FORUM REPORT

ABOUT THE FORUM

Tax is a crucial instrument for public management and the bloodline for any government to function effectively and provide public services and infrastructure for the wellbeing of its citizens. In some countries, tax can be as high as 40%, but it's public and welfare services are so extensive, that its citizens end up spending less of their disposable income on public necessities. Whereas in some countries tax is very low to encourage spending and spur economic growth, leaving only a small role for the government to play in the lives of its constituents. Yet in many countries, tax evasion is commonplace, and tax havens remain a contentious issue that persist up to this very day. Some cultures, especially in Asia allow for tax amnesty to at least recover loss revenue, yet countries in the West, particularly the OECD countries reject it outright.

In Malaysia, tax has been the centre of an intense debate which has unfortunately divided the country along political lines. Whether it is GST or SST, the conversation should not be a political debate and the wellbeing of the country should take prime importance. With the big fiscal gap inherited since last year, how should Malaysia move forward?

How much tax is enough? Are we taxing the right people with the right amount? What can we learn from other countries?

The 2nd Malaysia Tax Policy Forum, a platform by ISI to gather all best practices and innovative ideas from around the world on the issue of taxation, seeks to address these burning questions and formulate strategic measures that can help Malaysia move forward as a financially strong nation in the near future.

ABOUT ISI

The International Strategy Institute (ISI) is a not-for-profit organisation that helps connect governments and businesses across Asia and the world. We stand for universal ethical business values such as: equality, transparency, fair trade, and sustainable development.

Our dialogues, research and networking platforms, are designed to drive economic growth in the region. We aim to,

1. build platforms for regional dialogue and networking opportunities that allow businesses, industry captains and governments to come together to drive economic growth of the region;
2. provide timely research to keep our members and governments informed and updated on global trade and political issues that may have an impact on their operations;

3. match businesses to the right investors- to ensure that the companies are paired with the right strategic investment partner

VISION AND MISSION
International Strategy Institute (ISI) aims to be the leading regional connector and networking platform for governments and businesses across Asia and the Pacific.

Through our networking events, conferences, and rigorously research publications, we hope to promote a robust Asian business environment that is strategic, inclusive, innovative and sustainable.

Welcoming Speech
Mr. Fazil Irwan Som
Executive Director, International Strategy Institute (ISI)
Malaysian Tax Policy Forum(MTPF) aims to discuss the critical issues such as whether Malaysia is taxing enough, Budget 2020, tax leakages and the impact of it to the economy as well as what steps can be taken to improve the tax collection.

After years of running on a deficit, Malaysia's fiscal position is tough and the outbreak of the Covid-19 pandemic makes it worse which has devastated tens of thousands of lives and livelihoods. In addition, Malaysia was definitely not out of the economic impact and not enough resources to mitigate the effects of the pandemic as a whole even though Malaysia is able to open its economy and businesses and operate as usual with several restrictions.

Whether the current tax regime is enough to collect much needed tax is important in this difficult time. In several developing countries in Asia, the tax rate is not that high while the tax rate is very high for the developed countries in Asia such as Japan and Korea. Some argue that Malaysia is not taxing enough, especially the top layer of society. Malaysia is always careful about hampering business growth through taxation even if it experiences a lot of economic growth.

There is still a long way to go before Malaysia can provide enough public services to the people. Therefore, a careful balancing of the tax policy is important to make sure the economies continue to grow, people have enough salary to pay their taxes, and the future is bright for Malaysia.

SHOULD WE BRING BACK GST TO IMPROVE FISCAL HEALTH?

Ms. Farah Rosley
President, Chartered Tax Institute Malaysia
GST has been introduced and implemented in 160 countries in the world. Countries in ASEAN that have not implemented GST are Myanmar and Brunei as well as including Malaysia now.

GST is a consumption tax and its rate varies for different countries. India has the highest GST rate at 28% for luxury goods. However, Malaysia introduced GST at a 6% standard rate.

GST contributed 18% of the government revenue while income tax contributed around 50% of the government revenue. It is an important source of revenue, especially in the Covid-19 pandemic. Many businesses and individuals are impacted as well as it impact the revenue from income tax since the profits from businesses have dropped drastically and many individuals are in unemployment.

David Lai
Head of Tax Advisory/ Executive Director, Tax, BDO Malaysia
GST and SST are the same in terms of a tax system which can tax people less with GST or tax people more with SST. People always get distracted by emotion and politics that should be put aside.

