

Avoid making too many changes to zero-rated, exempt items in GST — tax expert

KUALA LUMPUR: The government should refrain from making too many changes to the list of zero-rated and exempt items in the Goods and Services Tax (GST) to ensure stability for businesses.

The tax, which came into effect on Apr 1 this year, is still new for the country and businesses, as well as people, and they needed time to understand and adapt to it, said Deloitte Malaysia's GST Director, Senthuran Elalingam.

"(Constant) changes in zero-rated and exempt-list items would only incur costs and lead to unnecessary errors to the businesses," he told Bernama.

Although over 160 countries had implemented the tax, Malaysia is unique as it has the most number of zero-rated and GST-exempt goods, said Senthuran, who is also Asia-Pacific Indirect Tax Clients & Markets Leader for Deloitte.

He anticipated that there will continue to be teething problems with GST with some industries, such as pharmaceutical, property development and insurance, still getting adjusted with several outstanding issues.

"There are inconsistencies and disputes that have been brought into the court by the businesses, consumers and the Royal Customs Department and I anticipate that next year, these will continue to happen," he said.

He also urged the government to allow more time and be lenient to companies, particularly

small and medium enterprises, to further understand GST.

A check with the Customs Department revealed that there were about 10 cases that had been brought to court, while a few hundred investigations were in the midst of being completed.

Its Deputy Director General of Customs (Customs and GST), Datuk Subromaniam Tholasy, said among the disputes encountered by the businesses with their customers were in terms of credit note and debit note issuance, where businesses were supposed to prescribe particulars as stated in GST Regulation 2014.

"The Regulation 25(4) requires the note/s to have the name and address of the person to whom the goods or services are supplied. Customers are not comfortable when these particulars are requested by businesses.

"These particulars are important to avoid fraud because it involves adjustments of input tax and output tax," said Subromaniam.

He said the disputes with the Customs Department mainly involved the accounting system, which was not catered to in the amendments to the legislation.

"With the additional items added in the zero-rated and exempt order, it created difficulties for businesses since their systems have been configured prior to the amendments," he said. — Bernama