

Think-tank damns 'immoral tax'
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PKR-linked Institut Rakyat has damned the Goods and Services Tax (GST) as an "immoral" policy that will widen the gap between rich and poor.

Citing that Malaysia is the third most unequal society in Asean besides Singapore and Thailand, the think-tank said such a consumer tax, which will be introduced next year, would burden the poor more than the rich.

Institut Rakyat added that the GST was a zero-sum tax as the government would benefit most, along with businesses paid to collect the tax but the lower income earners, who now pay no income taxes, would lose out.

"With an estimated net tax revenue gain of RM3.87 billion for the federal government, consumers will be paying more tax than they do now," Institut Rakyat's economist Azrul Azwar Ahmad Tajudin said in a press statement yesterday.

While many other countries may already have GST and also at a higher rate, the think-tank said Malaysia's government nevertheless has no "moral" right to such a tax.

"The federal government's moral legitimacy to impose further taxes is nil... Given rampant leakages and wastage, estimated to be between RM28 billion and RM40 billion a year according to various estimates based on the Auditor-General's Report," Azrul said.

The government introduced the new GST bill to Parliament on Monday, the return of a tax first mooted almost a decade ago. The first GST bill was introduced in 2009 for implementation in 2011 but was withdrawn in 2010 following protest.

Under its latest guise, the government plans to start collecting GST at 6 percent from April 2015 and has said that it will be pain-free as it also planned to withdraw a sales and service tax concurrently.

NGOs and opposition parties disagreed. Yesterday, they urged workers and students to hit the streets on May 1 - Labour Day - to pressure the government to drop the GST.

Only 14% of workforce pay income tax

Meanwhile, Institut Rakyat said that the worst effect may actually come in 2016 as it is expected that Malaysia's economy may contract a year after, hit by GST and the rollback in government subsidies.

"Minimum household income has not reached a level deemed necessary and adequate to absorb

shocks to purchasing power due to GST implementation," it added in its **policy brief** on the GST.

The think-tank said that only 1.8 million Malaysians earn enough to pay personal income tax, equivalent to only 28 percent of total 6.4 million registered individual taxpayers or 14 percent of the overall workforce.

As an alternative, it recommends that the government look into more frugal and implement anti-corruption measures which it estimates could earn the government 10 times more than what the GST could.

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