

NEW RATE WILL GENERATE RM3B

PM says increase in tax will not have significant impact on inflation

KUALA LUMPUR

AROUND RM3 billion in revenue will be generated as a result of the increase in the sales and service tax (SST) from six to eight per cent.

Prime Minister Datuk Seri Anwar Ibrahim (Pakatan Harapan-Tambun) said the two per cent rate increase, which came into force on March 1, would not have a significant impact on inflation.

He said the increase focused more on discretionary service-related and inter-business activities, where the direct impact on consumers was minimal.

"The SST rate on expenditure on food and beverages, as well as telecommunications, remains at six per cent, while water and petrol remain untaxed.

"The changes do not reflect a significant impact on the inflation rate, which is at 0.2 percentage points based on data provided by the Statistics Department," he said during the prime minister's question time in Dewan Rakyat yesterday.

Anwar said this in response to Datuk Mohd Shahar Abdullah (Barisan Nasional-Paya Besar) who enquired about the SST's impact on the cost of living and the production costs of industries.

Shahar also asked about the additional revenue collection amount from the implementa-



Prime Minister Datuk Seri Anwar Ibrahim says the Capital Gains Tax will generate a revenue of RM800 million annually for the government. BERNAMA PIC

tion of all new tax measures for this year.

Meanwhile, Anwar said the scope of the SST was relatively small and affects only 41 per cent of the services sector.

"The number of service providers is limited to the 60,000 entities registered with the Customs Department."

On other tax measures, he said the Capital Gains Tax was expected to generate a revenue of RM800 million annually for the government.

The government will also be able to save over RM4 billion in revenue through the restructuring of subsidies despite maintaining electricity tariffs for 85 per cent of consumers.

"The same approach (of targeted subsidies) was applied in the reform of taxes, which adopts a progressive approach, focusing

more on increasing tax revenue from those who can afford it and ensure that a majority of the people are not burdened."

Anwar said the government expected increased revenue from dividends from Bank Negara Malaysia, Petroliam Nasional Bhd, and Khazanah Nasional's investments.

He said the investments by these entities yielded high returns.

"In 2023, investment income represented 65 per cent of non-tax revenue. Hence, I agree that additional efforts, including the transformation of government-linked investment companies (GLICs), are needed to ensure an increase in domestic investments.

"With more active domestic investments, we hope non-tax revenue can be increased."

Meanwhile, Anwar said Germany had chosen Malaysia to be its export and trade hub, apart from China.

He said this was due to the trade war between the United States and China, which has impacted the global economy, especially to countries that export to China, including Malaysia.

"Germany's policy is to de-risk, meaning to reduce risk and not rely on only one country, so it chose other countries (to trade with).

"So, at this moment, Germany has chosen Malaysia as its export and trade hub, apart from China, and this will help us."

He said this in his reply to a question from Jimmy Puah Wee Tse (Pakatan Harapan-Tebrau), who had asked about how the trade war would affect Malaysia's economic growth.