



Support Note

Deemed Supply in GST (Gift Rule)

This Support note is suitable for:

MYOB Accounting V 21 Malaysia and MYOB Premier V16 Malaysia.

Introduction

Deemed Supply may apply where no consideration is received for the supply of goods or services.

Examples of Deemed Supply are:

- Barter arrangements where goods sold are settled by other goods from customer
- Free gift worth more than RM500 to staff
- Hamper worth more than RM500 to customer
- Free bottles of regularly sold shampoo to customers

If your goods have market value and you give it away for free, it is a "deemed supply and you must account the output tax

- Tax based on the open market
- value of the goods, unless:
- the cost of the gifts or goods is not more than rm500; or
- you did not claim input tax on the purchase/import of the goods

How Do I handle Deemed Supply GST in MYOB

Example:

1st Scenario :

You purchased a hamper from a GST registered supplier on 1 April 2015 at RM1,000 and claimed the RM60 GST (input tax).

You subsequently gave the hamper free to one of your loyal customers.

It is a "deemed supply" and you must account output tax based on the open market value of the Goods.

Step 1 : Create tax code "DS 1

Go to List > Tax code > New :

GST code is DS

The link account for Tax collected must be linked to "Input Tax"

The Link account for Tax paid is "Output Tax"

Contact our Customer Service Representatives now:-

telephone

03-92844225

email

info@myob.net.my

website

www.myob.net.my



Support Note

The screenshot shows the 'Tax Code Information' window. It contains the following fields and values:

- Tax Code: DS1
- Description: Deemed Supply
- Tax Type: Goods & Services Tax
- Rate: 6%
- GST Code: DS
- Linked Account for Tax Collected: 2-2330 (Input Tax)
- Linked Account for Tax Paid: 2-2310 (Output Tax)
- Linked Card for Tax Authority: (empty)

Step 2 : Enter the purchases of hamper for GST registered supplier

Go to purchase > enter purchases with TX code

Enter the supplier's bill with TX code (use service layout), please use purchases account.

In the second Line of the bill, key in the bill amount (negative) with DS1 Tax code.

In the third line of the bill, key in the bill amount (positive) with N-T Tax code.

The screenshot shows a 'BILL' form with the following details:

- Supplier: First Bits Enterprise
- Terms: Net 30
- Tax Inclusive:
- Ship to: Clearwater Sdn Bhd, Wisma WIM, 4th Floor, No. 7, Jalan Abang Haji Openg,
- Purchase #: 00000021
- Date: 20/01/2015
- Supplier Inv#: (empty)

Description	Acct#	Amount	Job	Tax
Purchase of Hamper	5-6200	RM1,060.00		TX
Adjustment for Deemed Supply, hamper given free to Customer	5-6200	(RM1,060.00)		DS1
	5-6200	RM1,060.00		N-T

Subtotal: RM1,060.00
Freight: RM0.00
Tax: RM0.00
Total Amount: RM1,060.00

Journal Memo: Purchase; First Bits Enterprise
Paid Today: RM0.00
Bill Delivery Status: To be Printed
Balance Due: RM1,060.00

Buttons: Save as Recurring, Use Recurring, Rate: MYR, RBC Spell



Support Note

Step 3 : Please recap the transactions, the input GST will be charged back into Output GST amount.

Src	Date	ID#	Account	Debit	Credit	Job
PJ	20/01/2015		Purchase; First Bits Enterprise			
		Auto #	2-2100 Trade Creditors		RM1,060.00	
		Auto #	5-6200 Purchases	RM2,060.00		
		Auto #	5-6200 Purchases		RM1,000.00	
		Auto #	2-2330 Input Tax	RM60.00		
		Auto #	2-2310 Output Tax		RM60.00	

Note: Input GST paid to GST registered supplier is accounted into Output tax and the business has to bear the input paid to supplier (business charge itself the GST).

2nd Scenario :

If the cost of the Free Gift is not more than RM500.00 given to the same customer in the same year is not subject to GST. However, input tax incurred is claimable.

However, there is a situation when in the same year, you are supplying free gift few times (more than 1 time) to the same customer or employee.

Example:

In April 2015, a gift supply to customer worth RM300 (No deemed supply and no output tax is accounted because gift amount is less than RM500). But when you purchase the gift, you still can claim the input GST.

