

## **Businesses don't buy PM's 'cheaper goods with GST'**

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BUDGET 2015 Prime Minister Najib Abdul Razak today announced an expansion to the list of exempted items from the Goods and Services Tax (GST) during the tabling of Budget 2015 in Parliament.

The premier said with the abolition of the Sales and Services Tax (SST) coupled with this exemption, 532 out of 944 goods and services in the basket of goods in Consumer Price Index would go down by up to 4.1 percent.

Najib's argument stems from the fact that the SST was at 10 percent while the GST is at six percent, leaving a four percent difference.

However, not everyone is convinced. Associated Chinese Chambers of Commerce and Industry of Malaysia (ACCCIM) council member Koong Lin Loong said the prime minister's argument is true in theory but GST would increase the overall operating costs of businesses.

As such, he said this would have an impact on the prices of goods.

"When the GST is implemented, the operating cost will increase which could be more than the four percent difference. Therefore it is impossible that the prices of goods will decrease," he said.

Federation of Malaysian Consumers Association (Fomca) said the fact that RON95 petrol, diesel as well as liquefied petroleum gas (LPG) are exempted was a relief but ordinary Malaysians are not out of the woods as the premier also revealed an upcoming revised subsidy scheme.

"Even RM5,000 a month income may not be enough for someone living in the city and they would be hardest hit if they are not included in the new subsidy scheme," said its deputy president Mohd Yusof Abdul Rahman (left).

Furthermore, he said the government should release in detail 532 exempted items so that consumers can know that they are not being overcharged by businesses who would use GST as an excuse to hike prices.

'Taxpayers not convinced GST well spent'

Najib may have appealed to businesses not to arbitrarily hike prices in his budget speech but Mohd Yusof said there needs to be more concrete steps in combating profiteering.

This, he said, would be crucial in helping to cushion the impact of GST that will come into force next year.

Meanwhile, Centre for Public Policy Studies chairperson Ramon Navaratnam (left) said the government needed to convince the rakyat that their tax money would be well spent in light of GST but fell short.

He pointed out that even though the government will earn more income with GST, development expenditure was only marginally increased from RM46.5 billion to RM50.5 billion.

"People would not be opposed to GST if they are convinced that the revenue gained will be put to good use but unfortunately the Auditor-General's Report and corruption perception index showed we have been performing poorly," he said, adding that these were not addressed in the Budget.

However, he acknowledged that the Budget was being constrained as the government has to deal with the deficit which is projected to fall to three percent of gross domestic product (GDP).

Ramon added that the Putrajaya also needs to deal with the culture of handouts, even though he described the Budget as being "caring to the poor".

This is amid a demand by the civil service union Cuepac to hike the salary of civil servants up to 30 percent, which Najib in today's Budget only promised to review.

#### Split views on handouts

"You can't blame the civil servants for asking more because this is the psychology promoted by the government for a long now. They have developed a subsidy mentality.

"The only way to cure it is to insist on a new policy of higher competition, more meritocracy and reward for productivity and performance."

The Institute for Democracy and Economic Affairs (Ideas) commended Najib for his austerity efforts but likewise criticised the continued handouts.

"This budget speech is not consistent in the sense that it started with trying to persuade the public on the need to reform our fiscal structures, but it went on to announce various spending 'splurges', with multiple populist subsidies and handouts," it said in a statement.

However, Merdeka Centre director Ibrahim Suffian (right) said handouts, such as the Bantuan Rakyat 1Malaysia (BR1M) which was increased from RM650 to RM950 are meant to cushion the subsidy cuts to fuel.

"It is a not-too-bad budget but meant to deal with the upcoming economic issues next

year," he said.

But Malay Economic Action Council (Mtem) research director Azlan Awang questioned whether the implementation of GST was worthwhile if a substantial part of it is to be given out as handouts.

"It's a sweet budget but not structural enough, it's all about handouts.

"There should be more focus on wages and household income with a consolidated plan to raise wages.

"At the moment, the rate of growth of goods and services outpaces the rate of wage growth," he said.

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