

■ BY SHARMILA GANAPATHY-WALLACE

KEY GST ISSUES

- ▶ THE MIA GST CONFERENCE 2017 HIGHLIGHTED KEY POST-IMPLEMENTATION GST ISSUES, NAMELY COMPLIANCE CHALLENGES AND COMMON ISSUES.

It has been more than two years since the Goods and Services Tax (GST) was implemented, yet misunderstanding of what GST entails and compliance issues remain. The MIA GST Conference 2017 themed 'Driving Towards Greater Tax Governance' held in Kuala Lumpur in mid-September, highlighted some of the developments in GST, as well as the issues faced by the regulator and the private sector.

Salihin Abang, President, Malaysian Institute of Accountants, said in his conference welcome remarks that with the implementation of GST in 2015, Malaysia joined the ranks of some



160 countries that have a similar tax system in place. “India is implementing GST and there are reports that the Middle East are expected to follow suit, beginning with the United Arab Emirates next year.”

Post-implementation, the emphasis is on enhancing compliance, he stressed. The Royal Malaysian Customs Department (RMCD) is enhancing its regulatory mechanisms to ensure compliance. “The regulators are putting in place the audit processes and businesses must ensure they are fully prepared and compliant. Businesses and accountants should actively provide feedback to the RMCD to fully understand the unique circumstances and problems,” urged Salihin.

Meanwhile, GST implementation has been going full steam ahead, thanks to a successful collaborative strategy among the stakeholders involved. Dato’ Sri Subromaniam Tholasy, Director-General of the RMCD, shared that as of 13 September 2017, 2,568 GST tax agents have been approved by the Ministry of Finance under the GST Act. As of 16 September 2017, the RMCD had recorded 452,638 GST registrants. “This success is not only due to the RMCD; it is also due to the contribution made by the private sector, including the tax practitioners and the tax agents,” he acknowledged.

FROM ENFORCED TO INFORMED COMPLIANCE

The RMCD is keen to change attitudes towards tax compliance, and embed the mindset that paying taxes is a patriotic duty that supports national development. The RMCD’s



Dato’ Sri Subromaniam Tholasy
Director-General of the RMCD

BUSINESSES AND ACCOUNTANTS SHOULD ACTIVELY PROVIDE FEEDBACK TO THE RMCD TO FULLY UNDERSTAND THE UNIQUE CIRCUMSTANCES AND PROBLEMS.

Salihin Abang
President, Malaysian Institute of Accountants



Operation Blue Ocean Strategy (Ops CBOS 3.0) which was inspired by the National Blue Ocean Strategy, is not intended to punish or burden the business community, but rather to create an awareness on the need for compliance to the GST legislation using a totally different approach, said Dato’ Sri Subromaniam.

“Through these changes, we hope to change the mindset of the private sector including those businesses registered under GST so that they could comply on a voluntary basis. The key message here is that the RMCD is embarking on a different strategy from an enforced compliance strategy to an informed compliance strategy. This would eventually help to guide and better educate the GST registrants in complying with GST legislation.”

To promote voluntary compliance, the RMCD is studying the possibilities of the assisted compliance assurance programme (ACAP), which is still in the pipeline, and could be a “gamechanger for all, including tax practitioners”, he said. Currently, the RMCD is still discussing this programme with the Ministry of Finance. “ACAP will facilitate GST-registered businesses to better manage their GST risks by providing a set of guidelines to undertake holistic review of the robustness and effectiveness of internal control systems that impact GST compliance.”

At the end of the day, successful implementation of GST depends on two important aspects, getting the technical aspects and communications right. This is vital. “High tax compliance will definitely ensure the drivers of GST will lift the economy higher in the near future,” he concluded.

KEY GST ISSUES

Common GST Issues



Despite the RMCD's efforts to educate business, misconceptions and misunderstandings concerning GST and compliance still remain, and this hinders compliance, concluded panellists at the GST Conference 2017 session on 'Common Issues In GST Implementation'.

Yap Lai Han, Tax Executive Director, PricewaterhouseCoopers Taxation Services Sdn Bhd noted that while businesses are more clued in to how GST works and how it applies to business, the issues that remain are more technical in nature. "Businesses realise that GST is not so easy, looking at the chain of transactions. A lot of technical issues have come up, in terms of reimbursement and disbursement and applying the concept in day-to-day transactions. We also see a lot of cases where clients need further clarity and there are a lot of letters written to the RMCD regarding technical issues."

Common problems customers face involve which tax code to use or apply; confusion over mixed supply; and ignorance in calculating their internal rate of return on GST as well as capital good adjustments, said Hong Gek Yeow, General Manager, Fast Track SBOi Sdn Bhd.

Since many taxpayers still face problems post-implementation, continuing education and engagement are still necessary to stabilise GST. "Two years down the road, we see a lot of changes. The RMCD has continually engaged with the business community. A lot of the guides have changed and been updated; a reflection of the understanding that the RMCD has to facilitate the businesses in complying with GST," said Yap.



Yap Lai Han, Tax Executive Director, PricewaterhouseCoopers Taxation Services Sdn Bhd

Technology adoption can go a long way in smoothening the GST experience and compliance for businesses. For example, GST software can be customised to generate GST Audit Files (GAF) for GST audits, which will be more prevalent in future. GST software can also include features such as reverse charge mechanism. Note that GST software must be approved by the RMCD.

The session drew many questions, which ran the gamut from input tax to GST for inherited property to cash deposits. Asked



Hong Gek Yeow, General Manager, Fast Track SBOi Sdn Bhd

about GST for inherited property, Yap clarified that for GST to apply, there must be a supply. "For a supply to happen, you must be doing something where you receive consideration. Since you don't receive consideration, there is no GST to be considered for inherited property. If it is a commercial property, you need to ask if you are liable to register that property for GST. When you sell or rent it out, there may be GST implications."

Input tax is claimable only if you have a tax invoice under your name. "It cannot be issued under a partnership's name, you need to write in to the RMCD to enquire further," advised Yap.

GST on cash deposits depends on the type of deposit. For example, if it is a cash security deposit that is refundable to the customer, no GST applies. "But if the cash deposit is for advance payment, look at the type of services provided, GST may be applicable. Item 12 comes to mind, you need some conditions to fulfil. For instance, the services must not directly relate to goods in Malaysia. If not an exported service, it is standard rated, not zero rated," explained Yap.

Hopefully, the RMCD's informed compliance approach guided by its Operation Blue Ocean Strategy (Ops CBOS 3.0) will be effective in clearing up much of the confusion as GST systems and taxpayers mature. ■