AWARENESS TRAINING

13 JANUARY 2015

GST AWARENESS TRAINING
13H OF JANUARY 2015

TIME	PROGRAM
08.45 am – 09.00 am	Registration
09.00 am – 10.30 am	Salient Features of GST
10.30 am – 11.00 am	Break
11.00 am – 12.30 pm	GST Readiness
12.30 pm – 1.00 pm	Q & A / Closing

AGENDA

I. ABOUT SALIHIN
II. TAX SYSTEM IN MALAYSIA
III. INTRODUCTION OF GST IN MALAYSIA
IV. WHAT IS GST?
V. BASIC CONCEPT AND PROPOSED GST MODEL
VI. SST vs GST
VII. GST IMPACT TO CONSUMER
VIII. GST READINESS

ABOUT SALIHIN

ABOUT SALIHIN

SALIHIN EXPERIENCE IN GST TRAINING AND EDUCATION

SALIHIN Services

- Auditing & Assurance
- Taxation
- Islamic Accounting & Auditing
- Corporate Finance & Transaction Services
- Corporate Secretarial Services
- Financial Accounting Services
- Goods & Services Tax (GST)
- IT Consultancy
- Zakat & Waqf

ABOUT SALIHIN

KEY PERSONNEL

In Front: Salihin Abang
L-R: Ahmad Izwan Adnan, Faizul Nizan Zulkefli ,
Tuan Haji Abd. Aziz Abu Bakar, Ahmad Aljafree Razalli,
Mohd Faried Jamil, Abdussalam Shokhawi

TAX SYSTEM IN MALAYSIA

CURRENT TAX SYSTEM IN MALAYSIA

Direct Tax

Corporate Tax

Individual Income Tax

Real Property Gains Tax

Stamp Duty

Indirect Tax

Import Duty

Export Duty

Excise Duty

Sales Tax

Service Tax

Consumption Tax

CURRENT TAX SYSTEM
SALES AND SERVICE TAX

	Sales Tax	Service Tax
Year introduced	1972	1975
Scope	Selected items at manufacturing stage and imports	Selected taxable services
Rate	5%, 10%, specific rate for petroleum	6%, specific rate for credit card
Advantage	Supply of raw materials/components are non-taxable	-
Threshold	RM 100,000.00	Up to RM 3mil

SALIHIN GST WORKSHOP

CURRENT TAX SYSTEM

GOODS SUBJECT TO SALES TAX

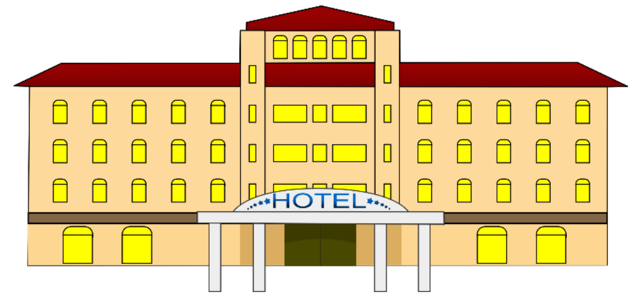
CURRENT TAX SYSTEM
SERVICES SUBJECT TO TAX AT 6%

McDonald's

Restaurant

astro

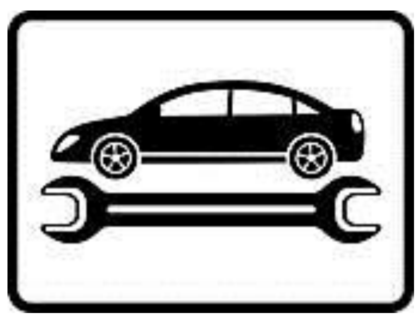
6%



Hotel

Parking

Professional Service



Service Centre

Security Services

INTRODUCTION OF GST IN MALAYSIA

WHAT IS GST?