But in September 2015, another gift worth RM400 supply to the same customer in the same year. So the total gift supply to customer for the year is RM700 (RM300 + RM400) which exceeds RM500 Gift Rule.

In this example, by September 2015 it is a deemed supply and the output tax has to be accounted because you have to take into account the first gift given before RM300 (April) plus another one RM400 (September).

So in total the gift worth is RM700 and the output GST must to be accounted based on the RM700.

Based on this scenario, it is important to keep track the amount of the gift supply given to each customer so that you can key in and report the correct adjustment for Deemed supply. You can use contact log under card file to record and log in the gift amount given to your customers or employees.



Support Note

Step 1:

Record the first Purchases of free gift On April 2015 amount RM300 as per normal with TX tax code (if the supplier is GST Registered).

Go to purchase > enter purchases with TX code

Enter the supplier's bill with TX code (use service layout), please use purchases account.

There is no adjustment for deemed supply because the gift amount is less than RM500.

The screenshot shows the 'Purchases - Edit Service' window. The 'BILL' tab is active. The supplier is 'test' with terms 'Net 30th after EOM' and 'Tax Inclusive' checked. The ship-to location is 'test DS1'. The purchase number is '00000001', the date is '1/04/2015', and the supplier invoice number is blank. The main table contains one line item: 'Gift' with account number '6-5110', amount '\$300.00', and tax code 'TX'. The summary section shows a subtotal of '\$300.00', freight of '\$0.00', tax of '\$16.98', and a total amount of '\$300.00'. There are also fields for comment, ship via, and promised date.

Description	Acct#	Amount	Job	Tax
Gift	6-5110	\$300.00		TX

Subtotal: \$300.00
Freight: \$0.00
Tax: \$16.98
Total Amount: \$300.00

Note : The input tax RM16.98 can be claimed during the GST 3 submission for the period.

Step 2:

Record or log in the gift amount given to customer into contact log so that you can keep track the total gifts supply to your customers.

Go to Card File > Contact Log > New > Select the Customer's name > key in the Gift details

The screenshot shows the 'Contact Log Entry' window. The 'Name' field is populated with 'A-Z Stationery Pte Ltd'. The 'Date' field is '2/03/2015'. There are fields for 'Notes', 'Elapsed Time', and 'Recontact Date'. At the bottom, there are buttons for 'Help F1', 'Log', 'New', 'Record', and 'Cancel'.



Support Note

Step 3:

Record the second purchases of free gift On September 2015 amount RM400 with TX tax code (if the supplier is GST Registered).

Go to purchase > enter purchases with TX code > Amount RM400

BILL

Supplier ⇄: test Terms ⇄: Net 30th after EOM Tax Inclusive

Ship to ⇄: test DS1 Purchase #: 00000002
Date: 1/09/2015
Supplier Inv#:

Description	Acct#	Amount	Job	Tax
gift	6-5110	\$400.00		TX

Subtotal: \$400.00
Freight: \$0.00 N-T
Tax ⇄: \$22.64
Total Amount: \$400.00

Comment:
Ship Via:
Promised Date:

Step 4:

Record or log in again the 2nd gift amount given to customer into contact log so that you can keep track the total gifts supply to your customers.

View Contact Log

Name ⇄: test
Type: Supplier

Date	Time	Recontact	Contact	Notes
1/09/2015				Gift Given RM400
1/04/2015				Gift given RM300

Help F1 Print New Edit Close

Step 5:

Record the adjustment for Deemed supply.

Before recording the adjustment, please note the following:

The total Gift given to customer for the year is RM700 (inclusive GST) (already exceeded the gift rule RM500). So, you need to account for Output Tax based on total gift given for the year: RM700

