

# **The Associated Chinese Chambers of Commerce and Industry of Malaysia (ACCCIM) Report on the SME Taxation Survey 2016**

## **Background of the Survey**

It has been one year since Malaysia implemented Goods and Services Tax (GST). ACCCIM hopes to collect various taxation issues face by SMEs, and whether these issues affecting the cost of doing business, for onward submission and deliberation with the relevant Government Ministries and Agencies so as to seek measures to resolve the issues.

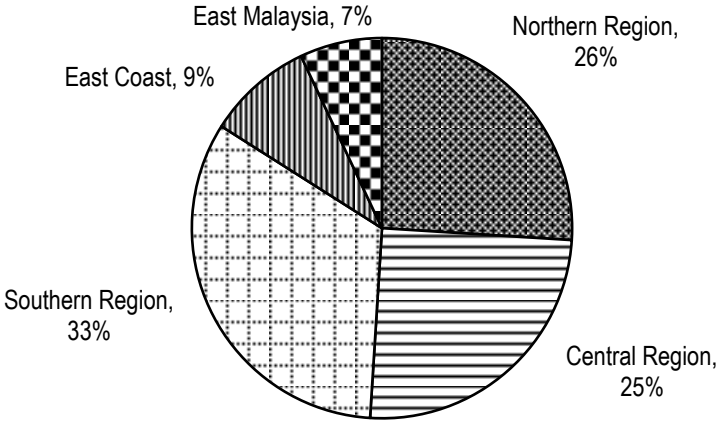
## **Objectives of the Survey**

1. To understand the impacts and challenges faced by Malaysian businesses arising from GST after one year of implementation.
2. The survey results will provide the basis for ACCCIM in the submission of memoranda and related dialogue sessions with the Government and its related agencies. It will also be used as a reference for future events and action plans to be formulated by the ACCCIM.

## **Respondents Background**

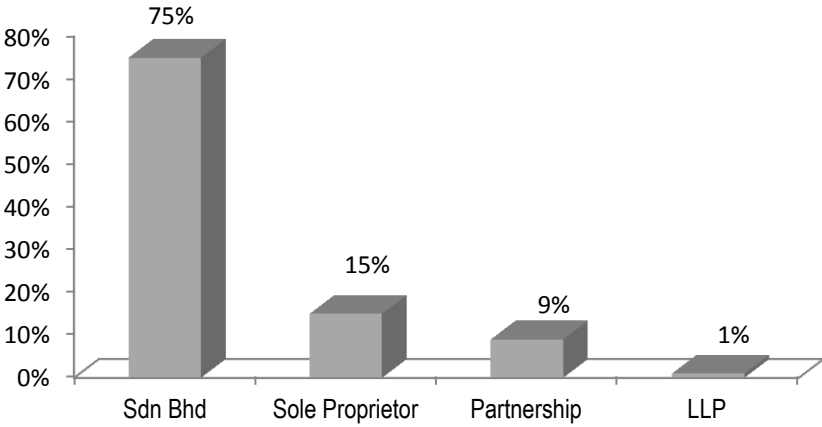
1. The survey was conducted during the period of 29<sup>th</sup> April 2016 to 31<sup>st</sup> May 2016. A total of 1,200 survey questionnaires were distributed, with 806 returns received. The response rate is 67.17%.
2. The survey was conducted mainly through ACCCIM's 17 constituent chambers located throughout Malaysia in 13 states and participated by other national level chambers of commerce, trade and sectorial organisations such as textile manufacturing, shopping malls, construction and building materials, sundry goods merchants, retailers, knitting manufacturing, hoteliers etc. The survey findings reflect the collective views of industries and businesses irrespective of ethnic group.
3. Chart 1 shows the geographical distribution of the responded entities, of which 33% are from Southern Region (Johor, Melaka), followed by Northern Region (Perlis, Kedah, Penang and Perak) and Central Region (Kuala Lumpur, Selangor & Negeri Sembilan) which contributed 26% and 25% respectively.

