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IMPACT OF GOODS AND SERVICES TAX (GST) ON SHIPBUILDING AND SHIP REPAIRS (SBSR) INDUSTRY IN SARAWAK

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Abstract

The imposition of Goods and Services Tax (GST) has been adversely affect the competitiveness of shipping industry in Malaysia. Coupled with numerous of challenges lay ahead, an effective working capital management (four main components i.e. cash, inventories, accounts receivable and accounts payable) play a crucial role in ensuring the survival of local shipyards. GST transactions would directly reveal through the firms' purchases and sales altogether with the best attempts to recover all input taxes and simultaneously ensure that proper compliance job is performed. This study intends to examine the impact of the goods and service tax (GST) on the working capital management practices of shipbuilding business's operations in Sarawak. The findings of this study indicate that GST has mostly affected the SBSR business in term of cash management as the firm has to hold more cash on hand to settle debts and tax obligations on behalf of the customers.

INTRODUCTION

As consequence of the dwindling global trading volumes and plunging of commodity price, shipping industry in Malaysia has been struggling with issues such as oversupply of vessels' tonnage, restrain offshore exploration activities, intensifying competition from regional countries, and liberalization of the Cabotage Policy to East Malaysia and Sabah. With the imposition of Goods and Services Tax (GST), it has dreadfully deteriorate the competitiveness of domestic shipbuilding and ship repairs (SBSR) businesses (Mohamed, 2017). The domestic shipbuilding business volume remains subdue even though the government has provided tax incentives up to 70% for pioneer status and 60% for capital expenditure allowance in order to attract more foreign direct investment (Dezan Shira & Associates, 2016). Moreover, the announcement of Malaysian Budget 2018 stating that a relief is granted for the imported vessels might diminish the attractiveness of local shipyards as the purchasers may possibly procure vessels oversea at a lower price that is exclusive of output tax.

Goods and Services Tax (GST), a multi-stage and broad based consumption tax that substitutes the previous indirect tax system, Sales and Services Tax (SST) has called many arguments from the public (Goh, Huei & Tay, 2017; Ling et.al. 2016; Moomal & Zakaria, 2014) predominantly from the business community whereby it would directly influence the business operations and volume of sales (Bidin et al., 2016). There is a remark disclosing that the complexity is mounting, and companies need to process much larger volume of data to ensure that they are paying and collecting the right GST amount levied on each transactions (KPMG International, 2013). As per findings stated in the Malaysian Employers Federation (MEF) survey, majority of the businesses (89%) encounter difficulties in implementing GST due to ambiguous GST codes (57.2%); bureaucratic and burdensome to adhere to GST code (51.7%); and complexity of GST code (50.6%). With the initiation of Customs Blue Ocean Strategy (CBOS 3.0) on 11 April 2017, it lays emphasis on educating GST registered businesses to enhance the management of GST risk through effective and robust GST control framework (Yeoh, 2017). Low and Loi (1994) affirms that the imposition of VAT would escalate firm's administrative costs as the self-enforcing feature would require proper documentation and filing system to support the declaration of output tax which collecting on behalf of government and claim of allowable input tax for business operational costs.

Managing working capital is gaining its prominence particularly from the perspective of finance managers whose jobs' responsibility is to delve for an optimal balance between liquidity and profitability as well as the trade-off between risks and return. Lacking of robust and consistent approach in managing GST could susceptible to errors consequently putting the firms on the spot of audits and penalties. It is imperative for the top and middle levels of management to possess a profound grasp on the factors that affect working capital requirement for instance estimation the gap of average creditor days versus average debtor days will enable the organization to do better short-term cash planning. The deprived of knowledge pertained to an effective working capital management practices might lead to mismanagement of current assets and short-term obligations subsequently results in lower firm's profitability and higher liquidity risks (Mansoori & Muhammad, 2012; Nimalathasan, 2010). Based on the RMCD statistics, the compliance cost apparently a challenge for small and medium-size enterprise (SMEs) which made up of 94% of 433,000 registrants nationwide as they are prevailing with the culture of poor record keeping and lacking of knowledge on the tax system. Those non-compliance on settlement of GST dues accounted for approximately 40% of the audited companies which has submitted incorrect returns by omitting information, understating output tax or overstating input tax.

