

February 2014

GSTflash

RESIDENTIAL PROPERTIES TO COST MORE IN GST REGIME

The new GST regime that comes into effect on 1 April 2015 will have significant ramifications for the Malaysian property market. While analysts tend to agree that the new tax may cause a general increase in the cost of living, potential house buyers should also be aware of its ramifications for the property sector.

Under the new tax ruling, property developers can neither charge GST on residential properties nor claim GST Input Tax from the costs of construction.

Property developers can thus be expected to seek to offset their GST charges by increasing residential property prices.

WHAT IS THE GST INPUT TAX?

Input tax is the GST incurred by a taxable person on business purchases or acquisition of goods and services for business purposes.

Any input tax incurred on the purchase of land and development of non-residential properties is claimable provided that you are GST registered, and the property is:

- a) used for the furtherance of your business,
- b) to be leased out for the purpose of business, or
- c) developed into non-residential properties for sale or for lease

TRANSITIONAL ISSUES

Property constructed or made available before GST implementation is not subject to GST. However the taxable property to be constructed or delivered after GST implementation will be taxable under the GST. For unfinished properties, GST is applicable only to the unfinished portion of the property. A recognized person such as an architect will have to verify the portion of completed property. Failure to include the GST provision may result in the developer being unable to recover GST costs from the client.

AGENT OF THE GOVERNMENT

Businesses registered as taxable persons remit GST collected and

Residential Property

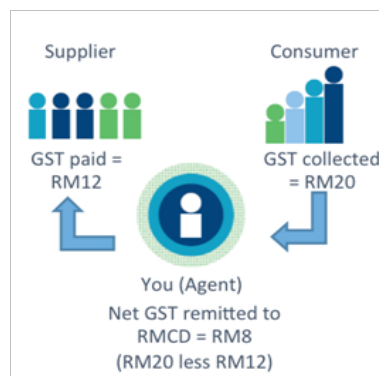


GST Exempt

Commercial Property



GST 6%



In the case of commercial property, both developer as well as property purchasers, are entitled to claim the GST embedded in the price of a property. On-going projects will be

largely affected when the new system is in place while new development projects require advance planning to avoid negative effects on profit margin under the GST system.

claim GST paid, with the tax borne by end consumers. Effectively, businesses perform the role as an agent for the Royal Malaysian Customs Department in collecting and remitting GST.

WHAT IF I DO NOT COMPLY WITH REGISTRATION REQUIREMENTS?

A person who is required to be registered under the GST Act but has not done so will be liable to make back-payments going back to the date that the taxable person should have been registered. Failure to do so may incur a late payment penalty based on Table 1.

WHY SHOULD YOU BE CONCERNED?

A taxable person is considered an agent for the Royal Malaysian Customs Department (RMCD) in that he is responsible for collecting GST on behalf of the RMCD and is required to remit the net GST payable immediately on the due date. Prudent cash-flow management is crucial to ensure that cash belonging to RMCD is not treated as belonging to the taxable person.

HOW CAN UHY GST HELP?

Our GST professionals are trained to perform GST impact assessment studies for clients by way of:

- Mapping of supplies and acquisitions
- Mapping of contractual agreements
- Mapping of employee benefits
- Internal control and documentation reviews

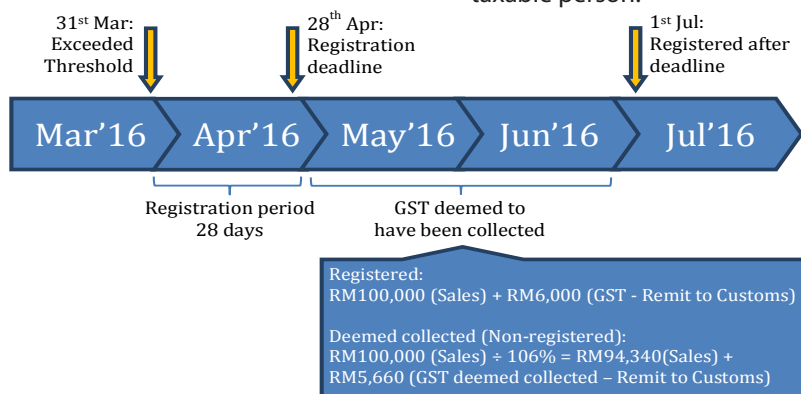


Table 1

Late Registration Period	Amount of Penalty (RM)
1 – 30 days	200
31 – 60 days	450
61 – 90 days	750
91 – 120 days	1100
121 – 150 days	1500
151 – 180 days	1950
181 – 210 days	2450
211 – 240 days	3000
241 – 270 days	3600
271 – 300 days	4250
301 – 330 days	4950
331 – 360 days	5700
Exceeding 360 days	6500

WHO IS LIABLE?

A taxable person is a person who makes taxable supplies in Malaysia and whose annual turnover exceeds the proposed threshold of RM500,000. Such person is required to be registered under the GST Act.

Tapping into our global network's GST expertise, we are able to provide timely technical advice, education and training to our clients' accounting personnel, while assist as well in related areas such as advising on accounting system upgrades, assisting in GST registration and routine GST compliance matters such as:

- GST, group and scheme registrations
- GST return reviews and lodgements
- Post lodgement services

To find out how UHY GST Team can assist your business, visit us at www.gst.uhy.com.my

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UHY GST SEMINAR

Date : 16 April 2014

Venue : The Gardens Ballroom, Level 5, Gardens Hotel & Residences, Mid Valley City, Kuala Lumpur

Time : 8.30 am to 5.30 pm

Registration Details : 1) Download the UHY GST Seminar flyer from www.gst.uhy.com.my
2) Contact Su Ching / Penny at +6032279 3088 or uhygst@uhy.com.my

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