



**ROYAL MALAYSIAN CUSTOMS**

**MALAYSIA  
GOODS AND SERVICES TAX  
(GST) GUIDE  
APPROVED TRADER  
SCHEME  
(DRAFT)**

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## 1. INTRODUCTION

1.1. This Industry Guide is prepared to assist you in understanding the Goods and Services Tax and its implications on Approved Trader Scheme.

### 1.2. Overview of Goods and Services Tax (GST)

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.

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

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 output tax on his taxable supply of goods and services made to his customers. He is allowed to claim input tax credit on 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.

## 2. APPROVED TRADER SCHEME

Basically, all exports are zero-rated, meaning exporters do not collect output tax on their supplies. All major exporters will have positive input tax refund as they do not have collection or have only minimum collection of output tax to help them offset against the GST paid on their imports. This would create a cash flow problem for them because they would have to pay GST upfront. Hence, a suspended GST under the Approved Trader Scheme (ATS) was introduced to alleviate the cash flow problem faced by importers who mainly re-export their supplies.

Any taxable person registered under the ATS (refer as “**ATS participant**” after this) will be allowed to suspend GST payable on imported goods at the point of importation. The GST due on all goods imported in a particular taxable period would be summed up and accounted for in the taxable period where the importation takes place.

ATS participant must be on a monthly taxable period.



Suspension of GST only applies to goods that are imported and not for locally acquired supplies. Normally, an ATS participant would be able to acquire supplies from the local market on credit term. On the other hand, he may be able to collect output tax on supplies made to the local market to offset his input tax payments.

### **3. PARTIES QUALIFYING FOR ATS CONSIDERATION**

The following taxable persons who registered under the act are eligible to apply for ATS subject to approval given by RMC.

- All companies located within the Free Industrial Zones (FIZ) as defined under Section 2 of the Customs Act 1967 and gazetted under Schedule 2 of the Free Zones Regulations 1991.
- All Licensed Manufacturing Warehouse (LMW) operators licensed under Section 65/65A of the Customs Act 1967.
- International Procurement Centres (IPCs) and Regional Distribution Centres (RDCs) approved by the Malaysian Investment Development Authority (MIDA).
- Toll manufacturers registered under the Approved Toll Manufacturer Scheme (ATMS).
- Jewellery manufacturers registered under the Approved Jeweller Scheme.
- Companies with turnovers above RM25 millions and more than 80% of their supplies made are zero-rated.
- Any other person as approved by the Minister.

### **4. CONDITIONS FOR ATS PARTICIPANTS**

Like any other special schemes, there are conditions imposed under the ATS in which an ATS applicant must strictly adhere to. The conditions imposed under the ATS include the following:

- (a) An ATS participant must account for tax on a monthly taxable period



An ATS participant must only file monthly GST returns. Any registered person who files other than monthly GST returns are not eligible for ATS.

(b) Electronic submission of GST return

An ATS participant must submit his monthly GST returns through electronic filing (E-filing).

(c) Goods imported in the furtherance of a business

Goods imported under the ATS must be for the furtherance of business carried on by the ATS participant, which is for the purpose of making taxable supplies. Goods imported for personal use of staff, including directors, are not allowed.