This research intends to fill knowledge gap by addressing the impact of contemporary tax system on the working capital management practices among shipbuilding and ship repairs industry players in Sarawak. The specific objectives are as follows: (i) to explore the perception of shipbuilding and ship repairs (SBSR) industry players towards the implementation of GST in Malaysia; (ii) to examine the impacts of GST on the working capital management practices in shipbuilding and ship repairs industry; and (iii) to examine how the industry's sales turnover and costs of operation change after GST implementation. The study attempts to provide notable insights to business practitioners and tax authorities on the reaction of local shipyards towards the imposition of GST. The outcomes of the study are conceivable to facilitate the apprehension of regulatory authorities and policy makers pertaining to specific issues particularly when dealing with the implementation new laws and regulations. In addition, the study is contemplated to provide inputs to the connected stakeholders such as government ministries and agencies, and industry associations in order to enhance the competitive edge of local shipyards.

BACKGROUND OF STUDY

Shipbuilding and Ship Repairs (SBSR) Industry

The Shipbuilding industry in Malaysia is delineated as enterprises that are engaged in designing, building and constructing, converting and upgrading of vessels as well as marine equipment manufacturing (Malaysian Shipbuilding/Ship Repair Industry Report, 2015/2016). In respect to the definition stated in GST Zero-Rated Supply Order (2014), ships consist of "every description of vessel on navigation not propelled by oars as provided under the Merchant Shipping Ordinance 1952 including any vessel owned or operated by the government of a foreign state but does not include any vessel which is designed or adapted for recreation, pleasure or other than freight transportation or passenger transportation".

As a strategic industry that generates revenue worth RM6.4 billion and creating employment opportunities up to 35,000 positions (Khalid, 2017), the industry is vigorous in spurring the foreign direct investments, fostering infrastructure development and stimulating the growth of manufacturing industries and interrelated downstream businesses. The first roadmap for SBSR industry under the Third Industrial Master Plan (IMP3) is titled as 'Malaysian Shipbuilding / Ship Repair Industry Strategic Plan 2020 (SBSR 2020) was launched on 6th December 2011. The maritime industry aims to generate RM6.35 billion in Gross National Income (GNI) and provide 55,000 jobs by 2020 through inclusive yet sustainable growth prospect (Malaysian Shipbuilding/Ship Repair Report, 2015).

As located on the major shipping routes plus proximity to offshore oil and gas resources have steered development in shipbuilding and ship repair activities in Sarawak (The Report Sarawak 2015). As stated by Malaysian Industry-Government Group for High Technology (MIGHT), there are approximately 99 registered shipyards in Malaysia, of which 35 are located in peninsular Malaysia and 64 in East Malaysia. A majority of shipyard and shipbuilding activities in Malaysia is dominated by the state of Sarawak (i.e. stands for approximate 60 per cent) in which most of the shipyard businesses located in Sibu and Miri. The number of shipyards establishment in Malaysia is shown in Figure 1 and the data is adopting from MIGHT Report 2015/2016.

Table 1
Number of Shipyard Companies in Malaysia

States in Malaysia	**Number of establishments**
Johor	4
Kedah	3
Kelantan	2
Melaka	1
Pahang	3
Perak	5
Perlis	1
Pulau Pinang	3
Sabah	7
Sarawak:	
Bintulu	*1*
Kuching	*5*
Limbang	*1*
Miri	*12*
Sibu	*40*
Selangor	6
Terengganu	3
Wilayah Persekutuan Labuan	1
Wilayah Persekutuan Kuala Lumpur	1
Total	**99**

[Source: Malaysian Shipbuilding/Ship Report Industry Report 2015/2016]

Literature Review

Goods and Services Tax (GST)

