



**ROYAL MALAYSIAN CUSTOMS**

**GOODS AND SERVICES TAX**

**GUIDE  
ON  
CONSTRUCTION  
INDUSTRY**

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## **INTRODUCTION**

1. This industry guide is prepared to assist businesses in understanding matters with regards to GST treatment on Construction 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, only the value added at each stage is taxed thus avoiding double taxation.

4. In Malaysia, a person who is registered under the Goods and Services Tax Act 20XX is known as a “registered person”. 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.

### **GENERAL OPERATION OF THE INDUSTRY**

5. The activities of the construction industry include the building of new structures, modifications, maintenance, repair, alteration, renovation, dismantling, removal, demolition and improvements on these structures. It includes any works which form an integral part of, or are preparatory for the works mentioned, including site clearance, soil investigation and improvement, earth moving, excavation, laying of foundation, site restoration and landscaping.

6. The construction industry involves main contractors and subcontractors of the following category:

- (a) Building or general contractors who are involved in the construction of residential, commercial, industrial and other buildings;
- (b) Heavy and civil engineering construction contractors who are involved in constructing roads, highways, tunnels, bridges, sewers and other projects; and
- (c) Special trade contractors who perform other specialized activities related to construction such as carpentry, plumbing, electrical, painting and others.

7. This Guide covers all contractors including self-employed individuals, partners, companies, local authorities and anyone carrying on a business which includes construction operations.

## **FREQUENTLY ASKED QUESTIONS**

### **Registration**

#### **Q1: Who is liable to be registered?**

A1: All contractors and subcontractors in the construction industry, whether they are companies, partnerships or self-employed individuals are liable to be registered if their annual turnover involving taxable supplies exceeds the prescribed GST threshold in the past 12 months or within the future 12 months.

#### **Q2: If my annual turnover of taxable supplies does not exceed the GST threshold, can I apply to be registered?**

A2: You may apply for voluntary registration, but once registered you must remain registered for a minimum of two years.

### **Taxable Supplies**

#### **Q3: What supplies are subject to GST in the construction industry?**

A3: All types of construction services including construction of residential houses or agricultural buildings are subject to GST. This is because **construction**

**services are standard rated** and it does not matter that residential houses are exempt.

**Q4: What charges are subject to GST in the construction industry?**

A4: The charges which are subjected to GST include the value of all works and materials permanently incorporated in or affixed on the site of the building or construction project, and any other movable goods that the contractor may charge to the customer.

**Example 1:**

*KLM Sdn Bhd awarded a contract to DEF Construction Sdn Bhd to build a commercial building. Under the contract agreement, the value of construction services including value of materials and work done is RM60,000.00.*

*The total amount of GST chargeable is RM3,600.00 (RM60,000.00 x 6%).*

*However, if the contractor gives to the customer movable furniture and charge him separately over and above the amount contracted above, this charge is also subject to GST. If he charges the customer RM2,000.00, he also has to charge GST of RM120.00 (RM2,000.00 x 6%).*

**Time of Supply and Accounting Period**

**Q5: When do I have to account for GST?**

A5: Your account for GST is based on the two situations:

- (a) Where the construction work does not involve the issuance of a certificate of work done (interim certificate), you have to account for GST at the earlier of the following:
  - (i) when a tax invoice is issued; or
  - (ii) when a payment (wholly in money) is received by you.
- (b) Where the construction work involves the issuance of a certificate of work done, you have to account for GST at the earlier of the following:
  - (i) when a tax invoice is issued;
  - (ii) when a payment (wholly in money) is received by you; or

- (iii) when the certificate of work done is issued, if no tax invoice has been issued within 21 days after the certificate of work done is issued.

**Example 2:**

*In cases which do not involve issuance of certificate of work done and assuming you are on a monthly taxable period, if you issue a tax invoice on 15<sup>th</sup> June, you have to account for GST in your June GST return. However, if you issue a tax invoice on 3<sup>d</sup> August, you have to account for GST in your August GST return.*

*In cases which involves the issuance of certificate of work done, if the certificate of work done was issued on 12<sup>th</sup> June, and the invoice was issued after 21 days, that is on 9<sup>th</sup> July, the GST has to be accounted in your June GST return. However, if the invoice was issued on 2<sup>nd</sup> July (within 21 days from the date of issuance of certificate of work done), the GST will be accounted in your July GST return.*

**Q6: When do I have to submit GST payment to Customs?**

A6: On or before the last day of the month subsequent to the taxable period.

