

Tax on services at 6%, sale of goods 10% under SST

Sales and services tax to be implemented on Sept 1

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KUALA LUMPUR: The provision of services will be taxed at 6% under the reintroduced sales and services tax (SST), while the sale of goods will incur a 10% tax, said Finance Minister Lim Guan Eng.

He said that the SST would be implemented on Sept 1 after the necessary laws are passed in the current Parliament session.

"Following the zero-rating of the goods and services tax (GST), the federal government is expecting to lose RM21bil in revenue per year.

"In contrast, the reintroduction of the SST, rising crude oil prices and the dividends from the government-linked companies would bring in an extra RM15bil in revenue for the federal government in 2018," Lim said in his speech at the National Tax Conference yesterday.

"Under the proposed SST bill, goods will be taxed at 10%, while the provision of services will be taxed at 6%.

"And this is the same rate that had been imposed previously. To fill up the gap left by the GST, the Ministry of Finance has identified RM10bil worth of expenditure savings," he added.

He said that with the reintroduction of the SST, the government would be able to claw back RM21bil a year, but there would still be a shortfall of another RM21bil.

"This is where we need to do a little bit of belt-tightening by cutting down on expenditures, inefficiencies and of course through savings," he said.

He said that the projected tax collection in direct taxes previously by the Inland Revenue Board (LHDN) of RM134bil, which is almost an additional 10% from the RM123bil in 2017, could be challenging and that the growth in collection was possible because of the removal of the high-handed and rough methods that had been employed by the previous government.

"Whether we can achieve this target or not



Revenue boost: Lim says the reintroduction of the SST, rising crude oil prices and dividends from GLCs will bring in RM15bil revenue. — AP

would depend on whether we can instil confidence among the public that the LHDN is implementing a fair tax regime," he said.

Lim said that he hoped the people and companies operating here would, in turn, give due support to this process by duly paying their taxes.

"While taxes fund the development and administration of the country, they also serve to reduce inequality that exists in our society.

"And while we impose taxes, we also do not want to tax you to death, but we hope that you are able to pay these taxes to help us save the country.

"If we can resolve this problem of tax evasion and tax avoidance, this would go a long way," he said.

Lim said that the Finance Ministry had

instructed the LHDN to immediately cease high-handed rough tactics to recover taxes that were unpaid.

"They were employed by the previous government and this cannot continue. We know that the previous government needed money to cover up its financial scandals. So, it used very strong methods, especially office raids accompanied by security people armed with guns and weapons.

"I do not think this is necessary because we are not dealing with people like Jho Low," Lim said.

He said the government would rely on the courts to decide on such matters instead.

"If businesses are accused of not paying taxes, I am sure our existing laws are sufficient and adequate enough to cover them. This also does not mean that the government won't go after those who do not pay their taxes; we will still do this, but in accordance with the law. I hope that in turn, Malaysians can comply," Lim said.

"If, for example, say there are some companies that cannot pay up this year but would like to (defer) payment to the following year, the taxman can be flexible. *Ia boleh dibincang tetapi dengan bersih bukan di bawah kaunter*

(It can be discussed in a clean manner in the absence of any corrupt elements).

"I must emphasise the word *bersih* (clean) here and this is very important. Discussions must happen in the LHDN office during office hours and not at some place outside during strange hours," he added.

Lim said he hoped that with the installation of the new government that has pledged transparency in the way tax money is used, people, in turn, would willingly pay their taxes without any qualms or doubts.

"Tax money will be used for public purposes for the benefit of the people.

"Generally, it has been proven that if people believe that the government is using the obtained tax money for the right purposes, they are willing to pay more and we hope that we can instil this confidence among the taxpayers," he said.