

GST Treatment: Imported Services

Introduction

GST on **Imported Services** (Sec 13) is accounted by way of the reverse charge mechanism.

Reverse Charge Mechanism (also known as Self Recipient Accounting-RSA)

A supplier who does not belong in Malaysia and supplies services to a customer in Malaysia does not have to charge GST. However, the customer who received the services is required to account for GST by a reverse charge mechanism.

The recipient has to pay tax for the imported services he received and the same time claim input tax in his GST return. Reverse charge mechanism is an accounting procedure where a recipient (as the customer) of the supply, acts as both, the supplier and the recipient of the services.

Example:

1. Royalty fee charged in Malaysia by non resident business situated outside Malaysia from Jan - Dec 2016 = **USD 200,000**
2. Date of invoice = 10 March 2016
3. Bank prevailing rate = Rm2.50 (Date: 10 March 2016)

Calculation for GST:

1. Consideration for the supply @Rm2.50 = Rm500,000.00 + GST 6%
2. GST to be accounted by recipient @6% GST = Rm30,000.00

RSA:

Account GST output = Rm30,000.00

Claim GST Input = Rm30,000.00

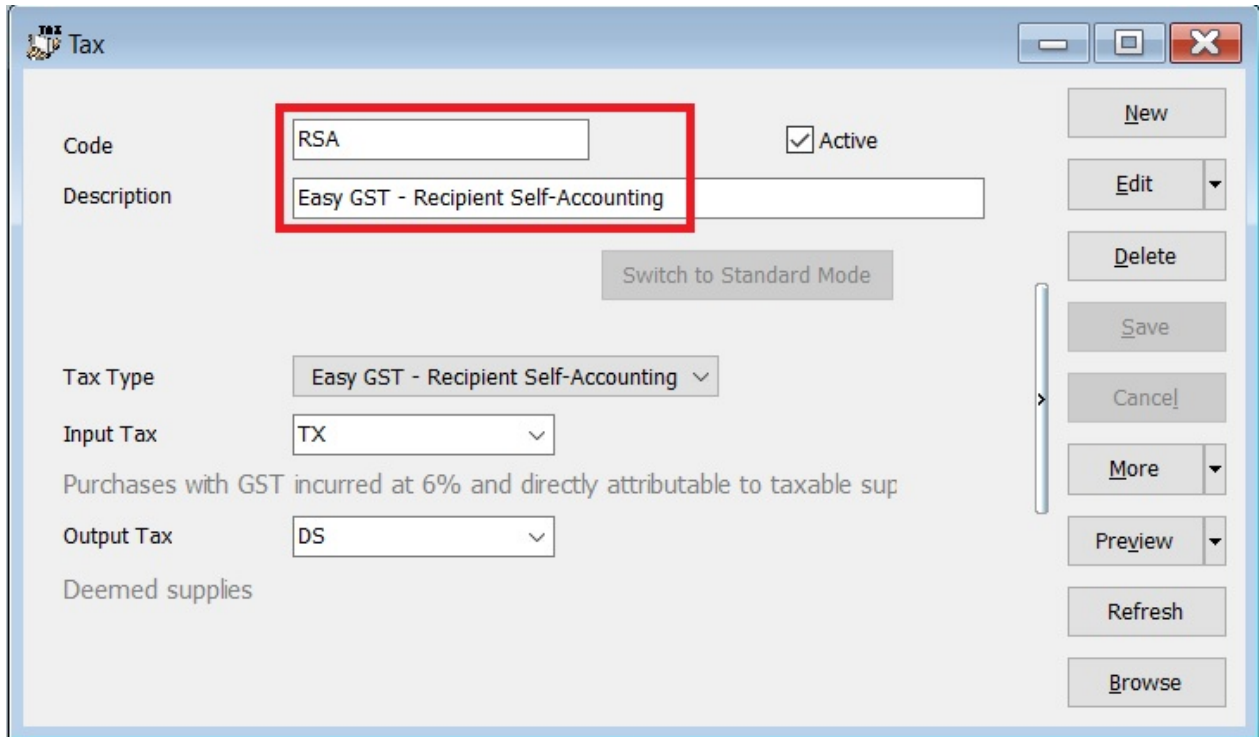
Time of Supply

1. When supply are paid for (Date of payment made) - no longer
2. Since **01 Jan 2016**, which ever is the earlier:-
 - a. Payment made; or
 - b. Invoice date.

