

Telcos agree to put off prepaid service tax
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By Shannon Teoh

KUALA LUMPUR, Sept 12 — Mobile telecommunications providers have agreed to put off the move to pass on a six per cent tax on all prepaid users, after days of intense political pressure from both the government and opposition parties.

Information, Communications and Culture Minister Datuk Seri Dr Rais Yatim said today that the companies' decision was pending consultation with the Malaysian Communications and Multimedia Commission (MCMC).

A user makes a call on his handphone. Telcos may now only impose the service tax on pre-paid starter packs. — Reuters pic
He said that an option now being considered by the companies was to only impose the service tax on pre-paid starter packs.

The minister was speaking to reporters before a meeting here with representatives from Celcom Axiata Bhd, DiGi Telecommunications Sdn Bhd, Maxis Bhd and UMOBILE Sdn Bhd.

Last week, Datuk Seri Najib Raz urged telecommunication companies to rethink their move to impose a six per cent service tax on all prepaid sales, calling the levy "difficult to accept" given the rising cost of living.

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

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

But NGOs and politicians have criticised the increase given that telcos are recording billion ringgit profits despite the 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.

Pakatan Rakyat (PR) leaders had also demanded that Putrajaya push mobile telecommunication firms to withdraw the plan or face a nationwide campaign attacking it over the issue.

PR leaders argued that service tax for prepaid reloads will effectively "punish" younger consumers and those from the lower-income group, and that only the telco companies benefited from the move.

Fearing the political fallout, the government has also repeatedly postponed the implementation of the GST due to fierce political resistance. It was originally expected to have been implemented by the middle of 2011.

The GST is expected to help the government reduce the federal budget deficit and grow revenue by widening its tax base as currently only about 10 per cent of Malaysian workers pay income tax.

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