

GST A MORE EFFICIENT TAX SYSTEM

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AS Malaysians prepare for the 14th General Election (GE14), an issue that is being hotly debated is the Goods and Services Tax (GST).

Is GST the right fiscal policy instrument for Malaysia, or should it be abolished?

To get a proper perspective, we need to understand why GST was introduced.

Is GST about getting easy money from the people? Is GST a result of the failure of the government to manage the economy?

Will the economy be better off if GST is abolished and the Sales and Services Tax (SST) reinstated?

There are more than 160 countries that have GST. The fact that 160 out of 197 countries are generating revenue for their governments is an emphatic answer.

We cannot, therefore, say 81 per cent of the countries in the world are mismanaging their economies.

Malaysia introduced GST because it is a more efficient tax system than SST in that previous untraceable and non-taxable business transactions, or the black economy, are now taxed under GST.

It is also efficient because it can trace tax evaders, especially among businesses. When it is more efficient, it will lead to more revenue generated for the government.

It is also less bureaucratic and has an exemption in exports and, hence, will improve growth momentum.

The other reason is that GST



A Shah Alam restaurant employee placing a Goods and Services Tax sticker on its premises.

can diversify the revenue stream away from the oil and gas sector.

When this happens, the economy has no choice but to be competitive and innovative, finding a new source of growth that can improve its labour productivity and improve wage growth.

But GST is not just about diversifying the economy, it is also about making the economy more broad-based. In other words, before this, only two million people paid income taxes.

Now those who buy goods will pay taxes. That has made the tax mechanism fairer.

It is also progressive as more than 500 items, where most of them are basic goods consumed by the low-income groups, have been zero-rated or exempted from GST.

With the extra revenue from GST, the money has been given back to the people.

Recently, the government doubled the 1Malaysia People's Aid

(BRIM) payment and introduced a new category for BRIM of RM4,000 to RM5,000.

The salary of civil servants has also increased.

Moreover, the government has provided affordable and quality healthcare, affordable housing, a first-class transportation system such as the Mass Rapid Transit system, a quality education system as public universities have improved in their global rankings, while the median income

level has improved by 6.6 per cent from 2014 to 2016.

All these prove that with GST, Malaysians have benefited from a quality growth rate than ever before.

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