

## NOTICE ON REVISED GST CHARGES

Dear Valued Customer,

MUFG Bank (Malaysia) Berhad would like to inform you that effective **1 June 2018, GST will not be charged** on all previous taxable banking transactions and services including all applicable fees and charges relating to administrative services which are standard rated and previously attracted GST at the old rate.

This is in accordance with the announcement of the Gazette Order by the Ministry of Finance (MOF) which states that the GST tax rate for standard rated supply of goods and services will be amended from 6% to 0% from June 1<sup>st</sup> this year.

Please refer to the following FAQs for additional information.

Thank you.

## Frequently Asked Questions (FAQs)

<b>Standard Rate Transition from 6% to 0%</b>	
Q1	What happens to GST in the transition from 6% to 0% announced by the Ministry of Finance (MOF)?
A1	All supplies of services i.e. fee-based income type which are subject to GST at standard-rate of 6% becomes 0% effective from 1 June 2018.
Q2	Is the MOF's statement applicable to an exempt supply?
A2	Loans/financing interest and forex (including derivatives) remain exempt. It does not change to standard or zero-rated.
Q3	Gazette order for zero-rated supply has been revoked. What does this mean?
A3	The revocation effectively means there are no supply of services that are categorised as zero-rated with the exception of exported goods as guided by Section 17 of the Goods and Services Act (GSTA) 2014.
<b>Transitional Provisions</b>	
Q4	What are the transitional provisions?
A4	The transitional provisions on the change of tax rate are governed under Section 66 of the GSTA 2014 whereby the tax is chargeable on any supply spanning the change in tax rate shall be charged as follows :- (a) Tax shall be charged at the old tax rate on the higher of the following amounts :- i. full payment or payment received before the date of change in the tax rate, or ii. value of the supply of the services are wholly or partly performed before the date of change in the tax rate (b) Tax shall be charged at the new tax rate on the difference, if any, between the amount of the whole supply and the amount referred to in (a) above.
Q5	These are too much of legal jargon. Is there a more user-friendly explanation?
A5	These can be summarised and tabulated as per Appendix 1 and in scenarios as per Appendix 2.
<b>Case Studies of Transitional Provisions</b>	
Q6	GST is charged and collected at 6% from a customer after 1 June 2018. Is the GST to be accounted for as tax collected at the rate of 6%?
A6	Yes, GST at 6% should be accounted for if the amount of 6% GST is received and a credit advice cannot be issued. However, the Bank will make an adjustment to the GST return if a credit advice can be issued.
Q7	A charge for audit confirmation was issued to the customer on 25 May 2018 at the time the GST rate was 6% and payment was debited on the same day but the tax invoice was issued at the rate of 0%. What is the correct remedy?
A7	Tax shall be charged at the old rate of 6%.
Q8	An outward foreign remittance was performed on 31 May 2018 and a remittance service fee was due concurrently at the time the GST rate was 6% and the tax invoice issued at the rate of 6%. However, the fee was only debited from the customer when the rate was 0%. What needs to be done?
A8	Tax shall be charged at the old rate of 6%.

Q9	Tax invoice was issued on processing fee provided before 1 June 2018 and GST was charged at 6% to the customer. However, payment was made and the processing was performed after 1 June 2018. What is the GST treatment?
A9	GST will be accounted at 0%.
Q10	A bank guarantee was issued and the fee was charged and collected before 1 June 2018 but the expiry date is after 1 June 2018. What should be done?
A10	GST shall be accounted at 6%.
Q11	A bank guarantee was backdated to before 1 June 2018 at the request of the customer while the fee was charged and collected after 1 June 2018. How is GST to be accounted?
A11	GST at 6% will be charged on the fee from the back value date to 31 May 2018 and charged at 0% from 1 June 2018 till expiry.
Q12	What is the GST treatment on the standard-rated supply in a designated area, say, in Labuan?
A12	The supply in the designated area is zero-rated while supply out from the island will be at standard rate of 0% from 1 June 2018.
<b>Tax Invoices</b>	
Q13	Are tax invoices still continued to be issued?
A13	Yes, tax invoices will continued to be issued under the existing GST requirements.
Q14	How would the tax invoices be issued after 1 June 2018?
A14	Tax invoices will still be issued on a monthly basis and will be emailed to customers who have subscribed for the eMail service which is offered free of charge. For non-subscribers, the tax invoice will be despatched via post.
Q15	What would be the difference in the tax invoice after 1 June 2018?
A15	Generally after 1 June 2018, the tax invoice will show the following, where applicable : - Tax code S at 6% for supply of services chargeable under the transitional provisions - Tax code S at 0% for supply of services on and after 1 June 2018.
Q16	When will this change in tax invoice be effective?
A16	This change will be effective for tax invoice for the month of June 2018 to be delivered at the beginning of July 2018.
Q17	We have received the tax invoice from MUFG Bank for the month of June 2018. What do we do with it?
A17	Under existing GST requirements and if you are a GST registered person, you should continue to prepare and submit GST return within the stipulated due date supported by tax invoices to claim input tax and to maintain proper record-keeping.
Q18	The Bank has provided cable services and full payment has been debited from the current account before 1 June 2018. The tax invoice will be issued after 1 June 2018. What is the GST treatment on such supply?
A18	GST should be charged at 6%.
Q19	Tax invoice was issued for postage and courier services before 1 June 2018 where GST was charged at 6%. However, payment was made and the services to the customer was performed after 1 June 2018. What is the GST treatment?
A19	GST will be accounted at 0%.