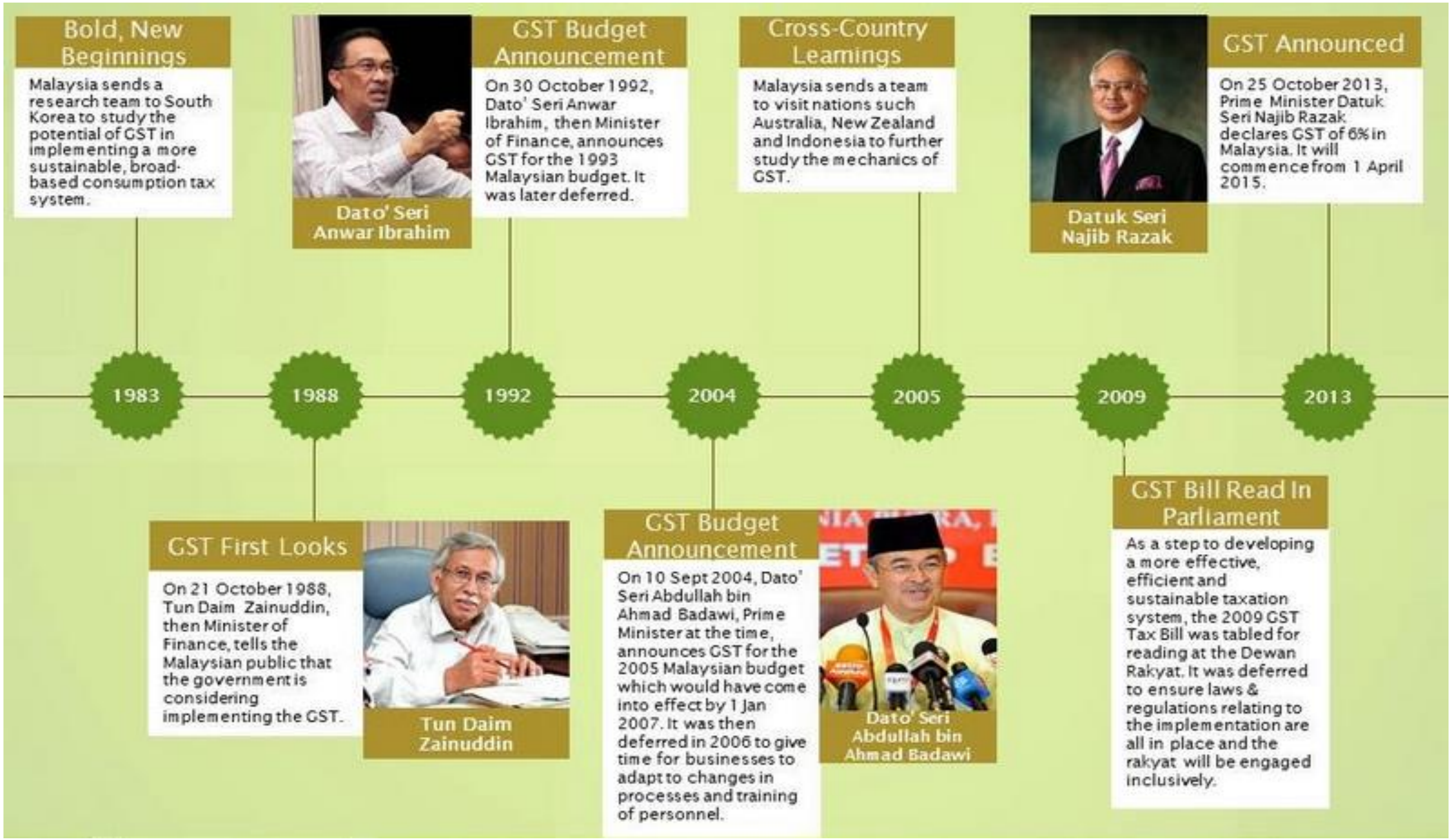
What is GST

GROW & SHARE TOGETHER

Goods and Services Tax

HISTORY OF GST IN MALAYSIA

GST has been discussed in Malaysia since….



On 19th June 2014,
the GST Act 2014
has been gazetted


LAWS OF MALAYSIA

Act 762

GOODS AND SERVICES TAX ACT 2014

GST/VAT WITHIN THE REGION

As at **2013**, there are **160 countries** that already changed **GST/VAT**

Region	Number of countries
ASEAN	7
ASIA	19
EUROPE	53
OCEANIA	7
AFRICA	44
SOUTH AMERICA	11
CARRIBEAN, CENTRAL & NORTH AMERICA	19
TOTAL	**160**

GST/VAT IN ASEAN COUNTRIES

Country	Year of Implementation	Initial Rate(%)	Current Rate(%)
Indonesia	1984	10	10
Thailand	1992	7	7
Singapore	1994	3	7
Filipina	1998	10	12
Cambodia	1999	10	10
Vietnam	1999	10	10
Laos	2009	10	10

GST/VAT WORLDWIDE

Country	Year of Implementation	Initial Rate(%)	Current Rate(%)
UK	1973	10	20
Australia	2000	10	10
New Zealand	1986	10	15
Norway	1970	20	25
Turkey	1984	10	18
Morocco	1986	19	20

GST/VAT WORLDWIDE

RATE ?

HIGHEST

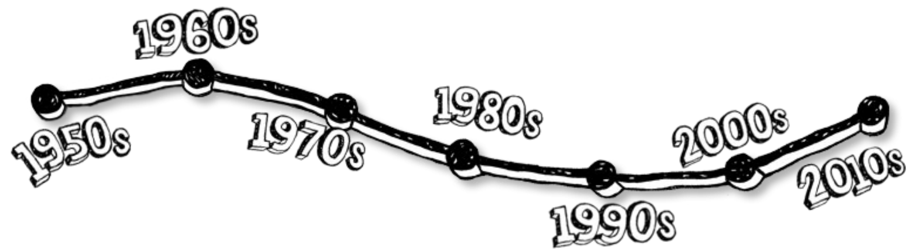
Hungary (European Union) – **27%**

LOWEST

Nigeria
Canada
Taiwan
Iran
Jersey

5%

YEAR OF IMPLEMENTATION ?



