

'Too rich for BR1M, too poor for income tax cuts'

MalaysiaKini.com

Oct 14, 2014

Budget 2015 has reinforced the middle income squeeze as it emphasises the fact that such households will bear the brunt of the goods and services tax (GST), a state-owned think tank says.

Penang Institute said this because, yet again, households earning between RM55,000 and RM100,000 a year are deemed too rich for welfare aid, but barely benefit from income tax cuts.

"Middle income households will neither receive Bantuan Rakyat 1Malaysia nor benefit much from tax cuts; but will have to pay GST. Consequently, they will end up having less cash – approximately RM708 per annum," it said.

Penang Institute noted that based on the Household Income Survey 2012, the average household income is RM5,000 a month (or RM60,000 per annum).

According to Minister in the Prime Minister's Department Abdul Wahid Omar (left), the latest statistics show the average household income to be RM5,900 (or RM70,800 per annum).

"Therefore, we believe that the combined effect will result in the average Malaysian household having less cash to spend," Penang Institute said.

The statement was issued by its chief executive officer and head of economics Lim Kim Hwa, senior analysts Lim Chee Han and Ong Wooi Leng and visiting analyst Tim Niklas Schoepp.

The institute also said its regression shows that the average Malaysian household will pay RM70 a month or 1.9 percent of its income in GST.

Takings might be even lower

Penang Institute also warned that net earnings from the controversial goods and services tax may not even be the already low RM690 million in 2015 expected by the government due to GST "fraud" and "monitoring costs".

"We believe that the practical amount might fall short of this realistically.

"Besides, as the enforcement and monitoring costs might not be included, the net revenue raised might be even less," it said.

"Given that the expected fiscal deficit is 3.5 percent of GDP in 2014, the actual net revenue raised from GST might only contribute marginally to the aim of having a balanced budget."

In his budget speech last Friday, Prime Minister and Finance Minister Najib Abdul Razak (right) said nett takings from GST in 2015 will be RM690 million, after accounting for welfare programmes and losses from exemptions and the abolition of the sales and services tax (SST).

The welfare programmes, including the BR1M cash aid, amount to RM4.9 billion, Najib told the Dewan Rakyat.

He also announced that next year, households earning less than RM3,000 a month will get RM950 in BR1M while those earning between RM3,000 to RM4,000 will get RM750.

This is a hike of RM300 respectively.

Single individuals above the age of 21, who are earning less than RM2,000 a month will get RM350, up by RM50 compared with this year.