

**GST a ploy to hide economic ills, says Pakatan
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By Lee Wei Lian**

KUALA LUMPUR, Sept 27 — Putrajaya's desire to implement the goods and services tax (GST) in the future is an easy way get more money and divert attention away from economic problems such as inefficiency and corruption, says Pakatan Rakyat (PR)

While the Barisan Nasional (BN) government is not expected to introduce the GST till after the general election, Minister in Prime Minister's Department Datuk Seri Idris Jala was quoted in the Wall Street Journal yesterday that he expects the proposed GST to help boost state revenue and help put an end to the federal budget deficit by 2020.

PKR's strategy chief Rafizi Ramli said Malaysia did not meet the conditions for the introduction of GST and it was being used as a "shortcut" to reduce the budget deficit instead of addressing fundamental flaws in the country's economy.

"GST is a red herring to cover those economic weaknesses," Rafizi told The Malaysian Insider.

He noted that if the ruling coalition instead stamped out rent-seeking activities, corruption and cronyism it would boost economic growth which would in turn boost government income.

Rafizi also noted that in other countries, GST was used as a substitute tax, meaning that income tax would be cut if the consumption tax was implemented which amounts to the net effect of the new tax being neutral.

He pointed out however that if it was implemented in Malaysia, the net effect would be an additional tax burden on large numbers of Malaysians whose earnings currently fall below the taxable income threshold.

Rafizi said GST would be an additional tax burden on large numbers of Malaysians. Rafizi said that based on PKR's means testing, which involved evaluating the size of the economy, government revenue and people's income levels, Malaysia was a poor candidate for GST at the moment.

"There are pre-requisites for GST, you can't implement as you wish," he said.

DAP publicity secretary Tony Pua said that while GST was supposed to broaden the tax base as only an estimated 10 per cent of Malaysians currently pay income tax, the question that needed to be asked was why were so many Malaysians earning so little as to fall below the taxable threshold.

He said that even if 10 per cent out of the people who are not currently paying tax are tax dodgers, GST still would not make sense as it meant that many more low-income Malaysians would be burdened.

"If they can't earn enough, why should they be burdened with additional taxes," he said. "People's incomes have not increased significantly."

Pua also said that there was little risk of a sense of entitlement developing among those who do not currently pay income tax.

He also questioned what the government would do with extra income earned from GST.

Pua said BN should look at cutting expenditure, getting value for money, open tenders and abolishing corruption as ways to save money rather than imposing more taxes.

"Has the government exhausted all the means?" he asked. "If they have not there is no need to impose new taxes."

He said that getting more funds from taxes will not solve the problem of the deficit if leakages are not plugged.

The DAP lawmaker also warned that once GST was in place, rises in the tax were almost inevitable.

He said that GST was a "lazy" approach to solving the country's revenue issues and PR's approach was to cut wasteful expenditure and leakages as well as increase revenue through non-tax avenues.

Pua wanted to know what the government would do with extra income earned from GST. These include land sales through open bidding and increased revenues from government-linked companies (GLCs).

"We believe we can balance the federal budget without GST," he said.

Malaysia has been running a budget deficit since 1998 and stated its intention to implement GST several times since approving the law in 2009 but has always postponed the new tax, which has some 3,000 exemptions.

Prime Minister Datuk Seri Najib Razak said in September last year that GST would be introduced "probably after the next general election."

He said then that GST needed to be properly explained to the people and that there was a growing acceptance that the broad-based consumption tax was the way forward for Malaysia.

Many economists have said that Malaysia has some of the weakest financials in Asia and needs to shore up its revenue base and one of the ways was via the GST.

The Najib administration has aimed to bring the deficit down to 4.7 per cent this year from 5.4 per cent last year.

The government said that it expects to collect revenue of more than RM200 billion this year, exceeding its initial target of RM187 billion thanks largely to enhanced tax collection.

Operating expenditure however was also revised upwards and was reflected in a RM13.8 billion supplementary budget tabled in June and RM2.2 billion worth of civil servant bonuses in August.

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