

Income Tax Reduction Unlikely In Near Term After GST Implementation

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KUALA LUMPUR, Oct 11 (Bernama) -- Any reduction in personal and corporate income tax is unlikely in the near-term following implementation of the goods and services tax (GST), due to uncertainty in the global and local economies, as well as adaptation of local businesses to the new tax structure.

Taxand Malaysia Sdn Bhd chairman, Dr Veerinderjeet Singh said Malaysia is currently in a period of uncertainty, and it was not the right time to reduce income tax, even with the GST in place.

"I hold the view that you should not be reducing the income tax now. If you look at the statistics, we are having a fiscal deficit without a booming economic climate, while expecting slower growth this year.

"It is better to wait and clear the other issues first, such as reviewing the incentives structures for the future," he said.

He told reporters this after presenting a paper, 'GST: The Good, The Bad and The Ugly', at a seminar organised by the Malaysian Economic Association in the capital, Friday.

Veerinderjeet said lower income tax would attract more businesses to Malaysia, but due to the current global economic situation, the desired effect is unlikely to happen or might be less than expected.

He said while pursuing the 2020 vision, the country still lacks a tax system that is equivalent to the developed nations.

"We need to look at that and not do things on an ad hoc basis (such as) reducing it (income tax), because the people want it.

"You (government) have to reduce income tax, if you think in the long-term it will benefit the country," he said.

Asked about the GST, he said it would probably take effect in 2015 if implemented, with the necessary procedures in place on educating the people, which takes at least a year.

"Eventually, if the GST is introduced in 2015, you need to give it a couple of years to stabilise and subsequently, you can increase the rate and bring down the income tax," Veerinderjeet added.

It is anticipated that the GST may be announced in the Budget 2014 on Oct 25.

The GST was first tabled in Parliament on Dec 16, 2009, to replace the existing Sales Tax and Services Tax, but withdrawn last year for amendments.

The broad-based multi-staged consumption tax or value added tax is imposed on the supply of goods and services and is aimed at curbing tax evasion.

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