

Price hikes for just 10pct of basic items under GST
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Only 10 percent of everyday items, mostly processed food, will see any price hikes after the goods and services tax (GST) is imposed, Deputy Finance Minister Ahmad Maslan said today.

Out of about 1,000 items the government has identified, only 10 percent of these will see price rises, while there will be no increases in 48 percent of the goods, while prices on the remaining 42 percent will drop.

The six percent tax to be imposed from April 1 next year will bring about price reductions or unchanged prices for up to 90 percent of the common, everyday items, Ahmad told reporters after a forum to promote the GST.

Even though the GST is expected to raise RM9 billion in extra revenue for the government from the second year of its implementation onwards, he said "the people can live without getting affected by the tax at all".

Ahmad then ran off a list of markets that won't be affected by the GST - night markets, Wednesday and Friday markets and farmer's and fish markets.

"The basic foods are exempted - rice, flour, sugar, salt, dhal (beans). Meat too - beef, mutton, chicken, duck and pork - are all exempted... eggs, vegetables, seafood like ikan bilis, ikan masin, and domestic water supply are also exempted, " he said.

Shopper's guide to be released

To help control prices of other items, he added, the government will in January next year release a shopper's guide with recommended prices for about 1,000 items.

Of these items, 689 have been identified, while the remaining are still being evaluated.

Besides the shopping guide, the government will also use a price control and anti-profiteering law to fine errant traders, Ahmad said. As an added measure, deputy Prime Minister Muhyiddin Yassin would head a joint task force with consumer NGOs to help tackle inflation.

Ahmad said prices of some items could be reduced with the removal of the sales and service tax (SST), when the GST is implemented. This SST amounts to 15 percent for some items now.

The GST will bring in more revenue for the government even through the people won't be burdened, as businesses were the ones that will have to pay up.

"The GST is expected to provide an additional revenue of RM3 billion in the first year and RM9 billion in the subsequent years.

"This is the result of a more efficient tax system, in contrast with the existing one," Ahmad said.

With the GST, many manufacturers, for example, won't be able to evade taxes by under-declaring their transfer prices.

He also estimated that up to 30 percent of Malaysia's GDP is not taxed now because these were "hidden activities".

Under the GST, all businesses that have sales of RM500,000 and above must be registered to collect the tax, thereby also helping the government to track their actual sales.

To help businesses to do this, the government was prepared to handout RM150 million in subsidy for their purchase of software for their activities, paying up to RM1,000 per software, which is estimated to cost RM1,200-RM1,500.

A list of some 55 companies have been drawn up help produce the software.

The government will also spend another RM100 million to train GST educators so that its outreach programme can continue at a more "accelerated pace to provide proper explanation" to the people.