

Not too many GST exemptions, warns PAS

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The government cannot afford to exempt many items from the goods and services tax (GST) as doing so will prevent it from gaining additional income.

PAS research centre executive director Dzulkefly Ahmad said that this is the case, although it would be more beneficial for the rakyat should more things are added to the GST-exempt list.

According to Dzulkefly, it is imperative that the government gazette a list of GST-exempt item soon, as this would indicate it lower income would truly be protected.

“Whether the GST is regressive or not will depend on the final list,” the Pakatan Rakyat budget committee member said in a forum organised at MyHarakah bazaar yesterday.

He also lamented the government’s silence on whether fuel, which affects a large part of consumer expenditure, will be affected by the GST.

Critics argue that the GST is not suitable to Malaysia as it is regressive tax - a tax which impacts the lower income more than it does the higher income.

This is because the GST is a consumption tax and the poor consume a greater proportion of their income compared to the higher income.

The GST, which will replace the sales and service tax, will come into effect at 6 percent on April 1, 2015.

The government argues that the GST is needed to broaden Malaysia’s tax base, given that most Malaysians do not earn enough to pay income tax.

Capital gains tax first

Dzulkefly, who is also PAS central committee member, however argues that that there should be a holistic tax reform which includes the introduction of capital gains tax, which is a tax on profit.

He said that it is still not the time for the GST to be implemented because most people are either middle or lower income.

“With the Budget 2015 soon to be announced by the prime minister, one of the challenges is whether the BN government can escape the middle income trap,” he said, in the forum attended by 30 people.

Moving outside of the domestic economy, Dzulkefly said that the budget must also put in measures in anticipation of a slowdown in the economy of China, one of Malaysia's largest trading partners.

"And if the United States reverses the quantitative easing (QE) policy, there will be an exodus of funds, and countries such as Malaysia will be affected.

"All these instances place us in a jittery situation, and this, in turn, will affect the country's growth," he said.

QE is an expansionary monetary policy used by governments to stimulate the economy. It typically involves the central bank buying securities in order to push more money into the market.

Prime Minister Najib Abdul Razak will present Budget 2015 on Oct 10.

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