

GST – Frequently Asked Questions

The following provides answers to some of the frequently asked questions (“FAQ”) about Malaysia’s Goods and Services Tax (“GST”) and its impact to Manulife Asset Management Services Berhad (“MAM”) agents. This FAQ is subject to change and will be updated as and when there are changes/ updates from the Royal Malaysian Customs Department (“RMCD”).

Unit Trust Agents

1. What is GST?

Goods and Services Tax (GST) is a multi-stage tax on consumption of goods and services. It is also known as value added tax in other countries. It shall replace the current sales tax and service tax. GST is charged on all taxable supplies of goods and services in Malaysia except those specifically exempted. GST will be implemented from 1 April 2015.

2. Can I, as a unit trust agent charge and collect GST?

The agency services provided by a unit trust agent to its principal(s) are taxable supply of services. If the taxable turnover for the past twelve months has exceeded RM500,000 or the estimated taxable turnover for the future twelve months is reasonably expected to exceed RM500,000, the agent is required to register as a GST-registered person. The agent needs to take into consideration the value of all taxable supplies including the commission and trailer fee received from all principal companies to whom he is providing agency services in calculating the taxable turnover. If the agent’s annual taxable turnover is RM500,000 and below, the agent is not required to register as a GST-registered person but the agent may opt for voluntary registration which is subject to discretion of RMCD to approve. If his/her application for voluntary registration is approved by RMCD, he/she needs to remain registered for a period of not less than two years. As such, although agency services provided by unit trust agents to its principal(s) are considered taxable supply of services, GST may only be charged and collected by a unit trust agent only if the agent is a GST-registered person.

3. What are the prerequisites to be a GST-registered person?

GST portal of RMCD is open for GST registration from 1 June 2014. A person is required to register as a GST registered person by 31 December 2014 if he/ she is making a taxable supply **AND** the taxable supply turnover (exclusive of GST) within a period of 12 months from 1 April 2015 to 31 March 2016 is reasonably expected to exceed the threshold of RM500,000. In calculating the taxable turnover, you would need to take into consideration the value of all taxable supplies including the commission and trailer fee received from all the companies to whom you are providing agency services.

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4. How to register for GST?

The application for GST registration can be submitted online via GST portal (gst.customs.gov.my) or through a manual submission to the RMCD. The information required for on-line registration can be obtained in Form GST-01 which can be downloaded from RMCD's GST portal. You can log into <http://gst.customs.gov.my> for more details and guides to register.

5. I am a unit trust agent who has successfully registered for GST, what do I need to do?

You would need to immediately inform MAM of your registration status and furnish us with all the details. It is an obligation for you to keep MAM informed of your latest GST registration status at the earliest opportunity as and when there are changes. You need to furnish a copy of RMCD's registration letter to MAM.

Once you are a GST-registered person, then you can charge and collect GST (output tax) with respect to your taxable supplies such as commission and trailer fee that you received from MAM. You will need to issue a tax invoice on the commission, trailer fee and GST. MAM will pay you the commission, trailer fee and GST. You will then need to account the GST received from MAM as your output tax to RMCD. We encourage you to sign a self-billing agreement with MAM to enable MAM to issue the self-billed invoice on your behalf.

6. As a GST-registered unit trust agent, I incur expenses in the course of my business such as parking charges, petrol and mobile phone calls. Am I able to claim full input tax* credit on these expenses?

If you have registered for GST, you can claim full input tax credit provided that these expenses have been used for the purpose of business of making taxable supplies. Also you must have a valid tax invoice in order to claim input tax credit.

** Input tax is the GST incurred on any purchase of goods and services by a taxable person for making a taxable supply in the course of business.*

7. What are my obligations as a GST Registered Person?

Your main obligations under the GST Act 2014 include:

- Account the output tax on your taxable supply of goods and services, after offsetting input tax credit on your purchases
- Issue valid tax invoices for your taxable supply of goods and services or opt for self-billing (refer Q9).
- Submit GST Returns (GST-03) and to remit GST (output tax net of input tax) to RMCD not later than the last day of the following month after the taxable period. E.g. if the person's taxable period is a 3-months periods, the GST return and

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amount for the period from April 2015 to June 2015 would need to be submitted and settled latest by 31 July 2015.

- Keeping adequate records of all business transactions relating to GST in National or English language for seven years

8. What will happen if I fail or am late in declaring and remitting the GST amount to Customs?

If you are registered for GST, then you are required to submit your GST return form (GST-O3) and pay the tax due and payable to RMCD, within a stipulated deadline i.e. no later than the last day of the following month after the taxable period.

Failure to submit the return is an offence under GST and on court conviction, is liable to a fine not exceeding RM50,000 or to imprisonment for a term not exceeding three (3) years or to both.

Likewise, failure to pay the amount of tax due and payable is an offence (separate from the above offence of failure to submit the return) and on court conviction, is liable to a fine not exceeding RM50,000 or to imprisonment for a term not exceeding three (3) years or to both.

Note that both the above offences are compoundable by RMCD for a sum not exceeding 50% of the maximum fine for each offence i.e. compound up to RM25,000 (= 50% x RM50,000 maximum fine) for each offence.

9. As a GST-registered unit trust agent, do I need to remit the GST charged on sales charge to RMCD once I collect the sales charge and GST from unit holders?

No, the GST charged on sales charge is the output tax of MAM and not the output tax of the agent. As a unit trust agent, you would need to remit the sales charge together with the GST charge thereon to MAM, who will account for the GST as its output tax to RMCD. As an unit trust agent, your output tax would be the GST collected on your taxable charges such as commission and trailer fee. You would need to remit the GST to RMCD on your taxable supplies.

10. I am a GST-registered unit trust agent and I have heard of self-billed invoice. How does self-billed invoice work?

Under certain circumstances, the value of supply of services is not known by the person who provides the supply i.e. agent and is to be determined by the person who receives the supply i.e. MAM. The recipient of the services is allowed to issue an invoice to himself i.e. self-billed invoice which is treated as a tax invoice that MAM can use to claim input tax credit. There are conditions to be fulfilled under the GST Act 2014 for self-billing arrangement and is subject to the approval by RMCD. MAM may enter into self-billing agreement with the intermediaries who are GST-registered person if all the conditions are met. These conditions are as follows:

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- (a) the value is not known by the supplier at the time of making the supply;
- (b) the recipient and the supplier are both registered persons;
- (c) the recipient and the supplier agree in writing to a self-billed invoice; and
- (d) the supplier and the recipient agree that the supplier shall not issue a tax invoice in respect of any supply.

11. How will MAM support its agents in the preparation of GST implementation?

MAM's Training Division can provide GST Awareness Briefing to its agents who are potentially GST-registered persons. The agents may obtain the training materials from our Training Division.