

Looming GST spurs gold rush
The Malaysian Insider
March 31, 2015
By Yasmin Ramlan

Days before the goods and services tax (GST) kicks off, jewellery stores along Jalan Masjid India in Kuala Lumpur were filled with customers on a gold-buying spree before the precious metal is taxed 6% beginning tomorrow.

For Deen Jewellers shop manager Shaik Abdul Kadir, such was a rare and surprising sight, especially on a Monday.

"It is really surprising to find so many customers coming into the jewellery store on a Monday," he said.

He said it looked similar to the panic-purchases of consumer products, with customers at his jewellery store appearing to be on a similar panic-buying mode in a bid to avoid paying the 6% tax.

"Many decided to make their purchases before the tax is implemented.

"We have been getting a lot of customers coming in to buy gold since the last few days. They want to beat the GST. To them, the tax is something new.

"But soon, (I believe) people will get used to it. By then, they will start buying gold again despite the tax," he said, adding that he was optimistic that in the long run, the GST would not affect business.

Shaik's view was in line with the Malaysia Gold Association's prediction in a recent news report, that the situation would stabilise after about a year.

MGA pro-tem secretary-general, Datuk Louis Ng Chun Hau was recently reported saying that the association predicted an almost 30% drop in demand for gold and silver after GST was implemented.

The scenario, he added, could last for up to a year before people start buying jewellery again, especially gold ornaments.

However, for some jewellers, the greater worry is the impact of the new consumption tax on foreign customers who find gold ornaments cheaper here.

Sales executive, Najmuddeen Bahurudin (pic, right) of Little India Jewellers, said with GST, there was a possibility that customers from countries like India and Saudi Arabia would purchase gold and jewellery elsewhere.

"We have been getting a lot of clients from these two countries because for them, it is cheaper to buy gold in Malaysia," he said.

Najmuddeen said he anticipated a drop in sales involving foreign customers but believed things would return to normal in a few months, as people learn to accept the tax.

The necessity of having jewellery for festivals and weddings would also be reasons for people to start buying gold again.

Meanwhile, the manager of Patha Jewellery said his store has been receiving a lot of customers in the past weeks.

"They come now because the price is still cheap. People have been coming in for the last two days because they worry that the price of gold will go up from Wednesday onwards," he said.

He said some of his clients were also buying jewellery early, in preparation for upcoming weddings.

One of the customers, Norazlina Mat Jali (pic, left), 33, who is getting married in May, said she decided to purchase her jewellery before April 1.

Norazlina said she had been going around jewellery stores in the city for the past few days to find the best deals.

"I find that prices in Jalan Masjid India stores are more attractive than others. But more importantly, I think it is better to buy before the GST," said the marketing officer.

Meanwhile, Muniamal Morgan, 26, said she felt good being able to buy gold before the GST.

"The staff at the store told me that it will be more expensive so I think it is lucky that I managed to get them before that," the employee at a textile store said.

She added that it would be wiser to save up and not buy gold after the GST was implemented.

Putrajaya will roll out the GST beginning tomorrow as a move to increase the government's revenue and make the country's tax system more transparent and efficient.

It will replace the current sales and services tax (SST) system of between 5% and 10%.

The new tax, however, has been strongly opposed by the opposition, saying it would further burden people financially while leakages and wastage in public spending were not satisfactorily addressed.

The Goods and Services Tax Bill 2009 was tabled for its first reading at the Dewan

Rakyat in 2009, but had to be delayed after severe criticism. It was finally passed in 2014. – March 31, 2015.

Copyright © 2015 Edge Insider Sdn Bhd

Source:

<http://www.themalaysianinsider.com/malaysia/article/looming-gst-spurs-gold-rush>