

GST at 4-7pc under Najib's new initiative
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KUALA LUMPUR, July 5 — The government could be looking at additional revenues of RM6 billion or more from the implementation of a goods and services tax (GST) of between 4-7 per cent by 2015 said Pemandu.

The GST is part of the public finance strategic reform initiative (SRI) launched here today.

Pemandu CEO Datuk Seri Idris Jala noted however that the SRI will also emphasise control of government expenditure to help improve the government's fiscal position.

Among the areas which have been earmarked for expenditure control include subsidy rationalisation, reform of the civil service pension scheme, right-sizing the public sector and procurement.

Pemandu estimated that measures to control expenditure and increase tax compliance on top of the introduction of GST could mean an additional RM13 billion in savings and revenue for the government.

Estimates provided by Pemandu show that a GST rate of 4 per cent would create an additional revenue flow of RM6.3 billion while a GST rate of 5 per cent would create an additional RM9.7 billion in revenue if tax enforcement was strict.

Idris said that the goal of the public finance SRI was to create fiscal space for the government in order to manage financial contingencies, pay off government debts and have funds left over to invest.

He noted that Malaysia is missing out on potentially RM20 billion in taxes which could be collected based on its tax gap of 20 per cent as of 2009.

Developed countries tend to have tax gaps of only 10-15 per cent. Moreover only 1 million Malaysians pay income tax out of a total population of 28 million.

"We need to improve our tax collection," he said in a briefing to the media.

The Public Finance SRI is one of six SRIs that were derived from the recommendations of the National Economic Advisory Council (NEAC).

The other SRIs are International Standards and Liberalisation, Public Service Delivery, Human Capital Development, Government's Role in Business and Narrowing Disparities/Bumi SMEs.

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