**Chart 1: Profile of Respondents' Operating Location in Malaysia**



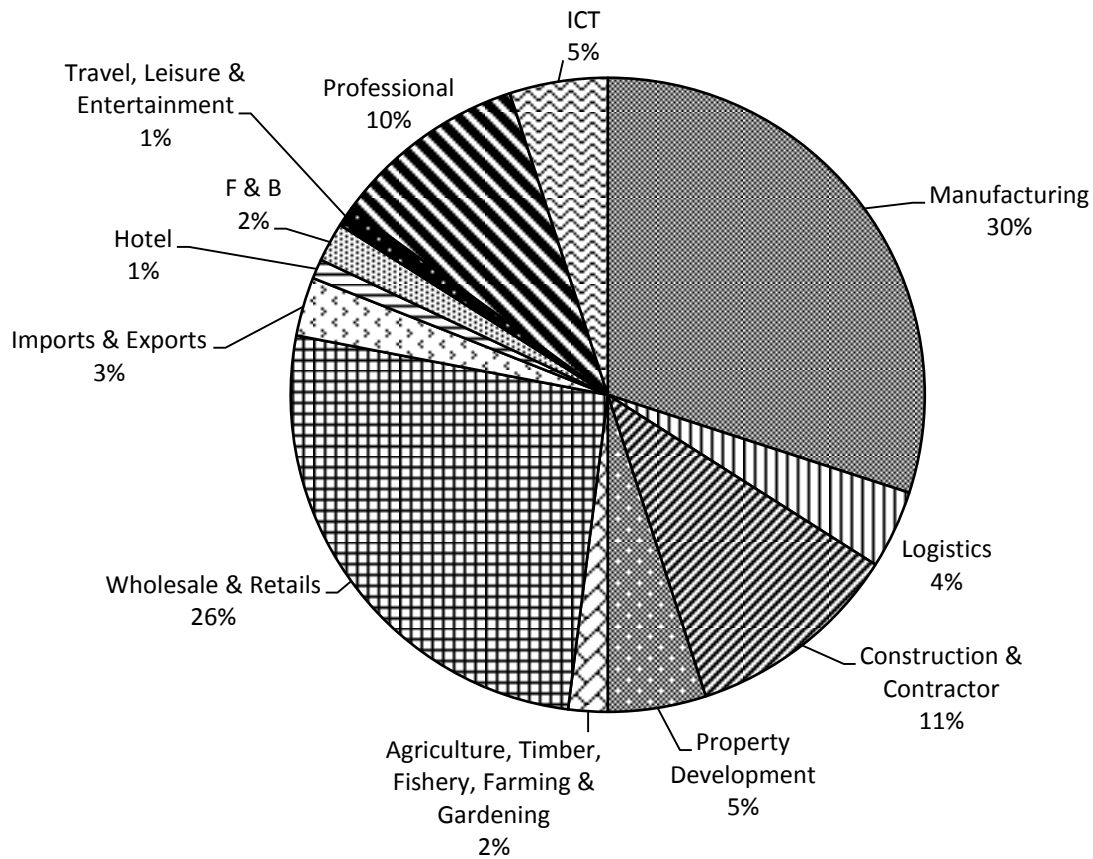
4. As shown in Chart 2, 75% of the respondents are private limited corporations (Sdn. Bhd.), 15% are Sole Proprietors whilst the rest are in the form of partnerships: 9% are conventional partnerships and the remaining 1% are limited liability partnerships (LLP).

**Chart 2: Respondents' Legal Entity**



5. The respondents' industry sector are categorised in Chart 3. Out of the 806 respondents, 30% are in Manufacturing, followed by 26% in Wholesale and Retail businesses, 16% in Construction & Contractors and Property Development, and 10% in Professional services.

