



Indirect Tax Alert Last mile in GST audits—How can Deloitte help?

Many of us have been focused on the “tax holiday” that has been given from 1 June and the pending re-introduction of the Sales and Service Tax (SST), which will be making a comeback on 1 September 2018. However, whilst we are in the final phase of GST, it is unlikely to be a short one. The Royal Malaysian Customs Department (RMCD) will still have the right to audit historical GST Returns.

Recently, the RMCD has begun issuing letters to taxpayers red-flagged in their system, broadly stating that discrepancies were identified in supplies/acquisitions made by the businesses and requesting those businesses to bring supporting documents to the nearest RMCD office to be presented to and discussed with Customs, usually within a short timeline.

In addition to these targeted cases, we are anticipating a more organised and concerted GST audit program, with the RMCD expected to cast their audit net as wide as possible before the GST era is closed for good. We understand that the initial focus will be on businesses in the larger income bracket with a turnover exceeding RM500 million per annum. Audits on businesses in the lower income brackets would eventually follow.

For now, we are already working with a number of our clients to not only support them in dealing with ongoing audits, but more critically,

in pre-emptive planning and preparation for the audits when they do come.

For your reference, please find below a phased and structured approach which has been most effective in helping our clients.

1. PRE-EMPTIVE AUDIT PREPARATION

1.	Kick-off meeting and discussions with the Client's teams for an overview of the business and identification of potential risk areas of focus for GST audits.
2.	<p>Undertake a review of sample GST returns including transaction reports, work papers and exception reports towards validating the output tax reported and input tax claimed from Customs. Key focus areas would include:</p> <p>Supplies</p> <ul style="list-style-type: none">➤ Reimbursements vs. disbursements (including recharge of costs)➤ Deemed supplies➤ Supplies entitled for GST relief (if applicable)➤ Zero-rated and Exempt supplies➤ Out of scope supplies➤ Time of supply➤ Bad debt relief claims <p>Acquisition/input tax claims</p> <ul style="list-style-type: none">➤ Blocked input tax➤ Reverse charge➤ Outstanding payment of more than 6 months to supplier
3.	<p>Review may be done through the use of GST Dashboard, a Deloitte proprietary tool used to identify potential GST reporting risks and exceptions, using pre-set analytical tests.</p> <p><i>The detailed scope of work would involve the following:</i></p> <p>GST Dashboard Mapping</p> <ul style="list-style-type: none">➤ To discuss the format of data required to be uploaded into the GST Dashboard.➤ Review the Client's supply and acquisition listings for the review period. <p>Analysis and Reporting</p> <ul style="list-style-type: none">➤ To perform an analytical review of the Client's GST-03 returns filed for the review period using the GST Dashboard
4.	For key risk areas identified, to conduct further discussions with relevant Client personnel, and review of relevant documentation including agreements and contracts, to confirm GST treatment or to build audit defence.

5.	Meet and present key findings to Client's management team and agree on strategy and approach.
6.	Prioritise close-out of GST issues, e.g., clarifications, notifications, outstanding refunds, etc. and assist in making written representation to Customs to seek clarification on any critical outstanding GST issues.

2. AUDIT SUPPORT

Phase 1—Preparation before the meeting/audit

1.	Agree with the Client a suitable extension of time to be agreed with the RMCD in relation to the document/information request, if deemed necessary.
2.	To assist the Client in identifying specific areas of concern based on documents/information requested by the RMCD.
3.	<p>To discuss and comment, among others, on the following:</p> <ul style="list-style-type: none"> ➤ Highlight potential areas/issues identified from our review of documents/information requested by the RMCD in point 2 above. ➤ Possible views adopted by the RMCD and our recommendations.
4.	Prior to the GST audit or meeting, to conduct a discussion with the Client's personnel to prepare for the approach towards the meeting/audit.

Phase 2—Onsite assistance

1.	To liaise with the RMCD to set a suitable date for the RMCD meeting/audit, as agreed with the Client.
2.	To attend meeting(s) or audit(s) with RMCD officers along with the Client's personnel with the intent to provide technical support.
3.	Where required, to liaise with the RMCD on the request for additional of documents/information to be provided (if requested during the meeting).
4.	To review additional documents/information requested by the RMCD in point 3 above, if necessary.
5.	To highlight potential areas/issues identified from our review of documents/information in point 4 and discuss the possible views adopted by the RMCD.
6.	To assist in preparing a draft email for the submission of the documents/information to the RMCD (if applicable).

Phase 3—Post-RMCD meeting/audit support

1.	Where required, to discuss with the Client on approach to address specific RMCD queries or findings on any errors or gaps identified during the RMCD meeting.
2.	To liaise and clarify via calls and emails with the RMCD on the issues identified in point 1 .
3.	Further to the liaison in point 2 , to discuss and provide an advice memo/email to the Client on possible steps to mitigate and appeal on issues identified by the RMCD.
4.	To assist attending round table discussions with the RMCD on specific issues raised during the RMCD meeting (if any).
5.	Advise the Client on the provision of documents/information to the RMCD to support facts and findings disclosed during the round table discussion with the RMCD and draft letter to the RMCD for the remission of penalties.

Fee structure

Due to the fact that time lines are very fluid at the moment, we have adopted flexible billing arrangements (e.g., based on time cost) or specific task-based engagements as and when required. These can be tailored to your needs.

If you would like to discuss this further, please feel free to reach out to the contacts listed below.

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Best regards,

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