



**JOURNAL OF
INTERNATIONAL STUDIES**

<https://e-journal.uum.edu.my/index.php/jis>

How to cite this article:

Ikhsan, M. F., Aziz, N. A., & Mahyudin, E. (2022). Case study on the implementation of Goods and Services Tax (GST) in Malaysia and Singapore. *Journal of International Studies*, 18, 159-189. <https://doi.org/10.32890/jis2022.18.6>

**CASE STUDY ON THE IMPLEMENTATION OF GOODS
AND SERVICES TAX (GST) IN MALAYSIA
AND SINGAPORE**

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Received: 10/5/2022 Revised: 15/6/2022 Accepted: 28/6/2022 Published: 17/10/2022

ABSTRACT

Goods and Services Tax or GST is one of the most controversial taxes, causing dissatisfaction among the people. The distribution of justice and the implementation and effectiveness of GST policies tend to be the most frequently debated issues. The objective of this study is to examine the implementation, impacts, effectiveness, and challenges of GST policy in Southeast Asian countries, particularly Malaysia and Singapore. By employing a critical analysis perspective such as from Marxism's lens of view, it is expected that this article will provide a new perspective in analysing GST policy implementation in the region. A descriptive qualitative analysis approach was used in this study, emphasising the content analysis method and the data obtained

from official sources and literature studies. The study found that GST contributed to Singapore and Malaysia's economy and revenue. Nevertheless, the GST impact affected the citizens of Singapore and Malaysia, especially the lower-income earners. The study argued that there is a dilemma in the GST tax policy implementation. It can be assumed through the findings that the GST policy did not meet the conscience of the Marxist perspective as it is regressive. Thus, in several parts of GST implementation, it has both advantages to the country's production and productivity. On the other hand, it disadvantages society, particularly the lower- and middle-class groups.

Keywords: GST, tax policy, marxism, wealth, Malaysia, Singapore.

INTRODUCTION

In this modern day, it is believed that tax can contribute to the countries' economic growth. Taxation is one of the oldest fields of knowledge, back to the days of Egyptian pharaohs, Greece, and Rome. Later in the 11th century, Great Britain introduced and operated the modern tax system during the Roman Empire. Taxes can be described as unintended taxes, which can be explained as a form of efforts made by the government (state) in the space of local, regional, and national authorities to fund government operations and policies collected compulsorily from individuals or companies (Kagan, 2022). In the perspective of economics, taxes are imposed on every individual or corporation involved in business activities as well as in economic transactions, which include producers and consumers (Kagan, 2019a). One of the taxes implemented by various countries is consumption tax, which is the Goods and Services Tax (GST). GST is a value-added tax levied on most goods and services sold for municipal consumption (Kagan, 2019b).

GST is an indirect federal sales tax implemented on every transaction of goods and services. In trading or business activities, the government includes GST in the cost of the product, which is also charged to consumers (buyers). The government will collect the amount and accumulated GST earned in business activities. From historical records, France was among the first countries-to implement GST in 1954. To date, it can be estimated that at least 160 countries are using this tax system affiliated in other forms, such as the United Kingdom, Canada, Australia, Brazil, Singapore, South Korea, Italy, Nigeria, India, and Vietnam (Kagan, 2020a).

In addition, by emphasising case studies in the Southeast Asia region, this article highlights the case studies in Malaysia and Singapore by assuming that both countries implement the imposition of goods and services tax using the GST policy. Meanwhile, other Southeast Asia countries tend to use Value-Added Tax (VAT) policy as the terminology in their tax policies. Although the characteristics of GST and VAT are generally the same, the only difference between these taxes comes from the specific rules that each country applies to the tax itself, such as tax rates, goods exempted from taxes, and registration requirements. For example, Cambodia, Indonesia, Laos, the Philippines, Thailand, and Vietnam prefer to apply a VAT policy. At the same time, Myanmar imposes the Commercial Tax Policy. For this reason, this study is important to observe how the two countries, Malaysia and Singapore, which use the same tax policy, namely GST, implement the policy and how GST affects the economic, social, and political structures.

