



ROYAL CUSTOMS MALAYSIA

GOODS AND SERVICES TAX

GUIDE ON SHARE ISSUING HOUSE AND SHARE REGISTRAR

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INTRODUCTION

1. This Industry Guide is prepared to assist you in understanding the Goods and Services Tax (GST) and its implications on share issuing house and share registrar.

General Operation of Goods and Services Tax (GST)

2. GST which is also known as Value Added Tax in other countries is a tax on final consumption of goods and services. Unlike the present sales tax system which is a single stage tax, the GST is a multi stage tax. It is also imposed on importations. Payment of tax is made in stages by the intermediaries in the production and distribution process. Although the tax will be paid throughout the production and distribution chain, it is ultimately passed 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.

3. A person who is registered under the GST is required to charge GST on his output of taxable supply (output tax) of goods or services made to his customers. He is allowed to claim as credit on any GST incurred (input tax) on his purchases which are inputs to his business. His customer, if he is also in a business of making taxable supply of goods or services, in turn is allowed to claim a credit on GST paid on his input. Thus, double taxation will be avoided and only the value added at each stage is taxed.

GENERAL OPERATIONS OF THE INDUSTRY

4. Share Issuing House and Share Registrar play a very important role in managing investor's portfolio and other corporate exercises of a company.

Share Issuing House

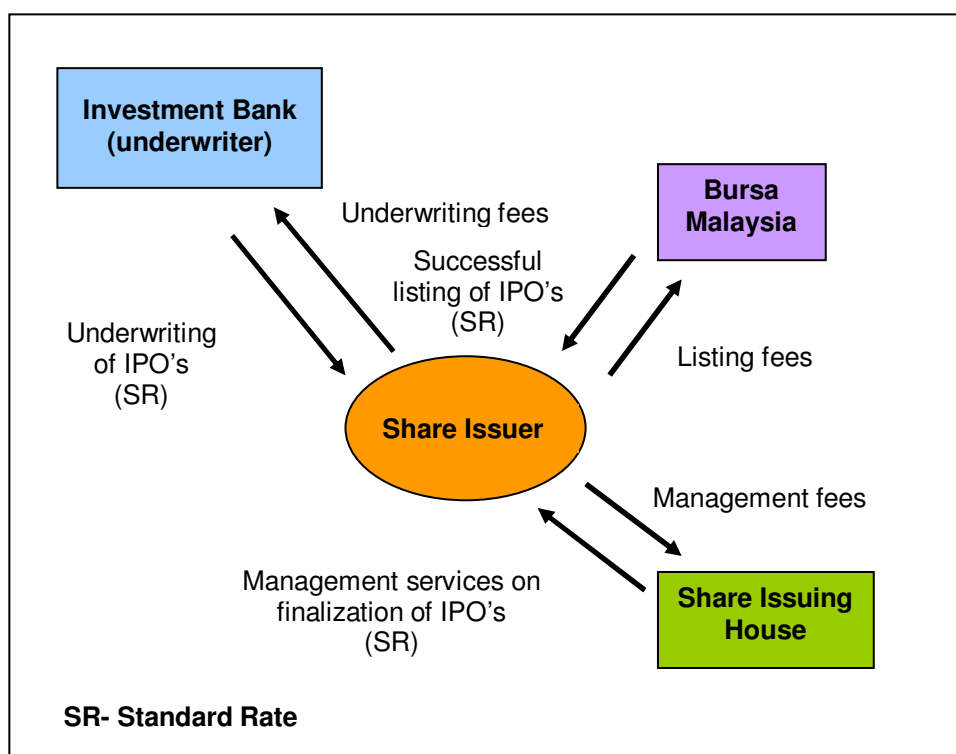
5. A share issuing house plays a very significant role as an intermediary between companies seeking capital through Initial Public Offering (IPOs) and investors who subscribe to the securities of the issuers. When a company has reached a certain level of development and seeks new heights of growth through

successful listing and capital raising on the stock exchange, it requires the services of a Share Issuing House. A share issuing house is regulated by the Securities Commission and works closely with Bursa Malaysia Securities Bhd. (BMSB) and Bursa Malaysia Depository Sdn. Bhd. Application and balloting for new share is handled by Malaysian Issuing House (MIH). Share Issuing House renders share issuance services to its clients which are subject to GST at standard rate. Among the services rendered are to:

- (a) Prepare a listing timetable in consultation with IPOs Adviser and their clients;
- (b) Advise on the format, content and quantity of application forms to be printed;
- (c) Review draft copies of the share application form, envelopes and prospectus before printing;
- (d) Distribute prospectus, application forms and envelopes to stockbrokers, financial institutions and members of the public;
- (e) Liaise with participating banks/finance companies to initiate commencement of electronic share application;
- (f) Receive, sort and count applications;
- (g) Receive electronic data relating to Electronic Share Application (ESA);
- (h) Table formulated basis on share allotment to the client for approval and to arrange computerized ballots in the event of oversubscription;
- (i) Inform Security Commission and the public of the subscription results;
- (j) Process balloted public applications including reserve applications, employees and eligible Director's shares, preferential allotment to specific groupings, placements as well as any special allocation approved by MITI;
- (k) Return unsuccessful applications to investors;
- (l) Advise participating banks/ finance companies of successful, unsuccessful or reserve applications;

