

Govt may get extra revenue of RM3.45b from service tax expansion

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The government is expected to collect additional revenue worth RM3.45 billion from the expansion of the service tax and its increase from six percent to eight percent, according to the Finance Ministry.

The ministry said this in a written reply posted on the Parliament website today in response to a question from Ahmad Fadhli Shaari (PN-Pasir Mas) on the increase in national revenue when the new service tax rate came into effect on March 1.

The government announced an increase in service tax in Budget 2024 - which excludes services on food and beverages, telecommunication services, and vehicle parking services.

It also announced the expansion of the service tax to include logistics services, brokerages, guarantee sponsors, and karaoke.

In the meantime, the ministry said the federal government's revenue in 2024 is

projected to increase to RM312.159 billion after taking into account the tax measures of Budget 2024, contributed by higher tax revenue collection and better economic growth.

It added that tax revenue remains the main contributor to the federal government's revenue at 79.5 percent of total revenue, equivalent to 12.57 percent of the gross domestic product (GDP) rate.

The amount also covers non-tax revenue at 20.5 percent, equivalent to 3.24 percent of GDP.

"The government enacted the Fiscal Responsibility Act (FRA) 2023 effective Jan 1 to strengthen the country's fiscal governance and discipline, increase revenue mobilisation measures, broaden the tax revenue base, improve and review the tax structure and legislation, as well as the provision of tax incentives.

"This step will be realised through the implementation of the Medium Term Revenue Strategy to ensure that medium-term tax planning is more organised and appropriate with spending," it said in reply to a question from Nik Muhammad Zawawi Salleh (PN-Pasir Puteh).

Earlier, the PAS lawmaker asked about the government's measures to ensure there is an increase in tax revenue collection, exceeding 12 percent of the GDP, so

that more economic recovery programmes can be accelerated.

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