



# NEWSLETTER (I)

## GST vs. SST

Effective on April 2015, the GST will replace the existing SST. Basically, GST is a broad-based consumption tax which affects all parties in a multi-stage taxation system across the value chain from manufacturing to sales. It is based on a tax-on-value-add concept which avoids duplication of taxes. This is in contrast to SST which is only added at one stage (Sales Tax at manufacturer level, and Service Tax at consumer level). The rate of GST is set at 6%.



- **SALES & SERVICE TAX (SST)**
- **GOODS & SERVICE TAX (GST)**
- **IMPACT OF GST IN 2015**
- **PROVISIONS OF GST**

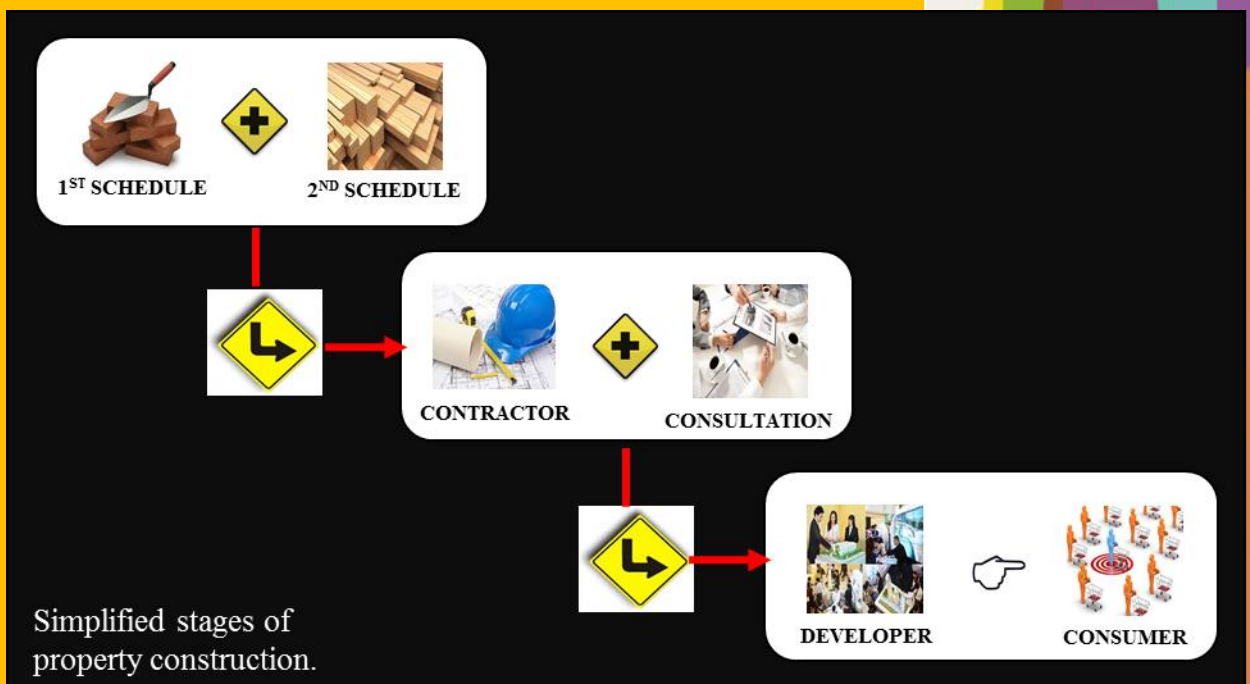
**In this issue**



Basically under the proposed GST Bill, all companies with yearly revenue of RM 500,000 or more is required to register for GST. This will enable them to charge a GST tax which will in turn be passed on to consumers.

Supplies are classified into 3 different categories:

<b>Standard Rated</b>	Subject to standard rate of 6% <b>(commercial and industrial properties)</b>
<b>Zero-Rated</b>	Subject to a zero rate (not liable to GST at input and output stage)
<b>Exempted</b>	Similar to standard rated with the last stage of production before consumer (developer) unable to claim the input tax imposed. Moreover, GST cannot be levied on consumers <b>(residential and agricultural properties)</b>





## Why register under GST?

A person who is registered under the Goods and Service Tax Act 201X is known as a “**registered person**”. Such person or entity is required to be registered in order to claim input tax or charge output tax on specific parties.

Any input tax incurred on the purchase of land and development of non-residential properties is claimable provided that the party is a GST registered person and the property is used for:

- ✓ furtherance of business,
- ✓ leased out for the purpose of business, or
- ✓ developed into non-residential properties for the purpose of sale or lease.

## Classification of land & property under GST

The classification of land and building is based on the usage at the condition as below:

- ✓ The actual use of the property, design features and the essential characteristic and attributes of the property
- ✓ In the case of newly completed property which has not been used, the sale of the property will be based on the design features and the essential characteristic and attributes of the property.
- ✓ Vacant/bare land to be treated based on usage according to the title.