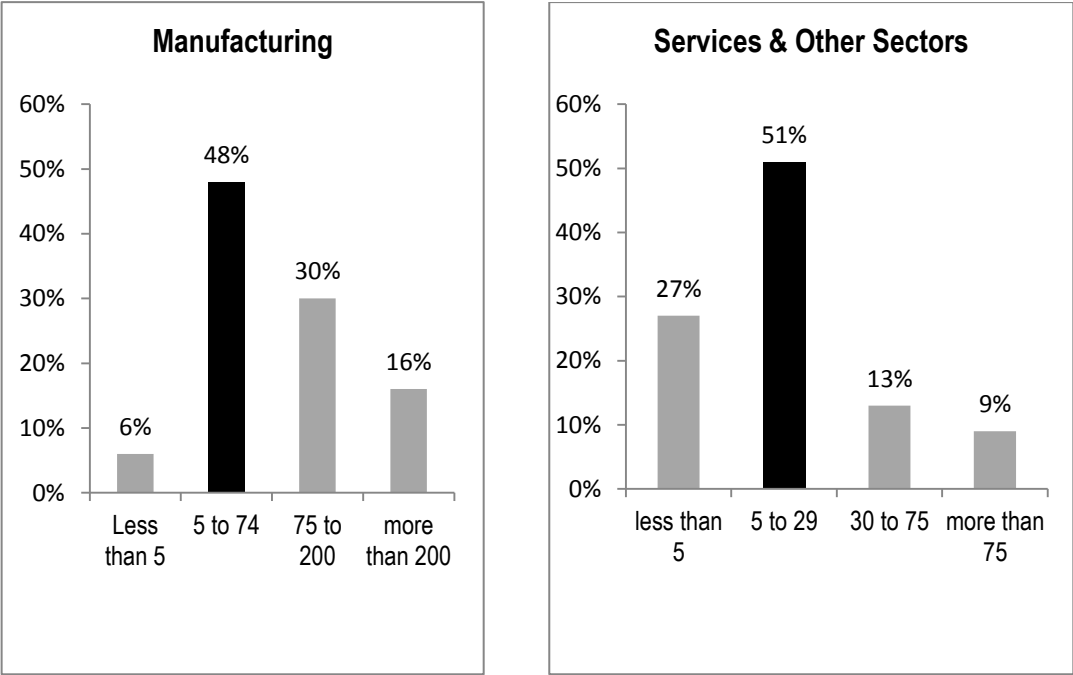
**Chart 3: Respondents' Industry Sector**



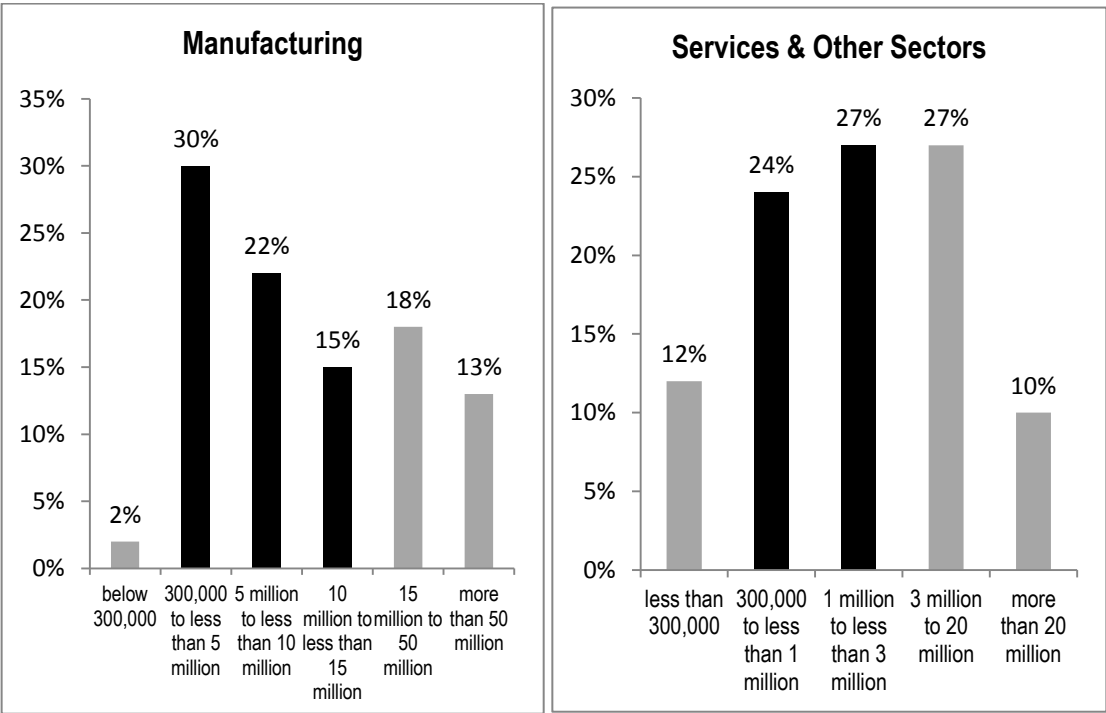
**6. Respondents' Number of Employees and Annual Turnover (RM)**