(d) Import and export of goods must be declared in the ATS participant's name

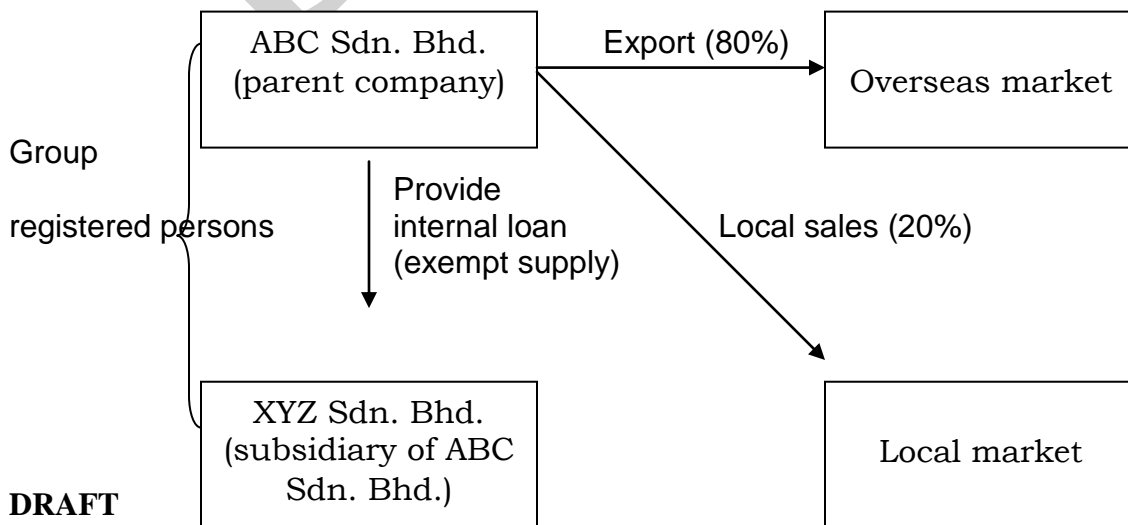
All imports and exports must be declared in the name of the ATS participant. However, authorized forwarding agents duly appointed can sign the import / export forms on behalf of the ATS participant, but the ATS participant remain liable for any tax and duties due or accountable by him.

(e) An ATS participant must make wholly taxable supplies

A registered person who makes exempt supplies or partial-exempt supplies does not qualify for the ATS unless the exempt supplies are incidental to his main business or the exempt supplies fall within the de minimis limit. (See example No. 1 below.)

Example No. 1

**Exempt supply incidental to main business.**





Certain exempt supplies such as provision of any loans, advance or credit between connected persons, deposit of money, issuance of debt security, etc, are treated as taxable supplies if the person makes no other exempt supplies.

In the case of the de minimis limit rule, if the total value of all exempt supplies made by a mixed supplier does not exceed on the average of RM 5,000.00 per month and an amount equal to 5% of the total value of all taxable supplies and exempt supplies in that particular month, such exempt supplies would be deemed as taxable supplies. Thus, if the exempt supplies made by a mixed supplier fall within the de minimis limit, the mixed supplier will be regarded as making wholly taxable supplies and may be granted the ATS status. A mixed supplier who falls out of the de minimis limit does not qualify for the ATS.

- (f) An ATS participant must have good accounting system;

Good accounting expected of an ATS participant is explained in Paragraph 10(a) below.

- (g) Good compliance record as a GST payer;

An ATS participant must always submit his GST returns and made tax payments within the stipulated period.

- (h) Clean record with the RMC;

An ATS participant must have a good compliance record on any business dealing with the RMC. A registered person blacklisted under any laws administered by the RMC would not be considered for ATS status.

- (i) Security to be furnished;

Under certain circumstances, an ATS participant may be required by the Director General (DG) of the RMC to furnish security, in the form of bank guarantee or bond or both, to protect revenue.

- (j) Other conditions.

The DG of the RMC may impose additional or revise any condition(s) from time to time as he deems fit. The conditions set here do not preclude or override any other conditions imposed on an ATS participant under LMW, FIZ, RDC and IPC respectively.



The DG of the RMC also reserved the rights to reject any application, to review or revoke any approval granted to an ATS participant at any time without prior notice to protect revenue.

## 5. DETERMINATION OF 80% OF ZERO-RATED SUPPLIES

Companies with turnovers above RM25 millions and more than 80% of their supplies made are zero-rated are eligible to apply for ATS. The 80% of zero-rated supplies is calculated on a yearly basis. International services which are listed under Goods and Services Tax (Zero Rate Supplies) Order can be taken into account when computing the 80% zero-rated supplies rule. (See example No. 2 below.)

### Example No. 2

- (i) Total value of taxable supplies for the period 1.1.XX to 31.12.XX is RM30 million.
- (ii) Taxable services exported to overseas customers, for example fees for providing training, is RM1 million.
- (iii) Goods exported overseas amounts to RM23 million.
- (iv) At least **RM24 million** out of RM30 million of the total taxable supplies (i.e. 80% x RM30 million = RM24 million) made by the ATS participant in the same taxable year must be zero-rated supplies.
- (v) In this example, the 80% zero-rated supplies rule is fulfilled as the total zero-rated supplies made is RM24 million (i.e. RM1 million of exported services plus RM23 million of exported goods).

