

## What is GST?

- Or Value Added Tax (VAT) as it is known in other countries
- A multi-stage tax on domestic consumption
- To replace current Sales & Service Tax
- Not additional tax burdens
- Three types of supply
- Standard rate 6%

## When GST implements?

- Proposed to be implemented in Malaysia with effect 1 April 2015

## Who being affected?

- Businesses  
Annual sales/turnover with RM500K is required to be a licensed registered person
- Consumers



WHAT?  
WHEN?  
WHO?  
WHY?  
HOW?

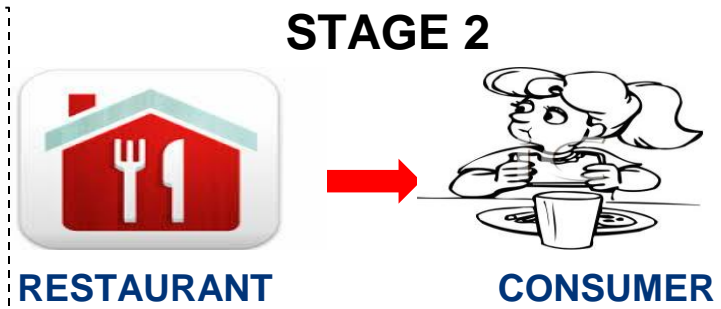
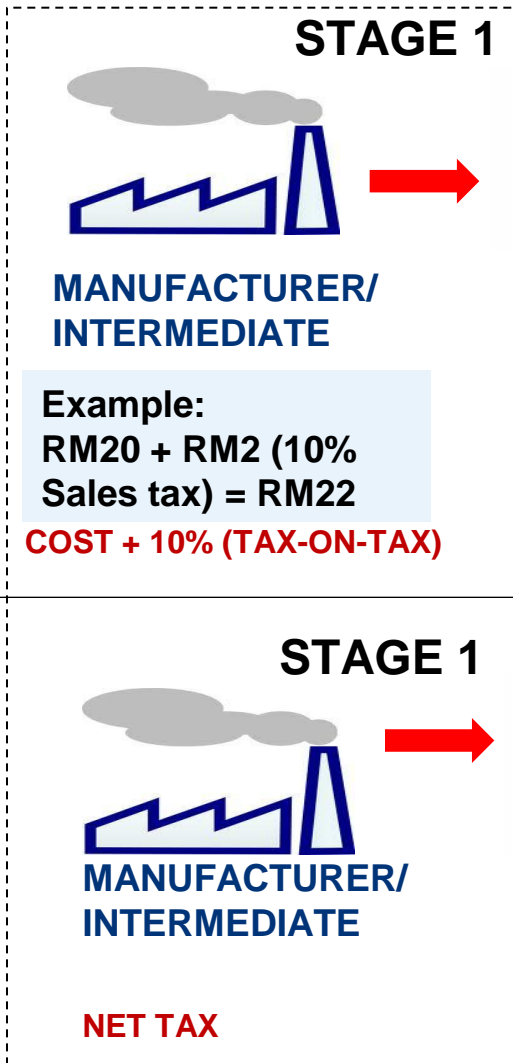
## Why GST?

REASONS	HOW IT AFFECTS
Minimize production cost	Improve on Company's cash flow-able to recover tax credit on inputs (refer to Standard-rated supplies)
Transparency	Consumer will not be taxed on tax and they aware exactly what they are paying for
Avoid double taxation	Businesses can relieve from absorbing the present consumption tax and pass GST to final consumers
Consider lower income people	Lower income people will less likely to pay GST after the introduction of zero-rated and exempt supplies



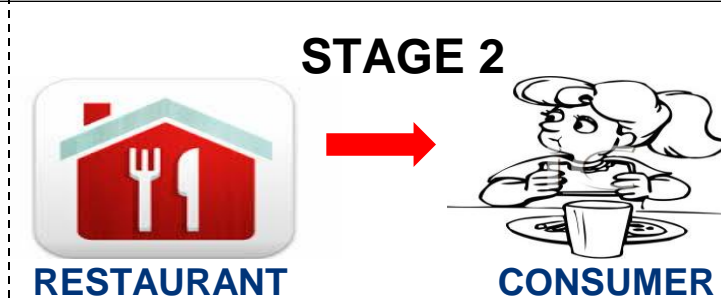
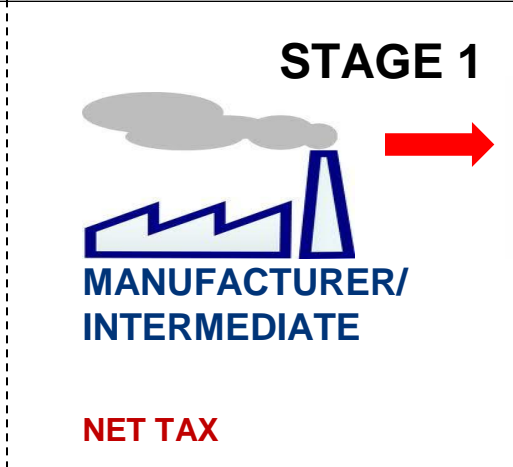
# PRESENT CONSUMPTION VS GST

