

# 3

## REVIEW ON GST PROPOSAL



The announcement of Goods and Services Tax (GST) as a new fiscal policy in Malaysia replacing the existing sales and services tax has turned out to be an eye catching topic among all parties namely the general public, academicians, politicians, civil servants and so forth. In point of fact, GST is not a fresh topic make public by the Malaysia government. The idea of GST was first brought up back in year 1989 and Table 1.2 illustrated the chronology of GST proposed by Malaysia government. GST was first formally announced for the first time during Budget 2005 with the goal of imposing GST as a new tax reform in Malaysia back in 1st January 2007. Strong resistance from the public is observable as there were massive opposition from 30 organizations namely MTUC, WDC, Opposition Party and Students groups led by Socialist Party of Malaysia (PSM) that forced GST to be adjourned. Five years later when GST was to be tabled in Parliment for the first reading, PSM launched another intensive campaign to oppose the GST, gaining its momentum as many people signed up to against the appointment. As a

consequence, second Finance Minister at that time, Ahmad Husni Hanadzlah said government needed more time to gather feedback from the members of public and will postpone the GST until the concept is well received by members of public in Malaysia in addition to provide ample time for businesses to be ready and cope with GST. The adjournment of GST is to allow businesses to have sufficient time in preparing for the potential changes and making proper adjustment.

Prime Minister Datuk Seri Najib Tun Razak later in his Budget 2010 speech stated the study on the GST enforcement has nearly completed and the GST bill was tabled for the first reading in the Parliament on December 2009 with the aim to enforce GST by year 2011. Then again, the second reading for the GST bill which was scheduled on March 2010 was deferred until further notice. The deferment issue of GST are mainly due to businesses had come to realize that GST preparation is complex and will have intense impact in financial reporting issue and decision making in many areas concerning as planning, pricing and struggling for competitive advantage. Nonetheless, this will allow government to buy in some time to obtain the feedback from various parties. Recently, Solidariti Anak Muda Malaysia (SAMM) exhibits strong resistance towards the government in implementing the GST, urging for a deferment or encountering a street demonstration on 1st May 2014. The recommendation of GST as suggested by International Monetary Fund (IMF) mainly opens up the pathway to enhance the efficiency of Malaysia Taxation system in addition to diversify tax collections. At any rate, GST taxation is targeted to be implemented 18 months after passing of GST Bill.