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Professional service providers to pay sales and services tax

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PROFESSIONAL service providers have to pay sales and services tax within the 12-month taxable period before they can claim refund for bad debts.

Malaysian Royal Customs and Excise Department senior assistant director Wan Leng Whatt said the private sector cannot contra the refund for their next tax payment.

"We are aware that the mechanism of refund can lead to higher workload but the Government operates in such a way that whatever comes in and goes out will not come from the same fund," he said at a post-Budget dialogue in Kuala Lumpur yesterday.

Wan said the department will take appropriate measures to prevent delays in giving out refund for bad debts to tax licensees.

Over 400 people from the private sector as well as tax and accounting community attended the Malaysian Institute of Taxation annual post-Budget luncheon talk.

Other panellists were Finance Ministry tax analysis division head Kamariah Hussain, Customs Deputy Director (Free Industrial Zone) Dhajuddeen Shahul Hameed, Customs Deputy Director (Sales Tax) Azizah Idris and MIT council member Dr Veerinderjeet Singh.

During the dialogue session, some participants suggested that the Government allow tax licensees to offset the bad debts from their next payment of sales tax or services tax.

They reasoned that the contra payment will make it easier for companies by not having to keep on paying tax but apply for the refund later.

They said the refund process is lengthy and will increase the workload of Customs Department.

Wan responded that the Customs Department will soon come out with guidelines on the bad debts that differentiate between small and large debts.

Prime Minister Datuk Seri Dr Mahathir Mohamad, when tabling the 2003 Budget on Friday, proposed that a company is eligible for a refund on the tax paid when it is unable to collect debt from its clients, which is considered bad debt.

Circumstances that make the licensee company eligible for refund include: if it is unable to collect the debt from the client after the expiry period of 12 months from the date of tax payment; the debtor is declared bankrupt; or the debtor has been placed under receivership or official assignee.

A refund can also be sought from the Government if the licensee filed a claim in court to recover the tax or the licensee had initiated action for the customer to be adjudged bankrupt.