

Finance services FAQs

WITH financial transactions playing an important part in our daily lives, it is not surprising that many people are worried over how the new Goods and Services Tax (GST) will impact them in this regard. In a bid to provide clarity, the Association of Banks in Malaysia has issued a set of frequently-asked-questions (FAQs) for the man on the street. It has also published a comprehensive list on its website which details the GST treatment for over 300 general bank products and services. This list can be viewed at www.abm.org.my. For additional information on the GST and its legislations and guidelines, visit www.gst.customs.gov.my.



Below are some of the most common questions asked about the GST in relation to financial transactions:

Q: Will I be charged GST for the interest received from the bank for my fixed deposits, savings and/or current accounts?

No. Interest paid by commercial banks to banking customers as a result of deposit taking through various types of accounts (savings, current, fixed deposit or similar accounts) will not be subject to GST. However, the fees and charges imposed for services provided in relation to the operation of these accounts, such as electronic funds transfer, encashment, provision on bank statements are subject to GST.



stamp duty) and the service fee for encashment of the cheque over the counter will attract GST.

Q: Will I be charged GST when I use my credit/debit card to pay for purchases?

No, you will not have to pay GST on top of the price of your purchases when you make payment using your credit or debit card. For example, if a person eats at a restaurant which is registered for GST, and his bill comes up to RM50, he will be charged GST at 6% on the total bill. Thus the amount he needs to pay would be RM53 (i.e. RM50 + 6%). If he then chooses to pay for his bill using his credit/debit card, he will not be charged a further 6% on top of the RM53.



Q: How will I know how much my bank will charge me for a bank service/ product which is subject to GST?

Please contact your bank for the revised fee/charges which includes GST for each product/service. ABM member banks will be publishing the detailed price listing at their banking premises or, as the case may be, in their respective websites. Commercial banks will issue a valid tax invoice for all standard-rated supplies.



Q: Are loans, hire purchase or other financing facilities subject to GST?

You will not be charged with GST on the drawdown of the loan and the payment of the monthly loan instalment payments or interest on the loan. However, service charges and fees related to the loan such as documentation fee, loan application fee, redemption statement request fee and/or processing fees are subject to GST. All fees and commissions (unless the commission is a spread) charged for trade finance products and services other than for the purpose of export will generally also be subject to 6% GST.



Q: How will GST be imposed on credit cards?

The fees / charges related to credit cards and the corresponding GST treatment for the same from a cardholder's perspective is as follows:-

Annual fee - 6% GST is imposed on the annual fee. Some banks may waive the annual fee upon request, and in such cases there will be no GST payable.

Service tax - The GST Act provides that the Service Tax Act 1975 is repealed.

Late payment charge - No GST is imposed on the late payment charge.

Finance charges - No GST is imposed on the finance charges.

GST is also payable with respect to card fees if any for debit and charge cards.

Q: Will I be charged with GST for transmitting or remitting money?

No. However, the commission levied for the issuance of a cashier's order or a demand draft and tele-transmission charges will attract GST.

Q: Will there be GST charges for online banking (for inter-bank transfer) and online bill payment?

Yes, the fee, if any, charged by the bank for interbank GIRO (IBG) fund transfer and for online bill payment will be subject to GST. Online transactions which are provided free-of-charge by the bank would not be subject to GST. Please note that GST will be charged on the fee portion only, and not the transaction amount.



Q: Is the merchant discount rate charged by banks on merchants subject to GST?

Yes, it will be subject to 6% GST. It is to be borne by the merchant itself and is not to be passed on to the customers.



Q: I need to apply for a replacement card as my ATM/debit/credit card was lost/damaged. Will I need to pay GST when replacing the card?

No, the fee charged if any for replacement of lost/damaged card is out of scope and will not attract GST.



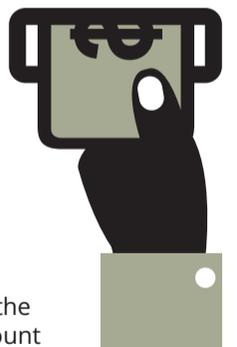
Q: If I make the same type of e-payment transactions several times, how would GST be charged?

GST, if applicable, will be charged based on per transaction basis. Eg for an Interbank GIRO transaction, a 10 sen fee is charged, so 10 sen x 6% = 0.6 sen and then rounded to the nearest 1 sen. The transaction fee will be 11 sen.



Q: Will I be charged GST for the amount I withdraw if I make a withdrawal from the ATM of another bank where I do not maintain an account?

No, the GST is only charged on the MEPS interbank fee of RM1 (for withdrawals made from local banks' ATMs) and not on the amount you withdraw. Further, there is no GST imposed for withdrawals made from ATMs of the bank where you maintain an account with unless the bank imposes a fee or charge for withdrawals in excess of a prescribed number a month.



Q: Is stamp duty subject to GST?

Stamp duty is not subject to GST.



Q: Are there GST charges for the issuance of cheques?

The issuance of a cheque by a drawer for payment is not subject to GST. However, the cheque processing fee will be subject to GST. In addition, the cost of the cheque book (excluding