THEORETICAL CONCEPTS: MARXISM VIEWS AND PREFERENCES ON TAX

Marx himself acknowledged the primacy of tax as a burden on the poor (Ireland, 2019). Besides, in the *Neue Rheinische Zeitung* newspaper, Marx published the *No Tax Payments* in November 1848; whereby he wrote, "From today, therefore, taxes are abolished! It is high treason to pay taxes. Refusal to pay taxes is the primary duty of the citizen!" The passage described here explains that Marx was not interested in taxation. In his book, *Capital*, vol. I, 1867, as the national debt received its funding in government revenue, which was needed to cover annual interest payments, the new taxation system was the required complement to the national loan system. The loans allowed the government to meet extraordinary expenses without the taxpayers necessarily noticing. As a result, they required higher taxes. On the other hand, the rise in taxes triggered by the accumulated debts incurred one after the other also caused the government to resort to new loans for exceptional expenses. However, he had his own policies regarding the tax. Marx and Engels preferred progressive tax over regressive tax (Ireland, 2019).

Progressive tax could be described as a tax that enforces a decreased tax charge on low-earnings earners as compared to people with better income, primarily based totally on the taxpayers' capacity to

pay (Kagan, 2021). This means that progressive tax is the one that imposes a higher tax rate for those with higher income. Marx and Engels supported this type of tax. The tax makes sense as it can assist those who can least afford to pay them. These schemes leave additional money in the hands of low-salary employees who are likely to spend all their earnings to enhance the economy. However, it is believed that every progress and commercialisation in a large number of industries will only benefit the core class (Ikhsan et al., 2020) and tends to burden the lower-class society.

As Marx's greatest contribution was the concept of class struggle that is the catalyst for the working class (proletariat) or the working class to defend their rights and freedoms from continuing to be the victim of the capitalist (bourgeois), the progressive tax is relevant to him. It is because 'richer, higher tax' will be imposed on those with high income. However, progressive tax also becomes a discrimination against the high-income earners. Marx and Engels advocated this progressive tax in the Communist Manifesto. In addition, they both supported direct tax rather than indirect text. In this context, the progressive tax is categorised as a direct tax, while the regressive tax is considered an indirect tax (Kagan, 2021).

On top of that, fairness is one of the important elements that a state should apply. Fairness, also known as equity, means that everybody will pay a reasonable share of the taxes (Oklahoma Policy Institute, 2020). In this context, the fairness of tax has been fought by Marx, and that is the reason for him to support the progressive tax. Marx and Engels addressed the issue of income inequality and tax inequality. Although they stated that income inequality is unavoidable in capitalism, tax inequality can still be reduced (Ireland, 2019).

Another criterion is adequacy. Adequacy means taxes should offer sufficient revenue to meet the basic needs of society. It can be analysed that the tax structure adequacy test can be declared to be successful if it generates sufficient revenue to meet public demand and services. If revenue growth is adequate each year to finance service cost growth, and if there are adequate business activities of the sort to be taxed, rates can be kept reasonably low.

Additionally, transparency is the most important characteristic in implementing tax policy. Transparency refers to taxpayers and leaders who can easily obtain tax system information and how tax money

is used. For example, in a clear tax system, which is taxable, how much they pay and what they do with the money will be recognised. Besides, a clean tax system will be able to discover who pays the tax and who profits from tax exemptions, deductions, and credits.

THE IMPLEMENTATION OF GST IN MALAYSIA AND POLICY ON CONSUMPTION TAX

GST is proposed to replace the consumption tax, Sales and Service Tax (SST). The advent of GST in Malaysia is an effort to reform the tax system to enhance the performance and effectiveness of the existing tax system. The announcement of the GST implementation in Malaysia was made during the Budget 2005 presentation, stating that GST would come into effect on January 1, 2007, to replace the existing consumption tax, SST. However, the government has delayed the enforcement of the GST to allow traders to prepare the computing system and provide appropriate exposure and training to the affected staff. On 16th December 2009, the GST Bill was tabled in Parliament for the First Reading. The Bill was supposed to be tabled for Second Reading and beyond but has been postponed considering the views of various groups and societies. This issue involves various people, especially the citizen (Sanusi et al., 2015).