Goods and services tax (GST), also known as value-added tax is a form of consumption tax that involves the supply chain of distribution starting from manufacturing to the retail stage. The number of countries that operate GST has turned up 165 and this signifies a momentous and continuing global reallocation in term of the way that governments earn their revenue (OECD, 2017). On the positive perspective, GST is extensively perceived as more efficient, transparent and productive tax system (Marimuthu & Bidin, 2016) as comparable with Sales and Services Tax (SST) system, hence is remarkably recognized as one of the accommodating tools to offset for the weakening of global oil price which declining from the contribution of 6% out of total GDP in year 2014 to 3.7% in year 2015. The puzzlement on the GST law and regulations could be a hindrance for the government to fully capitalize the tax system as the empirical researches assert that the level of awareness and acceptance of citizens is moderately low (Shamsuddin et al., 2016).

Table 2
List of Countries That Implemented GST

	Implementation year	**Initial rate (percent)**	**Current rate (percent)**
Developed countries:			
1. Australia	2000	10.0	10.0
2. Canada	1991	7.0	5.0

3. France	1954	20.0	20.0
4. German	1968	11.0	19.0
5. Italy	1973	12.0	22.0
6. Japan	1989	3.0	8.0
7. Korea (South)	1977	10.0	10.0
8. United Kingdom	1973	8.0	20.0
ASEAN countries:			
9. Indonesia	1984	10.0	10.0
10. Thailand	1992	7.0	7.0
11. Singapore	1994	3.0	7.0
12. Philippines	1998	10.0	12.0
13. Cambodia	1999	10.0	10.0
14. Vietnam	1999	10.0	10.0
15. Laos	2009	10.0	10.0
16. Malaysia	2015	6.0	6.0

Source: RMCD (2014), OECD (2016).

Businesses are authorized to collect and transmit the tax amount which they charge on their sales (output tax) and claiming refunds on incurrence of business related purchases on goods and services (input tax). Businesses are mandatory to register with Royal Malaysian Customs Department (RMCD) when their twelve-month sales turnover for the taxable supply surpasses the threshold of RM500,000 (RMCD, 2015). Another element of GST is time of supply which refers to the time when a supply is made. It establishes the period when a taxable person have a duty to fill for GST returns (GST-03) and submitting the net GST payable amount to the authority by the due of the following month subsequent the end of the taxable period.

GST amount is determined by the value addition of goods and services through the whole of supply chains, not on profits or income. As such, GST is directly linked to working capital management whereas payable of output tax is subjected to the location which the transactions are performed (classify either domestic, exported or imported goods), the claimable of input tax arising from cost of finished goods from registered suppliers and delivery routes as well as timing (delivery of goods and issuance of tax invoices). Based on the KPMG GST survey (2013), effective management of GST is crucial to support firms' expansion and reduce costs of doing business and non-compliance risk. Among the considerations involve cost base (avoiding block input tax and purchasing from non-taxable), cash flow (delayed GST refunds), compliance burden (GST returns and GST registrations, GST invoicing, customs documentation requirements) and tax accounting (real-time GST reporting). Muhammad (2016) reveals that 30 tax agents perceive low level of compliance amongst their clients as supported by not submitting returns (i.e. GST03) on time occasionally, undermine the accuracy of GST03 due to hasten before deadline, and deliberately make errors in their records.

Accounting elements for GST

A) Input Tax

Input tax is the tax amount incurred on any purchases or acquisitions of goods (e.g. raw materials, components and parts, trading stock and packaging materials) and services (e.g. rental, leasing fees, consultancy fees) by registered persons to produce taxable supplies. Firms are entitled to claim if the expenses incurred are classified under allowable input tax such as purchases of taxable supplies and incidental exempt financial supplies. Non allowable input tax or so called block input tax which are inclusive of the hiring of passenger motor car, club subscription fee, medical and personal accident insurance, employees' medical expenses, family benefits, and entertainment expenses are not claimable.

