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Project Management for GST System Changes

GST
GST Compliant Software

Misconception of GST Compliant Software

Introduction

GST Software has been deployed for many businesses since 2013 in order to prepare for the implementation of Goods and Services Tax in Malaysia.

It is the time to review the effectiveness and re-assess the concepts of GST compliant software.

This article highlights 10 common issues on GST compliant software. Let's discuss about them.

There is business software available locally and internationally. When the user decides to switch to an accounting or ERP software, whether GST compliant software will become one of the selection criteria or not.

If the business is controlled by overseas principal, what would be the impact and risk to the local business for not using a GST Compliant Software?

Top 10 Misconception Issues of GST Compliant Software

1. *Version Control and Process Logic*

2. *Application of Tax Codes and Update*

3. *Vendor Controlled Release*

4. *Automatic GST Submission*

5. *Business Impact on Software Update | Upgrade*

6. *Change in Tax Laws*

7. *Interpretation of GST requirements*

8. *Tax Mechanism and Accounting Mechanism*

9. *Human Mistakes and Transaction Based*

10. *Multi-national Operation*

Review Issues of GST Compliant Software   Page 2

Issues and Assessment of GST Compliant Software

Current Issue	Scenario	GST System Changes' Assessment
Version Control and GST Process Logic	It is common that software vendor will issue new version, service packs and patches for the known bugs in process logic. Therefore it is assumed that the latest version will have most accurate logic and calculation	Users shall know their version number and whether they need to apply the latest patches and service packs for known issues informed by the software vendor. This could lead to the risk if the users are continueing with lower version that may not give accurate GST process logic
Application of tax codes and updates	Software vendor will promote new version in term of new guide on tax codes and updates	It depends on the software. Some software can create new tax codes and manage the tax codes without going to a higher version. For a corporate, the creation and maintenance of single tax code is easier that involves software update across a few functional units
Vendor controlled release	Software vendor will control the software release due to the protection of copyright and additional advance features with commercial values.	If the software is vendor controlled, it is difficult to convince all its users to update together due to the changes in GST operation. As such, those unaware users with lower version will open to the risk of inaccurate return
Automatic GST submission	GST compliant software produces GST submission templates automatically as seamless integration to import into GST portal	It is good that software is able to produce GST submission documents automatically. However, the template shall be re-assessed via tax computation to ensure the accuracy. Human mistakes and negligence can cause inaccuracy of GST return
Business impacts on software upgrade and updates	Software vendor may need to schedule downtime to perform updates, especially for those remote area and corporates with many branches and outlets. Sometimes certain technical issues may stop the smooth upgrade and updates of GST compliant software	Always prepare for the fall back plan if the software upgrade and updates are not perfect due to technical issues. This is one of the reasons why corporates are reluctant to perform software upgrade and updates once it is stable. Without proper fall back plan, the upgrade may trigger risk to the corporate for incompatibleness, down time and fix on fix situation

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Current Issue	Scenario	GST System Changes' Assessment
Changes in Tax Laws	Changes in tax laws are not predictable. Changes in guidelines and treatment may happen any time. If the changes require software compliant, it may take a lengthy period for the software developer to translate into software codes	As GST submission may happen monthly or quarterly, it is not possible to wait for the latest software version to produce GST return document. It is also the gst business owner responsibility to make sure the accuracy of the GST return. Therefore over-dependent on the GST compliant software could trigger a risk to the business.
Interpretation of GST requirements	It is not surprise that software vendor may not interpret the GST requirements in the same way. For example, interpretation of GAF produces many non-compliant version	If the interpretation is meant for the GST scenario and mechanism, this may trigger GST compliance risk to the business. Even though the software is GST compliant, it must still continue to update the software to remain compliant with the latest changes in tax laws and regulations. Tax authority shall do a periodic review on the software readiness to be GST compliant
Tax mechanism and accounting mechanism	GST and accounting are two independent mechanisms. It is not possible to merge into single software. It is the same that capital allowance will not keep in the accounting software to do tax computation.	There are situations that the business needs to amend GST return without posting any transactions into historical period. One of the example is amending the past GST return to account for understated output tax, while this transaction can only record in the accounting software as current transactions. It is not practical to change the past financial statement, especially the audited records.
Human mistakes and transaction based	GST is transaction based and it is unlikely that huge volume of transactions can process 100% accurately, even it is a GST compliant software. Human mistakes may overstate input tax and understate output tax	Human mistakes on transactions are not possible to avoid at all. This is a known risk to the business owners. No matter how good and GST compliant of the software, if it is not properly monitor the performance of human operators, it is still an internal control weakness.
Multi-National Operation	Many well known software in the world will not opt for GST / VAT compliant of a specific country. This will restrict the growth and expansion as different country has different tax mechanism	If the business has multi-operation sites across countries, the selection of GST comliant software requires the consideration of overseas tax mechanisms. GST compliant in one country will not automatically work in another country.

Summary of Issues and Assessment   Page 4

GST Compliant Software

It is good to possess a GST compliant software for the daily operation and automatic GST submission but it requires periodic review on the software to make sure that the software will remain compliant due to changes in tax laws and treatment in GST guidelines. In addition, businesses shall not only rely on the result of software as human mistakes will trigger additional risks to the business. It shall perform pre-filing check before the GST submission if it is automated.

GST-03 Data Analytics

Businesses shall understand the data analytics in the GST return form once the software is able to produce GST-03. Typical GST-03 analytics include the ratio, rationale of zero rated supply and the potential match to 6% between the declared value and computed value of GST return.

Non Compliance Software

GST compliant software may comply with a specific country requirement. If it is multi-national company which deploys a centralized ERP across the globe, it is potential that the software will not opt to comply with Malaysian GST mechanism. Users shall prepare to use spreadsheet to keep GST reconciliation and prepare GST return. It is too difficult to customize an individual country specific GST model and keep track of the changes in the tax laws.

GST Audit File Check List

In addition to GST-03 Analytics, GST Audit File contains business records of taxable periods. Business shall check the transactions to ensure that no omission of GST treatment in their return prior to submission. Typical check in the GST Audit File is tax code assignment for supply and purchase. Chart of accounts analysis will reveal the potential pitfalls that may be overlooked or neglected in the preparation of GST return

Upcoming Event

You may be interested in the following event:

GST Data Analysis

Avenue Business Centre

October 21, 9:30 A.M. ~ 5:30 P.M.

Training Fee: RM689.00 inclusive 6% GST

Please contact Stanley Wong for registration at

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GST Compliant Software