The majority of the respondents (70%) are from services and other industries, only 30% from the manufacturing industry. Chart 4 and 5 shows the respondents' number of employees and their annual turnover (RM) respectively.

**Chart 4: Number of Fulltime Employees**



**Chart 5: Annual Turnover (RM)**



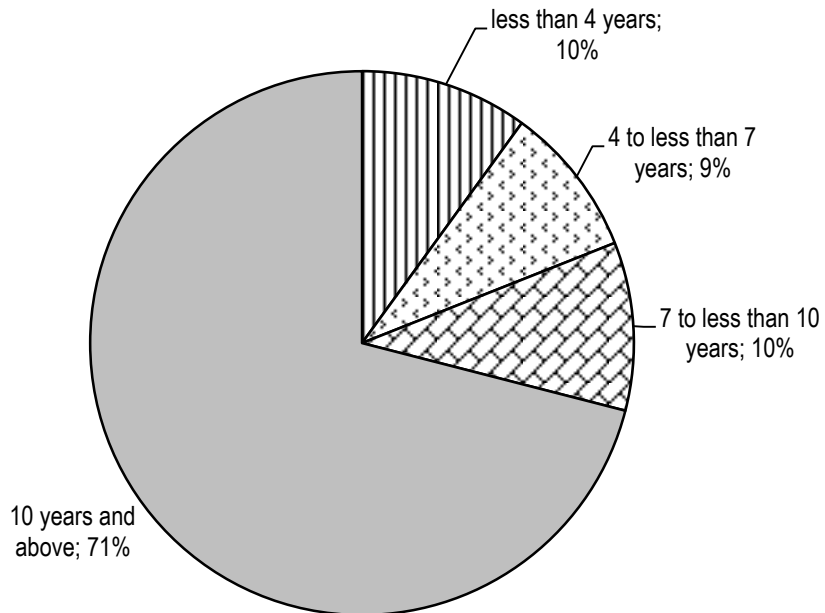
Based on the above charts, most of the respondents are in the small enterprise category.<sup>1</sup>

<sup>1</sup> Definition of Small Enterprise:  
 For Manufacturing: Sales turnover from RM300,000 to less than RM15 million, or Employees from 5 to less than 75;  
 For Services and other sectors: Sales turnover from RM300,000 to less than RM3 million, or Employees from 5 to less than 30

**7. Respondents' Number of Years in Operation**

Chart 6 depicts that 71% of the respondents are businesses that are in operation for at least ten (10) years. Only 10% of the respondents are newly established companies with less than four (4) years in operation.