FIRST COUNTRY

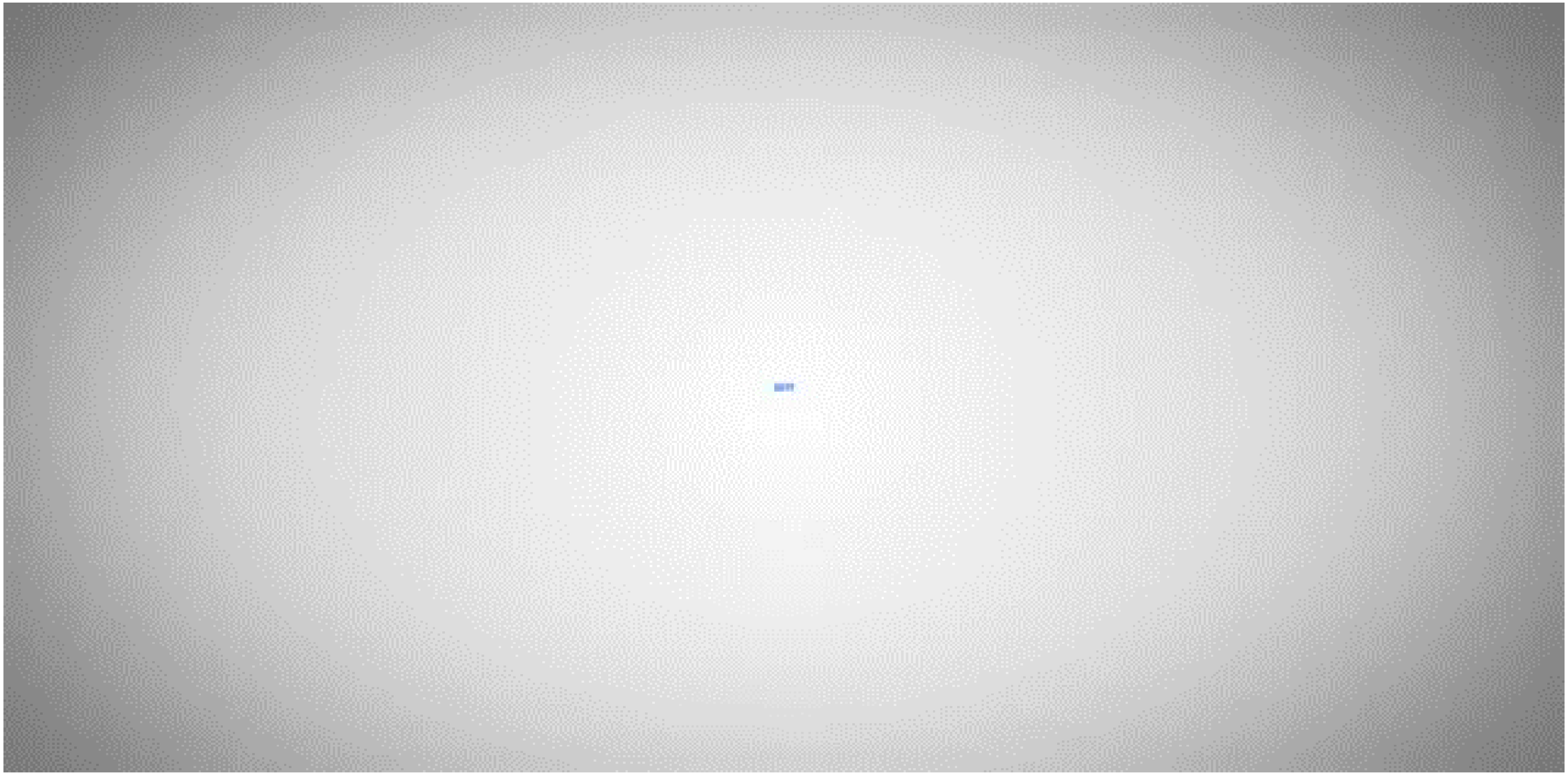
France, 1954

LATEST COUNTRY

Gambia, Africa - 2013

Sources : http://gst.customs.gov.my/en/gst/Pages/gst_ci.aspx

WHAT IS GST?



WHAT IS GST?

- A **BROAD-BASED** consumption tax in the form of value added tax
- **MULTI STAGE TAX** based on net value at each stage of business transaction up to the retail stage of distribution
- Also known as **VALUE ADDED TAX (VAT)** in certain countries
- Tax on final consumption – **THE CONSUMER**
- GST incurred on inputs is allowed as a credit to the registrant - **OFFSET AGAINST OUTPUT TAX**

GROW & SHARE TOGETHER

TYPE OF SUPPLY (GOODS OR SERVICES)

Type of supply	GST	
Standard Rated Supply	6%	TAXABLE SUPPLY
Zero Rated Supply	0%	
Exempt Supply	~~GST~~	NON-TAXABLE SUPPLY
Out of Scope	~~GST~~	