- (m) Print, verify and despatch of notices of allotment to successful applicants and share certificates to Bursa Malaysia Depository Sdn. Bhd.;
- (n) Prepare a list of shareholders;
- (o) Operate a Share Issue Bank Account for the purpose of the issue;
- (p) Retain and invest IPO proceeds in money market instruments from the time of collection to listing and quotation of shares. The IPO proceeds plus interest earned (less agreed amount retained by issuing house for paying expenses) shall be released to the company (offeror) only upon confirmation of listing and quotation of the shares;
- (q) Refund the balance of application monies to partially successful applicants;
- (r) Retain an agreed amount of monies in the Share Issue Bank Account for paying expenses relating to the issue;
- (s) Advise Bursa Malaysia Sdn. Bhd. on the despatch of notice of allotment to successful applicants.

Diagram A: Illustration on the finalization of IPO's

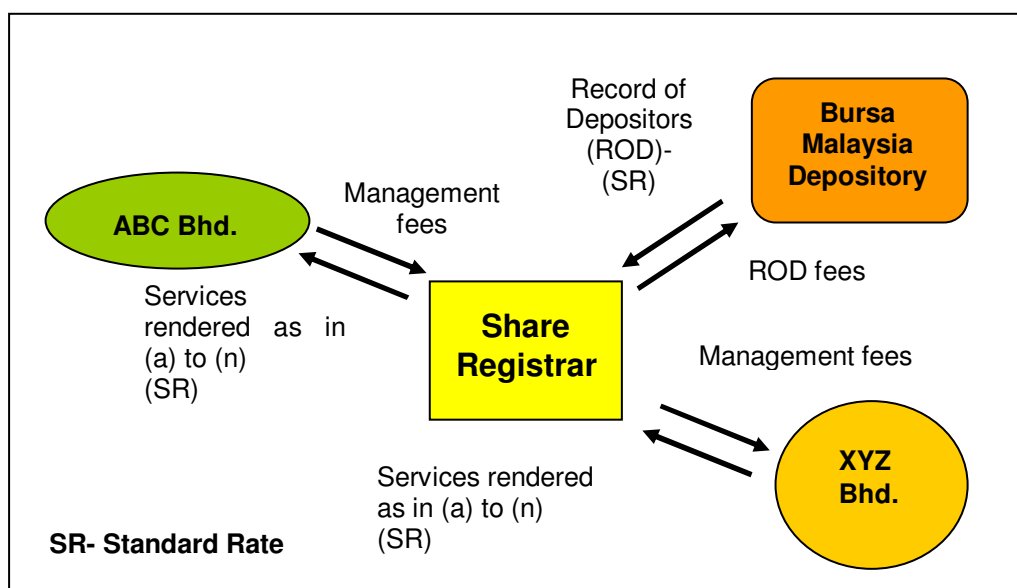


Share Registrar

6. Share Registrars provide a full range of share registration services for companies listed on Bursa Malaysia Securities Berhad and the Malaysian Exchange of Securities Dealing and Automated Quotation Berhad (MESDAQ).

7. Most importantly, share registrar services include maintaining and updating the Principal Register of Members (Principal Registrar) of a company in compliance with the Companies Act 1965 and any other relevant statutes under the law of the country. A shareholder registry infrastructure can be tailored to any type of shareholding structure and shareholder type from individual shareholders to institutional investors.

Diagram B: Services Rendered by a Share Registrar



8. The standard range of services provided by Share Registrar companies from the above diagram which are subject to GST at Standard rates are as follows:-

- (a) Maintenance of the share register and keeping the same updated in compliance with the Companies Act 1965, Capital Markets and Services Act 2007 and/or other statute relevant thereto which is/are not specifically mention herein;
- (b) Provision of management information by attending to relevant correspondences and enquiries from the shareholders of the Client and

