authority and disposed the car to one of the company's directors for his private use.

In determining the OMV, Melorwangsa Enterprise Sdn. Bhd. makes use of the gazetted value for Mercedes Benz C250 CGI in the prevailing Customs (Values of Imported Completely Built-Up Motor Vehicles) (Used) Order as a basis. He then calculates the GST to be accounted for.

Assuming:

$$\begin{aligned} \text{OMV of Mercedes Benz C250 CGI} &= \text{RM176,798} \\ \text{based on value listed in the Order} & \\ \text{with addition of Import \& Excise duty} & \\ \\ \text{GST portion} &= 6/106 \times \text{OMV} \\ &= 6/106 \times \text{RM176,798} \\ &= \text{RM10,007.43} \end{aligned}$$

- (c) Disposal of business assets on hand at the time of deregistration

The disposal of business assets upon deregistration is treated as a supply by virtue of sub paragraph 5 of First schedule of GST Act 2014 and the value of that supply shall be the open market value.

Example 25:

Buy Gone Sdn. Bhd. ceases to be a registered person after its deregistration application is approved by JKDM. An independent auditor informed Buy Gone Sdn. Bhd. that it still has goods which is liable to GST. The value of the goods assessed by the auditor is RM65,000 and GST will be chargeable on this amount.

(d) Supplies of services with no consideration

Supplies of services with no consideration which are treated as supplies are:

- (i) goods held or used for business purpose but put to any private use or used for any purpose other than for the purpose of business.

Example 26:

Company A is in the business of selling furniture. Its director took a set of furniture to furnish his guest house. The personal use of the furniture by the director is deemed as a supply of services by the company to him.

- (ii) goods held or used for business purpose are made available freely to any person for use.

Example 27:

Company A is in the business of supplying lawnmower. It then lent a lawnmower to one of the workers for the purpose of maintaining his garden. The supply of the lawnmower by Company A is a supply of services.

- (iii) supply to a connected person who is not entitled to a credit under section 38 of the GST Act on the supply where the consideration for the supply is less than its open market value

Example 28:

Ahmad is the sole owner of CWY Enterprise which is in the business of renting out air filtering machines. Ahmad rented out two units of the machines to his brother Abu, without imposing any rental charges.

Abu is not registered under GST and therefore, is not entitled to claim input tax on such supply. Since Ahmad

and Abu are connected persons, the supply of the air filtering machines for rental to Abu without consideration is a supply of services.

The open market value will be used to determine the amount of GST that has to be accounted for the supply of services with no consideration.

Example 29:

Urban Construction Sdn. Bhd. purchased a mini excavator for RM100,000 and its taxable cost per year reduces in value by RM10,000 for ten years (the depreciation value).

The company allows one of its employees to use it privately for 60 days.

Since the company has not rented the excavator to anyone previously, the company decides to determine the open market value of the supply by apportionment of taxable cost.

All the taxable costs (including depreciation) for a period, divide by the total number of days of use and multiply that total by the number of days of non-business use.

Assuming that taxable cost per year

<i>Maintenance service</i>	<i>= RM4,500</i>
<i>Depreciation value</i>	<i>= RM10,000</i>
<i>Total</i>	<i>= RM14,500</i>

To calculate value of supply on the letting

$$\begin{aligned} \text{Utilisation time per year} &= (60 / 365) \times 100 \\ &= 16.4\% \end{aligned}$$

$$\text{Value of the supply} = \text{Taxable cost charged to the employee}$$

$$\text{Taxable cost to the employee} = 16.4\% \times \text{RM14,500}$$

	= RM2,378
<i>Value of the supply</i>	= RM2,378
<i>GST due</i>	= RM2,378.00 X 6%
	= RM142.68

Imported Services

44. The value of the supply of imported services is the consideration paid for such supply.

Example 30:

Apple Property Development Sdn. Bhd. (APDSB) had engaged Arch & Co Ltd. (ACL) in Rome for architecture consultant services under a RM2 Million supply of services contract, which is used in their RM400M development project in Rawang. The development project comprises of 40% commercial properties. The value for the supply of services that is eligible for input tax credit:

<i>Value of supply</i>	= Consideration paid
	= RM2,000,000
<i>GST incurred</i>	= RM2,000,000 X 6%
	= RM120,000
<i>Percentage of taxable supply</i>	= 40%
<i>Input tax credit allowable</i>	= 40% X RM120,000
	= RM48,000

TOKEN, STAMP (OTHER THAN POSTAGE STAMP) OR VOUCHER

45. The rule provided by para 3 of the Third Schedule of the GST Act 2014 with regard to supply of voucher is

“Where a right to receive goods or services for a monetary value stated on any token, stamp (other than postage stamp) or voucher is granted for a

consideration, the consideration shall be disregarded except to the extent, if any, it exceeds the monetary value.”

