

Good governance will make GST unnecessary, says Pakatan MP

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PKR's Wong Chen says nothing unrealistic about Pakatan Harapan's plan to abolish the GST should it wrest Putrajaya from Barisan Nasional.

PETALING JAYA: Critics of Pakatan Harapan have often hit out at the opposition pact for pushing for populist policies and measures which they say are unrealistic. One of these is the abolition of the Goods and Services Tax (GST), which Prime Minister Najib Razak has hailed as the saviour of the Malaysian economy in the wake of crashing oil prices.

But PKR's Wong Chen says there's nothing unrealistic about Pakatan Harapan's plan to abolish the GST should it wrest Putrajaya from Barisan Nasional.

Wong, who heads PKR's Investment and Commerce Bureau, said Pakatan would ensure the economy's survival with "good governance" – a term often criticised as vague by its political opponents.

"Basically, we'll go back to Malaysia's pre-GST days, but retain the GST's reporting system so that companies can't escape compliance reporting," he told FMT. "Going back to pre-GST days also means we will consider reintroducing the Sales and Services Tax (SST)."

Several economists have argued that the GST is a more comprehensive and transparent tax system than the SST. They say the opaqueness of the SST opened it to exploitation by businesses, resulting in the loss of revenue for the government.

But Wong said the problem with the SST was not in the tax itself but in the reporting system. "We won't throw away the GST's accounting system, which has cost businesses and the government a lot of money."

He said the fundamental flaw with the GST was that its introduction did not come with a reduction in other taxes, resulting in the sucking out of an extra RM25 billion a year from consumers and businesses.

"Abolishing the GST is therefore necessary to revive the market and the waning economy."

He also said it was pointless for the government to collect RM25 billion in GST revenue only to lose it through corruption and wastage.

Referring to the most recent Auditor General's report, he estimated that 15.5% of the federal budget went to waste.

“Our national budget is RM280 billion. If we deduct the big ticket items – civil service wages of around RM70 billion and national debt repayment of RM30 billion – we're left with RM180 billion.”

This RM180 billion, Wong claimed, were for items that were susceptible to corruption and wastage. By his estimate of 15.5%, this means that RM27 billion will go to waste this year.

He said the amount could be saved through good governance, which in turn would see Malaysia earning better creditworthiness.

Currently, Malaysia is assigned an A- rating by Fitch Ratings. The agency says Malaysia has two weaknesses – its public debt and its governance standards. It adds that these could affect its rating.

Wong said better governance, and hence better creditworthiness, would result in better savings because countries with higher ratings would pay lower interest rates.

“With good governance, we can increase our rating from A- to A and enjoy a 0.5 to 1% reduction on interests rates, which would translate into savings of between RM5 billion and RM7 billion in debt repayments.”

Additional dividends

He also said good governance would improve the performance of government-linked companies and that would, in turn, see the government reap additional dividends of at least RM4 billion.

Pointing to an Inland Revenue Board estimate that some RM23 billion was lost annually to tax evaders, he said good governance could halve the evasions, returning at least RM12 billion in tax revenue.

He added that the combination of additional revenues and reductions in wastage and corruption would comfortably offset abolishing the GST with some RM20 billion to spare.

Responding to critics who have said the case of PKR's Adam Rosly has made nonsense of Pakatan's stand on good governance, Wong pointed out that his party had declared it would not interfere with investigations.

The Malaysian Anti-Corruption Commission is investigating the 29-year-old Adam over his “unusual” wealth, which includes a RM1.2 million bungalow and five luxury cars. Adam, who until recently headed Ampang PKR Youth, has said his wealth was accumulated through business ventures and from a family inheritance.

“Months ago, when allegations were first levelled against Adam about his wealth, PKR vice-president Rafizi Ramli had urged him to declare his assets,” Wong said. “We hope this is an isolated case.”

He also said Pakatan would have “very clear” governance provisions as part of its common policy which all parties would have to abide by.

Pakatan’s newest member is PPBM, a party led by former Umno leaders. Questions have been raised over the willingness of PPBM leaders to commit to reforms sought by the opposition, more so after a founding member of the party quit in April, saying the party was being ruined by “Umno rejects” who were only seeking positions.

Wong said one of the first things Pakatan would do as a ruling coalition would be to compel all public officials, including ministers and politicians holding executive positions in government agencies and companies, to publicly declare their assets.

“We’ll also make the MACC report to Parliament and empower it to prosecute without going through the Attorney-General,” he said.

“Another way we’ll ensure good governance is by the appointment of civil servants to vital positions through a bipartisan parliament select hearing process.”

He said the “vital positions” included those of the MACC chief, the Bank Negara Governor, the Attorney-General, the Auditor-General, senior judges and the Chairman of the Securities Commission.

He also said Pakatan would limit the Prime Minister’s tenure to two five-year terms and not allow him to hold any additional portfolio.

He added that Pakatan would ensure adequate resources would be given to MPs, such as staff and research offices, so that they could perform their duties as legislators independently without the need to look for external funding, which could compromise their performance in the Dewan Rakyat.

“We need reforms to ensure good governance,” he said. “To this end, we will curb executive powers, free the judiciary and return parliamentary sovereignty to the rakyat. In turn, good governance will deliver a democracy dividend to government finances and revive the economy.”

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