

CIRCULAR NO: 13/2015

TO: ALL MPMA MEMBERS

DATE: 14 JULY 2015

## **GST ON EXPORTED MOULDS/DIES USED IN MANUFACTURE OF PRODUCTS DESTINED FOR OVERSEAS**

In response to the Malaysia Mould and Die Association's (MMADA) request to grant zero rated GST to moulds and dies sold to Multi-National Companies (MNCs) but are used for production of finished products in Malaysia, The Royal Malaysian Custom has formulated a special scheme to overcome this issue.

### **Approved Toll Manufacturer Scheme (ATMS)**

- This scheme is provided to disregard any supply made by the local toll manufacturers to the overseas clients.
- The toll manufacturers can apply for ATMS facilities where GST on goods imported is allowed to be suspended for the purpose of toll manufacturing activities.
- When processed goods are delivered by the toll manufacturer on behalf of his overseas principal, the toll manufacturer need not account for GST on the local delivery. On the other hand, the local recipient needs to account for GST by way of "**Recipient Accounting**":
  - In the case where the local recipient is a registrant, he needs to account for GST in his return.
  - If the local recipient is a non registrant, he needs to account for GST in a special form.
  - Supply of raw material or component made to overseas principal but delivered to the toll manufacturer is treated as zero rated supply.

### **Conditions Imposed Under the ATMS**

Approved toll manufacturers must strictly adhere to the following conditions imposed under the ATMS:

#### **i. Carrying out Value-added Activities for an Overseas Principal**

A taxable person can apply for the ATMS if he is a toll manufacturer doing value-added activities on consigned goods for an overseas principal. He can also apply for ATMS if he is contracted to do such activities but has not started yet. However, he must provide proof on such activities, for example a contract with his overseas principal, when applying for ATMS status.

**ii. Value of Service Chargeable on Value-added Activities**

The total service chargeable for value-added activities for his overseas principal(s) must aggregate to **at least RM2 million per annum**, excluding the cost of any raw materials supplied by him in the course of carrying out the value-added activities.

**iii. At least 80% of Finished Goods Must be Exported;**

At least 80% (in term of value or quantity) of the finished goods after undergoing value-added activities must be exported by the toll manufacturer. Export of goods means sending goods out of the federation of Malaysia and its territorial waters, but does not include goods in transit.

**iv. An Approved Toll Manufacturer must be a GST Registered Person**

Any person applying for ATMS status must be a GST registered person.

**v. All Parties in the Supply Chain Must Together Apply for ATMS Status**

Toll manufacturer and local customer(s) of overseas principal must together apply for the ATMS local customers of the overseas principal.

**Recipient Self-accounting**

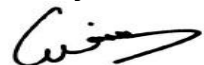
- i. Any delivery of the treated or processed goods by the toll manufacturer to a local customer of an overseas principal is actually a supply made by the overseas principal. In this situation, the overseas principal who does not belong in Malaysia is liable to charge GST on the supply made if he is a registered person. However, under this scheme since the overseas principal is not a registered person, 'recipient accounting system' is introduced under the ATMS.
- ii. Under the concept of "recipient self-accounting", the local customer, irrespective of whether he is registered or not, will account for output tax on the supply made by overseas principal as if he had himself supplied the goods in Malaysia in the furtherance of a business. If he is a registered person, he then nets off the output tax payable with the corresponding deemed input tax credits. In this manner, the local customer does not have to pay GST upfront on such receipt of goods from the toll manufacturer.
- iii. The local customer has to do the "recipient self-accounting" when he receives invoice from the overseas principal or when he makes payment to the principal, whichever is the earlier.

Members are advised to read and understand the entire document on ATMS at customs website [http://gst.customs.gov.my/en/ib/Pages/ib\\_ss.aspx](http://gst.customs.gov.my/en/ib/Pages/ib_ss.aspx) to fully utilise the schemes.

For further clarification, please contact Mr SC Chan of MPMA Secretariat at **Tel: 603-7876 3027, E-mail: scchan@mpma.org.my**.

Thank you.

Yours sincerely,  
**Malaysian Plastics Manufacturers Association**



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