

GST Customs Malaysia

GST Malaysia

Goods and Services Tax

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What is GST

How Does GST Work

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Business Guide to GST in Malaysia Part 1

GST Impact

Impact on Industries

Mandatory registration

Businesses whose annual taxable turnover has exceeded RM500,000 are required to be registered under GST.

Voluntary registration

Businesses are not required to be registered under GST if the annual taxable turnover has not exceeded the threshold of RM500,000. However, such businesses can apply to be registered under voluntary registration.

Cost of doing business

GST is not a cost to businesses because all inputs (direct or indirect) are claimable as credit. Businesses can straight away offset the input tax incurred against the output tax collected on the supply of goods and services in the same taxable period. It does not entail any waiting time to claim back the credit if the amount of input tax is less than the amount of output tax. However, if the amount of input tax is more than the amount of output tax, the Government will refund the excess amount within 14 working days for claims submitted online or within 28 working days for claims submitted manually.

Since businesses can claim back their input tax, the cost of doing business is expected to be lower. The amount of saving by businesses is estimated to be RM4.13 billion.

Savings made by the industries from the input tax credit in respect of the following consumption

- Basic and essential foodstuff will be zero rated.
- Public amenities will be exempted.
- Production cost is lower because GST paid on input is claimable by businesses. The savings from the ITC should be passed on to the consumers in the form of lower prices.
- With the removal of the existing sales tax and service tax (5%,10% and specific rates), the price of goods and services which currently includes such taxes will be reduced since the proposed GST rate is 4%, lower than the current tax rate.

Due to the above reasons, a study on the Consumer Price Index (CPI) shows that 8 categories of goods and services will result in price reduction.

Consumption Class	Saving (RM Billion)
Food & non alcoholic beverages	0.00
Alcoholic beverages & tobacco	0.34
Clothing & footwear	0.85

Housing, water, electricity, gas and fuels	0.00
Furnishing, h/hold equipment & maintenance	0.63
Health	-0.03
Transport	0.44
Communication	1.21
Recreation and culture	-0.04
Education	-0.03
Restaurants and hotels	0.26
Miscellaneous goods & services	0.51
Total saving	4.13

Notes:

- Savings amounting to RM4.13 billion includes savings of RM1.4 billion for goods and services exported.
- This savings should be passed on to consumers in the form of price reduction.
- The businesses should not use GST as an excuse to unnecessarily increase prices.
- Anti profiteering legislation will be enforced to curb any price exploitation.

Compliance cost

Compliance cost is marginal for most businesses:

- 40% of potential registrants already licensed under SST
- Administrative requirements under GST are lesser as compared to existing requirements under SST because
 - Less intervention by tax administrators due to self policing nature of the tax.
 - Less red tape in complying with GST requirement - no application required to acquire tax free raw materials and components.
 - Less classification issue as most goods and services are taxable.

To address cash flow issues faced by the businesses:

- Deferment/suspension on the payment of GST upfront under the provisions of special schemes
 - Approved Trader Scheme (ATS)
 - Approved Toll Manufacturing Scheme (ATMS)
 - Approved Jeweller Scheme (AJS)
 - Warehousing Scheme
- Group registration is allowed where supplies made between members of the group are disregarded.
- Businesses are allowed to be placed under monthly taxable period subject to approval by the Director General.
- Businesses are allowed to claim back all their input tax based on the tax invoice received - no matching on input/output and ITC can be claimed even though payment has not been made to the supplier.

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