

Don't blame telcos for prepaid tax, PKR tells Najib
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KUALA LUMPUR, Sept 10 — Datuk Seri Najib Razak cannot plead ignorance over the move by telecommunication companies to impose a six per cent service tax on all prepaid mobile telecommunication sales, PKR said today.

PKR strategic director Rafizi Ramli pointed out the six per cent service tax is levied on all services specified by the government, and that it had nothing to do with the telecommunication companies' decision to pass the burden to consumers.

"It is unbecoming of a prime minister to plead ignorance that his government's decision to increase the service tax to six per cent effective from 1 January 2011 has nothing to do with the telecommunication companies' decision to pass the tax burden to consumers.

"The service tax contributes directly to the government coffers and not a single sen is retained by any company, which only acts as a tax collector. It is estimated that the government collects up to RM750 million in service tax each year from prepaid customers all these years," he said in a statement today.

Najib yesterday called on telcos to rethink their move to implement prepaid tax, calling the levy "difficult to accept" given rising cost of living.

The prime minister said the tax on all mobile prepaid starter packs and reloads had come at a time when the government was doing its best to reduce the burden after months of surging inflation.

He also denied that the telcos had sought Finance Ministry approval as "the decision was made by the telcos themselves."

But Rafizi said that it was wrong for Putrajaya to be selective in its taxation policies, and that the government should not pass a taxation act that "clearly spells out" how companies shall charge six per cent service tax on services they provide in the form of a consumption tax, and at the same time "expect" the companies to absorb the tax.

The six per cent tax was announced on Thursday in a joint statement by the telecommunication players, who insisted that it was not a new tax but had been absorbed by telcos since its introduction in 1998.

But NGOs and politicians have criticised the increase given that telcos are recording billion-ringgit profits despite economic uncertainty hitting other sectors and the general public.

Inflation has remained at a two-year high of over three per cent since March as the Najib administration moved to slash subsidies to essential items such as fuel, electricity and sugar.

Putrajaya has insisted it was forced to make the cuts to a subsidy bill that would otherwise double to RM21 billion this year as it also seeks to rein in a budget deficit that ballooned to a two-decade high of seven per cent in 2009.

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