

What a consumer should know

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HOW would GST impact the "man on the street"? Will prices skyrocket, after the introduction of GST? These are some of the questions on the "rakayat's minds". As outlined in our first article, we need to understand how the tax works in order to determine what the impact would be on ourselves. This article will take the form of answers to commonly asked questions by consumers.

Hidden Taxes / "Cascading Effect"

Under the existing Sales and Service Tax system, the actual tax cost borne by consumers, generally would be "hidden". However, under the GST system the full amount of tax, i.e. GST to be paid on any particular item is required to be disclosed. Certain basic items / bare necessities such as agriculture products and foodstuff (i.e. rice, sugar, plain flour, live animals and unprocessed meat) will be zero rated to relieve the burden on the "rakayat".

Although the government does not expect inflation at the GST rate of 4%, it has taken steps to prevent businesses from taking advantage of GST to make excessive profits with the tabling of the Price Control and Anti-Profitteering Bill 2010. This was tabled in Parliament in July last year. This legislation was proposed to monitor pricing of goods and services to ensure that businesses do not take advantage of the introduction of GST, by applying price increases, without reasonable bases. There could even be instances where the cost to consumers would be reduced with the removal of Sales and Service Tax. A shoppers' guide (covering approximately 250 items) has been proposed to be published for circulation to the public, three months prior to the GST implementation date.

What benefits, if any, will result from the

Implementation of GST?

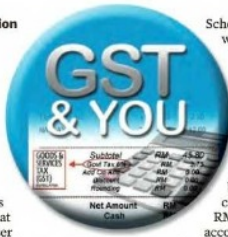
The government intends to improve the existing indirect tax system and reduce the reliance on direct tax income. GST is a type of tax that utilizes the "user pay" principle and therefore will grow with the economy. That is, as the economy grows, the consumption will increase and thereby providing the government with additional revenue. This relationship is not as direct or clear under the direct tax, or income tax mechanisms.

The government would be able to further improve the common infrastructure, welfare, increase research and development to boost industries / home grown products / service, which should benefit the "rakayat" of the country. This improved and more transparent means of collection of taxes could also result in the lowering of direct taxes (i.e. personal and corporate income tax). The GST regime is self policing and will also mitigate leakages, whilst increasing efficiency of tax refunds, where applicable.

As a consumer, am I entitled to any refunds and how can I get my refunds?

As a general rule, a consumer (not a business) would not be entitled to a refund, as it is the final stage of consumption. However, a tourist (air borne) in Malaysia could be entitled to a refund. He / she would be able to claim a refund relating to goods taken out of the country for any GST paid (subject to pre-set thresholds) whilst he / she was in Malaysia.

Refund forms to be completed, would be provided by authorized outlets under the Tourist Refund



Scheme. The tourist would present these forms to the Royal Malaysian Customs ("RMC") counter at the airport for examination/ endorsement together with the purchased goods. Refunds would then be made to him/her in cash (not exceeding RM300), through bank account (cheque/bank draft) or credit card.

When do I charge GST?

GST is only charged by GST registered entities, i.e. entities that are providing a taxable service or good as part of their business. Individuals that are not in the business of providing such services or goods; and / or

do not meet the prescribed thresholds; would not be required to register for GST purposes and therefore would not charge GST.

How do I know if the retailer / supplier that I purchase goods or services from is a taxable entity for GST purposes, i.e. allowed to charge GST?

Each GST registrant will be given a GST identification number. This can be obtained from the tax invoice issued by the GST registrant. A consumer can then verify the details of the retailer/supplier from the records of RMC to ensure the retailer/supplier is a GST registrant.

Will food and beverage outlets still be charging service charge and service tax?

In food and beverage outlets, the service charge and service tax refers to the outlet's own service charge (typically at

10%) and 6% RMC's service tax respectively. Upon GST implementation, the 6% RMC service tax will be replaced by GST at 4% and any service charge imposed by the outlet should remain unaffected. GST is a consumption tax, i.e. a tax that is imposed on items that are consumed. The direct impact on the end consumers would depend on their spending patterns. Based on the prescribed 4% GST rate, the cost of particular goods may either increase or decrease depending on the existing sales and service tax currently included in the goods. The prescribed rate of 4% is considered low compared to other countries which have GST.

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