

JAGAM Japan Graduates' Association of Malaysia

TAYORI



マレーシア元留日学生協会
马来西亚留日同学会
PERSATUAN BEKAS MAHASISWA² JEPUN, MALAYSIA

No. 88, Jalan SS 2/4, 47300 Petaling Jaya Selangor D.E. Tel : 03-7877 4312 Fax : 7877 4311 Email : jagamki@gmail.com URL : www.jagam.org.my

14th Mar, 2010, JAGAM invited Ms. Evonne Chen, Financial Adviser for Standard Financial Planner Sdn. Bhd. to share with its members a hot topic that concerns every consumer - the GST. Although its implementation is still pending government's decision, let's get ourselves informed by the expert. Below is a concise excerpt from her presentation as well as the biodata of the speaker.



What is GST?

GST stands for Goods and Services Tax. It is a pro-active tax based on consumption. Since GST is new to Malaysians, many have questions about its operating mechanism, for example how it applies to each level of the goods in a supply chain and eventually how it affects the end consumer. Business owners would be more interested to find out how it affects the production costs and its impact in running the businesses.

In the technical sense, GST is divided into input tax and

output tax. When the Buyer makes a purchase and pays GST to its supplier, from the Buyer's point of view, it is called input tax. When the Supplier charges GST as it sells its product and collects GST from its buyer, to the Supplier's point of view, this is called output tax.

For example, when X pays Y GST for its purchase, the GST that X pays becomes X's input tax. On the other hand Y collects the GST from X, the GST collected is Y's output tax.

(Editor's comment: Input tax is related to a purchase whereas output tax is related to a sale.)

Business Level	Selling Price (RM)	GST (RM)		
		Output Tax 4% (A)	Input Tax 4% (B)	Payable Tax (A-B)
Cotton Planter	100	4	-	4
Cloth Manufacturer	200	8	4	4
Garment Manufacturer	300	12	8	4
Wholesaler	400	16	12	4
Store	500	20	16	4

Consumer pays final price of RM 520 for end-product.

To understand the GST operating mechanism lets look at the above illustration: a cotton planter sells cotton to cloth manufacturer at RM100 and collects 4% GST that is RM4 and pays to the government. When the cloth manufacturer sells cloth to garment manufacturer at RM200, he collects 4% GST at RM8. Earlier on, he had paid RM4 input tax to the cotton planter. He can then use the RM4 input tax from the purchase to offset the RM8 output tax from the sale and eventually pays the net GST of RM4 to the government.

At every level, a business can use the input tax to offset the output tax. This can avoid double taxation. Even though GST will be charged at every level, the consumer is the one who finally bears the GST.

Are consumers being charged extra? Not necessarily so. It all depends on whether the type of goods and services they consume, is subjected to GST or not.

Under the GST tax regime, all goods and services are classified under 3 types of supplies:

1. Standard-rated supplies
2. Zero-rated supplies
3. Exempt supplies

The businesses that supply standard-rated supplies must charge 4% GST to their customers. Therefore looking at the illustration again, the consumers need to pay RM520 to buy their clothing.