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Title : THE INTERNATIONAL SEMINAR ON GST IN MALAYSIA

Assalamualaikum Warahmatullahi Wabarakatuh, Salam Sejahtera and Salam Satu Malaysia.

Yang Berhormat Dato' Seri Ahmad Husni Mohd Hanadzlah;

Menteri Kewangan II,

Yang Berbahagia Tan Sri Dr Irwan Siregar Abdullah;

Ketua Setiausaha Kementerian Kewangan,

Yang Berbahagia Tan Sri Dato' Sri Dr. Zeti Akhtar Aziz;

Governor of Bank Negara Malaysia,

Distinguished 3 Moderators and Speakers;

Ladies and Gentlemen,

1. I am delighted to be here today to open the International Seminar on the GST. I would like to express my heartfelt appreciation to the Ministry of Finance for organising this seminar, and everyone involved for their hard work in making this event possible.

2. Malaysia's economy is developing fast. As part of our Economic Transformation Programme, we have introduced economic reforms designed to transform Malaysia into a high-income economy by 2020.

3. Malaysia's economic fundamentals are strong. Last year, our GDP grew by 4.7 percent. And in the first half of this year, our growth rate was 6.3 percent, which exceeded expectations. In fact we have even had to revise our 2014 growth projections upwards.

4. In 2013 Malaysia attracted more foreign direct investment than ever before, an increase of 24 percent from the previous year. This investment is creating more well paid jobs for Malaysians and boosting export growth.

5. Our Gross National Income per capita continues to rise. From 2009 to 2013, GNI grew by 42.5 percent, reaching 10,060 dollars. And the poverty rate dropped from 3.8 percent in 2009 to 1.7 percent in 2012. The standard of living for Malaysians is steadily increasing.

6. This progress is indeed very welcome. But lasting success requires a sustainable economy, which means keeping our debt and spending levels under control. That is why we are cutting our fiscal deficit. In 2009 our fiscal deficit was 6.6 percent of GDP. It has fallen every year since and in 2013 our fiscal deficit was 3.9 percent. We are committed to reducing the fiscal deficit to 3.5 percent this year and 3 percent next year, on our way to a balanced budget.

Ladies and Gentlemen,

7. Not only are our Economic Transformation Programme initiatives and reforms working, but their results are being internationally recognized. Malaysia's economy ranks 6th out of 189 countries in the World Bank's ease of doing business survey. In the World Economic

Forum's latest Global Competitiveness Report, Malaysia rose to 20th out of 144 countries. And Bloomberg places Malaysia 3rd in its list of the 22 best emerging markets.

8. Our success did not come out of thin air. It came because we made the right decisions for Malaysia. I have always maintained that in politics you have to make the right decisions, not just the easy and populist ones. If we want to achieve developed nation status by 2020, we must not take our growth and development for granted. In an increasingly interconnected world, it is important that we build a stronger and more resilient economy. To do so we must continue to pursue fiscal consolidation and fiscal sustainability. We must reduce our deficit, spend prudently and invest wisely in our future, and we must make our businesses more competitive.

9. One of the things we need to do is broaden our tax base. Only 1 in 10 Malaysians pay personal income tax. And given that approximately 40 percent of the government's revenue comes from oil and gas, a resource which we know is finite, it is clear that Malaysia cannot sustain its growth and development based on current revenue streams alone. It is imperative that we expand and diversify our tax base and implement a more effective and equitable tax system that will allow us to secure our future.

10. The Sales and Service Tax is no longer fit for a rapidly growing and economically progressive economy such as Malaysia.

11. That is why in April we will reform the tax system and replace the Sales and Service Tax with a Goods and Services Tax. An important initiative under the Economic Transformation Programme, the GST is a strategic reform aimed at modernizing our taxation system to make it more effective, more efficient, and more business friendly.

12. The GST is a modern tax which will eliminate the inherent weakness in the current tax. For example, the GST has cross checking elements that will increase tax compliance and promote saving and investment.

13. The GST will also make our businesses more competitive in the global marketplace. No GST will be applied on exported goods and services, and Malaysian businesses will benefit from a lower cost of doing business by recovering input tax. Taxes will be applied fairly among all businesses, making it a more just tax. Put simply, the GST will be good for business.

Ladies and Gentlemen,

14. We certainly don't want the GST to have an adverse impact on the rakyat. That is why many goods and services will be tax exempt, such as basic foodstuffs. So too will public transportation, education and healthcare services. Other important goods such as electricity will be partially exempt. BR1M payments and income tax reductions will ensure that lower and middle income groups will not be burdened by the GST. It is important to also remember that small businesses, whose annual turnover of taxable supplies does not reach a prescribed threshold, are excluded from collecting GST. Together these will limit the impact of the GST on hard working families.

15. The GST is not a new phenomenon. As have been mentioned, it has been a long journey of about 30 years to get to where we are. More than 160 countries have already implemented a GST, 160 countries cannot be wrong. Amongst ASEAN nations, only Brunei and Myanmar have not yet introduced the tax. Moreover, Malaysia's 6 percent rate is one of the lowest in the world.

Ladies and Gentleman,

16. The government has taken a number of steps to ensure the GST is properly implemented. 100 million ringgit has been allocated to conduct a nationwide awareness and training program. We are also providing a package of incentives, worth 150 million ringgit, to ensure a smooth transition to the GST for Small and Medium Enterprises. This includes financial assistance and tax incentives for the purchase of GST related software and hardware, as well as other forms of deductions.

17. To ensure that businesses do not impact Malaysian consumers, the government has strengthened enforcement action through the National Pricing Council, the distribution of Shoppers' Guide, and making the hypermarkets act as price setters. In addition, the Price Control and Anti-Profiteering Act 2011 will be used against those profiteers that break the law.

Ladies and Gentleman,

18. As the Prime Minister, it is my responsibility to make the right decisions for all Malaysians. I believe that the GST is the right tax and probably at the right time for Malaysia. It is an important reform that will help us build a stronger, more sustainable and transparent economy. This new tax will help drive our national development forward. By reducing our deficit, investing in our future, and increasing the competitiveness of our businesses, our economy will grow stronger. Together we will not only achieve developed nation status, but also secure a prosperous future for generations to come.

Ladies and Gentlemen,

19. I would like to thank all of you for being here and participating in this seminar. I am delighted that it has received overwhelming support. Today's event is part of our continuous efforts to ensure the GST is success. I have been saying the successful implementation of GST depends on 2 aspects: (1) you must get the technical aspect right, in all aspects; and secondly you must get the communication right. So both are very essential elements in

ensuring a successful implementation of GST, and for GST to have the all-round support from all Malaysians.

I would like to appeal to all Malaysians particularly businesses please register as soon as possible. The sooner you register, the sooner you understand what GST is all about. And the sooner you prepare for the inevitable, the better you will be for your businesses.

20. On that note, I now declare the International Seminar on GST Malaysia 2014 officially open.

Thank You.

Wabbilhitaufiq Walhidayah Wasalamualikum Warahmatullahi Wabarakatuh.