

SST set at 10% for sales, 6% for services

IRB to cease using 'rough house' tactics to collect tax

BY SUPRIYA SURENDRAN

KUALA LUMPUR: The rate of the sales and services tax (SST) will be set at 10% for sales and 6% for services when the tax makes a comeback in September.

"These were the same rates that were imposed previously [before the SST was replaced by the goods and services tax (GST) on April 1, 2015]," said Finance Minister Lim Guan Eng.

The SST will be reintroduced on Sept 1, following a three-month tax holiday which has been the result of the zero-rating of the GST from June 1.

The new SST Bill is expected to be passed in Parliament in August, Guan Eng said in his keynote address at the National Tax Conference 2018 yesterday.

"Following the zero-rating of the GST in June, the federal government expects to lose RM21 billion in revenue this year. In contrast, the reintroduction of the SST, rising crude oil prices and extra dividends from government-linked companies will bring in an extra RM14.4 billion revenue for the federal government this year," he told

a roomful of tax professionals.

Meanwhile, on whether the Inland Revenue Board (IRB) will be able to achieve its direct tax revenue collection target of RM134 billion this year, Guan Eng acknowledged that it will be challenging as "rough house" tactics that were applied previously for tax collection will not be used.

"The [target of] RM134 billion is 10% more than the tax collection in the previous year [of roughly RM123 billion]. [Achieving this] target is going to be challenging, especially since the past method employed had been very direct. That's why we could get more money, but now we are taking a more rules-based approach.

"We know the last government was desperate because they needed money to cover up their financial scandals, so they used very strong methods, especially office raids which were accompanied by security personnel armed with weapons.

"I do not think this is necessary because you are not dealing with crooks. Even if they (the businesses) have avoided paying taxes, there is a due process whereby

they will be charged in court and the courts will decide.

"The Pakatan Harapan government has given a directive that there will be no more office raids with guns and other weapons," he said.

However, the finance minister clarified that a softer approach by the new government does not translate into a free pass for tax avoiders.

"There will be no more 'rough house' tactics from the past, but we will still conduct desk audits, and we hope Malaysians can comply with the tax laws and regulations.

"Come to the IRB offices during office hours if you want to discuss tax payments or disputes. We want clean discussions in the office, not in a coffee shop. We will not embarrass you; come and discuss like civilised people.

"If you feel that the IRB has been overzealous — that's all in the past. By improving the confidence of the people in the IRB and [by restoring their trust] that the taxes collected will be used for the benefit of the country, we can also improve tax collection," said Guan Eng.