

**M'sia relying too much on Petronas, new taxes needed**  
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The International Monetary Fund has cautioned Malaysia not to delay plans to introduce a goods and services tax (GST) and to remove subsidies to ease pressure on its budget.

The taxes were proposed in 2005 but were shelved due to political and inflationary pressures and since then, Malaysia's budget deficit has surged and will hit 7.6 percent of gross domestic product this year.

"Legislation has been drafted and the necessary administrative infrastructure has been laid out. However, in the current uncertain environment, no timetable for a rollout has been set," Malaysian officials said in the IMF's annual report on the country, published on Friday

Malaysia's budget deficit has ballooned at a time of strong oil and commodity prices and state oil company Petronas provides half of government revenues. Excluding revenues from oil, the deficit was 11 percent of GDP in 2008, the IMF said.

The report comes as Malaysia is readying its 2010 budget and as the government tries to rally support after record losses in state and national elections in 2008.

**Economy hit hard by global downturn**

Malaysia's economy is set to contract by up to 5 percent this year and with exports equivalent to 110 percent of gross domestic product it has been hit hard by the global economic downturn.

"They will try as best as they can to delay the implementation of GST.

"How long they delay will depend on how whether they can find new sources of revenue to reduce the over dependence on oil and gas income," said Bank Islam senior economist Azrul Azwar Ahmad Tajudin.

Last month, the government deferred plans to hike gas and electricity prices, fearing a repeat of anti-government protests that saw its popularity slump in 2008.

- Reuters

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