Maintain Tax

Menu: GST | Maintain Tax...

1. RSA tax code is preset in the SQL Financial Accounting.
2. It is use for the purpose of **Reverse Charge Mechanism** or **Recipient Self Accounting**.
3. RSA tax code setting. See the screenshot below.



The screenshot shows a 'Tax' maintenance window with the following fields and values:

Code	RSA	<input checked="" type="checkbox"/> Active
Description	Easy GST - Recipient Self-Accounting	
Tax Type	Easy GST - Recipient Self-Accounting	
Input Tax	TX	
Output Tax	DS	

Additional text in the window: "Purchases with GST incurred at 6% and directly attributable to taxable sup" and "Deemed supplies".

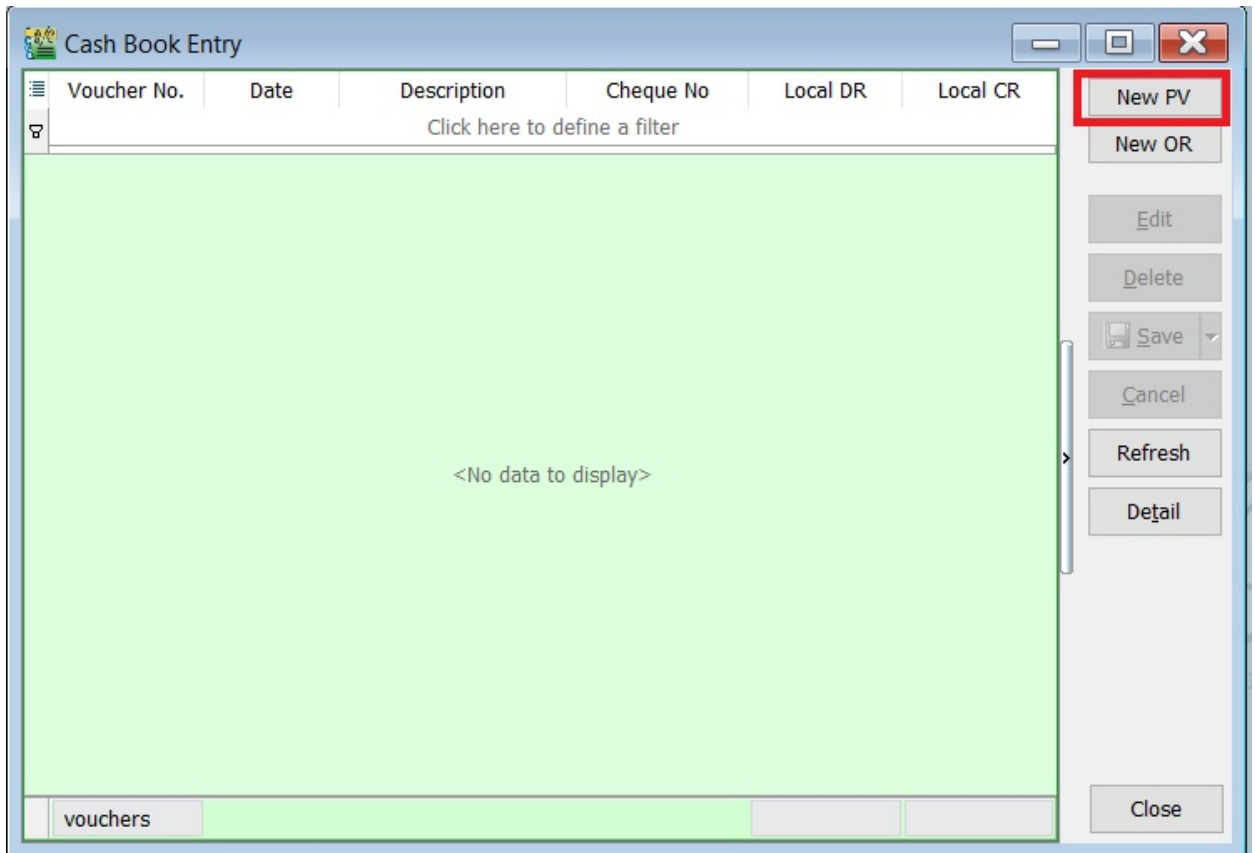
Buttons on the right side: New, Edit, Delete, Save, Cancel, More, Preview, Refresh, Browse.