Therefore, the Prime Minister during the time, Datuk Seri Najib Tun Razak, took several attempts to revise the GST system before formally announcing GST implementation. Then, on the Budget 2014 held in Parliament on 25th October 2013, the Prime Minister announced the GST implementation from 1st April 2015, with a rate of 6 percent. However, GST in Malaysia only lasted for three years. The government abolished GST on 1st September 2018, due to the shifting of administration or government in Malaysia. The new government implemented SST again in the country (Dezan Shira & Associates, 2018).

Before GST was introduced in Malaysia, the initial consumption tax system or policy applied in Malaysia was SST. SST was implemented in Malaysia in 1970 and comprised two distinct tax laws on various goods and services, the Sales Tax Act 1972 and the Service Tax Act 1975. Sales and service taxes are single-stage taxes that are only charged at one point in the supply chain. In this aspect, the Sales Tax is only levied on certain goods that have been prescribed at the

manufacturer's stage. At the same time, the Services Tax is imposed on the customer, except for duty-free areas. Sales Tax and Service Tax are charged at 10 percent and 6 percent, respectively, before being replaced by GST in 2015 (Goh & Aminuddin, 2015).

Due to the transparency issue of SST, the Malaysian government introduced the GST system. If SST is single-stage taxation, GST is the opposite. GST is multistage taxation, whereby the tax is levied from the supplier to the customer. In this context, GST is divided into three types:–Standard-rated Supplies, Zero-rated Supplies, and Exempt Supplies. These types of GST are different from each other. For the Standard-rated Supplies, it is only charged for any supply of taxable goods and services businesses in Malaysia (Dezan Shira & Associates, 2016). In this type, the consumers must pay the tax at 6 percent. In contrast, the registered business in each stage, except for the consumer, can claim their input tax from the government, meaning that the consumer must bear the entire tax. The Figure 1 shows the Standard-rated Supplies in Malaysia and their computation.

Figure 1

The Standard-rated Supplies charges



Source: Royal Malaysian Customs Department (2020)

Table 1

The Computation of GST for Standard-rated Supplies

Level of supply	Sales price (including GST at 6%)	Payment to Government
Raw material supplier	Sales price = RM50.00	GST collection = RM3.00
	GST = RM3.00	Less: GST paid = RM0.00
	Total sales price = RM53.00	GST payable = RM3.00
Manufacturer	Sales price = RM100.00	GST collection = RM6.00
	GST = RM6.00	Less: GST paid = RM3.00
	Total sales price = RM106.00	GST payable = RM3.00
Wholesaler	Sales price = RM125.00	GST collection = RM7.50
	GST = RM7.50	Less: GST paid = RM6.00
	Total sales price = RM132.50	GST payable = RM1.50
Retailer	Sales price = RM156.00	GST collection = RM9.36
	GST = RM9.36	Less: GST paid = RM7.50
	Total sales price = RM165.36	GST payable = RM1.86

Source: Royal Malaysian Customs Department (2020)

The next type is the Zero-rated Supplies. In this category, goods and services are charged with 0 percent GST. It means that GST will not be levied on consumers. However, business entities can still reclaim their input tax. Examples of products in this class are basic foods such as fish and meat, cooking oil and the first 200 units of electricity per month.

Figure 2

The Zero-rated Supplies Charges



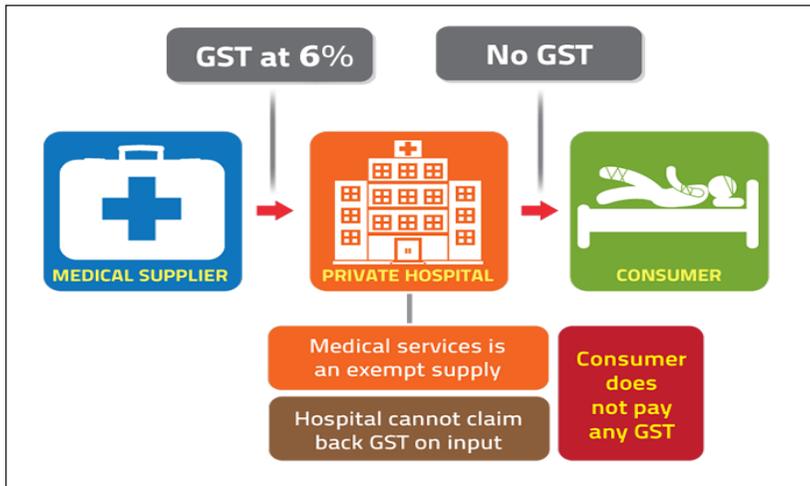
Source: Royal Malaysian Customs Department (2020)

