



ROYAL MALAYSIAN CUSTOMS

GOODS AND SERVICES TAX

GUIDE ON RETAILING

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INTRODUCTION

1. This industry guide is prepared to assist businesses in understanding matters with regards to GST treatment on the retail industry.

Overview of Goods and Services Tax (GST)

2. Goods and Services Tax (GST) is a multi-stage tax on domestic consumption. GST is charged on all taxable supplies of goods and services in Malaysia except those specifically exempted. GST is also charged on importation of goods and services into Malaysia.

3. Payment of tax is made in stages by the intermediaries in the production and distribution process. Although the tax would be paid throughout the production and distribution chain, it is ultimately passed on to the final consumer. Therefore, the tax itself is not a cost to the intermediaries and does not appear as an expense item in their financial statements.

4. In Malaysia, a person who is registered under the Goods and Services Tax Act 20XX is known as “registered person”. A registered person is required to charge GST on his taxable supply of goods and services made to his customers. He is allowed to claim any GST incurred on his purchases which are inputs to his business. Thus, this mechanism would avoid double taxation and only the value added at each stage is taxed.

GENERAL OPERATIONS OF THE INDUSTRY

5. Any retailer who makes taxable supplies (i.e. standard and zero rated supplies) where the sales turnover in a year has exceeded RM500,000.00 is liable to be registered as a registered person. However, any retailer whose sales turnover does not reach the threshold of RM500,000.00 can choose to be registered voluntarily.

6. When goods and services are supplied by registered retailers, GST is charged and collected by the registered retailers. The GST charged is called an **output tax**. A non-registered retailer cannot charge GST on the supplies made by him.

Example 1:

GST charged on standard rated supplies

Assuming the value of goods or services supplied is RM100.00 and GST chargeable is 6%.

Value	:	RM 100.00
6% GST charged (6% X RM100.00)	:	<u>RM 6.00</u> (output tax)
Total (price inclusive of 6% GST)	:	RM 106.00

7. A registered retailer is required to issue a tax invoice in respect of every taxable supply of goods or services made by him. A tax invoice is required to be issued within twenty one days from the date when the supply has taken place. If no tax invoice is issued within twenty one days, the date when the supply has taken place will be the date of the time of supply. For more information on tax invoice, please refer to *GST Guide on Tax Invoice and Record Keeping*.

8. A registered retailer may issue a simplified tax invoice to a customer instead of full tax invoice. If the customer requests for his name and address to be included in that tax invoice, the retailer is required to issue such tax invoice for the supply made.

9. A tax invoice is not required to be issued for a zero rated supply or for an exempt supply. If a registered retailer makes mixed supplies (i.e. both standard rated and exempt supplies), a tax invoice is required to be issued. The tax invoice issued must show the GST chargeable for the standard rated supplies and where involving exempt supply to clearly state on the invoice no GST is chargeable for the zero rated and exempt supplies.

10. When a registered retailer acquires taxable supplies from another registered person in the course or furtherance of his business, the registered person will charge GST to him. The GST paid by the registered retailer on acquisition is known as **input tax** which he is entitled to claim back. A non-registered retailer is not entitled to an input tax.

Example 2:

GST incurred on standard rated supplies

Assuming the price of goods supplied to the registered retailer is RM106.00 inclusive of 6% GST.

Price (inclusive of 6% GST) : RM 106.00

The GST incurred : RM6.00

(RM106.00 X 6%/106%).

11. To claim the input tax incurred on acquisition, the registered retailer must hold a tax invoice or import documents under his name for those acquisition.
12. Without a tax invoice, the registered retailer is not entitled to claim the input tax even though the goods have been received or payment has been made. If the registered retailer holds a simplified tax invoice, the registered retailer is only allowed to claim input tax to the amount of not more than RM30.00 for each simplified tax invoice.
13. The registered retailer is responsible to account both input tax and output tax in his tax return (GST 03) for the taxable period when the transaction took place.
14. In making the input tax claim, the registered person will in his tax return deduct the input tax paid from the output tax charged. If the aggregate of output tax is greater than the aggregate of input tax in that taxable period and the net tax is to be paid to the government. If the aggregate of input tax is greater than the aggregate of output tax, then the government will refund the difference to the registered retailer.
15. If a supplier has wrongly invoiced or the goods supplied is returned back, the registered retailer must request for a debit or credit note from the supplier and make the necessary adjustments in his GST return (GST 03) for the relevant taxable period.

PRICING

16. Since the registered retailer is entitled to claim the input tax, GST is not a cost to the registered retailer and therefore, the cost of goods or services before charging GST should not include the GST incurred on the input.

17. The portion of GST incurred (claimed as input tax) has to be deducted from the price of goods supplied to the registered retailer before the registered retailer marks up (value add) to the cost of sale. This is important because the registered retailer has claimed the amount of GST on acquisition of the goods and that the GST on input is not a cost to him.

Example 3:

Assuming the GST inclusive price of goods supplied to the registered retailer is RM106.00 and at the point of sale, the registered retailer marks up 20% on the cost of goods.

Price of goods (inclusive of GST) supplied to registered retailer: RM106.00

6% GST inclusive (Input tax incurred) : (RM 6.00)
(RM106.00 X 6%/106%)

Actual cost : **RM100.00**

20% Mark-up on Actual cost : RM 20.00
(RM20% X RM100.00)

Value (cost) at the point of sale : RM120.00

6% GST Charged : RM 7.20

Price at the point of sale : **RM127.20**

TIME OF SUPPLY

18. (a) Generally, the basic tax point with regard to the time of supply of goods is:-
- (i) at the time of removal of the goods if the goods is to be removed;
or
 - (ii) at the time when the goods are made available to the person to whom the goods are supplied if the goods are not to be removed.
- (b) In the case of consignment goods, the basic tax point with regard to the time of supply is at the time when it becomes certain that the taxable supply has taken place or twelve months after the removal of goods, whichever is the earlier.

- (c) The basic tax point with regard to the time of supply of services shall be at the time when the services are performed.

OPEN MARKET VALUE (OMV)

19. The open market value of goods or services is the value in money for a supply of similar goods or services offered freely and made between persons who are not connected persons. The open market value means the value which includes any tax charged and levied on the supply of goods or services.

CONSIDERATION

20. Consideration is something that is given by a person or other person in exchange for a supply of goods or services to a person. The coverage of consideration is wide and may include payment in cash, loyalty points, coupons, vouchers, goods or services. For a consideration not in money whether wholly or partly, the value of supply is taken to be the open market value of that part of the consideration which is not in money. For more information, please refer to *GST Guide on Supply and GST Guide on Valuation*.

TAXABLE PERIOD

21. The taxable period will be assigned to one of the following categories at the time when the GST registration is approved:-

- (a) period of one month ending on the last day of any month of any calendar year;
- (b) period of three months ending on the last day of any month of any calendar year; or
- (c) other period approved by Director General of Customs

GST TREATMENT FOR THE INDUSTRY

CONSIGNMENT SALES

22. Consignment sale is a trading arrangement in which a consignor sends goods (consignment goods) to a consignee who pays the consignor only when the goods are sold. The basic tax point for consignment goods is the date of sales statement issued by the consignee or twelve months after delivery date of the goods whichever is the earlier.

23. If the consignor issues a tax invoice within 21 day from basic tax point, then time of supply becomes the date of tax invoice issued. However if tax invoice issued after 21 days period, then the time of supply is the basic tax point.

Example 4:

A registered shoes manufacturer, 'A' appoints the shoes store, 'B' to sell the various types of shoes which he manufactures. According to the agreement, the shipment of shoes will be sent from 'A' to 'B' on consignment basis. On 5 April 2015, 'A' sent 300 pairs of shoes to 'B' and until 11 April 2015 a total of 50 pairs of shoes were sold by 'B'. The illustration of time of supply for consignment goods sent by 'A' is shown as follows:

Figure 1: Illustration of time of supply for consignment goods if 'B' issued sales statement to 'A'

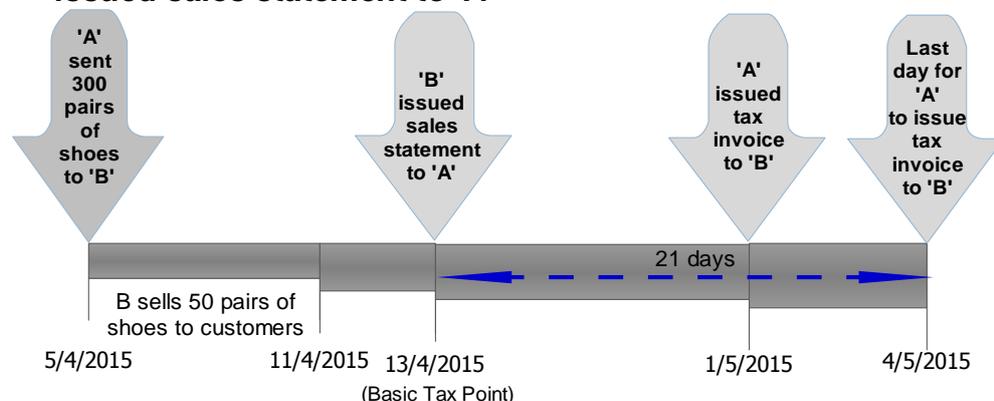


Table 1: Time of supply for consignment goods if 'B' issued a sales statement to 'A'

<u>Date</u>	<u>Event</u>
5 April 2015 (delivery date)	Registered shoes manufacturer, 'A' consigns 300 pairs of shoes to shoes store, 'B'.
5 April 2015 to 11 April 2015.	'B' sells 50 pairs of shoes.
13 April 2015	'B' issues a sales statement dated 13 April 2015 to 'A' for the sales made during the period of 5 April 2015 up to 11 April 2015. The basic tax point is 13 April 2015. The time of supply is the date of tax invoice if 'A' issues a tax invoice within 21 days from 13 April 2015.
1 May 2015	'A' issues a tax invoice to B'. The time of supply is 1 May 2015. However if 'A' issues the tax invoice after 4 May 2015, then the time of supply is 13 April 2015.

Figure 2: Illustration of time of supply for consignment goods if 'B' does not issue any sales statement to 'A' within twelve months after the delivery date.

