

## Accounting for GST in Malaysia

### Scenario 5

Company K entertains supplier at a restaurant and incurs cost of RM 1,060 inclusive of GST. Input Tax on entertainment to supplier is blocked under GST Act 2014. Can Company K claim input tax as part of the entertainment expenses?

Based on Income Tax Public Ruling No. 4/2015, Company K is allowed to claim 50 % for entertainment to supplier. So, Company K is allowed to claim 50 % of the entertainment expenses including 50% of GST incurred (i.e. RM 530).

The suggested accounting entries are as follows:

Dr. Entertainment	1,000.00	
Dr. GST Input Tax (BL)	60.00	
Cr. Cash/Bank		1,060.00

Dr. Entertainment	60.00	
Cr. GST Input Tax (BL)		60.00

- (i) Certain software will charge block input tax directly to expense account if you tick “charge directly to account” or “use transaction account no. for posting”.
- (ii) ADD BACK RM 530.00 in tax computation on entertainment expense.

### Scenario 6

Company L rents a business premise in Kuching for car washing business. Company L cannot apply to register the water meter under the company name as the water meter can only be registered under the name of the Landlord. Company L cannot claim input tax on the tax invoice issued by the Kuching Water Board as the tax invoice is issued to the landlord. The Landlord is a non-GST Registered person.

Can Company L claims input tax on the water bill as part of the cost of water supply?

Yes. Irrecoverable (input) tax forms part of the cost and is allowed as deduction under ITA.

### Scenario 7

The salesman of Company M incurs expenses on hotel stay on **outstation trips**. The tax invoice is issued in the name of the salesman. Input tax is not claimable under GST as the tax invoice is not in the name of claimant.

Can Company M claims the input tax on hotel bills as part of the hotel expenses under Income Tax?

No. Based on Example 14 of Public Ruling 1/2017, the GST (input tax) is not a deductible expense under subsection 39 (1) (o) of the ITA as Company M is eligible to input tax credit under GSTA if the tax invoice in respect of the salesman's hotel bill has been in the name of the company. Company M could have requested the hotel to issue a tax invoice in the company name.

**14.6 Accounting Treatment of disallowed Input Tax by RMCD**

- (1) For input tax which is disallowed by RMCD, you need to determine whether it is an allowable deduction under Income Tax. If it is an allowable deduction under Income Tax, it is advisable to charge the input tax directly to the individual GL account instead of GST Expense A/C.
- (2) For input tax which is disallowed as deduction under Income Tax, it is advisable to charge to GST Expense A/C and add back in the tax computation.

In order to fulfill the requirements for both GST & Income Tax Rules, the accounting entries (based on Scenario 6 above) can be made as follows:

Dr. Water	100.00	
Dr. GST Input Tax (BL)	6.00	
Cr. Cash/Bank		106.00
(Being payment of water bill)		

Dr. Water	6.00	
Cr. GST Input Tax (BL)		6.00
(Being transfer of irrecoverable input tax to water expense a/c)		

Certain Accounting software can automate the irrecoverable input tax (blocked input tax) by charging the input tax directly to the individual GL account on data entry. This will save your time & cost.

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<b>SAMPLE COMPANY SDN BHD</b> <b>GST ID:001234567812</b> Company No. : (165678-T) 75, JALAN SALTIN 96000 SIBU, SARAWAK		<div style="border: 1px dashed black; padding: 5px; display: inline-block;"> <b>Payment Voucher</b>                      NO. : V17/04/00001                 </div>  Date : 10/04/2017				
PAY TO : Water for March 2017  REFERENCE : Cash						
<b>ACCOUNT</b>	<b>PARTICULARS</b>	<b>DEBIT</b>	<b>CREDIT</b>	<b>GROUP</b>	<b>C.CTR</b>	<b>PROJECT</b>
8760	WATER CHARGES	100.00				
3500-BL	GST INPUT BL 6 %	6.00				
3500-BL	GST INPUT BL 6 %		6.00			
8760	WATER CHARGES	6.00				
1000	CASH IN HAND		106.00			
Authorised By _____ ----- Authorised Signature		Received By _____ ----- Name : _____ I/C No : _____		<div style="border: 1px solid black; padding: 10px; display: inline-block;"> <b>AMOUNT</b>  <b>RM 106.00</b> </div>		

