

RSOG Seminar :

GST : Are Malaysian Consumers Prepared?

With

Dato' Paul Selvaraj
Secretary General and Chief Executive Officer, FOMCA

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Where : Razak School of Government
Speakers : Dr. Paul Selvaraj

About The Seminar

The introduction of the GST is part of the government's tax reforms strategy programmed to enhance the efficiency and effectiveness of the existing taxation system. It is considered to be a better tax system as it is more effective, efficient and transparent which will spur economic growth and increase competitiveness. The preparation process is crucial in order to succeed with the implementation of the GST. Consumers have to be educated on the GST and its effect. It is crucial to engage the buying in of the consumers toward the GST.

Dato' Paul analyzed the readiness of the Malaysian consumers towards the GST. He also addressed the views and concerns of the consumers. Dato Paul also outlined the required structures that should be in place before the implementation. It is also crucial that adequate strategies are employed to prepare the consumers for the GST implementation and acknowledge the possible challenges and the strategies to overcome these challenges.

These are some the issues that were addressed in this seminar on the implementation of GST from the consumers perspective.

Summary

The introduction of the GST will be a more efficient tax system, as it will have an in build policing system in place. According to Dato Paul Selvaraj, Malaysia is heading toward the status of a developed nation, the introduction of the GST will smoothen the transition process.

There are many reasons as the importance of introducing the GST. The current reliance on the depleting petroleum as a source of revenue is not advisable for the economy and GST must be seen as a form of revenue for the government. The GST is also more transparent in nature. Consumers will know how much they are paying exactly for tax. The GST system is also more effective as there is a self-policing element in place and it enhances tax compliance.

One of the main problems with the GST is executing it efficiently. It is important that issues such as the cascading effect of the tax are looked into carefully.

Based on a study conducted by FOMCA on Consumer's Perception and Attitude Towards the GST, it was revealed that majority of the consumers are skeptical about the GST. One of the reasons for this is due to the lack of adequate information and education.

Many people not aware that currently they are paying a service tax, as it is not very visible giving people the notion that they are not paying a tax. There is also a lack of simple effective education to the public addressing how GST effect daily spending. The government has to work closely with the citizens to communicate the workings of the GST, as most Malaysians are skeptical of its benefits. The communication with the citizens should be kept simple, relevant to their needs and be honest in nature. Simple put the common man just wants to know the effect GST has on his daily expenses and the how is the GST revenue collected is going to translate to a better living standard.

According to Dato Paul, more public education on the GST will definitely smoothen the transition process. The government should proactively engage with the people and form a two-way communication and feedback session with the people and its government. The government also has to honest with the consumers on the one off price spike. It is important that the consumers are educated that there will be a one off increase in prices of products but it should not have a continues effect. The government has to assure the citizens that they have the necessary mechanisms in place to monitor and prevent as such practices. The government also should engage in more face-to-face communication with the citizens. Although the social media has played a crucial role in the education process but sometimes information can be distorted and misrepresented. Face to face communication will help to reach a wider and more diverse range of citizens making the education process more successful. In Dato Paul's words ' It is important that the government turun padang' for the education process' For example in Singapore, when the government introduced the GST they targeted each resident area and engaged with them face to face to addressed their concerns with the GST. The buying in power was much higher using this strategy.

Another way of engaging the people's confidence with the GST is keeping the process transparent. If the people are able to see the money obtained from the GST being put into good use, you will be able to gain the trust of the people.

Datuk Paul Selvaraj said that the government should use legislation to ensure nobody would misuse and profit from GST. The Government should enforce the Price Control and Anti-Profiteering Act to ensure that no business takes advantage of GST. In this way any increase in prices can be monitored carefully preventing any misuse of the system. Other ways the government can ensure a smooth transition is by producing a comprehensive Shoppers Guide, which will address the price changes of products. The Shoppers Guide will inform the public on the impact of the GST on specific items and whether any businesses are marking up their prices.

People are driven by their needs and the impact changes make to their life quality. The same is for GST. With the announcement of the GST the consumer is predominantly governed by how does this affect their needs. People want to be able to see a direct correlation between GST revenue and enhanced wellbeing of consumers. Most people want better transportation, better healthcare, education and a more affordable lifestyle.

Question and Answers

Question 1: As a consumer we are living with uncertain circumstance with GST from the media and the provider?

Answer 1: The government before implementation the GST needs to align the process and standardize the practices across board. They also have to engage with more face-to-face communication with the people.

Question 2: As consumers we are concern with the impact on our bill. How can the government help with this?

Answer 2: The government should first be honest and transparent with the people. They should engage with more face-to-face communication explaining the impact the GST makes to daily expenses. The information has to be kept simple but effective.

Question 3: The GST is seen as a burden not only with the lower income but also the middle income. Is this the case?

Answer 3: The implementation the GST is necessary if a country is moving towards a developed nation. It has all the mechanisms in place for a developed nation but the problem is that the issue of income in Malaysia is still not addressed. People are still not paid as a nation that is heading towards a developed nation. We are moving with our structure towards a developed nation but our income level is still at an undeveloped level. This should be something that is looked closely at.

Question 4: What is the prospect of having an independent GST commission to monitor the process.

Answer 4: An independent commission is important to build the confidence of the people. It is crucial to have an independent commission but it has yet to be announced if one is to be formed.

Key Take Away

1. Consumers fears and resistance should be addressed proactively by more honest, simple and face to face communication
2. There has to be more effort made to increase people's trust with the government by having an open and transparent system
3. An independent GST commission should be put in place to promote compliance, monitor pricing and handle complaints

About The Speaker

Dato' Paul Selvaraj is the Secretary General and Chief Executive Officer of the Federation of Malaysia Consumer Association (FOMCA). He is also the Director of Consumer Research and Resource Centre (CRRC) and National Consumer Complaints Centre (NCCC). He was previously the Executive Director of Yayasan SALAM Malaysia, an NGO promoting voluntarism and civil society involvement amongst Malaysian citizens. He has served as the Head of Research for the Institute for Policy Research (IKD), a think tank focusing on social policies and consumer related issues. Dato' Paul is currently the Chief Editor for the CRRC Consumer Review, a journal dedicated to consumer related issues and Ringgit, a monthly bulletin focusing on financial education.

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