B) Output Tax

In shipping industry, any service supplied in Malaysia is subjected to GST at either standard rated or zero rated. GST is charged on the taxable supply of goods and services made by a taxable person in the course or furtherance of business in Malaysia. GST treatment is determined by the destination of the ships to be delivered. For instance, ships are built in Malaysia, subsequently selling to local customers will be regarded as standard-rated supply meanwhile in the condition the shipment to the buyers that are located in designated areas (i.e. Labuan, Langkawi and Tioman) and oversea countries will be treated as zero-rated supply (RMCD, 2015). Tax invoice is a document indicating information about the supply that has been made with the details about registered person and supply, GST rate and the amount of GST payable. Firms need to administer tax invoice due diligently as it may trigger the time of supply for a supply to determine which supplies made by business should be incorporated in a certain taxable period and it also serves as a primary evidence to support the customer's input tax claim.

C) Bad Debt Relief

Registered businesses are entitled for relief on bad debts conceding that the firms has not received any payment or partial payment within six months starting from the time of supply and on the occasion that the firms have putting reasonable efforts to recover the debts. Thus, companies need to meticulously monitor payment from their customers by having proper matching of input and output taxes of particular transactions of taxable supplies.

Working Capital Management

Smith (1987) noted that working capital management is important as it affects both liquidity and profitability of the firm. Working capital management includes striking an optimum balance between working capital components which are receivables, inventory, payables and cash (Ganesan, 2007). According to Eljelly (2004), working capital management requires proper planning and controlling of current assets and current liabilities in order to meet companies' short-term obligations. Mullins (2009) stated that working capital management can be one of the tools to gain competitive advantage.

In accordance with the 2013 Benchmark Survey on VAT/GST by KPMG International, the percentage of respondents who indicated that GST has a negative impact on their cash position is 51 percent and 58 percent in years of 2012 and 2013 respectively. The increment of this disapproving movement indicated that GST will have noteworthy impact on a business's working capital. Furthermore, the report pointed out that GST is the third major cash flow item after sales and cost of sales. However, it would be complicated to determine the real impact that GST has on a business's cash position.

Components of Working Capital Management (WCM) Practices

A) Inventory (IV) Management

Inventory management is defined as the planning, coordinating and controlling activities related to the flow of inventory through and out of an organization (Horngren, Datar & Foster, 2013). The availability of various types of inventory is crucial for businesses' operations and greatly affected by level of sales and accounts receivable. According to the Malaysian SBSR Industry Report 2015, local shipyards are skeptical about the implementation of GST as they are concerned on the level of extent that GST could impact their business operations particularly the additional cost in raw materials, parts and components. As argument arising by Koumanakos (2008) stated that the inventory could be regarded as both an asset and a liability as the decision of determining the optimal level of inventory may possibly capitalize on enhancing the firms' value as a result of reducing the operational costs and subsequently increasing the profitability.

B) Accounts Receivable (AR)

In accordance with the empirical study conducted by Mbula, Memba & Njeru (2016), accounts receivable is treated as a source of cash inflows therefore effective management of accounts receivable could improve corporate's level of profitability and enhance its value. In addition, this is further supported by a study conducted by Deloof (2003) which discovers a significant negative relation between gross operating income and number of days to collect accounts receivable hence the results indicated that finance managers can increase shareholders' wealth by reducing the number of day's accounts receivable to an optimum level. According to Breen et al (2002), Australian small businesses encountered cash flow problem following the imposition of GST due to decelerating in macroeconomic states and slower debts collection from their customers.