Lastly, the Exempt Supplies is where GST is not charged on the supply. It means that tax will not be imposed on consumers. In addition, the business sectors, particularly the final parties in the supply-chain system (before the consumer), are not justified in claiming their input tax credit even though they may be subject to GST at the time of input purchase. For example, this category includes private health care, private education, and certain financial services (Dezan Shira & Associates, 2016). For better understanding, Figure 3 shows the Exempt Supplies in GST.

The benefit of GST in Malaysia makes business costs lower. It is because they can reclaim or recover their input from the government. Besides, GST is more transparent than SST because no hidden tax is imposed, which means the consumer knows the number of goods and services subject to tax. In addition, GST can increase trade competitiveness because no GST is levied on exported goods and services (Dezan Shira & Associates, 2016). However, GST did not last long as SST 2.0 was re-introduced after the new government took over the administration, with the Services Tax at 6 percent and the Sales Tax at 5 percent to 10 percent.

Figure 3

The Exempt Supplies Charges



Source: Royal Malaysian Customs Department (2020)

THE IMPLEMENTATION OF GST IN SINGAPORE

The Singapore government imposed GST on its people after it had achieved the status of advanced country with a per capita income of over USD15,000. In 1989, Singapore's per capita income (based on purchasing power parity [PPP]) was USD16,356; in 1994 (when GST came into effect), it was USD24,853; and in 2012, it was USD60,79. By referring to the "Report of the Economic Committee on the Singapore Economy: New Directions", the concept of implementing GST came into the picture. The report published in 1986 explored the reasons for the prevailing recession, suggested policy changes, and analysed the key strategies for pursued growth and promotion of different economic sectors (Ministry of Trade and Industry Republic of Singapore, 1986).

In April 1994, GST was first introduced in Singapore to reduce the burden of higher income taxes by implementing an indirect tax on economic consumption at a 3 percent rate. GST encourages Singaporeans to save money. It has become an important part of the country's economy as it constitutes 15 percent of the government's

total revenues, almost the same amount received from income taxes. The current GST rate in Singapore is at 7 percent and may rise to 9 percent from 2021 to 2025. GST in Singapore experienced two reforms, the 1994 Reform and the 2003/2004 Reform. In 1994, as stated earlier, the tax was 3 percent, and the corporate and personal income taxes were cut. Then, in the 2003/2004 Reform, the GST rate rose to 4 percent in 2003 and 5 percent in 2004. As with the 1994 law, the 2003/2004 law was also put on the market as a bundle of tax reform initiatives.

In this phase, the goal of GST is not to increase the tax collection but rather to educate and enable its citizens to adapt to the new tax. Simultaneously in 1994, the government of Singapore also established a Committee against Profiteering (CAP) to examine all complaints and feedback on profiteering and raising arbitrary prices by traders using government-imposed GST as an excuse (refer to Table 2 regarding the percentage of GST in Singapore, and Table 3 on the elaboration of categories on what will be taxed and exempted).

Table 2

GST Percentage Rate in Singapore

Year	GST percentage (%)
1 April 1994 to 31 December 2002	3
1 January 2003 to 31 December 2003	4
1 January 2004 to 30 June 2007	5
1 July 2007 until now	7

Source: Inland Revenue Authority of Singapore (IRAS) (2020a)

Table 3

Taxable and Non-taxable Goods and Services

Taxable Supplies		Taxable Supplies	
Standard-Rated Supplies (7% GST)	Zero-Rated Supplies (0% GST)	Exempt Supplies (GST is not applicable)	Out-of-Scope Supplies (GST is not applicable)

(continued)