SCOPE OF GST / TEST OF GST

- ❑ GST is charged on
  - ➢ The **taxable supply** of goods and services
  - ➢ Made by a **taxable person**
  - ➢ In the course or **furtherance of business**
  - ➢ In **Malaysia**
- ❑ GST is charged on imported goods

BASIC CONCEPTS AND PROPOSED GST MODEL

ABOLISHMENT OF SST

Current Tax System

~~SST~~

Sales & Service Tax

5%, 6%, 10%, 20%
& specific rate

Effective on
1st April 2015

GST

GROW & SHARE TOGETHER

6%

GST is a <u>REPLACEMENT TAX</u>

PROPOSED GST MODEL - STANDARD RATED

6%

Standard rate

PROPOSED GST MODEL - ZERO RATED

Water usage to domestic users	Export	First 300 units of electricity to domestic users
• Excludes distilled water, de-ionised water, oxygenised water and mineral water.	• Exported Goods and Services	• Supply of first 300 units of electricity to domestic user (Current Tariff : RM 77)

BUATAN MALAYSIA

0%

PROPOSED GST MODEL - ZERO RATED

Livestock supplies
(Fresh, chilled or frozen)

- Cattle
- Buffalo
- Swine
- Sheep & goats
- Ducks
- Geese
- Turkeys
- Fish
  (including dried,salted)
- Etc

0%

Fish, Crab, Oyster, etc.

- Fish
  (including dried,salted)
- Lobster
- Oyster
- Mussels
- Octopus
- Snails
- Sea cucumbers
- Jellyfish
- Anchovies (ikan bilis)
- Etc

PROPOSED GST MODEL - ZERO RATED

Agriculture Product

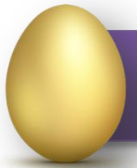
- Potatoes
- Tomatoes
- Onion, garlic
- Cabbage & lettuce
- Carrots
- Cucumbers
- Celery
- Mushrooms
- Asparagus
- Spinach
- Olives
- Yams
- Banana (fresh only)
- Etc

0%

Rice, Flour, Salt, etc.

- Rice
- Flour
- Palm oil
- Coconut oil
- Ground nut oil
- Margarine
- Cencaluk
- Sugar
- Pasta
- White bread and wholemeal
- Sauces
- Salt
- Spices
- Milk powder (baby)

PROPOSED GST MODEL - ZERO RATED



Poultry & Eggs

- Chicken
- Duck
- Chicken eggs
- Duck eggs

* Include egg in shell, fresh, preserved or cooked

0%

Books and newspaper

- Exercise books and printed books
- Dictionaries and encyclopaedia
- Student text books
- Reference books
- Work books
- Religious text only
- Newspaper (appearing at least four times a week)
- Children picture, drawing and colouring books

SUPPLY OF GOODS DETERMINED AS AN EXEMPT SUPPLY

Any land intended to be used for residential or agricultural or general use

- including parking facilities

- agriculture – does not include land for hunting and fishing activities.

Any building or premises being used for residential purposed, designed or adapted for use or intended to be used as dwelling (excluding hotel, inn, boarding house or similar establishment sleeping accommodation)

Any supply of investment precious metal.

Eg: gold, silver, platinum, gold coin, silver coin (excluding collector coin)

**General use : burial ground,playground, religious building

**Similar establishment: premises provided with sleeping accommodation, with or without lodging or facilities for the preparation of foods for use of visitor or travellers.

PROPOSED GST MODEL - EXEMPTED

SUPPLY OF **SERVICES** DETERMINED AS AN EXEMPT SUPPLY

- **Public Transportation**
- **Land For Residential, Agriculture And General Use**
- **Highway and Toll Bridge**
- **Funeral, Burial and Cremation Services**
- **Healthcare Services**
- **Education Services**
- **Financial Services**
- **Child Care Services**