PRESENT



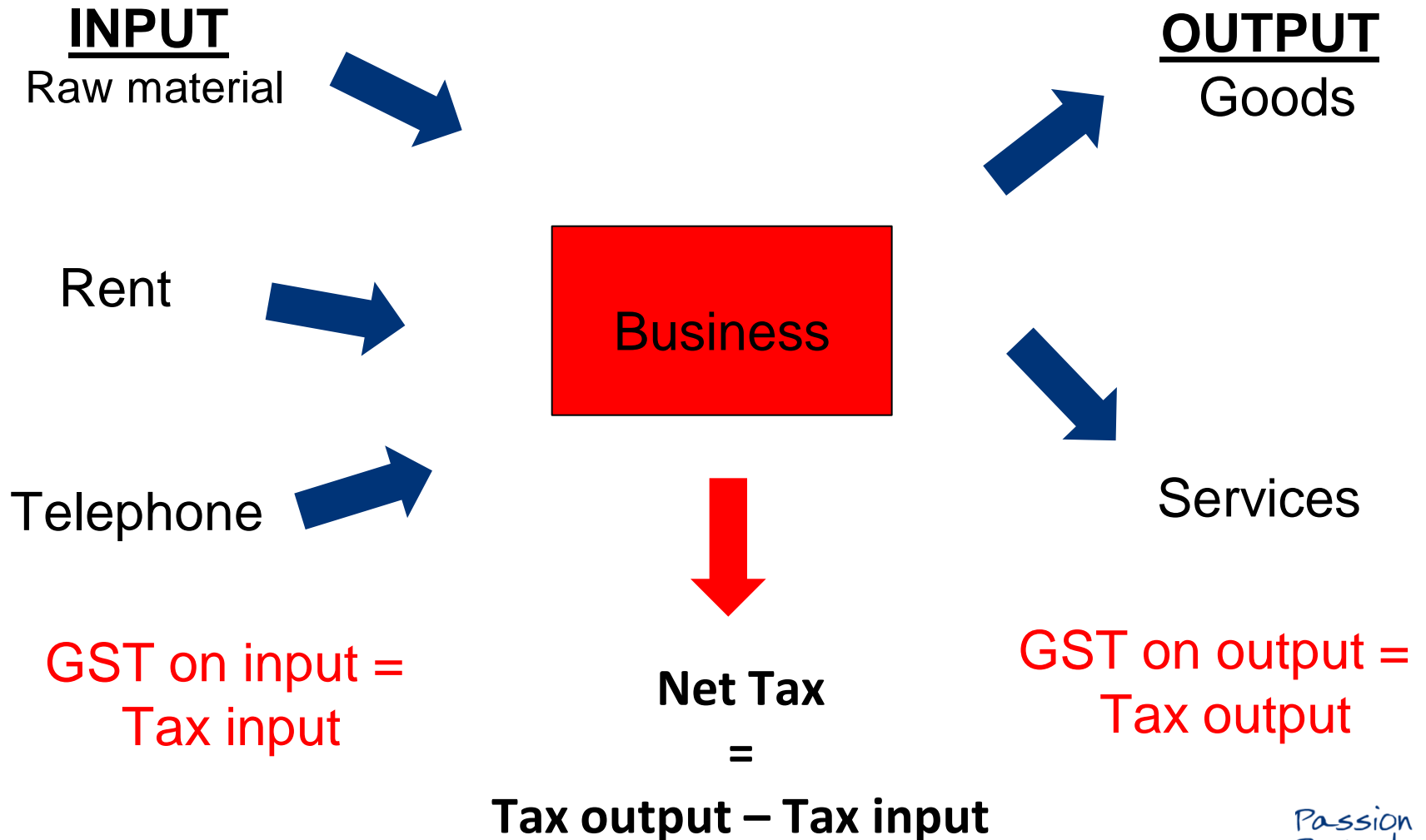
Example:  
RM22 + RM1.32 (6%  
Service tax) = RM23.32

