

THE INFLUENCE OF GST IMPLEMENTATION TOWARDS GST
REGISTERED COMPANIENS IN SELANGOR, MALAYSIA.

ONG HON SENG

BTMM

2016

UTeM

ONG HON SENG

FACULTY OF TECHNOLOGY MANAGEMENT AND TECHNOPRENEURSHIP
UNIVERSITI TEKNIKAL MALAYSIA MELAKA

“I hereby acknowledge that I have read this works and in my opinion this works is sufficient in terms of scope and quality for the submission and award of a Bachelor Degree of Management Technology (High Technology Marketing) with Honors”

Signature: _____

Name of Supervisor: Dr Mohd Fazli Bin Mohd Sam

Date: _____

THE INFLUENCE OF GST IMPLEMENTATION TOWARDS GST
REGISTERED COMPANIES IN SELANGOR, MALAYSIA.

ONG HON SENG

Report submitted in fulfilment of the requirement for the degree of Bachelor of
Technology Management (Hons) In High Technology Marketing

Faculty of Technology Management and Technopreneurship
Universiti Teknikal Malaysia Melaka

JUNE 2016

DECLARATION

“I admit that this report is the result of my own, except certain explanations and passages where every of it is cited with sources clearly.”

Signature: _____

Name: _____

Date: _____

DEDICATION

I would like to dedicate the appreciation to my family members who supported me from spiritually and financially, beloved supervisor and panel who guided me throughout the research, friends and course mates that assisted me through the journey of research.

ACKNOWLEDGEMENT

I would like to take this opportunity to express my sincere appreciation to my supervisor Dr Mohd Fazli Bin Mohd Sam for his guidance and encouragement throughout journey completing this final year project. In addition, I would like to thank Ms Johanna Abdullah Jaafar for her guidance and comments in my final year project construction.

Besides, I sincerely thanks to the researchers that did their research paper and uploaded online. Although the topic of paper was slightly different, but the theory and knowledge provided were fruitful.

The appreciation is also extended to respondents whom spent their time in answering my questionnaire. Lastly, appreciation would like to go to those who involved either directly or indirectly towards this project. Hopefully, this GST research report will be a reference to the others in the future.

ABSTRACT

The purpose of this research is to study the influence of GST implementation towards GST registered companies in Selangor, Malaysia. Since 1 of April 2015, GST is started to implement in Malaysia. The products and services that supply by the supplier will be charged 6% of GST to the consumers. In other word, the end user of the products and services will paid 6% of GST to supplier. Even though manufacturers will be charged 6% of GST from the input that purchased from the supplier but 6% of GST charged on the input that paid is claimable. This mean that 6% of GST basically will be charged to the consumers at the end. Whole market in Malaysia will be influenced because of GST implementation. This basically will affect the GST registered companies in Malaysia. But, so far we do not know how is the influence of GST implementation towards the GST registered companies in Malaysia in detail. Therefore, this GST research is implemented in order to investigate in more detail and deeply about the relationship between GST implementation and GST registered companies in Selangor, Malaysia. Questionnaires were distributed and self-administered to the GST registered companies at around the Selangor areas, Malaysia.

ABSTRAK

Tujuan kajian ini adalah untuk mengkaji pengaruh pelaksanaan GST terhadap syarikat GST yang berdaftar di Selangor, Malaysia. Sejak 1 April 2015, GST mula melaksanakan di Malaysia. Produk-produk dan perkhidmatan yang dibekalkan oleh pembekal akan dikenakan 6% GST kepada pengguna. Dengan kata lain, pengguna akhir produk dan perkhidmatan akan dibayar 6% GST kepada pembekal. Walaupun pengeluar akan dikenakan 6% GST daripada input yang dibeli daripada pembekal tetapi 6% GST dikenakan atas input yang dibayar boleh dituntu balik. Ini bermakna 6% GST pada dasarnya akan dikenakan kepada pengguna pada akhir. Pasaran keseluruhan di Malaysia akan terjejas kerana pelaksanaan GST. Ini secara langsung akan memberi kesan kepada syarikat yang berdaftar GST di Malaysia. Tetapi, setakat ini kita masih tidak tahu sejauh manakah pengaruh pelaksanaan GST terhadap syarikat GST berdaftar di Malaysia secara terperinci. Oleh itu, penyelidikan GST ini dilaksanakan untuk menyiasat dengan lebih terperinci dan mendalam tentang hubungan antara pelaksanaan GST dan syarikat yang berdaftar GST di Selangor, Malaysia. Borang soal selidik telah diedarkan dan diambil sendiri dan kepada syarikat-syarikat yang berdaftar GST di sekitar kawasan Selangor, Malaysia.

