

Think tank: Middle-class biggest losers with GST
MalaysiaKini.com
Apr 10, 2014

The goods and services tax (GST) will deal a bigger blow to middle-income Malaysians than anyone else, an economics think tank said today.

In a study that took into account government GST offset measures such as income tax breaks and BR1M cash giveaways, Penang Institute computed that Malaysians earning RM30,000 to RM150,000 a year will lose as much as RM1,123 of their income when the consumption tax hits home next April.

In contrast, the rich may have reason to cheer GST on as those earning RM370,000 a year could receive a windfall of RM3,127 - mainly from savings in income tax.

The very poor will be helped by the extra Bantuan Rakyat 1Malaysia (BR1M) payout but can also expect to be no more than RM202 to RM408 richer after the GST.

"Despite setting essential items like basic food, public transportation, education and healthcare as exempt or zero rated items, we show that GST is a regressive tax," Lim Kim Hwa, PI's CEO and economic chief, said in a press statement.

The economic term "regressive tax" means GST punishes the poor more than the rich and this study is consistent with the international experience of such a consumption tax as implemented in Australia and the United States, Lim said.

Lim also noted that PI's study had made use of official government statistics from Bank Negara and Department of Statistics.

PI has been studying the effects of GST since last year in an attempt to nail down who will lose out, even as government said it expected to collect about RM3 billion a year more in revenue with the new six percent GST.

The GST has been planned by the government for nearly 10 years but a first attempt to legislate it was withdrawn in 2010 after some protest. However, Parliament this week passed the GST bill amid opposition from Pakatan Rakyat MPs.

Lim further said PI's study warned that those who worked as technicians, clerical and services workers, farmers and fishermen, single person households, young (those less than 24 years old), bumiputera-led households and those residing in Peninsula Malaysia, would also bear more of the GST burden.

PI have said that there are plenty of alternative sources of government revenue, while a group of NGOs and opposition parties have called for mass rally on May 1 to urge the government to drop the GST.

Copyright © 1999-2012 Mkini Dotcom Sdn. Bhd
Source: <http://www.malysiakini.com/news/259644>