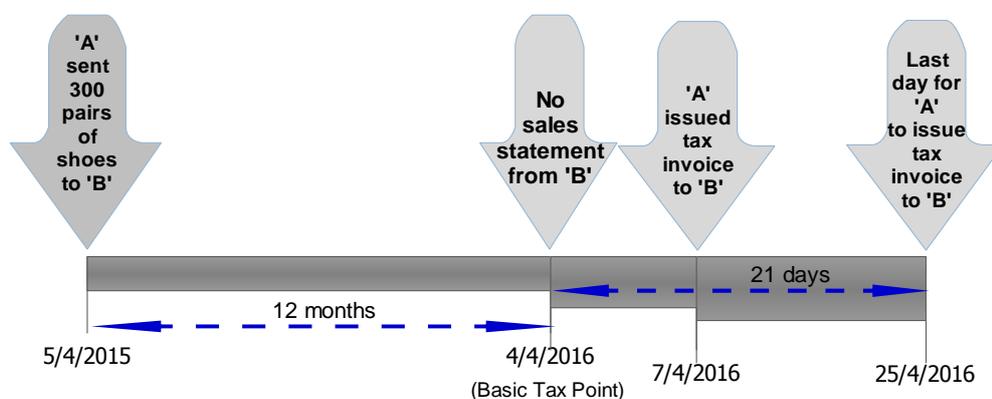


Table 2: Illustration of time of supply for consignment goods if 'B' does not issue any sales statement to 'A' within twelve months after the delivery date.

<u>Date</u>	<u>Event</u>
5 April 2015 (delivery date)	Registered shoes manufacturer, 'A' consigns 300 pairs of shoes to shoes store, 'B'.
5 April 2016	'B' does not issue any sales statement to 'A' until 5 April

	2016 (12 months after the delivery date of goods to 'B'). The basic tax point is 5 April 2016. The time of supply is the date of tax invoice if 'A' issues a tax invoice within 21 days from 5 April 2016.
7 April 2016	'A' issues a tax invoice to 'B'. The time of supply is 7 April 2016. However if 'A' issues the tax invoice after 25 April 2016, then the time of supply is 5 April 2016.

TRADE-IN GOODS

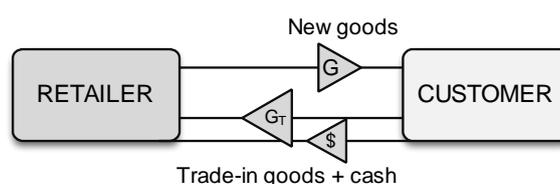
24. When a transaction involves trade-in goods, the consideration for the supply is not wholly in money. In such a supply, the consideration of supply is the aggregate of:-

- (i) the amount in money as part of the consideration in money; and
- (ii) the open market value of the trade-in goods as part of the consideration not in money.

Example 5:

A registered retailer sells to a customer a new television, for RM1,908.00 inclusive of GST. In exchange for the new television, the customer trades-in an old television where the open market value (OMV) is RM1,060.00 and the balance is paid by cash.

Figure 3: Flow of trade in goods



Scenario 1: Customer is a non-registered person;

Retailer

Price (inclusive of GST) of new television	:	RM1,908.00
Consideration		
Cash	:	RM 848.00
Trade-in old television	:	<u>RM1,060.00</u>
Total Consideration	:	RM1,908.00

6% GST inclusive : RM 108.00
(RM1,908.00 X 6%/106%)

The retailer accounts for output tax amounting to **RM108.00.**

Scenario 2: Customer is a registered person.

Customer

Consideration received by customer = New television

Open Market Value of new television : RM1,908.00

6% GST inclusive : RM 108.00
(RM1,908.00 X 6%/106%)

Both registered retailer and the customer have to account for output tax as follows:-

Retailer – RM 108.00

Customer – RM 108.00

Both the registered retailer and the customer are entitled to claim the GST incurred as input tax if the goods acquired is used for making taxable supplies.

HIRE-PURCHASE

25. Under a hire-purchase transaction, the purchase of goods involves a hirer (buyer), a goods dealer and a financial institution which provides loan for the financing of the goods. For GST purposes, there are two supplies under a hire-purchase transaction. The goods dealer is treated as making a supply of goods and the financial institution is treated as making a supply of credit (*financing*) to the hirer. The buyer then pays to the financial institution on installment basis. For further information on the GST treatment, please refer to the **Guide on Hire Purchase and Credit Sales.**

CREDIT SALES

26. Credit sales may involve two types of transactions:

- (i) the supplier makes both the supply of goods and supply of credit when the goods are sold; or
- (ii) the supplier makes the supply of goods and the financial institution makes the supply of credit.

For further information on the GST treatment, please refer to the ***Guide on Hire Purchase and Credit Sales***.

REPOSSESSION OF GOODS

27. Repossession of goods generally refers to a situation the reposessor (financial institution) is taking back the goods which have been used as a collateral, rented or leased in a transaction from the hirer (buyer). When the reposessor supplies the goods, he is deemed to have supplied the goods on behalf of the hirer. The reposessor charges GST on the supply of goods if the hirer is a taxable person. The GST charged has to be accounted by the reposessor even though he is not a taxable person. However, the hirer whose goods have been repossessed does not have to account for GST on the supply made by the reposessor.

28. The treatment of GST on goods that are repossessed depends on the status of hirer and the form to be used depends on the status of reposessor. The table below illustrates the GST treatment and forms to be used:-

Table 3: GST treatment for repossession of goods and forms to be used

<u>SCENARIO</u>	<u>STATUS OF HIRER</u>	<u>REPOSSOR</u>	<u>OUTPUT TAX</u>	<u>PAYMENT FORM</u>
1	taxable person	registered person	chargeable	GST-03
2	taxable person	non-registered person	chargeable	GST-04

3	non-taxable person	registered person	not chargeable	-
4	non-taxable person	non-registered person	not chargeable	-

RETURNED GOODS

29. A customer may return goods to a retailer if he is not satisfied with the goods or the goods are damaged. If a tax invoice has been issued for the returned goods, the retailer has to issue a credit note when he makes the refund including the GST portion paid by the customer.

Example 6:

A customer purchases 100 units of canned sardines at the price of RM4.24 (inclusive of GST) per can from a registered retailer. The retailer issued a tax invoice for the purchase.

Price of goods (100 X RM4.24)	: RM424.00
6% GST inclusive (RM424.00 X 6%/106%)	: <u>RM 24.00</u>

*The retailer accounts for output tax amounting to **RM24.00**.*

However, after ten days the customer returns 20 cans of sardines to the retailer due to defective quality and demands for a refund. The retailer then issues a credit note as follows:

Price of goods (20 X RM4.24)	: RM 84.80
6% GST inclusive (RM84.80 X 6%/106%)	: <u>RM 4.80</u>

The retailer reduces his output tax amounting to RM4.80 for the defective cans of sardines. On the other hand, if the customer is a registered person, he has to reduce his input tax for the same amount.

30. In the event where any returned goods are subsequently sold, normal rules of GST will apply. If the supply of goods is a standard rated supply, the retailer has to charge GST on such goods. If the supply of goods is a zero rated supply, no GST will be charged on the supply.

RECOMMENDED RETAIL PRICE (RRP) GOODS

31. Generally, recommended retail price is the price which a manufacturer recommends to the retailer to sell the manufacturer's products to the retailer's customers. Examples of recommended retail price goods are bread, cigarettes, newspaper and electrical products. For the purposes of GST, there is no special treatment on the supply of recommended retail price goods. Normal GST rules will apply to such goods.

Example 7:

Figure 4: Illustration of supply for recommended retail price (RRP) bread.

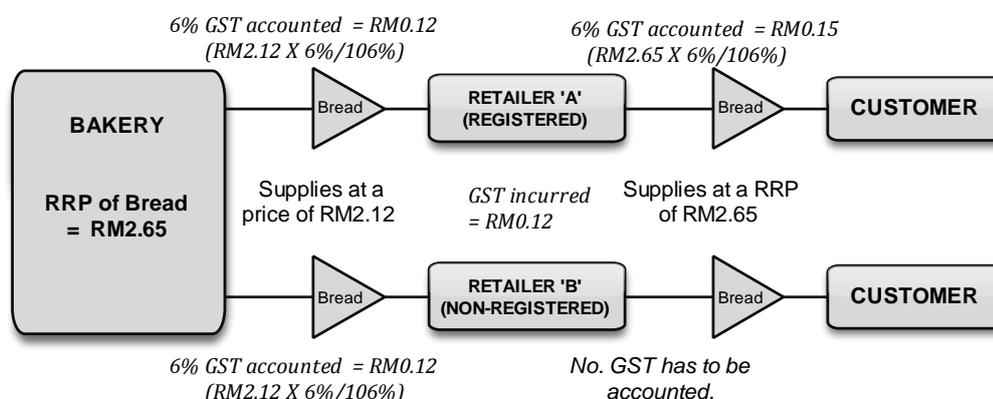


Table 4: GST treatment for recommended retail price bread.

Event	Description of event
1	<p>The registered bakery supplies a loaf bread to retailers 'A' and 'B' at a price of RM2.12 inclusive of GST. The bakery has to account for output tax amounting to RM0.12 on each supply made to retailers 'A' and 'B'.</p> <p>The registered retailers 'A' and 'B' incurred GST on the purchase of bread from the bakery. The registered retailer 'A' entitled to an input tax amounting to RM0.12 but non-registered retailer 'B' is not entitled to an</p>

	<i>input tax.</i>
2	<p><i>The registered retailer 'A' supplies bread to a customer at a RRP of RM2.65 inclusive of GST and account for output tax amounting to RM0.15 on the supply made. The cost of acquisition of bread by retailer 'A' is RM2.00.</i></p> <p><i>The non-registered retailer 'B' supplies bread to a customer at a RRP of RM2.65 but no GST has to be accounted. The cost of acquisition of bread by retailer 'B' is RM2.12.</i></p>

Example 8:

Figure 5: Illustration of supply for recommended retail price (RRP) cigarettes.