**Example 3:**

*Based on the above example, if you are on a one month taxable period, the last date to submit the June GST return is the last day of July. The last day to submit the July GST returns is the last day of August.*

**Place of Supply**

**Q7: If I have a construction business registered outside Malaysia, do I have to account for GST?**

A7: No. If the business is registered outside Malaysia, the supplies are considered out of scope.

**Example 4:**

*X, a foreign contractor registered outside Malaysia provides construction services in Singapore. The supplies provided by X are regarded as out of scope and is not subject to Malaysian GST.*

**Q8: If a contractor provides construction services inside the islands of Langkawi, Tioman or Labuan, does he has to account for GST?**

A8: No, construction services provided within or between these islands are not subject to GST. These islands are called designated area. Even though these supplies are treated as **no tax chargeable**, the contractor can claim input tax incurred in providing construction services in the designated area. However, GST shall be charged on taxable supply of construction services made by the contractor from a designated area to Malaysia or on construction services supplied by any contractor from Malaysia to a designated area.

**Q9: If I am registered in Malaysia and provide construction services outside Malaysia, is the supply subject to GST?**

A9: Yes, this type of supply is a taxable supply but it is zero rated. You charge your customer GST at zero rate, and you are eligible to claim input tax for all supplies related to such construction services.

***Example 5:***

*Y, a local contractor provides contract works outside Malaysia. The value of the contract works is RM100,000.00. The GST to be charged is zero. In the course of providing the above the contract works, Y incurred input tax in the form of materials to be used or incorporated into the contract works. The value of the materials is RM50,000.00 and the GST incurred was RM3,000.00 (RM50,000.00 x 6%). Y is eligible to claim the RM3,000.00 as his input tax.*

**Progress Payment**

**Q10: When and how do I account for GST for progressive payment contracts which involve the issuance of certificate of work done (interim certificate)?**

A10: GST has to be accounted for after the end of each successive progressive payment schedule and after you received the interim certificate from the

architect, engineer or surveyor who values the amount of construction work done. You have to account for GST either based on payment received, tax invoice issued or interim certificate issued. The time to account for GST is at the earlier of the following:

- (a) when payment is received;
- (b) when tax invoice is issued;
- (c) when the interim certificate is issued, if no tax invoice has been issued within 21 days after the interim certificate is issued.

**Example 6:**

*A contractor AB Sdn Bhd enters into an agreement to construct a project for BC Sdn Bhd. The construction contract entered by both parties allows BC Sdn Bhd to withhold 5% from the payment of each progress billings pending satisfactory completion of the entire contract as a retention sum. It also stipulates that the work is scheduled for 4 successive intervals and the estimated value of the contract work is as follows when GST is implemented in 1<sup>st</sup> April 2015:*

<b>Date of claim</b>	<b>Estimated value by contractor</b>
<i>1<sup>st</sup> interval (31 March 2015)</i>	<i>RM40,000.00</i>
<i>2<sup>nd</sup> interval (30 June 2015)</i>	<i>RM100,000.00</i>
<i>3<sup>rd</sup> interval (30 Sept 2015)</i>	<i>RM160,000.00</i>
<i>4<sup>th</sup> interval (31 Dec 2015)</i>	<i>RM300,000.00</i>

*AB Sdn Bhd issues the letter of claim for the respective date and amounts as above.*

*The architect issues the interim certificate after each interval period as follows:*

**Progress Payment -1<sup>st</sup> interim certificate**

Value of material and works	=	RM30,000.00
Less: Retention sum (RM30,000.00 x 5%)	=	(RM1,500.00)
<b>Amount Paid</b>		<b>RM28,500.00</b>



