



Indirect Tax Alert

GST rate change: Anti-profiteering guidance for businesses

Background

In conjunction with the GST rate change from 6% to 0% effective 1 June 2018, the Ministry of Domestic Trade, Co-operatives and Consumerism ("MDTCC") has given guidance to some business associations, through a [slide deck](#), on relevant anti-profiteering and other MDTCC regulatory matters.

Key points of guidance by MDTCC

For supplies of goods and services effective the GST rate change from 6% to 0%, the guidance by MDTCC requires the following by businesses:

- Not to include 6% GST into the price of goods and services supplied.
- Change the rate of tax from 6% to 0%.

- Display the new price with the rate of tax at 0%.
- Not to 'manipulate' prices before and after 1 June 2018.
- For anti-profiteering compliance, ensure % mark-up (%MU) / % margin (%MG) is not above the current P_A . Some simple simulations have been provided in the MDTCC guidance.

(Deloitte comment: %MU/%MG is determined by prescribed formulas in anti-profiteering law. P_A is the 'baseline' profit margin, i.e., %MU/%MG on the first day of the current financial year of the business, or, calendar year, i.e., 1 January 2018. Currently, anti-profiteering compliance requirement is limited to suppliers of non-durable household goods and food and beverages. It is not clear whether MDTCC would be amending the anti-profiteering law to widen the scope of its application, due to the universal application of the GST rate change.)

- Ensure that the final price is the same as the price displayed (single pricing).
- Not to give misleading prices to consumers.
- Not to make false or misleading representations on goods and services.
- Not to make false displays of prices of goods.
- Issue receipt for every sale transaction.

Grace period to make price changes

MDTCC has given a grace period of 1 month (1 June 2018 to 30 June 2018) for businesses to make the necessary price changes due to the transition from 6% to 0% GST.

Penalties for non-compliance

MDTCC has highlighted various penalties for non-compliance, including for profiteering. The court fines on conviction of a corporate entity are generally as follows:

- 1st offence: maximum fine of RM500,000; and
- 2nd and subsequent offence: maximum fine of RM1,000,000.

Contact us

For further information on anti-profiteering compliance, feel free to contact any of our specialists listed below.

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