

GST - the cost of BN's financial sins and follies
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COMMENT As the countdown to the goods and services tax (GST) implementation begins in earnest, everyone is bracing for April 1, 2015 when the imposition of the GST takes effect.

GST is not going to be an April Fool's joke. It is not only businesses that will be affected. The GST will have ripple effects throughout the economy – in some cases small ripples, but in other cases large ripples or even waves.

Contrary to what the government says, the effects are not beneficial for the public.

No new tax is ever beneficial however the politicians spin it. This is why tax increases or new tax levies, anywhere in the world has resulted in public uproar and protest – and sometimes, the downfall of the political party responsible for them.

In Malaysia, the government has argued that the GST is in the interest of the consumer.

It claims that the cost of living will actually come down, believe it or not!

A GST tax agent website says:

“Based on the GST rate of 6%, it is expected that there will be a price reduction between 0.08% to 2.71% in respect of eight components of goods and services. With the price reduction, the rakyat will benefit from the cheaper goods and services such as clothing and footwear, basic food, communication, furnishings, hardware and maintenance, transport, housing, water, electricity, gas and fuel. The tax burden borne by the rakyat and consumers is expected to be lower compared with that under the present tax system.”

This is an Alice in Wonderland version. How the government arrived by its calculation of price reduction is anybody's guess. Perhaps by the application of 'tipunomics' or 'bodoh-nomics'.

Any idiot will ask: how can government revenue collection go up when the tax burden goes down?

Why the GST

The Barisan Nasional government has no choice but to increase the tax burden and collect more revenue because it needs to bring down the massive budget deficit which has stretched back for 14 years.

In simple language, it has spent more than it has collected in terms of revenue for more than a decade. Now Malaysians have to pay the painful price for the irresponsible and

spendthrift policies of our leaders.

Those who thought that we had a bottomless well of financial reserves to draw upon are now hiding their heads. The colossal amounts spent on Proton, Malaysian Airlines, Bank Bumiputra bailout, Perwaja, the Scorpene submarines, Konsortium Perkapalan, and many other UMNO and crony-driven scandals total to hundreds of billion ringgit.

According to Tengku Razaleigh, the government has treated national oil firm Petronas as its personal "piggy bank", drawing some half a trillion ringgit or RM529 billion in dividends, taxes, petroleum proceeds and export duties.

This is not to mention the privatization and other sweetheart exercises for cronies such as Ananda Krishna, Francis Yeoh, Vincent Tan, Tajudin Ramli, Halim Saad, Dain Zainuddin (right), Syed Mokhtar alBukhary who have paid cheap sale prices for valuable public assets.

If wisely invested, these lost monies would have lowered the burden on tax in the country and we would not need the GST. The half a trillion ringgit could have built an economic and social infrastructure that would have been the best in Asia. This is not a wild or exaggerated claim. The proof is in the Bank Negara and Petronas account books.

All Malaysians the Malays especially could have had a much higher standard of living and a brighter future if we had put the brakes on the reckless and often brainless expenditure incurred during the time of DrnMahathir Mohamad, Abdullah Badawi and now, Prime Minister Najib Abdul Razak.

The party is over

But we did not put the brakes and now we have to pay the price. It is too late to cry over spilt milk as the saying goes.

Now we will have to suffer and bear the pain. Let us not forget this the next time we go to the polls.

Meanwhile, opposition political parties and consumer associations have been up in arms.

They have made the case as to the burden that the GST will bring to the ordinary citizen.

They have provided various options ranging from outright rejection to deferment of the tax imposition.

Not only are consumers affected but also businesses are affected. Don't forget that the businessman is also a buyer in the market. And now he has to pay for goods and services the same way that the ordinary household has to pay.

I predict that there will be a war between producers and consumers over the GST once its full impact is felt. Already the warning shots are being fired by the government as to who is

to be blamed once prices go up.

And as usual, the scapegoats will be made out to be the small businesses.

According to the GST website:

"The government will take stern measures to ensure that the businesses do not take advantages of the GST implementation to increase prices of goods to make excessive profits.

"Measures to be taken by the government include introducing the Anti Profiteering Act, intensifying enforcement action through the National Pricing Council, distribution of Shoppers' Guide, as well as making the hypermarkets act as price setters.

"Heavier fines and penalties will be imposed to make sure that the businesses comply with the rules and procedures formulated."

Coming from a business background of over 50 years, I can tell you frankly that the big guys can take care of themselves.

This is why we have heard few complaints from the big businesses on GST. They have expertise and "jalans" including creative accounting. They can also "kau tim" with the authorities to make sure that their bottom line is not affected.

Small businesses are the most competitive and 'cut-throat' of all business, being open to all comers.

The great majority have only thin margins of profit. They will be the hardest hit and many will die as a result of the GST. Right now, GST is being applied to businesses with an annual turnover of RM500,000 and more.

This means that any business with a turnover of over RM1,370 daily will have to register.

And how is this turnover going to be calculated?

According to reports, the calculation of the threshold is being determined on the sales record for the preceding 12 months and estimated sales record for the next 12 months. Who will determine or certify the sales record and the methodology they will use is clearly going to be abused.

My prediction: not only will GST result in higher prices but it will open the door to even more widespread corruption rather than help bring it down.

KOON YEW YIN, a retired chartered engineer, is a philanthropist.

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