

Question and Answer#1...

GST Accounting – Recording Local Tax Invoice in USD

Your story:

We have a local supplier who bill us in foreign currency [USD]. According to the requirement of the GST laws, the tax invoice issued by the supplier has stated the value of tax invoice in USD as well as MYR. However, we note that the rate of foreign exchange used by the supplier is not the same as of Bank Negara rate or published rate that we adapt. In this case, we claim for GST Input, which foreign exchange rate should we use? (The rate as stated by the supplier in the invoice or our own rate adapted from the published rate)?

Answer as follow:

It depends on what accounting software that you used. Each software has different logic to proceed the recording. You may taxable amount and GST amount as separate items or override for GST reporting.

As for the accounting record, I have the following scenario and you may refer it if you think it is fit your case

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Answer as follow:

As for the accounting record, I have the following scenario and you may refer it if you think it is fit your case

Tax Invoice	USD	MYR @ 4.00
Supply	100.00	400.00
6% GST	6.00	24.00
Total	106.00	424.00

I assume that your company forex rate is 4.10 which is different from the supplier's exchange rate. I will use a GST clearing account to record this transaction.

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Question and Answer#1...

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Accounting Treatment	Accounts Code	Dr (MYR)	Cr (MYR)	Tax Code	Remarks
Recording based on tax invoice's detail	Purchase / GST Clearing Accounts	400.00		TX	You have foreign currency module to keep at USD100.00
	Input Tax	24.00		TX	Claim input tax credit exactly as tax invoice in MYR
	Purchase / GST Clearing Creditor		400.00 24.00	Blank Blank	Contra in GST Clearing
Recording based on tax invoice's detail but with your exchange rate @ 4.10 Payment @ 4.20 1. USD100.00 2. USD 6.00	Purchase / Cost of Sales Creditor	410.00		OP	Actual purchase
	Creditor		410.00		
	Creditor	410.00			
	Loss in exchange	10.00		ES43	Disclose in Item 12
	Bank		420.00		
	Creditor	24.00			
	Loss in exchange	1.20		ES43	Disclose in Item 12
	Bank		25.20		
Issues from the foreign currency tax invoice	1. Recording of TX and OP in Purchase Structure of GAF 1. Break creditor transactions into 2 items				

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Question and Answer#2...

Software related questions

Your story:

1. Is software considered goods or services?
2. Is software license considered services?
3. If local company purchase software license for intercompany located at Taiwan but charge the cost to USA parent company, is that reimbursement? Is that export services with GST 6%

Answer as follow:

- Software is digital service. It is a license to use digital product.
- For a local company purchase software license on behalf of intercompany located in Taiwan but charge to US parent company, the following is my facts, despite different GST consultant has different view.
 - Refer to Item 12 – US parent company has contractual relationship to you
 - Refer to Item 12 - When you recover the software license, the parent company is non registrant and located outside Malaysia
 - Refer to Item 12 – Software license will directly benefit to Taiwan inter-company
 - If the software house is Malaysian GST registrant, then you shall receive a tax invoice to your company name and address. You entitle for input tax credit
 - When you recover the software license cost from US parent company, based on the above, it is zero-rated. As it is not your business nature to provide software license, therefore I will not classify as exportation of service but I will classify as Out of Scope Supply.

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Question and Answer#3...

Free of Charge Sample for Checking

Your story:

Free of charge sample to vendor for checking is required to file under GST-03? For this case, no accounting record in system because no value. The value created in system is for shipment purpose.

Answer as follow:

Free of Charge sample – Will this become part of stock written off? As for GST purpose, you just need to prepare schedule of authorization for the disposal of business goods as free sample. However, if the sample is sent overseas for checking and subsequently return into Malaysia, you may need to pay GST on importation. You may explore those goods which can get relief for sending out to overseas and subsequently send back to Malaysia. It may qualify as relief from payment of tax.

Shipment within Malaysia has no impact as the goods never changes hand. But it must label clearly "not for sales"

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Question and Answer#4...

