

GST will reward the rich, punish the poor
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When will the BN government get it? Implementing a Goods & Services Tax (GST) while reducing existing income tax is a simple means to tax the wealthier less, and the poorer more.

Recent months have seen various ministers, including Prime Minister Najib Razak (left) himself putting forward the proposal that as the GST gets implemented, the government will concurrently reduce our income tax levels.

The latest minister who has joined the fray is Idris Jala, the Pemandu CEO and minister in the Prime Minister's Department, who went further to argue that only with the GST, accompanied by reductions in income taxes, will the government be able to fund its policies for the poor.

Idris Jala said that "with the GST in place, all 28 million Malaysians will pay a little bit (more) which then allows (us) to reduce corporate and income tax and that's how we can find enough money for the poor people."

The statement is a little shocking coming from Idris Jala who is normally fairly sensible, and completely perverse in its logic.

Today, only approximately 15 percent of the working population earn enough to qualify for paying taxes, and that means that the overwhelming majority of the work force is earning less than RM3,000 a month. They are not paying taxes not because they do not want to, but because they are not earning enough to.

What the BN government is proposing to do is to reduce the taxes paid by the wealthier 15 percent of the working population, and redistributing the tax burden to the 85 percent who currently do not earn enough to qualify to pay taxes.

Robin Hood in reverse

The irony is that now the government is arguing that by taxing the rich less and taxing the poor more, they will be able to source increased funds to support the poor!

In effect, the government is arguing that the wealthier segments, particularly the corporates should stop funding policies in support of the poor, and the poor should fund policies for themselves!

There is no question that the government cannot rely heavily on taxes derived from the oil and gas sector that today constitutes close to 40 percent of all government revenue collection. However, the way to do it is not by crudely taxing the rakyat more through GST, particularly those from the lower income groups.

Otherwise, should Petronas 'strike oil' again and is able to increase its revenue contribution to say, 60 percent of total government revenue, does it mean that the government will then increase GST to say 10 percent for the purposes of "broadening the tax base"?

The appropriate method to increase and broaden our income tax base is to implement policies funded by our oil and gas windfall profits that will raise the income and productivity of ordinary Malaysians. Such policies will include drastically improving the quality of education as well as setting a reasonable minimum wage.

Once the income levels of Malaysians increase, automatically, based on existing tax structures, more Malaysians will be paying taxes and the government will be able to "broaden" its tax base without burdening the poor.

In the near term, the best measures for the government to increase revenues and reduce expenditure is

to introduce competition into all its policies – such as competitive auctions for state land to maximise revenue, and competitive tenders for all privatisation and procurement projects to minimise costs and reduce leakages through wastage, rent-seeking and corruption.

Such measures, if imposed with political will, will be more than sufficient to fund policies for the poor in the short to medium term.

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