



Malaysia Roll Back Its New Goods And Services Tax (Gst) Model: Lesson Learnt For India

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Abstract. Goods and services tax (GST) is an important facet in each country. Presently, different GST model adopted by more than 160 countries in the world. Concept of these model are same but some variation between two country due to political and economy condition. India is latest country where Dual GST model adopted on 01 July 2017. There were number of taxes on same supply chain in pre- GST era. Journey of GST in Indian is a comprehensive landmark. There was fear among regulators and businessmen about GST mechanism. But after 5 years of its inception, it is a positive step toward Indian economy. Malaysia adopted GST model in 2015 and roll back in 2018. Malaysia is only country in the world where GST has been roll back and SST 2.0 has been introduced with some modification in earlier regime. Some economist believed that it was political reason. But truth is that new GST rates were lower than old indirect tax system. Also, some products have been exempted from GST which negative impact on economy. In this way, tax collection reduced during that period. This paper will emphasize, GST model in Malaysia and introduce of SST 2.0. Further paper will critical analysis about Indian GST model with Malaysian GST model. .

Key Word. Goods, Services, Comprehensive, Mechanism, Model, impact, critical, analysis

INTRODUCTION

GST is an important matter in Malaysia after roll back of new GST law. One taxes slab introduced under Malaysian GST model with standard rate Malaysia is only country in the world where GST has been roll back .GST concept was firstly introduced in France in 1954. Presently more than 160 country adopted this model. important feature of GST model is that

reduce burden of double taxation in supply chain and provide input tax credit to subsequent suppliers. Malaysia also adopted GST model in 2015. Main objective to adopt this model to remove weaknesses in existing model and key initiative under economic transformation program (ETP). There were three categories in new GST model which are standard rate, Zero rate and exempted rate. Standard rate was 6% which was less than existing rate under indirect tax. Unprocessed food, education etc were under zero rated categories. At that time it seems that new GST law is better than sale and service tax(SST). But on the other side there was huge loss of collection of tax which resulted negative impact on economy. As result, after three years , new GST law roll back and again SST2.0 started . But some economist believed that there will be negative impact on economic system.

LITERATURE REVIEW

According to Pakiam, G. K. (2019) in his research “MALAYSIA IN 2018” revealed that goods and service tax is an important factor in Malaysia A comprehensive law brought out positive result for consumer, businessmen and regulator. However, standard rates were lower than existing model which resulted lower collection of tax. Prices of some products had been increased.

As per Yong, L. Y., Yahya, M. H., Bany-Arifin, A. N., & Selamat, A. I. (2019) in his study,” The effect of goods and services tax (GST) imposition on stock market overreaction and trading volume in Malaysia and Australia” described about impact of GST on stock market. Earlier service tax rate were higher than existing GST model. Burden of compliance also have been reduced.

Bhattacharjee, G., & Bhattacharya, D. (2018) suggested in his study “GST and Its Aftermath: Is Consumer Really the King” that consumers got benefit after introduction of GST. Input tax credit at every point of sale reduced tax rate which further reduced price of product at consumer level.

Foon, P. Y., Ng, C. Q., Teh, Q. Y., Wong, Y. S., & Yee, J. H. (2018) in his study “Factors affecting GST non-compliance in Malaysian SMEs” suggested that non compliances under new GST model. Study brought out penalties and adjudication under new GST model. There is heavy penalties for SMEs sector in case of non- compliance.

Pathan, H. S. in his study, “A Comparative Study of GST in India and Other Countries” compared Indian GST with other country GST model like Malaysia , Canada, America etc. Indian GST model is unique model in the world which is known as dual GST model. India is only country in the world where GST rate is higher with compare to other country.

Kumari, L. R. (2017) suggested in his study “Impact of Goods and Services Tax (GST) on Indian MSME's” that GST effected in every sector of economy. MSMEs sector get extra

compliance burden in term of return, penalties of non-compliances etc. however, GST brought out overall growth in business supply chain.

As per Kalyankar, S. P., & Dingre, S. P. in his study “COMPARATIVE STUDY OF GOODS AND SERVICE TAX ACROSS THE GLOBE” GST effect is not limited within country but overall effect across boarder. In globalization era every country depends upon each other. Revival of taxation system will also impact on other country.

RESEARCH METHODOLOGY

Research Design

Study is descriptive and exploratory type and data collected from secondary sources like newspaper, published article, official website of Malaysian GST etc. Study focus on GST roll back in Malaysia and lesson learnt to India. Paper will also emphasized about SST2.0 in Malaysia.

Objectives

1. To asses GST model and its impact on price in Malaysian economy.
2. To asses impact of GST and its roll back in Malaysia.
3. To analysis Malaysian GST and Indian GST model.
4. Futuristic recommendation .

Hypothesis

Hypothesis for the said study made on the basis of objective which are:-

Hypothesis 1

- H0: There is impact on price after implementation of GST in Malaysia
H1: There is not impact on price after implementation of GST in Malaysia

Hypothesis 2

- H0: Roll back of GST in Malaysia will be benefit to economy.
H1: Roll back of GST in Malaysia will not be benefit to economy.