**Progress Payment - 2<sup>nd</sup> interim certificate**

Value of material and works	=	RM90,000.00
Less: Retention sum (RM90,000 x 5%)	=	(RM4,500.00)
Less: 1 <sup>st</sup> interim certificate	=	(RM28,500.00)
<b>Amount Paid</b>		<b>RM57,000.00</b>

**Progress Payment- 3<sup>rd</sup> interim certificate**

Value of material and works	=	RM150,000.00
Less: Retention sum (RM150,000 x 5%)	=	(RM7,500.00)
Less: 1 <sup>st</sup> interim certificate	=	(RM28,500.00)
2 <sup>nd</sup> interim certificate	=	(RM57,000.00)
<b>Amount Paid</b>		<b>RM57,000.00</b>

**Progress Payment- 4<sup>th</sup> interim certificate**

Value of material and works	=	RM300,000.00
Less: Retention sum (RM300,000.00x 5 %)	=	(RM15,000.00)
Less: 1 <sup>st</sup> interim certificate	=	(RM28,500.00)
2 <sup>nd</sup> interim certificate	=	(RM57,000.00)
3 <sup>rd</sup> interim certificate	=	(RM57,000.00)
<b>Amount Paid</b>		<b>RM142,500.00</b>

The contractor, AB Sdn Bhd received the respective amounts as follows and has to account GST accordingly:

**1<sup>st</sup> interval**

Payment received	=	RM28,500.00
Invoiced issued 12 <sup>th</sup> April 2015		
GST (RM28,500.00 X 6%)	=	RM1,710.00

**2<sup>nd</sup> interval**

Payment received	=	RM57,000.00
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*Invoiced issued 18<sup>th</sup> July 2015*

*GST (RM57,000.00 X 6%) = RM3,420.00*

***3<sup>rd</sup> interval***

*Payment received = RM57,000.00*

*Invoiced issued 16<sup>th</sup> Oct. 2015*

*GST (RM57,000.00 x 6%) = RM3,420.00*

***4<sup>th</sup> interval***

*Payment received = RM142,500.00*

*Invoice issued 31<sup>st</sup> Jan 2016*

*GST (RM142,500.00 x 6%) = RM8,550.00*

*The contractor accounts for GST based on the date the payment was received. In the above example, the contractor AB Sdn Bhd has to account for GST on the values and dates as stated above, that is account for GST of RM1,710.00 on 12<sup>th</sup> April 2012 for the first interval, account GST of RM3,420.00 on 18<sup>th</sup> July 2012 for the second interval, and so on.*

**Q11: How do I account for the GST if my client has paid less than the amount of progress claim?**

A11: If you issue a tax invoice equivalent to the value / amount stated in the interim certificate, but is less than the amount stated in the progress claim, you may issue a debit note and account for GST.

***Example 7:***

*You issued tax invoice for services performed amounting to RM70,000.00 based on the interim certificate issued by the architect or engineer. However, the amount that should be due to you was estimated to be RM80,000.00 (contract amount). Under this situation you could issue debit note for the balance RM10,000.00 and account for GST based on RM70,000.00.*

**Payment not in the form of money**

**Q12: How do I account for the GST when payment is not in the form of money?**

A12: You have to account for the GST based on the open market value of the consideration received.

**Example 8:**

*You provide construction services valued at RM5,000.00. In return, your client give you furniture. The open market value of the furniture is RM5,200.00. You account GST based on RM5,200.00 (GST inclusive) in the following manner:*

$$GST = RM5,200 \times 6/106$$

$$GST = RM294.34$$

**Input Tax Credit**

**Q13: Can I claim input tax for the services related to the supply of construction project? For example, professional services of architects.**

A13: Yes, you can claim input tax on services incidental to the construction project regardless whether the project is residential housing or commercial building. It is because all construction services are standard rated. However, if you are developer of residential properties, you cannot claim input tax because the supply of residential house is an exempt supply.

**Q14: Can I claim input tax credit on landscaping work constructed on the residential property which is required by Planning Authorities?**

A14: Yes, you can claim input tax credit because the inputs are attributable to a taxable supply. All construction services done in Malaysia are subject to GST, regardless of whether such services in relation to residential or non-residential properties and such services may include landscaping services constructed by the contractors. GST will be imposed on the supply of such services at standard rated even though residential properties are exempt supplies.