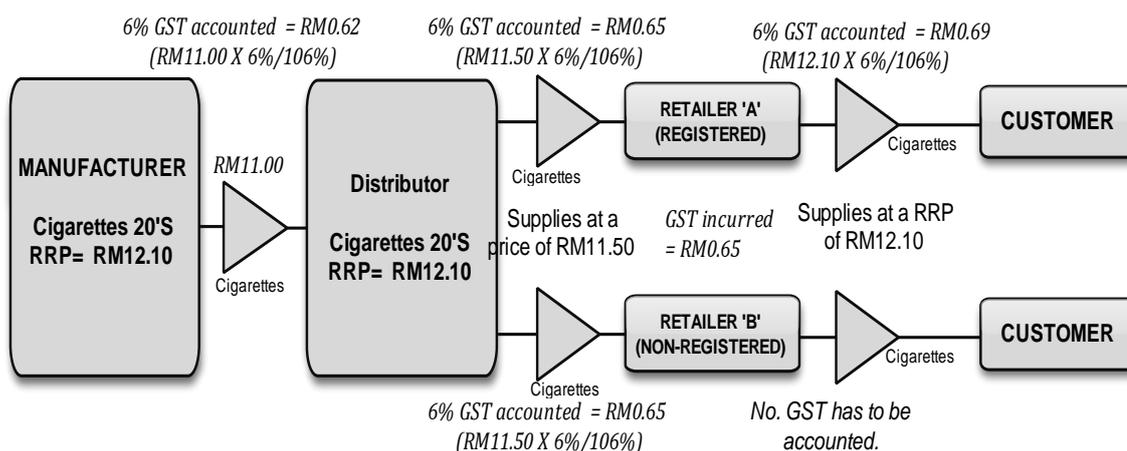


Table 5: GST treatment for recommended retail price cigarettes.

Event	Description of event
1	<i>The registered cigarettes manufacturer supplies a package of 20 sticks cigarettes to the distributor at a price of RM11.00 inclusive of GST. The cigarettes manufacturer has to account for output tax amounting to RM0.62 on the supply made. The registered distributor entitled to an input tax amounting to RM0.62.</i>
2	<i>The registered distributor supplies the cigarettes to retailers 'A' and 'B' at a price of RM11.50 inclusive of GST. The distributor has to account for</i>

	<p>output tax amounting to RM0.65 on the supply made to retailers 'A' and 'B'.</p> <p>The registered retailers 'A' and 'B' incurred GST on the purchase of cigarettes from the distributor. The registered retailer 'A' entitled to an input tax amounting to RM0.65 but non-registered retailer 'B' is not entitled to an input tax.</p>
3	<p>The registered retailer 'A' supplies cigarettes to a customer at a RRP of RM12.10 inclusive of GST and account for output tax amounting to RM0.69 on the supply made. The cost of acquisition of cigarettes by retailer 'A' is RM10.85.</p> <p>The non-registered retailer 'B' supplies cigarettes to a customer at a RRP of RM12.10 but no GST has to be accounted on the supply made. The cost of acquisition of cigarettes by retailer 'B' is RM11.50.</p>

Example 9:

Figure 6: Illustration of supply for recommended retail price (RRP) newspaper.

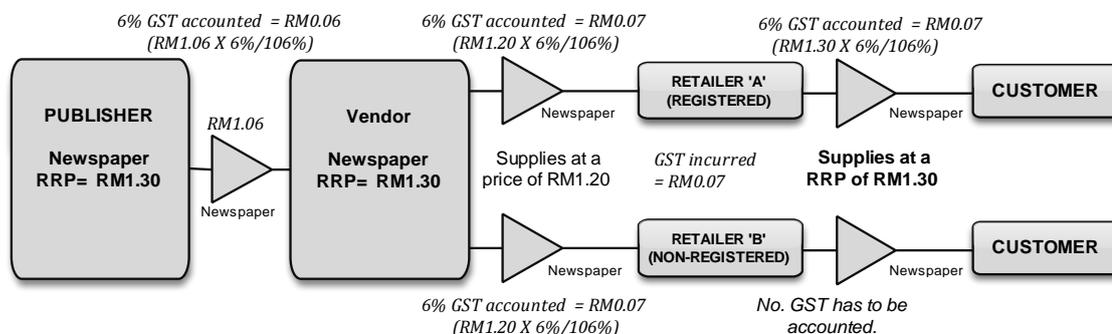


Table 6: GST treatment for recommended retail price newspaper.

Event	Description of event
1	The registered publisher supplies a newspaper to the vendor at a price of RM1.06 inclusive of GST. The publisher has to account for output tax amounting to RM0.06 on the supply made. The registered vendor entitled to an input tax amounting to RM0.06
2	The registered vendor supplies the newspaper to retailers 'A' and 'B' at a

	<p>price of RM1.20 inclusive of GST. The vendor has to account for output tax amounting to RM0.07 on the supply made to retailers 'A' and 'B'.</p> <p>The registered retailers 'A' and 'B' incurred GST on the purchase of newspaper from the vendor. The registered retailer 'A' entitled to an input tax amounting to RM0.07 but non-registered retailer 'B' is not entitled to an input tax.</p>
3	<p>The registered retailer 'A' supplies newspaper to a customer at a RRP of RM1.30 inclusive of GST and account for output tax amounting to RM0.07 on the supply made. The cost of acquisition of newspaper by retailer 'A' is RM1.13.</p> <p>The non-registered retailer 'B' supplies newspaper to a customer at a RRP of RM1.30 but no GST has to be accounted on the supply made. The cost of acquisition of newspaper by retailer 'B' is RM1.20.</p>

Example 10:

Figure 7: Illustration of supply for recommended retail price (RRP) goods (coffee maker)

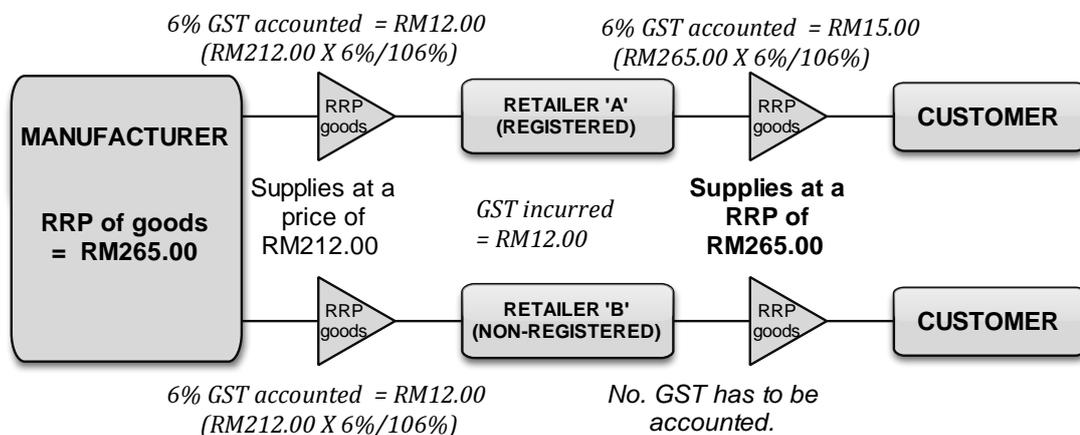


Table 7: GST treatment for recommended retail price (RRP) goods (i.e. coffee maker)

Event	Description of event
1	The registered manufacturer supplies the coffee maker to retailers 'A' and 'B' at a price of RM212.00 inclusive of GST. The manufacturer has to account for output tax amounting to RM12.00 on each supply made to

	<p><i>retailers 'A' and 'B'.</i></p> <p><i>The registered retailers 'A' and 'B' incurred GST on the purchase of coffee maker from the manufacturer. The registered retailer 'A' entitled to an input tax amounting to RM12.00 but non-registered retailer 'B' is not entitled to an input tax.</i></p>
2	<p><i>The registered retailer 'A' supplies coffee maker to a customer at a RRP of RM265.00 inclusive of GST and account for output tax amounting to RM15.00 on the supply made. The cost of acquisition of the coffee maker by retailer 'A' is RM200.00.</i></p> <p><i>The non-registered retailer 'B' supplies coffee maker to a customer at a RRP of RM265.00 but no GST has to be accounted on the supply made. The cost of acquisition of the coffee maker by retailer 'B' is RM212.</i></p>

FOOD COURTS

32. Food courts are normally equipped with centralized payment counters for the operation of food stalls. If each food stall is a separate entity and registered for GST, the food court operator must charge GST on the supply of food on behalf of the registered food stall when the customer makes payment for the food. No GST has to be charged if the supply of food is made by non-registered food stall.

33. The food court operator then remits the amount collected from customers to the food stall, either daily, weekly or monthly. The time of supply foods made by registered food stall is the date of sales statement from food court operator. The registered food stall accounts GST as his output tax and he is also entitled to claim any input tax incurred on the supplies used for making the supply of food.

34. On the part of the food court operator, he normally supplies drinks and management services to each food stall that operates in the food court. If the food court operator is registered for GST, he must charge GST on the supply of drinks and management services provided by him.

35. For food courts which do not practice centralized payment counter, the registered food court operator and the registered food stalls individually account for GST on the supplies made by them and claim input tax on their acquisition.

RENTAL ACTIVITIES

36. When a retailer rents out shopping lot or space to a tenant, he charges a monthly rental. The retailer has to account for GST from the monthly rental charged. If the retailer makes any renovation to the shopping lot and charges the tenant for the cost of renovation, the retailer has to account for GST on the renovation charged.

DISCOUNTS

Price Discount

37. It is a normal business practice for a retailer to offer a discount to his customers to promote his goods. When a discount is offered for a taxable supply, GST should be charged on the value after discount. However, if the goods are supplied to a person who is connected to the supplier, the GST has to be accounted on the open market value of the goods supplied.

Example 11:

A registered retailer makes a supply of shirt at a price of RM106.00 inclusive of GST and offers a discount of 10% to customer. The GST inclusive is as follows:-

Price (inclusive of GST) of shirt	:	RM106.00
Discount 10%	:	<u>(RM10.60)</u>
(10% X RM 106.00)		
Price (inclusive of GST) after discount	:	RM 95.40
6% GST inclusive	:	RM 5.40
(RM95.40 X 6%/106%)		

*The retailer accounts for output tax amounting to **RM5.40**.*

Prompt Payment Discount

38. Prompt payment discounts are normally given to encourage customers to pay early even though one month or two months credit term is given. This situation usually

applies when a manufacturer makes supplies to a retailer. The GST treatment on prompt payment is given below.