A red box highlights the 'Code' and 'Description' fields.

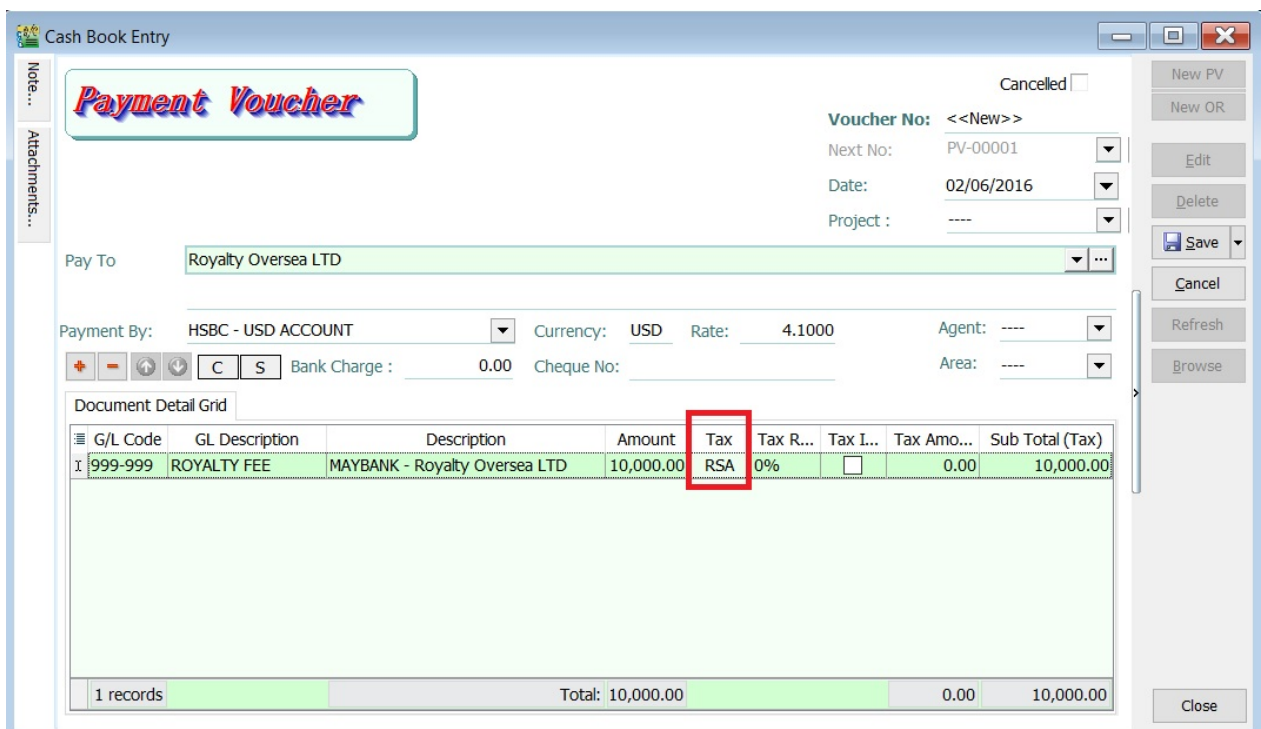
Payment made before the invoice

Menu: GL | Cash Book Entry (PV)...

1. Click on the **New PV** to create new payment voucher.



2. Enter the **payment date**, eg. 02/06/2016.
3. Select **RSA** in tax column.



NOTE :

Tax amount will be calculated after process the GST Returns.

- After GST Returns processed, you can check the double entry posting from GL | Print Journal of Transactions Listing...