GST

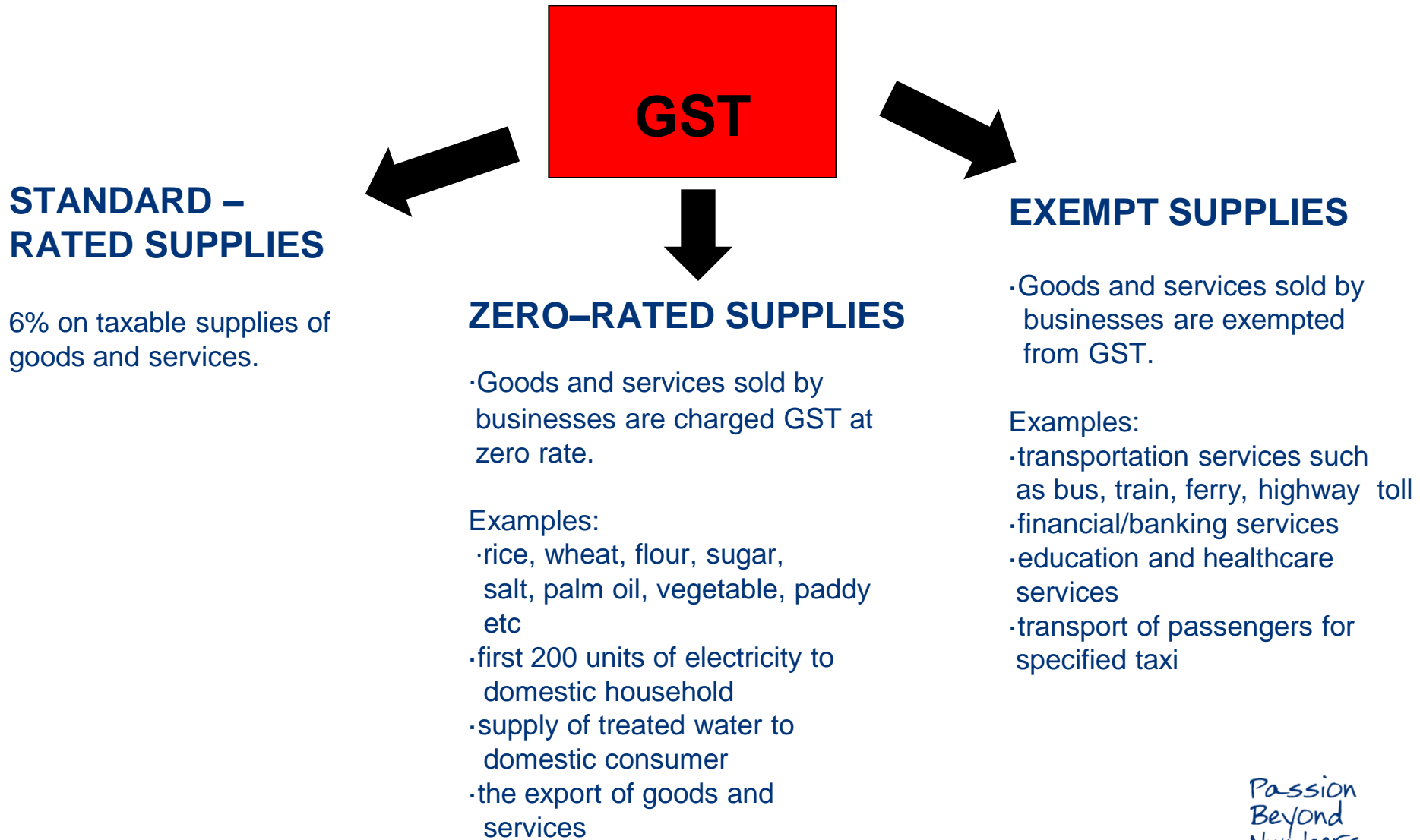


Example:  
RM20 + RM1.20 (6%  
GST) = RM21.20

# MECHANISM



# TYPES OF SUPPLY



# STANDARD-RATED SUPPLIES (6%)



Sales Price= RM100  
 GST(6%) = RM6  
 Total Price = RM106

GST Collected = RM6  
 GST Paid = NIL  
**GST Payable= RM6**

Sales Price= RM200  
 GST(6%) = RM12  
 Total Price = RM212

GST Collected = RM12  
 GST Paid = RM6  
**GST Payable= RM6**

Sales Price= RM300  
 GST(6%) = RM18  
 Total Price = RM318

GST Collected = RM18  
 GST Paid = RM12  
**GST Payable= RM6**

**6% OF GST  
 PASS ON  
 TO  
 CONSUMER**

**MANUFACTURER  
 COLLECT AND  
 REMIT GST \*\***

