



The Goods and Services Tax is part of a national budgetary plan which provides direct assistance to low-income earners and small business owners.

low-income earners and small business-owners — claims which ignore the fact that the GST is part of a national budgetary plan which provides direct assistance to those groups — obscure the fact that this measure could kick-start a revitalisation of the national economy, by re-defining and enlarging the nation's universe of taxpayers.

We see the imposition of the GST as the first of many steps toward shifting the national tax burden away from a minority of wage- and salary-earners, toward those who consume goods and services — citizens, residents, businesses, visitors — even criminals!

How can a broad-based consumption tax benefit Malaysia? In at least two distinct ways: by simplifying the collection of taxable income; and, by taxing people who engage in illegal activities.

Merchants are superb tax collectors — and, they serve without

cost to the taxpayer. Moreover, merchants have plenty of experience collecting taxes, only in smaller doses than they would with the imposition of a broad-based consumption tax such as the GST.

With merchants collecting more of the national revenue, and Inland Revenue Board officials collecting less (which is precisely what will happen when the GST is imposed next April; the GST will yield more revenue than the current sales tax, while the new income-tax schedule, with reduced mid-range marginal tax rates, yields less revenue) as the main agents of tax collection, the system is sure to be more efficient and cost-effective.

Another advantage of merchant-collection is its transparency. With the income tax, taxpayers have no way of knowing whether others are paying their fair share.

Many suspect that others cheat, either through failure to report income or by overstating tax deductions. But as the GST shifts the aggregate tax intake away from income, toward consumption, such suspicions fade. Everyone pays, and everyone watches others pay.

Finally, almost everyone agrees that it would be wonderful to tax all forms of sinful, immoral or corrupt behaviour.

Few people complain about the country's "sin taxes" on legal behaviour — gambling, liquor and cigarettes. So why not tax illegal behaviour? Why should thieves, drug dealers, pimps and prostitutes enjoy tax-free earnings?

With an income tax, those engaging in criminal activities multiply their wrongdoing by failing to report their income. But with the GST, their ill-gotten gains will be taxed — modestly for the time being — as they buy day-to-day goods

and higher-priced items.

Many criminals enjoy lavish lifestyles. While this irks honest, hardworking folks, it would sting much less if criminals were required to share in the national tax burden.

Imposition of GST will not solve all of the country's social or economic problems. Neither would potential follow-up measures further shifting the national tax burden away from income, toward consumption. But the measure promises to begin a healthy process of tax reform, one which, we believe, will lead to reexamination of a less-than-perfect tax system. And this is why we welcome the introduction of Malaysia's GST next year.

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