OVERVIEW

MOHD ROZLAN MOHAMED ALI
Pengarah
Unit Teknikal GST
Persatuan Akauntan Percukaian Malaysia (M.A.T.A.)

UKM
18 MARCH 2015
CURRENT TAX SYSTEM IN MALAYSIA

Direct Tax
- Corporate Tax
- Individual Income Tax
- Real Property Gains Tax
- Stamp Duty

Indirect Tax
- Import Duty
- Export Duty
- Excise Duty
- Sales Tax
- Service Tax

Consumption Tax
### CURRENT TAX SYSTEM
SALES AND SERVICE TAX

<table>
<thead>
<tr>
<th></th>
<th>Sales Tax</th>
<th>Service Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year introduced</td>
<td>1972</td>
<td>1975</td>
</tr>
<tr>
<td>Scope</td>
<td>Selected items at manufacturing stage and imports</td>
<td>Selected taxable services</td>
</tr>
<tr>
<td>Rate</td>
<td>5%, 10%, specific rate for petroleum</td>
<td>6%, specific rate for credit card</td>
</tr>
<tr>
<td>Advantage</td>
<td>Supply of raw materials/components are non-taxable</td>
<td>-</td>
</tr>
<tr>
<td>Threshold</td>
<td>RM 100,000.00</td>
<td>Up to RM 3mil</td>
</tr>
</tbody>
</table>

![Diagram of tax system]
CURRENT TAX SYSTEM
GOODS SUBJECT TO SALES TAX

10%
CURRENT TAX SYSTEM
SERVICES SUBJECT TO TAX AT 6%
INTRODUCTION OF GST IN MALAYSIA
WHAT IS GST?

What is Goods and Services Tax
GST has been discussed in Malaysia since....
GST in Malaysia will be implemented on 1 April 2015 as announced by the Prime Minister cum Minister of Finance during the 2014 Budget Presentation in Parliament, October 2013.

On 19th June 2014, the GST Act 2014 has been gazetted.
GST/VAT WITHIN THE REGION

As at 2013, there are 160 countries that have already changed GST/VAT.

<table>
<thead>
<tr>
<th>Region</th>
<th>Number of countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASEAN</td>
<td>7</td>
</tr>
<tr>
<td>ASIA</td>
<td>19</td>
</tr>
<tr>
<td>EUROPE</td>
<td>53</td>
</tr>
<tr>
<td>OCEANIA</td>
<td>7</td>
</tr>
<tr>
<td>AFRICA</td>
<td>44</td>
</tr>
<tr>
<td>SOUTH AMERICA</td>
<td>11</td>
</tr>
<tr>
<td>CARRIBean, CENTRAL &amp; NORTH AMERICA</td>
<td>19</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>160</strong></td>
</tr>
<tr>
<td>Country</td>
<td>Year of Implementation</td>
</tr>
<tr>
<td>------------</td>
<td>------------------------</td>
</tr>
<tr>
<td>Indonesia</td>
<td>1984</td>
</tr>
<tr>
<td>Thailand</td>
<td>1992</td>
</tr>
<tr>
<td>Singapore</td>
<td>1994</td>
</tr>
<tr>
<td>Filipina</td>
<td>1998</td>
</tr>
<tr>
<td>Cambodia</td>
<td>1999</td>
</tr>
<tr>
<td>Vietnam</td>
<td>1999</td>
</tr>
<tr>
<td>Laos</td>
<td>2009</td>
</tr>
</tbody>
</table>

GST/VAT IN ASEAN COUNTRIES
## GST/VAT Worldwide

<table>
<thead>
<tr>
<th>Country</th>
<th>Year of Implementation</th>
<th>Initial Rate(%)</th>
<th>Current Rate(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>1973</td>
<td>10</td>
<td>20</td>
</tr>
<tr>
<td>Australia</td>
<td>2000</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>New Zealand</td>
<td>1986</td>
<td>10</td>
<td>15</td>
</tr>
<tr>
<td>Norway</td>
<td>1970</td>
<td>20</td>
<td>25</td>
</tr>
<tr>
<td>Turkey</td>
<td>1984</td>
<td>10</td>
<td>18</td>
</tr>
<tr>
<td>Morocco</td>
<td>1986</td>
<td>19</td>
<td>20</td>
</tr>
</tbody>
</table>
GST/VAT WORLDWIDE

RATE ?

