



MALAYSIAN GST: A RETROSPECTIVE

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As we approach the second anniversary of the introduction of the goods and services tax or GST into Malaysia, we are starting to see consumers and businesses more or less accept that it is here to stay, albeit begrudgingly for some. Certainly, from an overall tax revenue perspective, it would be very hard for the Government to comprehend a life without it.

As of the end of 2016, the first full year of GST, a total of RM42.1 billion was collected from over 430,000 GST-registered companies. These figures exceeded what was budgeted by the Royal Malaysian Customs Department (RMCD) by over RM4 billion and significantly exceeded the figure of RM16 billion that was collected under the previous sales and service tax regime. It is expected that this figure would only increase in 2017 as the RMCD ramp up their audit and enforcement programmes which were launched towards the end of last year.

Whilst things are positive in terms of widening the tax base and increasing collections, what has been the overall impact to business? The GST, being a very substantial transformation that would require businesses to be essentially tax collectors, was never going to be a simple exercise. As is the case in other countries that have implemented GST, businesses have a lot of administrative work to do, including issuing GST-compliant documents (invoices, credit notes, etc.) and filing monthly or quarterly GST returns. However, 22 months on, we are starting to see this process become far more routine as businesses become more familiar with the tax. The ease with which many of these tasks can be done has also improved, with the RMCD offering electronic options for filing

returns, submitting applications and even for verifying the GST registration of third party suppliers.

However, where the ongoing challenges lie are not so much in the routine process but in navigating the complex set of GST rules, in particular the plethora of GST concessions and exemptions that exist. Although the general framework of the GST has remained the same, there have been a number of amendments to the legislation and significant changes to the RMCD guidance. Many of the changes have arisen to correct deficiencies in the Law, either by making it clearer or less cumbersome for businesses. A significant amount of these changes actually arose at the behest of business, either individually or more often as part of industry groups.

A recent example of this was amendments brought in to combine the various manufacturing special economic zones into a single 'free zone' for GST purposes and to receive the same GST treatment. Previously, different special economic zones existed, such as Free Industrial Zones and Free Commercial Zones, and these were given different GST treatments. Not only did this cause confusion, but in a number of cases it also increased the costs of those operating in those zones. Fortunately, under the new rules this becomes less of an issue; however, there remains considerably many more issues that are the subject of further consultation and it is expected that rules will continue to evolve over the coming year.

In order to assist in making sense of these changes, the RMCD has put a considerable amount of effort into releasing public guides or revising existing ones and making them accessible electronically.

Whilst these efforts have been commendable, it has still been a challenge for many businesses to keep up with the pace of change. The authorities undertook a significant amount of work to run seminars and business visits prior to the commencement of GST to build that GST knowledge, and this work needs to continue during this period of change. Thankfully, this has also been recognised by the RMCD, as their recent pronouncements have said that audits this year will be more focused on understanding and helping businesses comply with the GST. The writer hopes they stay true to their word and help those businesses wanting to comply, and only seek to punish those who have no intention of complying with the GST rules.

For those who do fall foul of an audit and are assessed to have underpaid tax and perhaps even penalties, there are still options available both formally and informally. First of all, it is possible to seek a review of these decisions within RMCD either informally by the same audit team or formally by an independent team that is tasked with handling reviews. In my experience, there have been instances where decisions were overturned upon review. Secondly, depending on the type of decision, an appeal can also be made to the GST Tribunal or to the courts, with the former being a much cheaper and quicker option of the two. We have already seen a number of cases go to the GST Tribunal in the recent past, and our expectation is that this will increase this year given greater audit activity.

As a closing thought, we continue to expect more changes this year with the GST rules, coupled with an increased RMCD audit presence. As a consequence, businesses

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should not lose focus on GST and should continue to make efforts to ensure they remain compliant. One important thing that the past year has shown us is that the RCMD are still willing to engage and consult with businesses on issues. As a consequence, businesses should not look at RMCD with fear or trepidation, but rather look to engage and highlight issues in the hope that the rules can be changed to bring about a more business-friendly outcome.

The writer is a GST Partner based in Kuala Lumpur and has over 14 years' experience advising on GST in Australia, China and now Malaysia.

INTRODUCING MABC NEW MEMBERSHIP CATEGORY

The Associate Membership is created for individuals under the age of 30 who have educational or other links with Australia. This is to encourage the younger people to join the MABC at a membership rate that is lower than the current rate of Individual Membership.

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INTERNSHIPS FOR AUSSIE STUDENTS – A MUTUALLY BENEFICIAL EXPERIENCE



Students view the internship as an investment in their future, while businesses enjoy engaging students in projects that require a 'fresh eye' or a new perspective. Some students work on projects started during previous internship programs which serves great purpose, especially to smaller firms who require a specialist, without the long term commitment of a full time employee. Companies also recognise the value to their local employees in having access to international interns.

Jan Drew works with Australian universities to provide these opportunities, coordinating all logistics and providing 24 hour in country support for the students. Under the New Colombo Plan, more universities will be seeking these kinds of opportunities for their students in 2017.

While many Australian students enjoy their summer holidays lounging on beaches, there are currently 30 students completing internships at local and international businesses in Kuala Lumpur. Students from La Trobe University and Swinburne University in Melbourne and The University of South Australia are interning in firms of varying sizes, in disciplines ranging from engineering to accounting, public relations and human resources. The students enjoy the opportunity to learn

about a new culture, participate in networking evenings, and travel the region during the many long weekends.

Recently the Malaysian Dept of Immigration has clarified its position on the visa for interns, declaring that students entering the country for a position of less than 90 days can do so on the Social visit pass. This will enable many more companies to enjoy the benefits of hosting an intern.