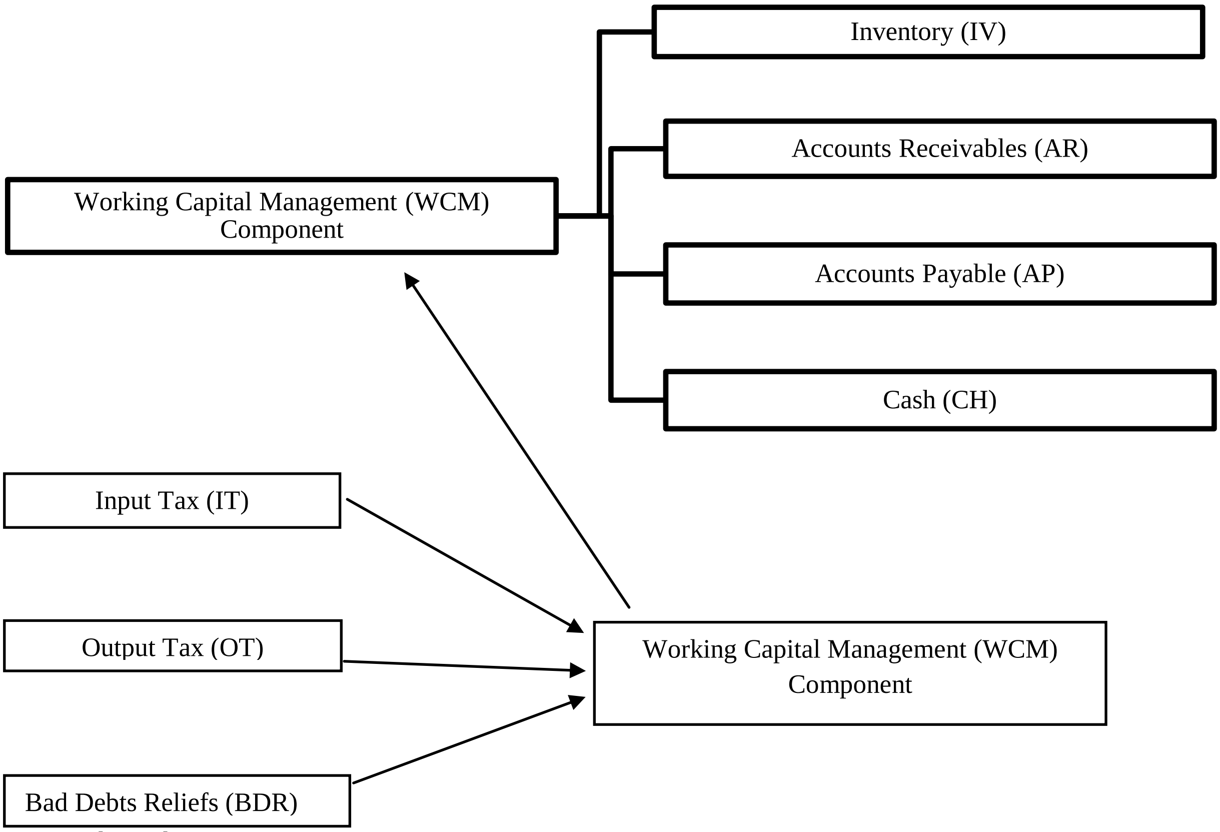
C) Accounts Payable (AR)

In line with Mbroh and Attom (2012), trade credit plays a substantial role to finance business short term operational liabilities apart from short-term and long-term bank loans. The implementation of GST would require firms to ascertain the status of existing suppliers (Azmi et al., 2016) as the purchases from non-registrant supplier will not be allowed to claim for refund. During tightening monetary supply periods, Atanasova (2007) reveals that cash constrained firms tend to substitute trade credit to institutional finance. It would substantially affect a company's financial health particularly for shipping businesses that require longer cash conversion cycle that might indicating the difficulty to do repayment on time.

D) Cash (CH)

Cash management is essential for a firm to achieve two goals namely as profitability and liquidity. Liquidity is defined as how fast a company is able to convert short-term assets into cash and also about its ability to pay-off the debts when the debts are approaching maturity. Meanwhile, profitability means that utilizing cash to invest in short-term marketable securities and it is usually being measured by ratios such as return on investment (ROI). As mentioned earlier, cash is critical for firms to make payment on time in order to ensure the company's operation runs smoothly and avoid risk of solvency (Ebenezer and Asiedu, 2013). This study intends to provide insights for all of the relevant interested party as impact of GST on cash flow is regarded as tremendously significant (Lourdunathan & Xavier, 2017) for SBSR firms that have lengthy inventory holding period which could up to 200 days.

