

The 5th IMF-Japan High-Level Tax Conference for Asian Countries

Latest tax policy reform in Malaysia
Goods & Services Tax

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The background of the slide features a modern architectural structure with a complex, lattice-like facade. The image is overlaid with a blue digital pattern consisting of glowing nodes and connecting lines, suggesting a technological or data-driven theme. The overall color palette is dominated by blues and greys, with a white area at the bottom where the text is located.

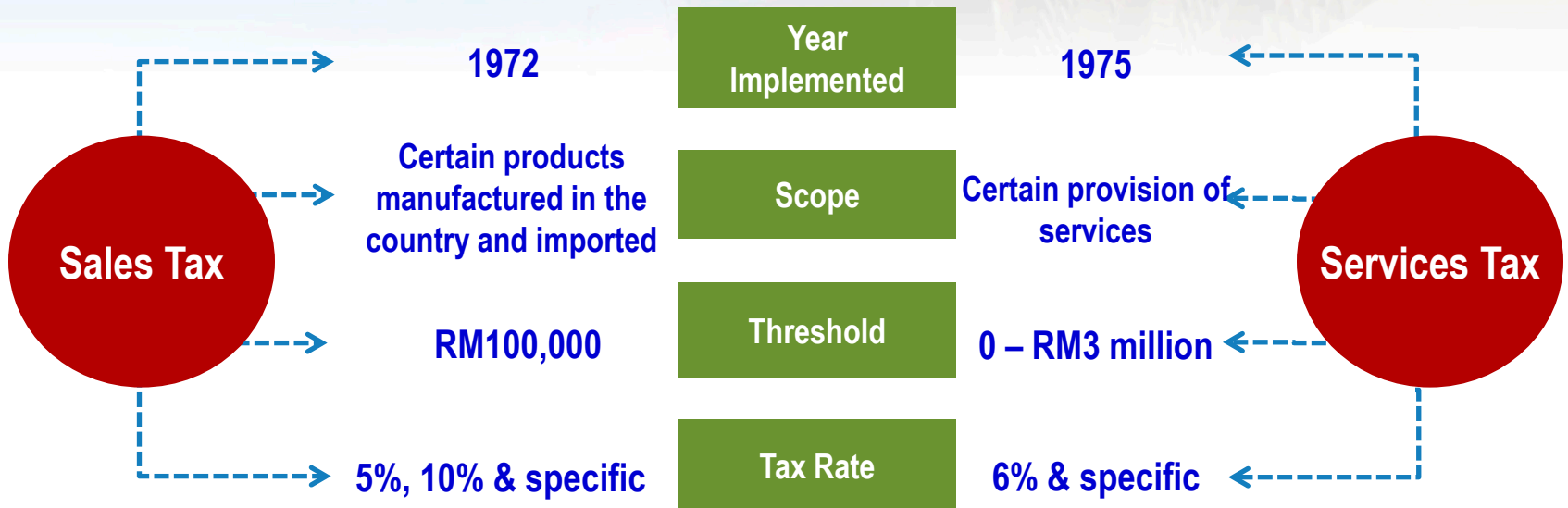
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GST Headlines

- Standard rate : 6%
- Effective date : 1 April 2015
- Sales & services tax to be abolished
- Registration: Businesses with annual sales turnover \geq RM500,000

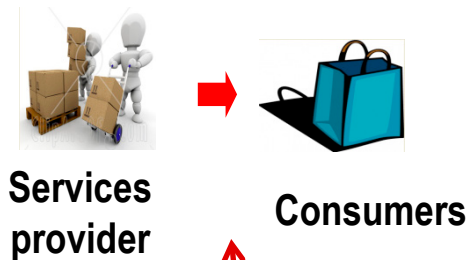
The Current Sales Tax and Services Tax



Sales Tax



Sales tax is collected at the manufacturing stage



Services Tax is collected when services provided

Services Tax

Why the need for GST in Malaysia?

