

# 7 RAMIFICATION OF GST IMPLEMENTATION



To begin with, the rising cost of living will be the key concern of the public as they only care about the after-tax prices of goods and services. Approximately 90 percent of Malaysian which are currently not within the taxed category will have to pay GST for their daily consumption. Additionally, the prices of categories of goods and services which fall in the CPI basket specifically education, health, recreation and culture, food and non-alcoholic beverages and food away from home are expected to increase owing to the current treatment of these goods and services are not subjected to sales tax or service tax. There are businesses who are taking advantage over the existence of VAT to increase the prices of goods and services thus leading to higher inflation. Throughout the nation there are 15,542 restaurants expected to impose charge on GST whereas there are only 4,357 premises currently charging SST. This would suggest that the figure will increase approximately by 3 fold. One-time spike in inflation as measured in CPI may take place in Malaysia as a result of knee-jerk response from the manufacturers,

traders, wholesalers and retailers, taking advantage over fiscal policies amendment. Malaysia's inflation is currently in between 1 and 2 per cent and it is expected to spike up above 3 percent. Besides, the inflationary pressures in Malaysia are building up mainly arise from higher fuel prices, ringgit depreciation and mark-up in both minimum wages and prices. In brief, inflation is expected to be higher this year and also next year mostly due to the policy-driven, arising from fiscal structural adjustment measures through subsidy rationalization and the broadening of tax base by enforcing GST effective on 1 April 2015.

"GST triggers higher inflation", this is a bold statement but still it is acknowledged and observed by many academics and scholars around the world. VAT has positive influence on price stability in Nigeria between the time frame of year 1994 and year 2010, exerting a strong upward pressure and positive impact on price primarily due to multiple VAT burden is bear by individuals and corporate bodies. Similarly, the magnitude and duration of GST influence on inflation in Australia within the time frame of year 1948 to year 2003 has suggested that GST has a significant impact in contributing inflation however it is momentary when the new tax was implemented. Nevertheless, a study also revealed that the changes of VAT rates in influencing the prices of products and services has suggested that the impact of fluctuating VAT rates are not 'symmetrical' at all owing to an increment of 3 percentage points in VAT increase the price of the affected products by approximately 2.5 percent on average however a 5 percentage point decrease in VAT reduced the price by merely around 1 percent on average.