	Taxable Supplies		Taxable Supplies	
Goods	Most local sales fall under this category. E.g., sale of a TV set in a Singaporean retail shop	Export of goods. E.g., sale of a laptop to an overseas customer where the laptop is shipped to an overseas address	Sale and rental of unfurnished residential property; Importation and local supply of investment precious metals	Sale where goods are delivered from overseas to another place overseas; Private transactions
Services	Most local provisions of services fall under this category. E.g., provision of spa services to a customer in Singapore	Services that are classified as international services. E.g., air ticket from Singapore to Thailand (international transportation service)	Financial services. E.g., issue of a debt security Digital payment tokens (from 1 January 2020) E.g., exchange of Bitcoin for fiat currency	

Source: IRAS (2020b)

THE IMPACTS OF GST IMPLEMENTATION IN MALAYSIA

Politics

The impact of GST implementation on politics in Malaysia has an interesting story. Malaysia once applied SST, then to be more transparent, SST was replaced by GST. In this situation, good governance should play a role. Governance may be described as the government's ability to make, implement laws, and provide goods and services to the public regardless of any constitution or chamber they hold (Fukuyama, 2013). Therefore, governance will shape the country's tax system. It means that the government needs to change the perspective of the public and taxpayers about the benefits they will gain from implementing the GST, which means that the government must tackle the people to believe in GST.

However, not all people agree with the implementation of GST. The consequences of GST implementation in Malaysia's politics happened when the government transitioned, leading to the abolishment of GST. Suppose we refer to an Economist, Ahmad Zubaidi. In that case, it can be assumed that the opposition party used the GST issue as a political instrument to gain people's support by selling stories that if GST is implemented later, the price of goods will rise, and inflation will increase. Therefore, it will cause the people to become poor (www.bharian.com.my, accessed, 20 Aug 2020). In addition, it was argued that Pakatan Harapan tended to use the GST issues as an attractive political instrument to convince voters to vote for Pakatan Harapan in the 14th Malaysian General Election. Pakatan Harapan also saw that the issue of GST was among the important discourses in Malaysian society.

As a result, Pakatan Harapan won the election, and the long-standing government in Malaysia, Barisan Nasional, lost their majority vote. It can be observed as one of the reasons for their loss in Malaysia's General Election. Francis Hutchinson once mentioned that GST is one of the features that had significantly changed the order and landscape of the country's political economy, especially in the run-up to general elections or voting. In contrast, others are just a continuation of the fragmentation of Malay-based political parties (Yong, 2018). It is because the people started questioning the transparency of GST as they felt burdened by the tax. After Pakatan Harapan took over the government, they implemented SST. Therefore, the tax applied in the country greatly impacted the people that affected the political situation.

Economy

GST's impact can be seen through the economic spectrum. One of the effects is on the Small and medium-sized enterprises (SMEs). SMEs are outlined into two categories; manufacturing: sales turnover not surpassing RM50 million or full-time employees not surpassing 200 staff; and services and other sectors: sales turnover not surpassing RM20 million or full-time employees not exceeding 75 workers (Central Bank of Malaysia, 2017). SMEs have made a remarkable contribution to a nation's economic prosperity (Filzah, 2009). SMEs in Malaysia are subject to income tax, either as an individual (unincorporated) or corporate (incorporated) taxpayer, depending on the establishment of the business (Pope, 2008).

One of the impacts of GST on SMEs is boosting exports' profitability. Exports are important in maintaining economic progress in every country. From the SME perspective, GST uses the zero-rated export. Zero-rated exports mean that exporters can claim the input tax credit for all input tax incurred in the production of the exported supplies. It will enhance export competitiveness and create new market prospects for Malaysian SMEs. Besides, to support local producers and exporters, The Approved Trader Scheme (ATS) was implemented specifically to solve the cash flow issue that importers always face; most of them have re-exported their inventories.

Furthermore, GST has contributed to increasing the economic growth in Malaysia. As Anil from Hernanres Tax Consultancy (year) stated, GST was spent on driving the Start-up Project, which is part of the 12 National Key Economic Areas (NKEAs) that contributed to the economic growth of Malaysia as measured by the Gross National Income Index. It is because the government's priority is maximising income (Ikhsan et al., 2017). For example, it has contributed to building infrastructure such as the Mass Rapid Transit (MRT) project, boosting the oil and gas companies, and promoting the digital economy's growth by utilising the Industrial Revolution 4.0 mechanism and the halal industry. The country's gross domestic product (GDP) grew 5.8 percent from a year earlier after rising to 5.6 percent in the first quarter (Bernama, 2017).

