

## **FREQUENTLY ASKED QUESTIONS (FAQs)**

### **Transitional GST at Standard Rate (0%) to Sales Tax**

1. **Q : KG Sdn Bhd has removed goods to its buyer on 25 August 2018. However, KG Sdn Bhd only issued the invoice on 13 September 2018 and subsequently received the full payment on 19 September 2018. What is the tax treatment?**

A : KG Sdn Bhd shall charge GST at standard rate of 0% on the value of goods which was removed on 25 August 2018.

2. **Q : Noris Sdn Bhd has issued an invoice on 22 August 2018 and received full payment on 25 August 2018. However, the goods were only removed to the buyer on 4 September 2018. What is the tax treatment?**

A : Noris Sdn Bhd shall charge sales tax at 10% on the value of the goods which was removed on 4 September 2018.

3. **Q : VD Enterprise has issued an invoice on 23 August 2018 and received half of the payment for the goods on 25 August 2018. However, the balance of the payment was only received when the goods were removed to the buyer on 4 September 2018. What is the tax treatment?**

A : VD Enterprise shall charge sales tax at 10% on the value of the goods which was removed on 4 September 2018.

4. **Q : EM Manufacture Sdn Bhd is a company appointed by S2 Manufacture (M) Sdn Bhd to do subcontract work from 15 August 2018 until 15 November 2018 on the semi-finished goods manufactured by S2 Manufacture (M) Sdn Bhd. However, EM Manufacture Sdn Bhd only managed to complete part of the work by 31 August 2018. On 15 November 2018, EM Manufacture Sdn Bhd managed to resolve the overall**

**balance of work and issued an invoice for the work performed. What is the tax treatment?**

- A EM Manufacture Sdn Bhd shall charge GST at a standard rate of 0% on the value of work performed made until 31 August 2018. Meanwhile, the balance of the value of the work performed which was completed on 15 November 2018 shall be charged with sales tax at 10%.

## **Manufacturing**

5. **Q : I am a manufacturer who operates and has a principal company in special areas (SA). However, I appointed a subcontractor who is located in the Principal Customs Area (PCA) to complete my semi-finished goods. What is the tax treatment for the work performed by the subcontractor?**

- A : If the subcontractor is a registered manufacturer under the Sales Tax Act 2018, the work performed by the subcontractor is subject to sales tax but it is exempted under item 11 of the Sales Tax (Person Exempted from Payment of Sales Tax) Order 2018 when the goods are returned to the principal company in SA.

6. **Q : I am a registered manufacturer who performs subcontract work. What is the value chargeable of sales tax for the returned goods?**

- A : Based on subsection 9(3) of the Sales Tax Act 2018, when any registered manufacturer receives taxable goods from any person to be manufactured and subsequently returns the goods so manufactured to such person, the sale value of the goods so manufactured shall, subject to approval from the DG, be the amount that the manufacturer charges for on work performed by him.

7. **Q : I am a manufacturer who operates and has a principal company in special areas. However, I appointed an auditor whose principal company is located in the Principal Customs Area (PCA) to perform its service to my company. What is the tax treatment for the service performed by the auditor's company?**

A : The service performed by the auditor is subject to service tax as his principal company is located in the PCA.

8. **Q : I am a registered manufacturer and have a canteen provided for our employees at the factory. However, the canteen does not belong to our company. What is the tax treatment?**

A : The operator of the canteen is liable to be registered if his sales value exceeds RM1,000,000.

9. **Q : If I am a registered manufacturer and provides management service / shared services, what is the tax treatment for the services performed?**

A : Preparations of all types of management services and other charges related to the preparation including management or project coordination are subject to service tax as stated under Group G First Schedule of the Service Tax Regulations 2018.

10. **Q : Registered manufacturer provides consultancy / design / engineering services. What is the tax treatment for the services performed by the registered manufacturer?**

A : Preparation of consultancy / design / engineering services and other services related to it is subject to service tax as stated under Group G First Schedule of the Service Tax Regulations 2018.

11. **Q : Registered manufacturer provides repair services, testing services and also research and development (R&D) services. What is the tax treatment for the services performed by the registered manufacturer?**

A : Services such as repair, testing, or research and development are not part of the prescribed services under the Service Tax Act 2018. Therefore, the services are not chargeable of service tax.

12. **Q : Transportation charged by the manufacturer to his customer on delivery of goods. What is the tax treatment for the services performed by the registered manufacturer?**

A : Transportation service for delivery of goods by the manufacturer to his customer is not part of the prescribed services under the Service Tax Act 2018. Therefore, the service is not chargeable of service tax.

13. **Q : Customs declaration on importation and exportation charged by the customs agent to the manufacturer. What is the tax treatment for the services performed by the registered manufacturer?**

A : If the customs declaration performed by an operator whose principal is in the Special Areas i.e. warehouse, the customs declaration is not subject to service tax. However, if the operator's principal is located in the PCA thus the customs declaration is subject to service tax.

14. **Q : Warehouse rental or storage charged by the warehouse operator to the manufacturer. What is the tax treatment for the services performed by the registered manufacturer?**

A : The warehouse rental or storage charged by the warehouse operator to the manufacturer is not part of the prescribed services under the Service Tax Act 2018. Therefore, the service is not chargeable of service tax.