

Even if income tax is lowered, poor have little to cheer about GST

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Contractor Hadar Thakrip would probably pay less goods and services tax (GST) when he goes shopping next month as the 51-year-old buys less processed foods. But this fact does not comfort him.

In comparison, accountant Aziz Mustapa, would likely have more taxable items in his shopping basket if his spending patterns do not change next month. But the 63-year-old is relatively unworried.

The critical difference between both is their income levels. Aziz's household makes between RM10,000 to RM15,000 a month, while Hadar's income varies from month to month and rarely hits RM5,000 a month.

Both represent a trend that emerged in a The Malaysian Insider straw poll among 12 families in the Klang Valley on shopping patterns and how much of an impact they would probably feel when the 6% GST kicks in on April 1.

The higher income households in the survey were less worried about the GST and its impact on them. This is despite the fact that if their spending patterns remained the same after April, they would be paying more tax every time they went to a supermarket.

Those in the middle-income range, of between RM5,000 and RM12,000 a month, were ambivalent. Most of the five families within this range were somewhat worried but were confident they would be able to get by.

The three families who made RM5,000 or less were quite worried about the GST's impact on their ability to make ends meet, despite the fact that they would not pay that much GST if their bought roughly the same things.

This trend echoes some of the criticism against the new tax system which will replace the sales and services tax (SST).

As the GST tax base is large and hits everyone, poorer households will feel it more because a higher proportion of their income will be spent on GST.

Fairer, wider tax

The GST is the government's effort at reforming the tax system and is touted as fairer and more transparent because those who consume more, pay more.

Currently, it is estimated that only 1.7 million Malaysians pay income tax out of a workforce of 12 million.

Along with the GST, the government is expected to slash personal income taxes by 1% to 3% for all income brackets.

To lessen the burden for lower-income families, almost all common fresh foods will not be taxed, such as fish, poultry, mutton, beef, vegetables, fruits, herbs and seafood.

Some processed foods such as bread, fresh noodles, infant milk formula, rice, sugar, salt, belacan, tea, coffee and white flour will also be exempted from GST.

Almost all non-food household items and toiletries, such as soap, shampoo, detergent, floor cleaner, dish washing liquid and insecticide sprays will be taxed.

Clothes of all kinds will be taxed as well as shoes, bags, make-up and other beauty accessories.

Most over-the-counter medicines will be taxed except a few commonly used ones, such as Panadol, Uphamol, laxatives, Zentel, Creobic cream and some cough mixtures.

Armed with a list of all grocery and household items that will be taxed, The Malaysian Insider surveyed 12 families from 10 suburbs in and around the Klang Valley to get an idea of how much an impact the tax would have on ordinary Malaysians.

Receipts of the things they bought were compared with the GST list to assess how much tax they would likely pay if their shopping trends remained the same after April 1.

The most pronounced consumption trend was that high-income households tended to buy more processed foods, which will be taxed such as candy, biscuits, chicken nuggets, potato chips and fruit juices.

For instance, the receipts of the four high-income families showed that out of the total number of items they bought, 55% to 89% were items that would be taxed. They had fresh food, but the proportion of fresh food to processed foods was slightly higher, compared with low-income families.

For the high-income families in the survey, processed food made up 40% to 48% of all food they bought. While for low-income families, processed food comprised 35% to 45% of all food.

Low-income earners still bought processed foods, such as jam, butter, peanut butter, instant noodles, coffee, creamer, soy sauce and biscuits, which will be taxed.

While the well-off also bought more clothes, toiletries and household products, such as toilet paper, tissues and air fresheners.

Leaner times for the poor

When asked whether they would cut back on some of the items which would be taxed, many in the high-income group believed they could absorb the increase in prices.

"My salary is enough to cover my family's expenses. I don't think I will be too much affected by the GST," said Surendren Subramaniam, when met in Taman Samudera, Gombak.

The businessman's household income is RM25,000 a month. Aziz, the accountant from Bandar Baru Bangi, echoed similar sentiments, saying that he and his wife could potentially absorb an increase to their shopping bills.

"As long we have an income, we don't think we'll feel the pinch," said Aziz, who has five children, four of whom have grown up and moved out.

When told that most of the food he had bought would be taxed, Aziz said he and his wife would consider cooking more than eating out, since almost all fresh food is GST-exempt.

"We eat from the outside a lot because it's just too much work to cook for three people, when both of us are working. But with GST we might change that."

As the survey interviewed people further down the income scale, the worry began to set in and respondents told of how they are planning to save money.

Manidaj Devaraj (pic), for instance, has bought clothes for his two school-going children and as much as soap, toothpaste and cleaning fluid as he can store before these items were taxed.

"I won't be able to save on school uniforms because you have to buy those every year. But I at least can save on non-school clothes," said Manidaj, of Batu 9, Cheras.

Families like Hadar's are steeling for leaner times. According to his grocery receipts, about 30% of his purchases will be taxed if his shopping pattern remained the same after April.

The amount of tax he would probably pay in his grocery bill was small compared with the families in the middle- and high-income brackets which could expect to pay tax on 55% to 89% of items they bought.

This fact, however, did not reassure him.

"There's no way to actually save because even if you don't want to, you still have to buy," said Hadar's wife Norasma Sultan, referring to the laundry detergent and

soap the family would still need.

"I have paid more than RM100 tonight and I only get two bags of groceries," said Hadar.

"Things are just so expensive and I have to pay more? I really am dissatisfied with the GST." – March 18, 2015.

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