

BETTER WEALTH DISTRIBUTION

Subsidy removal not meant to punish T20, say experts

KUALA LUMPUR: Economists believe that the government's move to do away with subsidies for the T20 high-income group should not be seen as a punishment.

Universiti Kuala Lumpur's Business School Associate Professor Aimi Zulhazmi Abdul Rashid said: "I don't think the government's move is to punish the T20 group.

"Rather, it is in the nation's interest to ensure a better wealth distribution among the people. It is also to ensure that subsidies won't be a financial burden.

"The targeted subsidy policy should be carried out for those who really need it and should not be abused, like what is happening now when subsidised diesel fuel is smuggled into neighbouring countries."

He added that the classification of the T20, M40 and B40 groups needed to be replaced with something more credible, accurate



Associate Professor Aimi Zulhazmi Abdul Rashid

and practical.

"Income brackets need to measure the net disposable income of every household.

"The classification must also be revisited as differences in locations, like rural and urban, have high disparities in household income."

Aimi said doing away with the subsidies for the T20 could lead



Professor Wong Chin Yoong

to the group not declaring its earnings.

"T20, being the highest income generator for the economy, will face economic realities once subsidies are withdrawn.

"This could lead to top earners not declaring their income, as what has happened in Scandinavian countries.

"A better data collection with

real time will be critical to implement these changes."

Putra Business School Associate Professor Dr Ahmed Razman Abdul Latif said the T20 group would be able to bear the higher cost of products and services even if it no longer received subsidies.

"This group managed to recover the fastest in terms of its income and wealth after the pandemic. The tax rate imposed on the group is also considered low as compared with other countries, so this means it can afford the removal of subsidies."

Razman said removing subsidies for the T20 group was not a punishment but rather a way to reduce wealth and income inequality.

Universiti Tunku Abdul Rahman economics Professor Wong Chin Yoong said using T20 as a threshold was too ad hoc and it could be counterproductive.

"Who can argue that earning RM12,000 per month for a household with three dependents is considered as living a good life, not to mention if all the subsidies are eliminated?"

"One should acknowledge the fact that T1's and T2's earning powers are different.

"I do agree that subsidies will have to be phased out, so that the market prices of electricity and petrol reflect the true social cost.

"But this should be done gradually and with assistance. Adjustment takes time."

The Department of Statistics said T20 represents top-tier households whose income is higher than RM10,959.

They are classified into two sub-groups: T1 and T2.

T1 represents households with an average income of RM12,586 while T2 represents households with an average income of RM24,293.