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BUDGET-BAD DEBT PROVISIONS

UNCOLLECTED SALES AND SERVICE TAX TO BE CLASSIFIED AS BAD DEBTS

KUALA LUMPUR, Sept 20 (Bernama) -- The government has proposed that the sales tax or service tax which has been paid by a licensee be treated as a bad debt if the licensee is unable to collect the debt from the customer after the expiry of 12 months from the date of payment of tax.

The proposal, which would be effective from Jan 1, 2003 onwards, is also applicable if the debtor had been adjudged a bankrupt under the Bankruptcy Act 1967 or the debtor has been placed under receivership of official assignee.

The proposal is also applicable if the debtor has been ordered by the court to wind up or the licensee had filed a claim in court to recover the tax or the licensee had initiated action for the customer to be adjudged a bankrupt.

The proposal was announced by the Prime Minister Datuk Seri Dr Mahathir Mohamad who is also the Minister of Finance when tabling the 2003 Budget at the Dewan Rakyat here today.

Once the taxes which had been paid are deemed as bad debts, the licensee is eligible to apply for a refund of the tax, subject to conditions to be determined.

Currently, sales tax or service tax payable by the licensee to the government must be paid within the taxable period although the tax has not been collected from customers.

There is no provision under the present Sales Tax Act 1972 or Service Tax Act 1975 that allows uncollected tax to be treated as bad debts. --

BERNAMA

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