



What you need to do

BY DAVID LAI SHIN FAH
AND PAULINE LUM MEI LING

GST is coming and will be here to stay. As the rakyat waits with bated breath, we hope that the series of articles has helped to clear some misconceptions about this tax. In order to decide what we need to do to get ready for the GST environment, an understanding of the GST mechanism is required. This assists with the preparations. This final article in our four-part series takes the form of answers to commonly asked questions on GST administration.

LET'S GET STARTED

Why? Who? Where? are just some of the questions raised, when we think of the requirements that need to be met for the GST environment. These have been summarised for ease of reference in the table.

There will also be penalties for late payment of GST due to the RMC, ranging from 5% (within 30 days) to 25%.

Change in mindset and creation of GST awareness is "key" to getting ready for this tax regime.

GST is not just a tax and concern for finance people (from a business perspective) but would also impact all the operations of an entity. Therefore, business owners have to be mindful of the

mechanism and implications on their business, under the different hats that they wear, that is sales, purchases, legal, marketing, finance, etc. This tax should not add to the cost of doing business, in fact GST allows a more level playing field.

From a consumer's perspective, GST is not just another tax. This tax regime enables a self-policing mechanism for collection of taxes, which is intended to lower leakages, whilst increasing efficiency of tax refunds (where applicable) and a lowering of other direct taxes in the future. GST utilises the "user pay" principle and is a tax that will grow with the economy. As the economy grows, consumption will increase, thereby providing the government with additional revenue.

"A challenge is an opportunity to prove your ability to yourself, and others."

The introduction of GST as a replacement tax for the existing consumption taxes (sales and service taxes) is an opportunity for growth of a country and businesses to reinvent themselves.

David Lai is a council member of Chartered Tax Institute of Malaysia and Pauline Lum is a director of tax for BDO Tax Services Sdn Bhd

WHY?

ALL taxable persons that make a taxable supply of goods or services have to comply with the law and consider registration for GST.

WHO?

ENTITIES supplying taxable goods and/or services will have to register for GST when their annual taxable turnover ("ATT") exceeds the prescribed threshold.

The prescribed threshold will be gazetted and outlined at a future date. However, the prescribed threshold is likely to be annual sales turnover of RM500,000 according to a statement issued by the Ministry of Finance.

ATT?

INCLUDES standard rated supplies, zero rated supplies and deemed supplies such as goods taken for private use, the provision of fringe benefits, etc.

The calculation of taxable turnover should exclude the capital assets of a business, imported services, supplies made under the Warehousing Scheme and supplies made within or between the designated areas i.e. Labuan, Langkawi or Tioman.

HOW?

REGISTRATION forms are available from the GST website, for both online and manual registration.

WHERE?

FOR manual registrations and submissions, the forms and GST returns should be submitted to the Royal Malaysian Customs ("RMC").

All online registrations and GST return submissions are directed to the RMC's One Stop Processing Centre via computer and internet facilities provided at all GST offices nationwide.

TAXABLE PERIOD?

A TAXABLE period is a regular interval where a taxable person is liable to account for GST.

WHEN?

THE GST returns would likely have to be submitted monthly (if ATT exceeds RM5 million), quarterly (ATT less than RM5 million) or 6 monthly (very small business owners, prior consent has to be sought from RMC). GST returns and payments must be submitted no later than the last day of the month following the end of the taxable period. All GST registrants are required to furnish GST returns to the RMC even though if there is no GST to be paid to the RMC.

RMC PREFERENCE?

THE RMC prefers that registrations and submissions of GST returns are carried out online. This would facilitate a more efficient means of processing applications and GST refunds, where applicable.

REQUIREMENTS?

ONCE registered for GST purposes, the entity will be issued a GST registration number (akin to a tax reference number).

TAX INVOICE?

ALL GST registered entities that make a taxable supply of goods or services in the course or furtherance of any business in Malaysia are required to issue tax invoice within 21 days after the time when the supply is deemed to have taken place. Tax invoices are not required to be issued for zero-rated supplies, supplies made without consideration on which GST is charged and any supplies of second-hand goods or imported services.

PENALTIES?

FAILURE to file a GST return will result in a fine not exceeding RM50,000 and/or imprisonment for a term not exceeding 3 years.

There will also be penalties for late payments of GST due to the RMC from 5% (within 30 days) to a maximum of 25%.