**Chart 6: Respondents' Number of Years in Operation**



# **SURVEY FINDINGS**

<b>A. Goods and Services Tax (GST)</b>
--

**The Impact of GST**

**GST Implementation Issues**

**Input Tax Credit (ITC)**

**Updates on GST-related Information from Customs**

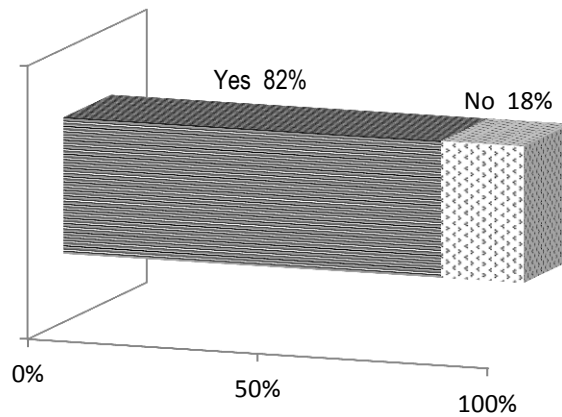
<b>B. Special Refund of Sales Tax</b>
---------------------------------------

**A. Goods and Services Tax (GST)**

**The Impact of GST**

Out of the 806 respondents, 82% revealed that GST has increased their cost of operation, only 18% indicated that they are not affected.

**Chart 7: Does GST Increase the Cost of Operation**

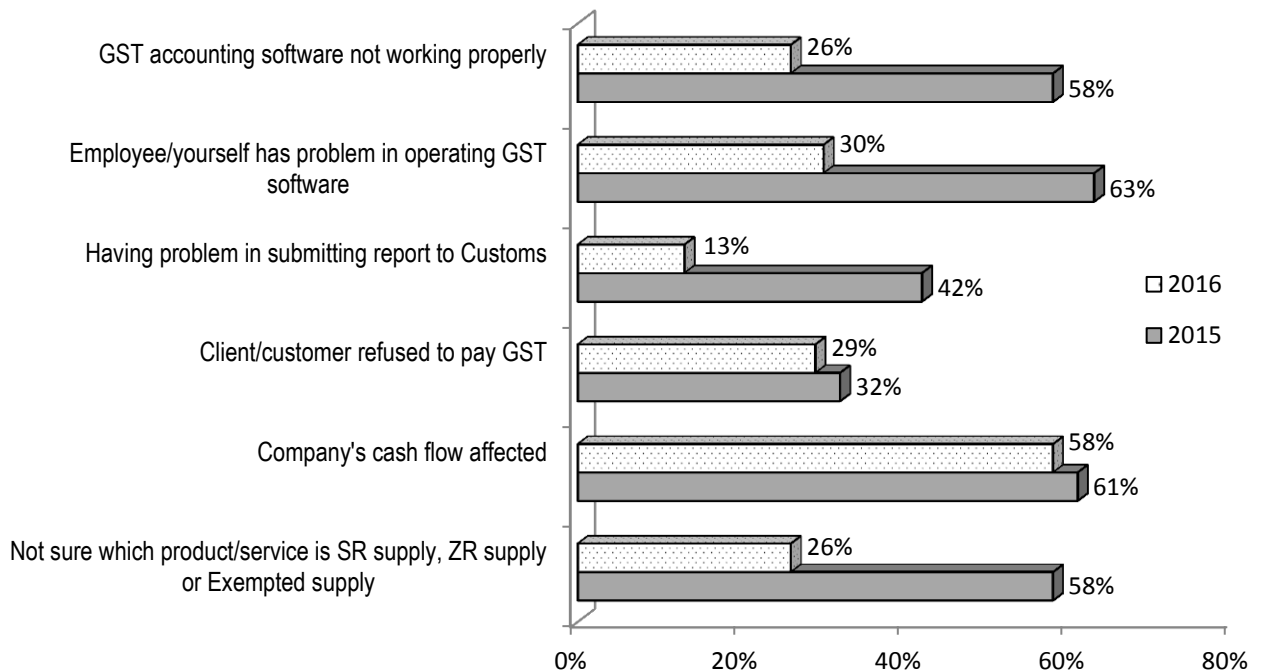


**GST Implementation Issues**

Overall, as compared with last year survey results when the GST was implemented on April 1, 2015, encouragingly, there was a sharp drop in issues and problems face by businesses. However, more than half of the respondents (58%) are still encountering cash flow problem due to GST.

