Malaysian Goods and Services Tax

The Goods and Services Tax Act (“the Act”) came into force on 1st April 2015. Originally scheduled for implementation in 2011, the Act serves as a replacement of the Sales and Service Tax which has been enforced in the country for decades. Hoping to offset its budget deficit, GST was imposed on goods and services and are subjected to a 6% tax as opposed to 5-10% Sales and Services Tax.

During the announcement of the 2015 budget, along with the announcement of the implementation of GST, it was also unveiled that there are goods and services which would be exempt from the act and they include agricultural products, essential food items, livestock and livestock supply, first 300kwh of electricity for domestic use, water for domestic users and RON 95 petrol and diesel, among others.

Since the Act has come into force, there have been quite a number of inconsistencies in terms of implementation which can be attributed to poor knowledge management and education. The people are starting to become more aware of their spending and are constantly looking out for GST charges in their bill. The government is also conducting several rounds of seminars to help educate traders and business owners of their responsibilities under the new GST regime.

Although the implementation of the law is at a very infant stage, it has brought forth a lot of conversations and awareness of the new regime. Amidst concerns and backlash, Malaysia now join the ranks of Singapore, Indonesia, Australia and most European countries, among others that implement GST or VAT (Value Added Tax) with the simple aim of establishing a more effective, transparent, efficient and business friendly scheme that would spur economic and financial growth .