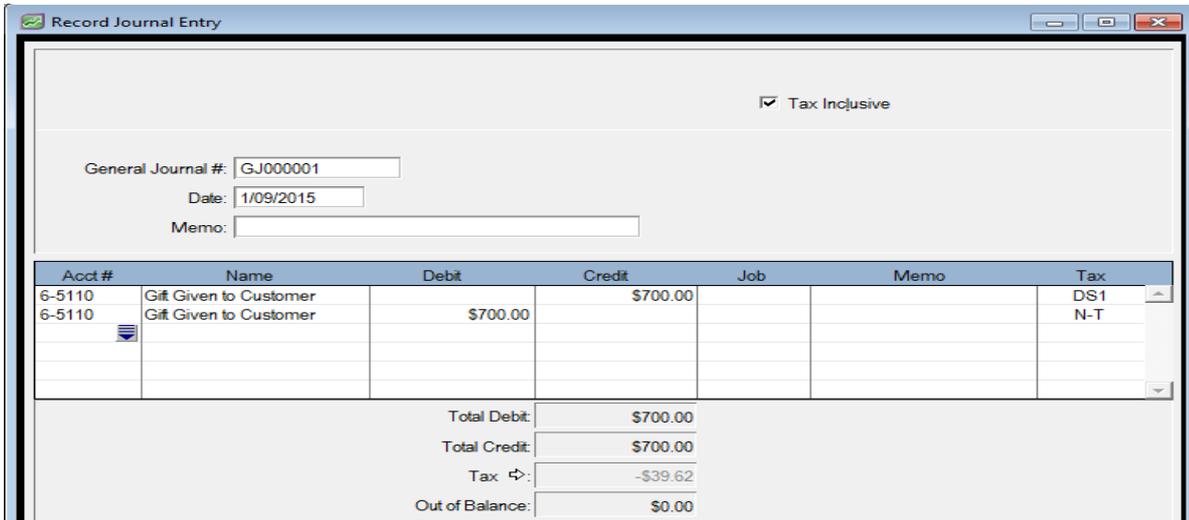
(Note : The total Input tax to be accounted as output tax is RM39.62: (1st Gift input tax: 16.98 plus 2nd Gift input tax : 22.64)



Support Note

How to record the deemed supply adjustment and to account the Input tax into Output tax:

Go to Accounts > Record journal entry

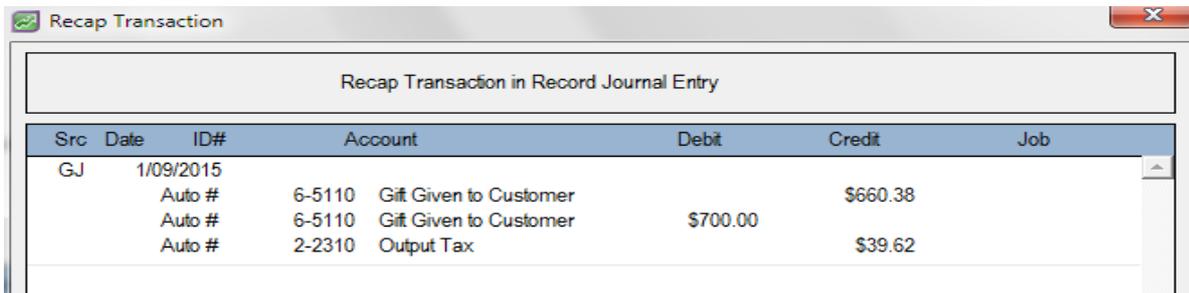


Record Journal Entry

Tax Inclusive

General Journal #: GJ000001
Date: 1/09/2015
Memo:

Acct #	Name	Debit	Credit	Job	Memo	Tax
6-5110	Gift Given to Customer		\$700.00			DS1
6-5110	Gift Given to Customer	\$700.00				N-T
Total Debit:			\$700.00			
Total Credit:			\$700.00			
Tax ⇄:			-\$39.62			
Out of Balance:			\$0.00			



Recap Transaction

Recap Transaction in Record Journal Entry

Src	Date	ID#	Account	Debit	Credit	Job
GJ	1/09/2015					
	Auto #	6-5110	Gift Given to Customer		\$660.38	
	Auto #	6-5110	Gift Given to Customer	\$700.00		
	Auto #	2-2310	Output Tax		\$39.62	

Step 6:

Please record the output tax that has been accounted as deemed supply in the contact log so that you can always keep track.

Step 7 :

Please check the impact after deemed supply adjustment is recorded.

Before adjustment of deemed supply:

Using this example, please note that the total Input GST for the 2 gift given is RM39.62. But as at September 2015 the total input tax is RM22.64: (RM39.62 LESS RM16.98) because the input tax for 1st gift (RM16.98) has been claimed and assumes that CUSTOM has refunded the Input tax amount to you.