By far, still a fairly sizable portion (29%) of respondents claimed that their customers refused to pay GST.

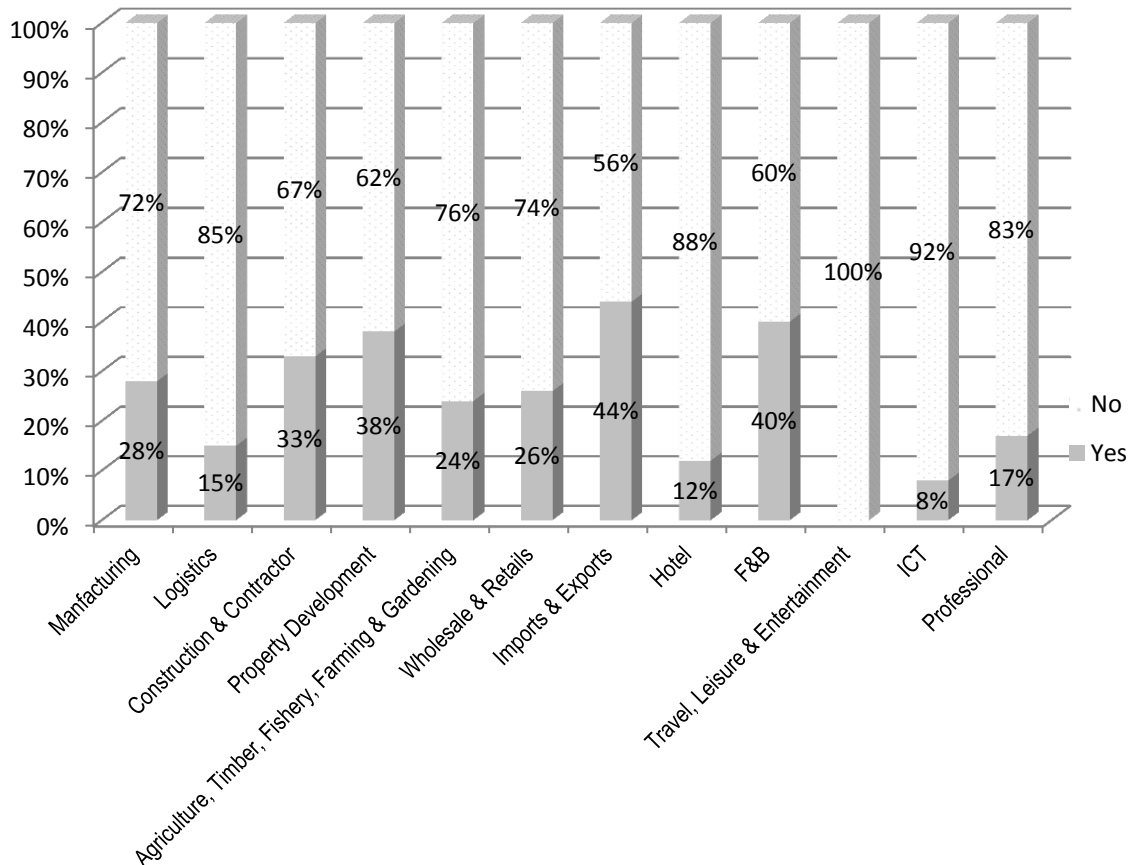
**Chart 8: GST Implementation Issues Encountered**