39 billion which collected by GST is a quite small value compared to the total tax collection of 189 billion. The most important is the tax system is efficient and contributes long term benefits to the country. On top of that, GST is more transparent compared to SST and it builds trust between the people and the government because people are able to acknowledge how much taxes they are paying while people do not realise there is a SST when they buy something from the store since SST is a hidden tax.

SST has a lot more holes than GST since it is not a wide based tax system. The compliance level is much lower because many businesses unable identify whether their goods or services are taxable, whereas everyone assumes they have to pay GST. This issue is creeping up because of service tax on digital services and there are different interpretations about digital service by different parties. In addition, SST is limited in B2B exemptions that aims to avoid the issue of double taxation and cascading.

There are fewer businesses being assessed but the level of collection is higher compared to GST due to the built-in cascading in SST. Customs is collecting more because of the inefficiency in the SST system and creating unhappiness in those businesses that are complying.

Therefore, a serious review to the SST is needed for a system that is fair across the board rather than taxing certain areas overly.

Malaysia is done well in the implementation of the GST. The GST has become the scapegoat of price increases since the currency was dropped by 20% at that time and definitely the sales price will rise. The price did increase as expected but it was in control. In addition, People are calling for a lower tax rate, however, the revenue from GST only breaks even if the GST rate is below 3% since there is cost for the system.

Ng Sue Lyn
Executive Director, Tax, KPMG Malaysia
Indirect tax revenue is bigger than the direct tax revenue in some other countries such as Chile, Poland and Czech Republic. Corporate tax rates tend to go down over the years, however, it is rarely to reduce the indirect tax rates except during this pandemic. In addition, socio economic is a significant factor for introduce a new tax system to a country. The timing needs to be considered if the country does introduce a new indirect tax regime.

There is a transparency issue since price did increase when changing GST to SST. SST is taxed on certain goods and services, therefore, price should not increase. In addition, SST is complicated with its service tax and sales tax in terms of applying for exemptions.

One of the biggest challenges for GST is the timing of refunds since the tax is not supposed to be a cost to businesses, but if the refunds are not coming in as fast as possible, then it will affect the cash flow of businesses.

Besides that, there is an argument about the rate of GST being too high. The rate of tax is always determined partly by how the economy performed in the country. Many countries chose to implement GST when the economy was performing well. There is never a right answer for the correct rate of tax but it is undeniable that it will impact on inflation and the prices on goods and services.

Tan Eng Yew
Country Indirect Tax Leader, Deloitte Malaysia
SST consists of two different taxes which is sales tax for goods imported and goods that are manufactured locally. The rate of taxes varies for different products. The scope for SST is narrow that the list of items that are taxable on both goods and services is lesser, however, price did not come down. In addition, people are confused about taxable items and non-taxable items, even Customs themselves.

Thenesh Kannaa
Partner, TraTax
Customs expected there will be below 100 000 businesses to register for the GST, however, 480 000 businesses have registered in the end. The knowledge pool about how industries operate across these 480000 businesses has increased and helps them to interpret certain terminologies such as management fees and digital services when come to the era of SST 2.0.

One third of the business is out of the regime in current SST 2.0 such as construction companies. Besides that, Customs did a hard work in exempting all the items in the supply chain to minimum cascading effect. However, packaging materials are not exempt and one third of the cost comes from packaging. There will be a cascading effect.

The problem of refund in GST should be empowerment and make provisions for Customs to manage it. All the money collected from GST has gone to the federal consolidated fund and money comes back from the federal consolidated fund to facilitate refund. This operation made the refund process inefficient.

Summary in Q&A Session
In fact, the revenue from GST is utterly inadequate to the government revenue. GST is not a magic bullet to improve the fiscal position. Unfortunately, many people are getting it wrong due to politics. GST was introduced as broad based tax initially which will bring significant impact on government revenue, however, too many exemptions and zero-rated products due to politics comes in.

The implementation of GST has forced all the players in the industries to show up and register since they are unable to do business without registration of GST. Nevertheless, GST is also facing culture and trust issues. The trust between the government agencies and taxpayers is lacking at this moment. In addition, Malaysia has the culture among businesses of trying to pay the least amount possible. Therefore, Malaysia needs to fix these issues and education at all levels.

If a country is heading for a developed country, GST will be the best choice to lead to better compliance among the various players in the market. However, Malaysia could improve some of the aspects of SST such as widen the coverage and make it as GST across all channels.

