



## FMM Welcomes the Reintroduction of the Goods and Services Tax (GST)

**Kuala Lumpur, December 14, 2020** – Malaysia's debt is expected to increase further to hit 61% of Gross Domestic Product (GDP) in 2021, up from 60.7% in 2020 and 52.5% in 2019. This situation is worrying since our GDP growth this year as envisaged by Bank Negara is between -2% and +0.5% with no stable inflow but high outflows of government expenditure due to Prihatin, Penjana programmes as well as the Budget 2021 initiatives to support the country recover from the impact of COVID-19 and the Movement Control Order.

Given the weak domestic and external environments brought about by the COVID-19 pandemic, we believe that priority should be given to strengthen the economy and restore more favourable business conditions. In this regard, the Federation of Malaysian Manufacturers (FMM) welcomes the proposal by the Malaysian Government to reintroduce the Goods and Services Tax (GST) by reviewing the weaknesses of the existing Sales and Services Tax system and improving upon the former GST system implemented in 2015.

FMM has been a strong supporter of the GST regime as we are of the opinion that the GST is a more transparent and effective tax regime compared to the Sales and Services Tax (SST). Over 160 countries have implemented the GST regime due to its fair tax structure. More importantly, prices of Malaysian exports will become more competitive on the global stage as no GST is imposed on exported goods and services, while GST incurred on inputs can be recovered along the supply chain.

FMM had recently carried out a quick survey on the reintroduction of GST. A total of 499 companies which responded to FMM's survey held in May 2020, had strongly supported for the GST to be reintroduced and also to be improved to be more consumer- and business-friendly as follows:

- **Reduce GST rate to 3% to 4%** to boost business conditions which would lead to higher investments and employment opportunities as well as higher disposable income for the *rakyat*.
- **Zero-rate all essential goods and services.**
- **Maintain GST registration threshold at RM500,000**
- While switching back to the previous automated model under the GST Tax Payers Access Point (TAP) system will not be difficult as GST compliance systems are already in place, companies have asked for a **6 months transition period to change from current SST to GST 2.0**
- Minimise delay in refunds especially for exporters and businesses with zero-rated supplies as the long refund period between six to eight months has rendered the GST into an accumulating tax burden.
- **Include the provision of interest on late payments and refunds** in the GST legislation to ensure strict compliance to the Client Charter and integrity of the system.



- Create more **efficient schemes to replace Approved Trader Scheme (ATS) and Approved Toll Manufacturing Scheme (ATMS)** as they are complicated and difficult to implement.
- Ensure proper mechanism is in place **to monitor price control and anti-profiteering** in the market when the tax system is reintroduced.

Change and transition can be a challenge and therefore FMM calls for Government to consult all stakeholders throughout this review process which is essential to the success of introducing an effective tax regime.

**Tan Sri Dato' Soh Thian Lai**  
President, Federation of Malaysian Manufacturers

***FMM Advocates Transparency, Integrity and No Corruption***

### **About FMM**

The Federation of Malaysian Manufacturers (FMM) has been the voice of the Malaysian manufacturing sector since 1968. Representing over 10,000 member companies (3,000 direct and 7,000 indirect) from the manufacturing supply chain, FMM is actively engaged with government and its key agencies at Federal, State and local levels. FMM is also well-linked with international organisations, Malaysian businesses and civil society. Apart from benefitting from FMM's advocacy, FMM members enjoy value-add services, including training, business networking and trade opportunities as well as regular information updates.

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