

Quick Facts on Goods & Services Tax

What is **GST**?

- Goods and Services Tax (GST)
- In some countries, it's called Value Added Tax (VAT)
- Is an indirect, broad based consumption tax covering all sectors of the economy
- Used in Malaysia
- To be enforced from 1 April 2015
- The applicable GST rate is 6%

GST is charged on

- Taxable supply on goods and services provided by taxable person

GST is a broad based tax applicable to all sectors, including trading and wholesale, service providers, professional and consulting services, agencies, contractors, hotels, restaurants, food and beverages, telecommunication, property development, banking and financial, freight and transportation and many more.

GST and **Income Tax** are **two different taxes**



GST

- a** GST is administered by the Royal Malaysian Customs Department (RMC) / Jabatan Kastam Diraja Malaysia
- b** Sources of GST legislation - Goods and Services Tax Act 2014
- c** The scope of charge for GST is based on consumption



Income Tax

- a** Income Tax is administered by the Inland Revenue Board (Lembaga Hasil Dalam Negeri)
- b** Source of Income Tax legislation - Income Tax Act 1967
- c** The scope of charge for income tax is based on income

TYPE OF SUPPLY



Taxable Supply



Standard Rated



Zero Rated

Non Taxable Supply



Exempted



Out of Scope Supplies

	Supplies			Out of Scope Supplies
	Taxable		Exempted	
	Standard	Zero		
Rate	6%	0%	No	N/A
Registration	Yes	Yes	No	N/A
Input tax paid	Yes	Yes	Yes	N/A
Output tax charged	Yes	No	No	N/A
Tax invoice	Yes	No	No	N/A
Refund / deducted from input tax paid	Yes (deducted/ credit offset mechanism)	Yes (refund on input tax paid)	No	N/A

○ **Zero** rated supply include basic food supplies such as rice, sugar, poultry, goods and services for export. Whereas exempt supply would include rail transport, bus services, taxi, toll, land (general), private education and medical services, residential houses and financial services. The above lists are not finalised, the government will announce more details later.

Input GST & Output GST

Supplier

- Raw material
- Services on sub-contractor
- Professional services
- Overhead expenses

Input GST



Business operator (You)

Output GST



Customer

Supplier sells to you at RM 100 + GST 6% = RM106

RM100 x 6% GST = RM6



You sell it to customer at RM150 + GST 6% = RM159

RM150 x 6% GST = RM9



Customer Pays RM159 for the goods

GST TO BE PAID TO RMC = RM3

Output tax RM9 - Input tax RM6 = RM3

WHO SHOULD REGISTER FOR GST



How To Determine Annual Turnover > RM500, 000?

Category of Person	Taxable Turnover
<input type="radio"/> A company	<input type="radio"/> the value of all taxable supplies made by that company
<input type="radio"/> A company with divisions or branches	<input type="radio"/> the value of all taxable supplies from all divisions and branches
<input type="radio"/> A sole proprietor/ an individual	<input type="radio"/> the value of all taxable supplies of his business
<input type="radio"/> A partnership	<input type="radio"/> the value of all taxable supplies by the partnership
<input type="radio"/> A single taxable person	<input type="radio"/> the value of all taxable supplies by the business entities registered as a single taxable person
<input type="radio"/> A joint venture	<input type="radio"/> the value of all taxable supplies made by the joint venture

Severe fines and penalties for non-compliance

The GST Act provides that late GST identification registration shall be subjected to a minimum of RM1,500 for a period within 30 days and a maximum of RM20,000 for a period of more than 360 days.

If any tax due and payable remains unpaid by a person after the last day on which it becomes due and payable, he commits an offence of which, on conviction, he shall be liable to a fine up to RM50,000 or imprisonment for term up to three years or to both.

HOW TO PREPARE FOR GST?



Accountability

- Register for GST before 31 December 2014 if you are eligible
- Cancellation of sales and services tax license, if applicable

IT software & systems

- Setting up internal systems and maintaining proper accounting records to fulfil tax obligations and claiming GST tax credits
- Be ready to issue Tax Invoice to customers/clients
- Ensure accounting software and system are GST ready

Finance & Administration

- GST payment impact on cash flow
- Identify the issues that would impact your business during the transition to GST
- Be ready to file GST tax return form on time

Human Resource

- GST impact on employee benefits
- Additional headcounts to handle GST compliance
- Attend GST trainings and seminars and read up on GST guidelines

Sales & Marketing

- Identify the impact on pricing and marketing, and strategies
- Revision of goods supply or service contracts with customers

Procurement

- GST payment on purchases
- Revision of supply contracts and terms with suppliers
- Ensure tax invoice is received from supplier for input tax credit claim

CONCLUSION (W.E.F 1 APRIL 2015)



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