**Q15: Can I claim input tax on built-in-furniture supplied together with the construction of building?**

A15: Yes, if you are a contractor you can claim input tax if the built in furniture is supplied by you in the course of construction project. Any furniture and fittings that are supplied together with the construction of building are subject to GST.

### **Contra Payment**

**Q16: I provide construction services to a land owner who in return (after completion) leases the land and building to me for a period of 5 years. Can I contra the payment of the construction services with the lease payment? When do I have to account for GST?**

A16: No, there are 2 supplies involved.; the supply of construction services from the contractor to the land owner and the second supply made by the land owner to the contractor i.e. leasing services You have to account GST on the open market value of the 5 years lease of the land and building. The time to account GST is when the lease is given to you. The land owner has to account for the open market value of the construction services. Both the land owner (if taxable person) and contractor should issue a tax invoice for the gross value of the supply made to each other and account the GST accordingly. It is incorrect to contra the payment of the construction with the lease payment. The contractor as GST registrant has to charge land owner GST for the supply of construction services which the land owner can recover as input tax credit. The landowner also has charge GST for the leasing services and the contractor may recover it as his input tax.

**Q17: I provide construction services to a landowner who in return gives to me 20 units of the commercial building. How and when do the land owner and I have to account for GST?**

A17: You have to account for GST on the open market value of the 20 units of commercial building. The time to account is when the building was given or made available to you. The landowner (if GST registered) would account for GST on the open market value of the construction services provided by you. The landowner has to account for GST when the construction services are completed.

**Q18: The developer purchased and supplied the contractor with building materials and workers. Can the contractor deduct the value charges for these supplies from the amount of progressive payments due to him?**

A18: No, There are two separate supplies in this instance; the supply of building material and worker from the developer to the contractor and the second supply made by the contractor to the developer for the construction services. Both the developer and contractor should issue a tax invoice for the gross value of the supply made to each other and account the GST accordingly. It is incorrect to charge and account the output tax only on the amount being payment made by the developer being net off value of building material and worker. The developer as a GST registrant has to charge the contractor GST for the supply of building materials and workers which the contractor can recover as input tax credit.

**Q19: In relation to the question above, how should the developer and contractor account for the GST?**

A19: **On the part of the developer:**

The developer, DK Sdn Bhd supplies building material and workers amounting to RM50,000.00. DK Sdn Bhd has to issue the contractor a tax invoice of RM50,000.00 and account for GST amounting RM3,000.00 (RM50,000.00 x 6%).

**On the part of the contractor:**

Contractor may recover the GST above as input tax. The progressive payment due is RM100,000.00. The contractor has to issue tax invoice of RM100,000.00 to DK Sdn Bhd and account for the output tax of RM6,000.00 (RM100,000.00 x 6%).

### **Construction Works Relating To Exempt Properties.**

**Q20: Supplies in form of sale, lease or rental of residential properties are exempted from GST. Does it mean that all construction works related to such residential properties, being an exempt supply, are exempted from GST too?**

A20: No. All construction services are subject to GST, irrespective of the types of property the construction works are carried out. Construction works related to residential properties will also be standard rated even though residential properties are exempt supplies.

### **Retention Amount**

**Q21: The construction contract allows the client such as the developer or an individual to withhold a percentage from the payment of each progress billing pending satisfactory completion of the entire contract. Is this withholding or the retention amount subjected to GST?**

A21: The retention amount is not subjected to GST until the money is released to the contractor. The amount of the progress billings, excluding retention money, has to be accounted for GST based on the date the payment is received as stated in the construction contract entered. For retention amount/sum, the contractor has to account for GST after he received the money. Normally, construction contracts which have been agreed by both parties normally provide for a contractor to render, from time to time, progress billings as work progresses. Such contracts also normally stipulate that the contractor be paid, usually after the relevant part of the work has been satisfactorily completed, as certified by the client, the client's architect or engineer. It may also require the client to withhold a percentage from the payment of each progress billings pending satisfactory completion of the entire contract. The retention money/sum withheld is not paid to the contractor until the conditions for the payment of the money or sum as specified in the contract are met.