Figure 1
Conceptual Model



Source: the author

DATA AND FINDINGS

Data are collected by adopting mixed methodology which comprising the instruments of survey and face-to-face interviews. The questionnaires were divided into three main sections whereas Section A included firms' profile such as years of operation, number of full-time employees and annual turnover, meanwhile Sections B and C encompasses working capital management practices as well as the perception of GST impacts towards working capital management (WCM). The instrument was partially adopted from both 1st quarter 2016 survey on small and medium enterprises which issued by SME Corporation Malaysia and Oluoch (2014).

The selected sample are derived from the directory of Malaysian Shipbuilding/Ship Repair Industry Report 2015/2016. The unit of analysis for the study consists of finance and accounting departments or/and business owners. According to the directory, there are 99 shipyards in Malaysia and 40 of the shipyards are located in Sibu. This study adopts purposive sampling, a non-probability technique that involves the selection of respondents who have great knowledge and experience in the SBSR industry due to the rational of cost-effectiveness, time savings, yet it is ideal for exploratory research design (Malhotra & Birks, 2006). The strength of qualitative research is its ability to provide complex textual description of how people experience a given research issue and appropriate to study respondents' perceptions as it provides colossal flexibility (Kumar, 2014).

The selected shipyards are specialized in building commissioned ships which comprising tugboat, ferry, landing craft and barges that customize in accordance with the classification of standards and requirements under diverse flag states. As shown in Table 3, majority of the firms has earned approximately within the range of RM1.5 million to less than 50 million per annum, coupled with the manpower capacity of 75-100 permanent employees. The above-mentioned criteria is consistent with the definition of SME Corp Malaysia (2013), whereas small and medium enterprises (SMEs) for the manufacturing sector has sales turnover not greater than RM50 million or number of full-time employees not more than 200. Shamsuddin et al. (2016) stated that the noteworthy features of SME in Malaysia is regarding their ownership structure which is customarily registered as sole proprietorship or partnership at private limited and managing by its business owners.

The well-established measurement of working capital efficiency, cash conversion cycle is the sum of number of days it takes for a firm to convert inputs into cash flows, which in formula is stated as days accounts receivable outstanding plus days inventory outstanding and minus days accounts payable outstanding. Sixty percent of the respondents has extended in between 30 days to 90 days of credit term to its existing customers and discount is being offered to debtors if they decide to pay prior to the credit term. The bad debts is moderate at the level of 3 percent to 5 percent out of the total amount of accounts receivable. Thereupon, most of respondents stated that they undergoing the hardship of less competitive in internal business arena for the rationale of increased price of the finished products which in proportion with the escalating utilization of additional capital and assets. Meanwhile, the completion of finished goods is greatly count on the size of the vessels. On average, the firms requires 201 to 300 days to convert raw materials into completed products. In the interim, the company has approximately 60 days to 90 days to settle its payment with its suppliers. In concise, the average cash conversion cycle is equivalent to 250.5 days and this is consistent with the findings by Moss and Stine (1993) affirming that SMEs with lengthier CCC period would require substantial amount of external financing such as borrowings from the financial institutions.

As stated by one of the respondents, it typically takes approximately four to twenty-four months to accomplish a product as it has to rest on the size of the vessel which could be varied from 22 meters to 75.60 in term of the length. In addition, the companies offer ship repairing services such as hull repair, cutting, welding, and rebuilding and upstream activities i.e. steel manufacturing business. According to one of the firms' owners, the exercise of diversification is due to the rationale that metal fabrications of steel, aluminium, and copper are raw materials that has been widely consuming in shipbuilding activities. SBSR is ratified as having extensive linkages with other economic sectors such as steel, plastic, wood, transportation, storage, logistics, mining, commodities such as oil and gas (Borneo Post, 2016).