SST is the tax system in which the government collects more money from the pocket without people realizing it. GST should be introduced again when the economy is stable and after the Covid-19 pandemic. However, the tax rate should not stay at 6% forever. Most of the countries have more than 50% of the revenue from direct tax but the revenue from indirect tax have increased recently. One of the reasons is that most of the countries emphasize on the indirect tax because indirect tax is based on consumption. There are many companies that do business in Malaysia but do not belong to Malaysia, therefore, they are not paying income tax to Malaysia.

The scope of sales and service tax on SST should be adjusted before increasing the tax rate. If increasing the rate before fixing the scope, it will increase the pain on a narrow base.

There is a trend in many countries where the shift is moving towards indirect taxes over the last 15 years and Malaysia joined that particular right to move to GST. Ultimately, the government should tax consumption more than tax individual's income or profits from the businesses. This has happened in many countries and where Malaysia is heading. Before Malaysia moves to that journey, Malaysia should fix the initial problems in terms of definitions and the way of implementation.

CAN MALAYSIA TAX THE RICH MORE WITHOUT IMPEDING GROWTH?

Dr. Carmelo Ferlito
CEO, Center for Market Education Sdn Bhd/ Senior Fellow, Institute for Democracy and Economic Affairs (IDEAS)
Whatever policy implemented has intended consequences that are in line with the initial target and unintended consequences that are not in line with the desired outcome. The recognition of the complexity of unintended consequences is important to bring policymakers toward a position of humbleness.

In addition, it is important to recognize the trade-off of a policy in which it can achieve a certain target but it is never free. Policy always comes at a cost. For example, high taxation will discourage investment as well as penalize the job market. Therefore, policymakers should be careful to make sure the benefits of a policy are larger than the cost it will bring.

Taxing the rich is a good political slogan but probably a bad policy since the government is taxing those who create wealth and jobs. Investment decisions are based on profit expectations and the increase of taxes frustrate profit expectations. It means there will be less investment as well as less jobs. Ultimately, the rich will bring their money and invest in other countries if taxation goes beyond a certain point. Nobody is willing to work 7 out of 10 months for the government.

Moreover, the rich actually pay enough tax according to the data from United States that the top 1% pay the greater share of individual income tax which is 37.3% while 90% of the bottom contribute 3.5% share of individual income tax.

There are two ways that money will flow from the rich to the poor. Firstly, people who earn income or profits will transfer their money via taxation to the government and the government will redistribute it to the people via redistributive policy. Secondly, the money could transfer from people to people through the rich spending their money that they do not decide to save.

People always assume that the government is doing well on how to redistribute resources among the people. However, money might be lost during the process of money flowing from the people to the government such as tax evasion. On top of that, there is an issue on the way that governments spend and allocate the money. For instance, the money may not be distributed to the right people or places.

There is clear and obvious unfairness among the public, however, the government is unable to distribute resources fairly and make everybody happy. People always believe that the government is a sort of super institution with access to privileged knowledge but this is not the case because the knowledge that is required to implement that plan is complicated and needs a long time. Therefore, it is better for people to use that resources and they work better in the system of decentralized decision rather than the system of centralized decisions.

Malaysia does not need more tax but it needs a better tax. The fundamental of a good and effective tax system is the simple and easy application tax system. In addition, policymakers need properly enforced and balanced trade-offs and unintended consequences.

Oo Huei Ying
Managing Director, SK iWealth Sdn Bhd
The government should tax the rich more, however, not across the entirety of T20 but those who are in the ultra-high net worth category. On top of that, the government should introduce or impose a higher income tax bracket on the ultra-high net worth category in which they own over 30 million U.S. dollars of net investable assets.

Most of the people who are in the ultra-high net worth category are coming from the top high-ranking politicians and they will still have positive cash flow if they pay more tax. Therefore, taxing them more will not impede their spending as well as the growth of Malaysia. According to Warren Buffett, he said that people like him who are under the ultra-high net wealth category should pay more taxes so the middle class and lower class could be reducing their taxes. Taxing these people will contribute to the underprivileged and to the overall development without impeding the growth of the economy.

Besides that, increasing tax on luxurious and non-necessities is necessary since it is basically consuming by those who are under the ultra-high net wealth category. Increasing tax on those things such as private jets, yachts and other luxury goods and services will not reduce their consumption but makes them feel prestigious, unique and different.

Moreover, the inheritance tax should be raised too due to it being just an insignificant slice compared to their huge amount of assets. Nevertheless, those who contribute a lot to charitable organizations and underprivileged should be exempted from inheritance tax.

