

# Advice to industries on Sabah Service Tax

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KOTA KINABALU:

With the impending implementation of the Sales Tax and Service Tax soon, manufacturers should hold dialogues and negotiate with the

new Federal Ministry of Finance over any tax grousers at this opportune point in time, when policy formulation is still being done.

"The newly elected Malaysian Government of May 9, has targeted transformations in the Malaysian business landscape.

(They should do so via the FMM (Federation of Malaysian manufacturers) FSI (Federation of Sabah Industries).

"Not least of all, is a commitment to abolish the Goods and Services Tax and revert to the previous Sales Tax and Service Tax regimes," said Larry James Sta Maria (pic), a director of Deloitte Tax Services Malaysia.

He said manufacturers have to be prepared for the new Sales and Service Tax (SST) replacing the Goods and Services Tax (GST) to be 'o' rated after June 1.

"You can have a say in shaping the new tax regime," he told manufacturers



to engage with trade bodies and associations to make their views known to the government, or engage his firm to do the needed representation in dialogues with the government.

Larry James listed the topics for them are engagement with trade bodies and associations, lobbying and making recommendations to the changes to SST model, making proposals to ease administration and compliance with the new tax, championing industry-specific issues and ascertaining time-frames for the implementation of SST.

On Deloitte Tax Services Malaysia's role in representing them, Larry James assured that his firm has capable partners and directors like himself with wide and in-depth experiences in the previous SST regime.

"We, the directors have wide experiences from industry and also as formerly from the Royal Malaysian Customs Department, able to formulate customised implementation plans to take you through to the new regime."

Larry James cautioned businesses to prepare business readiness as far as be in top form on system readiness – capturing and reporting for SST compliance; people and processes need to be retrain for operational readiness; complete Customs registration, applications and doc-

umentation – ready with correct invoices, reports etc.

On SST classification, he said it is vital to be able to identify taxable and non-taxable goods and services under SST. And know the turnover threshold for the new tax.

On the GST controversy, he said it is about pricing. GST has an impact on pricing and strategy decisions "with public expectation that the removal of the GST would result in a reduction on the price of goods and services.

Hence, Larry James cautioned businesses to expect stricter "anti-profiteering regulatory enforcement on price adjustments."

He told the bosses to justify "potential pricing decisions to be appropriately documented to reflect the reasons the price has either increased or remained the same."

They need to factor in potential increase in business costs for which the tax would not be creditable, Larry James said.

According to him, the government must reassure businesses. "Transitional legislation will need to be introduced" like how businesses were guided by transitional provisions in the GST Act that addressed the transition from SST to GST.