<b>Debit/Credit Advice</b>	
Q20	How would the GST at standard rate of 0% be reflected on debit/credit advices, if these are required to be issued?
A20	Debit/credit advices are documentation of transactions with the customers. Since there are no GST transactions with customers now, no GST amount will be reflected in the debit/credit advices unless GST is collected under the transitional provisions.
<b>Bank Statement</b>	
Q21	How about the bank statement for June 2018 and onwards?
A21	The bank statement will only show GST collected under the transitional provisions.
<b>Islamic Banking</b>	
Q22	Are there any differences in GST treatment for conventional banking and Islamic banking from 1 June 2018?
A22	No, under the principle of tax neutrality, GST treatment will be common for both conventional and Islamic banking unless otherwise specified.

## Appendix 1

Change in tax rate	On or Before 31 May 2018	On or After 1 June 2018	GST Treatment
Tax rate changed from 6% to 0%	<ul style="list-style-type: none"> <li>• Full payment debited/received</li> </ul>	<ul style="list-style-type: none"> <li>• Services are wholly performed</li> </ul>	<ul style="list-style-type: none"> <li>• GST at 6% on full payment debited/received</li> </ul>
	<ul style="list-style-type: none"> <li>• Full payment debited/received</li> <li>• Services are partly performed</li> </ul>	<ul style="list-style-type: none"> <li>• Services are partly performed</li> </ul>	
	<ul style="list-style-type: none"> <li>• Services are wholly performed</li> </ul>	<ul style="list-style-type: none"> <li>• Full payment debited/received</li> </ul>	<ul style="list-style-type: none"> <li>• GST at 6% on full value of services</li> </ul>
	<ul style="list-style-type: none"> <li>• Services are wholly performed</li> <li>• Part payment debited/received</li> </ul>	<ul style="list-style-type: none"> <li>• Part payment debited/received</li> </ul>	
	<ul style="list-style-type: none"> <li>• Services are partly performed</li> </ul>	<ul style="list-style-type: none"> <li>• Full payment debited/received</li> <li>• Services are partly performed</li> </ul>	<ul style="list-style-type: none"> <li>• GST at 6% on the value of the partly supplied services before 1 June 2018</li> <li>• GST at 0% on the balance after 1 June 2018</li> </ul>
		<ul style="list-style-type: none"> <li>• Part payment debited/received</li> </ul>	
		<ul style="list-style-type: none"> <li>• Services are partly performed</li> </ul>	
	<ul style="list-style-type: none"> <li>• Part payment debited/received</li> </ul>	<ul style="list-style-type: none"> <li>• Services are wholly performed</li> <li>• Part payment debited/received</li> </ul>	<ul style="list-style-type: none"> <li>• GST at 6% on part payment debited/received before 1 June 2018</li> <li>• GST at 0% on the balance after 1 June 2018</li> </ul>
		<ul style="list-style-type: none"> <li>• Part payment debited/received</li> </ul>	
		<ul style="list-style-type: none"> <li>• Services are partly performed</li> </ul>	

## Appendix 2

### Scenarios on Transitional Provisions

