

Najib's 'most exemptions' boast contradicts GST aim
MalaysiaKini.com
Apr 3, 2015

Prime Minister Najib Razak's boast that Malaysia's GST has the most exemptions in the world contradicts the principle of simplicity in implementing the tax, said a DAP lawmaker.

"(Najib's) assurance is a complete paradox and ironically serves to prove that Malaysia is not yet ready to implement the GST," said Petaling Jaya Utara MP Tony Pua in a statement today.

Pua explained that the long list of zero-rated and tax-exempt items has made the GST ineffective, and defeats the purpose of a tax that is supposed to be efficient because of its simplicity.

"Najib Razak, who also holds the position of the finance minister, failed to recognise the fact that the more efficient GST predicates upon the simplicity and universality of the tax.

"This means that the GST is efficient because it charges a single tax rate and it applies to all products.

"The outcome under such a system will be a tax that is simple to understand, easy to implement, and cheap to administer," said Pua.

Malaysia's GST on the contrary has been made cumbersome by the many exemptions, making classifying items confusing, thus making it difficult for many in the supply chain.

"Once the list becomes lengthy, and in Malaysia's case, the prime minister had proudly boasted that it is the longest in the world, then the GST becomes an inefficient taxation system which is arguably worse than the sales and services tax system it sought to replace.

"There is major confusion all around the country among both manufacturers, sellers, and consumers of all types of goods and services.

"Even the most literate of the new tax are often uncertain of the exact classification of products which are either standard-rated, tax exempt or zero-rated," he said.

Painful for businesses

He added the lengthy list also makes the GST costly to implement, as retailers will need three sub-accounts for each tax category.

"The costs involved in such extensive reengineering, which often necessitates a computerisation exercise and increased specialist staff, have already caused many smaller firms with small profits to choose to close their business," he said.

Pua said the long exemption list, which Najib claims is to ease the rakyat's burden, is proof that Malaysia is not ready for the consumption tax.

"They know that the income inequality in Malaysia will not be able to tolerate the regressiveness of the GST system, which burdens the poor proportionately more than the rich," he said.

The 6 percent GST came into affect on Wednesday, despite protests from the opposition and civil society groups who claimed it will further burden the lower- and middle-income groups.

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