46. Generally, the sale and redemption of vouchers with face value denominated in monetary terms are treated as two separate supplies for GST purposes. The first supply is the sale of the voucher (i.e. the granting of a right to receive goods or services) which is a supply of services. The second supply is the sale of the redeemed goods and services which is subject to 6% GST.

47. To avoid double taxation on the sale and redemption of vouchers, the supply of the voucher is disregarded up to the face value of the voucher. The seller of the voucher does not need to account GST on the voucher sold at or below the face value. If the voucher is sold above the face value, the seller needs to account GST on the amount in excess of the face value upon the sale of that voucher.

Example 31:

<i>The face value of the Voucher</i>	=	<i>RM150</i>
<i>The sale value of the voucher</i>	=	<i>RM200</i>
<i>Disregard value</i>	=	<i>RM150</i>
<i>GST chargeable</i>	=	<i>RM50 X 6%</i>
	=	<i>RM3</i>
<i>Total consideration for the voucher</i>	=	<i>RM203</i>

48. The sale of non-monetary voucher which is redeemable for goods or services is a supply of services. GST should be charged when such voucher is sold. When the non-monetary voucher is redeemed for a goods or services, no GST is due on the redemption. In the event that the supply of goods or services requires additional cash to top up the voucher, the additional cash payment is subjected to GST.

Example 32:

Ali bought a voucher where the holder is entitled for two days one night stay in a hotel. He paid RM140 (inclusive of GST) for the voucher. The normal

price for the hotel stay is RM180 (inclusive of GST) per night. When Ali redeems the voucher, no GST will be charged by the hotel.

Ali decides to redeem the voucher for a suite which is normally priced at RM250 (inclusive of GST). The hotel requires Ali to pay additional RM100 for the upgrading on top of the voucher. The hotel will issue a tax invoice of RM100 (GST inclusive) for the supply of service.

FOREIGN EXCHANGE

49. For transactions involving foreign currencies, any sum relevant for determining value must be converted into Ringgit Malaysia (RM) at the selling rate of exchange prevailing in Malaysia at the time when the supply takes place.

50. In the case of importation of goods, the rate of exchange is determined by the Director General at the time applicable under the Customs Act 1967 for the calculation of customs or excise duties and valuation.

VALUATION OF IMPORTED GOODS

51. The value on the importation of goods is determined by the reference to the rules of valuation applied for the purposes of customs duty i.e. the customs value. The customs value is on CIF basis. The GST value for importation is computed in the following manner:

GST Value = Customs Value + any customs duty paid + any excise duty paid

Example 33:

Ahmad imported fabric from Japan for a customs value of RM4,000. The rate for import duty is 30%. The value on which GST is chargeable is as follows:

<i>Customs Value</i>	<i>=</i>	<i>RM4,000</i>
<i>Import duty 30%</i>	<i>=</i>	<i>(RM4,000 x 30%)</i>

$$\begin{aligned}
 &= \text{RM1,200} \\
 \text{Total value for GST} &= \text{RM4,000} + \text{RM1,200} \\
 &= \text{RM5,200} \\
 \text{GST (6\% X RM5,200)} &= \text{RM312}
 \end{aligned}$$

Example 34:

Ali imported fabric from Japan for a customs value of RM4,000. The rate for import duty is 30%. He is given import duty exemption of 50%. The value on which GST is chargeable is as follows:

$$\begin{aligned}
 \text{Customs Value} &= \text{RM4,000} \\
 \text{Import duty 30\% (exemption 50\%)} &= (\text{RM4,000} \times 30\%) \times 50\% \\
 &= \text{RM600} \\
 \text{Total value for GST} &= \text{RM4,000} + \text{RM600} \\
 &= \text{RM4,600} \\
 \text{GST (6\% X RM4,600)} &= \text{RM276}
 \end{aligned}$$

Example 35:

Ahmad and Ali imported cars from Japan for a customs value of RM40,000. The rate for excise duty is 25%. The rate for import duties is 70%. He is given excise duty exemption of 10%. He is also given import duty exemption of 20%. The value on which GST is chargeable is as follows:

$$\begin{aligned}
 \text{Customs Value} &= \text{RM40,000} \\
 \text{Import duty 70\% (20\% exemption)} &= (\text{RM40,000} \times 70\%) \times 80\% \\
 &= \text{RM22,400} \\
 \text{Excise duty 25\% (10\% exemption)} &= [(\text{RM22,400} + \text{RM40,000}) \times 25\%] \times 90\% \\
 &= \text{RM14,040} \\
 \text{Total value for GST} &= \text{RM40,000} + \text{RM22,400} + \text{RM14,040}
 \end{aligned}$$

$$\begin{aligned} &= \text{RM}76,440 \\ \text{GST (6\% X RM}76,440\text{)} &= \text{RM}4,586.40 \end{aligned}$$

VALUE OF SUPPLY IN RELATION TO LICENSED MANUFACTURING WAREHOUSE (LMW) AND FREE INDUSTRIAL ZONE (FIZ)

52. The value of goods supplied by a person licensed under section 65A of the Customs Act 1967 (LMW) or operating in a free industrial zone under paragraph 10(1)(b) of Free Zones Act 1990 (FIZ) to any person who is not licensed under section 65A of the Customs Act 1967 or to any person who is not operating in a free industrial zone under paragraph 10(1)(b) of Free Zones Act 1990 is the sum of the following amounts:

- (a) the value of the goods for the purpose of customs duty determined in accordance with the Customs Act 1967;
- (b) the amount of customs duty, if any, paid or to be paid on the goods; and
- (c) the amount of excise duty, if any, paid or to be paid on the goods.

53. The value of goods supplied by a person licensed under section 65A of the Customs Act 1967 (LMW) or operating in a free industrial zone under paragraph 10(1)(b) of Free Zones Act 1990 (FIZ) to any person who is licensed under section 65A of the Customs Act 1967 or to any person who is operating in a free industrial zone under paragraph 10(1)(b) of Free Zones Act 1990, the transaction value is treated as the value of supply.

GOODS UNDER WAREHOUSING SCHEME

54. The supply of goods is treated as taking place at the duty point and the value of the supply will include the duty (customs and/or excise duties) where applicable.

Example 36:

Resources Centre Sdn. Bhd. (RCSB) keeps his imported goods in a warehouse approved under section 63 of the Customs Act 1967. One of his local customers has agreed to buy certain goods which is still in the

warehouse at the price of RM10,000 inclusive of GST. The value of the supply is determined as follows. (Prevailing import duty rate is 10% and GST is 6 %)

<i>*Consideration for the supply</i>	=	RM10,000
<i>The effective rate of duty & GST</i>	=	10% + 6% + (6% on 10%)
	=	16.6%
<i>Value for customs purposes</i>	=	$100/116.6 \times RM10,000$
	=	RM8,576.33

The customer needs to declare the following amount in his customs declaration:

<i>Value for customs purposes</i>	=	RM8,576.33
<i>Import duty (10%)</i>	=	RM857.63
<i>Value for GST</i>	=	RM9,433.96
<i>GST: 6% X RM9,433.96</i>	=	RM566.04
<i>Total</i>	=	RM10,000

OTHER RELATED MATTERS

Discounts

55. The following rules apply if business offers discounts to its customers:

(a) Unconditional discounts

If business offers a customer an unconditional discount and the customer pays the discounted amount, then the value is based on the discounted amount.

(b) Discounts for prompt payment

If business offers a discount on condition that the customer pays within a specified time, then the value is based on the discounted amount even if the customer does not take up the offer. But if the terms allow the

customer to pay by instalments, the value is based on the amount the customer actually pays.

Example 37:

A wholesaler company provides 5% discount on the value of the goods if a customer pays within the specified time.

