



MEMBANGUN & MAJU BERSAMA



TREATMENT ON EDUCATION INDUSTRY

MOHD ROZLAN MOHAMED ALI
Pengarah
Unit Teknikal GST
Persatuan Akauntan Percukaian Malaysia (M.A.T.A.)



UMS
20 MAR 2015



GST Treatment on Education



(a) Childcare, preschool, primary and secondary school by:

1 Ministry of Education/ other Ministries

2 Private educational institutions

(b) Tertiary education

3 Ministry of Education/ other Ministries

4 Public Universities as statutory bodies

5 Private higher education

Education sector

Any childcare, preschool, primary and secondary schools

- Registered under the Education Act 1961/ 1996/ Child Centre Act 1984/ State Islamic Religious School Controlled Enactments 1988**
- Follow the National Curriculum/ approved curriculum by Minister**

Tertiary education

- **Establishment of the educational institutions under the Universities and University Colleges Act 1996, Private Higher Education 1996, University Technology Mara 1984, or any other written law**

GST Implication
- Childcare, preschool, primary and secondary school

MINISTRY OF EDUCATION/ OTHER MINISTRIES

1. Childcare
2. National School / Government assisted school
3. National type of school (Chinese) & (Tamil)
4. Religious school
5. Boarding School (SBP)
6. Technical / Vocational school

OUT OF SCOPE

INPUT

- (1) No GST charged by supplier on all goods acquired
- (2) GST charged and paid on services

OUTPUT

NO GST charged to students

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PRIVATE

1. Childcare
2. Pre school
3. Primary and secondary school
4. Religious school
5. Technical / Vocational school

EXEMPT

INPUT

- (1) No GST charged by supplier on certain approved goods acquired under GST Relief Order 2014
- (2) To pay GST on goods not listed under the GST Relief Order 2014
- (3) To pay GST charged on services
- (4) No ITC claimable on GST paid

OUTPUT

NO GST charged to students

GST Implication - Tertiary education

PUBLIC UNIVERSITIES /IPTA

STATUTORY BODIES

INCORPORATED

EXEMPT

INPUT

- (1) No GST charged by supplier on certain approved goods acquired under GST Relief Order 2014
- (2) To pay GST on goods not listed under the GST Relief Order 2014
- (3) To pay GST charged on services
- (4) No ITC claimable on GST paid on goods not listed in the GST Relief Order 2014

OUTPUT

NO GST charged to students

PRIVATE UNIVERSITIES/ COLLEGE UNIVERSITIES/ ACADEMY/ INSTITUTE

EXEMPT

INPUT

- (1) No GST charged by supplier on certain approved goods acquired under GST Relief Order 2014
- (2) To pay GST on goods not listed under the GST Relief Order 2014
- (3) To pay GST charged on services
- (4) No ITC claimable on GST paid on goods not listed in the GST Relief Order 2014

OUTPUT

NO GST charged to students

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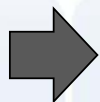
Private Educational Institutions (**present treatment**)

1. Not listed under Sales Tax Exemption Order 2013 or
2. Not listed under the Customs Exemption Order 2013

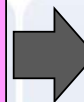
No Tax exemption

- To pay all sales tax & Services tax

Suppliers of
goods and
services



Private
Educational
Institutions



1. Subject to payment of duty import on any goods

2. Subject to payment of sales tax (**5%/ 10% or specific**) & services Tax (**6%**)

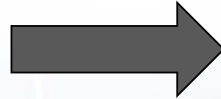
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GST on Private Universities (IPTS)

GST – No tax exemption

Goods listed under the GST Relief Order 2014 are relieve from payment of GST

IPTS



No GST charged

Goods not listed under the GST Relief Order 2014



To pay GST on input

Input tax charged not claimable as input tax credit

Education services to Students
NO GST charged

Non education services or any other person GST is chargeable

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GST Implication on Education



GST impacts on many aspects of the operations of an educational institution



- 1) Pricing of, and quotes for, supplies of goods and services
- 2) Promotion of sales of goods and services
- 3) Specific new clauses required when entering into contractual arrangements
- 4) Documentation received and produced
- 5) The organisation's information and reporting systems
- 6) Internal control procedures required
- 7) Incorrect handling of GST related matters can cause financial loss to an organisation
- 8) Staff of an educational body need to be trained in how GST affects the organisation, and trained in aspects that affect their work.

