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GST refunds getting quicker

By Ben Shane Lim / The Edge Financial Daily | September 28, 2015 : 10:23 AM MYT

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KUALA LUMPUR: Delays in goods and services tax (GST) refunds caused by teething problems have stoked the ire of many business owners who were expecting their tax money back within 14 business days as promised by the government.

But things are improving now, according to deputy director-general of customs Datuk Subromaniam Tholasy.

Subromaniam told The Edge Financial Daily that the refund process had improved drastically after the [Customs Department](#) worked through the initial teething issues.

"During the first month of operation in April, only about 20% of claims were refunded within 14 working days. However, by July, we improved that figure to 42%, while 54% of claims were refunded between 15 and 30 working days. Only 4% of refunds were taking more than 30 days," explained Subromaniam.

Likewise, businesses should already be noticing the quicker refunds.

"In the first few months [of the implementation of the GST], it would take about two months for our clients to receive the GST refund. It has since improved with some clients getting a refund within a month," said Wong Poh Geng, Deloitte Malaysia's tax director for GST.



After all, delays in refunds could possibly strangle business owners' cash flow. Subromaniam, however, argues that the Customs Department is already performing exceptionally well given the circumstances.

"You have to appreciate that the refund target of 14 days was a very ambitious one to begin with. Elsewhere around the world, the average refund time is 56 days," he pointed out, citing the findings of a KPMG survey – VAT/GST Refunds Survey 2014.

In Australia and Germany, for example, it takes about 15 to 28 working days to get a GST refund. In fact, in about 15% of countries surveyed, no refund is given.

That said, Singapore is able to provide refunds within 14 business days, but keep in mind that this figure only refers to businesses within their normal operating phase. It typically takes longer for new businesses to get refunds, and from the Customs Department's perspective, it is dealing with a lot of new faces – companies it doesn't have track records of.

"Before this, with the SST (sales and service tax), we dealt with around 63,000 companies. We knew these companies well, knew the businesses and had their track records. With [the] GST, we suddenly had to deal with 390,000 companies," explained Subromaniam.

"The refunds can't be given automatically. Each claim has to be processed by an officer and checked by another. This is to make sure that the claims are genuine and filed properly. The government can't just be [simply] handing out money," he pointed out.

Naturally, it takes a little longer to process claims when Customs is not familiar with the company. Adding to the delay is that most businesses are still learning how to file their claims.

Among the top reasons for refund delays was errors in the claims, said Subromaniam.

At the same time, he highlighted the fact that about one quarter of the claims were for very small amounts – less than RM500. Going forward, Customs will only refund claims that cumulatively amount to more than RM500, he added.

"For us, it takes the same amount of manpower to process every claim, whether it is a few ringgit or several thousand ringgit. Someone needs to look into each claim. We have since re-prioritised to focus on the larger claims first. You'll have to have cumulative claims of more than RM500 before we pay a refund," he explained.

That said, there is still room for improvement, Subromaniam admitted, but he believes the 14-day target can be achieved going forward.