#### ***Example 9:***

*A contractor BB Sdn Bhd enters into an agreement to construct a project for BC Sdn Bhd and the project cost is RM84,000.00. The construction contract entered by both parties allows BC Sdn Bhd to withhold 5% from the payment of each progress billings pending satisfactory completion of the entire contract as a retention sum. It's also stipulates that the work is scheduled for 2*

successive intervals. In his billing BB Sdn Bhd will have to account for GST as below:

**Progress Payment -1<sup>st</sup> interim certificate**

Value of material and works	=	RM30,000.00
Less: Retention sum (RM30,000.00 x 5%)	=	(RM1,500.00)
Amount Paid		RM28,500.00
GST (RM28,500.00 X 6%)		RM1,710.00

**Progress Payment - 2<sup>nd</sup> interim certificate**

Value of material and works	=	RM84,000.00
Less: Retention sum (RM84,000 x 5%)	=	(RM4,200.00)
Less: 1 <sup>st</sup> interim certificate	=	(RM28,500.00)
Amount Paid		RM51,300.00
GST (RM51,300.00 X 6%)		RM3,078.00
Total retention sum		RM5,700.00
GST on retention money/sum		RM342.00

**Q22: When do I have to account GST for the retention sum?**

A22: You have to account for GST after you get the amount of retention sum, or when you issue an invoice related to the retention sum, whichever is the earlier.

**Example 10:**

Based on example 9 the retention amount is RM5,700.00 exclusive of GST. You must account for GST of RM342.00 (RM5,700.00 x 6%) after you received that amount from your client, or when you issue an invoice for the retention sum.

**Q23: When can my client claim input tax on retention sum?**

A23: When the retention sum is released to you and you issue him a tax invoice, or you give to him a receipt of payment.

## **Damages and Out of Court Settlement**

### **Q24: What is GST treatment for damages and out of court settlements?**

A24: Damages and Out of court settlements which are paid for the breach of warranty or delays in completion of contract, are compensatory in nature. Hence such settlement cannot be treated as taxable supply and GST need not be charged for such recovery. However GST is chargeable for settlements that are payments for taxable supplies made.

#### ***Example 11:***

*Main contractor, AMC Sdn. Bhd, did not complete the building project by the stipulated completion date stated in its contract with its developer, DEC Pemaju Perumahan. It is required to pay liquidated damages to the DEC Pemaju Perumahan at a rate of RM3,000 per calendar day (including Sundays and public holidays) for every day where the completion of the project is delayed. Such liquidated damages are not subject to GST as it is compensatory in nature.*

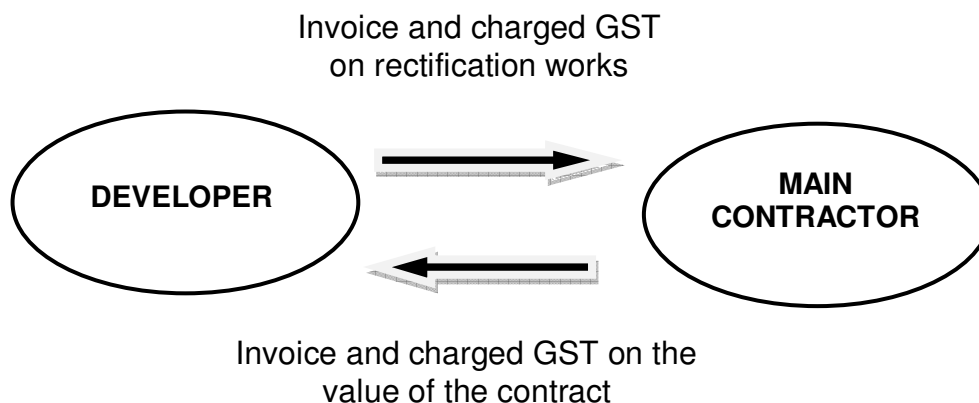
**Q25: Under the contract, the main contractor is required to carry out rectification works during the defect liability period. However, since the main contractor did not want to rectify this defect, another contractor is hired by developer to rectify the poor workmanship done by the main contractor and as a result additional cost is incurred. What is the GST treatment on this?**

A25: (a) Deduct the cost of rectification work from the retention sum.