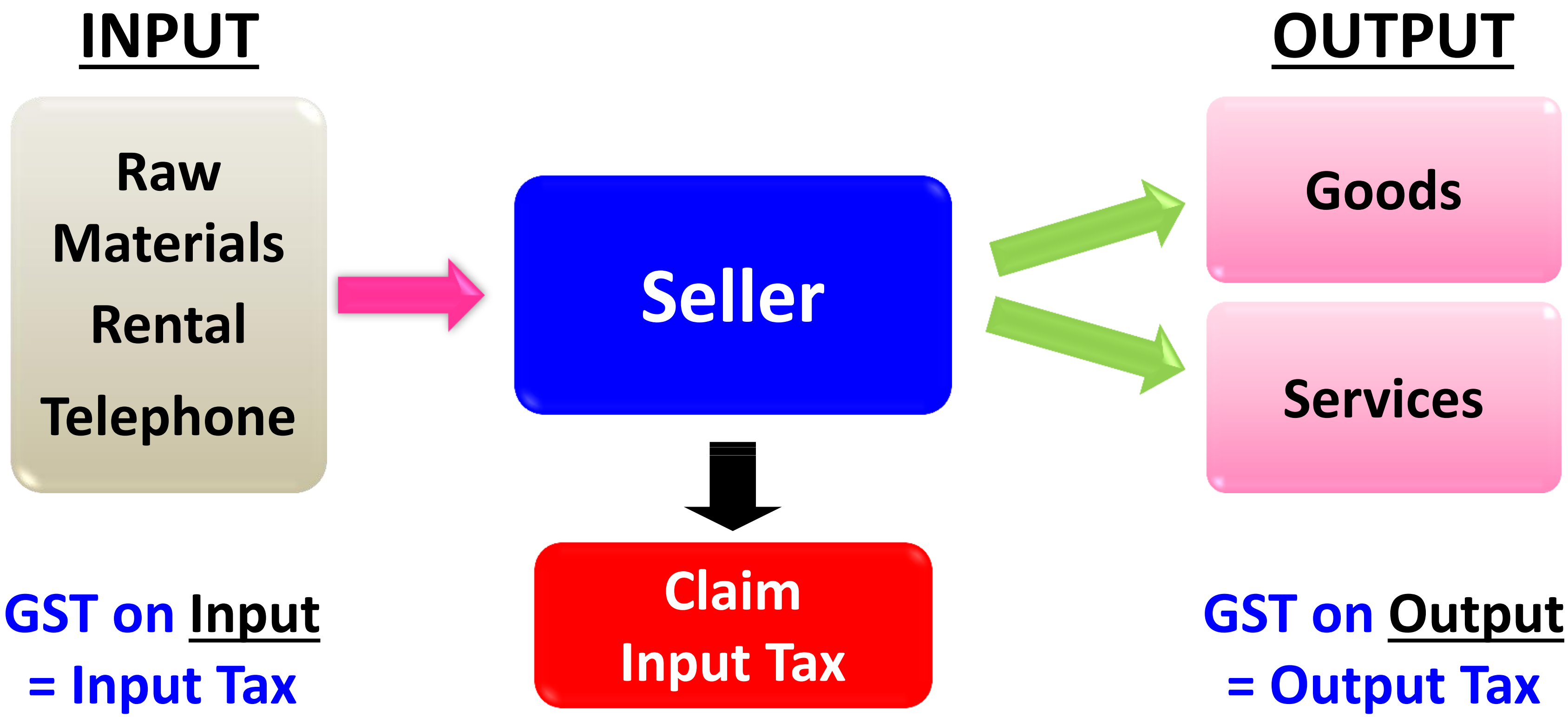
PROPOSED GST MODEL
GOVERNMENT SUPPLY

	FEDERAL GOVERNMENT & STATE GOVERNMENT	LOCAL AUTHORITY & STATUTORY BODIES
OUT OF SCOPE	All supplies by Federal & State Government	Supplies made in the regulatory and enforcement (R&E) Functions e.g. assessment rate collection, issuance of license, penalty
SUBJECT TO GST	Supplies that have been directed by Minister in the GST (Government Taxable Supply Order) e.g. supply made by RTM, Prison Department	Non R&E functions, i.e. business activities e.g. Rental facilities

GST MECHANISM

INPUT TAX	OUTPUT TAX
ACQUISITION	SUPPLY
PURCHASES	SALES
PAYMENT	INCOME

GST MECHANISM (CONTD)



HOW GST WORKS ?

STANDARD RATED 6%

GST AT STANDARD RATE 6%

Manufacturer

6 %

Wholesaler

6 %

Retailer

6 %

Consumer

GST input tax claimable

HOW GST WORKS ?

STANDARD RATED (CONTD)

6%

6%

6%

Manufacturer **WHOLESALER** **Retailer** **Consumer**

Purchase Cost: RM100
GST* : RM6
Purchase Price: RM106

Value Added Activity

Added Value: RM25
(+ GST : RM1.50)
***RM1.50 will be paid to Customs**

Selling Price: RM125
GST : RM7.50
Total Selling Price: RM132.50

**Note: claim input tax*

HOW GST WORKS ?

STANDARD RATED (CONTD)

Manufacturer

Price :RM100
GST:RM6.00

Wholesaler

Price :RM125
GST:RM7.50

Retailer

Price :RM150
GST:RM9.00

Consumer

GST 6%

Tax Remitted to Government

Output Tax = RM 6.00

Output Tax = RM 7.50
Input Tax = RM 6.00
RM 1.50

Output Tax = RM 9.00
Input Tax = RM 7.50
RM 1.50

Total amount remitted to Custom:

= RM 9.00

HOW GST WORKS ?

ZERO RATED

GST AT ZERO RATE 0%

Manufacturer (Kilang Beras Bernas)

Wholesaler (Syarikat Faiza Sdn Bhd)

Retailer (Speedmart)

Consumer

GST input tax claimable

Consumer does not pay any GST

HOW GST WORKS ?

