

Gst in malaysia



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Goods and Services Tax (GST) GST is a consumption tax based on the value-added concept. GST is imposed on goods and services at every production and distribution stage in the supply chain including importation of goods and services. The GST implementation is part of the government's tax reform program to enhance the capability, effectiveness and transparency of tax administration and management. The Government has not determined the implementation date of GST in Malaysia. Presently, the Government is actively involved in providing awareness and knowledge on the concept and rules regarding GST implementation.

If GST is implemented, the Government will provide ample time between 18 to 24 months for the businesses and industries to prepare themselves for the implementation of GST. At the moment, the government has not fixed the GST rate to be imposed in Malaysia. Nevertheless, the social and pricing impact studies conducted by the Ministry of Finance indicated that the suitable GST rate is in the range of 4%. GST is a more comprehensive, effective, transparent, and business friendly tax system. GST can overcome the various weaknesses inherent in the present consumption tax system.

The inherent weaknesses under the present tax system are the cascading tax, double tax and pyramiding tax, tax erosion and leakages through transfer pricing and other means. Besides that, GST is expected to increase tax compliance and is easier to administer in view of its self policing method. Besides that, the businesses are required only to submit simplified tax returns based on prescribed formats. All records and documents relating to the relevant transaction are required to be kept in the business premises for audit by the GST auditor.

How does GST work? GST is charged and collected on all taxable goods and services produced in the country including imports. Only businesses registered under GST can charge and collect GST. GST collected on output must be remitted to the government. However, businesses are allowed to claim the input tax credit through the following mechanism and method:- i. GST collected on output (output tax) is deducted against the GST paid on input (input tax). ii. If there is excess, the amount shall be remitted to the government within the stipulated period. ii. If there is deficit, businesses can claim for refund from the government. GST can only be collected by persons who are registered under GST and the tax shall be remitted to the government within the stipulated period. In principle, the GST is not a cost to business as the GST paid on the business inputs can be claimed as tax credit. As such, it is estimated that the cost of doing business will decrease by an amount of RM4. 3 billion inclusive of a saving of RM1. 4 billion by exporters on their business inputs.

The reduction in the business costs will make the local products and services more competitive in the domestic and international markets. In addition, the GST is expected to improve tax compliance and is easier to administer due to its self-policing feature. With GST, bureaucracy in the government's delivery system will be significantly reduced. Based on a GST rate of 4%, it is expected that there will be a price reduction between 0. 08% to 2. 71% in respect of eight components of goods and services.

With this price reduction, the rakyat will benefit from the cheaper goods and services such as clothing and footwear, basic food, communication, furnishings, hardware and maintenance, transport, housing, water,

electricity, gas and fuel. The tax burden borne by the rakyat and consumers is expected to be lower compared with that under the present tax system. This is due to the reason that various basic needs such as rice, sugar, flour, cooking oil, vegetables, fish, meat, eggs, and essential services such as public transport, private education and health, residential properties and agricultural land are not subject to GST.

What are the measures undertaken by the government to ensure a smooth GST implementation? The government will give the businesses ample time to be ready for GST implementation. GST awareness and education programmes will be conducted on an on-going basis until the GST is implemented. In its effort to disseminate GST information to the general public, the government has set up a Customs call centre which will be operational at Kelana Jaya, Selangor.

In addition, various industry guides will be issued as guidance to the industries relating to the GST treatment and procedures pertaining to specific industries. The Customs Department will conduct visits to business premises to provide assistance and advisory services to ensure that businesses fully understand the GST rules and procedure. The government will also ensure that the GST computerization system is fully operational before the GST implementation. The test run for the pilot project relating to the early registration process will be conducted six months before the GST implementation date.