

# Improving the implementation of GST

| BY CHUA TEE YONG |

In the implementation of the goods and services tax (GST), there must be consultation with all the stakeholders — consumers, small businesses and manufacturers — to ensure their concerns are taken into account. Non-governmental organisations, tax experts, trade organisations and associations should be involved to provide input and recommendations for the modification of the draft bill if necessary. The government should not take the attitude that it knows all, and knows what is best for the rakyat. The general public should also have the opportunity to submit their recommendations within a certain time frame.

Currently, only the Goods and Services Tax Bill is available. The authorities have said the details of the regulations and orders will be released only after the Bill is enacted. It has been suggested that the draft regulations and orders be made available now, to enable businesses to start preparing for the launch of the GST scheduled for mid-2011. Also, detailed guidelines for various sectors and industries should be issued immediately. This information is essential in order for businesses to be GST-ready, in view of the short time frame remaining.

The implementation of the GST is a massive initiative that requires a special committee and task force for the following purposes:

- To study and monitor the general impact of the GST;
- To identify and resolve operation-

al problems in the implementation of GST;

- To prepare the business community for compliance;
- To oversee a public education programme;
- To coordinate between the various departments and to ensure sufficient manpower and resources for the implementation; and
- To coordinate the gathering of feedback from the public and business community.

The committee should meet frequently to sort out potential problems, to discuss feedback and to recommend amendments if necessary to fine-tune the draft GST bill.

The job of explaining the implementation of the GST should not be limited to the Finance Ministry. The Ministries of Trade and Industry, and Domestic Trade, Cooperatives and Consumer Affairs should have representatives on the committee, as should the Small and Medium Enterprise, and the Customs and Excise Department and others. The various departments can play an important role in briefing investors, assisting in the enforcement, and familiarising the SMEs with the GST and helping them to comply.

If the new tax is implemented with a silo mentality, without inter-departmental cooperation and assistance, its success would be undetermined.

## Preparation

The GST will be new for both taxpayers and tax collectors. As it will replace the service and sales taxes, the recruitment of additional staff will

not be too significant. But comprehensive training programmes need to be designed and carried out. An assessment must be carried out to determine whether experts need to be brought in from overseas, as was done by Australia.

The public opinion is that there is room for improvement in the Customs Department in terms of efficiency in collection, enforcement and provision of services. A more professional attitude needs to be instilled. As the GST is a broad-based tax, which will increase the volume of work, it will be natural to encounter problems and confused taxpayers. Therefore, a hotline should be set up with sufficient competent manpower and resources for businesses to obtain answers to their questions, and a continuously updated website should provide the latest information.

An important aspect for the business community is registration. It is proposed that businesses with a turnover of over RM500,000 a year will be required to collect GST. They should be mandated to display a registration certificate and GST logo at their place of business. The logo should not be easily duplicated, and it should have safety features to prevent potential abuse. When they register, companies should be given the following information so they are GST compliant:

- A general guide on GST for traders;
- How to maintain records and accounts;
- The format for the preparation of the GST return;

## Audit, investigation and penalties

The Customs Department must regularly audit businesses to ensure compliance with the tax law. But since the GST is new, excessive penalties should be avoided. The general public and business community should be given time to learn to comply with the law, and genuine mistakes should not be severely punished. A gentler approach will win greater public acceptance, and the penalty provisions should be reviewed accordingly.

Section 94 of the GST Bill provides for a fine of up to RM50,000 for an incorrect return (not involving fraud or evasion), or up to three years jail, or both. The equivalent penalties are RM5,000 and one year in the Sales Tax Act and RM5,000 and two years in the Service Tax Act.

## Educating the public

An extensive publicity programme should be launched to explain the rationale for introducing the GST and raising public awareness of the new tax. The media — newspapers, television and radio — should be involved, pamphlets should be distributed, and a toll-free helpline for public enquiries should be set up, as their queries would be different from those from the business community. Discussions on the tax should be organised by non-governmental organisations, local councils, community leaders, members of parliament and state assemblymen.

It has been reported that a shopping guide listing over 300 items affected by the GST will be published. It will indicate the price increase or

reduction of these items following the implementation of the GST. A website detailing the prices of goods before and after GST could also be provided to clear any doubts or speculation. Remaining silent will only create more fear, speculation, confusion and doubt, thus setting up for the failure of the GST.

## Providing information to businesses

The Customs Department must view businesses as its partners in collecting the GST. Ways to reach out to the target group should include:

1. Dialogue sessions with industry and trade associations to help improve the government's understanding of the various businesses to fine-tune the implementation of the GST;
2. Classes would be another avenue to educate businesses, especially small and medium-sized enterprises, that are not members of a trade association;
3. Field visits to retailers and traders affected by the GST could garner valuable feedback;
4. Setting up a toll-free helpline; and
5. Setting up an advice or customer relations centre for businesses to clarify rulings on the GST.

## Reducing the cost of compliance for business

Reducing the cost of compliance and implementation should also be a priority of the government in order to enlist the support of the business community. The cost of implement-

CONTINUES NEXT PAGE