International Service and MSIC

Your story:

International Services: how will it be declared under MSIC? Should it be combined or declared separately?

Answer as follow:

All ad-hoc and incidental supply – I will suggest that you group together with primary MSIC. MSIC is used to disclose your primary business activities.

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Question and Answer#5...

Management Fee

Your story:

Management fee: check if it's combined under "kod perniagaan" or is it split?

Answer as follow:

Management fee – For the time being, I will refer to how you trace in “kod perniagaan” in your tax computation. It is the same purpose. In income tax, if your business source of income is comprised of management fee and manufacturing, then you may have two “kod perniagaan”. However, if you have only one “kod perniagaan” in income tax filing, it means that you have single source of business income. As such, you shall use 1 MSIC.

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Question and Answer#6...

Imported Services

Your story:

Tax code assignment for imported services?

Answer as follow:

As it is imported services, the tax code shall assign as below:

Dr Input Tax (TX)

Cr Output Tax (DS)

You have to disclose the taxable amount in MYR by converting the foreign currencies into MYR at the earlier of invoice or payment.

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Question and Answer#7...

Commercial Properties held by Company

Your story:

Shall the individual holding commercial ruling apply to company?

Answer as follow:

Individual who holds more than 2 commercial properties or more than 1 acre of commercial land will be deemed to carry a business and therefore shall register for GST.

A business (company, enterprise and others) is considered to run a business when it sets up. As such, it shall follow the ordinary rule to determine the status of registration by:

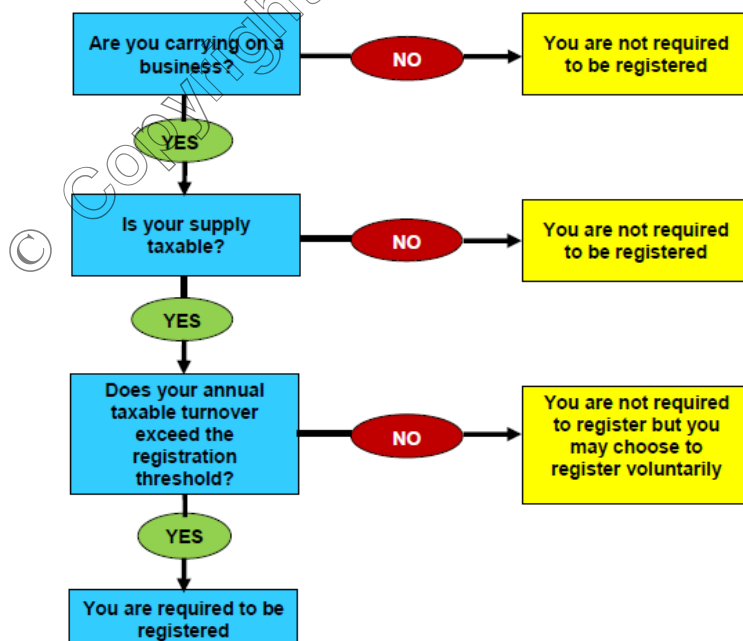
1. The taxable threshold of the business
2. Excluding the potential disposal of capital assets (commercial building and land)

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Commercial Properties held by Company

Diagram 1: Flowchart to determine requirement for GST registration



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Question and Answer#6...

Commercial Properties held by Company

GUIDE ON REGISTRATION
As at 24 FEBRUARY 2016

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.

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Question and Answer#7...

Incidental Exempt Financial Supplies

Your story:

Incidental Exempt Financial Supplies

Answer as follow:

Incidental Exempt Financial Supplies shall use tax code ES43 to disclose in Item 12 – Exempt Supply in GST-03

It consists of the common:

1. Interest income from financial institution
2. Net Gain from realized gain and loss in exchange

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Question and Answer#8...

Selling books by Musical School

Your story:

Is selling books by musical school qualifying zero rated?

Answer as follow:

Books are classified as zero rated item. Even though it is not the author or publisher, you sell books shall qualify for zero rated. For example, MPH sells many books that not published by MPH.

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