- any other interested parties pertaining to the Principal Register which include changes of names and addresses, replacement of lost certificates (if applicable), dividend warrant, registration of powers of attorneys, letters of administration, grant of probate, indemnities, court orders and any other matters ancillary thereto;
- (c) Processing and registering of transfers subject to the satisfaction of the requirements of the Exchange, cancellation of transferred certificates, preparing sealing, signing, auditing and despatching duly registered certificates to transferees or lodging stockbrokers (if applicable);
 - (d) Preparing, signing, and despatching of dividend warrant and reconciling the dividend accounts unless surrendered to the Registrar of Unclaimed Moneys in accordance with the Unclaimed Money Act 1965;
 - (e) Auditing of all transfers cancelled certificates, duly issued certificates (if applicable) and dividend warrants;
 - (f) Despatching or mailing of notices, circulars and annual reports to shareholders;
 - (g) Liaising with the Depository to facilitate depositing of shares, access to the Record of Depositors, statistic for shareholders' information and for the purposes of Annual and/or Extraordinary General Meetings (AGM/EGM), or any other corporate actions;
 - (h) Providing information to the Depository on relevant dates for book closure and payment;
 - (i) Attendance at annual and extraordinary general meetings including conduct of a poll if required;
 - (j) Regular reports on share movements;
 - (k) Arrangement for advertising the closure of a share offer;
 - (l) Providing information for Annual Report Disclosure, which shall include the following:
 - Analysis of shareholders by size and type;
 - List of thirty largest shareholders.

- (m) Providing services for other corporate exercises (Bonus/Rights Issues and Dividend Payment), which shall include the provision of information on the following:
- excess applicants;
 - successful allotment list.
- (n) Other optional services available on time and on reasonable material cost basis:
- mailing labels;
 - dividend master list;
 - bonus master list;
 - rights issues list;
 - Principal Register;
 - list of major shareholders;
 - analysis of shareholders and distribution in terms of size of shareholders and percentage;
 - share capital ownership analysis; and
 - any other lists which are not specifically mentioned herein which is/are required by the clients.

INPUT TAX RECOVERY

9. Share Issuing House and Share Registrar make taxable supplies i.e. rendering management services in finalizing the issuance of IPOs and share registration services to public listed companies. Any input tax incurred in managing the services is claimable.

FREQUENTLY ASKED QUESTIONS

Registration

Q1. I am a share issuing house and share registrar. Am I required to be registered?

A1. Yes, you are required to be registered if your company's annual taxable turnover has exceeded the prescribed threshold.

Input tax recovery

Q2. My company receives two types of income, i.e. issuing house fee and brokerage commissions and incurred GST on my expenses. Can I claim GST incurred on my expenses?

A2. You can claim GST incurred on your expenses as your input tax provided that the inputs are used for making taxable supplies.

Q3. Since I have purchased office stationeries in bulk early for the purpose of using it for the whole year from a company 'ABC', can I claim all the input tax involved immediately?

A3. Yes, you can claim all the input tax immediately if the tax invoice been issued immediately after the purchase.

Q4. If the tax invoice is issued by the company 'ABC' to us at a quarterly period, how do I claim the input tax credit?

A4. You have to claim your input tax credit according to the tax invoice received.

Q5. I could not use all the stationeries within the year of my taxable period, so I will use it for the new taxable period in a new year. What will happen to my input tax credit that I have deducted? Will I have to pay back to the government?

A5. No, you do not have to pay back. You can use the excess stationeries for the new taxable year. In the new year, you should not make any claim as an input tax on those stationeries because you have previously accounted the claim in your GST returns.

Q6. After a period of three months, I still could not receive any payment from my client, so I have to account the unpaid dues as bad debt, whereas as a registered person I have paid earlier the GST to the government according to tax invoice I issued. Can I claim my GST?

Q6. Yes, you can claim your GST from the government in full but you have to meet several bad debt relief requirements before your claim is to be paid.

Q7. After I have claimed the GST due to the unpaid account (bad debt allowance), one of my clients returns and pays all the debts plus GST? Do I have to pay GST back to the government?

A7. Yes, you have to account for output tax on the amount that has been claimed.

Fees and Brokerage Commission

Q8: I charge my client issuing house fee for my services. What is the GST treatment on my issuing house services?

A8: The issuing house services will be subject to GST at standard rate.

Q9: During the interim period from opening date to balloting date, I receive IPO proceeds and deposit the proceeds in a bank account. I earn interest which I subsequently release to the issuer. What is the GST treatment on the interest earned?

A9: The interest earned which is released to the Issuer is not subject to GST.

Q10: I receive share applications forms bearing official stamp of the brokerage houses, ESA from banks and application forms printed in the media. Upon successful balloting, I disburse brokerage commissions to the respective brokerage houses, banks and the media. What is the GST treatment on brokerage commission disbursed?

A10: When you disburse the brokerage commission, you are required to issue a self billing invoice (tax invoice) to the respective brokerage houses, banks and the media. In the self billed invoice, the brokerage commission will be charged GST at standard rate.

Q11: Some of the successful share application forms bear my official stamp for which I will receive brokerage commission from the Offeror. Is my brokerage commission subject to GST?

A11: Your brokerage commission is subject to GST at standard rate.

FEEDBACK AND COMMENTS

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

FURTHER ASSISTANCE AND INFORMATION

11. Further information can be obtained from:

- (a) GST Website : www.gst.customs.gov.my
- (b) GST Hotline : 03-88822111
- (c) Customs Call Centre :
 - Tel : 03-78067200/ 1-300-888-500
 - Fax : 03-78067599
 - E-mail : ccc@customs.gov.my