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**Media Statement by Hon. Datuk Seri Dr Noraini Ahmad,
Chairperson of Public Accounts Committee (PAC) cum Member of
Parliament for Parit Sulong Regarding The PAC Report On Arrears of
Repayment of the Goods and Services Tax (GST) Amounting to RM19.4
Billion by Royal Malaysian Customs Department (RMCD) Under the
Ministry of Finance**

- 1) The PAC today tabled the PAC Report Regarding the Arrears of Repayment of the Goods and Services Tax (GST) amounting to RM19.4 billion by the Royal Malaysian Customs Department (RMCD) under the Ministry of Finance.
- 2) This issue is a follow-up from the statement by the Minister of Finance in the House of Representatives in August 2018 stating that GST repayment amounting to RM19.4 billion has been 'robbed' by the previous Government.
- 3) The PAC has initiated the proceedings on 12 September 2018 by calling all the stakeholders on this issue including the Minister of Finance, Former Minister of Finance, Former Minister of Finance II, Secretary General of Treasury, Former Secretary General of Treasury, Director General of RMCD and Accountant General.
- 4) The Committee was also briefed by the Auditor-General on the legality of the arrears of GST repayment claim amounting to RM19.4 billion and the Attorney General's view on the repayment procedures.

- 5) In the meeting, PAC Members have raised the following issues: -
- i) Failure to include GST collection into the GST Refund Fund
 - ii) The use of the powers by the Minister of Finance under Section 54 (5) of the GST Act 2014
 - iii) Determining the 35% transfer rate from GST revenue collection into the GST Repayment Fund
 - iv) GST repayment process period
 - v) The Government's ability to repay RM19.4 billion to taxpayers
 - vi) Cash flow management
 - vii) Application for payment of GST claims amounting to RM19.4 billion from the consolidated account to be transferred to the GST Repayment Fund; and
 - viii) The status of unpaid GST claims.
- 6) Based on the evidence given by the 10-witness called to attend the proceedings on this issue and the briefing given by the Auditor General and Attorney General's views, the PAC concludes that:-
- i) Section 54 (2) of the GST 2014 Act and the Trust Deed on GST Repayment Fund dated 13 March 2015, stipulated that GST collections to be accounted for first in the GST Refund Fund. Regulation 67 (1) of the 2014 GST regulations provide for a period of 14 working days for repayment of GST or during a practical period after the GST-03 Statement is received electronically while for the manual return, the repayment will be made within 28 working days or during a practical time period. This is to guarantee the repayment of GST within the time set by law.

- ii) The previous Government deposited all GST revenue collection into Consolidated Revenue Account first and then transferred in stages as necessary and as decided by the GST Repayment Committee to the GST Repayment Fund. This is not in line with the provisions of Section 54 (2) and Section 54 (5) of the GST Act 2014.

- iii) The policy of setting 35% transfer of GST revenue collection each year from the Consolidated Fund to the GST Repayment Fund when required is insufficient to cover all GST repayment requests. Based on the evidence during the proceedings, the PAC finds that the policy rate should be at least 42%.

- iv) There is no loss of money in GST revenue collection. The GST revenue is not transferred to the GST Repayment Fund and has been used for the purpose of financing the operating and development expenditure. The previous government has overestimated the nett GST revenue 65% more than the actual GST revenue collection.

- v) The suspension of fund transfer from the Consolidated Revenue Account to the GST Repayment Fund is made to safeguard the country's cash flow position so as not to be in a management deficit where the operating expenses exceed revenue.

- vi) The Government has announced that refund of GST tax in 2019 will be made by using part of Petronas' special dividend of RM30 billion.

7) The PAC recommends that: -

- i) The Government administration must ensure full compliance with all laws particularly in the implementation of financial procedures to ensure that the financial system is more organized and accountable.

- ii) Authorized Government officials should always advise the Government administration on statutory laws, procedures and statistical information without fear or favour in view of a more accountable cash flow and fiscal discipline planning
- 8) Members of the public who are interested in reading the PAC Report on the Arrears of GST Repayment Amounting to RM19.4 billion by RMCD under the Ministry of Finance may download the report at PAC's website at www.parlimen.gov.my/pac.

Thank you.

Hon. Datuk Dr. Noraini Ahmad
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