

Survey: SMEs not ready for GST
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According to a survey, local small and medium enterprises (SMEs) are not ready to implement the controversial goods and services tax (GST) and 32% of them hope that it can be postponed to 2012.

Less than half of the SMEs (45%) agreed that the introduction of GST will boost the government's tax revenue, while 82% believed that it will certainly burden the poor since it is inflationary.

Geographically, businesses in Sabah gave the highest percentage of respondents (75%) who disagreed that the GST will help the government to raise the tax revenue.

However, the survey, which was done by the Associated Chinese Chambers of Commerce and Industry of Malaysia (ACCCIM) in June, doesn't require the respondents to reveal their stand on the GST proposal. Hence it is unclear how many SMEs support its introduction.

The bill is currently placed on hold by the government after an outcry from the public. However, the government has repeatedly stressed that the implementation is inevitable and that they intend to proceed with the move.

A total of 2,000 questionnaires were sent to SMEs from different regions and industries, of which 1,250 copies were returned. Hence the response rate was 62.5%.

SMEs hope for low GST

The survey also revealed that the SMEs hope the government can fix a low GST rate. Among the choices of 2% to 7%, 75% of the respondents thought that 2% was the most suitable rate, while another 16% picked 3%.

In contrast, the proposed rate of 4% by the government was only supported by 3% of the SMEs.

Eighty% of the SMEs also said their computer systems are not ready for the implementation of GST, especially businesses in Sabah and Sarawak. Of this number, 38% have not done any preparations while 33% say their degree of readiness is between 1% to 25%.

The respondents also found the most stressful things were lack of information (33%), the bill is too technical and complicated (22%) and the proposed penalties and recovery action are too severe (20%).

They hope that government can postpone its implementation until 2012 (32%), provide free training (25%) and provide incentives for GST compliance (25%).

Big gap

Revealing the findings, ACCCIM president William Cheng (left) said it obviously shows a big gap between the public's views and the government's wishes regarding the GST.

"The public do not understand the rationale and the structure of this new consumption tax system," the business tycoon added.

He said the government should draw up a clear timetable to provide more details so that the public will have sufficient time to understand the details and prepare accordingly.

By having sufficient preparation, the public, especially businesses, will not be caught by surprise and thus trigger a negative impact, causing resistance and misunderstanding, he explained.

However, ACCCIM agreed with the government's proposed rate of 4%, despite most SMES surveyed saying that a more suitable rate would be 2% or 3%.

"The current sales tax rates are already 5% to 10%, so there will be a loss in government revenue if the GST rate is too low," Cheng said.

He added that personal and corporate income tax should be reduced gradually until they become level with the rates in other countries in the region.

Cheng also didn't expect serious inflation to take place following its introduction as the government has successfully kept inflation rate low all this while.

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