TABLE OF CONTENTS

Chapter	Title	Page Number
	PENGAKUAN	
	RESEARCH TOPIC	
	DECLARATION	I
	DEDICATION	II
	ACKNOWLEDGEMENT	III
	ABSTRACT	IV
	ABSTRAK	V
	TABLE OF CONTENT	VI
	LIST OF TABLE	IX
	LIST OF FIGURE	X
CHAPTER 1	INTRODUCTION	
1.1	Background of the Study	1
1.2	Problem Statement	3
1.3	Research Questions	4
1.4	Research Objectives	4
1.5	Scope and Limitation of the Study	5
1.6	Importance of the Study	6
1.7	Summary	6
CHAPTER 2	LITERATURE REVIEW	
2.1	Introduction	7
2.2	Overview of GST	8
2.3	Issue and Development of GST Implementation	9
2.4	Public Awareness and Acceptance of GST	10
2.5	Implementation of GST across the World	11
2.6	Influential Variable of GST Implementation	12
2.6.1	Cost Product and Service Structure	12
2.6.2	Cash Flow	13
2.6.3	Import and Export Activity	14
2.7	Theoretical Framework	15

2.8	Hypothesis of the Study	16
2.9	Summary	17
CHAPTER 3 RESEARCH METHOD		
3.1	Introduction	18
3.2	Research Design	19
3.3	Methodological Choices	19
3.3.1	Justification on the Selected Method	20
3.4	Data Sources	20
3.4.1	Primary Data Sources	21
3.4.2	Secondary Data Sources	21
3.5	Research Strategy	21
3.6	Location of the Research	22
3.7	Time Horizon	23
3.8	Research Instrument	23
3.9	Sampling Design	24
3.9.1	Sample Size	25
3.10	Questionnaire Design	25
3.11	Validity	26
3.12	Reliability	26
3.13	Data Analysis	27
3.14	Summary	27
CHAPTER 4 DATA ANALYSIS AND DISCUSSION		
4.1	Introduction	28
4.2	Company Profile and Frequency Analysis	29
4.2.1	Company Profile	29
4.2.2	Types of Company	30
4.2.3	Company Legal Form	31
4.2.4	Time of Company been Operated	32
4.2.5	Number of Employee	33
4.2.6	GST Implementation that Affects on Company's Operation	34

4.2.7	Ability of Company to Handle the GST Issue	35
4.2.8	Opinion about the GST Implementation	36
4.2.9	Most Influential Impact of GST Implementation	37
4.3	Data Analysis and Research Question	38
4.3.1	Cost Structure	39
4.3.2	Cash Flow	41
4.3.3	Import and Export Activity	43
4.4	Result of Measurement	44
4.4.1	Validity Test	44
4.4.2	Correlation Test	45
4.4.3	Reliability Test	47
4.5	Hypothesis Testing	48
4.5.1	Multiple Regression Analysis	49
4.6	Summary	52
CHAPTER 5	CONCLUSION AND RECOMMENDATION	
5.1	Introduction	53
5.2	Summary of Descriptive Analysis	54
5.3	Discussion of Objective and Hypothesis Test	56
5.3.1	Objective 1	56
5.3.2	Objective 2	57
5.3.3	Objective 3	60
5.4	Implication	61
5.5	Further Discussion the Impacts of GST Implementation	62
5.6	Recommendations for Future Research	63
5.7	Conclusion	64
5.8	Summary	65
	REFERENCES	66
	APPENDIX	70