HIGHEST
Hungary (European Union) – 27%

LOWEST
Nigeria
Canada
Taiwan
Iran
Jersey

YEAR OF IMPLEMENTATION ?

FIRST COUNTRY
France, 1954

LATEST COUNTRY
Gambia, Africa - 2013

WHAT IS GST?
A **BROAD-BASED** consumption tax in the form of value added tax

**MULTI STAGE TAX** based on net value at each stage of business transaction up to the retail stage of distribution

Also known as **VALUE ADDED TAX (VAT)** in certain countries

Tax on final consumption – **THE CONSUMER**

GST incurred on inputs is allowed as a credit to the registrant - **OFFSET AGAINST OUTPUT TAX**
TYPE OF SUPPLY (GOODS OR SERVICES)

- Standard Rated Supply 6%
- Zero Rated Supply 0%
- Exempt Supply
- Out of Scope

TAXABLE SUPPLY
NON-TAXABLE SUPPLY
GST is charged on

- The **taxable supply** of goods and services
- Made by a **taxable person**
- In the course or **furtherance of business**
- In **Malaysia**

GST is charged on imported goods
BASIC CONCEPTS AND GST MODEL
ABOLISHMENT OF SST

Current Tax System

Effective on 1st April 2015

SST
Sales & Service Tax

5%, 6%, 10%, 20%
& specific rate

GST
GROW & SHARE TOGETHER

6%

GST is a REPLACEMENT TAX
PROPOSED GST MODEL - STANDARD RATED

6%
Standard rate
PROPOSED GST MODEL - ZERO RATED

- Agriculture Product
- Livestock supplies
- Fish, Crab, Oyster, etc.
- Rice, Flour, Salt, Sugar, Cooking Oil, etc.
- Poultry & Eggs
- Exported goods and services
- Water usage to domestic users
- First 300 units of electricity to domestic users (Current Tariff=RM77)
- Others: Medicine, Books, Bread, Newspaper, Fruits, Coffee, Noodle
• Public Transportation
• Land For Residential, Agriculture And General Use
  • Highway and Toll Bridge
    • Funeral, Burial and Cremation Services
      • Healthcare Services
        • Residential
        • Education Services
      • Financial Services
    • Child Care Services
  • Supply by Association and Similar Organization
# Proposed GST Model
## Government Supply

<table>
<thead>
<tr>
<th></th>
<th>Federal Government &amp; State Government</th>
<th>Local Authority &amp; Statutory Bodies</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OUT OF SCOPE</strong></td>
<td>All supplies by Federal &amp; State Government</td>
<td>Supplies made in the regulatory and enforcement (R&amp;E) Functions e.g. assessment rate collection, issuance of license, penalty</td>
</tr>
<tr>
<td><strong>SUBJECT TO GST</strong></td>
<td>Supplies that have been directed by Minister in the GST (Government Taxable Supply Order) e.g. supply made by RTM, Prison Department</td>
<td>Non R&amp;E functions, i.e. business activities e.g. Rental facilities</td>
</tr>
</tbody>
</table>
GST MECHANISM (CONTD)

**INPUT**
- Raw Materials
- Rental
- Telephone

**Output**
- Goods
- Services

**Claim Input Tax**

**GST on Input** = Input Tax

**GST on Output** = Output Tax
## GST MECHANISM (CONTD)

<table>
<thead>
<tr>
<th>Category</th>
<th>GST Rate</th>
<th>Claimable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard-rated</td>
<td>6 %</td>
<td>✔️</td>
</tr>
<tr>
<td>Zero-rated</td>
<td>0 %</td>
<td>✔️</td>
</tr>
<tr>
<td>Exempted</td>
<td>-</td>
<td>✗</td>
</tr>
<tr>
<td>Out of Scope</td>
<td>-</td>
<td>✗</td>
</tr>
</tbody>
</table>
HOW GST WORKS?
STANDARD RATED 6%