Rani who is a small trader bought goods under credit terms, value at RM60,000. The wholesaler charged Rani RM63,600 (inclusive of tax) and issued a tax invoice. Rani is required to pay the trader in full by 6 equal instalments of RM10,600. Each instalment is due before the last day of the month. When Rani paid on time, the wholesaler issued a credit note of 5% discount. Out of six instalments, Rani paid on time on three of the instalments. Thus, the actual value of supply by the wholesaler to Rani is:

<i>Original value of supply</i>	=	<i>RM60,000</i>
<i>Discount on prompt payment</i>	=	<i>3 X 5% X RM10,000</i>
	=	<i>RM1,500</i>
<i>Actual value of supply</i>	=	<i>Initial value – discount</i>
	=	<i>RM60,000 – RM1,500</i>
	=	<i>RM58,500</i>
<i>Actual GST paid</i>	=	<i>6% X RM58,500</i>
	=	<i>RM3,510</i>

(c) Contingent discounts

If the business offers a discount on condition that something happens later (e.g. on condition that the customer buys more), then the value is based on the full amount paid. If the customer later earns the discount, the value is then reduced and can be adjusted by issuing a credit note.

For further information on discount please refer to Guide on Retailing.

Second-Hand Goods

56. For businesses dealing in the supply of second-hand goods, there is a special scheme which allows business to charge tax on the difference between buying price and selling price, rather than on the full selling price. Use of this scheme is optional and is conditional on meeting the scheme's rules. For further information on this facility, please refer to Guide on Relief for Secondhand Goods (Margin Scheme).

Reimposition of GST on Supply Given Relief

57. Where the condition for the relief granted to any person is not complied, any related tax shall become due and payable.

58. GST will be calculated based on the open market value of the supply at the time when the condition ceased to be fulfilled.

Example 38:

Hospital Suwasta Sdn. Bhd. who is not a registered person, is given relief on the acquisition of laboratory equipments to be used for its cancer lab. One of the conditions imposed is that the equipments are only to be used by Hospital Suwasta Sdn. Bhd. In restructuring of their business, Hospital Suwasta Sdn Bhd sold the equipments to another hospital. The equipments are now under the care of Hospital Specialist Sdn. Bhd. Since Hospital Suwasta Sdn. Bhd. ceased to comply with the condition of the relief, it has to account GST on the transfer of the equipments to Hospital Specialist Sdn. Bhd.

Assuming that at the time of the acquisition:

Consideration for the equipments is = RM520,000.00

Tax relief is (6%) = RM29,433.96.

Assuming at the time of transfer:

OMV of the equipments are = RM360,000.00

GST due is = RM360,000.00 X 6/106

= RM20,377.36.

INQUIRY

1. For any inquiries for this guide please contact:

Sector VII

GST Division

Royal Malaysian Customs Department

Level 3 – 7, Block A, Menara Tulus,

No. 22, Persiaran Perdana, Presint 3,

62100 Putrajaya.

Email: gstsector7@customs.gov.my

FURTHER ASSISTANCE AND INFORMATION ON GST

2. Further information on GST can be obtained from:

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

(b) Customs Call Center:

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

AMENDMENTS

No	Date	Heading / Sub – heading / Paragraph	Descriptions
1.	18.1.2017	Paragraph 14, 15, 19, 24, 35, 42, 43, 43(a), 43(b), 43(c), Example 12, Example 14, Example 17, Example 18, Example 19, Example 22, Example 29 and Example 38.	Reword/ updated formula.

APPENDIX I

GST VALUATION ON MOTOR CAR

1. GST valuation for local assemble car

Example:

Motor car 1300 cc

Open market value for excise duty (HPTE)	=	RM44,320.92
Value for Industrial Linkage Program (ILP)	=	RM32,321.11
Value after less Industrial Linkage Program (ILP)	=	RM11,999.81
Excise duty (75%) on RM11,999.81	=	RM8,999.86
HPTE + Excise duty	=	RM53,320.78 ... (A)
Government approved standard accessories (GASA)	=	(B)
Optional accessories	=	(C)
Other Expenses (e.g. Additional cost and company profit)	=	(D)
Value of supply for GST purpose	=	A + B + C + D
GST	=	6% X (A + B + C + D)

2. GST valuation for imported car

Example:

X brand 1596 cc

Year 2008

Gazetted value (CIF)	=	RM55,000
Import duty (30%)	=	RM16,500
CIF + Import duty	=	RM71,500
Excise duty (75%) on RM71,500.00	=	RM53,625
CIF + Import duty + Excise duty	=	RM125,125 ... (A)
Government approved standard accessories (GASA)	=	(B)
Optional accessories	=	(C)
Other Expenses (eg. HP ownership claims, plate number, etc)	=	(D)
Value of supply for GST purpose	=	A + B + C + D
GST	=	6% X (A + B + C + D)