

GST and subsidy cuts are to prevent bigger Govt deficit

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THE Goods and Services Tax (GST) and subsidy cuts were implemented to prevent the Government's deficit from increasing, said Second Finance Minister Datuk Seri Johari Abdul Ghani.

He said this was done when crude oil revenue dropped from RM66bil in 2014 to RM30bil within two years.

"Subsidy rationalisation has helped the country.

"But even then we were short, so we changed the taxation system from sales and services tax (SST) to GST.

"Previously, we earned RM18bil

through the SST, but the GST brought in RM41bil.

"This extra income, supplemented with oil revenue, means we can still sustain the deficit although crude oil prices have fallen," Johari told Lim Guan Eng (DAP-Bagan) yesterday.

Johari also said that if the GST and subsidy rationalisation had not been implemented, it would have driven the deficit up by at least 5%.

The country's financial ratings would have been affected, he added, and this would have led to interest rate hikes.

"This is bad news for household debt," the minister said.

Lim had asked if the GST should be abolished as the price of crude oil had risen from US\$45 (RM198) per barrel to US\$55 (RM242) this year.

Johari said the GST ensured that all companies which were required to pay tax would actually do so, which meant that all would be on a level playing field.

He said in the past, companies which exploited loopholes to evade tax benefited, while those which actually paid up had to cope with pressure.

Subsidy rationalisation helped, but even then we were short so we changed the taxation system from sales and services tax (SST) to GST.

Datuk Seri Johari Abdul Ghani.