GST AT STANDARD RATE 6%

Manufacturer
Wholesaler
Retailer
Consumer

6%
6%
6%

GST input tax claimable

28
HOW GST WORKS?
STANDARD RATED (CONTD)

Value Added Activity

Manufacturer

制造者

Wholesaler

批发商

Retailer

零售商

Consumer

消费者

Purchase Cost: RM100
GST*: RM6
Purchase Price: RM106

Selling Price: RM125
GST: RM7.50
Total Selling Price: RM132.50

Added Value: RM25
(+ GST: RM1.50)

*RM1.50 will be paid to Customs

*Note: claim input tax
HOW GST WORKS?
STANDARD RATED (CONTD)

Manufacturer

Price: RM100
GST: RM6.00

Price: RM125
GST: RM7.50

Price: RM150
GST: RM9.00

Wholesaler

Retailer

Consumer

GST 6%

Tax Remitted to Government

Output Tax = RM 6.00

Output Tax = RM 7.50
Input Tax = RM 6.00

RM 1.50

Output Tax = RM 9.00
Input Tax = RM 7.50

RM 1.50

Total amount remitted to Custom:
RM 9.00
HOW GST WORKS?
ZERO RATED

GST AT ZERO RATE 0%

Manufacturer
(Kilang Beras Bernas)

Wholesaler
(Syarikat Faiza Sdn Bhd)

Retailer
(Speedmart)

Consumer

Consumer does not pay any GST

GST input tax claimable
HOW GST WORKS?
ZERO RATED (CONTD)

Manufacturer (Beras Bernas)

WHOLESALER (Syarikat Faiza Sdn Bhd)

Retailer (99 Speedmart)

Consumer

Value Added Activity

Purchase Cost: RM100
GST\(^*\): RM0
Purchase Price: RM100

Added Value: RM25 (+ GST: No GST)

No GST will be paid to Customs

Selling Price: RM125
GST: RM0
Total Selling Price: RM125

*Note: claim input tax
HOW GST WORKS?
EXEMPTED

GST AT 6%

Private Hospital

CANNOT claim back the GST paid

NO GST

Supplier

Consumer

Consumer does not pay any GST
HOW GST WORKS?
EXEMPTED (CONTD)

Supplier

Private Hospital

Consumer

Value Added Activity

- **Purchase Cost:** RM100
  - **GST:** RM6
  - **Purchase Price:** RM106

- **Added Value:** RM25
  (+ GST : No GST)

- **Selling Price:** RM131
  - **GST:** RM0
  - **Total Selling Price:** RM131
SST vs GST
WHY GST?

GST is proven to be a better tax system as it is more **EFFECTIVE, EFFICIENT, TRANSPARENT** and **BUSINESS FRIENDLY** and could spur economic growth as well as increase competitiveness in the global market.

GST is capable of generating a more **STABLE SOURCE OF REVENUE** to the nation because it is less susceptible to economic fluctuations.
1) Eliminating hidden activity

- Under declaring
  - Imported goods
- Transfer pricing
  - Manufacturing goods

2) Greater Transparency

- GST will be shown on the invoice
- Consumers will know exactly whether the goods they consume are subject to tax and the amount they pay for.
### BENEFITS OF GST (CONTD)

![Image of tax invoice]

#### GST Shown in Tax Invoice

<table>
<thead>
<tr>
<th>Serial No</th>
<th>Description</th>
<th>QTY</th>
<th>Unit Price (RM)</th>
<th>Total (RM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Sandle (BATA)</td>
<td>200</td>
<td>8.00</td>
<td>1600.00</td>
</tr>
<tr>
<td>2</td>
<td>School shoes (JAZZ)</td>
<td>200</td>
<td>10.00</td>
<td>2000.00</td>
</tr>
<tr>
<td>3</td>
<td>Sport shoes</td>
<td>50</td>
<td>25.00</td>
<td>1250.00</td>
</tr>
</tbody>
</table>

