

PKR: GST will 'punish the poor', BN should cut corruption first
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By Ida Lim

PETALING JAYA, May 20 — The Barisan Nasional (BN) government should not introduce the “regressive” Goods and Services Tax (GST) which, together with promised tax cuts, will “punish the poor”, PKR’s Wong Chen has said.

“It is regressive, it punishes the poor rather than the rich,” the PKR trade and investment bureau chief said of the proposed GST scheme at the party’s headquarters here today.

Wong (picture) claimed that the BN government’s rationale of bringing in the new tax scheme to widen the tax base was “fundamentally flawed”.

The Kelana Jaya MP explained that the majority of Malaysians are not evading the payment of tax to the government, but are instead earning too little to pay taxes.

It is estimated that currently only about 10 per cent of Malaysia’s 28 million population pay taxes.

Wong also said the BN administration should look at tackling corruption and dubious mega-projects first before looking at implementing the GST.

It is estimated that currently only about 10 per cent of Malaysia’s working population pay income taxes.

Wong said the promised drop in income and corporate taxes would only benefit those already paying taxes, while the poor would be hit by the GST directly.

Under the GST scheme, citizens are taxed according to the level of consumption of goods and services, regardless of their income group.

Wong also said the BN administration should look at tackling corruption and dubious mega-projects first before looking at implementing the GST.

He said that an estimated RM28 billion could be saved annually by cutting corruption, indicating that the broad-based tax would then be unnecessary to increase the country’s revenue.

But if the Malaysian government still saw the need to implement the new tax scheme after slashing corruption, Wong challenged it to commit to a rate of three per cent for nine years, as was done in neighbouring country Singapore.

Singapore’s government had fixed the GST at three per cent when it introduced the tax in 1994, before raising it to four per cent in 2003 and subsequently to 7 per cent in 2007.

Wong said Datuk Seri Idris Jala’s remark at a forum of a seven per cent GST rate was at odds with the four per cent previously proposed by the Ministry of Finance.

Last Friday, Jala, a minister in the Prime Minister’s Department, said the GST at a rate of seven per cent would generate an additional revenue of between RM20 billion and RM27

billion.

Wong also said PKR will urge the government to release figures on the GST to enable the party to "compare notes", saying that this was not a "political issue".

"We hope it can be a bipartisan issue," he said.

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

Economists have said that a reform of the tax structure was necessary to lift Malaysia out of a middle-income trap.

The BN had said it would implement the broad-based tax policy if it won the May 5 polls.

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