

## GST TO SST

### Goods and Services Tax (GST) to Sales and Services Tax (SST)?

Goods and Services Tax (GST) is now effectively zero-rated from 1 June 2018. The change however does not cover supplies that are already exempted; all it is made clear that all GST registrant continue to be subject to all other GST requirements.

It will be a short tax holiday for the RAKYAT during the transition period from 1 June 2018 until Sales and Services Tax (SST) come into effect.

#### GST at zero rate

As GST rules and obligations continue to apply, filing of GST returns, issuance of tax invoices, claiming of input credits (where applicable) and bad debts adjustment are still required. Impact of the zero-rating order especially on pricing and systems need to be addressed.

#### A comparison between GST and the earlier SST regime:-

Goods and Services Tax	Sales and Services Tax
Multi-stage tax	Single-stage tax
Broad-based, levied on all goods and services including imports (unless specifically excluded)	Levied on all locally manufactured/imported goods and certain prescribed services. Trading company is excluded.
<ul style="list-style-type: none"><li>Standard rate of tax – 6%</li><li>Certain supplies are treated as zero-rated, exempt or are subject to relief</li></ul>	<ul style="list-style-type: none"><li>Sales tax – 10%</li><li>Service tax – 6%</li><li>Other: Sales tax rate of 20% (alcoholic drinks), 25% (cigarettes and tobacco), 5% (certain foodstuffs and building material) and exemptions</li></ul>
<ul style="list-style-type: none"><li>Mandatory registration threshold: RM500,000 of taxable turnover per annum</li><li>Voluntary registration are permitted, subject to approval by the Director General of Customs</li><li>Group registration permitted for related companies, subject to certain condition</li><li>A foreign entity which make taxable supplies in Malaysia registers by appointing a local agent</li></ul>	<ul style="list-style-type: none"><li>Sales Tax: A license had to be obtained if annual sales turnover exceeded RM100,000</li><li>Service Tax: A range of registration thresholds from NIL to RM3 million</li></ul>
Input tax can be offset against output tax	No tax credit mechanism thus cost to the business
Returns filed either monthly, bi-monthly or quarterly	Returns filed on a bi-monthly basis

The transition from GST to SST, likely in a relatively short time frame and it might be an updated version from previous SST regime, thus it will require careful management.