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MEDIA RELEASE

MINISTRY OF FINANCE MALAYSIA

GST IS A CRADLE TO GRAVE TAX THAT COVERS 60% OF THE CPI BASKET OF GOODS AND SERVICES COMPARED TO SST THAT IS TAXABLE ON ONLY 38% OF THE CPI BASKET OF GOODS

The Goods and Services Tax (GST) is a cradle-to-grave tax that covers 60% of the CPI (Consumer Price Index) Basket of Goods and Services as compared to Sales and Services Tax (SST) that is taxable on only 38% of the CPI Basket of Goods. (See attachment for list of items that subjected to GST but now no longer covered or subject to taxes under SST).

The Ministry of Finance is surprised that former Prime Minister, Dato' Seri Najib Tun Razak and UMNO have somehow misled the people that they will suffer if the Goods and Services Tax (GST) is abolished while the Sales and Services Tax (SST) is reinstated. Facts and figures do not support such claims.

Meanwhile, former UMNO Youth Chief, Khairy Jamaluddin stated via his tweets for the 6% GST rate to be lowered to match the much lower revenue expected to be collected via SST. Rembau MP's statement clearly contradicts Pekan MP's view that SST is more burdensome that the GST.

Very obvious that the only party that politicizes this issue is UMNO. On one hand, UMNO demonizes the new Pakatan Harapan government for implementing the SST which will purportedly burden the people more, but on the other hand, conceded that GST needs to be reduced to match the lower expected revenue collection via SST.

So far, the former Prime Minister has not responded, "how could the SST burden the people more than the GST when the expected collection from the SST is estimated at RM21 billion for a full year, while the GST had expected to collect RM44 billion in 2018?" The rakyat have not yet received any response as to how GST is better for the rakyat than the SST, when GST collects RM23 billion more in taxes.

SST is a single-stage tax, a sales and services tax imposed on manufacturers and not on end customers. While, GST is a multi-stage tax where tax is payable by all parties in the supply chain. For instance, if a teddy bear needs to pass through 5 suppliers before being sold, then GST would have been imposed on each stage before the customer gets served. While SST is only imposed once on manufacturers.

Technically, each supplier can claim back GST as an input tax from the government. Nonetheless, this still causes a huge problem with operating cashflow for many businesses as the government has been notoriously slow in refunding GST claims. This has resulted in higher costs, and ultimately the end customers would have to bear the cost with higher prices for goods and services.

I will expose at a later date the real cause of the failure of the previous government to repay refunds to the rakyat promptly.

By implementing an improved SST, the new Pakatan Harapan government has ‘returned’ an estimated RM23 billion to the rakyat. The Pakatan Harapan government is committed to ease the financial burden for the rakyat, particularly those suffering from higher cost of living. At the same time, Pakatan Harapan hopes the extra RM23 billion returned to the people will stimulate private consumer demand, raise business optimism which will in turn generate economic growth.

The Pakatan Harapan government does not deny that the SST will still impose some financial impact on the rakyat, but there is no doubt that the impact from the SST will be less than GST by almost half (RM44 billion collected by GST vs RM21 billion by SST).

Sayangi Malaysiaku!

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