

GST after elections, says Najib
The Malaysian Insider
September 13, 2011

KUALA LUMPUR, Sept 13 — The government will introduce the controversial goods and services tax (GST) only after the next general election, Prime Minister Datuk Seri Najib Razak said today.

"I guess when the time is right, in the near future, probably after the next general election, we will introduce the GST.

"We need to explain this to the people and there is a growing acceptance that this is the way forward for Malaysia," he said in a dialogue session with Forbes Media editor-in-chief Steve Forbes at a conference here.

Najib pointed out that GST was necessary because only 1.2 million Malaysians out of a workforce of 12 million were taxpayers.

Fearing a political fallout, the government has 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.

The prime minister is widely expected to call elections soon in a bid to win a big mandate which some of his supporters have argued is necessary to push through reforms and introduce measures like the GST.

He was forced last week to apply pressure on telecommunications companies to back off from passing on an unpopular service tax to consumers because of political pressure.

Yesterday, mobile telecommunications providers agreed to put off the move to pass on the six per cent tax to all prepaid users, after days of intense political pressure from both the government and opposition parties.

With doubts growing over Najib's commitment to reforms, the prime minister is seen to be eager to win voter support and put his agenda back on track.

But instances of meddling in business decisions recently have renewed concerns over his willingness to push through unpopular reforms like the introduction of a broad-based tax in the form of the GST.

Analysts say the government's interventions this week in the case of prepaid service taxes and airport service charges could hurt its credibility in the business community.

This comes as telecommunication service providers and Malaysia Airports Holdings Berhad (MAHB) were requested this week to defer their plans to respectively pass on the government's six per cent service tax to prepaid customers and hike passenger service charges.

The moves by the government could also reinforce the perception of regulatory risks, potentially affecting investor and business sentiment at a time when it is trying to ramp up private-sector participation in the economy in an effort to transform Malaysia into a high-income nation.

Analysts said that interference from the government over the prepaid service tax could compromise its liberalisation agenda.

The Malaysian Insider

Copyright © 2011 The Malaysian Insider

Source:

<http://www.themalaysianinsider.com/malaysia/article/gst-after-elections-says-najib/>