The second part should be on how the government is spending the money. Improving financial literacy across the country is important to the economy. There are more 50% of the people enrolling in debt management and the percentage of Malaysian's between 18 to 44 going into bankruptcy is rising. Another report showed Malaysians retiring without enough money with 87% of the EPF contributors not being able to survive more than five years. It shows the poor financial literacy in Malaysia. Therefore, the government should notice this issue and channel money to alleviate financial literacy. For example, corporations could enjoy tax relief if they provide financial education to the staff as well as educating Malaysians from their university levels. The financial well-being across the country will definitely stimulate the economic growth of Malaysia.

Other than that, money from collection of tax should be channelled towards improving basic infrastructures for all states. For instance, there is a girl who has to climb on top of the tree to get Wi-Fi for examination. Hence, basic infrastructure such as transportation, network should be improved in other states.

People will be willing to contribute to a country by tax if the country is able to provide fairer treatment and support businesses in a better way. However, tax avoidance always happens in Malaysia since people experience unfair treatment.

Anand Raj
Partner, Competition Law & Antitrust (Co-Head) Tax Disputes & Controversy, Shearn Delamore & Co
The government should not tax more to those under the ultra-high net wealth category but should tax more to the politicians. Investors are running away from Malaysia due to the political issues. Politicians should lead by example by voluntarily being taxed more. Therefore, they will get the people votes by showing they are willing to sacrifice for the country.

In addition, high taxes to the ultra-high net wealth individuals will chase them out of Malaysia to countries which have lower tax such as Portugal, Hong Kong, Sweden and others countries that repealed inheritance taxes. According to the data collected by the OECD, revenue from inheritance taxation only accounts a small portion of the tax revenues from each country in general. There is also an argument that the fiscal benefits of the inheritance tax outweigh the cost of running the tax. For example, Australia has abolished inheritance tax in 1993 due to the high administrative costs that accrued in the data collection process. On top of that, Germany found that taxing the wealthy was unconstitutional because it is differentiating and discriminating against a class of persons.

Malaysia should reintroduce GST. Nobody benefited when GST was abolished except software and accountancy firms.

The income tax in Sweden is 57% but it provides fantastic welfare systems such as free education and public health as well as great support systems for start-ups. However, this kind of welfare system does not happen in Malaysia but Malaysians are being taxed at a higher tax rate.

Malaysia should introduce more real incentives to support entrepreneurs without million conditions that are impossible to meet. On top of that, the principled system should come along with the incentives, therefore, there will not be a double standard or be inconsistent in one's words.

Summary in Q&A Session

Malaysia should reflect why it is unable to retain talent in the country such as Grab which set up the headquarter in Singapore and Malaysia is the biggest users of Grab in Southeast Asia. On top of that, Malaysia must come up with meaningful incentives to bring back and retain them.

The consumption for the rich and the poor is definitely not the same. They would like to buy yachts, private jet and other luxury goods. The demand for these goods will create jobs and this kind of positive externalities need to be noticed.

The United States has introduced a tax that will tax the individual's global income, however, many Americans are trying to give up their passports due to this tax. It will make Malaysia become uncompetitive if introduced this tax and rich people will run to the neighbouring countries such as Singapore and Hong Kong. Malaysia should reimplement GST which will target the black economy and Malaysia might be the only country that introduced GST and then abolished it.

There are around 675 individuals under the ultra-high net worth category and about 50% of them are politicians.

Global taxation is not suitable to be introduced in Malaysia due to Malaysia not having a positive culture, good infrastructures and incentives to promote people to come to Malaysia and a lot of Malaysians are actually going out. Imposing a global taxation now will definitely impede economic growth. Therefore, the government should pay attention on how to stimulate growth via a more efficient way of using the tax money that is collected rather than impose a new tax now.

COMPARATIVE TAX ANALYSIS - HOW DOES MALAYSIA FARE COMPARED TO ITS ASIAN NEIGHBOURS?

Amarjeet Singh
ASEAN and Malaysia Tax Leader & Business Tax Services Leader,
Ernst & Young Tax Consultants Sdn Bhd

ASEAN will be the world's fourth largest economy by 2030 and 647 million of people which around 50% of the population will be urbanized. On top of that, 480 million of people which 90% of the population are smartphone users while 1.4 mobile phones are owned per person in Malaysia. The young demographic in ASEAN is rising from 28.8% to 32.9% and the middle class is emerging. In addition, ASEAN is the third largest workforce in the world with 59 million of people joining the workforce.

