

Client Alert

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Goods and Services Tax ("GST") Updates

The inaugural National GST Conference 2016, jointly organised by the Royal Malaysian Customs Department ("**Customs**") and the Chartered Tax Institute of Malaysia, was held on 31 May 2016 and 1 June 2016 recently.

The conference was attended by approximately 1100 participants, and some of the topics discussed during the conference included issues surrounding disbursement / reimbursement characterisations, international GST decisions and cases, appeals to the GST Tribunal as well as audit and compliance experience in Singapore and Australia.

Updates

During the conference, Customs had shared several noteworthy updates relating to the implementation of the GST in Malaysia, as summarised below:

- *Joint audits* – Officers from the Malaysian Inland Revenue Board ("**MIRB**") are currently attending trainings on the Malaysian GST regime. MIRB and Customs are intending to roll out joint audits on taxpayers in the near future.
- *GST audit framework* – Customs had announced that it intends to issue a GST audit framework shortly. It is expected that the framework would outline how cases will be selected for audits, how the GST audit will be carried out, as well as the rights and responsibilities of audit officers and taxpayers.
- *Public rulings* – Customs had shared that the current clarifications published by way of Director-General Decisions will be codified and replaced with public rulings to be issued under Section 76 of the Goods and Services Act 2014 ("**GST Act**"). Pursuant to Section 76, where a person has applied the provision in the GST Act in accordance with a public ruling, the Director General shall apply such provision in accordance with the public ruling.
- *Grace period for full GST compliance* - In the run up to the implementation of the GST regime, the [Ministry of Finance](#) was reported to have announced that a two-year grace period for full implementation with the GST regime would be provided to companies which have been registered, and no strict action would be taken if such companies were found to have made errors during this grace period. However, following questions raised by participants seeking confirmation that Customs would not impose penalties during this two-year period, Customs had clarified that as no official statement was

issued with respect to the grace period, penalties will be imposed in accordance with the GST Act for any non-compliance with the GST laws during the two-year period.

Comments and Recommendation

These updates would appear to signal a change in momentum towards GST compliance, and we expect to see an increase in audit activity by Customs on GST matters in the near future. Therefore, it would be timely and prudent for businesses to undertake an internal review and health check to determine compliance with the GST requirements, as penalties could be applicable in the event that instances of non-compliance are discovered during an audit by Customs.

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