Example 12:

The registered manufacturer supplies goods at the price of RM1,060.00 inclusive of GST to a retailer and accounts for GST as output tax on goods delivered on full amount as stated in the tax invoice. Payment terms are as follows:

Payment made within 30 days - 10% discount

Payment made within 60 days - 3% discount

The retailer then pays within the 30 days period and therefore is entitled to a 10% discount.

Price (inclusive of GST) of goods	:	RM1,060.00
6% GST inclusive (RM1,060.00 X 6%/106%)	:	RM 60.00
Discount 10% (10% X RM1,060.00)	:	<u>(RM 106.00)</u>
Price (inclusive of GST) after discount	:	RM 954.00
6% GST inclusive (RM954.00 X 6%/106%)	:	<u>(RM 54.00)</u>
GST difference	:	RM 6.00

If GST amounting to RM60.00 has been paid by the manufacturer, he is now entitled to reduce output tax amounting to RM6.00 on the condition that a credit note has been issued. The output tax entitlement is to be adjusted in his tax return in the taxable period in which the credit note has been issued.

If the retailer is a registered person, he also has to reduce his input tax amounting to RM6.00 according to the credit note issued by the manufacturer.

Volume Discount

39. In some cases, a wholesaler may give volume discount to retailer when the retailer purchases goods in bulk. The following examples show the GST treatment on volume discount.

Example 13:

a) When a retailer purchases more than 150 units of goods in a single purchase, he is entitled to a 10% volume discount for that purchase. The retailer purchases 200 units of goods from registered wholesaler at a price of RM106.00 inclusive of GST per unit.

Price (inclusive of GST) per unit	:	RM106.00
Number of units purchased	:	200 units
Total Price (inclusive of GST)	:	RM21,200.00
<i>(200 X RM106.00)</i>		
Volume discount 10%	:	<u>(RM2,120.00)</u>
<i>(10% X RM21,200.00)</i>		
Total value after discount	:	RM19,080.00
6% GST inclusive	:	RM1,080.00
<i>(RM19,080.00 X 6%/106%)</i>		

The wholesaler accounts for output tax amounting to RM1,080.00.

b) In this example, a retailer is entitled to a 10% volume discount when he purchases more than 1,500 units of goods in a month.

Price (inclusive of GST) per unit	:	RM106.00									
Number of units supplied	:	2,500 units per month									
Supplies	:	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding: 0 10px;">1st</td> <td style="padding: 0 10px;">-</td> <td style="padding: 0 10px;">500 units</td> </tr> <tr> <td style="padding: 0 10px;">2nd</td> <td style="padding: 0 10px;">-</td> <td style="padding: 0 10px;">600 units</td> </tr> <tr> <td style="padding: 0 10px;">3rd</td> <td style="padding: 0 10px;">-</td> <td style="padding: 0 10px;">100 units</td> </tr> </table>	1 st	-	500 units	2 nd	-	600 units	3 rd	-	100 units
1 st	-	500 units									
2 nd	-	600 units									
3 rd	-	100 units									

4 th	-	500 units
5 th	-	800 units

For the first three supplies, the wholesaler will charge and account for GST on the full value of the goods. However, when the fourth supply is made, the retailer now is entitled to a 10% volume discount on the supply. The wholesaler charges GST on value after volume discount for the fourth and fifth supplies as follows:

Fourth supply:

Price (inclusive of GST) before discount (500 X RM106.00 per unit)	:	RM53,000.00
Less discount 10% (10% X RM53,000.00)	:	<u>(RM 5,300.00)</u>
Price (inclusive of GST) after discount	:	RM47,700.00
6% GST inclusive (RM47,700.00 X 6%/106%)	:	RM2,700.00

The wholesaler accounts for output tax amounting to RM2,700.00.

Fifth supply:

Price (inclusive of GST) before discount (800 X RM106.00 per unit)	:	RM84,800.00
Less discount 10% (10% X RM84,800.00)	:	<u>(RM8,480.00)</u>
Price (inclusive of GST) after discount	:	RM76,320.00
6% GST inclusive (RM76,320.00 X 6%/106%)	:	RM4,320.00

The wholesaler accounts for output tax amounting to RM4,320.00

Adjustment

First supply:

Price (inclusive of GST) before discount: RM53,000.00
(500 X RM106.00 per unit)

6% GST inclusive : RM3,000.00
(RM53,000.00 X 6%/106%)

Less discount 10% : (RM5,300.00)
(10% X RM53,000.00)

Price (inclusive of GST) after discount : RM47,700.00

6% GST inclusive : RM2,700.00
(RM47,700.00 X 6%/106%)

GST difference (input tax) : **RM300.00**

Second supply:

Price (inclusive of GST) before discount: RM63,600.00
(600 X RM106.00 per unit)

6% GST inclusive : RM3,600.00
(RM63,600.00 X 6%/106%)

Less discount 10% : (RM 6,300.00)
(10% X RM63,600.00)

Price (inclusive of GST) after discount : RM57,240.00

6% GST inclusive : RM3,240.00
(RM57,240.00 X 6%/106%)

GST difference (input tax) : **RM360.00**

Third supply:

Price (inclusive of GST) before discount: RM10,600.00
(100 X RM105.00 per unit)

6% GST inclusive : RM600.00
(RM10,600.00 X 6%/106%)

Less discount 10%	:	<u>(RM 1,060.00)</u>
<i>(10% X RM10,600.00)</i>		
Price (inclusive of GST) after discount	:	RM9,540.00
6% GST inclusive	:	<u>(RM540.00)</u>
<i>(RM9,540.00 X 6%/106%)</i>		
GST difference (input tax)	:	RM60.00

Since GST has been charged on the full amount on the previous three sales and the retailer is now entitled to a 10% volume discount, the wholesaler is entitled to reduce output tax of RM720.00 (RM300.00 + RM360.00 + RM60.00) on condition that a credit note has been issued. The output tax is to be adjusted within the taxable period in which the credit note has been issued. If the retailer is a registered person, he also has to reduce his input tax amounting to RM720.00 according to the credit note issued by wholesaler.

OTHER PROMOTIONS

Tie-In Goods

40. When a person purchases goods with free tie-in goods, the value of the tie-in goods is treated as being included in the price of the principal goods supplied.

Example 14:

Scenario 1: If both tie-in and the principal goods are standard-rated

Principal goods - Toothpaste (standard rate)

Tie in goods (free item) - Toothbrush (standard rate)

Since the principal goods is a standard rated supply, GST is chargeable on the supply. If the price of the goods with the free tie-in goods is RM6.36 inclusive of GST, GST should be accounted from RM6.36 as the tie-in goods and principal goods are treated as one supply.

Price (inclusive of GST) of toothpaste : RM 6.36

6% GST inclusive : RM 0.36
(RM6.36 X 6%/106%)

The registered retailer accounts for output tax amounting to RM0.36

Scenario 2: If the 'tie-in goods' is standard-rated and the principal goods is zero-rated.

Principal goods	-	Rice (zero rate)
Tie in goods (free item)	-	plate (standard rate)

Since the principal goods is a zero rated supply, GST is not chargeable on the supply. If the price of the goods with the free tie-in goods is RM30.00, no GST is charged on RM30.00 as the principal goods is a zero rated.

Price of goods with free 'tie-in goods' (+0% GST):	RM30.00
0% GST	: RM 0

Purchase with Purchase

41. This is a form of sale promotion to encourage customers to purchase selected goods if the customer purchases goods more than a certain value and he is entitled to a discount when he purchases the selected goods.

Example 15:

A hypermarket operates a purchase with purchase promotion scheme. If a customer purchases goods with value of more than RM100 in a single receipt, he is entitled to buy a 2 kg soft pack Milo at RM31.80 inclusive of GST instead of RM33.00.

Price (inclusive of GST) of Milo	:	RM 31.80
6% GST inclusive (RM31.80 X 6%/106%)	:	RM 1.80

The hypermarket accounts for output tax amounting to RM1.80.

Gifts

42. It is a normal business practice that a business gives free gifts to its customers. These free gifts are goods normally given to customers on special occasion or festival such as the giving of door gifts and gifts given free during lucky draws.

43. Where business gifts (of goods) are given free to any person, the cost of gifts are subject to a limit of RM500.00 to a person per year. If the cost of the gift is more

than RM500.00 and is given to the same person in the same year, the retailer must account for output tax even though the gift is given free. If the cost of the gift is RM500.00 or less, the gift is not subject to GST. In both situations, the retailer is entitled to claim input tax incurred on the purchase of the gifts on condition that the gifts are given free for business purposes. No GST has to be charged if the gift is in the form of services (not a supply).

Example 16:

A registered retailer conducts a lucky draw and the winner is entitled to a television worth RM636.00 inclusive of GST. The retailer must account for output tax amounting to RM36.00 (RM636.00 X 6%/106%). He is also entitled to claim input tax incurred on the television when he purchased it.

44. Sometimes, the promotion of a certain goods may involve cost sharing of the free gift between the supplier and the retailer. If the retailer purchases the gift, he is eligible to claim the input tax incurred. On the other hand, if the supplier purchases the gift, then he is entitled to claim the input tax incurred. When the supplier gives the gifts to the retailer for distribution as free gifts to customers, there is no supply and therefore GST is not chargeable. Any subsequent cost sharing of the gift will be settled between the retailer and the supplier without including the element of GST.

Samples

45. If the goods are supplied to a retailer as commercial samples in a form not ordinarily available for sale to the public, the free samples are not subject to GST subject to the following conditions:-

- (a) the samples must be stamped with the words "**Sample only. Not for sale**";
- (b) the samples must be easily distinguishable from the commercial products;
- (c) neither the supplier nor the retailer charges GST on samples;
- (d) the samples are given for business promotion;
- (e) the samples remain the property of the supplier until they are given to customers; and
- (f) the balanced samples are to be returned to the supplier.

