



Indirect Tax Alert MyGCAP - Are you ready?

At the recent National GST Conference, the Director General of Customs, Dato' Sri Subromaniam Tholasy announced the pending rollout of the Malaysian GST Compliance Assurance Program or MyGCAP.

This alert is to inform you of what we know so far, who is impacted and the likely time-frame for the roll-out of the program.

What is MyGCAP?

MyGCAP aims to encourage voluntary compliance among businesses and at the same time encourage businesses to proactively adopt a robust tax risk management system. It achieves this by requiring participants to perform a full review of their internal compliance processes in accordance with guidelines set out by the Royal Malaysian Customs Department (RMCD). A report on the findings of the review will then need to be submitted to the RMCD for their review and sign-off. Businesses who successfully complete their reviews with RMCD will then be recognized with a number of concessions and benefits which we discuss further below.

Who is impacted?

In order to participate in MyGCAP, businesses must meet certain eligibility criteria and must receive specific approval from the RMCD. As of now, the RMCD has not released any information on the eligibility criteria or the process for applying. We understand that the initial phase is likely to cover only Public Listed Corporations, Government Linked Corporations and companies with a turnover of over RM 100 million, but more details are expected in the coming months. However, we anticipate that after the initial phase, there will be a wider roll-out of the programme and more companies would be encouraged to participate.

Who conducts the review?

The review must be conducted by an independent third party who has received accreditation from the RMCD to conduct such reviews. We understand at this stage, it is not possible for a business to undertake a 'self-review' and a third party needs to be appointed to perform this work.

As of now, further details have not been released on how to obtain accreditation, but we understand that a course will be launched in the coming months. Applicants that successfully complete the course will be given accreditation which is expected to be in addition to the current GST Tax Agent Licence accreditation.

How is this different from a GST Review / “Health Check” conducted by a tax advisor?

GST Reviews can come in a variety of shapes or forms depending on the extent of the review and the risk areas that are the focus of the review. MyGCAP, however, is intended to be a standardised and comprehensive review of the business with a greater emphasis on GST processes and controls. Based on the RMCD’s expectation that these reviews would take approximately 6 months, it is likely to be more comprehensive than reviews that have typically been conducted previously.

However, the most critical differences are that the parameters of the review are set by the RMCD and will be subject to their scrutiny and approval, and that the review can only be carried out by an accredited independent third party.

Why should you participate?

As mentioned above, there are some concessions and benefits that will be available to participants, in particular:

- “Step down of audits”: we understand that there may be a 3 to 5 year amnesty from audits for participants
- Quicker processing of GST Refunds
- Dedicated RMCD GST officers to handle queries
- Auto-renewal of GST schemes

However, one critical aspect that is missing is a ‘waiver’ or amnesty from GST penalties for errors identified under the review. We are hopeful that this is an oversight and that this is included as part of the benefits when the details are released, otherwise, it is likely that most businesses would be discouraged from participating.

When do we expect the roll-out?

Although there are no official details, we understand the accreditation program for reviewers is likely to commence next month. We also understand that potential applicants would be invited to apply in June with a view to commencing a review by July. Once commenced, the review is to be completed within 6 months and the report provided to the RMCD for review. The

RMCD will conduct its review within 3 months and provide their feedback subsequent to that.

How does this differ from the Singapore Assisted Compliance Assurance Program (ACAP)?

Although there is very little in the way of details on MyGCAP, based on the information that has been released, we expect it to follow very closely the approach followed in Singapore in ACAP. However, like our GST Law, although there will be some similarities to Singapore, we expect that there will be some unique Malaysian aspects to it.

Some of the notable differences we have seen so far is the absence of a concession of penalties, and the other being the absence of “co-funding”. In the initial years of the Singapore scheme, the Singapore Government provided “co-funding” in the way of meeting 50% of the external consultants fees to conduct the review. As of now, there is no mention that a similar incentive would be provided here.

Another interesting difference is the time-frame that is being provided. In Singapore, the time-period for the review is 15 months, and in some cases, it may take longer. However, only 6 months is provided under MyGCAP. If the MyGCAP approach follows closely the methodology used in ACAP, then it is unlikely that 6 months would be sufficient and this should be an issue that would need to be addressed prior to the commencement of the program.

What can you do now?

We expect many businesses will take a ‘wait and see’ approach until the details are out. However, as we saw with the GST implementation there are advantages to starting early. A useful starting point to understanding the likely requirements would be to look at what has been set out in the Singapore ACAP.

For those starting early, we would recommend focusing on the following key areas:

- Understanding whether GST impacted processes across the organisation have been mapped and documented;

- Assessing whether the GST touchpoints have been appropriately identified in those process documents including the controls that have been put in place; and
- Reviewing whether the documented processes and controls are still consistent with the current business practice.

How can Deloitte help?

As of now there are not a lot of details available on MyGCAP, but rest assured we will continue to monitor and share details as they come to light. Once MyGCAP is officially rolled out, Deloitte intends to seek and obtain accreditation to conduct MyGCAP reviews. Concurrently, we will also be running workshops with you, our interested clients, so that you will be able to fully understand and appreciate the details of the Malaysian program.

We are also partnering closely with our counterparts in Singapore to ensure we fully leverage learnings from the Singapore experience to be effectively applied in Malaysia. In the interim, if you are interested in finding out more about how you could be impacted, or how we can assist you in undertaking some of the preliminary steps, please reach out to any of the contacts below or your usual GST contact to arrange a meeting.

Malaysia

| Name | Email address | Telephone |
|--|--|----------------|
| Tan Eng Yew GST & Customs Country Leader | etan@deloitte.com | +603 7610 8870 |
| Senthuran Elalingam GST Financial Services Industry (FSI) Leader | selalingam@deloitte.com | +603 7610 8879 |
| Wong Poh Geng Director | powong@deloitte.com | +603 7610 8834 |

**Chandran TS
Ramasamy**

ctsramasamy@deloitte.com +603 7610 8873

Director

**Larry James
Sta Maria**

lstamaria@deloitte.com +603 7610 8636

Director

Singapore

| Name | Email address | Telephone |
|------|---------------|-----------|
|------|---------------|-----------|

**Richard
Mackender**

rimackender@deloitte.com +65 6216 3270

Southeast Asia
GST Leader

Danny Koh

dakoh@deloitte.com +65 6216 3385

GST Partner

Best regards,

Indirect Tax Team



Deloitte Tax Services Sdn Bhd

Level 16, Menara LGB
1, Jalan Wan Kadir
Taman Tun Dr Ismail
60000 Kuala Lumpur
Malaysia

About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see www.deloitte.com/about to learn more about our global network of member firms.

Deloitte provides audit & assurance, consulting, financial advisory, risk advisory, tax & legal and related services to public and private clients spanning multiple industries. Deloitte serves four out of five Fortune Global 500® companies through a globally connected network of member firms in more than 150 countries and territories bringing world-class capabilities, insights, and high-quality service to address clients' most complex business challenges. To learn more about how Deloitte's approximately 264,000 professionals make an impact that matters, please connect with us on Facebook, LinkedIn, or Twitter.

About Deloitte in Malaysia

In Malaysia, services are provided by Deloitte Tax Services Sdn Bhd and its affiliates.

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively, the "Deloitte Network") is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this communication.

© 2018 Deloitte Tax Services Sdn Bhd

To no longer receive emails about this topic please send a return email to the sender with the word "Unsubscribe" in the subject line.