



Malaysian Dutch Business Council (MDBC)

3 April 2017

Goods and Services Tax

Changes in Finance Act 2017

Effective 01 January 2017

- Definition of “Free Zone” – Defined under the Free Zones Act 1990 - means Free Commercial Zone or Free Industrial Zone
- Time of Supply for “Imported Services” – Earlier of date of receipt of invoice from the overseas supplier or the date of payment by the recipient
- GST Registration – Excluded Supplies – Addition of supplies made within or between free zones
- Penalty – Slab Rates: On the portion of tax unpaid

No. of Days	Percentage
First 30 days	10%
Next 30 days	15%
Next 30 days	15%

- Late payment penalty –

- Companies reported being issued late payment notices. Automatic imposition of penalties
- Some as little as 2 days late, customs not showing leniency
- RMCD advice – pay early, preferably not later than one week before due date.
- Companies need to have controls in place to avoid penalties

- Warehousing Scheme –

- Deletion of the sentence which said GST is applicable on supplies of goods which are removed before the duty point
- Removal of goods from a warehouse to Malaysia (PCA or LMW) is subject to import GST
- Removal of goods from a warehouse to a free zone or for export or to a designated area or to another warehouse – no GST is payable

- Designated Area – GST is suspended on removal of goods from a designated area through Malaysia
 - to another designated area; or
 - to a free zone; or
 - to a warehouse under the Warehousing Scheme
- Definition of “Manufacture” – It is as defined under Section 2 of the Free Zones Act 1990

- Free Zone – GST is suspended on removal of goods from a free zone through Malaysia
 - to a designated area; or
 - to another free zone; or
 - to a warehouse under the Warehousing Scheme
- No GST is applicable on goods imported into a free zone except for goods used or consumed in the free zone, except for commercial, manufacturing or retail trade activities
- No GST is applicable on supply of goods within or between free zones

- Free Zone – No GST is applicable on supply of goods within or between free zones
 - New tax code in the accounting software guide
 - NTX – Supplies with no tax chargeable (such as supplies within free zones)

- Amendment to Second Schedule of the GST Act

Previously, GST relief was granted for supply of land by the developer or land owner to the Government for the purposes of providing public amenities and public utilities whether for no consideration or at nominal value – Currently, it is considered as neither a supply of goods nor a supply of services

- Renewal of Approved Traders Scheme
 - Approval first time - relatively easy to obtain
 - Current renewal – a lot more difficult to renew

- Conclusion

- Keep track of changes in law, revised guides etc
- Ensure staff continually trained to be kept updated on changes. Staff turnover?
- Have proper systems in place
- Watch for submission deadlines
- If unsure, can get private ruling
- If not happy with decision, can appeal