

## **Putrajaya confusing Malaysians about GST, says NGO**

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Second Finance Minister Datuk Seri Ahmad Husni Mohamad Hanadzlah's recent explanation of the goods and services tax (GST) is illogical and only confuses the Malaysians, a civil society group said.

The Oppressed People's Network (Jerit) refuted Husni's remarks that those earning RM2,000 a month would only pay RM15.06 of tax because of the GST.

"The finance minister appears to try to confuse the people with his statement," Jerit Coordinator E. Parames said in a statement yesterday.

At a GST forum on Thursday, Husni gave an example that a Malaysian earning RM2,000 would only fork out 2.6% of his expenditure on the GST.

He also said that government studies have shown that the GST would raise prices by a "relatively low" 1.8%.

Jerit questioned the figure quoted by the minister and asked if Putrajaya would offer tax exemptions for the poor.

"If what the minister said is true about a family paying RM15.06 on taxes, does this mean the government would offer tax exemptions of 87.45% to families earning RM2,000 and below?" said Parames.

The GST will come into effect on April 1, 2015. Essential items such as flour, rice and sugar and public transportation services such as bus and train fares are exempted from the tax.

Citing Malaysia's high household debt of 83% to the gross domestic product (GDP), Jerit said that there is no assurance that zero-rated items would be exempted from tax, despite Putrajaya saying otherwise.

"As an example, rice is a zero-rated item but the things used to produce rice and process it such as fertiliser, plastics and transport for distribution will all be charged with the GST," said Parames.

"The GST applied on other items used to process rice and transport services will cause an increase in the price of rice," he added.

Dismissing the government's argument that the GST is a better option compared with the sales and services tax (SST), Parames said that at least, the SST only taxed the rich.

"The SST is a tax that is placed on luxury items or expensive services only.

“The GST is placed on all except for 40 items. The poor do not get any benefit with the SST being replaced by the GST,” he said.

Malaysia’s inflation rate went up to 3.4% in January this year, from 1.2% in January 2013 when the Najib administration was preparing for a general election and was generously giving handouts.

However, following the country’s economic rating downgrade in July by Fitch Ratings, Putrajaya resorted to bold measures to reign in the fiscal debt by reducing fuel subsidies and abolishing the sugar subsidy. It also implemented an electricity tariff hike last month.

Analysts expect Putrajaya to continue with its subsidy rationalisation measures this year to ensure that its fiscal deficit would be reduced to 3.5% of the GDP

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