List of Table

NO	TABLE	TITLE	PAGE NUMBER
1	2.5	Countries Implemented GST/VAT	11
2	2.6.1	Cost Structure After and Before the GST Era	12
3	3.10	Likert Scale	26
4	4.2.2	The Types of Company	30
5	4.2.3	Company Legal Form	31
6	4.2.4	Time of Company been Operated	32
7	4.2.5	Number of Employee	33
8	4.2.6	GST Implementation that Affects in Company's Operation	34
9	4.2.7	Ability of Company to Handle the GST Issue	35
10	4.2.8	Opinion about the GST Implementation	36
11	4.2.9	Most Influential Impact of GST Implementation	37
12	4.3.1	Descriptive Statistics of Cost Structure	39
12	4.2.2	Descriptive Statistics of Cash Flow	41
13	4.3.2	Descriptive Statistics of Import and Export Activity	43
14	4.4.2	The Result of Correlation Analysis for All Variables Correlations	45
15	4.4.3.1	First Output of Reliability Statistics	47

16	4.4.3.2	Second Output of Reliability Statistics	48
17	4.5.1.1	Coefficient of Determination (R Square)	49
18	4.5.1.2	ANOVA ^a	49
19	4.5.1.3	Coefficients ^a	50

List of Figure

NO	TABLE	TITLE	PAGE NUMBER
1	2.3	Theoretical Framework of Influence of GST Implementation towards GST Registered Companies in Selangor, Malaysia	15

CHAPTER 1

INTRODUCTION

1.1 Background of the Study

Since 1 of April 2015, GST is started to implement in Malaysia. Each products and services that supply to the consumers will be charged 6% of GST. In other word, the end user of the products and services will paid 6% of GST to supplier through the business deal. Even though supplier will be charged 6% of GST from the input that purchased from manufactures but 6% of GST charged on the input that paid by supplier is claimable. This mean that 6% of GST basically will be charged towards the consumers at the end. Which company that been achieved RM 500 000 sales per year are needed to registered as a GST company. For those companies which achieved below RM 500 000 per year are also encourage to register as GST company (Royal Malaysian Customs Department, 2014).

Based on the information sources from “gst customs.gov.my” website, GST is defined as Good and Service Tax (GST) which is also known as VAT or the value added tax in on goods and services that sell to the consumers by the supplier. Currently, there are 160 countries in the world that have implement GST which included Malaysia. GST is levied on the supply of goods and services at each stage

of the supply chain from the supplier up to the retail stage of the distribution (<http://gst.customs.gov.my>, 2013).

Prime Minister Malaysia, Dato' Sri Haji Mohammad Najib bin Tun Haji Abdul Razak had been announced that GST will be implemented start from 1 of April 2015 in Malaysia. This will replace the sales tax. GST implementation program will be a part of the Government's tax reform program to enhance the capability, effectiveness and transparency of tax administration and management (The Malaysia Insider Report, 2015).

Even though GST is imposed at each level of the supply chain, the tax element does not become part of the cost of the product because GST paid on the business inputs is claimable. Hence, it does not matter how many stages where a particular good and service goes through the supply chain because the input tax incurred at the previous stage is always deducted by the businesses at the next step in the supply chain (Chua.T.G, 2014).

1.2 Problem Statement

The whole market in Malaysia has changed after implementation of GST. Liaw.C.L (2015) demonstrated that the market in Malaysia may become quiet after GST is implemented. Besides, according to the statement from Ng.Y.P (2015), the numbers of sales drop slightly within in few months. This is due to the consumers in Malaysia still haven't familiar with GST implementation program and it cause the consumer to spend less towards the products and serviced that charged 6% of GST by the supplier. According to the survey that been done by the researcher to one of the ASUS supply company at Petaling Jaya, Selangor, after implement GST, the sales of its company have been dropped slightly within a few months. This due to the 6% GST will be charged to the consumers and it caused market becomes very quiet as expected. As a result, some of the GST registered companies may have influence on their business and some are not. Therefore, researcher would like to take this opportunity to study in more detail and complete about the influence of GST implementation that affect on GST registered companies' in Selangor, Malaysia.