**Discount** @ 10% = 4850.00

Add GST @ 6% = 4365.00

**Total Sales** = 4365.00

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Customer’s name & address
Supplier’s name, address and GST identification number
Tax Invoice serial number
Date of Tax Invoice
The words “Tax Invoice” clearly indicated
Description of goods or services supplied
Rate of GST
Total amount of GST charged
Total charge made, excluding GST
Total charge made, including GST
3) Less Bureaucracy

- GST registered company will manage their own accounting for tax.
- They can claim any input tax paid without undergoing any bureaucracy process.
- Electronic / Online
  - Registration
  - GST Statement Submission
  - Claiming input tax
4) Fair Tax System and Business Friendly

**Fair Tax System** – GST will be charged at every stage of supply chain. (manufacturer, wholesale, retailer) on value added activity.

**Business friendly**
- Availability of various scheme provide such as Approved Trader Scheme, Warehousing Scheme
BENEFITS OF GST (CONTD)

5) GST can overcome weaknesses of sales and service tax in terms of:

- Double taxation
- Tax embedded in goods sold particularly in exports
6) Need to reduce reliance on existing revenue in Malaysia

Need to reduce reliance on:
- Direct tax
- Petroleum revenue
GST IMPACT TO CONSUMER
GST IMPACT TO CONSUMER
PRICE CONTROL AND ANTI PROFITEERING ACT 2011

1 - Price Control and Anti Profiteering Act 2011

- Effective on 1 April 2011
- Governed by KPDNKK
- To make sure that trader/dealer does not increase price arbitrarily

Special Committee to combat profiteering (Price Monitoring Council)
Illustrate comparisons of prices of goods and services before and after the implementation of GST

- Issued before GST implementation date
- Price were monitored for 1 year after GST implementation date
- Will be publish 1 months before the implementation of GST date.

Sundry Goods Listing
The Government will get the assistance from the hypermarket to be the price setter for the benefit of the consumers.
<table>
<thead>
<tr>
<th>Description</th>
<th>Effective</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Reduce cost of doing business</strong></td>
<td></td>
</tr>
<tr>
<td>• Reduction in corporate tax rate by 1%</td>
<td>• YA 2016</td>
</tr>
<tr>
<td>• Reduction in cooperative tax rate by 1% to 2%</td>
<td>• YA 2015</td>
</tr>
<tr>
<td>• Secretarial fee and tax filing fee tax deductible up to RM 5,000 &amp; RM 10,000 respectively.</td>
<td>• YA 2015</td>
</tr>
<tr>
<td>• Accelerated Capital Allowances (ACA) for ICT equipment and software is extended.</td>
<td>• YAs 2014 to 2016</td>
</tr>
<tr>
<td>• Expenses for GST-related training in accounting &amp; ICT given further deduction.</td>
<td>• YAs 2014 &amp; YA 2015</td>
</tr>
<tr>
<td><strong>Financial assistance</strong></td>
<td></td>
</tr>
<tr>
<td>• RM 150 million allocation for purchase of accounting software by SMEs</td>
<td>• 2014 &amp; 2015</td>
</tr>
<tr>
<td>• Training Grant of RM 100 million for GST Training</td>
<td>• 2013 &amp; 2014</td>
</tr>
</tbody>
</table>
### GST IMPACT TO CONSUMER

#### GST RELIEF PACKAGE FOR BUSINESSES (CONTD)

<table>
<thead>
<tr>
<th>Description</th>
<th>Effective</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase disposable income</td>
<td></td>
</tr>
<tr>
<td>• Personal tax rate reduction across tax bands by 1% to 3%</td>
<td></td>
</tr>
<tr>
<td>• Highest marginal tax rate reduced from 26% to 25%</td>
<td></td>
</tr>
<tr>
<td>• Restructuring of income tax bands by increasing chargeable income subject to maximum rate from above RM 100,000 to above RM 400,000</td>
<td>YA 2015</td>
</tr>
<tr>
<td>Financial assistance</td>
<td></td>
</tr>
<tr>
<td>• One-off cash assistance of RM 300 to households who are BR1M recipients.</td>
<td>2015</td>
</tr>
</tbody>
</table>