[Export of goods means sending goods out of Malaysia and its territorial waters, but does not include goods in transit. For the purpose of GST, “export” and “in-transit” has the same meaning as defined under section 2 of the Customs Act 1967.]

## 6. IMPORTED SERVICES

Since all ATS participants are taxable persons and making wholly taxable supplies, GST on imported services can be net off with the deemed input tax credit. **(For further details, please refer to GST guide on Imported Services).**



## **7. TREATMENT ON GOODS LOCALLY SOURCED BY ATS PARTICIPANTS.**

Any goods sourced locally do not come within the scope of ATS whereby the normal rules of GST would apply.

The following questions and answers on local purchase may be of relevance to you:

### **7.1. If I need to urgently purchase goods or raw materials from local suppliers, can I suspend GST on such purchases?**

No, you have to pay GST upfront and claim it as your input tax credit (ITC).

### **7.2. Can I suspend payment of GST on goods or raw materials purchased from another ATS participant, like a company operating in FIZ?**

A purchase made from another ATS participant is a local purchase and you have to pay GST on the purchase. You can claim the GST paid as your ITC.

### **7.3. Can I suspend GST on goods acquired from a public warehouse or a company located in a Free Commercial Zone (FCZ)?**

ATS allows suspension of GST on imported goods. You are allowed to use ATS to suspend GST on acquisition from a public warehouse or from a company located in FCZ provided the goods the goods acquired by you are imported goods.

## **8. SUPPLY OF GOODS TO THE LOCAL MARKET BY ATS PARTICIPANTS.**

Any goods, whether in the form of raw materials or finished goods, supplied or disposed off in any manner to the local market are taxable supplies. An ATS participant must account for GST on local supplies made by issuing tax invoices.

The following questions and answers may be of relevance to you:





**8.1. If I supply raw materials or finished goods to another ATS participant, do I still have to account for GST output tax?**

Yes, a supply made to another ATS participant, irrespective of whether the buyer is an operator in a free industrial zone, IPC or RDC operator is a taxable supply. You have to account for GST output tax chargeable on the supply by issuing a tax invoice.

**8.2. I am an operator in a free industrial zone under the ATS and if I loan some raw materials to another operator in the free industrial zone for his urgent use, do I have to account for GST output tax?**

Yes, because the raw materials which the other operator in a free industrial zone replaces you later on would not be the same as the raw materials you loan to him now. As such, it is a taxable supply. This same rule is applicable to all ATS participants.

**8.3. If I am a group registered person, do I need to apply for separate ATS approval for each constituent member?**

Yes, each constituent member has to apply for ATS separately and it must fulfill the required conditions.

**8.4. If I supply goods to a group member, do I have to account for GST output tax on the supplies?**

No, supply made between members registered as a group under the GST is disregarded. **(See group registration)**

**9. FARMING OUT TO SUB-CONTRACTORS BY ATS PARTICIPANTS**

The following question and answer relate to farming out of works to sub-contractors:

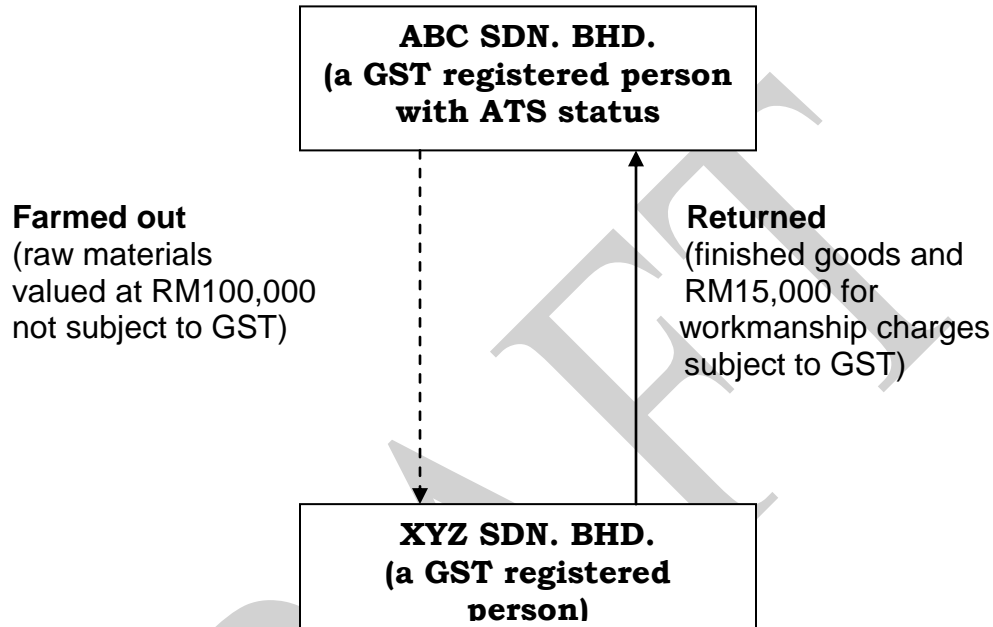
**9.1. If I farm out part of my works to a sub-contractor, do I have to account for GST output tax on the raw materials supplied?**