<b>SAMPLE COMPANY SDN BHD</b>									
<b>General Ledger Account</b>									
								10/04/2017, Monday	
Period : 01/04/2017		Account : 3500-BL		Group : ALL		Project : ALL			
To : 30/04/2017		To : 3500-BL		Costing : ALL		Source :		I/E B/F : N	
DATE	REF #1	REF #2	SC	FOLIO	POST	PARTICULAR	DEBIT	CREDIT	BALANCE
<b>3500-BL GST INPUT BL 6 %</b>									
10/04/17	V17/04/00001	Cash	304/3	1000		Water for March 2017	6.00		6.00
10/04/17	V17/04/00001	Cash	304/4	1000		CHARGE GST TO ACCOUNT		6.00	0.00
							6.00	6.00	

<b>SAMPLE COMPANY SDN BHD</b>									
<b>General Ledger Account</b>									
								10/04/2017, Monday	
Period : 01/04/2017		Account : 8760		Group : ALL		Project : ALL			
To : 30/04/2017		To : 8760		Costing : ALL		Source :		I/E B/F : N	
DATE	REF #1	REF #2	SC	FOLIO	POST	PARTICULAR	DEBIT	CREDIT	BALANCE
<b>8760 WATER CHARGES</b>									
10/04/17	V17/04/00001	Cash	304/2	1000		Water for March 2017	100.00		100.00
10/04/17	V17/04/00001	Cash	304/5	1000		CHARGE GST TO ACCOUNT	6.00		106.00
							106.00		

Alternatively, you can make analysis of GST Expense A/C on which input tax transactions are allowable and which input tax transactions are not allowable for deduction under ITA in the tax computation.

### **Extract of Example 14 – Mistakes in claiming input tax credit under GSTA under Public Ruling 1/2017 dated 8 June, 2017**

A GST-registered company closes its accounts on 31 December annually. In the year of assessment 2015, the company paid its managing director's hotel lodging which was incurred for business purpose.

In its tax computation for year of assessment 2015, the company only claimed the hotel payment without taking account the GST as a tax deduction under the ITA. The company claimed input tax credit from RMCD.

In 2016, the RMCD conducted an audit and did not allow the company's input tax claim because the tax invoice was not in the name of the company but in the name of the managing director. A penalty was imposed by RMCD.

The GST (input tax) is not a deductible expenses under subsection 39 (1) (o) of the year of assessment 2015 as the company is eligible to the input tax credit under GSTA **if the tax invoice in respect of the managing directors' hotel lodging had been in the name of the company.**

**The company could have requested the hotel to issue a tax invoice in the company's name.**

The penalty imposed by RMCD on the taxpayer's mistake is also not deductible expense under subsection 33(1) of the ITA as it was not incurred wholly and exclusively in the production of the company's gross income.

## 15. PENALTY

### (a) Late Registration

A person who is late in applying for registration will be liable to pay a late registration penalty from the date he should have been registered to the date immediately before the date he is so registered and this period is referred to late registration period.

The penalty as per “Guide on Registration as at 24 February, 2016” is as follows:

Late registration period (Days)	Amount of penalty (RM)
1 - 30	1,500
31 - 60	3,000
61 - 90	4,500
91 - 120	6,000
121 - 150	7,500
151 - 180	9,000
181 - 210	10,500
211 - 240	12,000
241 - 270	13,500
271 - 300	15,000
301 - 330	16,500
331 - 360	18,000
Exceeding 360	20,000