ZERO RATED (CONTD)

0%

0%

0%

Manufacturer (Beras Bernas)

WHOLESALER (Syarikat Faiza Sdn Bhd)

Retailer (99 Speedmart)

Consumer

Value Added Activity

Purchase Cost: RM100
GST* : RM0
Purchase Price: RM100

Added Value: RM25
(+ GST : No GST)
No GST will be paid to Customs

Selling Price: RM125
GST : RM0
Total Selling Price: RM125

*Note: claim input tax

HOW GST WORKS?

EXEMPTED

GST AT 6% → **NO GST**

Supplier

Private Hospital

Consumer

CANNOT claim back the GST paid

Consumer does not pay any GST

HOW GST WORKS?

EXEMPTED (CONTD)

Supplier

Private Hospital

Consumer

Value Added Activity

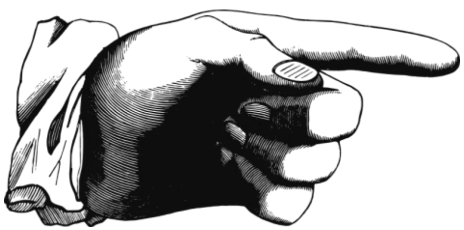
Purchase Cost: RM100
GST : RM6
Purchase Price:RM106

Added Value: RM25
(+ GST : No GST)

Selling Price: RM131
GST : RM0
Total Selling Price: RM131

SST vs GST

WHY GST?



GST is proven to be a better tax system as it is more **EFFECTIVE**, **EFFICIENT**, **TRANSPARENT** and **BUSINESS FRIENDLY** and could spur economic growth as well as increase competitiveness in the global market.

GST is capable of generating a more **STABLE SOURCE OF REVENUE** to the nation because it is less susceptible to economic fluctuations.

BENEFITS OF GST (CONTD)

1) Eliminating hidden activity

Under declaring

- Imported goods

Transfer pricing

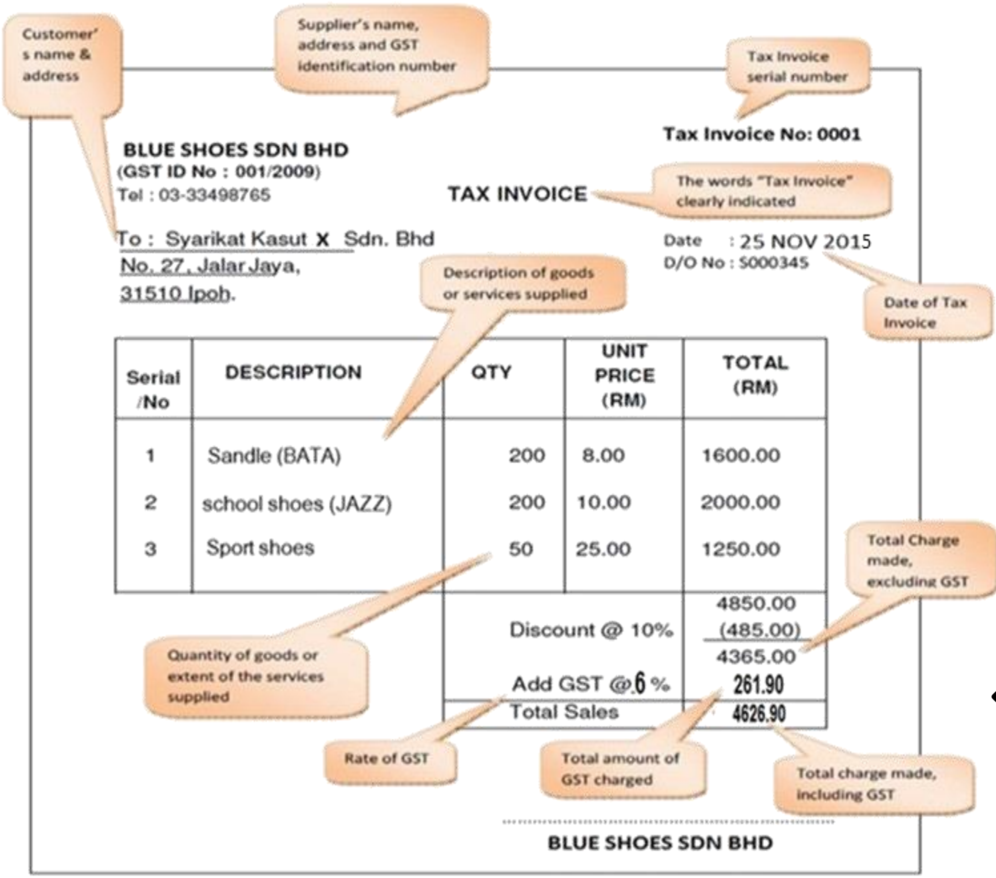
- Manufacturing goods

2) Greater Transparency

GST will be shown on the invoice

Consumers will know exactly whether the goods they consume are subject to tax and the amount they pay for.

BENEFITS OF GST (CONTD)


BLUE SHOES SDN BHD
(GST ID No : 001/2009)
Tel : 03-33498765

Tax Invoice No: 0001

TAX INVOICE

To : Syarikat Kasut X Sdn. Bhd
No. 27, Jalar Jaya,
31510 Ipoh.

