

**Even 1% reduction in GST would help, say economists and consumers**  
**Malaysian Insider**  
**Oct 21, 2015**  
**By Muzliza Mustafa**

A reduction in the goods and services tax (GST) in the 2016 Budget to be tabled this Friday might be a good move by the government to regain public confidence, economists said.

Economist Shan Saeed said even a reduction by 1% to the GST, which is currently 6%, would be beneficial as it was a consumption tax.

"A reduction of 1% can help boost the overall domestic demand and bring confidence into the market. It can also be used as a leverage to revive private investment in the country," the chief economist at IQI group holdings told The Malaysian Insider.

Reducing GST is among the many suggestions from Malaysians who have been posting on Prime Minister Datuk Seri Najib Razak's official website at najibrazak.com, which has a special section to receive proposals from the public on the 2016 Budget.

A post by one Thomas Wong on September 15 suggested that GST be reduced to between 1% to 3%.

Another commentator, Cheong Meow Ling, suggested a reduction in the tax to 3%.

"We are not asking GST to be abolished but just to reduce... believe me, it will help," she posted.

But Shan said an immediate major reduction would not be feasible for the government.

"Let's see how the market reacts with a reduction of 1%. If the government is willing to take this up, it would show that the government is willing to stimulate the economy," he said, adding that the impact on the economy would be at a "macro level" instead of a micro effect on consumers directly.

Economist Dr Yeah Kim Leng said Putrajaya could look at reducing the GST rate if it did not affect plans to reduce the fiscal deficit.

"It will be very much depend on whether it can extend the offset effect in certain sectors and at the same time achieving the fiscal deficit target," said Yeah, dean of business school at the Malaysia University of Science and Technology.

Reducing the GST rate was achievable but it should not be too drastic, he added.

"One per cent sounds good. But then it will depend on other factors. It can still be met if the government wants to introduce a people-friendly budget," he said.

Putrajaya should also fine-tune the list of GST-free items to include more basic necessities.

Yeah anticipated that the coming budget would only see a minor increase in expenditure and expected more focus given to skills upgrading, creating business opportunities and the upgrading and building of more medical and education facilities.

Putrajaya should also look at reducing both corporate and individual taxes, he added, as a way to entice more spending and investments.

On Najib's website, many who posted suggestions in the cost of living section on the 2016 Budget wanted a reduction or exemption of GST on certain goods.

Some suggested that GST be scrapped for purchases of basic items below RM100.

Others pointed out that those most burdened by the consumption tax were the lower income group in the cities.

"Even though it is only 6% and may not look a lot, there is a multiplying effect if the items are bought frequently and in a large quantity. The money can be used to pay other bills and services," said a commentor named Myera on September 14.

Some also wanted the consumption tax to be scrapped entirely, like Maslinda Amiruddin who posted on September 17 asking for GST to be removed as it was burdensome to a mother of young children like her.

She said the tax had driven up the cost of basic necessities like milk and diapers.

"There's a rise in the cost of living while income remains the same," she wrote.

Najib in his recent speech when officiating Gerakan's 44th National Delegates Conference said the 2016 Budget would be one of the hardest to table, given the drop in global oil prices which posed a challenge to Malaysia as an exporter.

"Fortunately, we have the GST. I know people are cursing it but without it, the government would have to increase other taxes," the New Straits Times quoted him as saying.

Without GST, only one in 10 Malaysians paid tax, said Najib.

Deputy Finance Minister Datuk Chua Tee Yong was reported saying separately that an estimated RM23.2 billion in revenue from GST collection was anticipated since the tax was implemented in April. – October 21, 2015.

Copyright © 2015 Edge Insider Sdn Bhd

Source:

<http://www.themalaysianinsider.com/malaysia/article/even-1-reduction-in-gst-woul>

[d-help-say-economists-and-consumers](#)