Hypothesis 3

- H0: There is difference between Indian GST and Malaysian GST
H1: There is difference between Indian GST and Malaysian GST

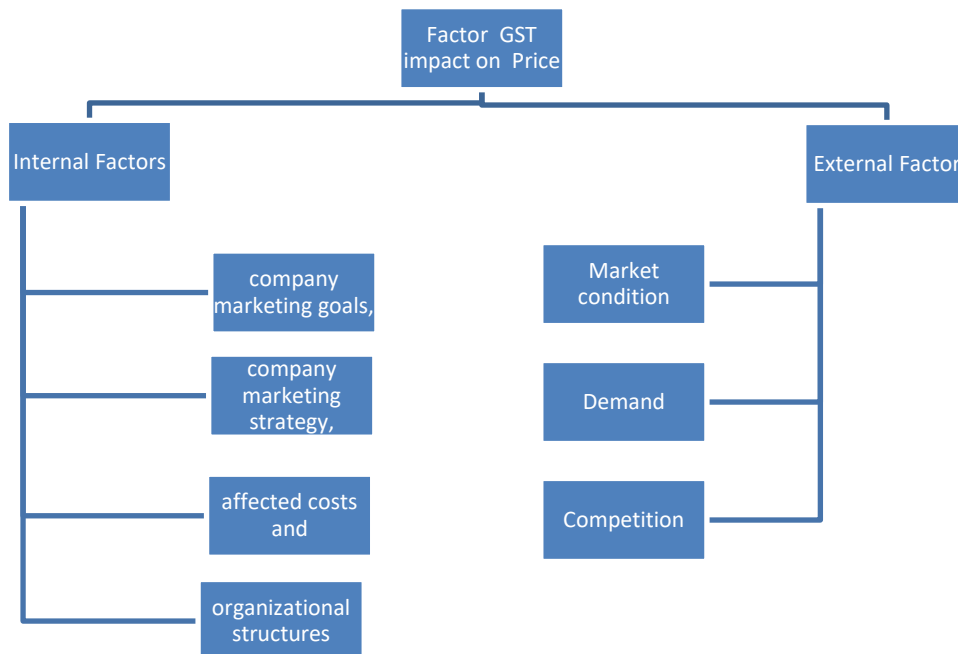
GST MODEL AND ITS IMPACT ON PRICE IN MALAYSIA ECONOMY

Malaysia had adopted GST by replacing existing sales and services tax (SST). Rate of SST was 5-10% services tax 6% . GST rate as adopted was 6% for both goods and services. Economist believed that GST will not result in an unpredictable economic situation in that its system has proven to be the most stable type of revenue. Model of GST was as given below table

Type of supply	Rate on input	Tax credit
Standard rate	Six percent	Items which fall under standard rate , ITC can be claimed
Zero	Zero percent	At zero rated supply credit can be taken
Exempted	Not GST charge	Credit cannot claim on exempted items
Out of Scope	Not ambit GST	Not to be claim due to outside scope

(Source: RMCD GST General Guide as at 24th August 2017)

GST affected on price of goods and service in Malaysia. Under SST era tax rate were different on different product. But in GST standard rate has been introduced both goods as well as services. It can be assessed by some factor that may be internal factors and external factors. Internal factors describe below



In internal factors are company market strategy, company goal and organizational structure. Company sets goal for marketing. GST affected on goal due to changing in rate structure. Organizational structure based on marketing strategy. Further ever business

entity shall get correct information with reference to completion, monopoly and demand of product. Tax structure affects overall strategy in term of sale of goods and well as services

IMPACT OF GST AND ITS ROLL BACK IN MALAYSIA

SST and GST

Malaysia economy depends upon Tax contributes. In 2015, the total tax revenue from the indirect taxes was RM15.7 billion which equal 56.2% of the overall tax collection. GST period was from 2015 to Sep 2018. On 1 September 2018, SST 2.0 introduced by government and administered by the RMCD. Previous GST laws had standard rate i.e. 6%. Unlike Indian GST, the SST is a single-degree tax system. Rate of Taxes on Goods is vary from 5 to 10 % and service hit by 6% under SST2.0. Under GST regime Standard rate was 6% .

Regulatory Authority

SST 2.0 is new concept. Malaysia has adopted GST model in 2015. Regulatory set their administrative according to GST provision. Recruited new staff and trained them for new GST concept. It is again challenge for government to set administrator according to SST2.0. Correct information is very important point for every decision. Government changed tax structure within three years shown that there was lack of planning. Statistical data is also no believable. However SST2.0 is upgraded version of SST which was existed before 2015.

ANALYSIS MALAYSIA SST2.0 AND INDIAN GST MODEL

India has adopted dual GST model in which center as well as states have power to make law at own on GST. Rates of Indian GST are categorized in to four slab i.e. 3 %, 5%, 12%, and 18%. Indian GST model is an unique model in the world which is adopted according to economy requirement. On the other side Malaysian SST2.0 is single GST model. Rate of tax on goods vary from 5 to 10% and services is 6%. SST2.0 is earlier model which was existing prior 2015 in Malaysia.

FUTURISTIC RECOMMENDATION

Malaysia is only country in the world where GST has been roll back. Earlier regime tax rate varied 5-10 percent . But under GST regime Standard tax rate had been reduce i.e. 6% which is almost half of earlier tax slab on some goods. In this way price of some product reduced and also price of some product become costly. On the other side tax collection reduced during GST period which negative impact on economy. In this way, Government has changed decision. Price stabilization and correct information to planner is an important

factor for every economy. For example. Indian GST rate varied from product to product which stabilize price of Goods and service. Under Malaysian GST there was Standard rate. Presently Malaysia has adopted SST2.0 which is goods for healthy economy system of country.

CONCLUSION

Malaysia has recently roll back GST and adopted earlier tax regime i.e. SST2.0 tax rate under new system is same as in earlier regime. This brought out price stabilization, more collection of tax on luxury goods and services and reduced compliance burden in supply chain. Unlike Indian GST SST2.0 is single tax system. It means only one rate will be applicable. Under Indian GST State government as well as central government can levied tax at their own. But Under SST2.0 only central government will levied tax. Further it distributes to central and state government. There are many loop hole in every initiative. It is important to review structure time to time.

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