

‘SST will raise prices of cars and services’

By Robin Augustin



Economist Firdaos Rosli says the rate is unlikely to be lower than 10%.

PETALING JAYA: An analyst foresees increases in the prices of cars and unregulated services when the sales and services tax (SST) is reintroduced this September.

Firdaos Rosli, an economist with the Institute of Strategic and International Studies (ISIS), said he expected the rate to be at least 10%, which was the rate in place before the SST was replaced in 2015 by the goods and services tax (GST) at the rate of 6% .

He noted that Malaysians would be paying 4% more in consumption tax from this September if the SST rate were to be set at 10%.

This would raise the prices of both new and used cars as well as of unregulated services such as vehicle servicing and repairs, he said.

. “But in practice, prices could go up by more than a mere 4%,” he added. He attributed this to the “profit-maximising behaviour” of business.

He also said the SST charged by food and beverage outlets and by utility companies would see people paying more for out-of-home dining, electricity, water and internet services.

The GST was reported to have added RM43 billion a year to government coffers. Firdaos recalled that the SST, even at 10%, used to yield only RM17 billion a year in government revenue.

“Because the 10% SST collected will give way less revenue than the 6% GST, I can’t foresee the new SST rate being lower than 10%,” he said.

He said the government should provide specific details on price increases to give credence to its claim of being committed to transparency.

"Tell the people what exactly will go up and by how much. Give a clear picture like advanced countries do and explain why. I believe this is what the new Malaysia should be all about."

Firdaos noted that the introduction of a tax was only one of the factors that would cause inflation. Other factors would include rises in wages and the introduction of financial aid such as BR1M, he added.

But he said inflation was often cyclical and sometimes necessary for growth. "A rise in prices is indicative of demand outstripping supply. When supply catches up, prices will normalise. And after a certain period, wages will go up, leading to greater demand."

Another economist, Yeah Kim Leng of Sunway University, urged the government to issue a price guide to prevent businesses from raising prices unfairly.

He said he expected the prices of food and other essential items to remain unchanged as they were not subject to GST and were unlikely to be subject to SST.

But he said some manufacturers might cite the increase in costs due to SST as a reason to increase their prices.

"The previous administration had a before-and-after price guide when GST was introduced," he said. "We should also have one for SST."