Ref No 1	Account C...	Post Date	Description	Project	Curr...	Account Description	Local DR	Local CR	Tax
PV-00001	999-999	02/06/2016	MAYBANK - Royalty Oversea ...	----	USD	ROYALTY FEE	41,000.00	0.00	RSA
PV-00001	GST-101	02/06/2016	MAYBANK - Royalty Oversea ...	----	----	GST - CLAIMABLE	2,460.00	0.00	TX
PV-00001	310-004	02/06/2016	Royalty Oversea LTD	----	USD	HSBC - USD ACCOUNT	0.00	41,000.00	
PV-00001	GST-201	02/06/2016	MAYBANK - Royalty Oversea ...	----	----	GST - PAYABLE	0.00	2,460.00	DS

Double Entry - RSA:

Account Code	Account Description	Tax Code	Local DR	Local CR	Taxable Period
GST-101	GST - Claimable	TX	2,460.00	0.00	June 2016 (follow payment date)
GST-201	GST - Payable	DS	0.00	2,460.00	June 2016 (follow payment date)

Invoice first payment later

Menu: *Supplier | Supplier Invoice...*

1. Click on the **New** to create new supplier invoice.
2. Enter the **invoice date**, eg. 02/06/2016.
3. Select **RSA** in tax column.

The screenshot shows the 'Supplier Invoice Entry' window. The 'Supplier Code' is 400-N0001 and the 'Currency' is USD. The 'Area' is set to '----'. The 'Rate' is 4.2000. The 'Supplier Invoice' section is titled 'Supplier Invoice' and includes a 'Cancelled' checkbox. The 'Inv No' is '<<New>>'. The 'Next No' is PI-00012. The 'Date' is 02/06/2016. The 'Agent' is '----'. The 'Terms' are 60 Days. The 'Bill From' is NOKIA CORP LTD. The 'Ext. No' is blank. The 'Document Detail Grid' shows a table with columns: Purch..., Description, Proj..., Amount, Tax, Tax ..., Tax ..., Tax Inclusive, Sub Total (Tax). The table contains one record: 'I 999-9... ROYALTY FEE' with an amount of 20,000.00, a tax of RSA, a tax rate of 0%, a tax amount of 0.00, and a sub total of 20,000.00. The 'Total' row shows 1 record, a total amount of 2,000.00, a tax amount of 120.00, and a sub total of 2,120.00. The 'Local Net Total' is 8,904.00 and the 'Net Total' is 2,120.00. The 'Invoice Description' is Purchase and the 'Outstanding' amount is 2,120.00.

Purch...	Description	Proj...	Amount	Tax	Tax ...	Tax ...	Tax Inclusive	Sub Total (Tax)
I 999-9...	ROYALTY FEE	----	20,000.00	RSA	0%	0.00	<input type="checkbox"/>	20,000.00
1 record			Total:			120.00		2,120.00

Local Net Total: 8,904.00 Net Total: 2,120.00

Invoice Description: Purchase Outstanding: 2,120.00

NOTE :

Tax amount will be calculated after process the GST Returns.

4. After GST Returns processed, you can check the double entry posting from GL | Print Journal of Transactions Listing...

Journal of Transaction Listing

Date: 01/06/2016 to 30/06/2016

Journal: PURCHASE

Project:

Agent:

Area:

Payment Method:

Sort By: Date, Ref No

Use 2nd Description

Apply

Ref No 1	Account C...	Post Date	Description	Project	Curr...	Account Description	Local DR	Local CR	Tax
PI-00012	999-999	02/06/2016	NOKIA CORP LTD	----	USD	ROYALTY FEE	84,000.00	0.00	RSA
PI-00012	GST-101	02/06/2016	NOKIA CORP LTD	----	----	GST - CLAIMABLE	5,040.00	0.00	TX
PI-00012	400-N0001	02/06/2016	Purchase	----	USD	NOKIA CORP LTD	0.00	84,000.00	
PI-00012	GST-201	02/06/2016	NOKIA CORP LTD	----	----	GST - PAYABLE	0.00	5,040.00	DS

Count = 4

89,040.00 89,040.00

(Ref No 1 = PI-00012) Customize...

Double Entry - RSA:

Account Code	Account Description	Tax Code	Local DR	Local CR	Taxable Period
GST-101	GST - Claimable	TX	5,040.00	0.00	June 2016 (follow invoice date)
GST-201	GST - Payable	DS	0.00	5,040.00	June 2016 (follow invoice date)

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