Nevertheless, ASEAN is an economically diverse place and varies in population, GDP per capita, tax policy and so on. For instance, Indonesia has the largest population of 265 million people and Singapore has the highest GDP per capita which is 64000 dollars while Cambodia has the lowest GDP per capita which is 1500 dollars.

In terms of economic growth, there is expected to be a V shape or U shape economic recovery from the Covid-19 pandemic. However, a K shape recovery is proposed by the academic circle due to there will be potential losers and potential winners at the same time. For example, airlines, hospitality, oil and gas are the hardest hit industries from Covid-19 while mask and glove have enjoyed the highest profit from Covid-19.

Tax is one of the significant factors for investors to set up a regional setup across ASEAN and every country in ASEAN has a different tax policy and incentives. The corporate tax in Malaysia is 24% while the corporate tax in Philippines is 30% and it will reduce to 25% in October and aim for 20% in 2025. Malaysia might be under pressure due to it having the highest tax rate in the ASEAN.

Malaysia does not have a withholding tax that is the same as other countries but Malaysia does have 10% withholding tax for those that do not have permanent establishment. Indonesia has a withholding tax of 20%, Philippines has it with 30% and Thailand has it with 10%. This is the advantage for Malaysia if Malaysia seeks to attract foreign investments since withholding tax on dividend will impede that. Indonesia and Philippines which have 300 million population and 100 million respectively is a domestic led economy whereas Malaysian economy has always been dependent on foreign investment.

Broadening the existing tax base through consumption taxes is essential for Malaysia now since it is the global trend. On top of that, Malaysia should use incentives carefully to generate more tax revenue. For instance, investors are willing to increase their investment if Malaysia apply concessionary tax rate to them when they increase their investment and Malaysia will receive additional tax revenue from the profits.

Saravana Kumar Segaran
Partner, Tax, SST & Customs Practice, Rosli Dahlan Saravana Partnership
Tax disputes in Singapore are much lesser than in Malaysia since they still have the official assessment system while Malaysia has the self-assessment system where businesses decide on their tax liability. On top of that, Singaporeans are frightened against the Inland Revenue Authority of Singapore (IRAS) which they are not willing to offend the authorities. On top of that, Malaysia has done fairly well that businesses are able to take court actions against Customs. It is healthy for the law since the real situation will change over time.

The different point of view in incentives between taxpayer and the Customs has brought trouble and discourages investors to invest in Malaysia. For example, MIDA will check regularly once investments are made to ensure the investment meets all the KPIs such as minimum investment, minimum employees and so on. However, they take a different view and unqualify the business for this particular incentive. Government should address this issue since it affects the investors to invest in other countries such as Vietnam.

Malaysia should reintroduce GST and the political scenario is important for this issue. Malaysia is not the only country where the government collapsed because of GST. The next government might not want to repeat the same mistake, therefore, GST should be reintroduced when the economy is doing well and the political situation is stable.

Summary in Q&A Session
If Malaysia does not act now for a right and competitive tax framework will discourage foreign investments as well as risking the domestic players. They might move to Singapore or Hong Kong which have lower tax rates. Malaysia should not wait for another 5 years for tax reform since Malaysia needs to take advantage of the US-China Trade War.

The issue of misuse of power for Customs' employees will affect taxpayers' trust and confidence to the customs. For instance, the rules and standard for taxing is always changing and it brings trouble to the businesses as well as destroy their trust.

Government should not impose targets on Lembaga Hasil Dalam Negeri Malaysia (LHDNM) and Customs as well as evaluate their performance by how much they collected. The resources should be used to target the leakage of revenue rather than asked existing taxpayers to pay more taxes. Malaysia should widen the tax base especially the informal economy.

There is an argument that the government is giving too much incentives and losing tax revenue that should be collected. There are incentives in Malaysia but need to improve it by enforcing it properly and have clear criteria as well as things are not going to be changed overnight.

Malaysia is doing well from a tax perspective compared to neighbouring countries but they seem to be working harder than Malaysia. On top of that, they are planning to lower the tax rate and Malaysia might lose attraction and become uncompetitive on that.

Tax reforms are essential but reform is a long journey. The challenge is the trust deficit between Malaysians and the government. Malaysia government must rebuild the trust by telling Malaysians how they are spending every Ringgit from the tax revenue.

New taxes need to be introduced when Malaysia reaches a certain stage of economic development such as capital gains tax and other taxes while GST is just part of the whole circle. Stability and certainty in terms of policies is essential to introduce a new tax. Taxation is a political tool. Governments will not introduce something that will not give them the vote. Therefore, new taxes seem like difficult to enforce but incentives are possible. In spite of Malaysia suffering budget deficits over 16 years, the United States has suffered deficits since time immemorial and they are surviving. The way to spend the money is more important.

