

6% Service Charge: PM Should Not Point Fingers To Others
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Najib Tun Razak's reaction to the latest uproar against the 6% service tax on telecommunication services is expected. It has become his trademark that every time his own policy ignites strong opposition from the public, he will wash his hands and blame others instead.

It is unbecoming of a Prime Minister to plead ignorance that his government's decision to increase the service tax to 6% effective from 1 January 2011 has nothing to do with the telecommunication companies' decision to pass the tax burden to consumers.

For a start, the public has to be clear that the 6% service tax is a government tax levied on all services specified by the government. The service tax contributes directly to the government coffers and not a single sen is retained by any companies, which only acts as a tax collector. It is estimated that the government collects up to RM750 million in service tax each year from the prepaid customers all these years.

While I am of the opinion that it is obscene for the telecommunication companies to stop absorbing the service tax after the tax increase (considering the obscene profits enjoyed by these companies), it is also prudent for the public to fully understand the whole costing structure of the prepaid markets and the effects of the service tax increase on its costing.

The Prime Minister's behaviour, however, deserves a strong rebuke and reprimand from the politicians and business leaders alike. A government cannot be selective in its taxation policies. It cannot pass a taxation act that clearly spells out how companies shall charge a service tax on 6% on services they provide in a form of a consumption tax; yet quietly expects the companies to absorb the tax.

This behaviour will create havoc in the administration of our country at different levels and sectors.

Philosophically, it dilutes the specific reasons, targets and means of using different taxation approaches to manage the economy effectively.

When the Prime Minister who also happens to hold the Finance portfolio appears to be confused on the distinct features of an indirect tax (service tax) and a direct tax (tax on company profits), it is not a surprise that he struggles to build a market confidence in his policy.

Administratively, Dato' Seri Najib Tun Razak's behaviour suggests that he expects different treatments for different companies and sectors although the taxation law is standard across. If he expects the 6% service tax is absorbed by the telecommunication companies; he should expect that all other daily household services including Astro, KFC and restaurants to also absorb the 6% service tax. While he is at it (on his populist drive), he might as well cancel the 6% service tax altogether since his insistence that companies absorb the service tax renders the service tax useless.

In the end, the public understands that it is his decision to increase the service tax to 6% in January that could have led to increases in cost. If he is really a responsible Prime Minister, he will announce in his next budget the exemption of daily household services including paid television broadcast services (Astro), telecommunications and restaurants from service tax.

That is the behaviour expected of a principled Prime Minister, not one who always point fingers to others.

MOHD RAFIZI RAMLI