1.3 Research Questions

The question will be answered based on the study of research objectives.

1. What are the impacts of GST implementation that affect on GST registered companies in Selangor, Malaysia?
2. What is the relationship between the GST implementation that affect on GST registered companies in Selangor, Malaysia?
3. What is the most influential impact of GST implementation that affect on the GST registered companies in Selangor, Malaysia?

1.4 Research Objectives

The objective of the study is to investigate the influence of GST implementation that affect on registered companies in Selangor, Malaysia. The objective of the study are stated as below,

1. To determine the impacts of GST implementation that affect on GST registered companies in Selangor, Malaysia.

2. To analyze the relationship between the impacts of GST implementation and GST registered companies in Selangor, Malaysia.

3. To investigate the most influential impact that affect on the GST registered companies by GST implementation program in Selangor, Malaysia.

1.5 Scope, Limitation and Key Assumptions of the Study

The research is focus on the influence of GST implementation GST towards the GST registered companies in Selangor, Malaysia. Therefore, there is the data will be collected at certain areas from Selangor only. The selected areas will be at Klang, Petaling Jaya, Subang Jaya and Shah Alam and other Selangor areas as well.

The information and data gained from the research are assumed honest and within the knowledge that the respondents belong it. For example, the data and information provided by the selected company is assumed privacy and accurate. Besides, information shared by respondents is considered professional and experienced.

There is one limitation of this study which is geographical factor. The case study is to investigate what does the implementation of GST that affects the GST registered companies in Selangor, Malaysia. Therefore the result and outcome of the study is only based on the result from Selangor selected company. The data collection for this research will be limited and the data are only applicable only to certain research areas in Selangor

1.6 Important of Study

Basically, this research study is to identify the influence of GST implementation towards the GST registered companies in Malaysia. Since the GST is implemented from 1 of April 2015 in Malaysia, some of the company business in Malaysia had been influenced in term of the business development. Therefore, this GST research study is very important because it related with GST registered company business development. However, some of the GST registered companies are still operate their business as usual although the GST is implemented. Hence, this is reason why this GST research study is implemented in order to identify the relationship between GST implementation and GST registered companies in Malaysia.

1.7 Summary

This chapter is structures as the introduction of whole research. It introduces the topic of the GST study in Selangor, Malaysia which including the background, the problem statements, research objectives and research questions, scope of limitation of study as well as importance of research.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

This chapter is discussed about the influence of GST implementation towards the GST registered companies in Selangor, Malaysia. Basically, the purpose of conducting a literature review is to prove and demonstrate an author's knowledge about a specific field of study which included theories, statement, key variables and phenomena, and its methods and history as well. Basically, literature review is to inform the students of the influential researchers and research groups in the field. Those literatures on influence of GST implementation towards the GST registered companies in Selangor, Malaysia Meanwhile, the theoretical framework showed relationship between these variables will be presented. Besides that, the hypothesis formulated and specified at the end of this chapter. For more insight to understand with the topic of research, this chapter was organized in subtopics. In section 2.2, the overview of GST is described. In section 2.3 issues and development of GST implementation in Malaysia. In section 2.4, public awareness and acceptance of GST is explained. Next, in section 2.5 the topic about the implementation of GST across the world also been mentioned. Then for the 2.6 section, influence variables of GST implementation toward GST registered companies in Malaysia are explained in detail.

Follow by the 2.7 theoretical frameworks and 2.8 hypothesis of the study. Lastly, the summary of chapter is briefly explained in the last section, 2.9.

