

PM: GST is the best solution
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KUALA LUMPUR: Malaysia needs the goods and services tax (GST) to allow the Government to continue developing the country, said Datuk Seri Najib Tun Razak.

The Prime Minister said the GST was the best solution since raising tax rates would cause problems, adding that currently, only 1.2 million workers paid income tax in Malaysia, which has a 28 million population.

Najib said that in the long term, this ratio was not feasible to provide the Government with enough funds to pay for infrastructure spending and civil servant bonuses.

“For the Government to be able to sustain its ability to pay for projects needed by the people, we have no choice but to increase revenue,” Najib said at a briefing session on the GST.

The GST, which will be introduced on April 1 next year, has been set at 6% and will replace the sales and service tax (SST).

Najib said the move to implement the GST was the biggest tax reform for the country since independence.

He reminded the audience comprising political, business and consumer groups, that he was not the first finance minister to moot a GST for the country.

The first finance minister to do so was Datuk Seri Anwar Ibrahim, who announced in 1992 during the tabling of the Budget that a GST would be introduced the following year.

“Anwar, however, made a U-turn later on the GST. If it was not a good idea, then why did he announce it in the first place?” Najib asked, referring to the Opposition’s claims that the GST would only burden the people.

Najib said that for Malaysia to reach developed nation status, the Government would, among others, need an extra 18,000 hospital beds to meet demand from the growing population.

“If we don’t have enough revenue, we will need to borrow and will be charged a higher interest rate,” he said.

The GST, said the Prime Minister, was more transparent and efficient compared to the SST as consumers would only need to pay the tax on goods and services which they used.

Najib said that while the prices of certain goods and services would go up slightly with the GST, the impact would be offset by measures such as a lower income tax rate and an additional RM300 to be given out under the BR1M financial aid next year.

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