

PR3-2017 Summary of Example – Gift Rule

Example No.	Type of Gift	Gift Rule Applied	Reason & Principle
1	Gift less than RM500 to the same employee of the year.	No	Because the cost of the gift is less than RM500 then no output tax need to be accounted on the gift.
2	Gift more than RM500 to an employee.	Yes	Because the cost of the gift is more than RM500 and the employer need to account the output tax.
3	Gift less than RM500 to existing or potential clients.	No	Because its less than RM500 and is not subjected to GST.
4	Gift more than RM500 to clients	Yes	Because the gift is more than RM500 then there is subject to GST.
5	Gift where no proof of purchase. Also accumulative gift	Yes	Because the value of gifts will be determined based on the open market value.
6	Gift in form of Cash, Voucher and check are neither supply of goods nor services.	No	Because money is out of scope so then the employer not have to account for the output tax on the gift.
7 & 8	Gift of sample	No	Because the gift is in term of sample so the employer no need to account the output tax.
9 & 10	Transfer sole proprietor's good to himself (disposal)	Yes	Because the disposal is considered as a supply under GST and the employer need to accounted the output tax based on the Open Market Value. And they also need to apply as deemed supply.

Summary of Example – Gift Rule

Example No.	Type of Gift	Gift Rule Applied	Reason & Principle
11	Acquisition of gifts from a non-taxable person.	No	Because its does not involve any input tax and the gift are not a supply and also not subject to the GST.
12	Acquisition of gifts from an exempt supply.	No	Because is an exempt supply then the employer no need to accounted the output tax for the supply of the gift.
13	Gifts as acquire free and give it free.	No	Because is a free, then no out put tax need to be accounted.
14	Input tax not claimed on the acquisition of gifts.	Yes	Because the gift is more than RM500 , even the company not claims the input tax incurred, the company still need to account the output tax.
15	Disallowances of input tax on the acquisition of gifts.	No	Because is not a supply. No need to account for the output tax on the gift.

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Gift Rule

Source	Input Tax Credit	Gift Rule	Treatment	Reference
Purchase from GST Registrant	Claim	Yes. Threshold > 500	Output Tax	DG 5/2015 (5) 30/04/2015 PR3-2017 Example 4,5,14
	Not Claim			
Purchase from non GST Registrant	No Input Tax Credit	No. As gift	No	DG 2/2014 (4)(iii) PR3-2017 Example 11
Get Free	No Input Tax Credit	No. As gift	Give Free	DG 1/2015 (2) PR3-2017 Example 13
		Yes. Ordinary Supply	Account for Output Tax via Tax Invoice	Time of Supply is Tax Invoice
Accumulative Gifts	Claim or not claim	RM500 threshold	Output Tax on the taxable period	Amendment 1/2015 (4) PR3-2017 Example 5
Purchase from GST Registrant	Zero Rated, Exempted and Block	No gift rule	No	Guide on Employee Benefits 20170123-Paragraph 9 PR 3-2017 Example 12,15

Tax Year = Financial Year (DG 2/2014 Item 4)

Item	GST Tax Code Option	Reference
Account for GST for gift rule		
Dr GST Expense	DS or blank	Deemed Supply
Cr Output Tax	DS	Deemed Supply

* Updated 2017/12/04 PR3-2017

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