

GST – Frequently Asked Questions

The following provides answers to some of the frequently asked questions (“FAQ”) about Malaysia’s Goods and Services Tax (“GST”) and its impact to Manulife Insurance Berhad (“MIB”) policyholders. This FAQ is subject to change and will be updated as and when there are changes/ updates from the Royal Malaysian Customs Department (“RMCD”).

Policyholders

1. What is GST?

Goods and Services Tax (GST) is a multi-stage tax on consumption of goods and services. It is also known as value added tax in other countries. It shall replace the current sales tax and service tax. GST is charged on all taxable supplies of goods and services in Malaysia except those specifically exempted. GST will be implemented from 1 April 2015.

2. What is the rate of GST that will be imposed?

The standard rate of tax is currently fixed at 6% on the taxable supply of goods and services or on the importation of goods as gazetted in the Goods and Services (Rate of Tax) Order 2014. Further, certain classes of goods and services are subject to zero-rate (0%) of GST.

3. Who can charge and collect GST?

A person who is registered under the Goods and Service Tax Act 2014 (“GST Act 2014”), known as GST-registered person, is required to charge GST (output tax) on his taxable supply of goods and services made to his customers. The GST Act 2014 requires MIB, as a GST-registered company, to charge GST on its taxable supplies of goods and services.

4. What are the taxable supplies of MIB and how does it affect insurance policy premiums?

Life insurance policies are exempt supplies and therefore premiums paid are not subject to GST. However, other fees and charges for services provided by MIB (e.g. fees and charges of investment linked/ universal life policies, surrender charge) are taxable supplies that will attract GST at the rate of 6%.

Non-life insurance portion of the policies (non-life riders) issued by MIB which include PA insurance, medical & health insurance and certain critical illness and TPD insurance may also be considered taxable supplies that would be subject to GST at the rate of 6%.

Currently the life insurance industry is working through Life Insurance Association of Malaysia (“LIAM”) to seek clarification on the taxability of insurance products and services from RMCD including what would constitute non-life riders. More details will be made known when available.

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5. Will there be an increase in premiums because of GST?

Yes, if the premiums are payable for taxable supplies. MIB will have to charge GST for the provision of non-life insurance coverage (e.g. PA insurance, medical and health insurance and certain critical illness insurance and total permanent disability (TPD) insurance) that is a taxable supply of insurance and fees and charges for services provided by MIB.

6. Can customers claim GST incurred (i.e. input tax credit) on the insurance purchases?

If the customers are GST registered they can generally claim a credit of the GST incurred on their purchases (input tax), to the extent, the purchases are used for their business of making any taxable supplies. Therefore, the tax itself is not a cost generally to a GST-registered person (both supplier and customer). However input tax credit is not claimable on GST charged for certain taxable supplies including medical insurance coverage for any person and personal accident insurance coverage for employees.

To offset input tax credit against output tax, it is mandatory for the GST-registered person (customer) to have a valid tax invoice issued by the supplier. Any policyholder desirous and eligible for claiming input tax credit can approach MIB for issuance of tax invoice and MIB will duly issue tax invoices upon receipt of such requests from policyholders. Tax invoice is an official billing document issued by the GST-registered company making the taxable supply. The tax invoice contains certain information such as GST identification number, details of supply, GST rate, amount payable before GST, GST amount and amount payable after GST.

However, if customers are not GST-registered, they are not entitled to claim GST incurred on any purchases including insurance.

7. If a consumer is to purchase the insurance policies through an agent who is not a GST-registered person, will he get cheaper insurance policies if there is no GST?

No. The taxable insurance policies are supplied by the insurer and not its agents. Although the agents may not be GST-registered persons, they represent the insurer who would have to be a GST-registered person. Therefore, GST is chargeable regardless of the GST registration status of agents.

