GST an economic saviour as oil prices plunge

KUALA LUMPUR — The Goods and Services Tax (GST), introduced last year, has been a saviour of the country's economy as the fall in crude oil prices cast global uncertainties and threw most economies into turmoil.

In fact, the GST helped Malaysia cope with the loss in oil revenue.

Prime Minister Datuk Seri Najib Razak, who is also the finance minister, was even quoted as saying: "Without the GST, Malaysia's economy would be paralysed."

The tax, implemented on April 1, last year at six per cent, targeted to rake in RM39 billion this year, having touched RM30 billion as at Oct 19.

The net GST collection from its implementation date to Dec 31, last year was RM27.01 billion.

The GST, despite its controversial hesitant start, successfully waded through so far this year, supported by continuous improvements made by the Royal Malaysian Customs Department to engage with business communities and create awareness among companies to comply with the tax regime.

Even most tax experts are seeing improvements in the submission of GST returns by businesses while queries on the tax to the authorities are getting immediate responses throughout the year.

This is a positive sign which reflects the Customs Department's efficiency and seriousness in engaging with people and businesses to get them to be more GST-compliant.

GST partner from Deloitte Tax Services Sdn Bhd Senthuran Elalingam said all parties were exchanging views and understanding each other better.

He hailed the government's decision to combine the special economic zones — free industrial zone and free commercial zone — into a single free zone to enjoy the same benefits, as announced in the 2017 Budget.

Previously, there was confusion of GST exemptions and exclusions from the two special economic zones and the different treatments had made it more complex, resulting in changes to the law and guidance over the past year.

Senthuran said this measure would ease the movements of goods as Malaysia was mainly export-oriented, in the manufacturing and trade sectors.

"It will help Malaysian manufacturers and exporters operate more efficiently as the country is now facing competition from other Southeast Asia nations, namely Vietnam and Thailand, where their labour costs are lower," he said.

On the Customs National Blue Ocean Strategy (Ops CBOS) operations, Senthuran hailed the department's approach to reduce or waive penalty if the tax payers voluntarily disclosed errors or the underpaid amount before year-end.

"This is a welcome approach and should be continued for future years to encourage businesses to contact the department as some companies are still experiencing uncertainty about it," he said.

Ops CBOS was announced in August last year by the department to audit firms registered for GST.

The operation, which begun in phases from Sept 1, aimed to audit 50,000 companies to ensure the GST system is being done in the correct manner.

Senthuran said companies with newly commenced projects, particularly property developers as well as the oil and gas service providers, faced difficulties in registering for GST.

This was because the projects required significant investments upfront in construction and building but did not generate income for some years.

"These are new projects with no income. So, they are finding it difficult to register and recover the GST on these building and infrastructure costs which are adding to their business costs," he said.

Senthuran said Singapore allowed these companies to register for GST provided they demonstrated they had a business and would receive an income in the future.

This year, the public and businesses were relieved as talk of an increase in GST rate did not materialise.

Yap Shin Siang, group chief executive officer of accounting firm YYC Holdings Sdn Bhd, said many were worried at first that the rate would go up.

The government had said the rate would be maintained taking into consideration the welfare and ability of the people, she said.

Yap, who hoped the rate would be maintained to encourage consumer spending, expected to see more enforcement by the Customs Department to ensure businesses comply with GST regulations.

She said the target of collecting RM40 billion in GST next year was achievable.

The department should also speed up the special refund payment process as most companies which submitted claims since September last year had either been waiting or had them rejected.

"The businesses are frustrated as they have provided necessary documents, but not getting back their claims," she said.

It was reported the Customs Department has been rejecting applications for special refund of sales tax made under Section 190 of the Goods and Services Tax Act 2014.

The department said one of the reasons was an increase in prices after the implementation of GST and the profit margin of the products was too high.

The Customs Department received requests for it to maintain relief granted from GST on the supply of both goods and services provided by property developers or land owners.

Under the Finance Bill 2016, infrastructure building for projects like power supply stations, access roads, water pipes, community halls and playgrounds by the developers would no longer be regarded as relief supply or exempted from GST starting January.

"Under the Bill, it will be changed to no supply, which means input tax cannot be claimed. This would mean the cost of building these infrastructure projects will be passed on to consumers," Yap said.

"We hope the government will reconsider this matter to ease consumers' burden in their spending." — Bernama