

# Malaysian Goods and Services Tax

## Understanding GST Treatment on Banking Transactions

The banking and financial sectors in Malaysia are implementing the country's new Goods and Services Tax (GST) from April 2015. With a wide range of services and financial products subject to GST, this information sheet aims to provide clarity to Businesses and Corporates the implication of the GST on banking transactions.

### 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. A registered person is required to charge GST (output tax) on his taxable supply of goods and services made to his customers. He is allowed to claim back any GST incurred on his purchases (input tax) which are inputs to his business.

Therefore, the tax itself is not a cost to the intermediaries and does not appear as an expense item in their financial statements.

In Banking we offer a wide range of services and there may be fees and charges applied to the services provided. This ranges from operation of account, payment and collection of checks, remittances, provision of loans advances and credit, commercial card, trade financing, invoice discounting, specialized services, etc.

In general, deposits, loans and remittances are not subject to GST for their principal value. However, the fees associated to the services rendered are subject to GST.

### Citi's Approach to GST

#### How are GST charges presented?

For services which are subject to GST at the standard rate, the charge is reflected in detail in the Account Statement with the breakdown of the gross fee and GST amount presented separately.

A monthly Tax Invoice is provided with month-end account statements showing the cumulative fees and GST charges incurred for the calendar month in a format acceptable for tax filing. Account Statements and Tax Invoice will be accessible and delivered via the current delivery channels.

As for Trade related transactions, the Tax Invoice would be provided on transactional basis.

#### Electronic payment to Custom for GST from Citi Account?

The Royal Malaysian Custom has advised that GST payments may be made via Direct Debit.

Clients can register for Direct Debit through their Citibank account for payment to Customs upon filing GST amounts due on the Customs website.

Direct Debit through Citi provides flexible options in setting parameters for payments and comprehensive report features.

For information on Citi's GST approach, please refer to our Frequently Asked Questions section.

### Highlights of GST Process

- GST fee is clearly separated from bank fees and charges;
- Easy filing of GST claims with Tax Invoice providing summary of banking fees, the GST fees and total fees inclusive of GST and other relevant information
- Easy access and retrieval of Account Statement and Tax Invoice through various delivery channels (applicable for Cash related transactions only).
- Payment solution through Direct Debit, where the payments are made automatically upon filing with Customs. An initial one time sign up is required.

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## Frequently Asked Questions Goods and Services Tax

Goods and Services Tax (GST) is implemented by the Royal Malaysian Customs and is effective from 1 April 2015. Citibank Berhad is a GST-registered entity with GST registration number 000 958 922 752, and therefore our fees and charges for all applicable products and services will be subjected to GST effective 1 April 2015.

### What are the 3 categories of bank services for GST application?

#### Exempt Supply

A supply is exempt if the consideration of the supply is in the form of an interest or a spread. These supplies include the provision of loans, credit or advances, exchange of currency and the trading of financial options or futures contract.

#### Standard Rated supply

A supply is standard rated if there is a basic charge or a fixed fee imposed on the supply. Fee-based services are standard rated supplies.

Examples of fee based services are:

- Fund Transfers e.g. electronic fund transfers, drafts and cheques;
- Account services e.g. statements, liquidity management, electronic banking;
- Receivables services including cheque deposits, lockbox services, currency deposit;
- Corporate Card fees e.g. annual fees
- Trade Services e.g. letters of credit, guarantees, collections, loan processing fees
- Safe keeping or custodial services; and
- Intermediary services e.g. services consisting of arranging, broking, underwriting or advising.

#### Zero Rated Supply

Commercial banking services rendered for customers abroad may be zero-rated if at the time the services are rendered he/the goods is outside Malaysia. This is considered as an export service. For corporate clients, residency may be determined by the correspondence address of the company. For Trade Services, the additional factor of goods movement will be taken into account when determining the charge type as Standard Rated, Zero Rated or Exempt.

### Are any banking related services not subject to GST?

There are several banking charges which are not subject to GST.

