

17 May 2018

GOODS AND SERVICES TAX (GST) UPDATES

Amendment of GST rate from 6% to 0%

On 16 May 2018, the Malaysian Government issued Goods and Services Tax (Rate of Tax) (Amendment) Order 2018 (P.U. (A) 118) to amend the GST standard rate from 6% to 0% with effect from 1 June 2018. The new 0% GST will apply to the following goods and services:

- a) All taxable supplies of goods and services that are made in Malaysia;
- b) All taxable supplies of goods and services that are imported from outside Malaysia.

As Malaysian GST legislation has not been abolished, all GST-registered businesses are still subjected to all current GST regulations, such as issuance of invoice, submission of GST returns and input tax claims.

The above amendment does not apply to the supply of goods and services listed under the GST (Exempt Supply) Order 2014.

Background

Following the newly elected Malaysian government and as part of the new government manifesto to abolish GST in Malaysia, the Prime Minister of Malaysia has approved the gazette order to amend the GST rate to 0% with effect from 1 June 2018.

In line with the amendment on the GST rate, the following GST revocation orders have been gazette: -

- i) GST (zero-rated supply)(Revocation) order 2018 (P.U. (A) 119)
- ii) GST (Relief)(Revocation) Order 2018 (P.U. (A) 120)
- iii) GST (Imposition of tax for supplies in respect of free zones)(Revocation) Order 2018 (P.U. (A) 121)
- iv) GST (Application to government)(Revocation) Order 2018 (P.U. (A) 122)
- v) GST (Imposition of tax for supplies under respect of designated areas)(Revocation) Order 2018

It is widely believed that this amendment to the GST rate is a temporary measure and there will be further announcements from the government on this matter.

Key notes

1. Although the GST rate has been reduced to 0%, every GST registered person must ensure they are compliant with the Malaysian GST regime. This would include: -
 - a. Submission of GST return within the stipulated deadline
 - b. Issue Tax Invoices
 - c. To update the Royal Customs Malaysia on any changes of the tax payers within 30 days

FAQs

- I. Should we de-register for GST since the rate is now 0%?
No, you should remain registered until further instruction. However, if you have ceased to make taxable supply, you may apply for GST deregistration.
- II. Do you need to register for GST if your turnover exceeds RM500,000?
Yes, every person who makes a taxable supply of more than the mandatory GST registration threshold is required to register for GST until further notice.
- III. As a registered person, do you need to issue tax invoice for your taxable supply?
Yes, every registered person making a taxable supply is required to issue a tax invoice for its taxable supply
- IV. Can you claim input tax for tax invoices received for supply received prior to 1 June 2018 which was posted after 1 June 2018?
Yes, you are entitled to input tax claim as long as you are making a taxable supply. Although the GST rate has been amended to 0% with effect from 1 June 2018, every taxable person making a taxable supply is entitled to claim input tax. However, any tax invoice issued after 1 June 2018 by your GST registered supplier should be GST 0% and therefore no input tax can be claimed.

Should you need any assistance or clarification on this subject matter, please feel free to contact Boardroom's tax team at (603) 7661 8588.



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