

**Pakatan pressures Putrajaya to sink mobile prepaid tax**  
**The Malaysian Insider**  
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**By Shazwan Mustafa Kamal**

KUALA LUMPUR, Sept 9 — Pakatan Rakyat (PR) leaders have demanded that Putrajaya push mobile telecommunications firms to withdraw a proposed plan to pass on a six per cent service tax to prepaid users, or face a nation-wide campaign attacking it over the issue.

Local telcos announced yesterday that they will begin levying a six per cent service tax for all purchases of prepaid reloads and starter packs beginning September 15.

The telcos also said the service tax on prepaid services was not new but had merely been absorbed by the companies since its introduction in 1998.

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.

“We will be conducting a nationwide rally starting October next month, to highlight the people, especially young voters, about current issues which affect them,” PKR youth chief Shamsul Iskandar Akin told The Malaysian Insider.

“This will certainly be one of the main issues that we will explain during our ceramahs and rallies.”

Shamsul claimed that the introduction of the service tax on prepaid mobile users was yet another move synonymous with Barisan Nasional (BN) government’s prioritisation of corporate needs over the interests of the people.

“This tax, should it be implemented, will directly affect consumers especially the young, university students, factory workers and those in the lower income group. We demand the government as well as Malaysian telecommunication companies study and cancel this decision by taking into account the profits recorded by these companies before this and also the additional burden consumers will have to eventually bare,” he said.

PKR vice-president Nurul Izzah Anwar echoed her party colleague’s remarks, and said that the prepaid tax was a “cartel-based action” to punish consumers.

“Prepaid users end up not using the maximum allowable credit/air time under the prepaid account. From the onset, these telecom companies benefit. This additional burden then serves as a double whammy on the majority of the lower income rakyat,” she told The Malaysian Insider.

Telcos have said that the service tax is a consumption tax and chargeable to the customer, as provided for in the service tax laws.

The Service Tax Act 1975 requires telecommunication companies to levy service tax at the prevailing rate on telecommunication services, including mobile prepaid services. This is similar to the service tax levied on food and beverage purchases from restaurants and hotels.

PAS Shah Alam MP Khalid Samad called the prepaid tax a "blatant and obvious" precursor "move towards goods and services tax (GST)".

"This is part of the GST system they wanted to implement but did not... they are now implementing piecemeal. It's a move towards GST. They are going to carry it out irrespective of what people say," he told The Malaysian Insider.

The government has repeatedly postponed the implementation of the GST indefinitely, 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.

Putrajaya will now come under pressure to abort this latest prepaid service tax, as even BN leaders like Umno Youth chief Khairy Jamaluddin and MCA Youth leader Datuk Dr Wee Ka Siong have publicly opposed the move via micro-blogging site Twitter.

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