However, if the retailer sells the commercial samples, he must charge GST on the commercial samples and account the output tax.

VOUCHERS/COUPON/STAMP/TOKEN

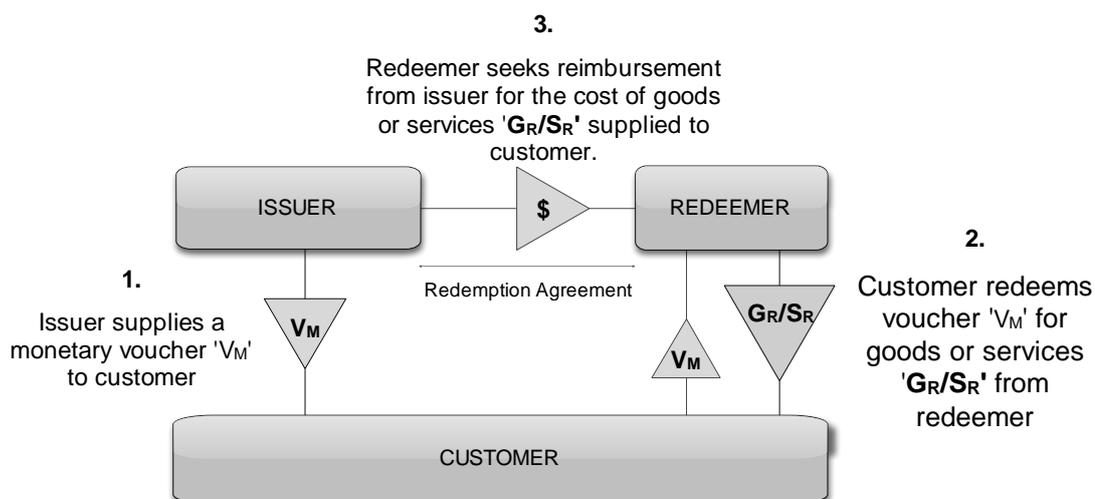
46. For GST purposes, a voucher is taken to include any voucher, stamp (other than a postage stamp), coupon, token or similar article or facility. A voucher can be a monetary or non-monetary voucher. Monetary vouchers are vouchers which state the monetary value (face value) on it whereas non-monetary vouchers are vouchers which state that the bearer is entitled to receive a specific goods or services mentioned in the voucher when he redeems the voucher.

Monetary Vouchers

47. For GST purposes, the consideration is disregarded for the supply of monetary voucher if the consideration is up to a face value of the voucher and no GST is chargeable on the supply. If a monetary voucher is sold for more than the face value, the supplier must charge and account for GST on the the difference between the sale value and the face value.

48. When the customer redeems the monetary voucher for goods or services from retailer, the goods or services redeemed is subject to GST and the retailer has to charge GST on the value of goods or services if the goods or services is a standard rated supply. No GST is chargeable on zero rated and exempt supplies. Sometimes, a customer may use the monetary voucher as part payment for the goods purchased and pays the balance in cash. In this situation, GST is chargeable on the value of supply which includes the payment of the monetary voucher and cash payment.

Figure 8: Illustration of the supply and redemption of monetary voucher



Example 17:

Refer to figure 8.

Event 1

a) Registered issuer sells a RM100.00 monetary voucher 'V_M' to customer. If the:

- (i) selling price is up to the face value (RM100.00), the selling price (the consideration) is disregarded and no GST has to be accounted by the issuer; or
- (ii) selling price is more than the face value (i.e. RM102.00), GST has to be accounted on the difference amount of RM2.00

Selling price (the consideration): RM 102.00

Face value : RM 100.00

Difference : RM 2.00

6% GST inclusive : RM 0.11

(RM2.00 X 6%/106%)

The issuer has to account for output tax amounting to RM0.11

- b) If a RM100.00 monetary voucher 'V_M' is given free to customer, the RM100.00 monetary voucher is not subject to GST.

Event 2

Customer redeems a RM100.00 monetary voucher 'V_M' for goods or services 'G_R/S_R' from registered redeemer. If the goods or services is standard rated, GST has to be accounted by the redeemer from the consideration for goods or services supplied.

- (i) Customer redeems RM100.00 voucher plus RM50.00 cash for a standard rated goods or services 'G_R/S_R' worth RM150.00 inclusive of GST from a registered redeemer.

Price	:	RM 150.00
Consideration:	voucher	RM100.00
	cash	<u>RM 50.00</u>
	Total	RM150.00
6% GST inclusive	:	RM 8.49
(RM 150.00 X 6%/106%)		

The redeemer has to account for output tax amounting to RM8.49

- (ii) The customer redeems RM100.00 voucher for standard rated goods or services 'G_R/S_R' worth RM100.00 inclusive of GST from the registered redeemer.

Price	:	RM 100.00
Consideration:	voucher	: <u>RM100.00</u>
	Total	: RM100.00
6% GST inclusive	:	RM 5.66
(RM 100.00 X 6%/106%)		

The redeemer has to account for output tax amounting to RM5.66

- (iii) *The customer redeems RM100.00 voucher for a standard rated goods or services 'G_R/S_R' worth RM95.40 inclusive of GST from the registered redeemer and no cash balance is returned to customer.*

Note: The amount of consideration which is relates to the supply is RM95.40.

Price : RM 95.40

Consideration : RM95.40

6% GST inclusive : RM 5.40

(RM 95.40 X 6%/106%)

The redeemer has to account for output tax amounting to RM5.40

Event 3

The registered issuer reimburses RM100.00 (equivalent to the face value of monetary voucher) to registered redeemer. No GST is chargeable on the reimbursement because there is no supply made.

Non-Monetary Vouchers/Coupons

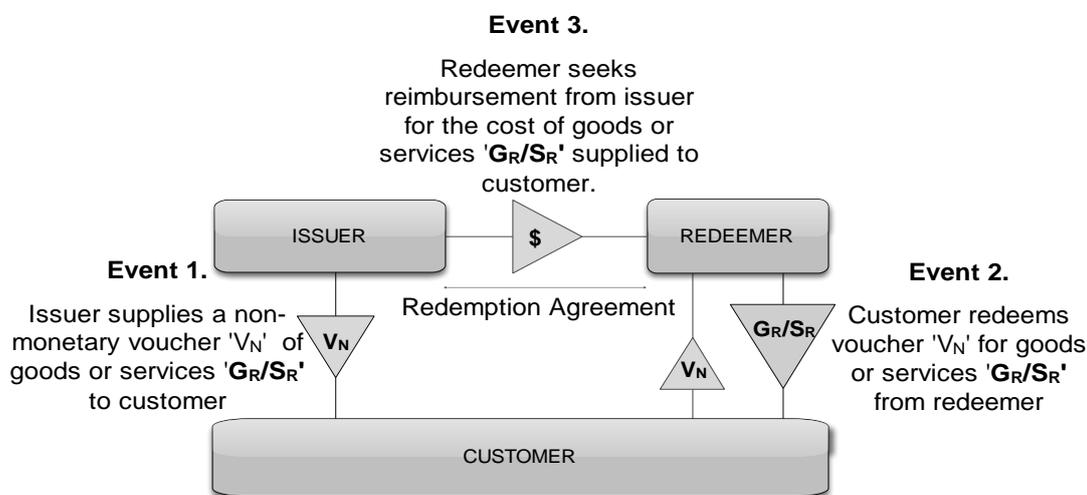
49. Non-monetary voucher or coupon is a voucher that entitles the bearer to a specific product or service mentioned in the voucher when he redeems the non-monetary voucher. A retailer may issue free non-monetary vouchers that entitle the bearer to a specific product or service from his outlet or other business partners according to their arrangement. For GST purposes, the issuance of:-

- (a) Non-monetary voucher for **services** (redeem for services)
- (i) If the issuance of a non-monetary voucher for **services** is made **with a consideration**, the issuance of the voucher is regarded as a supply of the stated services and GST is chargeable if the supply is a standard rated supply. For example, a customer purchases a RM500 holiday voucher which entitles him to stay in a hotel for 3 days and 2 nights.

- (ii) If the issuance of a non-monetary voucher for **services** is made **without any consideration**, the issuance of the voucher is not a supply and no GST is chargeable. For example, a business issues free cinema tickets to its customers.
- (b) Non-monetary voucher for **goods** (redeem for goods)
 - (i) If the issuance of a non-monetary voucher for **goods** is made **with a consideration**, the issuance of the voucher is regarded as a supply of the stated goods and GST is chargeable if the supply is a standard rated supply. For example, a father buys a birthday voucher for his son in which his son is entitled to a hand phone.
 - (ii) If the issuance of a non-monetary voucher is made **without a consideration**, the issuance of the voucher is subject to the gift rule. If the value of the goods stated in the voucher is more than RM500, the issuance of the voucher is subject to GST. If the value of the goods is up to RM500, the issuance of the voucher is not subject to GST. For example, a business issues a gift voucher for free to its customers to promote his business. The gift voucher states the bearer is entitled to a glass mug with a value of RM10.00. The issuance of such voucher is not subject to GST.

50. When a payment is received as a consideration for the *non-monetary* voucher or coupon, the retailer has to charge and account for GST except for the issuance of non-monetary voucher or coupon for which the redemption is a zero rated and exempt supply. The consideration for the non-monetary voucher is treated as a prepayment for the goods or services to be supplied in future. No GST will be charged when goods or services is redeemed.

Figure 9: Illustration of supply and redemption of non-monetary voucher



Example 18:

Refer to figure 6

Event 1

- (i) Registered issuer supplies a non-monetary voucher 'V_N' for redemption of standard rated goods or services 'G_R/S_R' worth RM150.00 inclusive of GST to a customer for a consideration. GST has to be accounted from the amount of consideration. GST calculation is as follows:

Consideration	:	RM 150.00
6% GST inclusive	:	RM 8.49
		(RM 150.00 X 6%/106%)

The issuer has to account for output tax amounting to RM8.49.

- (ii) If registered issuer supplies a non-monetary voucher 'V_N' for redemption of specified goods or services 'G_R/S_R' which is zero rated or exempted, no GST has to be accounted.

