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By Rupa Damodaran

KUALA LUMPUR: Basic foodstuffs like rice and fresh vegetables and part of utilities such as water and electricity will be exempted from the proposed goods and services tax (GST). They are part of some 40 basic goods and services that will be free from GST, Second Finance Minister Datuk Seri Ahmad Husni Mohamad Hanadzlah said when opening a one-day national conference on the GST in Kuala Lumpur yesterday. It is understood that sugar, poultry, eggs, public transport and health services, among others, will also be exempted from GST. The exemption on these items will help consumers, especially those in the lower-income group, in line with earlier statements by the government that the GST would not burden this particular group.

The government plans to introduce GST at four per cent next year. It is a multi-stage and broadbased consumption tax on goods and services. It will replace the current sales tax and service tax.

The Goods and Services Tax Bill was tabled for first reading in Parliament last December. The second reading has been scheduled for next month.

More than 140 countries have implemented GST, also known as valued-added tax in some nations. Countries with populations with less purchasing power like Venezuela, Kazakhstan, Brazil, South Africa, Thailand, Sri Lanka and Sudan, already have the tax regime in place.

Businesses are expected to save RM4 billion with the GST, while exporters stand to save up to RM1.4 billion.

The possibility of revenue loss through the understatement of taxable value at an earlier stage in the production and distribution chain would be overcome with the implementation of GST, Husni said.

With higher tax compliance, the government can generate additional revenue which will go back to the rakyat through socioeconomic development.

The government is keen to hear public views so that fine-tuning can be made to ensure successful implementation of the GST.

Source: http://www.nst.com.my/Current_News/NST/articles/20100212081738/Article/index_html