

Malaysia GST – Register by 31 Dec 2014 to Avoid Penalties

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On 25 October 2013, Malaysia's Minister of Finance announced the implementation of the Goods and Services Tax (GST), set to begin 1 April 2015 with a tax rate of 6%. This introduction of GST represents a total reform of the country's current single-stage consumption tax system.

What is GST?

GST which is also known as VAT or the value added tax in many countries is a multi-stage consumption tax on goods and services. GST is levied on the supply of goods and services at each stage of the supply chain from the supplier up to the retail stage of the distribution. Even though GST is imposed at each level of the supply chain, the tax element does not become part of the cost of the product because GST paid on the business inputs is claimable. Hence, it does not matter how many stages where a particular goods and service goes through the supply chain because the input tax incurred at the previous stage is always deducted by the businesses at the next step in the supply chain.

What does GST apply to?

GST is charged on any taxable supply of goods and services made in the furtherance of any business by a GST registered person in Malaysia. It is also charged on the importation of goods and services into Malaysia.

Who needs to Register for GST?

Businesses with an annual sales turnover of more than RM500,000 are required to register with the Royal Malaysian Customs Department for the implementation of the GST by **31 December 2014**. A late registration penalty will be charged at a minimum RM1,500 and up to a maximum RM20,000 after 30 days of the GST implementation in April 2015.

However, businesses with less than RM500,000 in annual sales turnover could voluntarily register their companies, but will be bound by a two-year registration law, unless they closed their operation and companies during that period. Registration can be made via online at gst.customs.gov.my or through a manual submission to the Customs Department in Kelana Jaya, Petaling Jaya, Selangor.

How will implementation of GST affect your business?

GST is not just a tax matter, it is a business issue. When GST is introduced, sectors of the economy which are currently not covered under the Sales and Service Tax may be affected by GST. Furthermore, the complex nature of the different types of supplies and its treatment may make it more cumbersome for some businesses.

The implementation of GST would impact your pricing strategy, contractual obligations (especially long term), operational processes including accounting, finance, procurement and IT; and certainly tax compliance. Hence, departments including Accounting, IT, Marketing, Legal, Procurement, Human Resources, Administration and Tax will certainly be affected. Getting GST wrong may result in penalties.

How can we help you to be GST ready?

We assist both local and international clients to manage their compliance with all aspects of the GST system in relation to doing businesses in Malaysia. Our GST services include attending to routine compliance matters to complex transactions arrangements. These services include:

- Application for GST registration
- GST planning and consultancy
- Defining GST implication on supply chain / transaction flows
- Formulating GST implementation road map
- GST procedures manual / checklists
- Customised in-house GST training
- GST accounting system integration
- Preparation of GST returns
- Annual GST health check / compliance check

Contact us

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Our smart business solution suite comprises the following services:

- Taxation
- Accounting & Finance
- Corporate Secretarial
- Directors' Training
- Human Resource & Payroll Management
- Internal Audit & Risk Management
- Share Registry

Cautionary Note

This summary of Goods and Services Tax update has been prepared to keep you informed of recent developments in the tax environment in Malaysia.

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