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Be prudent, efficient in spending before reimposing GST on Malaysians: Rafizi



Economy Minister Rafizi Ramli said prior to introducing a new tax scheme, the government must ensure prudent spending particularly on various project developments so that there would be no completion delays or ballooning costs where the country would plunge further in debts. NSTP/MOHD FADLI HAMZAH

KUALA LUMPUR: The Goods and Services Tax (GST) reimplemention should be considered as an efficient means for the government to collect tax only when the majority of the citizens are eligible taxpayers.

Economy Minister Rafizi Ramli said prior to introducing a new tax scheme, the government must ensure prudent spending particularly on various project developments so that there would be no completion delays or ballooning costs where the country would plunge further in debts.

"The government has a lot to prove to the nation first that it's serious about good governance and being prudent and ensure effective spending. I think once we cross that, we should be able to implement new tax measures that we think is most suitable," he said on the sidelines of HSBC Asean Business Forum here today.

Rafizi said there was no need for the government to introduce a new tax scheme, particularly the GST, in the next 12 to 15 months even though the GST's collection process was considered to be more efficient than the collection of individual income tax.

He also said the current way of individual income tax collection in Malaysia was not necessarily effective as the complex process involved taxpayers submitting their yearly tax assessment to the Inland Revenue Board with tax agents checking the assessment forms one by one.

Currently, there are only about four per cent out of 33.5 million Malaysians who are eligible individual taxpayers.

"By comparison, the collection of the individual income tax is more tedious than collecting GST. The GST is collected by businesses on behalf of the government, so there's no need (for taxpayers) to file tax assessments (every year)," he said.

Rafizi added that most governments in countries where majority of citizens were taxpayers would collect the GST while at the same time reduce the percentage of individual income tax.

In order for Malaysia to follow suit, he said the government needed to ensure that the fiscal deficit was reduced in order to push the income level higher so that there would be more eligible taxpayers in the country.

"At this moment, we have enough fiscal space that we can consolidate internally with the existing revenue. That's why without many new taxes, we'll be able to reduce the national deficit from 5.6 per cent in 2022 to 5.0 per cent this year," he said.

In the revised Budget 2023 that was tabled last Friday, Prime Minister Datuk Seri Anwar Ibrahim announced a reduction of two percentage points in individual income tax for those in the taxable income bracket of RM35,000-RM100,000 starting year 2023.

The tax reduction is expected to benefit some 2.4 million taxpayers with an additional disposable income of RM1300.

However, the individual income tax for high-income earners in the tax bracket of RM100,000 to RM1 million would have to pay 0.5 to 2.0 percentage points higher, affecting less than 150,000 taxpayers.