Such supplies will be treated as two separate supplies. One supply is from the main contractor for completing the entire job (though not entirely to the developer's satisfaction) on the full value of the contract (including the retention sum).

Another supply is from the developer to main contractor for the full value of the rectification works because the developer is making good the defects that should have been done by main contractor.





- (b) Claim payment from the main contractor.

The developer may go to court to seek payment from the main contractor for the rectification cost, or this may be agreed by an out-of-court settlement. Such payment is subject to GST as it is in relation to taxable supplies made from the developer to the main contractor for making good the defects which should have been rectified by the main contractor. The main contractor should still charge the developer GST on the full value of its supply, and the developer should charge the main contractor GST for the rectification works, similar to (a).

**Q26: What is the GST treatment if the compensation only relates to the poor work done and does not involves any rectification works?**

A26: If no rectification work is going to be carried out and the developer is only claiming compensation from the main contractor for the poor work done, such compensation is not subject to GST as there is no supply made. The main contractor will still have to bill the developer for the full value of the contract including the retention sum.

**Tender, Liquidated Damages and Contract Deposits**

**Q27: Are tender and contract deposits subjected to GST?**

- A27: (a) The deposit for payment of contract documents is subject to GST because it involves the supply of goods.
- (b) No GST is payable, if the deposit serves as a security to ensure the contractor proceeds with the contract or to ensure that the contractor carries out all the obligations detailed in the contract.

**Q28: Are liquidated damages such as delay in completion of work subject to GST?**

A28: No, liquidated damages due to delay in completion of the construction project is not subject to GST.

**Bad Debts**

**Q29: What will happen if my customer does not pay me after I have issued tax invoice after completion of work?**

A29: You can claim bad debts relief on the GST output tax paid in respect of taxable supplies. The GST portion of the bad debt can be recovered subject to certain conditions:

- (a) The tax is already paid;
- (b) You have not received any payment 6 months after the supply has been made, or the debtor has become insolvent; and
- (c) Sufficient efforts have been made by you to recover the debt.

**Q30: Do I have to make a formal claim to recover GST due to bad debts?**

A30: No, you only need to make adjustment by increasing your input tax in your GST return after you have satisfied all the conditions for bad debt relief.

**Q31: What happen if my customer pays me back the bad debt after I have claimed bad debt relief?**

A31: You have to make adjustment by increasing your output tax in your GST return.

**Supply of workers or services of personnel from overseas**

**Q32: What is the GST treatment if I were to employ workers or services of personnel from overseas?**

A32: The treatment is as follows:

- (a) If the foreign worker works for you under contract of employment, it is not subject to GST.

***Example 12:***

*DEF Sdn Bhd is a registrant and hires foreign worker under contract of employment to work in their company. This supply of foreign worker is not subjected to GST.*

- (b) GST is chargeable if you supply the foreign worker under your employment to another company.

**Example 13:**

*ABC Sdn Bhd is a contractor that has a pool of foreign workers. XYZ Sdn Bhd requires workers in his construction industry. ABC Sdn Bhd provides foreign workers to XYZ Sdn Bhd in return for payment. Therefore ABC Sdn Bhd should charge GST when they provide foreign workers to XYZ Sdn Bhd.*

- (c) If a foreign consultant does work for you, but is not under your contract of employment, you have to account for GST by reverse charge mechanism. Under this mechanism, the GST liability shifts from the supplier to the recipient if the recipient's fixed or business establishment or his usual place of residence is in Malaysia. Hence, as the recipient of the services, the contractor is liable to account GST on the supply made for the purpose of any business.

When such contractor receives a supply of imported services for the purpose of business, he is treated as if he is making and receiving the supply. Since he is treated as making a supply, he is required to account GST on the supply of imported services as his output tax. Since, construction services is a taxable supply, the contractor is entitled to claim the GST incurred as his input tax and have to declare both input tax and output tax in his GST return. The contractor as the recipient of the services is liable to pay the tax not later than the last day of the month following after the end of his taxable period where the payment for the supply of imported services is made to the supplier.

