Malaysia : Competitive Edge via GST

Malaysia's Goods and Services Tax Has Far-Reaching Effects for Individuals and Businesses

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The Goods and Services Tax or GST is a long awaited indirect tax reform which, will be a vital factor in spurring growth in Malaysia's economy. It will not only make the tax system more efficient, effective and transparent but also helps in boosting tax revenues and make exports more competitively priced. By implementing GST, the country's Gross Domestic Products (GDP) will increase by 0.3% and our exports by 0.5% in 2015 and 2016 respectively.

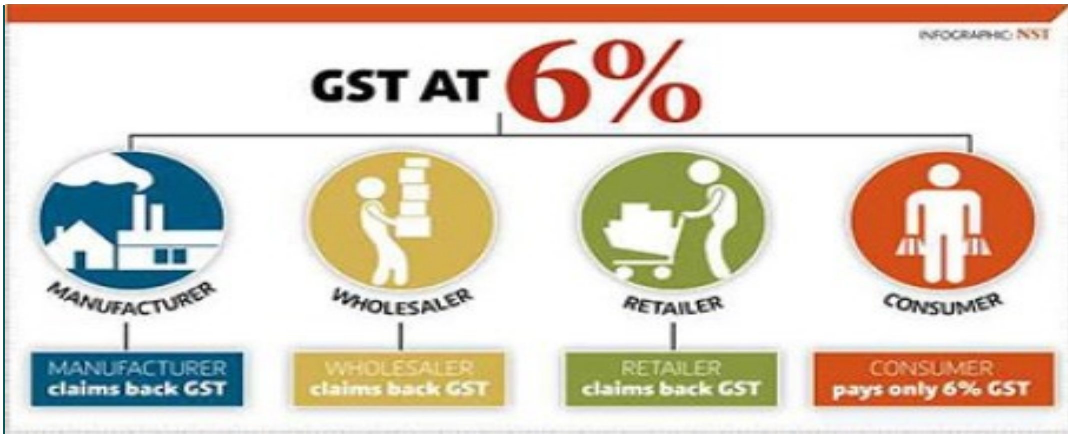
Bank Negara Malaysia, forecasted the country's GDP to grow between 4.5% and 5.5% this year, driven in part by private consumption which indicates the consumption of goods and services by households. Bank Negara projects private consumption growth of 6%. The Goods and Services Tax (GST) implemented on the 1st April 2015, was introduced at 6% at every stage of supply chain.

RELIABLE SOURCE OF INCOME

GST as a consumption tax will provide the country with a more reliable source of income.

GST increases tax revenue for the country which can be channeled to develop infrastructures in the country.

Consumers under GST will know exactly which goods are subject to tax and how much tax they are paying.



GST: IMPLEMENTED IN 160 COUNTRIES

Country	GDP per capita (World Bank, 2011, USD)	Year of GST Implementation	Initial rate (%)
Indonesia	3,495	1984	10
Thailand	4,972	1992	7
Singapore	46,241	1993	3
Philippines	2,370	1998	10
Cambodia	897	1999	10
Vietnam	1,407	1999	10
Laos	1,320	2009	10
Malaysia	15,589	April 2015	6

Source: Royal Malaysian Customs Department

To date, some 160 countries have implemented this broad-base tax also known as Value Added Tax (VAT) in many countries, is perceived as more equitable as no one is exempted.

While Malaysia has been contemplating GST since 1992, six other countries in ASEAN have gone ahead and implemented it. The last three countries to do so are Laos, Cambodia and Viet Nam; all three starting at 10% and have maintained at that rate.

THAILAND affirms it is feasible to revise the rate at the implementation stage itself. GST was introduced in Thailand in 1992 at the rate of 10%, and subsequently reviewed to 7% at the request of business operators. This year, Fiscal Economics Office in Thailand suggested the 10% GST rate be reintroduced as every 1% would generate 70-80 billion baht (US$2.14 billion to US$2.45 billion) in revenue annually.

SINGAPORE used the gradual approach by starting at 3% in 1994 when it introduced GST to the present 7% which has been in force for the last seven years. The detailed preparation, openness and high energy level of the tax authorities made it possible to implement the GST in an exemplary manner. The case of GST implementation in Singapore comes close to being a "best practices" framework to guide other governments towards a successful introduction of this important system of taxation.

KOREA implemented VAT in 2003 at the rate of 10% and still stands the same rate. Korea was pegged under the Stage 2 Development in the IMD World Competitiveness Report back in 2003 and is now under the Innovation driven stage, VAT making it possible to collect economic revenue could be a reason for this huge positive leap in its Economy.

"IN TODAY'S COMPETITIVE ECONOMY, TO STAND STILL IS TO DIE"

- CHUCK SCHUMER