Event 2

Customer redeems the non-monetary voucher 'V_N' for goods or services. GST is not chargeable or accountable on the supply made since GST has been charged at the time when the voucher is supplied.

Event 3

Registered issuer reimburses RM150.00 to registered redeemer. GST is not chargeable on the reimbursement of RM150.00 because the amount is the payment for goods or services, 'G_R/S_R' supplied by redeemer to customer. GST is already charged at the time when the voucher 'V_N' is supplied.

Discount Vouchers (Monetary Vouchers)

51. For GST purposes, discount vouchers should state the discount amount in percentage or monetary value in order to be entitled for a discount. When a customer buys goods with discount voucher and he is entitled for a discount as stated on the voucher, the retailer charges and accounts for GST based on the value of goods after discount.

Example 19:

- (a) *A customer redeems RM5 discount voucher when he purchases a cooking pot for RM110.00 inclusive of GST. The retailer charges and accounts GST as follows:*

Price (inclusive of GST) of goods	: RM 110.00
Less discount (voucher)	: <u>(RM 5.00)</u>
Price after discount	: RM 105.00
6% GST inclusive (RM105.00 X 6%/106%)	: RM 5.94

The retailer accounts for output tax amounting to RM5.94.

- (b) A customer receives a discount voucher which entitles him to a discount of 10% if he purchases an oven for RM520.00 inclusive of GST. The retailer charges and accounts for GST as follows:

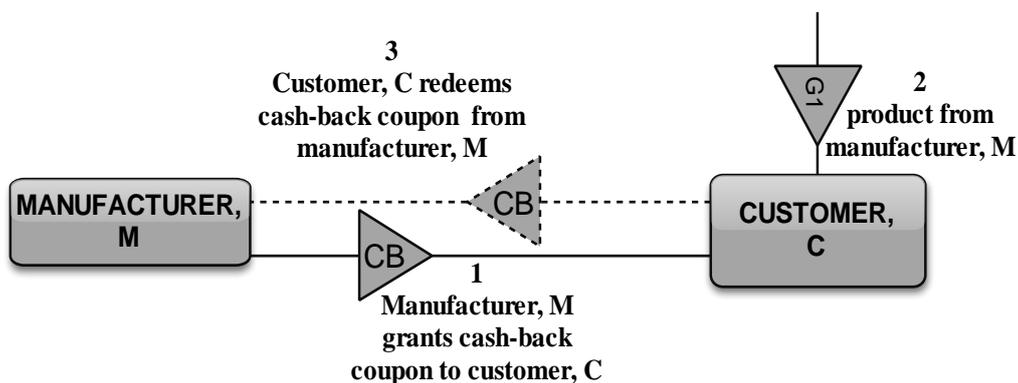
Price (inclusive of GST) of goods	: RM 520.00
Less 10% discount (voucher)	: <u>(RM 52.00)</u>
Price after discount	: RM 468.00
6% GST inclusive (RM468.00 X 6%/106%)	: RM 26.49

The retailer accounts for output tax amounting to RM26.49.

'Cash-Back' Coupon (Monetary Vouchers)

52. This is a scheme where a manufacturer undertakes to refund cash to a customer when the customer purchases the manufacturer's products. After purchasing the product, the customer sends coupon back to the manufacturer (indicating proof of purchase). Then, the manufacturer refunds cash to the customer for the amount equivalent to the value of the coupon. The figure below is an illustration of cash-back coupon transaction.

Figure 10: Manufacturer distributes cash-back coupon and subsequent redemption is done through the manufacturer



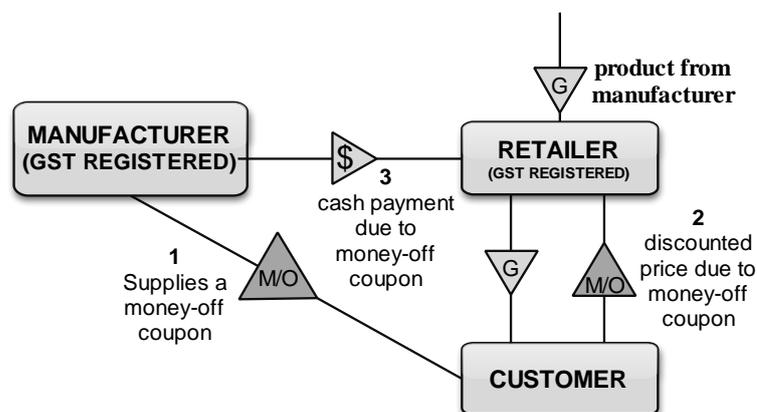
53. The cost of supply for the manufacturer is reduced due to the cash-back refund. The manufacturer who is a registered person is allowed for input tax credit amounting to the tax fraction of the value of cash-back coupon.

54. In case the customer is a registered person and he had already claimed for input tax on the related manufacturer's supply, he is liable to account for output tax amounting to the tax fraction of the value of cash-back which he received.

'Money-Off' Coupon (Monetary Vouchers)

55. A manufacturer may issue a money-off coupon under his name to allow a retailer to accept the coupon for a discount on a specified value when the coupon is presented by a buyer (Customer) upon purchasing a certain manufacturer's products from the retailer. Figure below is an illustration of money-off coupon transaction.

Figure 11: Manufacturer distributes money-off coupon and subsequent redemption is done through a retailer.



56. For GST purpose, money-off coupon is treated as a discount coupon with the face value stated on the coupon. The consideration received by the retailer for the supply of goods to the customer is the price after discount. GST has to be accounted on the consideration received.

Example 20:

Price (inclusive of GST)	:	RM2,108.00
Money-off coupon	:	<u>(RM 200.00)</u>
Consideration	:	RM1,908.00
6% GST accounted (RM 1,908.00 X 6%/106%)	:	RM 108.00

57. The retailer presents the money-off coupon to the manufacturer for a refund on the manufacturer's product. Therefore, the cost of manufacturer's product supplied

from manufacturer will be reduced due to the refund made. Since GST has been accounted on the full amount on the previous supply by manufacturer, the manufacturer is entitled to an input tax credit amounting to the tax fraction of the value of money-off coupon. The registered retailer who received the refund is required to account for output tax if he had claimed for input tax on the related manufacturer's product.

Stamp (Monetary Vouchers) - Other Than Postage Stamp

58. Stamps are given free to customers when they purchase goods or services. The customer accumulates the stamps and redeems them for other goods or services. For GST purposes, the giving of stamps is not subject to GST. After accumulating a certain number of stamps, the customer is entitled to redeem goods or services and this redemption is subjected to GST if they are subject to GST at a standard rate.

Example 21:

A registered hypermarket conducts a promotional program which encourages its customers to accumulate 100 stamps to be entitled to a free cooking pot worth RM15.90 which is the open market value. One stamp is given free for every RM20.00 purchase of goods in the hypermarket. The supply of cooking pot upon redemption will be subject to GST.

<i>Open Market Value for Cooking Pot</i>	<i>:</i>	<i>RM15.90</i>
<i>6% GST accounted</i>	<i>:</i>	<i>RM 0.90</i>
<i>(RM 15.90 X 6%/106%)</i>		
<i>Consideration</i>	<i>:</i>	<i>100 stamps</i>

Hypermarket has to account for output tax amounting to RM0.90

Sometimes, the customer may have insufficient number of stamps to redeem goods. In this case, the retailer may allow the customer to redeem goods provided the customer pays additional cash. For GST purposes, the retailer is required to account for GST on the open market value of the redemption of goods.

Example 22:

In the example above, the hypermarket allows the customer to redeem the cooking pot if the customer has accumulated 50 stamps provided that he pays an additional cash amount of RM8.90. The hypermarket accounts GST as follows:

<i>Open Market Value for Cooking Pot</i>	:	<i>RM 15.90</i>
 <i>Consideration</i>		
<i>Cash</i>	:	<i>RM 8.90</i>
<i>50 stamps (Equivalent to RM7.00)</i>	:	<i><u>RM 7.00</u></i>
<i>Total Consideration</i>	:	<i>RM15.90</i>
<i>6% GST accounted</i>	:	<i>RM 0.90</i>
<i>(RM 15.90 X 6%/106%)</i>		

Hypermarket has to account for output tax amounting to RM0.90

Token (Non-Monetary Vouchers)

59. A token is a piece of metal or plastic card which has a certain value to redeem services or goods in the future. For GST purpose, a token is treated as a non-monetary voucher. Hence, GST will be subjected at the time when the token is supplied. No GST will be accounted at the time when the token is redeemed.

Example 23:

Examples of token are:

Parking token, gaming token, games card and similar tokens which can be redeemed for goods or services.

LOYALTY POINTS

60. Loyalty point program is a scheme designed to increase turnover and maintain customers' loyalty. This is done by linking purchases from a business to a reward by the issue of points. There are several arrangements in conducting loyalty points program. The loyalty point and reward may be provided by the original supplier or in other cases, a third party is contracted to provide the loyalty points and rewards for

which they receive payment from the original supplier. Loyalty points program may involve program operator who is contracted by program partner to provide loyalty points to members of the program and a redeemer who is contracted to provide reward to members. Figures below are examples of loyalty point program arrangement.

