

# GST Talk



# GST ?

- GST stands for Goods and Services Tax
- It is a form of consumption tax charged on every business transaction stages where value adding is present
- GST incurred on inputs is allowed to be offset against output tax

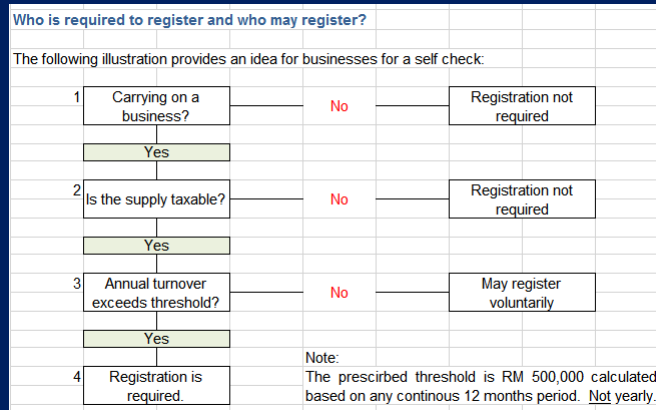


## Responsibilities of Business Owners in GST

- To register
- To collect GST
- To compute GST
- To remit/claim GST



## Who should register for GST?





## Who should register for GST?

Common arguments to not register GST:

- 1 NGOs
- 2 I always make losses
- 3 Custom don't know my income
- 4 Its my hobby! + Side income
- 5 Things I sell are all zero rated



## The flexibilities of the GST Law

There are two landmark law case that are used by the customs in determining whether or not a person is carrying out a business:

1. Lord Fisher's Business test
  - a. Is the activity a serious undertaking or work earnestly pursued?
  - b. Is the activity actively pursued with reasonable or recognisable continuity?
  - c. Is the activity conducted in a regular manner and on sound and recognised business principles (business like nature)?
  - d. Is the activity concerned with the making of supplies for a consideration?
  - e. Is the activity concerned with the making of supplies of a kind commonly made by commercial organisations?
1. Morrison's Academy Boarding Houses Association
  - a. no justification for the necessity of "commercial element" in these activities



# The flexibilities of the GST Law

And, "Business" is defined in the GST Act as:

*In this Act, "business" includes any trade, commerce, profession, vocation or any other similar activity, whether or not it is for a pecuniary profit.*

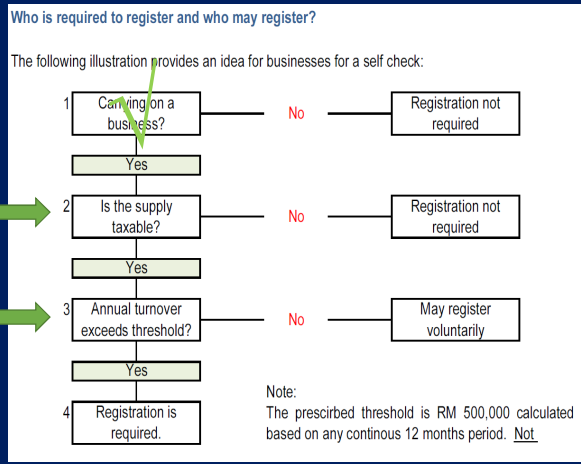
*Without ... the following are deemed to be carrying on of a business:*

*The provision by a club, association, society, management corporation, joint management body or organization (for a subscription or other consideration) of the facilities or benefits available to its members or parcel proprietors, as the case may be...*

~Goods and Services Tax Act 2014



# The flexibilities of the GST Law



Activities

Quantum



# The flexibilities of the GST Law

Every supply that is not exempted supplies are taxable supplies.

“Deemed Supplies” – Gifts, Supply with zero values, “connected persons”

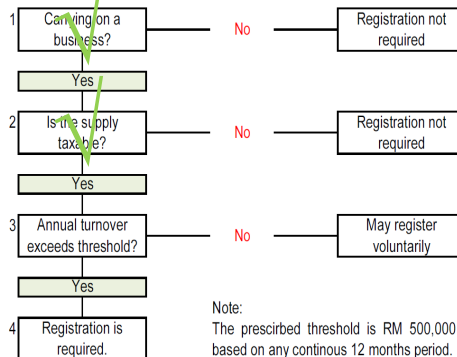


# The flexibilities of the GST Law

Who is required to register and who may register?

The following illustration provides an idea for businesses for a self check:

Quantum →



Note:  
The prescribed threshold is RM 500,000 calculated based on any continuous 12 months period. Not



## The flexibilities of GST Law

According to the GST Registration guide, the determination of taxable supplies includes:

1. Standard rated supplies
2. Zero rated supplies
3. Deemed supplies
4. Disregarded supplies

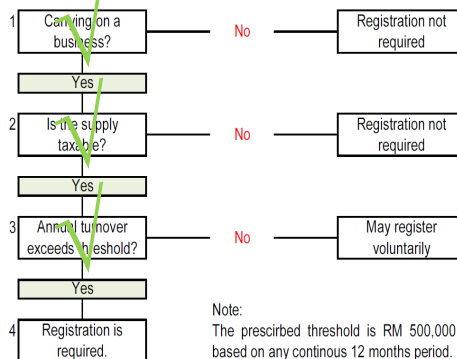
Should the total of item 1 – 4 exceeds RM500,000 within twelve months, they have to register for GST number.