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The first steps that every educational body needs to take NOW to prepare for GST



- 1) **Identifying all your inputs**
- 2) **Identifying all your outputs**
- 3) **Classifying those inputs and outputs according to their GST treatment (that is, are they taxable supplies i.e. standard rate, zero rated , or exempt**
- 4) **Read the law, guides and ruling if any and identify any areas of uncertainty, and seek help from a professional adviser if necessary**
- 5) **Consider your record keeping systems to see if they are “up to scratch” in being able to track and record all of these transactions**
- 6) **Consider your accounting system**

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There are three types of supply transaction

- 1 Taxable supplies
- 2 Zero rated supplies (exports)
- 3 Exempt supplies

GST is only paid on taxable supplies

Some supplies may be a mixture of transaction types and must be separated into identifiable components

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1 Taxable supplies

Educational institutions must pay GST on taxable supplies but :

- a) Cannot claim input tax credit for making education services
- a) Can claim input tax credit for purchases used to make taxable supplies.

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1 Taxable supplies

Educational Institutions makes taxable supplies if :

- a) The supply is made for payment;
- b) The supply is made in the course of operating its business; and
- c) The supply is made in Malaysia

1 Taxable supplies

- a) If Educational institution has made a taxable supply, it has to issue a full tax invoice;
- b) If an invoice contains more than one transaction then the invoice must also show :
 - Each taxable supply
 - The amount of GST to be paid and
 - The amount to be paid for the total supply

Supply for payment

Payment is usually monetary, but has some other form of payment such as :

- a) Goods and services provided instead of money such as barter transactions or
- b) Payment in the form of refraining from doing something

Supply made in Malaysia

A supply of goods made in Malaysia if the goods are any of the following:

- a) Delivered or made available in Malaysia to the purchaser
- b) Removed from Malaysia or
- c) Brought into Malaysia, provided the seller either imports the goods into Malaysia or install or assembles the goods in Malaysia

Supply made in Malaysia

- a) A supply of property eg land, building if the property is in Malaysia
- b) A supply of something other than goods or property eg services, right is in Malaysia if any of the following apply;
 - the thing is done in Malaysia
 - the seller makes the supply through a business they carry on in Malaysia or
 - The supply is of a right to purchase or acquire something that is in Malaysia

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Supply of education services - exempt

Educational institution does not include GST in the price of education services and cannot claim input tax on taxable purchases used to make education services

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Education services - exempt

Items which are exempt that relate to educational institutions include:

- Course of study in childcare, preschool, primary & secondary school;
- or Course fees for most tertiary courses, masters courses and doctoral courses
- Educational course materials
- Students administration services fees directly related to education services
- Compulsory excursions relating to an educational course

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Education services - exempt

- Health services provided by general practitioners;
- Other health services including counselling and dental services;
- Exports
- Financial supplies e.g. bank interest, consideration on the sale of investments and
- Renting residential premises for residential accommodation for students

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Items which do not constitute as a supply

- Government appropriation
- Other appropriation where the monies received are not consideration for any supply
- Research grants from government or others (with condition)
- Donations, prizes, sponsorships and scholarships (provided they are made voluntarily, there is no expectation of receiving anything in return and no material benefit to the donor)
- Dividends
- Parking fines and
- Internal transaction between operational units within the schools or higher education

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Adjusting event

Occur to supplies in the following instances:

- a) When the price of a supply changes after the tax invoice has been raised or issued;
- b) When a taxable supply is cancelled
- c) When a bad debt is written off or
- d) When a previously written off bad debt is recovered

When an adjusting event occurs it may result in an increase or decrease in the GST liability of educational institution and care should be taken to ensure that GST is correctly accounted for

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Claiming GST credits for purchases

Educational institution can claim input tax credits for GST included a purchase if :

- a) The purchase is used wholly or mainly in carrying out its business;
- b) The price includes GST
- c) Educational institution is liable to provide payment to the item purchased and
- d) Educational institution must have a tax invoice from the supplier

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GST credits cannot be claimed

- a) Educational institution **cannot claim input tax credits** for GST purchase to make education services supplies
- b) Private use and non deductible expenses (entertainment for visitors)
- c) Blocked inputs

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1. If educational institution made taxable supply, it has to issue tax invoice

2. If educational institution acquire goods or services, it will receives tax invoices in two situations:

- a) For acquisition on education services, the tax invoice **cannot** be used to claim input tax
- b) For acquisition on taxable supplies made, the tax invoice is used to claim GST paid to the supplier

Course of study is defined in the Education Act 1996

- Establishment of the higher educational institutions is under the Universities and University Colleges Act 1996, Private Higher Education 1996, University Technology Mara Act 1984, or any other written law
- Accredited courses approved by Malaysian Qualification Agency

- The following accredited undergraduate or postgraduate courses are –
 - i. Associate degree
 - ii. Associate diplomas
 - iii. Diplomas
 - iv. Bachelor Degrees
 - v. Bridging study for overseas students
 - vi. Graduate study Bachelor degrees
 - vii. Masters qualifying courses
 - viii. PhD

