GST - GOODS AND SERVICES TAX

UHY

WHAT?
WHEN?
WHO?
WHY?
HOW?

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?

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

RATIONALE

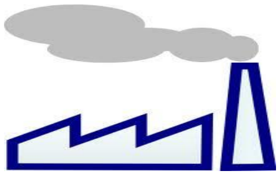
Why GST?

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

STAGE 1



MANUFACTURER/ INTERMEDIATE

Example:
RM20 + RM2 (10% Sales tax) = RM22

COST + 10% (TAX-ON-TAX)

RESTAURANT

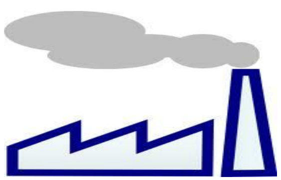
STAGE 2

CONSUMER

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

GST

STAGE 1



MANUFACTURER/ INTERMEDIATE

NET TAX

RESTAURANT

STAGE 2

CONSUMER

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

MECHANISM

INPUT

Raw material

Rent

Telephone

Business

OUTPUT

Goods

Services

GST on input =
Tax input

Net Tax

=

Tax output – Tax input

GST on output =
Tax output

TYPES OF SUPPLY

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GST

STANDARD – RATED SUPPLIES

6% on taxable supplies of goods and services.

ZERO–RATED SUPPLIES

·Goods and services sold by businesses are charged GST at zero rate.

Examples:

·rice, wheat, flour, sugar, salt, palm oil, vegetable, paddy etc
·first 200 units of electricity to domestic household
·supply of treated water to domestic consumer
·the export of goods and services

EXEMPT SUPPLIES

·Goods and services sold by businesses are exempted from GST.

Examples:

·transportation services such as bus, train, ferry, highway toll
·financial/banking services
·education and healthcare services
·transport of passengers for specified taxi

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**

WHOLESALER CLAIMS GST CREDIT AND REMIT DIFFERENCES COLLECTED

RETAILER CLAIMS GST CREDIT AND REMIT DIFFERENCES COLLECTED

ZERO-RATED SUPPLIES (0%)

Output tax at 0% for all stages

<u>DIRECT COST</u>
Cost= RM100
GST(6%)= RM6
Total paid = RM106

GST Credit available for refund = RM6

**** Only GST related to Direct Cost is claimable**
<u>Admin Expenses</u> 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.**

Passion Beyond Numbers

EXEMPT SUPPLIES

OUTPUT TAX AT 6%

OUTPUT TAX IS EXEMPTED

MEDICAL SUPPLIER

PRIVATE HOSPITAL

PATIENT / CONSUMER

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

Example: Medical services is an exempt supply

IMPACT OF IMPLEMENTATION OF GST

PROS'	CONS'
· Elimination of double taxation · Reduce cost of business/sustain business growth/improve Company's cash flow · Export on supply of zero-rated goods or services is eligible to claim input tax which has been paid for · Greater transparency (i.e. consumer aware how much they are paying for)	· May result in inflation in initial stage. Due to inflation, consumers at all stages might get affected · Export on supply of goods or services is not eligible to claim input tax which has been paid for · Worry effect of tax revenue redistribution may not be achieved · All taxable person is now required to be a registered person when annual sales/turnover reaches threshold of RM500K

OTHER INCENTIVES IN LINE WITH GST

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

CONCLUSION

EFFECTS:

<u>Business</u>

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.

<u>Individual</u>

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

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