

Malaysian businesses expect chaotic transition to new sales tax



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KUALA LUMPUR — Malaysian businesses anticipate a chaotic switch to the sales and services tax (SST) in September, as there will be only three days to adjust their systems once the tax is made into law.

Despite the fact that the SST is a single-stage tax, trade groups said their members are concerned as they are unsure about the different taxes for goods and services.

“The problem is that we can only set our pricing systems when the law is passed and gazetted,” said Small Medium Enterprises Association president Michael Kang.

“It is only three days between the gazetting and when it takes effect, and this will be really chaotic for businesses

“Some items will go down in price while some will go up, so we really need more time to study the tax regime,” he told The Malaysian Insight.

The government has set September 1 for the SST to come into effect. It aims to table the bill for the SST next week and expects it to be passed and gazetted by August 28.

The SST sets three tax rates, zero per cent, five per cent and 10 per cent for goods and a flat six per cent for certain services.

Although the Customs Department has uploaded a 292-page list of items exempted from the SST, it has yet to reveal what goods will be taxed.

The exempted list includes food, household items, building materials, chemicals and furniture.

Only businesses that earn more than RM500,000 (S\$168,000) will be eligible to levy the tax.

Although the tax is set at the manufacturer or importer level, some businesses may charge both the goods tax and the service tax, said Mr Kang.

“Some food businesses have central kitchens. So, does the central kitchen have to charge the goods tax when they produce and sell to their retail outlets?”

“Do the retail outlets then charge the food at six per cent? These are the details we don’t know yet, as we have not been able to study the law,” he said.

“It is only when we are able to study the law that we are able to determine the final cost of our products and how much to sell them for.”

The three-day transition period will likely see producers, wholesalers and retailers in the supply chain scrambling to reset their pricing systems, said Mr Kang.

The association has about 100,000 official members out of a total of one million SMEs nationwide. According to the Malaysian Employers Federation (MEF), SMEs represent 98 per cent of all enterprises.

MEF executive director Shamsuddin Bardan echoed these concerns, saying that the time frame to comply with the law is too short.

When the previous Barisan Nasional (BN) government enforced the now-defunct goods and services tax (GST), there was a one-year transition period to put the system in place.

A month was given for businesses to adjust when the new Pakatan Harapan government decided to zero-rate the GST.

“Three days are really not enough to study the law and its implications. For instance, we are still not clear on the revenue threshold, as to who qualifies to charge the tax.”

Once the bill is passed at the parliament, it has to be passed by the upper house. However, the opposition BN coalition controls the upper house of Parliament and may not approve the bill, sending it back to the parliament.

Monetary bills, however, are automatically passed after 30 days with or without upper house approval.

“If this happens, it will delay the passing of the law. So again, there won’t be enough time for businesses to properly implement the SST on time,” added Mr Shamsuddin.
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