These include:

- Penalty fees;
- Early breakage (Corporate loans);
- Commitment fee (for unutilized portion);
- Stamp duties;
- Interest paid;
- Foreign exchange spreads

<b>How is GST applied on banking services?</b>	<p>In general, services and activities associated to the use of the account e.g. remittance service, account services, are subject to GST at the standard rate.</p> <p>These fees include:</p> <ul style="list-style-type: none"> <li>• Fees/charges for electronic fund transfer and phone banking;</li> <li>• Fees/charges on provision of bank statements;</li> <li>• Fees/charges for issuance of cheque books;</li> <li>• Commission for the issuance of manager's cheque and demand draft;</li> <li>• Cost of telegraphic transfer will include a commission and tele-transmission charges;</li> <li>• Fees charged in the provision of the loans e.g. establishment fees, arranging fees, advisory fees, agency fees or processing fees</li> </ul>
<b>Where can I obtain the full listing of services and products offered by Citibank subject to GST?</b>	<p>For full list of fees and charges where GST is applicable, visit <a href="http://www.citibank.com.my">www.citibank.com.my</a> under Fees and Charges for Corporate Account Services and Trade Finance and Services.</p>
<b>How does Citi advice clients of GST charges?</b>	<p>Citi will reflect the fees with the applicable GST for each transaction which is taxable in the Account Statement.</p> <p>Separately, on a monthly basis Citi will also produce a Tax Invoice for each account, providing a summary of the Cash Management services with the fees and the GST levied on each type of service transacted through the account.</p> <p>The Account Statement and Tax Invoice for Cash Management will be accessible electronically through our Commercial Banking Portal. Clients without online access will receive the Tax Invoice through regular mail.</p> <p>The Tax Invoice for Trade Services will be sent with transactional advices for standard-rated supplies.</p>
<b>At what frequency is the Tax Invoice provided?</b>	<p>The Tax Invoice will be generated monthly reflecting the GST applied on each transaction in the account throughout the month. Each account will have one Tax Invoice for each calendar month.</p>
<b>Will clients be able to generate a Cash Management Tax Invoice for a self-defined period?</b>	<p>Clients will be able to generate the Tax Invoice on monthly basis for the calendar month only.</p>
<b>Are trade services provided in connection with the export of goods and services subject to GST?</b>	<p><u>Domestic Sales of Goods &amp; Services:</u> All charges* associated with the domestic sale of goods &amp; services rendered to a resident under Letter of Credit or Documentary Collection are subject to Standard Rated GST.</p> <p><u>Export of Goods &amp; Services out of Malaysia:</u> All charges* associated with the export of goods and services out of Malaysia, under Letter of Credit or Documentary Collection, are not subject to GST (Zero Rated Supply).</p>

**Are trade services provided in connection with the import of goods and services subject to GST?**

All charges\* associated with the issuance of Letter of Credit, Import Collection and Guarantees on behalf of a resident are subject to Standard Rated GST.

All charges\* associated with the issuance of Letter of Credit, Import Collection and Guarantees on behalf of a non-resident, are not subject to GST (Zero Rated).

*\* Excluding charges under the Exempt & Disregarded Supplies list, as published by Custom.*

**What would be the information contained in the Tax Invoice for trade transactions?**

Key information that would be reflected in the trade Tax Invoice, would be:

- Invoice serial number;
- Date of the issuance of the invoice;
- Name, address, GST identification number of the customer
- Description of transaction
- Total amount payable excluding tax; and
- Amount payable including tax and the rate of the tax applied.

**What will be the impact of GST on the different change code/ mode available for transaction fee?**

Regardless of the charge mode the GST will be borne by the client/ remitter.

For example, if the charges are to be borne by the beneficiary, the transaction proceeds will be deducted from the transaction/ commission fee, as currently practiced. However, the GST applicable for the transaction fee will be borne by the instructing client.

**Are custodial related services subject to GST?**

Clients (both local and foreign) who are buying services which are supplied directly in connection with the securities or unit trusts traded in Malaysia will be subject to GST at the standard rate.

Example of such services include:

- Transaction fees
- Safekeeping fees

**How can I get more information on Goods and Services Tax?**

Please visit the Royal Malaysian Custom link below for more information on industry guides:- <http://gst.customs.gov.my>

For any specific GST related to banking kindly contact CitiService via email at [malaysia.citIService@citi.com](mailto:malaysia.citIService@citi.com) or 603-2383 1111 (KL); 604-818 1555 (PG) or 607-267 8888 (JB) for any clarification