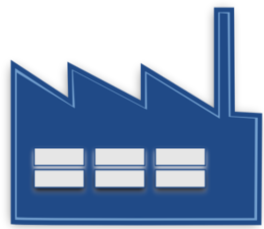
**\*\*If Manufacturer paid  
 any GST for Direct Cost,  
 may eligible to claim  
 credit on differences**

**WHOLESALE  
 CLAIMS GST  
 CREDIT AND  
 REMIT  
 DIFFERENCES  
 COLLECTED**

**RETAILER  
 CLAIMS GST  
 CREDIT AND REMIT  
 DIFFERENCES  
 COLLECTED**

*Passion  
 Beyond  
 Numbers*

# ZERO-RATED SUPPLIES (0%)



## DIRECT COST

Cost= RM100  
GST(6%)= RM6  
Total paid = RM106

GST Credit available for  
refund = RM6

**\*\* Only GST related  
to Direct Cost is  
claimable**

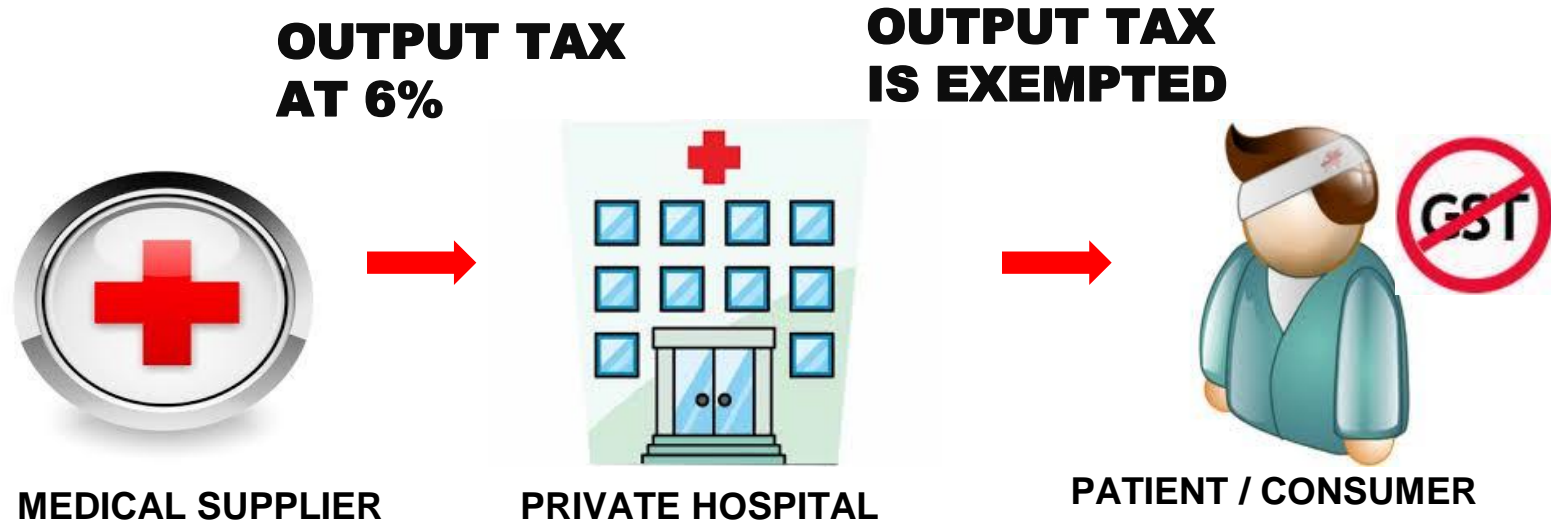
Admin Expenses  
such as phone bills,  
office consumables  
cannot be claimed



