

Gov't denies GST rate increase will be discussed

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Deputy Finance Minister Chua Tee Yong has rejected allegations that there was a plan, discussions or suggestion by the government to increase the goods and services tax (GST) rate from the current six percent.

Speaking to reporters at the Southeast Asia Venture Capital and Private Equity Conference 2016, Chua said: "There are no discussions to increase the GST rate as of now.

"As such, I hope people won't spread the wrong news or misinformation."

He was responding to news circulating on the social media that the government would increase the GST rate to eight percent, effective June 1, 2016.

Chua also said news that the government would increase the GST after the Sarawak state election, has proven false.

He also denied speculation that the government was looking to reduce the number of GST-free and GST-exempt items currently.

"During the recalibration of the 2016 Budget, there was a suggestion in terms of reducing the number of GST-free or GST-exempt items. One such item has always been RON 95 petrol. There was a suggestion to remove it (GST exemption).

"However, the government realised the impact (to the consumer) especially on inflationary pressure, and as such, it was not done," he added.

On another issue, Chua denied speculation on the possible reduction of the limit on annual sales to RM300,000 from RM500,000, for a business to be registered for the GST.

Gov't will engage with 1MDB on IPIC dispute

Meanwhile, he said the government would engage with 1Malaysia Development Bhd (1MDB) on the commercial dispute between it and the Abu Dhabi state-owned International Petroleum Investment Co (IPIC).

Yesterday, IPIC demanded the government and 1MDB compensate the firm with US\$1.2 billion, plus accrued interest.

This was after it paid US\$52.4 million in interest on 1MDB's 5.99 percent bonds that it guaranteed.

In April, 1MDB had stated that it attempted to meet all its obligations to IPIC, whereas IPIC had publicly denied receipt or knowledge of various financial transactions or guarantees entered into between the parties.

"Accordingly, while 1MDB has the funds to have made the interest payment, it is 1MDB's position, as a matter of principle, that it was IPIC's obligation to do so.

"Until IPIC accepts that all obligations have been met, 1MDB is obliged to withhold payments and will seek legal recourse and resolution," 1MDB said in a statement.

However, Chua said the dispute would not affect the government's fiscal deficit target for this year.

"We are maintaining the fiscal deficit at 3.1 percent for 2016," he said.

- *Bernama*