

The Journey of GST



Disclaimer:

This guide does not detail down all the elements of GST system. Information written in this booklet reflects what the authors viewed as relevant to general, majority, but not all, corporate environment of users. There may have been updates not incorporated in this booklet when it is authored. Alan Yoon Associates welcomes comments towards improvement of this booklet.

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About Us

Alan Yoon Associates, an independent Chartered Accountants firm in Malaysia has been providing Assurance, Accounting, Tax and a whole range of other related Financial Services since 1998. Currently Alan Yoon Associates has fourteen branches in Malaysia and a correspondence centre in China.

Alan Yoon Associates' Advisory Board is made up of eminent individuals with significant contributions to Corporate Governance, Accounting, Risk Management and Finance. Chairing the Board is Professor Dr Annuar Nassir, the former Dean of the Faculty of Economics and Management, Universiti Putra Malaysia, as well as the director of an Investment Bank in Malaysia.

The Managing Partner is Dr Yoon Chung Sin, Alan. Dr Yoon worked many years in a public listed company focusing on accounting, financial and treasury issues before being an accountant in public practice. Dr Yoon is a Fellow Member of the Association of Chartered Certified Accountants and the Chartered Institute of Management Accountants for more than a decade. Dr Yoon also holds academic post-graduate qualifications namely a Master of Business Administration awarded by the University of Bath, United Kingdom and a Doctor of Philosophy in Finance from Universiti Putra Malaysia.

Alan Yoon Associates employs professionals as well as article students of the professional bodies of accountants who specialize in each area of its services. To ensure that the employees keep up with the training guidelines followed by the ACCA as well as the other professional bodies, at the onset of employment, each newly recruited staff undergoes an "Induction Program" which basically covers Work Culture, Code of Conduct, Accounting and Auditing Standards Brief. There are also "Refresher Courses" and "Work Related Training" in our Employees Career Development Path to fill any need-gaps. Since 1998, Alan Yoon Associates has been a Silver Status ACCA Approved Trainee Development Employer.

A diverse array of talent has passed through the employment and training of Alan Yoon Associates over the years. Alan Yoon Associates maintains an active alumni network, keeping them apprised of the firm's development. These ex-employees serve as a frequent source of referral business and provide other professional services to us as well as to our clients. Presently, our ex-colleague, Mr Ng Boon Meng is the coordinator of the Alan Yoon Associates Alumni.

Our Logo

Since the inception of our Firm, we have adopted **AYA**, which is abbreviated from the Firm's name *Alan Yoon Associates*. The "Mistral" font has been at all times used for the display of our Firm's name. The unchanging bold **AYA** alphabets uphold the image of timeless consistency, stability and solidarity. The white color of the **AYA** alphabets reflects integrity and moral purity in the Firm's team of professionals. The royal blue backdrop depicts the Firm's distinct edging visionary characters associating with blue oceanic strategies, far reaching scope of services, and capabilities requiring in-depth knowledge.



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I. INTRODUCTION

What is GST?

GST stands for *Goods & Services Tax*. It is a form of consumption tax charged on every business transaction stage up to the retail stage of distribution. Due of the fact that only the value adding fraction of its selling price is taxed as GST incurred on inputs(purchases/expenses) is allowed to be offset against output tax, it is also known as Value Added Tax or VAT.

About this handbook

Upon the implementation of GST, businesses main role will be to understand the GST system and report taxes correctly. Business' staff must be made sure to have up-to-date understandings and have access to proper consultation towards GST.

This handbook aims to allow readers to understand the practical side of GST, specifically in the implementation and the activities generally involved. We hope to guide users to a starting point and to assess their current readiness and process to GST compliance.

II. THE JOURNEY OF GST

The journey of GST is the practical side of GST. It is a journey of making an entity to get going on GST and to achieve tax optimisation at the end of the path. Below is the list of activities that are relevant to each stages in execution order:

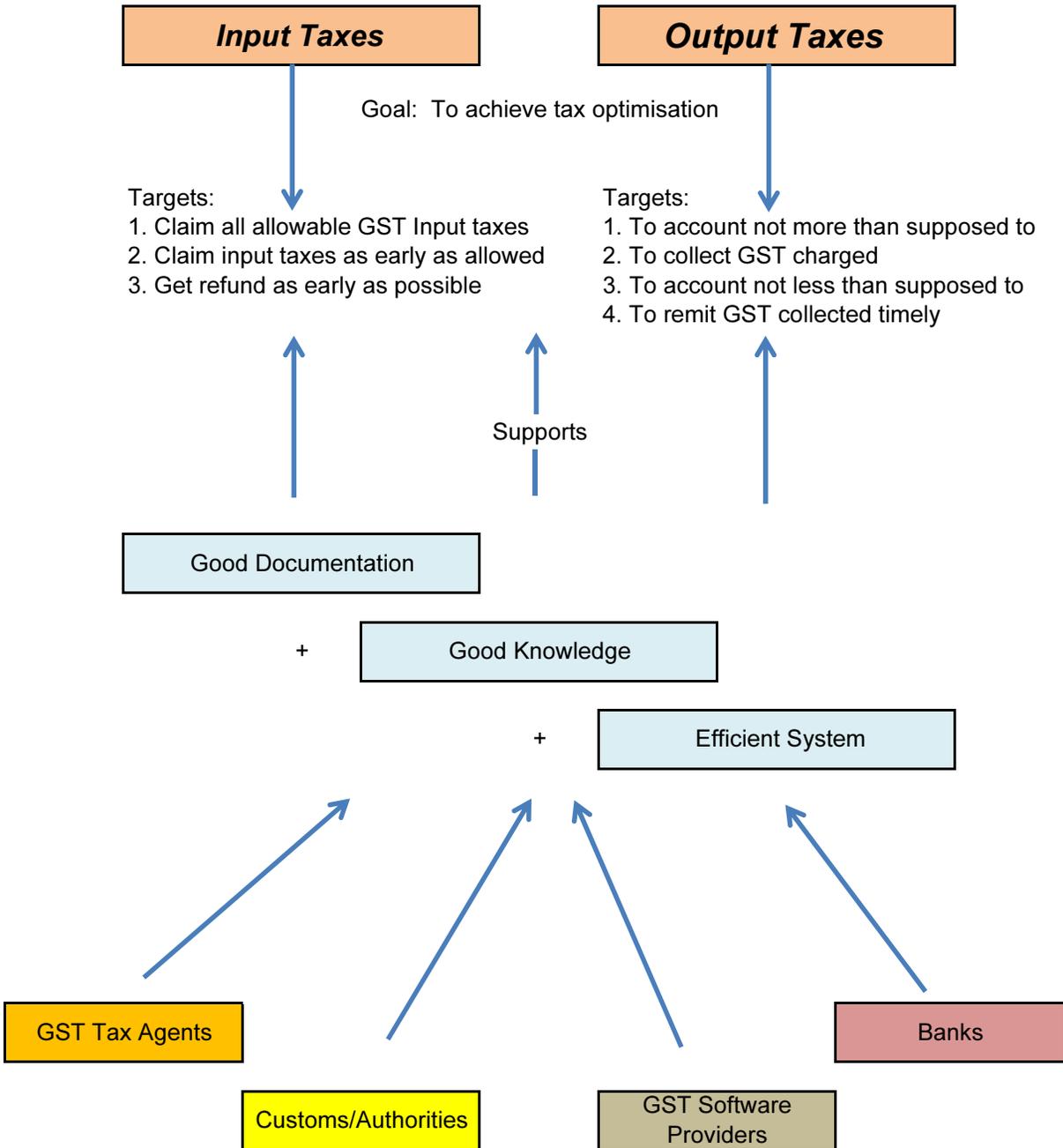
GST Stage	Activities
1 Implementation Stage 	(One-off) Identifying suitable filing period Identifying suitable accounting basis Setting up a bank account for GST purposes Registration Identifying GST rates applicable to its product Identifying GST input taxes claimability Design tax invoices Setting up GST compliance accounting software Installing GST compliance hardware Transition adjustments
2 Compliance Stage 	(Recurring) Keep track of daily transaction and documents GST Collections Accounting for output GST Claiming of input GST Filling up return forms Submission Remittance to/Refund from government
3 Optimisation Stage 	(Case-to-case) Internal Policy changes GST related fine-tuning Correspondences to customs Preparing for customs investigation and audit

Important!

It is highly important to follow the direction of the arrow. Few reasons why you should not go against it: (i) The following stage cannot be implemented if the previous preceding stage is not achieve (ii) it is extremely costly to go back and re-adapt the system (iii) it warrant unnecessary penalties (iv) it may tarnish supplier's/customer's relationship

III. THINGS THAT MATTERS

What are the things that matters when handling GST? The world of GST is seperated into two distinct parts, each with specific targets to fulfill before an entity can achieve GST tax optimisation. The chart below shows the prerequisites support needed and who can help:



IV. GST AND RISK

Without proper GST implementation, businesses may face risk in several ways. Accordingly, these brings harm to a company's financial health and operation flow.

Cashflows

Due to the timing differences of accounting of GST and the collections from customers. The company would be forced to lock up its cashflows to provide working capital for GST remittance. Without optimising its tax, the company suffers a higher cost of capital.

Penalty

The current maximum penalty rate stands at 25%. Failure to account for output tax or over claiming of input taxes will lead to a penalty rate imposed by the authority in addition to the unaccounted GST taxes. These penalties are expensive and may cripple a company's of its finances.

Moreover, poor documentations leading to a mismatch between accounted taxes and source documents too may lead to serious consequences should the company failed to justify the figures it accounted during an audit or investigation.

The company pays uncollected output taxes

In the event the company did not charge and collect GST output tax on the products it supposed to, the burden of tax that supposedly shouldered by consumers will be the responsibility of the company. These will cut the profit margin of the company and likewise, affect the profitability of the company.

Costly rectification

Errors are costly to rectify. These includes altering systems that had already been set up and the cost of confusing and learning curve that requires time and efforts to relearn and re-establish.

This may also include the re-incurring the "one-off" cost during implementation stage such as redesigning invoices, resetting accounting softwares.

V. WHAT WE CAN DO FOR YOU

AYA Services

AYA is ready to provide [with the exception of (i) setting up accounting software, (ii) installing hardware, (iii) keep track of daily transactions and documents, (iv) GST collections] all the services listed in the GST journey.

The exceptions of (i) and (ii) should be duly handled by accounting software providers appointed by client while (iii) and (iv) are an integral part of client's business.

Output from our services

(i) Implementation stage

AYA will produce a report that consist of GST registration summary as well as recommendation to clients on suitable filing period, accounting basis, GST rates applicable, GST claimable and a tax invoice design. In addition, AYA will also generate a note to accounting software providers on the requirements of client.

(ii) Compliance stage

AYA will review tax computation (or reports) generated by clients along with relevant documentations. Then, AYA will help clients to fill up relevant submission form and submit to customs accordingly, together with payments.

(iii) Optimisation stage

Output differs from case-to-case depending on services provided.

Resources

AYA is committing all its branches and a mobile team to service all GST clients. The GST team of AYA includes a successful exam candidate that attended a full month length of GST training course for tax agents organized by the Royal Malaysian Customs and an ex-customs officer with more than 30 years of experience.

We are happy to serve!

CONTACT US

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<http://www.alanyoonassociates.com/contact/index.html>



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