Figure 12: Illustration of multi-party arrangement of loyalty points program

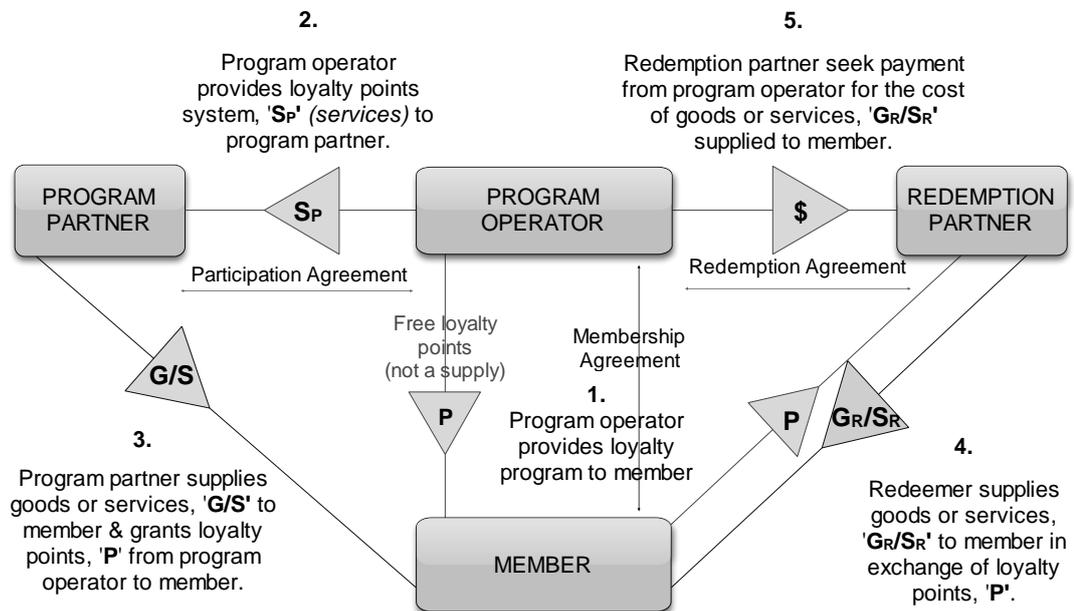


Table 8: GST treatment of multi-party arrangement of loyalty point program

Event	Description of event	Treatment
1	Program operator provides membership of loyalty points program to member and charged for a service fee (membership fee)	Payment for membership fee made by member to program operator is a payment for services (loyalty points program membership) and GST has to be accounted by program operator from the fee paid.

2	<p>Program operator provides loyalty points system, 'S_p' (services) to program partner. The services supplies may also include other fees such as for marketing, promotion or administration.</p>	<p>Payment made by program partner to Program operator (or an entity nominated on its behalf) is a payment for a supply of services provided by Program operator and GST has to be accounted by program operator from the payment made.</p> <p>Registered program partner is entitled to an input tax credit.</p>
3	<p>Member purchases goods or services, 'G/S' from program partner and consequently Program operator allocates loyalty points, 'P' to the member.</p>	<p>Payment made by the member is only for the price of goods or services, 'G/S' and he does not pay anything extra for the loyalty points. (i.e. the price paid for 'G/S' is the same as for a non-member).</p> <p>Therefore:</p> <p>(i) Supply of goods or services, 'G/S' by program partner is subject to GST; and</p> <p>(ii) Allocation of loyalty points from program operator to a member is a supply of service made without consideration and no GST has to be accounted by program operator.</p>
4	<p>Redeemer supplies reward (i.e. goods or services, 'G_R/S_R') to the member in exchange of loyalty points, P.</p>	<p>The actual reward (i.e. goods or services, 'G_R/S_R') depends on the number of points redeemed by the member. Accordingly, the greater the number of points redeemed, the more valuable the reward to the member. Member also has the ability to make an additional payment to obtain a</p>

		<p><i>reward where he has insufficient points (sometimes known as points plus pay). Reward supplied by redeemer to the member is subject to GST and has to be accounted from the open market value of the reward upon redemption.</i></p>
5	<p><i>Payment made by program operator (or an entity nominated on its behalf) to redeemer is the reimbursement for goods or services, 'GR/SR' supplied by redeemer to the member.</i></p>	<p><i>No GST has to be accounted from reimbursement and no tax invoice from redeemer is allowed.</i></p> <p><i>If the payments made by program operator to redeemer is identifiable and apportioned to:</i></p> <ul style="list-style-type: none"> <i>(i) a consideration of a redemption service made by the redeemer to program operator, GST has to be accounted by redeemer from the consideration; and</i> <i>(ii) a reimbursement of the supply of goods or services, 'GR/SR' made by redeemer to the member on behalf of program operator is not subject to GST.</i>

Figure 13: Illustration of loyalty points program arrangement where the program operator and redemption partner are same entity.

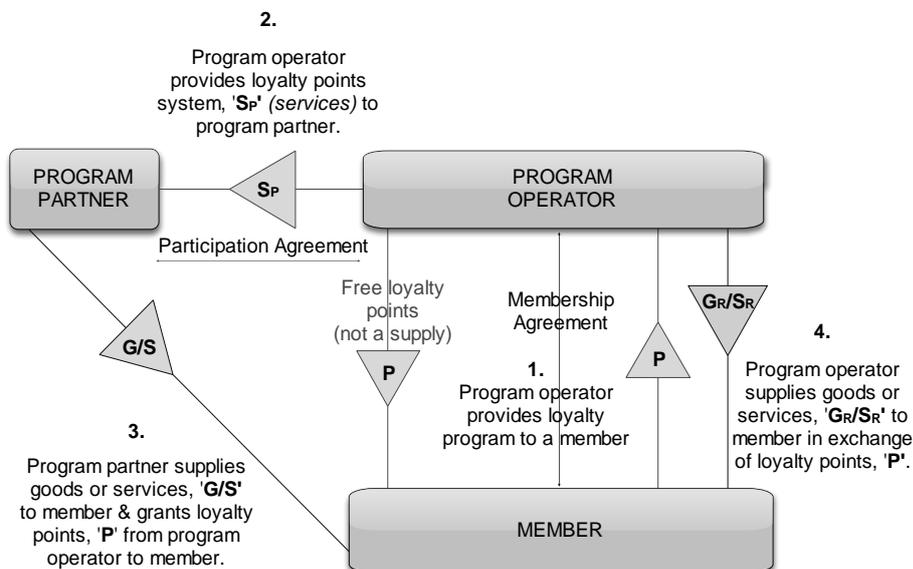


Table 9: GST treatment of loyalty points program arrangement where the program operator and redemption partner are same entity. (examples)

Event	Description of event	Treatment
1	Program operator provides membership of loyalty points program to member and charged for a service fee (membership fee)	Payment for membership fee made by member to program operator is a payment for services (loyalty points program membership) and GST has to be accounted by program operator from the fee paid.
2	Program operator provides loyalty points system, 'Sp (services) to program partner. The services supplies may also include other	Payment made by program partner to Program operator (or an entity nominated on its behalf) is a payment for a supply of services provided by Program operator and GST has to be accounted by program operator from the

	fees such as for marketing, promotion or administration.	<p>payment made.</p> <p>Registered program partner is entitled to an input tax credit.</p>
3	Member purchases goods or services, 'G/S' from program partner and consequently Program operator allocates loyalty points, 'P' to the member.	<p>Payment made by the member is only for the price of goods or services, 'G/S' and he does not pay anything extra for the loyalty points. (i.e. the price paid for 'G/S' is the same as for a non-member).</p> <p>Therefore:</p> <p>(i) Supply of goods or services, 'G/S' by program partner is subject to GST; and</p> <p>(ii) Allocation of loyalty points from program operator to a member is a supply of service made without consideration and no GST has to be accounted by program operator.</p>
4	Program operator supplies reward (i.e. goods or services, 'GR/SR') to the member in exchange of loyalty points, P.	<p>The actual reward (i.e. goods or services, 'GR/SR') depends on the number of points redeemed by the member. Accordingly, the greater the number of points redeemed, the more valuable the reward to the member. Member also has the ability to make an additional payment to obtain a reward where he has insufficient points (sometimes known as points plus pay). Reward supplied by program operator to the member is subject to GST and has to be accounted from the open market value of the reward upon redemption.</p>

Figure 14: Illustration of loyalty points program arrangement where the program operator, program partner and redemption partner are same entity.

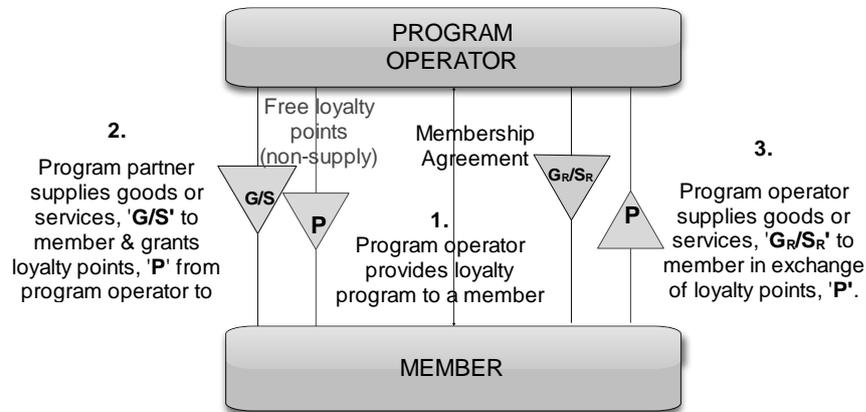


Table 10: Illustration of loyalty points program arrangement where the program operator, program partner and redemption partner are same entity. (examples)

Event	Description of event	Treatment
1	Program operator provides membership of loyalty points program to member and charged for a service fee (membership fee)	Payment for membership fee made by member to program operator is a payment for services (loyalty points program membership) and GST has to be accounted by program operator from the fee paid.
2	Member purchases goods or services, 'G/S' from program operator and consequently program operator allocates loyalty points, 'P' to the member.	Payment made by the member is only for the price of goods or services, 'G/S' and he does not pay anything extra for the loyalty points. (i.e. the price paid for 'G/S' is the same as for a non-member). Therefore: (i) Supply of goods or services, 'G/S' by program operator is subject to

		<p>GST; and</p> <p>(ii) Allocation of loyalty points from program operator to a member is a supply of service made without consideration and no GST has to be accounted by program operator.</p>
3	<p>Program operator supplies reward (i.e. goods or services, 'GR/SR') to the member in exchange of loyalty points, P.</p>	<p>The actual reward (i.e. goods or services, 'GR/SR') depends on the number of points redeemed by the member. Accordingly, the greater the number of points redeemed, the more valuable the reward to the member. Member also has the ability to make an additional payment to obtain a reward where he has insufficient points (sometimes known as points plus pay). Reward supplied by program operator to the member is subject to GST and has to be accounted from the open market value of the reward upon redemption.</p>

Example 24:

GST treatment on supply of loyalty program system by program operator to program partner.