**MANUFACTURER\*\* can obtain credit  
refund on GST Paid for Input (Direct  
Cost) if their output (produces) is  
ZERO RATED SUPPLIES.**

**\*\*Rules and regulations applicable to the  
eligibility of Credit Refund on GST.**

# EXEMPT SUPPLIES



**\*\* GST on Supply Input (Direct Cost) used for Exempt Supplies (Output) is NON-CLAIMABLE**

**Example: Medical services is an exempt supply**



# IMPACT OF IMPLEMENTATION OF GST

PROS'	CONS'
<ul style="list-style-type: none"><li>· Elimination of double taxation</li><li>· Reduce cost of business/sustain business growth/improve Company's cash flow</li><li>· Export on supply of zero-rated goods or services is eligible to claim input tax which has been paid for</li><li>· Greater transparency (i.e. consumer aware how much they are paying for)</li></ul>	<ul style="list-style-type: none"><li>· May result in inflation in initial stage. Due to inflation, consumers at all stages might get affected</li><li>· Export on supply of goods or services is not eligible to claim input tax which has been paid for</li><li>· Worry effect of tax revenue redistribution may not be achieved</li><li>· All taxable person is now required to be a registered person when annual sales/turnover reaches threshold of RM500K</li></ul>

- 1) Reduction on individual tax rate by 1% to 3% (with effect YA 2015)
- 2) Reduction on corporate tax rate (with effect from YA 2016)
- 3) Secretarial and tax fee deduction up to RM5K to RM10K respectively (YA 2015 onwards)
- 4) ICT equipment and software will be eligible for Accelerated Capital Allowance at 20%:80% has extended to YA 2016
- 5) Expenses for GST related to training of employees in accounting and ICT software will be given a further deduction for YA 2014 and 2015

## **EFFECTS:**

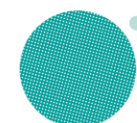
### Business

Businesses are not required to bear double taxes (i.e. sales and service tax). It will subsequently be passed on the end consumer at single tax, which depend on the consumer purchasing power.

### Individual

Consumers will pay fairer prices on goods and services compared to Sales and Service Tax as GST eliminate double taxation.

The disposable income of each individual will be increased after the reduction of individual tax rate.



## LET US HELP YOU ACHIEVE FURTHER BUSINESS SUCCESS

### UHY, KUALA LUMPUR OFFICE

Suite 11.05, Level 11, The Gardens South Tower,  
Mid Valley City, Lingkaran Syed Putra,  
59200 Kuala Lumpur, Malaysia.

Phone +60 (3) 2279 3088  
Fax +60 (3) 2279 3099  
Email [uhy-kl@uhy-my.com](mailto:uhy-kl@uhy-my.com)

Alvin Tee  
Senior Partner

Mobile: +60 12 283 2689  
Email: [alvin@uhy-my.com](mailto:alvin@uhy-my.com)

### UHY, JOHOR BAHRU OFFICE

Lot 19.01, Level 19, Public Bank Tower, 19,  
Jalan Wong Ah Fook, 80000 Johor Bahru,  
Malaysia

Phone +60 (7) 222 2828  
Fax +60 (7) 222 2829  
Email [uhy-jb@uhy-my.com](mailto:uhy-jb@uhy-my.com)

### UHY MUSTAPHA, MALACCA OFFICE

Suite 11.05, Level 11, The Gardens South Tower,  
Mid Valley City, Lingkaran Syed Putra,  
59200 Kuala Lumpur, Malaysia.

Phone +60 (3) 2279 2088  
Fax +60 (3) 2279 3099  
Email [uhy-mustapha@uhy-my.com](mailto:uhy-mustapha@uhy-my.com)

### UHY TAC, PENANG OFFICE

51-11-F, Menara BHL Bank,  
Jalan Sultan Ahmad Shah,  
10050 Penang, Malaysia

Phone +60 (4) 2100 100  
Fax +60 (4) 2100 101  
Email [uhy-pg@uhy-my.com](mailto:uhy-pg@uhy-my.com)

UHY in Malaysia \*(the "Firm") is a member of Urbach Hacker Young International Limited, a UK company, and forms part of the international UHY network of legally independent accounting and consulting firms. UHY is the brand name for the UHY international network. The services described herein are provided by the Firm and not by UHY or any other member firm of UHY. Neither UHY nor any member of UHY has any liability for services provided by other members."

© 2013 UHY

An independent member of UHY international

Passion  
Beyond  
Numbers