



Some goods and services are rated with zero GST, hence known as the zero-rated supplies. Basically, these are the basic necessities. This will help to ease the burden of the lower income group. Goods and services that are catered for export market are also classified as zero-rated supplies so as to maintain the competitive advantage of local products in the overseas market.

If a business pays input tax for the raw material to his

supplier, yet its end-product is classified as zero-rated supplies, meaning it cannot charge GST for its end-product, the business can ask for refund of its input tax from the government.

Exempt supplies is a supply of any goods and services that is not subjected to the imposition of GST. Basically the mechanism is very similar to zero-rated supplies except that there will be no refund on input tax paid to supplier.



## The use of GST

The implementation of GST is a way the government diversifies its revenue coffers. GST is not an add-on new tax. It is intended to replace the existing sales and services tax. The GST tax system is independently self-governed unlike the personal income tax, sales tax and service tax where it can be evaded through structured devised schemes.

GST is also a way the government uses to control the spending behaviour of its people; it encourages consumer to spend less on non-essential items and to save more.



## Impact of GST to Businesses

GST may or may not increase cost of production. It depends on whether the business already practices the imposition of sales/service tax. Moreover, they can use input tax to offset output tax or they may choose to pass on the additional costs to its consumer. However the businesses will incur additional compliance costs, eg. they will need to upgrade their accounting and recording system, information technology system and staff training. This may incur a one-off increase in its capital/revenue expenditure. Most importantly, the business will need to restructure their cashflow so as to prevent having cashflow problems once the government starts to implement GST. The businesses need to charge GST on sales, so if the customers are late in paying due to credit terms, the businesses will have to pay the tax first. Businesses should be educated and be aware of the potential cashflow aspects of GST.



## Impact of GST to Individual

The more you spend the more tax you need to pay, therefore the tax system encourages wise spending.



## Conclusion

GST is a way for the country to become a high income nation. Prior to its implementation, the government should look to mitigate the impact of GST, ensure that it is business and investor friendly, so that it will not add unnecessary pressure to its people.



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