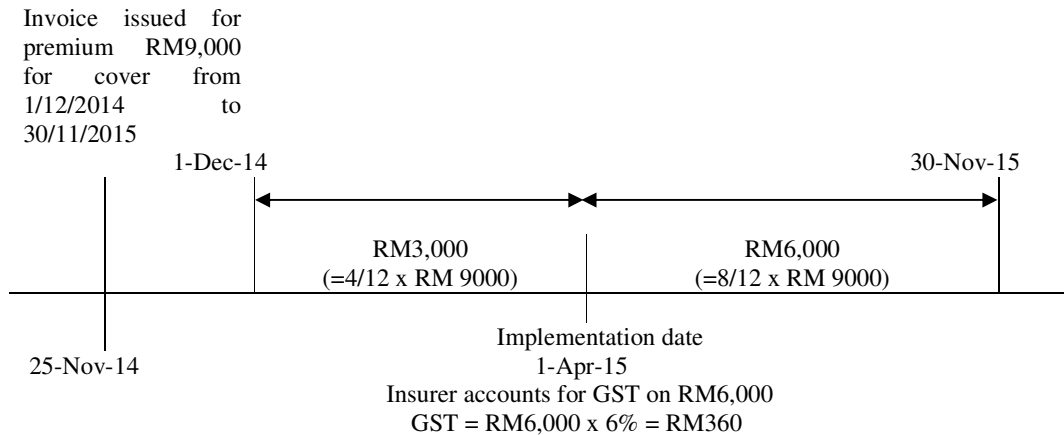
8. Is GST chargeable for insurance policies that are purchased before 1 April 2015?

For policies that were purchased before 1 April 2015 and the insurance coverage is for a period that spans before and after 1 April 2015, GST will be chargeable for the portion of insurance cover for the period on or after 1 April 2015 onwards.

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9. How will GST be charged on policy that spans the period before and after 1 April 2015?

See the illustration below, where a GST of RM360 will be charged for the period of coverage from 1 April 2015 onwards.



Exception:

GST is not chargeable if service tax was already charged on the insurance premium.

10. Will customers be informed on the pro-rated GST collection?

MIB will charge GST with effect from the GST implementation date i.e. 1 April 2015. A premium due notice will be issued to affected policyholders on the pro-rated GST charges (for taxable insurance coverage that spans the period on or after 1 April 2015), except those under the monthly mode. Customers who have opted to pay for their premium on a monthly mode would only be charged GST from 1 April 2015.

11. Do customers need to pay the pro-rated GST now?

You are required to pay the pro-rated GST amount upon receiving the premium due notice from MIB on the pro-rated GST amount.

12. What will happen if I (the policyholder) fail to pay the GST on the pro-rated premium for the insurance period spanning on or after 1 April 2015?

Notification will be sent to the policyholder to collect the pro-rated GST amount that spans the period on or after 1 April 2015. If the pro-rated GST amount is not paid at the end of a given period, the policy shall be treated as 'premium not paid in full'. MIB will either charge the shortage from the policy Cash Value or the policy will lapse if there is no Cash Value.

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13. Is GST chargeable for policies that span the period before and after 1 April 2015 where service tax has been charged?

If the provision of non-life insurance coverage (e.g. PA insurance, medical & health insurance and certain critical illness and TPD insurance) has been charged for service tax, then GST is not chargeable for such taxable supply made for the period that spans on or after 1 April 2015.

14. Businesses in Free Zones, Labuan, Langkawi and Tioman are exempted from service tax. Will the same exemption apply under the GST regime?

No. The non-life insurance portion supplied by an insurer located in other parts of Malaysia besides Free Zones, Labuan, Langkawi and Tioman, covering risks located in Free Zones, Labuan, Langkawi and Tioman is chargeable to GST at the rate of 6%.

Only taxable supplies made by insurers located in Designated Areas (Labuan, Langkawi and Tioman) to customers located in Designated Areas for coverage of risk located in Designated Areas are not chargeable to GST.

15. Where can customers get more information about GST?

General information and educational materials regarding GST is available at GST portal at <http://gst.customs.gov.my/en/Pages/default.aspx>

Any enquiry relating to policy contract, please contact our Customer Service Department at:-

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