

Najib wants telcos to swallow prepaid service tax
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KUALA LUMPUR, Sept 9 — Datuk Seri Najib Razak has called on 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 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 reaction and feedback from the public is that the move by telcos... is unpopular and difficult to accept.

“So I hope that the telcos will review this move as we are trying to reduce the burden on the people who have to bear the rising cost of goods,” he told reporters this evening.

He also denied that the telcos have sought finance ministry approval as “the decision was made by the telcos themselves.”

The six per cent tax was announced yesterday 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 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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