Farming out does not transfer the ownership of the goods to the sub-contractor. As such, it is not a supply of goods and you do not have to account for GST output tax on the raw materials. However, if the sub-contractor is a GST registered person, he has to account



for GST output tax on the value of service supplied to you. (See example No. 3 below)

Example No. 3



**Accounting for GST will be as follows:**

- (a) ABC Sdn. Bhd. will issue a normal invoice or delivery order to XYZ Sdn. Bhd. and no GST is chargeable.
- (b) XYZ Sdn. Bhd. will issue a tax invoice to ABC Sdn. Bhd. when the finished goods are returned to ABC Sdn. Bhd., and XYZ Sdn. Bhd. has to account for output tax of RM600.00 (RM15,000.00 x \*4%) on the workmanship charges.  
(\*Assuming GST is charged at 4%)
- (c) ABC Sdn. Bhd. can claim the RM600.00 (GST) paid to XYZ Sdn. Bhd. as his input tax credit.
- (d) If XYZ Sdn. Bhd. is not a GST registered person, no GST is due on the workmanship charges.



## 10. GOOD ACCOUNTING SYSTEM

An ATS participant has to maintain a good accounting system which includes the following requirements:

### (a) At the time of application:

- (i) Accounting records must be kept in accordance with the principles of Standard Accounting Practices adopted in Malaysia. There must be sufficient original documents and proper records of the value of imports, exports and local sales kept for at least the 2 immediate past financial years from the date of application. (See example No. 4 below). Exemption to this condition may be given to newly set up companies at the discretion of the DG before approval. But, for new businesses a projection on the supplies for the next 24 months from the date of application must be given and the basis for the projection is clearly stated;

#### Example No. 4

- Financial year ending 31<sup>st</sup> March 2014
- Date of application is on 20<sup>th</sup> February 2014
- The 2 relevant periods of records kept would be financial years ending **31st March 2012** and **31<sup>st</sup> March 2013**.

- (ii) There must be a good audit trail on the accounts prepared by the applicant. The DG may examine the accounts before an approval is granted under the ATS.

### (b) During the validity period of the ATS approval:

- (i) You must maintain proper records on the value of imports, exports and local sales as well as an inventory of raw materials, quantities of work-in-progress and total supplies made at all time. All documents related to imports, exports, production of goods and local sales, like import and export forms, invoices, delivery orders, credit and debit notes and receipts must be kept and properly filed by you for a period of not less than 7 years as provided for under the GST law;
- (ii) You must submit annual statement on the value of imports, exports and local sales to the RMC;