Malaysian government spends money is somehow like how children spend money which is like to buy junk food and other unhealthy foods. There are only a few governments that spend their money well but with high tax rates and high compliance rates. On the other hand, Malaysian government did spend the money in the right direction in certain ways as it bore all the medical charges of Covid-19 patients.

Malaysia has done well compared to neighbouring countries. Malaysia moved up 3 places from 15 in the ease of doing business ranking while Philippines moved up 25 places from 70. Malaysia needs to continue to improve and lead as well as not be satisfied from the past success.

DEEPEN PERSPECTIVES ON TAX – A DIALOGUE WITH LHDN

Datuk Mohd Nizom Sairi
Deputy CEO (Tax Operation), Inland Revenue Board of Malaysia
There are several indicators in terms of the effectiveness of the Malaysian tax system. The individual tax rate in Malaysia is 28% while Thailand and Vietnam are higher than that which is 35%. There is no single bracket of tax rates that will be effective for all the countries. On top of that, compliance rate is one of the indicators in terms of the effectiveness of the tax system. It stands for how well the tax system is administered. The other way of looking at effectiveness is of the tax system whether the existing law and regulation is being administered in the right and efficient manner.

In the beginning of the outbreak, the government introduced a six months monthly tax instalment moratorium to affected sectors in the economy such as airline, tourism and hotel industries. Afterward, the government realized that it's not only those sectors that were affected, all sectors are affected. Therefore, the government introduced a three months monthly tax instalment moratorium from April until June and an opportunity for corporates to revise the current tax estimate in the third month within this year.

On the other hand, Inland Revenue Board of Malaysia (LHDN) is more open and taking a softer approach for those who are facing difficulty in monthly tax instalment to renegotiating their payments. LHDN allowed a two months extension for individuals as well as corporates to file in their annual return form this year.

There are two major channels of attrition in tax collection at LHDN. One of the channels is those who find ways in trying to avoid or evade tax such as put lower revenue. Secondly, there are loopholes in the law and regulation itself which should be improved to block it. On top of that, lack of efficiency also could result in attrition in terms of the skills of the workforce in detecting any potential leakages.

The corporate income tax rate of Malaysia is 24% which is slightly above the average. Malaysia is still competitive compared to countries that have higher tax rates. However, there is not just about the tax rates in terms of competitiveness of Malaysia in ASEAN. For example, many countries including Malaysia have a system of tax incentives introduced to attract investors. More than 10 billion every year in the form of tax is put into use for incentives in Malaysia.

On the other hand, non-tax factors such as cheaper labour and the supply of knowledge workers will affect the competitiveness of Malaysia too.

Advanced economies such as Australia and many countries in Europe usually have a higher tax bracket but generally translates into better infrastructure. Free education in Germany is up to undergraduate education. However, it's not just the tax rate, it is about effective management of the tax revenue. If Malaysia which is a relatively young nation propose to increase the tax rate, tax revenue will be much lesser than Japan and Singapore that have higher tax rates since people who are active individuals in the tax bracket are just around 10% as compared to the total population. Higher tax rates in Malaysia will not have a huge impact on the total revenue collected by the government. There are other sources for the government to improve the infrastructure in the country such as private initiatives.

Summary in Q&A Session

Despite indirect tax and direct tax being administered by the same organization in many countries, indirect tax is being administered by the Customs Department while direct tax is accessed by the Inland Revenue Board in Malaysia. There might be a lot of advantages if these two taxes are administered by the same organization. The barriers and hindrances in the flow of information between two organizations will definitely be addressed. In addition, taxpayers will not be getting visits two different agencies to providing same information to two different agencies of the government.

Taxing the rich more and the poor less is true in general, but the government should not leave out anybody from being taxed. Everybody has the responsibility to contribute. Only 10% of the population in Malaysia is paying tax, hence, the government should widen the net rather than dig deeper into a smaller one. It is impossible for the finance of government to last if the 10% of the population is going to support the 90% of the population. GST is one of the ways for the government to widen the net by focusing on lower income bracket population. The study from IDEAS showed the additional GST revenue will be sufficient enough to provide free education to tertiary level for Malaysian youth.

Nevertheless, people feel displeasure when the government taxes the lower rank of the population. Therefore, LHDN starts a tax education at a very young age by teaching students in primary schools and kindergartens about the concept of the responsibility of contributing to the country.