GOVT TO IMPOSE LUXURY GOODS TAX THIS YEAR

It is based on type of high-end goods, watches and fashion accessories

KUALA LUMPUR

THE government plans to introduce a Luxury Goods Tax starting this year with a certain value limit according to the type of such products.

Prime Minister and Finance Minister Datuk Seri Anwar Ibrahim said the government wanted to take a more progressive approach to broaden the tax base to those who had the means.

"The government intends to implement a Luxury Goods Tax based on the type of luxury goods, including luxury watches and luxury fashion items, beginning this year," he said when tabling the revised 2023 Budget yesterday.

In line with international best practice, Anwar said, the government would study introducing Capital Gains Tax for the disposal of unlisted shares by companies, starting in 2024, at a low rate.

"The government will hold an engagement session with relevant parties to examine the details of this proposal," he said.

Experts believe that the government's move to introduce the Luxury Goods Tax will allow it to earn more in tax revenue, but say more efforts could be made to bridge the income gap between the Top 20 per cent (T20) and Middle 40 per cent (M40) income groups.

Putra Business School economic analyst Associate Professor Dr Ahmed Razman Abdul Latiff said it was a good move by the government to introduce the tax as those in the T20 income bracket could afford the additional tax imposed on them.

"The T20 income group controls 47 per cent of the total household income and 80 per cent of the Employees Provident Fund (EPF) savings. They should be able to afford the extra tax imposed on them when they purchase luxury goods like watches and high fashion items," he told the *New Straits Times*.

"The amount collected from such a tax will also aid the government in its tax revenue on top of the Capital Gains Tax, which will be introduced later in 2024."

He added that those in the T20 income bracket would not be affected as much by the luxury goods tax, but efforts must be made to increase the M40's income to reduce the gap.

Economic analyst Associate Professor Dr Nuradli Rizwan Shah Mohd Dali said the Luxury Goods Tax would be beneficial if those targeted by the tax spent more money on luxury goods.

"The impact of the tax must be studied. It will be a good source of income for the government if those targeted by the tax spend more on luxury goods."

Nuradli, however, stressed that more needed to be done by the government to reduce the financial burden of the M40 income group.

"It could help in closing the gap between the M40 and T20, but the difference is still huge.

"The government must think of another way to reduce the M40's burden by means of reducing the income tax."