Date : 25 NOV 2015
D/O No : S000345

Serial /No	DESCRIPTION	QTY	UNIT PRICE (RM)	TOTAL (RM)
1	Sandle (BATA)	200	8.00	1600.00
2	school shoes (JAZZ)	200	10.00	2000.00
3	Sport shoes	50	25.00	1250.00
				4850.00
		Discount @ 10%		(485.00)
				4365.00
		Add GST @ 6 %		261.90
		Total Sales		4626.90

BLUE SHOES SDN BHD

GST SHOWN IN TAX INVOICE

BENEFITS OF GST (CONTD)

3) Less Bureaucracy

- GST registered company will manage their own accounting for tax.
- They can claim any input tax paid without undergoing any bureaucracy process.
- Electronic / Online
  - Registration
  - GST Statement Submission
  - Claiming input tax

BENEFITS OF GST (CONTD)

4) Fair Tax System and Business Friendly

Fair Tax System – GST will be charged at every stage of supply chain. (manufacturer, wholesale, retailer) on value added activity.

Business friendly

- Availability of various scheme provide such as Approved Trader Scheme, Warehousing Scheme

BENEFITS OF GST (CONTD)

5) GST can overcome weaknesses of sales and service tax in terms of :

- Double taxation
- Tax embedded in goods sold particularly in exports

BENEFITS OF GST (CONTD)

6) Need to reduce reliance on existing revenue in Malaysia

Need to reduce reliance on:

- ✓ **Direct tax**
- ✓ **Petroleum revenue**

GST IMPACT TO CONSUMER

GST IMPACT TO CONSUMER
PRICE CONTROL AND ANTI PROFITEERING ACT 2011

- Effective on 1 April 2011
- Governed by KPDNKK
- To make sure that trader/dealer does not increase price arbitrarily
- Special Committee to combat profiteering (Price Monitoring Council)

GST IMPACT TO CONSUMER
SHOPPERS GUIDE

Illustrate comparisons of prices of goods and services before and after the implementation of GST

- Issued before GST implementation date
- Price were monitored for 1 year after GST implementation date
- Will be publish 3 months before the implementation of GST date.

GST IMPACT TO CONSUMER
PRICE SETTER

The Government will get the assistance from the hypermarket to be the price setter for the benefit of the consumers

GST IMPACT TO CONSUMER

GST RELIEF PACKAGE FOR BUSINESSES

	Description	Effective
Reduce cost of doing business	• Reduction in corporate tax rate by 1%. • Reduction in cooperative tax rate by 1% to 2%. • Secretarial fee and tax filing fee tax deductible up to RM 5,000 & RM 10,000 respectively. • Accelerated Capital Allowances (ACA) for ICT equipment and software is extended. • Expenses for GST- related training in accounting & ICT given further deduction.	• YA 2016 • YA 2015 • YA 2015 • YAs 2014 to 2016 • YAs 2014 & YA 2015
Financial assistance	• RM 150 million allocation for purchase of accounting software by SMEs • Training Grant of RM 100 million for GST Training	• 2014 & 2015 • 2013 & 2014

GST OFFSET PACKAGE

GST IMPACT TO CONSUMER

GST RELIEF PACKAGE FOR BUSINESSES (CONTD)

	Description	Effective
Increase disposable income	• Personal tax rate reduction across tax bands by 1% to 3% • Highest marginal tax rate reduced from 26% to 25% • Restructuring of income tax band s by increasing chargeable income subject to maximum rate from above RM 100,000 to above RM 400,000	YA 2015
Financial assistance	• One-off cash assistance of RM 300 to households who are BR1M recipients.	2015