## The flexibilities of the GST Law

Who is required to register and who may register?

The following illustration provides an idea for businesses for a self check:



Note:  
The prescribed threshold is RM 500,000 calculated based on any continuous 12 months period. Not

**AVA**

# Should I register voluntarily?

Who is required to register and who may register?

The following illustration provides an idea for businesses for a self check:

```
graph TD; Q1[1 Carrying on a business?] -- No --> R1[Registration not required]; Q1 -- Yes --> Q2[2 Is the supply taxable?]; Q2 -- No --> R2[Registration not required]; Q2 -- Yes --> Q3[3 Annual turnover exceed threshold?]; Q3 -- No --> R3[May register voluntarily]; Q3 -- Yes --> R4[Registration is required.];
```

Note:  
The prescribed threshold is RM 500,000 calculated based on any continuous 12 months period. Not

Alan Yoon Associates - All Rights Reserved

13

**AVA**

# Should I register voluntarily?

Depends!

- Look at the GST impacts on customers
- Look at input taxes claimability

Alan Yoon Associates - All Rights Reserved

14



## Risks of businesses under GST

### (1) Cashflows

Due to the timing differences of accounting of GST and the collections from customers, businesses 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.



## Risks of businesses under GST

### (2) 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.





## Risks of businesses under GST

### (3) Penalties

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.

Penalties are expensive.

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.



## Risks of businesses under GST

### (4) Costly Rectifications

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 re-learn and re-establish.

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



## Impacts of GST to Businesses

To prepare for GST, changes are needed on these areas:

- 1 Business Documents
- 2 Accounting/Book keeping
- 3 Operations
- 4 Cashflow Management



## Business Documents

- Tax invoices
- Credit Notes / Debit Notes
- Statements



## Accounting and Bookkeeping

- Accounting Software
- Files / Directories
- Staff
- Reconciliations



## Operations

- Timings of Documents
- Sequences
- Signatures



## Cashflow Managements

- Additional Capital
- Lead time/Turn around Time
- Arrangements



## GST Optimisation

There are two major parts that forms the GST system – Input Taxes and Output Taxes

To achieve the goal of GST optimization, certain targets must be met in each part

**AVA**

# GST Optimisation

The diagram features two orange boxes at the top: "Input Taxes" on the left and "Output Taxes" on the right. Blue arrows point from each box towards a central text area. The central text reads "Goal: To achieve tax optimisation". Below the "Input Taxes" box, the text "Targets:" is followed by a list of three items. Below the "Output Taxes" box, the text "Targets:" is followed by a list of four items.

**Input Taxes**

Goal: To achieve tax optimisation

**Output Taxes**

Targets:

- 1. Claim all allowable GST Input taxes
- 2. Claim input taxes as early as allowed
- 3. Get refund as early as possible

Targets:

- 1. To account not more than supposed to
- 2. To collect GST charged
- 3. To account not less than supposed to
- 4. To remit GST collected timely

Alan Yoon Associates - All Rights Reserved 25

**AVA**

# GST Optimisation

Parties that can assist your business in GST optimization:

The diagram consists of five colored boxes arranged in a loose cluster. The boxes are: "GST Tax Agents" (yellow), "Customs/Authorities" (yellow), "Book Keepers" (cyan), "Banks" (red), and "GST Software Providers" (grey).

**GST Tax Agents**

**Customs/Authorities**

**Book Keepers**

**Banks**

**GST Software Providers**

Alan Yoon Associates - All Rights Reserved 26




# The Journey of GST

The Journey of GST is the practical side of GST.

It includes the most, if not all of the actions needed by a business in implementations, compliance and optimization of GST




# The Journey of GST

GST Stage	Activities
<p data-bbox="391 1352 641 1381">Implementation Stage</p> 	<p data-bbox="699 1352 797 1381">(One-off)</p> <ul style="list-style-type: none"> <li data-bbox="699 1415 1024 1444">Identifying suitable filing period</li> <li data-bbox="699 1444 1081 1474">Identifying suitable accounting basis</li> <li data-bbox="699 1474 1170 1503">Setting up a bank account for GST purposes</li> <li data-bbox="699 1503 829 1533">Registration</li> <li data-bbox="699 1533 1182 1562">Identifying GST rates applicable to its product</li> <li data-bbox="699 1562 1110 1591">Identifying GST input taxes claimability</li> <li data-bbox="699 1591 906 1621">Design tax invoices</li> <li data-bbox="699 1621 1208 1650">Setting up GST compliance accounting software</li> <li data-bbox="699 1650 1081 1680">Installing GST compliance hardware</li> <li data-bbox="699 1680 938 1709">Transition adjustments</li> </ul>

