



Budget 2016 wish list

This year, my Budget 2016 wish list will take a more macro view and not just from the tax perspective.

My wish list:

1. Reduce the tax rates,
2. Make possible affordable housing for the lower income and lower-middle class,
3. Improve proficiency in English, and
4. Trim the public service and the pension bill.

From the outset, I should make it plain that these are man-in-the-street views. There are no in-depth studies, extensive research, insider information or scoop, just humble views formed from keeping abreast with current affairs and mulling the pressing issues that confront ordinary people.

REDUCE THE TAX RATES

By now, we have all experienced firsthand how all-pervasive the Goods and Services Tax (GST) is! From paying your property rates, pest control, take-away food, utility bills, pre-paid phone credit, credit card fee, online banking transactions – GST is ubiquitous! And where is the price drop that experts predicted?

The tax contribution from consumers and businesses has definitely increased, so it is time for the government to reduce the income tax rate, not just a nominal 1%, but meaningfully by 5% to 8%, as proposed below:

Malaysia should cut Income tax rate by 5% – 8%						
	MALAYSIA CURRENT RATES	MALAYSIA PROPOSED RATES	COMPARATIVE RATES IN NEIGHBOURING COUNTRIES			
COMPANIES, LLPS ETC			SINGAPORE	HONG KONG	THAILAND	INDONESIA
YA2013	25%		17%	16.5%	20%	25%
YA2014	25%		17%	16.5%	20%	25%
YA2015	25%		17%	16.5%	20%	25%
YA2016	24%	20%				18%
YA2017	24%	18%				
RESIDENT INDIVIDUALS						
YA2015	0% – 25% Top bracket at RM400,000		0% – 20% Top bracket S\$320,000	2% – 17% Or standard rate of 15%, the lower.	5% – 35% Top bracket Baht 4 m	5% – 30% Top bracket IDR500 m
YA2016		0% – 20% Top bracket maintained at RM400,000		Top bracket at HK\$120,000		

NOTE: LIMITED LIABILITY PARTNERSHIPS (LLP)

I wish that the corporate tax rate would be quickly brought down to 20% in YA2016 instead of the 24% introduced in Budget 2015. This will help to reduce the competition gap (mind you, not quite put on par) with Singapore, Hong Kong and Thailand, which had their rates slashed some years ago. In the case of Indonesia, the government has in recent months indicated its inclination to bring the corporate rate down to 18% to discourage transfer pricing practices.

From observation of past tax rate reviews, a reduction in the corporate tax rate did not

result in a corresponding reduction in tax revenue. On the contrary, it led to an increase in tax collection. The reasons, I surmise, are probably as follows:

A lower tax rate encourages more voluntary compliance; more disposal income leads to more purchasing power, which in turn churns up a multiplier effect on economic activities, producing more taxable income; and a lower incidence is an incentive for hard work, enterprise and industry among the populace.

AFFORDABLE HOUSING

At the rate property prices are escalating, much of the population are bemoaning their inability to afford their own home. Home ownership is crucial for social and economic stability and well-being, and currently seems remote for young people, the lower income and the lower-middle income groups.

The government holds the key to this problem. It should release affordable land within or near urban areas for the private sector to develop housing for the above-mentioned groups. The government itself should not get involved in property development as it does not have the private sector's experience and expertise. Competitions could be held for progressive architectural designs for these projects. Tax incentives in the form of lower/preferential tax rates or even tax exemption may be offered to property developers to encourage participation.

A separate market should be created for such government-sponsored housing properties, that is, such properties may only be sold to eligible parties, for example, within or below certain income brackets to eliminate speculation.

IMPROVE ENGLISH PROFICIENCY

Let us roll up our sleeves and get to work to improve the level of English proficiency. This should start with a steadfast political will and firm commitment to immediately adopt English as the medium of instruction in schools. Rest assured that this need not, and will not be, at the expense of Bahasa Malaysia – Malaysians have proved that they can handle multiple languages.

The Malaysian environment, both within the family and with external parties, is already conducive for practising the use of the language as English is commonly spoken in everyday life, unlike in our neighbouring countries like Thailand and Vietnam.

Again, a clear and strong policy must be set by the government to spearhead the revival of English proficiency. And this must be done with all speed. The longer the delay, the more the quality of public schools will decline. This will drive parents (those who can afford it) to send their children to private or international schools, thus widening the gulf between public and private schools. This does not bode well for social integration and cohesion, and result in unequal opportunities in employment once they leave school or university.

TRIM THE PUBLIC SERVICE AND PENSION BILL

This has been a ballooning issue. About two decades ago, then finance minister Daim Zainuddin attempted to contain the pension bill by doing away with pensions and placing new civil servants on the EPF scheme. Alas, this was soon reversed when strong opposition to it arose from the public service. Since then, the pension bill has grown and the issue looms larger with each passing year. In a similar vein, Malaysia is said to have a relatively bloated civil service given the size of its population. The government should learn from the unfolding Greek economic meltdown and tragedy and put in place a programme to trim the civil service and the pension bill.

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