GST OFFSET PACKAGE

GST READINESS

GST READINESS

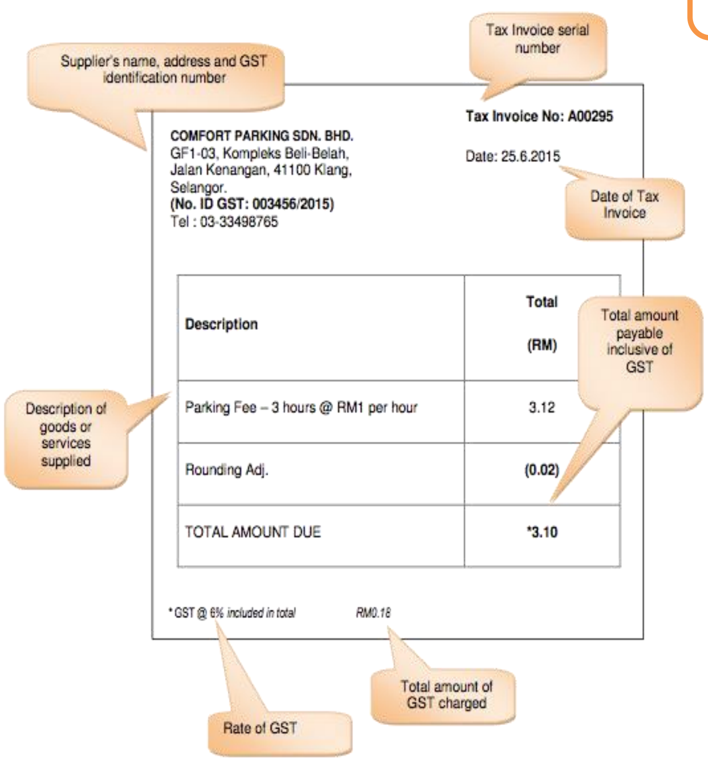
GST Implication on Cash Flow

- Need to analyse cash flow impact
  - Cash recover from customer before GST is due.
  - Assess the need to provide for one time fund to cater for GST payment upfront.

- Review credit term to customers.
- Review requirement to apply for special schemes.
- Big impact to export and import business.

GST READINESS

Diagram 4: Simplified Tax Invoice



GST Implication on Invoicing

- Identify each transaction whether standard rate, exempt, zero rate or out of scope supply.
- Issuance of full or simplified tax invoice.
- Requirement not issue tax invoice for imported services and second hand goods under margin scheme.
- 21 days rule.

GST READINESS

GST Implication on Price

- Identify existing supplier
  - Talk to small supplier to get them registered.
  - Review procurement policy to avoid tax cascading.
  - Negotiate prices with suppliers to pass on saving.

- Review sales price
  - Pass on saving
  - Absorption of GST
  - Price Control and Anti Profiteering Act 2011

GST READINESS

GST Implication on Contract

- Avoid long term contract without legal review
- Absorption of GST
- Pricing strategy to pass on saving

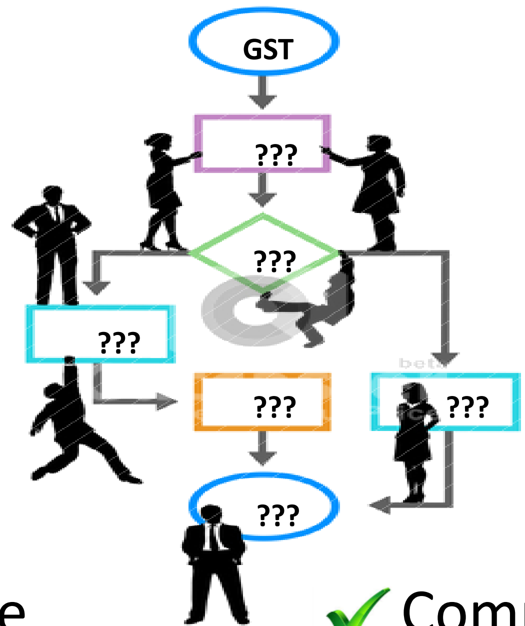
GST Implication on Human Resources

- Enhance staff understanding of GST
- Avoid unnecessary mistake
- False info may open to audit case
- Review policy on fringe benefit

GST READINESS

GST Implication on System

- GST liability on every transaction
- Review system and processes
- Perform complete mapping of transactions to identify required changes



- Use of online submission to tax custom
- Computerised system
  - Ready made software
  - Upgrading present system

GST Implication on Input Tax

- Not all purchases are claimable, e.g. Blocked Input Tax.
- Apportionment of input tax.
- Input tax claim upon receiving simplified tax invoice is restricted to RM30.

GST READINESS

GST Implication on Output Tax

Deemed supply eg. Private use and disposal of business assets subject to GST

Gift > RM 500 subject to GST

Commercial samples in a form not ordinarily available for sale to the public not subject to GST

Supplies to connected persons

GST Implication on Bad debts

- Bad debt relief can be claim back after 6 months from the date of supply.
- Bad debt claims – need to understand evidence of 'reasonable efforts' to recover the debt.

GST READINESS

GST Implication on Stock Management

- Monitor business stock
  - Conduct stock take on transition date
  - Procurement policy
  - Registration and deregistration
- Special refund
  - Proof sales tax has been paid (Documents)
  - Audit certificate

GST READINESS CHECKLIST

- Register for GST with the Royal Malaysian Customs Department (RMCD) through the GST Portal at www.gst.custom.gov.my before 31st December 2014.
- Train the Finance/Accounts department's staff for GST
- Ensure your accounting software is GST-compliant
- Review your suppliers' list (are they GST registered and non-registered?)
- Review your long term contracts (implication before and after GST?)
- Transitional period issues (from Sales and Services Tax (SST) to GST?)

GST READINESS CHECKLIST (CONTD.)

- **Provide a plan for inventory towards GST implementation** ✓
- **Check the list of Output Tax and Input Tax in the organization** ✓
- **Review your business processes (policy and procedures) – can your existing business processes accommodate the added administrative tasks?)** ✓
- **Review your pricing strategies** ✓
- **Review your employment policies (allowances, incentives, etc.)** ✓
- **Make announcements/notice on "Organization Ready for GST" to the concerned parties include the shareholders, investors, customers and suppliers** ✓

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