

BY MAJELLA GOMES



Members of the panel (L-R) Lim Cheong Guan, Dato' Bruce Lim, Dato' Chua Tia Guan, Surin Segar and Matthew Tee

# GST: How Are Industries Faring?

*Industries across the board – from construction to banking to private education - are still grappling with the repercussions of GST implementation.*

## HOW HAS GST IMPACTED INDUSTRIES IN THE REAL ECONOMY?

Four months on, businesses are still grappling with implementation issues and teething problems, was the consensus at the recent MIA GST Conference 2015.

Dato' Chua Tia Guan, Founding Member of PEMUDAH, PM's Department cited key issues affecting

businesses as being late refunds that affected the cash flow of businesses, tax invoices, the 'Two-Year Grace Period,' GST Taxpayer Access Point (TAP) and Customs' GST Unit, in a conference dialogue on the impact of GST on industries, and post-implementation complexities.

### LATE REFUNDS

Commenting on the issue of refunds, Lim Cheong Guan, Executive

Director, Top Glove Corporation Berhad said that Top Glove was not directly affected by late refunds since it exported 98% of its products. However, he could empathise with other manufacturers who had to wait up to 62 days for theirs. "Banks charge interest regardless of when you get your refund," he said. "So your cash flow can be adversely affected – especially if it's in the millions!"

Speaking for the construction industry, Matthew Tee, President, Master Builders Association Malaysia, said that construction refunds had not been received yet although developers have generally experienced a six per cent price increase since GST was instituted.

Banks, on the other hand, did not have similar price problems because they were regulated by law, said Surin Segar, Executive Vice-President & Head of Group Tax, Maybank. GST is charged on loan fees but not on interest, and only the Central Bank can raise rates.

## MORE HELP NEEDED

Referring to the companies that have yet to register for GST, Dato' Chua asked if Customs could contact the 33,000 or so firms and have a 'handholding' programme. "IRB did this when online tax filing was first implemented," he said. "If something similar is not applied, it may be difficult to achieve the refund in just 14 working days."

Agreeing with Dato' Chua, Lim called for the strengthening of the refund process. "If there has been a mistake, have it audited," he stressed. "Don't just make assumptions and withhold the refund." Conceding that the authorities do make efforts to engage businesses, Dato' Lim pointed out that frustrations stem from different branches tending to interpret regulations differently.

"The focus should be on fulfilment of general requirements," he stated. "It's frustrating when you call the Helpline, and nobody answers – although generally, the authorities do engage."

When cash flow is a firm's lifeline, as in the case of many building contractors, business is definitely affected. This has been happening in several construction companies, Tee said.

## SYSTEMS UPGRADES

Referring to smaller retail chains affiliated to the MRCA, Dato' Lim said that they had been quite adversely affected by the implementation of new systems. "Most processes have had to be automated, something which incurs higher costs, so the 'Mom & Pop' enterprises – the smaller operators – have been the worst hit," he confirmed.

Where the banking system is concerned, Segar said that many

## ► Documentation Headaches

"For smaller players, there is a problem in understanding what is required, particularly the documentation aspect," said Dato' Bruce Lim, Deputy Secretary General, Malaysia Retail Chain Association (MRCA). "Most entrepreneurs do the paperwork themselves, and if it is a big firm, the corporate side is overwhelmed by it. In a retail chain, not every outlet can afford to have an accounts department." He also cited the example of private colleges which had been hit with a 'double whammy' – the Ministry of Higher

Education regulates them but they have to pay GST and are suffering from the current fluctuating foreign exchange rate. "Is it possible to suspend GST until things get back to normal?" he queried.

Segar similarly recommended a hiatus for GST until systems and circumstances are ideal. "The two-year moratorium period should be implemented because with GST, we cannot get it right the first time. Maybank has not got it right, at least, not this year – and it will stretch into next year. About a hundred systems had to be changed in the bank, but systems don't always work the way we want them to. It's not fraud; we're just still trying to get it right."

system upgrades had been necessary. "Some banks are using tax invoices which consolidate all items into one invoice," Segar said. "Maybank is using bank statements as a tax invoice but there may be other enhancements in the future."

Claiming that Customs did not exempt certain materials for glove manufacturing from GST, Lim opined that many hurdles can be overcome if businesses were allowed to make updates online, with Customs verifying the information where necessary. "Taxes should be reduced to facilitate business," he added. "Anything that affects business has to be addressed. Doing business should be made easier."

Taxpayer Access Points (TAPs) were generally regarded as quite user-friendly although the system tended to be slow during peak hours. As Maybank filed on a monthly basis, Segar said, inputting had to be done throughout the whole month. With

regards to the actual time taken to file a GST return, Dato' Chua cautioned that this kind of ranking could affect the whole country's competitiveness. "If it takes a substantial amount of time to file a tax return, the country's ease of doing business ranking will fall," he said. Overall, the panellists felt that communication between government departments should be improved so that Customs officers stationed at the ports, for instance, would be aware of what has already been approved by Putrajaya.

Although official verbal responses were more easily obtained than written ones, it was felt that the written ones were nevertheless necessary to back up verbal assent. "You can always request help from Customs at any time," Dato' Chua confirmed. "Make an appointment, and get them to visit your organisation to give comprehensive explanations on issues which you don't understand." ■