

The New Straits Times - GST Helps Combat 'Untraceable' Activities

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PUTRAJAYA: The Goods and Services Tax (GST) will help combat previously untraceable economic activities and give more revenue to the government to be used for infrastructure projects that can benefit the rakyat.

Second Finance Minister Datuk Johari Abdul Ghani said the six per cent GST implemented from April 1 last year was an efficient tax system that could reduce the country's "black economy".

"'Black economy' refers to untraceable and non-taxable legitimate business transactions. That is where now a big chunk of the GST revenue comes from," he said in an exclusive interview recently.

The 52-year-old chartered accountant by training and a former corporate figure said it was not true to say that the government's additional collection from GST was at the expense of the rakyat.

"If people say that we collect additional tax from the rakyat, the answer is 'no'. You must analyse the figures. The imported goods in this country are a lot. For most of these goods, the government is supposed to collect SST (Sales and Services Tax), but it was not reported to us (in the past)," Johari said.

He said the tax collection for the import of goods had increased by more than 150 per cent because in the past many businesses did not pay their SST. Now, they have no choice but to pay the GST.

"When we implemented GST, firms that imported goods started to declare their taxes. They can't avoid paying GST because the system will also allow them to claim input tax. If they don't pay, it's just a matter of time before we trace them," he said.

Under the GST, only traders with proper sales and purchase records are eligible to get their input claim. This will create a level playing field for all firms and industries, which will also spur healthy competition, he said.

"Previously with the SST, it was difficult to check on them, but now, with the GST system, there is cross-checking among the manufacturers, suppliers, wholesalers, distributors and retailers. So, chances for them to avoid paying the GST is difficult. At every level, we can cross-check.

“In the long term, it will be good for the country. For the traders, at the end of the day, they have to compete among themselves without anyone having advantage for not paying tax. We need healthy competition. If you are not competitive... customers will not buy from you. This disparity in prices will adjust naturally over time,” said Johari, who assumed office on June 28.

He said the GST and Malaysia’s well-diversified economy would help strengthen the country against external factors that could affect its growth trajectory.

“I know the next two years are not going to be easy. But I think that if we can be very focused on some of these industries, and with our currency now at RM4 to US\$1, I’m sure we can attract a lot of customers that can buy our products, encourage our export and tourism, and boost our value-added services industry as well as manufacturing.”

Johari also said Malaysia today was spending more than RM50 billion on education, health, defence and security. **Additional reporting by Cheryl Yvonne Achu**

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