A more
effective and
efficient tax

- Fairness and equality
- Enhance compliance
- The current tax has many weaknesses.
- Avoid tax cascading, multiple taxation & transfer pricing bias

Broaden tax
base

- Reduce dependency on direct income tax
- Reduce dependency on petroleum related revenue

Types of Supply

What is a supply

A supply arises where:

- Consideration is received
- It is for something that is done

Taxable Supply

Standard-rated supply
GST rate 6%

Zero-rated supply
GST rate 0%

Input tax is
recoverable

Non- taxable
Supply

Exempt supply
No GST

Out-of-scope
Not a supply

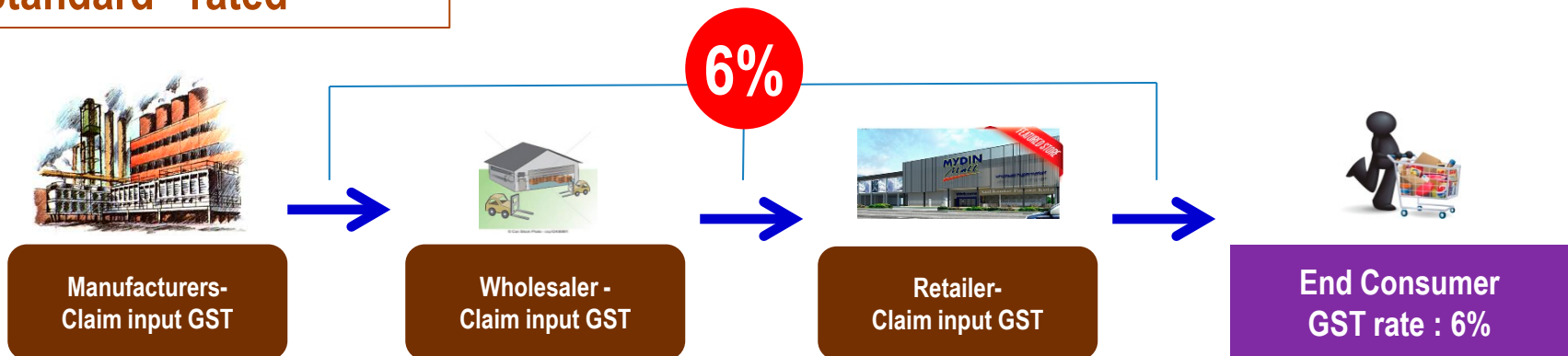
Generally, input
tax is not
recoverable

What are the types of supply?

Standard-rated

- All supplies taxable at 6% unless specifically designated as zero-rated or exempt supply
- Business has to collect GST on the supply and can claim input tax credit on business inputs in making taxable supplies
- Examples
 - Purchase of professional service
 - Purchase of household items
 - Purchase of apparels
 - Purchase of luxury goods

Standard - rated



What are the types of supply?

Zero-rated

- Certain necessities are zero-rated
- Business do not collect any GST on their supplies but are entitled to claim credit on inputs used in the course or furtherance of the business
- Examples:
 - Basic food items
 - Export of goods and services
 - First 200 units of electricity to domestic households
 - Supply of treated water to domestic consumers
 - International services

Zero-rated



What are the types of supply?

Exempt

- No GST charged
- Business do not collect any GST on their supplies and are not entitled to claim input credit on business inputs
- Examples
 - Land & building used for residential, agricultural, burial and religious purposes
 - Private healthcare services
 - Private education services
 - Public transportation
 - Financial services

Exempt



What are the types of supply?

Out-of- scope

- No GST charged on out-of-scope supplies
- Examples
 - Supplies made by Federal & State Government except for prescribed services
 - Supplies made by local authorities & statutory bodies with regulatory & enforcement functions

Assistance to business

	Description	Effective
Reduce cost of doing business	<ul style="list-style-type: none"> • Reduction in corporate tax rate by 1% • Reduction in cooperatives tax rate by 1% to 2% 	YA 2016 YA 2015
	<ul style="list-style-type: none"> • Accelerated Capital Allowance (ACA) for ICT equipment & software extended 	YAs 2014 to 2016
	<ul style="list-style-type: none"> • Expenses for GST-related training in accounting & ICT given further deduction 	YAs 2014 & 2015
Financial assistance	<ul style="list-style-type: none"> • RM150mil allocation for purchase of accounting software by SMEs 	2014 & 2015
	<ul style="list-style-type: none"> • Training grant of RM100 mil for GST training 	2013 & 2014

Assistance to individuals

	Description	Effective
Increase disposable income	<ul style="list-style-type: none"> Personal tax rate reduction across tax bands by 1% to 3% 	YA 2015
	<ul style="list-style-type: none"> Highest marginal tax rate reduced from 26% to 25% 	
	<ul style="list-style-type: none"> Restructuring of income tax bands by increasing chargeable income subject to maximum rate from > RM100,000 to RM400,000 	
Financial assistance	<ul style="list-style-type: none"> One-off cash assistance of RM300 to households who are BR1M recipients 	2015



Thank You