2.2 Overview of GST

According to Arifin Zakaria (2010) as a Chief Justice of Malaysia, the introduction of GST will be a major tax reform in Malaysia. GST is imposed on goods and services at every production and distribution stage in the supply chain including important goods and services. In fact, the GST implementation is part of the government's tax reform program that to enhance the capability, effectiveness and also transparency of tax administration and management.

In addition, Palil and Ibrahim (2011) also highlights in their study that the purpose of implementing the GST is for the country to have savings. This is because nowadays the country is having a high amount of debts.

Before the GST is implemented, the Government is actively involved to carrying out the awareness program regarding the concept and mechanism of GST. In elaborating the mechanism of implementing GST, Palil and Carol (2011) stated that the most salient feature of GST is its regressive nature with respect to income. As a tax on consumption, households with lower incomes may pay proportionately more tax than those with higher incomes.

Each public and private sector employee in Malaysia receives monthly income that varies based on the position hold. Thus, that they may be having difficulties in paying the tax, and finally burden them. Despite the increasing

popularity and success of GST implementation around the world, Malaysian citizens are not entirely convinced with the new tax scheme (Saira et al, 2010; Hooper and Smith, 1997).

2.3 Issue and Development of GST implementation in Malaysia

There are many issues put forwards by many parties regarding the GST implementation in Malaysia. For example, the Tax and Malaysia Sdn Bhd chairman, Singh (2013) said that Malaysia was currently in a period of uncertainty and it was not the right time to reduce income tax, even with the GST in place. GST had been implemented start from 1 of April in 5, the necessary procedures in place on educating the people at least a year.

The opposition to the implementation of GST of the opinion that the first step that should be taken by responsible government is not to exhausting any avenue with regards to wastages Credit rating agencies are an important determinant for the economy and funding, but it should be looked at holistically at end of the day (Joseph, 2013). It also would laud the government if it took measures to cut wastages by the ministries. GST needs a very efficient collection regime. It is very complex, and we are talking about the need to pay up and receive payments. Looking at the experiences of Australia and Singapore, the property prices will shoot up as well as inflation.

The study from Singh (2013) opined that lower income tax would attract more businesses to Malaysia, but due to the current global economic situation, the desired effect was unlikely to happen or might be less than expected. GST would probably

take effect in 2015, if implemented, with the necessary procedures in place on educating the people, which takes at least a year.

2.4 Public Awareness and Acceptance of GST

Based on the taxation study conducted by Cullis and Jones (1992), both of them had been highlighted the concept of false awareness in citizens which are categorised as optimistic and pessimistic. Optimistic refers to citizens who have overestimated tax burden or inaccurately estimate public services burden with the tax imposed to the public (Saira et al, 2010). Therefore, the government should explain clearly and transparently about the taxation matters, so that these public and private employees could have a clear understanding the function of GST implementation for the country. For example, the government can explain the reasons for the GST implementation.

Another study conducted by Mohani (2003) indicated that one of the fundamental ways to increase public awareness is through knowledge. Tan and Chin-Fatt (2000) asserted that tax knowledge can be imparted through general understanding on the tax regulation. They indicated that the government had always been promoting for the implementation of GST. In fact, the understandings of GST for Malaysian are still in introductory level (Tan and Chin-Fat, 2000).

According to Saira et al. (2010), the proposal of GST implementation by the government actually is not to unduly burden the Malaysians, especially for the lower income group. In fact, the government is expected that the consumers will get the benefit from the price reduction for most of goods and services.

2.5 Implementation of GST across the World

There are many countries had been implementing the GST or value-added tax (VAT) as a form of revenue stream for the government. Currently, there are 150 countries are implementing GST or VAT around the world. The following is the 2.0 table which shows the countries which implemented GST or VAT.

Table 2.5: Countries Implemented GST/VAT

(Source: <http://gst.customs.gov.my>)

Year	Country	Rate
1980	China	17.0%
1985	Indonesia	10.0%
1985	New Zealand	12.5%
1991	Thailand	7.0%
1994	Singapore	5.0%
1994	United Kingdom	17.5%
1996	Thailand	10.0%
2000	Australia	10.0%
2005	India	12.5%