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PAC confirms GST law broken

Guan Eng: Tax refunds were used for other purposes



BY TAN XUE YING

KUALA LUMPUR: The Public Accounts Committee's (PAC) has confirmed that the goods and services tax (GST) law has been broken as the money meant for tax refunds was instead used for other purposes, said Finance Minister Lim Guan Eng.

As stated by the Accountant General's Department in the report, he said there was a RM19.25 billion shortfall in the Fund for GST Refunds because the previous Malaysian government had used the GST collections to finance its operating and development expenditures.

This was despite the Customs Department admitting that RM19.4 billion had yet to be paid out due to insufficient money in the fund, with only RM150 million left as at May 31, 2018, he said in a statement yesterday.

"Unfortunately, the GST collections were not deposited directly into the Fund for GST Refunds, causing delays in GST refund payments for more than a year. Instead, the GST collections deposited directly into the Consolidated Revenue Account were used for other purposes by the previous government. The delays in GST refunds caused severe financial complications for taxpayers.

"The PAC confirms the GST law was broken and the GST refunds not paid to taxpayers were used for other purposes. In early August 2018, when I first tabled in Parliament that RM19.4 billion of GST refunds was left unpaid as of May 31, 2018, taxpayers in Malaysia were shocked to find out the government had less than RM150 million in its Fund for GST Refunds to facilitate payments for GST refunds. The unpaid refunds of RM19.4 billion involved 121,429 companies including the biggest conglomerates in Malaysia such as Petronas, Shell and Tenaga Nasional Bhd," Guan Eng said.

According to him, when the GST was introduced in April 2015, all taxpayers had full confidence in the GST refund mechanism as it was well-provided in the GST Act 2014 and regulations.

Under the mechanism, all GST collections should be made directly into the Fund for GST Refunds to facilitate payments of refunds within 14 working days from the receipt of the GST Return (GST-03) form, filed electronically. However, this was not what happened, Guan Eng said, as confirmed by the irregularities that the PAC found.

"The GST Act required GST collections to be deposited into the Fund for GST Refunds to facilitate payments for GST refunds within 14 working days. However, this was not done in accordance with the GST Act. Instead, the GST collections were deposited directly into the Consolidated Revenue Account. The Attorney-General has stated this practice is against the fundamental trust law principles and trust accounting requirements, and is not in line with Section 54(2) and Section 54(5) of the GST Act 2014.

"The GST collections deposited directly into the Consolidated Revenue Account were used by the previous government for other purposes. This resulted in insufficient funds being transferred to the Fund for GST Refunds, causing significant delays in payments of GST refunds. Only a certain portion of the GST collections (around 35% of GST collections) was transferred to the Fund for GST Refunds," Guan Eng said.

He said the PAC made two recommendations, the first being the administration must fully comply with the law, especially regarding the implementation of financial procedures, so the financial administration system is better organised and more accountable.

Secondly, government officers entrusted with relevant respon-

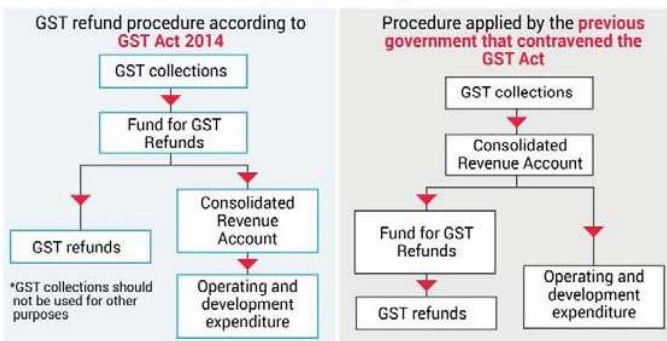


The Public Accounts Committee (PAC) confirms:

- GST law was broken
- GST refunds that were not paid out to taxpayers were used for other purposes



All GST collections should be made directly to the Fund for GST Refunds to facilitate payment of refunds within 14 working days from the receipt of the GST return filed electronically



SUMMARY OF THE PAC REPORT:

- The previous government had used the GST collections for other purposes
- Caused a RM19.25 billion shortfall in the Fund for GST Refunds
- As of May 31, 2018, there was only RM150 million in the Fund

- The Royal Malaysian Customs Department admitted that RM19.4 billion had yet to be paid out due to insufficient funds
- The RM19.4 billion that was supposed to be used for GST refunds was used by the previous government to fund its operating and development expenditure



Source: Ministry of Finance

Bernama Infographics

sibilities must always advise the administration in matters pertaining to the law, procedure and statistical information without fear or favour, especially relating to cash flow management and financial discipline to achieve greater accountability.

"The finance ministry will respect the two principal recommendations in the report to ensure the legal contraventions and financial non-compliance where monies meant for GST refunds were used for other government expenditures will not be repeated in future," he added.

Meanwhile, Prime Minister Tun Dr Mahathir Mohamad told reporters on Monday that the RM19.4 billion in revenue from GST collections would only be deemed "not missing" if the funds were recovered.

"If she says it is not missing, then we want to see where the money is. If we can recover the money, then it's not lost. If we do not see it (the money), then



penditures instead. The previous government, she said, kept all GST collections in the Consolidated Fund Account and transferred them in different stages as and when it was needed and decided by the GST refund committee, which she acknowledged was not in line with Section 54 (2) and Section 54 (5) of the GST Act.

Najib feels 'vindicated' by PAC report

Nevertheless, former premier Datuk Seri Najib Razak (pic) feels vindicated by the findings in the PAC's report on the GST refunds, saying it showed "no evidence of robbery and misappropriation" involving GST revenue during the previous administration, as had been alleged by Guan Eng previously.

Speaking to reporters at the Parliament lobby yesterday, he also maintained his stance that placing the tax revenue into the Consolidated Revenue Account is above board.

it means it's lost," he reportedly told the press, commenting on PAC chairman Datuk Dr Noraini Ahmad's statement that the GST money collected is not lost.

Noraini had said no money went missing from the GST refunds as the money was used for operational and development ex-