

REMOVAL OF THE GST

How to get your business ready

INTRODUCTION

The Malaysia Government will remove the Goods and Services Tax (GST) from 1 June 2018 by reducing the GST rate from six per cent to zero. It is expected that the Sales and Services Tax (SST) will be reintroduced, however no date has been set at this stage.

It is important to note that while the rate of the GST will be reduced to zero from 1 June 2018, the *GST Act 2014* remains law. Until further notice, GST-registered businesses will be required to continue to comply with the law, including submitting GST returns and paying any outstanding GST liabilities.

TIPS ON HOW TO GET YOUR BUSINESS READY

The reduction of the GST from 6 per cent to zero will take effect from 1 June 2018. It is expected that the revocation may raise a range of tax, legal, cash flow, pricing, systems and training issues that businesses should consider. Given the short transition period, consideration of these issues should be undertaken with a high degree of urgency.

Accordingly, CPA Australia has developed the following tips to help your business get ready for the change.

1. SEEK PROFESSIONAL ADVICE

Many businesses will be urgently seeking professional advice on how the revocation of the GST will affect their business operations, so get in early, otherwise your adviser may not have the time to assist.

2. APPOINT SOMEONE TO MANAGE THE TRANSITION

There may be a range of legal, cash flow, marketing, training and systems issues that may have to be considered and addressed during the transition period. As these issues are likely to involve different parts of your business, there may be benefit in appointing someone to manage and coordinate your response.

3. UPGRADE YOUR SYSTEMS

You should liaise with your internal and external systems providers to ensure that all your systems are upgraded to comply with the revocation. In practice, this is likely to be the most crucial part of the transition, especially for larger businesses that often have a variety of interdependent systems which will require certain programs to be modified before other systems are changed. Any incorrect modifications may result in systemic non-compliance with the law, especially the anti-profiteering regime, as well as negative publicity for your business.

4. SUPPLIES SPANNING BEFORE AND AFTER 1 JUNE

You will need to work out how much GST to apply to supplies spanning the change. Section 66 of the GST Act states that in the case of a standard-rated supply being changed to a zero-rated supply and the supply spans the change, GST at 6 per cent shall be charged on the higher of the following amounts:

- full payment or part payment received before 1 June 2018
- the value of standard-rated supply of the goods where the goods are wholly or partly removed or made available or the services are wholly or partly performed before 1 June 2018.

5. REVIEW AND ASSESS ALL CONTRACTS

Your legal officer (or external lawyer) should review and assess all contracts with suppliers, purchasers and other parties where prices were agreed inclusive of GST but the supply (wholly or partially) will be made on or after 1 June 2018. In such circumstances, the GST may need to be removed or reduced. See section 67 of the GST Act.

6. INCORPORATE THE EFFECT OF THE REMOVAL OF THE GST INTO YOUR CASH FLOW FORECASTS

The removal of the GST may affect consumer demand immediately before and after the GST is removed. That is, consumers may hold back purchasing items subject to GST until 1 June 2018. This may have a short-term effect on your cash flow. Depending on the nature of your business, you may wish to consider slightly delaying the purchase of some stock until closer to 1 June 2018. The proposed reintroduction of the SST may also impact your cash flow as it may encourage some to focus the purchase of certain goods and services to the period from the 1 June 2018 to the commencement of the SST.

7. REVIEW AND UPDATE YOUR PRICING

Once you have updated your systems, you will need to review and adjust your pricing to reflect the reduction of the GST rate to zero. Your marketing team will also need to be involved in this to ensure promotional material for 1 June 2018 and onwards excludes the GST from any advertised price. This is an important part of your transition as you need to ensure your business complies with the anti-profiteering law.

8. EXPEDITE THE SENDING OF INVOICES

While not a requirement in the law, it may reduce issues with customers if tax invoices for goods delivered or services rendered until 31 May 2018 are sent to customers as early as possible – even if it is outside your normal billing cycle. The same goes for credit notes – if the value of a supply needs to be adjusted for some reason, it may be beneficial to issue a credit note for that adjustment by 31 May 2018.

9. EXPEDITE THE PROCESSING OF INVOICES

While not a requirement in the law, it may be prudent to expedite the processing of tax invoices received from suppliers by 31 May 2018 as soon as possible after that date to avoid any possible difficulty in claiming input tax credits. This is of course dependent on your financial position

10. AVOID RECEIVING ADVANCES BEFORE 1 JUNE

To reduce complexity during the transition period, it may be beneficial to avoid receiving advances before 1 June 2018 for goods expected to be delivered and services expected to be rendered from 1 June 2018.

11. TRAIN YOUR STAFF

Make your staff aware of the changes you have made, particularly if you change processes to comply with the revocation of the GST.

12. GET READY FOR THE SST

Follow developments on the proposed re-introduction of the SST and incorporate those into your processes and planning. If necessary, seek professional advice.

OTHER READING

- [FAQs on the transition of the GST rate to zero from the Royal Malaysian Customs Department](#)
- [Goods and Services Tax Act 2014](#)
- [The gazettal notice reducing the GST rate to zero](#)

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