Balanced, with no big surprises

COMMENT

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THE most important announcement by Prime Minister and Finance Minister Datuk Seri Najib Abdul Razak in his Budget 2014 speech was the proposal to introduce the goods and services tax (GST) on April 1, 2015.

This GST will shift the government's reliance from an income-based tax to one based on the spending patterns of the *rakyat*.

The introduction of GST is expected to bring extra tax revenue in the tune of RM8 billion. However, not all the RM8 billion extra GST revenue will end up with the government.

About RM4 billion to RM5 billion is expected to be passed back to the *rakyat*/businesses in 2014 and 2015 when GST kicks in in the form of one-off assistance to BR1M recipients of RM300 per household, cut in personal income tax rates of between 1 and 3 percentage points together with a widening of tax bands and in particular increasing the top band from RM100,000 to RM400,000, providing aid to businesses to buy software and hardware and to train employees on GST-related matters.

It must not be forgotten that GST is a replacement of two existing taxes: sales tax and service tax. Service tax is more transparent as most people are familiar with restaurant bills or other service-typed bills which clearly show the service tax component in the bill, but sales tax is not transparent to most consumers since it is tax paid by manufacturers and importers. With GST, there is absolute transparency.

GST also provides the government with a robust and steady revenue stream to close the budget deficit.

Overall, this was a budget without many surprises.

As predicted by many, the real property gains tax regime was reverted to pre-2007 levels. Non-citizens cannot buy properties below RM1 million. Developer interest bearing schemes (DIBS) are prohibited.

This will certainly affect the speculators who have been betting on making a "quick kill" by selling the properties as soon as they are ready for occupation or even earlier and this has largely been supported with easy financing available from the banks. The recent tightening of the loan deposits and prohibition of DIBS will certainly dampen property price increases.

The request by the middle class to increase their disposable income has been addressed through the reduction of taxes with changes in personal tax brackets and special relief of RM2,000 for those with monthly income of up to RM8,000 in 2013.

With respect to the lower income groups, it will be done through increases in BR1M payments from RM500 to RM650 and extending the BR1M payments of RM500 to those households earning between RM3,000 to RM4,000. The government will continue to give RM100 to each student for school expenses and continue their book purchase aid of RM250 for students in pre-university and institutions of higher learning.

The largest portion of the budget has been set aside for education (RM54.6 billion or 21% of the budget allocation). The health sector has been allocated RM22.1 billion or 8.4% of the budget expenditure. Both these allocations are most welcome as they address the core needs of our society: preparing the future generation to run the country and helping the increasing ageing population live a comfortable life.

While Budget 2014 has attempted to address the needs of most sections of the society, two areas were missed out. One is interest relief for the loans taken by first-time house buyers and, two, there were no measures to curb the inflow of unskilled foreign labour.

It would have been good if a levy had been imposed on employers who wished to employ foreign unskilled labour.

Finally, it is equally important for the government to exercise prudence in its spending. Transparency and regular checks on government spending should be conducted.

The proposal to conduct audits on projects exceeding RM100 million during their implementation is most welcome.

The sugar subsidy has been removed and I expect other subsidies to be gradually reduced. I hope any future cut in subsidies will be accompanied by measures to plug leakages from the system.

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