**Example 14:**

*KK Sdn Bhd hires a foreign consultant in building a bridge. Payment to the foreign consultant will be subject to GST. KK Sdn Bhd has to account for it by reverse charge mechanism. Reverse charge*

*mechanism will shift the GST liability from the supplier to the recipient. Thus, when KK Sdn Bhd receives a supply of imported services (foreign consultant) for the purpose of business i.e. to construct a bridge, he is treated as if he is making and receiving the supply of consultancy services. Since he is treated as making a supply, he is required to account GST on the supply of imported services as his output tax. As construction service is a taxable supply, KK Sdn Bhd is entitled to claim the GST incurred as his input tax.*

## **Contracts**

**Q33: Are contracts signed which span the transitional period (pre and post GST implementation date) liable for GST?**

A33: The value of contract works performed before GST implementation is not subject to GST. However the value of contract works performed after GST implementation will be subjected to GST.

**Q34: What are the consequences if I do not make a provision to include the element of GST in my contract?**

A34: Failure to include the GST provision may make the contractor, if he is registered under GST, unable to recover the GST from the client.

## **Transitional Provisions**

**Q35: I bought goods that were subject to sales tax. Can I claim input tax?**

A35: If you are registered under GST, you can claim input tax if these goods are reflected in your balance sheet and if you have documentation such as invoices and custom documentation to show sales tax have been paid.

**Q36: How do I calculate GST on value of construction work for project that straddles between two periods, that is before and after GST implementation?**

A36: There are 2 situations:

- (a) For projects above RM1,000,000.00 and which requires the issuance of certificate of work done.

You must apportion the value of construction works pre and post GST. GST is only chargeable for construction work done after GST implementation. A recognized person such as engineer and architect has to verify the value and amount of work and the materials permanently incorporated or affixed on the site of the building or civil engineering work for the period prior to commencement of GST.

**Example 15:**

*KLM Sdn Bhd has a contract above RM1,000,000.00 with JKL Sdn Bhd to build commercial building. The contract is scheduled to begin on 1<sup>st</sup> May 2014. Under the contract of agreement, KLM Bhd will receive payment inclusive of GST based on monthly progress claim. On 1<sup>st</sup> July 2015, the architect does the valuation and certifies the value of work done till 31<sup>st</sup> June is RM1,000,000.00. After completion of the project on 15 July 2015, KLM Sdn Bhd lodges a claim amounting to RM1,100,000.00. GST due is based on RM100,000.00 (RM1,100,000.00 – RM1,000,000.00) for the construction work done after GST implementation.*

$$\text{GST} = \text{RM}100,000.00 \times 6\% = \text{RM}6,000.00$$

- (b) For projects below RM1,000,000.00 and which do not require issuance of certificate or work done.

As the contract value is below RM1,000,000.00 and does not require certification by the architect or engineer as a recognized person, you have to apportion the value of work done before and after commencement of GST. You have to account for GST for the value of work done after the period of commencement of GST.

**Example 16:**

*TJK has a contract with an individual to build a residential building. The contract is scheduled to begin on 15<sup>th</sup> March 2015. Under the contract of agreement, TJK will receive payment on completion of work. Upon completion of the project on 14<sup>th</sup> July 2015, TJK lodges a claim amounting to RM42,000.00. GST due is based on RM21,000.00*

*(RM42,000.00 x 15/30) for the construction work done after GST implementation.*

*GST = RM21,000.00 x 6% = RM1,260.00*

*Total number of days undertaken for project = 30 days*

*Construction work done after GST= 15 days.*

## **FEEDBACK OR COMMENTS**

8. Any feedback or comments will be greatly appreciated. Please email your feedbacks 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 INFORMATION**

9. Further information can be obtained from:

- (a) GST Website: [www.gst.customs.gov.my](http://www.gst.customs.gov.my)
- (b) GST Telephone: 03-88822111
- (c) Customs Call Centre:
  - Tel : 03-78067200/ 1-300-888-500
  - Fax : 03-7806 7599
  - E-mail : [ccc@customs.gov.my](mailto:ccc@customs.gov.my)