

LETTER | GST a quick fix, but M'sia's fundamental problems remain

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LETTER | Prime Minister Ismail Sabri Yaacob's announcement on the potential reinstatement of goods and services tax (GST) came at the back of an economic situation that has yet to recover following a pandemic, having been in a number of prolonged lockdowns throughout the past two years.

The reinstatement of GST is purportedly to boost federal coffers to tackle inflation and cushion the financial burden of subsidies for the people. A noble cause indeed.

To expand the revenue base, it is reported that the government would aim for a GST rate that is lower than before, yet not so low that it defeats the purpose of expanding tax revenue for the government.

Proponents of GST argue that the tax is very efficient, transparent and fair. It is a business-friendly taxation system that can improve the country's economy and

provide stronger competitiveness to the country's exports.

However, since the first introduction of GST in 2015, concern has been raised as to the regressive nature of GST. As a consumption tax, GST taxes at a flat rate where the poor and low- and middle-income groups pay a higher proportion of their income on GST compared to the higher-income groups.

This is particularly concerning, following a pandemic that has disproportionately impacted poor and vulnerable Malaysian households, as well as increases in food prices due to the ongoing food security issue.

For the small businesses that have yet to fully recover, GST may disadvantage them due to the time taken to receive GST refunds, leading to cash flow burdens.

Instead of focusing on reinstating the GST, which is just a mere change of mechanism in the taxation system, the government should focus on reforms that would help address the fundamental issues plaguing our country.

This is in view of Malaysia's predicament of being in a middle-income trap, which should be addressed seriously by the government by improving governance, boosting productivity, weeding out corruption and promoting value-adding in the economy through the adoption of technology as well as focusing on human

capital and the education system.

Without concrete and lasting changes that would alleviate the country's problems, Malaysia would not become a progressive and prosperous nation.

As a matter of urgency, corruption and leakages of public funds must be addressed more seriously.

Malaysia's position is 62nd in the latest world Corruption Perception Index (CPI) ranking, a drop compared with 57th in 2020.

Corruption eradication is thus essential in reducing the government's financial burden and improving Malaysia's standing among investors.

To complement the government's efforts to combat corruption, the anti-corruption movement by the people through civil society organisations, such as the Rasuah Busters, should be lauded and supported by all.

The ultimate aim is to create a society with zero tolerance for corruption and abuse of power. This endeavour goes hand in hand with promoting leaders of high moral-ethical integrity within a democratic ecosystem which upholds justice, equity and shared prosperity.

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