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Bernama - MOF Sets Up Committee To Study Reinstatement Of GST

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KUALA LUMPUR, Nov 23 - The Ministry of Finance (MoF) has set up a committee to study various revenue enhancing measures, including the possibility of reintroducing the Goods and Services Tax (GST), according to Maybank Investment Bank (Maybank IB) Research.

In a note released today following a dialogue with Finance Minister Tengku Datuk Seri Zafrul Abdul Aziz last Friday, Maybank IB Research quoted Tengku Zafrul as saying that other measures included analysing weaknesses in the tax regime and impact of new taxation on the economy, studying options for new taxes such as carbon tax and digital tax, rationalising tax incentives, improving tax administration and enhance tax audit, such as implementing tax identification numbers and enhancing data analytics.

“Timing is also important – especially on any new taxes – so as not to disrupt the economic recovery process.

“2021 is a transition year from crisis to recovery,” it quoted Tengku Zafrul as saying.

Over the medium term, Tengku Zafrul said the government is committed to lowering the budget deficit to four per cent of gross domestic product (GDP) by 2023.

“The key strategy will be on revenue enhancing given the limited scope to cut spending, such as 95 per cent of operating expenditure are ‘locked-in’ obligations, like emoluments, debt service charges and retirement charges,” he was quoted as saying.

On the glove sector, Tengku Zafrul said that the glove manufacturers’ corporate income tax is projected at RM2.8 billion in 2020 and RM4.7 billion in 2021.

“The government decided that no windfall tax will be imposed on glove manufacturers to avoid potential 'opportunity costs/losses' such as glove manufacturing companies investing overseas instead of in Malaysia, and sending the wrong signal to existing and potential investors in other industries,” he was quoted as saying.

On the RM400 million contribution from glove manufacturers as announced in Budget 2021, Tengku Zafrul said contributions are voluntary and are on top of the glove manufacturers’ record corporate income taxes of RM2.8 billion in 2020 and RM4.7 billion in 2021.

On the COVID-19 vaccine, the finance minister said Budget 2021 has allocated RM3 billion to acquire vaccines through Malaysia’s participation in the World Health Organisation’s COVAX programme and negotiations with the pharmaceutical companies undertaking the Stage 3 clinical trials of vaccines, with the aim to obtain the vaccines in the first quarter of 2021.

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