Jack Koi, a large textile store has made a Participation Agreement with Fast Reward to provide Marketing Promotion services through a loyalty program. In the agreement, Jack Koi has to pay Fast Reward RM0.20 for each loyalty point allocate to customers when they swipe Fast Reward Member Card at Jack Koi outlet. For December monthly claim, Fast Reward issued statement of 10,000 points to Jack Koi and those 10,000 points is paid by Jack Koi for RM2,000.00.

<i>Consideration</i> (RM0.20 X 10,000)	: RM2,000.00
<i>6% GST accounted by Fast Reward</i> (RM2,000.00 X 6%/106%)	: RM 113.21
<i>Input tax incurred by Jack Koi</i>	: RM113.21

Example 25:

GST treatment on supply of loyalty points

Ahmad is a member of the Fast Reward loyalty program. Ahmad purchases some clothes from Jack Koi, a large retail store and a program partner of Fast Reward. Ahmad pays RM1,060.00 inclusive of GST for the clothes and swipes his Fast Reward card, which triggers the allocation of 100 points of loyalty program to him.

<i>Price (inclusive of GST) of clothes</i>	: RM 1,060.00
<i>6% GST accounted</i> (RM 1,060.00 X 6%/106%)	: <u>RM 60.00</u>

The only taxable supply to Ahmad is the supply of the clothes by Jack Koi to Ahmad, with GST of RM60.00 payable. No GST is charged on the supply of loyalty points to Ahmad.

Example 26:

GST treatment on Redemption of Goods or Services

Kitty Gift Centre offers to members of Fast Reward a printed mug worth RM10.60 at open market value for those who have accumulated points up to 106 or 56 points plus RM5.00 for those who have insufficient points.

(i) Redemption with wholly points

Ahmad redeems his 106 points for a printed mug from Kitty Gift Centre who is a redemption partner of Fast Reward. Kitty Gift Centre swipes Ahmad's Fast Reward card, which triggers the deduction of 106 Ahmad's Fast Reward points.

Open market value of printed mug	:	RM10.60
6% GST accounted (RM 10.60 X 6%/106%)	:	RM 0.60

Ahmad did not pay any money to Kitty Gift Centre but the 106 points is the consideration (other than money) for a printed mug. It is a supply made by Kitty Gift Centre to Ahmad and Kitty Gift Centre has to account for output tax amounting to RM0.60.

(ii) Redemption with 56 points plus RM5.00

Ahmad did not have sufficient point and he chooses the option "points plus pay".

Open market value of printed mug	:	RM10.60
Consideration:		
Money	:	RM 5.00
56 points equivalent	:	<u>RM 5.60</u>
Total consideration	:	RM10.60
6% GST accounted (RM 10.60 X 6%/106%)	:	RM 0.60

Kitty Gift Centre has to account for output tax amounting to RM0.60.

Example 27:

GST treatment on supply of redemption services by Redeemer to Program Operator.

Kitty Gift Centre (D) has made a Redemption Agreement with Fast Reward (A) to provide redemption services. In the agreement, Fast Reward has to pay Kitty Gift Centre RM0.15 for each point on the contractual services supplied. At the

end of January Kitty Gift Centre has submitted statement of 10,000 points to Fast Reward and that 10,000 points is paid by Fast Reward for RM1,500.00 [RM0.15 X 10,000].

Payment made by program operator to redeemer

- (i) The amount of RM1,500.00 is considered as third party payment (payment made on behalf of members) for the cost of reward supplied to members. No GST has to be accounted; or
- (ii) If the payment of RM1,500.00 is identifiable for the cost of services and the cost of reward supplied by redeemer to customer, GST has to be accounted as follows:

Consideration for Services:

Assume the apportionment for services from consideration received by redeemer is RM500.00.

Consideration for services	:	RM500.00
6% GST (RM500.00 X 6%/106%)	:	RM 28.30
6% GST accounted by Kitty Gift Centre	:	RM28.30
Input tax incurred by Fast Reward	:	RM28.30

Consideration for the cost of reward:

The amount of RM1,000.00 (RM1,500.00 - RM500.00) is a consideration for the cost of reward supplied to members.
No GST has to be accounted on the RM1,000.00.

SPECIAL REFUND

61. On GST implementation date, a retailer may hold trading stocks on which sales tax has been paid. To avoid unnecessary price increase, the retailer may claim special

refund on goods held on hand at the time of GST implementation. The special refund is subject to the following conditions:

- (a) the retailer is a GST registered person;
- (b) he holds the goods for purpose of making taxable supply;
- (c) the goods are subject to sales tax and sales tax has been charged or paid; and
- (d) he holds the relevant supplier's invoice or customs import form.

62. If the goods were purchased from traders whose invoices do not show any sales tax chargeable and they are taxable under Sales Tax Act 1972, the retailer is entitled to a special refund equal to twenty percent (20%) of the amount shown on the invoice of goods held on hand multiply by the sales tax rate.

Example 28:

A retailer purchased 500 pieces of shirt and subject to 10% sales tax. He received an invoice amounting to RM12,500.00 (RM25.00 per piece). At the time of GST implementation, he holds 300 pieces. The amount of special refund that he is entitled is as follows:

<i>Value of goods held on hand (300 X RM 25.00)</i>	<i>:</i>	<i>RM 7,500.00</i>
<i>20% of the RM7,500.00</i>	<i>:</i>	<i>RM 1,500.00</i>
<i>Sale tax Special Refund (10%ST)</i>	<i>:</i>	<i>RM 150.00</i>
<i>(10% X RM1500.00)</i>		

If the retailer has a proper customs declaration form for goods on hand, he is entitled to a full amount of sales tax on the value for goods on hand.

<i>Value of goods held on hand (Exclusive of sale tax):</i>	<i>RM 7,500.00</i>
<i>(300 X RM 25.00)</i>	
<i>Sale tax Special Refund (10%ST)</i>	<i>: RM 750.00</i>
<i>(10% X RM7500.00)</i>	

For further information, please refer Guide on Transitional Issues.

PRICE DISPLAY

63. On GST implementation date, retailers are required to display the price of goods inclusive of GST. The old price tags have to be discarded and replaced with a new price tag. For the hypermarkets, supermarkets, mini markets and convenient stores, they can display the price by using shelf tagging method. Shelf tagging is a practice, where the retailer displays the price of goods inclusive of GST on the shelves.

For other retailers, they have to discard the old price tag and replace with a new price tag. The price tagging is done on each product.

FREQUENTLY ASKED QUESTIONS

Accounting

Q1: What is the GST requirement involving the rounding of a fraction of a cent?

A1: If the GST payable amounts to a fraction of a cent, the following treatment will apply:

- (i) for fraction of a cent that is 0.005 cent and above, it will be rounded up. For example, RM2.245 will be rounded up to RM2.25;
- (ii) for fraction of a cent below 0.005 cent, it will be rounded down. For example, RM2.243 will be rounded down to RM2.24.

Q2: How do I account GST on deposit?

A2: Generally, the retailers do not have to account GST on the deposit if it is not part of payment. If the deposit becomes part of payment then the deposit is subject to GST depending on the taxability of the supply.

Q3: What is the GST treatment on the bargaining price?

A3: Price bargaining is a normal practice in the retail business. The amount of GST charged to the customer will be the prevailing tax fraction of the final price paid

by the customer. The amount of GST is included in the consideration and is calculated as follows:

Example 29:

Display price: = RM106.00

Price after bargain = RM 95.40

GST to be accounted: = tax fraction of the consideration

$$\begin{aligned}
 &= \text{Consideration} \times \frac{\% \text{GST}}{100\% + \% \text{GST}} \\
 &= \text{RM } 95.40 \times \frac{6\%}{100\% + 6\%} \\
 &= \text{RM } 95.40 \times \frac{6\%}{106\%} \\
 &= \text{RM } \quad \mathbf{5.40}
 \end{aligned}$$

Other Transactions

Q4: When a coach driver brings passenger to my supermarket. I will give him a RM10 voucher to spend in my supermarket. Do I have to charge GST when issuing the voucher?

A4: The retailer does not have to account GST when he issues the voucher, but he has to account GST when the driver redeems the voucher for taxable goods or services.

Q5: Is GST chargeable on the sales of second hand goods such as used furniture, shoes and electrical household items?

A5: The sale of second hand goods is treated as a normal supply under the GST. If the retailer is registered for GST, the retailer must charge GST on the used furniture, shoes and electrical household items irrespective of whether the goods are purchased from a non-registered person or not.

Q6: Is GST chargeable on the goods sold to foreign tourists?

A6: As a GST-registered retailer, you have to charge GST on goods sold to all customers including foreign tourists. GST paid on the goods by a foreign tourist can be refunded upon leaving Malaysia under the Tourist Refund Scheme provided that he fulfils the prescribed conditions.

Q7: Can I claim ITC on motor vehicle for the transport of business goods?

A7: If the motor vehicle used is a passenger car, the retailer cannot claim input tax incurred on the acquisition of the car. However, when he subsequently sells the car, he is not required to charge GST on the sales of the car. If the motor vehicle is a commercial motor vehicle such as a van for the transportation of goods, then the retailer is entitled to claim input tax incurred. However, when he subsequently sells the commercial motor vehicle, he is required to charge GST on the sales of the commercial motor vehicle.

Q8: I am a GST registered person. Do I have to account GST on goods used for personal use (private use)?

A8: Yes. Goods used for private use is subject to GST. Therefore, GST has to be charged on the goods based on open market value.

Q9: When should I account GST for coin operated machines in my premise?

A9: You have to account GST in the relevant taxable period when coins are removed from the machines

FEEDBACK AND COMMENTS

64. Any feedback or comments will be greatly appreciated. Please email your feedback or comments to either Mohd Hisham bin Mohd Nor (m_hisham.nor@customs.gov.my) or Aminul Izmeer bin Mohd Sohaimi (izmeer.msohaimi@customs.gov.my)

FURTHER ASSISTANCE AND INFORMATION

65. Further information can be obtained from:

- (a) GST Website : www.GST.customs.gov.my
- (b) GST Hotline : 03-88822111
- (c) Customs Call Centre:
 - Tel: 03-7806 7200/1-300-888-500
 - Fax: 03-78067599
 - E-mail: ccc@customs.gov.my.