

## **'GST will not lead to price increases'**

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The implementation of the goods and services tax (GST) based on current estimates, will not lead to price increases due to the offset from the abolishment of the sales and services tax (SST), the chairman of the tax review panel in the Ministry of Finance, Kamariah Hussain, said today.

She said logically, with GST, consumers would pay 4.0 per cent tax compared with the current service tax of 5.0 per cent and sales tax of 10 per cent.

"GST is progressive rather than regressive, with tax incidence at the 4.0 per cent GST rate being lower than the current SST," she said at the Affin Investment Bank forum on GST in Kuala Lumpur today.

For instance, consumers currently pay about 2.8 per cent in tax in the prices of goods purchased but with GST, the tax element will be reduced to 2.5 per cent.

With GST, price should decrease as registrants will be able to claim on GST incurred on their inputs, she said.

"We really hope industries will pass on these savings to the consumers," said Kamariah.

She said the Ministry of Domestic Trade, Cooperative and Consumerism is coming up with a regulation to address issues of businesses taking advantage and keeping the savings to themselves instead of passing on savings to consumers.

"We are really taking care of the lower income group and ensuring that this lower income group will not be affected by the GST," she said.

However, the implementation of GST will not only benefit the lower income but is expected to be enjoyed by the whole 'rakyat', she said.

In terms of tax collection for the government with the GST, she said the government is expected to collect less revenue with the replacement of SST with GST.

The government currently collects a revenue of almost RM11 billion to RM12 billion from SST.

However, under the GST system there will be an estimated shortfall of RM1 billion in revenue, she said.

In order to collect the same amount, the government would have to impose a 4.2 per cent GST rate, she said.

The less collection means more savings to consumers, she added.

More than 140 countries have implemented GST and Malaysia needs to introduce GST due to "inherent weaknesses" in the current consumption tax, said Kamariah.

The proposed GST model is a broad-based consumption tax in the form of value added tax and it covers all sectors of the economy as well as imposed on the supply of goods and

services.

Earlier reports have said that the government aimed to fully implement the GST in mid 2011.

- *Bernama*

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