- The fees for the supply of education course of study that consists of tuition and facilities and curriculum related education supplies, the fee is the consideration for the exempt education supply

- **A single fee charged for the supply of and education course of study will need to be apportioned between taxable, exempt and zero rate supply if it includes :**
 - a) **A supply of membership to a student organisation**

- b) **Supply by way of sales, lease or hire of goods other than course materials**
- c) **Supply of accommodation as part of an excursion or field trip;**
- d) **Supply of accommodation to tertiary students by the provider of the education; or**
- e) **Supply of food as part of accommodation provided to tertiary students by the provider of the education**

- Educational institution charges miscellaneous fees of various descriptions.
- A fee for education course of study is exempt in respect of the provision of facilities and/or the supply of administration services directly related to the supply of education

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- The provision of facilities which would be exempt include :
 - a) the provision of maintenance of plant, equipment, buildings and grounds;
 - b) Access to libraries including the access to library books, periodicals and manuals;
 - c) Access to computer and science laboratories;
 - d) Access to computers and other online resources

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- **Administration fees which is exempt include:**
 - a) **Program changes and late enrolments;**
 - b) **Late issue or replacement of student cards;**
 - c) **Printing academic transcripts, certificates and statements;**
 - d) **Overdue charges or late payments and**
 - e) **Administration of the library**

- **If University A charges a fee for the supply of course materials as part of subjects undertaken then the supply is an exempt supply. The following are examples of course materials if supplied by University A to students :**
 - a) **Photocopied or printed educational materials that specifically relate to the course**
 - b) **Course notes for a specific subject outlining the course contents, reading list, tutorial and seminar topic, assignment and essay questions;**
 - c) **Consumables art supplies such as paint, sketch pads**
 - d) **Ingredients used in a hospitality course or**
 - e) **Chemical used in chemistry and related courses**

- The following are not considered to be course materials if supplied by educational institution to students subject to any changes on the GST Orders:
 - a) Textbooks
 - b) Musical instruments
 - c) Computers and calculators and
 - d) Sporting equipment

Example:

A a 1st year students studying a Bachelor of Economics are required to purchase a study guide which has been recommended by his lecturer. The guide is a collection of previously published works from journals and other resources and other materials and includes the lecturer's own contributions. Its effective life is limited to the duration of the course which was offered by the University .

As the study guide is a collection of materials extracted from various textbooks and its useful life is limited to the duration of the course, the study guide is exempt provided it is purchased from the University which are no sellable at any book stores and in accordance with the course offered.

Example:

Ahmad is enrolled in a Bachelor of Science course. As part of his assignment, he is required to provide 4 duplicate copies to his lecturer. He goes to the library and is charged RM20 for the photocopying.

The photocopying service is not considered to be course materials and it would therefore be subject to GST as in most universities photocopying is a business by 3rd party.

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- If an excursion or field trip is directly related to the course of study the supply is exempt except for food and accommodation supplied
- Any **supply of food** as part of the excursion or field trip whether it be supplied by educational institution as the supplier of the course or by another supplier **is subject to GST** as it normally provided by caterer or 3rd party
- Any **supply of accommodation** as part of the excursion or field trip whether it be supplied by educational institution as the supplier of the course or by another supplier is subject to GST

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- A supply of accommodation to students provided halls or sponsored flats by the provider of the educational institution is a supply of non commercial residential accommodation.
- The accommodation provided to the students is an **exempt supply**. No GST will be payable on the supply of accommodation provided to tertiary students and educational institution will not be entitled to input tax for any acquisition that relate to the supply
- Where food is supplied to students staying at the accommodation is subject to GST as it is normally provided by 3rd party.

Questions :

- 1) What is the GST treatment if an employee of educational institution for example MSU flies to USA and performs research services in that country?
- 2) IMU provides research assistance to an IT company in Dubai. The research assistance relates to providing information on IT trends in Malaysia. The research work is carried out at IMU campus. What is the GST treatment?

Sponsorship

Funding is generally considered to be sponsorship if educational institution provides advertising and promotional activities in return for payment which has material benefit to the payer.

The sponsorship is a **standard rated supply** and **subject to GST**

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Sponsorship

Question :

- 1) University A enters into a formal agreement with Maybank. The bank agrees to provide University A with RM300,000 a year for 3 years to complete a project. In return for the payment Maybank will receive the following benefits:
 - The University is obliged to acknowledge the sponsorship on all advertisements, media and promotional materials;
 - The relationship between The University and Maybank is acknowledge on the program website
 - The University is obliged to provide a guest speaker at promotional events and function.

What is the GST treatment on the sponsorship by Maybank?

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Funding is provided to undertake research will be subject to GST if the findings of the research are of the material benefit

Questions??