

## Here are some Frequently Asked Questions (FAQs) regarding GST

### (Vendors):

#### 1. What are the benefits of GST to businesses?

Studies conducted have shown that there will be a reduction in the business costs due to:

- (i) GST paid on inputs is claimable
- (ii) Exports are zero rated
- (iii) There is no matching of input tax and output tax
- (iv) the existence of special schemes to alleviate cash flow.

#### 2. Why should business register?

If your business is registered, cost of doing business can be reduced due to GST paid on purchases (input tax) is claimable unlike sales/service tax (SST).

Illustration: The cost comparison between SST and GST for both registered and non-registered vendors for purchase of product of basic cost price of RM100:

##### •Scenario 1 – Goods subject to current SST @ 10%

Circumstances	GST Registered (Cost of Product)	Non-GST Registered (Cost of Product)
Before GST (RM100+RM10=RM110)	RM110	RM110
After GST (RM100+RM6=RM106)	RM100 * (RM6 is claimable as input tax)	RM 106

##### •Scenario 2 - Goods not subject to current SST

Circumstances	GST Registered (Cost of Product)	Non-GST Registered (Cost of Product)
Before GST	RM100	RM100
After GST (RM100+RM6=RM106)	RM100 * (RM6 is claimable as input tax)	RM106

#### Conclusion:

- If Product is subject to current sales/service tax, the cost to GST registered vendor will be lower with GST implementation (RM100 compared to RM110 under SST). For products without any sales/service tax, the cost is not expected to increase for GST registered vendor ( RM100 ) while Non GST vendor cost will increase (RM 106)
- GST registered business are able to reduce their cost of doing business since they are able to claim GST incurred on their business purchases. Hence the cost of products will be lower compared to non-registered vendors.
- Non-registered vendor are not allowed to claim for input tax credits. Hence this taxes may need to be embedded into the price of goods sold as they cannot claim for input tax. Therefore, the cost of doing business increases.

**3. Do all businesses need to register for GST?**

Those with annual sales of taxable supply exceeding the prescribed threshold of RM500,000 are mandatorily required to be registered. However, those below the prescribed threshold may apply to be voluntarily registered.

**4. How business can register for GST?**

Via online or manual registration can be done

**5. What is the information required and what are necessary actions to register for GST?**

Before log-on for web registration,

(i) Information needed in respect of the Company

- Latest version of Form 49
- Business Registration Number
- Income/Corporate Registration Number
- Business address / Correspondence address
- Estimated/actual total turnover for the company including a percentage breakdown based on taxable supplies, zero-rated supplies, exports and exempt supplies (if any)
- Latest bank statement of the Company in pdf form (for attachment)

(ii) Information needed in respect of Directors

- Directors listed on Form 49 are considered to be a designated person/authorised person for a company.
- Director's details for all Directors on Form 49; including:-
  - Full name
  - I/C number
  - Passport number
  - Residential address
  - Designation
  - Nationality
  - Telephone number
  - Appointed date as per Form 49
  - Email address

As during the GST registration process :

- The applicant must be a Director of the Company.
- Screen shot of all the screens when completing the GST registration online.
- Save the application regularly on every screen during the application process.
- When saving the registration, insert the email address of the applicant or one of the officers of the Company.
- An email informing of your registration approval or denial will be sent to this email address.
- Keep the confirmation code received when saving the registration.
- The saved registration will be rejected if not submitted within 14 days.
- Print the acknowledgement receipt after submitting the online registration.

Walkthrough of Registration Process Online

- Ensure that all the above information are obtained before beginning the GST registration process.

The screenshots attached together with the email show a walkthrough of the screens that need to be completed as part of the GST registration process as of July 2014 and some common questions.

**6. How does the government address the issue of false input tax credit claim?**

The following measures are taken to address false input tax credit claims:

- having a comprehensive risk management system
- the use of tax performance ratio to identify delinquent businesses
- the use of computerized auditing technique and forensic tools
- desk, compliance and refund audit to monitor false input tax claim
- information from the general public and business
- exchange of information with other government agencies

**7. Is there any assistance for SMEs for them to be GST ready?**

Government would assist SMEs by reducing the compliance cost involved. The Government would provide free training and education and also assist SMEs in acquiring the basic software needed for GST implementation.

**8. How will the government ensure the amount collected by business is remitted to government correctly?**

GST registered persons are required to submit periodical returns and remit tax to the Government. GST Audit Team will conduct audit on the registrant periodically and when the need arises. Beside this, the GST risk management system will send out alert on high risk registrants, input tax claims or suspicious payments.

**9. Will GST have impact to small businesses like night market? Will they also need to impose and pay GST?**

Implementation of GST may only affect the small-businesses like the night market operators if their annual turnover exceeds the prescribed threshold which requires them to be registered under GST.

**10. What happens if you fail to register?**

If your business turnover is exceeding RM500,000 per annum and you fail to register on time, a fine not exceeding RM50,000.00 or imprisonment not exceeding 3 years or both. Late registration penalty ranging from RM200 – RM6,500.

**11. Do we still need to comply with the process practiced by Finance SSO regional on the requirement for original invoice endorsement comes 1<sup>st</sup> April?**

No endorsement is required for original invoice. Only Delivery Order is required for endorsement. FSSO will communicate with all regional team.

**12. Will the Plant Unit (PU) rate be reviewed?**

PU rate for TROS already revised. TM is now reviewing the rates for other categories of vendor. The new rate will take into consideration the cost by contractor.

**13. In any misconduct commits by contractor's staffs (e.g. cable theft), will TM blacklist the contractor's company or the staff who commits the offence?**

TM is in the midst of reviewing the consequence action to the contractors.

**14. For Services, when do we deem as Time of Supply during the transitional phase since GST is charged only for supply after GST period?**

Please refer to the contract for definition of Time of Supply. In the absence of such definition, this will have to be agreed with the project managers to define when the service is deemed completed. When the project manager receives the documentation of completion of a project milestone then only the service is deemed completed. When the completion of service delivery is after 1 April 2015, then the service is subjected to GST.

**15. Will GST be deducted from the Contract Value?**

GST 6% will not be deducted from the contract value as contract values are maintained exclusive of tax in SAP and the tax component is maintained separately

**16. If PO is issued before GST but delivered after GST, can GST be added on the supply/ bill?**

If PO is issued before GST but delivered after GST implementation, the supplies are subjected to GST. Vendor can charge TM with GST in the tax invoice.

**17. Would the output tax on the PO without GST, impacts the claims made by the JKH contractors?**

JKH services for maintenance/ installation, these are not subject to service tax currently and their contract with TM has a separate GST clause that allows charging of GST to be made on implementation of GST. Contract value maintained in the system is not affected as this is maintained exclusive of tax. Thus, there is no issue of 'peruntukan tambahan' and the input tax charged by JKH can be claimed as input tax by TM.