- (iii) There must be good audit trail and the external auditor is able to issue a positive assurance report on the annual accounts and that all trading figures declared are fair and accurate. The external auditor report and opinion must be unqualified; and
  - (iv) You must produce statements of account, reports and any other related documents upon request from RMC.
- (c) For ATS participant acting as an agent for an overseas principal who is a taxable person.**
- (i) Separate records and inventory of stocks must be kept for each of the overseas principals and periodic checks be made to check its accuracy;
  - (ii) Separate records on supplies made locally or overseas must be kept for each of the overseas principals;
  - (iii) Separate record on local purchases must be kept for each of the overseas principals;
  - (iv) Date, quantity, description and value of imports, exports, local supplies and local purchases must be clearly stated in the records as stated in Para (ii) and (iii) above;
  - (v) GST suspended under ATS for overseas principal must be summed up and stated in the monthly GST return;
  - (vi) All local supplies for overseas principal must be accounted for output tax in the GST monthly GST return;
  - (vii) All input tax claims on local purchases for overseas principal must be made in the GST return;
  - (viii) Supporting documents like Customs No 1 (import), tax invoices on local sales, tax invoices on local purchases, debit notes, credit notes, delivery orders and all correspondence with overseas principals must be properly filed and kept for at least 7 years in the ATS (agent) business premise; and
  - (ix) ATS participant must be able to furnish immediately on demand from the RMC a full and accurate inventory report and any other records for each of his overseas principal.



## **11. RESPONSIBILITIES OF AN ATS PARTICIPANT**

### **11.1. When I ceased to be a GST registered person or as an ATS participant, do I have to account for output tax on capital assets/stocks on hand?**

When you cease to be a registered person you must account for output tax in your last return on all the imported goods on hand under ATS including capital assets and other stocks.

### **11.2 Can I transfer my ATS status to another person if I decide to dispose off my business to him?**

Approval granted under the ATS is not transferable in any manner. The buyer must apply for his own ATS status if he can fulfill all the conditions stipulated under the ATS.

### **11.3. What is the duration of an ATS approval and when should I renew it?**

Approval for ATS status is on a two-yearly basis or for a shorter period, as the case may be, and any application for renewal must be made two months before the last day of each approval period.

### **11.4 What would happen to goods on hand if my ATS status is revoked?**

If you are still registered for GST, normal rule would apply to your goods on hand, i.e. account for output tax if supply takes place.

### **11.5 What are the other responsibilities expected of me under the ATS?**

Your main responsibilities as an ATS participant are as follows:

- (a) You must have good compliance record on any business dealing with the RMC. Good compliance must be maintained at all time. If you flout any law administered by the RMC you risk being disqualified from the ATS. Any breach of conditions or any law administered by the RMC amounts to an offence which are punishable under the respective laws;
- (b) You must maintain a good accounting system. See details in Paragraph 10 above;



- (c) You must not be making exempt supplies unless the exempt supplies are **incidental to your main business** or within the de minimis rule (see paragraph 4(e) above);
- (d) If your goods are cleared by authorized agent(s), all import and export forms must still be signed by you;
- (e) You cannot use your ATS status to import goods on behalf of other importers.
- (f) You are responsible and accountable for GST suspended on the goods imported by you, including those cleared for you by your forwarding agent(s);
- (g) You must issue authorized letter to forwarding agent(s) appointed by you and keep a record of them; and
- (h) You should immediately notify the RMC on any change in particulars submitted to RMC under the ATS.

## **12. FURTHER INFORMATION FOR ATS PARTICIPANTS**

**As an ATS participant must I need to know more about other aspects of GST?**

The following guides may be of interest to you:

- (a) GST registration
- (b) Warehousing Scheme
- (c) Designated Area
- (d) Import/Export
- (e) Transfer of business as a going concern

## **13. HOW TO APPLY FOR ATS STATUS**

An applicant must submit the following documents on application:

- (a) GST-Adm1 form duly completed and signed. \*Trading figures for two full financial years preceding the date of application and certified by a qualified auditor must be submitted together with the ATS application form (GST-Adm1);



**(Note:** \* A newly set-up business without a full financial year trading figures must submit a projection on the supplies for the next 24 months from the date of application and state clearly the basis for the projection made.)

- (b) A certified copy of IPC/RDC approval letter from MIDA; and
- (c) A copy of Mykad/passport of authorized applicants who signed on behalf.

### **13.1 How to obtain an application form for the ATS?**

Application form can be downloaded from RMC website at <http://www.customs.gov.my>. For further clarification, you can call GST toll free Helpline at No. 1800 XX XXXX.

## **14. FURTHER INFORMATION**

If you require any further information regarding GST, please contact our officer at any of our GST office or call toll free line No. 1800 XX XXXX. You can also visit our website at <http://www.customs.gov.my>.