# IMPACT OF GST IN 2015

Based on the following calculations with implementation of GST at 6%, prices of properties will increase for both **residential (3.50%)** and **commercial (4.74%)**; assuming that developers do not factor in GST into the selling price of residential properties. In the case of developers factoring in GST into selling price, buying residential and agricultural properties from the secondary market seems more cost-effective.

## SST: All Properties

STAGES	COST (RM)	PROFIT MARGIN	SALES PRICE (RM)	SST	NET TAX PAID (RM)	TOTAL PAID (RM)
1ST SCHEDULE	100,000	25%	125,000	0%	0	125,000
2ND SCHEDULE	100,000	25%	125,000	5%	6,250	131,250
			<b>250,000</b>		<b>6,250</b>	<b>256,250</b>
CONTRACTOR	256,250	25%	320,313	0%	0	320,313
CONSULTATION	100,000	0%	100,000	6%	6,000	106,000
			<b>420,313</b>		<b>6,000</b>	<b>426,313</b>
DEVELOPER	426,313	25%	532,891	0%	0	532,891
					<b>12,250</b>	<b>532,891</b>

## GST: Residential & Agricultural Properties (GST: R&A)

STAGES	COST (RM)	PROFIT MARGIN	SALES PRICE (RM)	GST	NET TAX PAID (RM)	TOTAL PAID (RM)
1ST SCHEDULE	100,000	25%	125,000	6%	7,500	132,500
2ND SCHEDULE	100,000	25%	125,000	6%	7,500	132,500
			<b>250,000</b>		<b>15,000</b>	<b>265,000</b>
CONTRACTOR	265,000	25%	331,250	6%	3,975	335,225
CONSULTATION	100,000	0%	100,000	6%	6,000	106,000
			<b>431,250</b>		<b>9,975</b>	<b>441,225</b>
DEVELOPER	441,225	25%	551,531	0%	0	551,531
					<b>24,975</b>	<b>551,531</b>




**GST: Commercial & Industrial Properties (GST: C&I)**

STAGES	COST (RM)	PROFIT MARGIN	SALES PRICE (RM)	GST	NET TAX PAID (RM)	TOTAL PAID (RM)
1ST SCHEDULE	100,000	25%	125,000	6%	7,500	132,500
2ND SCHEDULE	100,000	25%	125,000	6%	7,500	132,500
			<b>250,000</b>		<b>15,000</b>	<b>265,000</b>
CONTRACTOR	265,000	25%	331,250	6%	3,975	335,225
CONSULTATION	100,000	0%	100,000	6%	6,000	106,000
			<b>431,250</b>		<b>9,975</b>	<b>441,225</b>
DEVELOPER	441,225	25%	551,531	6%	6,618	558,150
					<b>31,593</b>	<b>558,150</b>

DIFFERENCE	NET TAX PAID (RM)	%	TOTAL PAID (RM)	%
(GST: R&A) - (SST)	12,725	103.88	18,641	3.50
(GST: C&I) - (SST)	19,343	157.91	25,259	4.74

# PROVISIONS OF GST

In addition, buyers should pay attention to certain provisions of the GST such as:

1. Taxable property completed and delivered after the GST implementation date is subject to GST even though the contracts were signed before the GST implementation.
2. For semi-completed property, GST is applicable only on the portion of the uncompleted property. Completed property refers to property issued with a Certificate of Practical Completion or a Certificate of Completion and Compliance.
3. Value of discount allowed is not subject to GST.
4. Prior to signing the SPA, the receipt of booking fees is not subject to GST; provided that such fee is not considered as part payment.

## ABOUT US

Incorporated in 1982, **Raine & Horne International Zaki + Partners Sdn. Bhd.** is a firm of Chartered Surveyors and Registered Valuers. Our practice covers a wide range of services including property valuation, investment and project management, property management, real estate agency and property consultancy.

The firm currently operates twelve (12) offices in Malaysia: Kuala Lumpur, Petaling Jaya, Subang Jaya, Kelang, Johor Bahru, Melaka, Ipoh, Seremban, Kuantan, Penang, Kota Kinabalu and Kuching.

### **Raine & Horne International Zaki + Partners**

[www.raineandhorne.com.my](http://www.raineandhorne.com.my)

Perpetual 99, Jalan Raja Muda Abdul  
Aziz, 50300 Kuala Lumpur

Tel: 03-2698 0911 Fax: 03-2691 1959

Email: [enquiries@rhizp.com.my](mailto:enquiries@rhizp.com.my)

Company No. 99440-T, VE (1) 0067

Our team comprises highly qualified partners in various expertise which authorize us to offer broad ranges of services in:

- Professional Valuation Services
- Corporate Advisory Services
- Project Management
- Property Management & Maintenance
- Real Estate Agency
- Auctioning
- Market Research & Feasibility Studies
- Property Investment Consultancy
- Building Auditing
- Bio Asset Valuation
- Forensic Valuation