### Input Tax Credit (ITC)

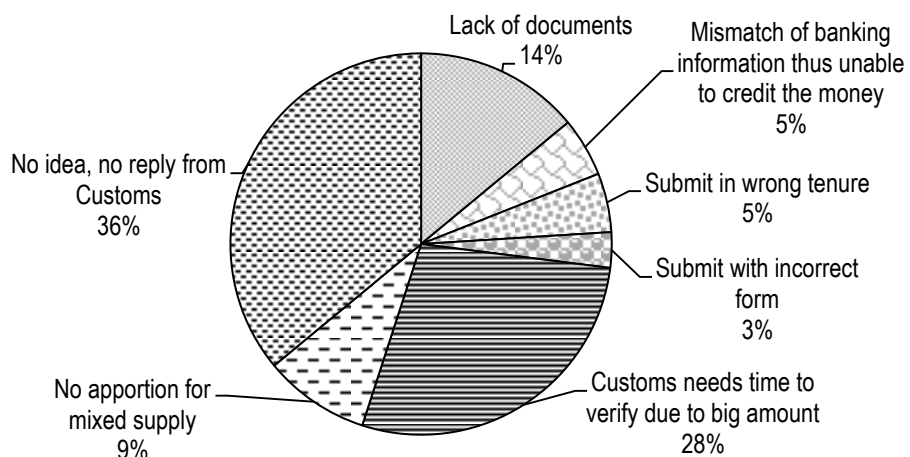
Majority of the businesses (74%) indicated that they have their input tax credit refunded, of those (26%) that do not, mainly are from Imports and Exports (44%), F&B (40%), Property Development (38%) and Construction and Contractor (33%).

**Chart 9: Whether facing any delay in claiming back input tax**



Amongst those 210 respondents who are facing the delay in claiming back their input tax, as high as 36% stated that they were not informed of any reason nor received any reply from Customs. 28% of the delay is due to Customs needs time to verify those enormous amount claimed, while 14% due to lack of complete documentation.

**Chart 10: Reason given by Customs on the delay of crediting input tax**





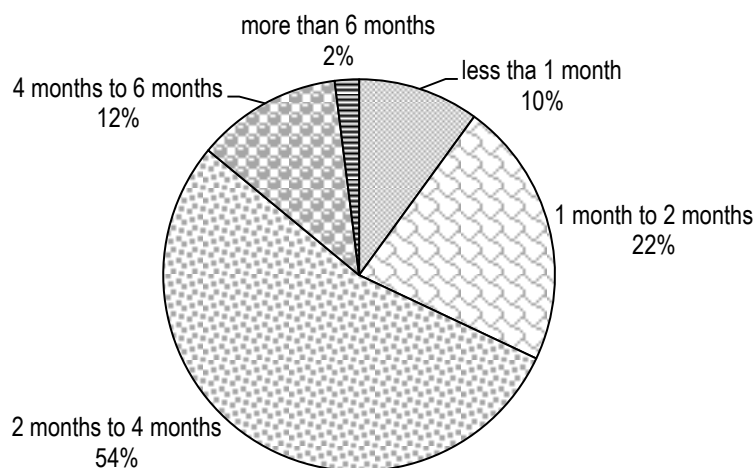
## Updates on GST-related Information from Customs

Survey shows that only 36% of the respondents are aware that Customs update its GST Portal in respect of latest information on GST, and published the Director General’s Decision for clarification, explanation and remedial measures on various GST-related technical issues.

### B. Special Refund of Sales Tax

A person is entitled to a Special Refund equal to the amount of Sales Tax in respect of the goods held on hand as at April 1, 2015. However, only 11% out of 806 respondents applied for the Special Refund of Sales Tax, of which 58% representing 51 respondents were approved.

**Chart 11: Time duration taken by Customs for the Refund**



Most of these approved cases, majority (86%) were reimbursed within 4 months from its application. However, amongst those rejected cases, a relatively large percentage (79%) do not know the reason for disapproval.