Table 3
Company Profile

	Frequency	**Percentage**
Legal status:		
Private limited company	7	100
Number of fulltime employees:		
5 – 74	4	57.1%
75 – 100	1	14.3%
101 -200	1	14.3%
201 and above	1	14.3%
Annual turnover (RM):		
500,000 – less than 750,000	1	14.3%
750,000 – less than 1.5 million	1	14.3%
1.5 million – less than 50 million	5	71.4%
Average credit terms extended to customers:		
30 days to 60 days	2	40%
60 days to 90 days	1	20%
90 days to 120 days	-	-
More than 120 days	2	40%
[2 respondents left it blank]		

Availability of early settlement discount:		
Yes	5	83.3%
No	1	16.7%
[1 respondent left it blank]		
Level of bad debts out of total receivables:		
0% - 2%	4	57.1%
3% - 5%	2	28.6%
6% - 10%	-	-
More than 10%	1	14.3%
Average days of inventory:		
101 days to 200 days	2	33.3%
201 days to 300 days	3	50.0%
More than 300 days	1	16.7%
[1 respondent left it blank]		
Average credit obtained from supplier:		
30 days to 60 days	2	28.6%
60 days to 90 days	4	57.1%
90 days to 120 days	-	-
More than 120 days	1	14.3%

Table 4
Descriptive analysis of working capital components and GST

Working capital component	Mean	Standard deviation
Inventory (IV)		
1. GST would increase cost of purchasing raw materials inventory	5.00	0.000
2. GST would lengthen my company's days sales of inventory		
3. GST would reduce my company's capacity utilization	4.00	0.707
4. GST would make stock control becomes more complicated	4.60	0.894
5. GST would decrease the level of raw materials holding in the warehouse	4.20	1.095
	4.00	1.414
Accounts Receivable (AR)		
6. GST would lengthen the period of accounts receivable collection	4.60	0.548
7. GST would decrease my company's local sales		
8. GST would decrease my company's international sales	5.00	0.000
9. GST would require more resources	4.40	0.894
10. GST would increases the prices for my company's products/services	5.00	0.000
	5.00	0.000
Accounts Payable (AP)		
11. GST would shorten the credit terms given by the suppliers	4.60	0.548
12. GST would increase the amount of borrowings from the banks	4.00	1.225
13. GST would deteriorate my company's profitability	4.60	0.894
14. GST would decrease the amount of investment in working capital	4.20	1.304
15. GST would cause my company tends to purchase from GST registered person	4.20	0.837
Cash (CH)		
16. GST would have negative cash impact on my company	4.40	0.548
17. GST would increase my company's cash requirements	4.40	0.548
18. GST would decrease the level of cash availability in my company	4.40	0.894
19. GST would increase my company's needs to hold more cash on hand		
20. GST would bring more challenges in managing cash	4.20	1.095
	4.40	0.894

The descriptive analysis for the level of consensus towards the influence of GST towards WCM components has indicated GST has significantly increase the cost of operation as presented on following statement: *"GST would increase cost of purchasing raw materials (μ_x=5.00), GST would decrease my company's local sales (μ_x=5.00), GST would require more resources (μ_x=5.00), and GST would increase the price for my company's products / services (μ_x=5.00)".* Furthermore, the findings demonstrate that the GST implementation has influenced their companies' cash flows in an undesirable way due to the occasions of lengthening the period of collecting the accounts receivables *(μ_x =4.60; σ =0.548),* increasing the number of days the inventory is stored in the warehouse *(μ_x=4.00; σ=0.707),* shortening the credit term given by the suppliers *(μ_x=4.60; σ=0.548),* as well deteriorating the firms' level of profitability *(μ_x=4.60; σ=0.894).* In line with the description analysis, one of the interviewee has made the statement as follows regarding costs incurred due to the implementation of GST: *"GST has caused my firm to spend more money as we need to acquire/buy more items for instance, accounting software for GST application as well as hiring more manpower and specialists to be placed in accounting department as the tax system is new to all of us. The government basically pushed everything to traders as the procedures has to be done by us. We felt so difficult, for example we took eight months from month of March to November just to obtain refunds (input tax claim) from the custom department as they said we need to complete the final goods deliveries and complete tax invoices as well as Form K2".*