**AVA**


# The Journey of GST

<b>Compliance Stage</b> 	(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
--	--

Alan Yoon Associates - All Rights Reserved 29

**AVA**

# The Journey of GST

<b>Optimisation Stage</b> 	(Case-to-case) Internal Policy changes GST related fine-tuning Correspondences to customs Preparing for customs investigation and audit.
--	--

Alan Yoon Associates - All Rights Reserved 30



## Do I need a GST compliance software?

- It depends
- It is recommended for businesses with high volume of transactions and producing mixed supplies; or
- Already have accounting software in place
- Advantages of GST software:
  - Perfectly match accounts and GST submissions
  - Easier to liaise with custom enquiries
  - Tax benefits and subsidies (e-voucher)
  - Minimise mistakes



## GST 会计软件

GST software in the market is categorized into two:

1. A – Advanced
  - suitable for mixed supplies
2. B – Basic
  - suitable for non-mixed supplies



**AVA**

# Start from the biggest amount

Company No. 123456-G		MANAGEMENT ACCOUNT
<b>GST SDN. BHD.</b> (Incorporated in Malaysia)		
INCOME STATEMENT FOR THE PERIOD ENDED 30TH APRIL 2015		
	NOTES	Apr-15 RM
REVENUE	5	XX
COST OF SALES		(XX)
GROSS PROFIT		XX
OTHER INCOME		XX
ADMINISTRATIVE EXPENSES		(XX)
PROFIT BEFORE INCOME TAX	6	XX
INCOME TAX EXPENSE	7	(XX)
PROFIT AFTER INCOME TAX		XX

Alan Yoon Associates - All Rights Reserved

33

**AVA**

# Start from the biggest amount

In a business, the largest amount is none other than:

**Revenue and Cost of Sales**  
(营业额和销售成本)

thereafter,

**Admin Expenses & Other Income**  
(其他开销和其他收入)

Alan Yoon Associates - All Rights Reserved

34



## Revenue and Cost of Sales (营业额和销售成本)

- Revenue 营业额
  - Classify revenue according to GST rates  
依种类分类 (0%, 6%, 免税)
  - Does 0% and 6% revenues exceeds RM500,00?  
0% 和 6% 的营业额是否超过 RM500,000?
  - Design Tax Invoice  
设计税务发票
  - Ascertain Timing of Invoices  
拟定发票时机
  - Recording Methods  
如何记录 (收银机, 会计软件, 手动)
  - Filings  
文档管理 (重发)



## Revenue and Cost of Sales (营业额和销售成本)

- Cost of Sales 销售成本
  - Classify cost according to incidental supplies  
依种类分类 (0%/6%, 免税)
  - Identify purchases which exceed RM500 or GST element of RM50  
0% 和 6% 的单体购买的GST是否超过RM30?
  - Make arrangement with suppliers on timing of invoice  
与主要厂家拟定他们发票给你的时机
  - Supply invoicing information to all major suppliers  
给所有厂家提供他们发票所需的资料
  - Filings and recordings  
如何记录和文档管理

## AVA Admin Expenses & Other Income (其他开销和其他收入)

- Admin Expenses 其他开销
  - Set aside not claimable input taxes  
把不能索回的开销隔离：
    - Non business related 与生意运行无关的开销
    - Personal expenses 私人开销
    - Expenses related to exempt supplies 免税供应的开销
    - Etc 其他
  - Filings and Recordings (Signatures)  
如何记录和文档管理（收据上的姓名）

## AVA Admin Expenses & Other Income (其他开销和其他收入)

- Other Income 其他收入
  - Identify whether other income is related to business or not  
确认是否收入应归纳于生意
  - Same procedures as revenue  
与营业额需准备的事项一样



## Common Misconception

- Accounting Software will do everything
- My staff can handle everything
- I have registered and I am good
- Tax Agent will “Bao Ka Liao”



## Main Role of Tax Agents

We are:

GST Tax Agents

Tax Agents provide, with the exception of:

- setting up accounting software,
- installing hardware,
- keep track of daily transactions and documents,
- GST collections

All of the services listed in the GST journey.



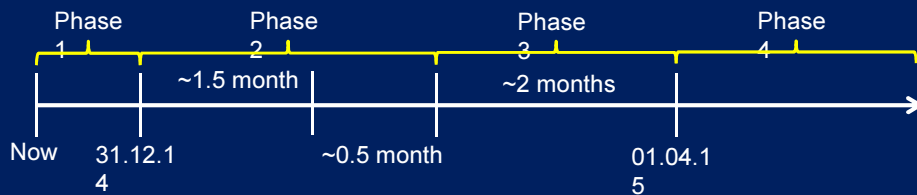
# Implementation Process

## Service Process (Implementation):

- Confirm
- List of documents to prepare
- Visit
- GST Registration
- Report



# Implementation Process





# Thank You!

[williamyoon@hotmail.com](mailto:williamyoon@hotmail.com)

016-6260310

Alan Yoon Associates - All Rights  
Reserved

43