On the ground of limited resources as well access to financial markets, the firms could be over reliance on short-term financing therefore Padachi (2006) stresses that the efficiency in managing working capital is integral to ensure the continuity and growth of the SME companies. One of the respondents who faced the cash availability issue has made the following statement: *"We hope to use the refund to offsetting the additional cost burden but we face difficulties in obtaining the refund. The same goes to accounting problem. Too many coding and cannot understand well. Too hard to be remembered. As well, Malaysia is the country that has difficult (complex) GST system as comparing with other countries such as Singapore. We have a difficult time, not having enough cash flows. Doesn't like Indonesian government which is supporting their local industry but our government does not support the industry and give the business to oversee businesses."* Another remarkable comments made by the owners is the cash management has become extremely important in their business operations. Among the comments given by the director including: *"GST has negatively impact on my firm's cash position and at the same time increase the cash requirement to be kept in the company (or accounts) in order to settle output tax on behalf of customers as our credit term is usually more than 60 days. However, after the implementation of GST, the customers tend to delay their payment as it could be seen as our period of debt collection from customers has become longer. This made our firm needs more cash and more challenging while managing cash".*

In term of business owners' perception on the imposition of GST, their main preeminent concern is the gradual losing competitiveness to attract regional customers due to ferocious rivalry pressure from the maritime nations. In spite of viewing GST as a fair and transparent tax system, the owners are still distressed with the escalating of costs in assembling and fabrication costs coupled with transportation costs. The estimated increment is approximate 10 percent. In addition, the order book is shrinking severely immediately after the imposition of GST due to the high-priced ship on top of additional 6% and moreover the imposition of cabotage principles which regulating and restricting foreign vessels which operating within Indonesia's waters (Yee & Din, 2015). The proclamation of respondents is as following: *"GST itself is a good tax system as it helps the government to pay debts (reduce the fiscal deficit) but our business needs a lot of money to run a business as most of our money already go to custom. It turns out that we need to get additional borrowings from the banks. Then, our interest fees is very high."*

Contemporarily, the customer base gradually shifting to Papua New Guinea and Solomon Islands. Likewise, the owners also reveal that GST has an indirect and negatively influence on the firm's local demand as the excessive volatility of commodity market, the sluggish global economy, and the termination of offshore exploration activities for the oil and gas industries has refrain the home-grown marine and transportation industry to maintain its previous growth rate. In order to remain competitiveness in term of vessel price, some firms decide to bear fifty percent (i.e. 3% of the total taxable supply) of the GST expenses on behalf of the customers as a result the cost involving in retaining customers is increasing thus reducing the profitability. This further upheld by a statement made by an interviewee as follows: *"Some more, the economy in Malaysia is not good. This year (2017), we have only one ship to be delivered. Not like last one and two years, we had seven to* *eight ships delivered to our customers. The sales and production has decreased a lot. The government should support the marine industry. Malaysia currency has also depreciated a lot seeing that most of our manufacturing components from oversea".*

DISCUSSION AND RECCOMENDATION

GST is a traverse concern that transcending diverse departments such as accounts, finance, operations / production, sales, services, procurement and human resources. Thus, it is critical for business to identify operational activities and transactions that would encompass of GST accounting elements and study the impact of these on firm's cash flow. The likely adaptation of decision making subsequent of GST embedded in business operations would be adjustment of products/services pricing (due to inflation and weaker value of currency), assessing existing/future contract obligation, revise credit terms to customers (speed up the collection process), reassess of procurement policy of the company (avoid stock-piling due to slow down in macroeconomic) and review of fringe benefits given to employees as selected or certain benefits may be subject to GST.

The compliance cost is burdensome particularly for small and medium enterprises (SME) as the basic underlying feature in GST tax regime is self-policing (Goh, Huei & Tay, 2017) which allows businesses to claim their input tax credit by providing the tax authorities with tax invoice with other relevant supporting documents. Consequently, the administrative costs has escalated due to the increasing paperwork (Azmi et al., 2016) and well preparation is required in term of accounting system, records and training for staff (Muhammad, 2016). The engagement with private sectors such as opening public-private dialogue on tax system could induce more efficient and effective GST governance i.e. enhanced transparency and better compliance rate among taxpayers (Sanusi, Omar & Sanusi, 2015).

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