Besides, according to the Economic Report 2017–2018, collections of GST appeared to grow yearly. As indicated, in 2015, the GST collection amounted to RM27 billion, in 2016 to RM41.2 billion and in 2017 to RM44 billion. It showed that GST significantly increased by broadening and expanding the tax base and increasing transparency and compliance. Based on this reason, the introduction of GST revealed that it is a fiscal step intended to increase the performance of the Malaysian tax scheme. Therefore, inflation slightly happens in Malaysia as the price of goods increases. At the same time, Malaysia is also focusing on handling the COVID-19 pandemic. As mentioned by the then Malaysian Prime Minister, Tan Sri Muhyiddin Yassin declared the interest of Malaysians as the nation's priority with capacity and resources dedicated to fighting the COVID-19 pandemic (Shukri, 2021).

Society

From a societal perspective, GST implementation received many reactions from society in Malaysia and Singapore. One of the impacts on society is the price-level increase as the prices of goods and services will increase when GST is charged. In the case of Malaysia, people tend to have a negative view of GST (Narayanan, 2014). People assume that GST could lead to price increases (Palil & Ibrahim, 2011), which is believed could lead to reducing the purchasing power of consumers.

As a consumption tax, it is likely to be regressive; that is, it will extract a large percentage of income from the low-income class through taxes as compared to the higher-income class. It shows that the middle class will be affected most by this tax. However, the people in Malaysia benefitted from GST. Because of the tax system, Datuk Seri Najib's government at the time provided the citizens with BR1M (*Bantuan Rakyat 1Malaysia*). BR1M was one of the economic relief policies initiated by the government to economise society. As Datuk Seri Najib said, the BR1M being passed to the target population was from the subsidy rationalisation and revenue and services tax (GST). However, as claimed by the opposition parties, BR1M is a political orchestration to raise votes from the people.

THE EFFECTIVENESS OF GST IMPLEMENTATION IN MALAYSIA

Even though GST only lasted for about three years in Malaysia, this tax has helped the nation's economy and transparency. It is because GST was introduced in Malaysia to overcome the transparency problem while the country applied SST. SST was not stated in the consumption record. In contrast, GST is stated in the consumption receipt when the consumer buys goods or uses services. That is why most analysts in Malaysia agree that GST can recover the economic revenue. In 2017, the GST collection was more than RM40 billion. This huge amount then returned to the people through adopting the various projects by upgrading infrastructure and improving public transport systems in developing the country. Figure 4 shows the GST revised estimate in 2017 and the GST budget estimate in 2018.

Figure 4

The Contribution of GST in 2017

Source	2017	2018		Change	
	Revised Estimate (RM million)	Budget Estimate (RM million)	(%)	(RM million)	(%)
Export Duty	1,222	1,400	2.2	178	14.6
Import Duty	3,008	3,022	4.7	14	0.5
Excise Duties	11,806	12,334	19.4	528	4.5
GST	41,500	43,800	68.6	2,300	5.5
Others	2,959	3,300	5.2	341	11.5
TOTAL	60,495	63,856	100.0	3,361	5.6

Source: Ministry of Finance Malaysia (2017)

According to analysts, the collection of GST has many benefits for the people. The government used it for programmes such as KR1M (Kedai Rakyat 1Malaysia), which offers affordable goods to reduce the cost of living. In addition, during the announcement of GST implementation in the 2014 Budget, the government announced the ‘offset measures’ such as reducing individual income tax between (1%–3%), reducing corporate income tax from 25 percent to 24 percent and SME tax deduction from 20 percent to 19 percent. BR1M for households earning RM3,000 a month were also raised from RM500 to RM650, while households earning RM3,000–4,000 a month were initially given BR1M of RM450 for the first time. Subsequently, in Budget 2015, the BR1M amount was raised to RM950 and RM750, respectively. For single individuals earning RM2,000 and below, BR1M was increased to RM350. It mitigated the impact of price increases (Omar, 2018).

THE CHALLENGES OF GST IMPLEMENTATION IN MALAYSIA

The challenges of GST in Malaysia come from various factors; one of the challenges is from the citizens themselves, particularly their acceptance and perception of the tax system. In this context, the implementation of GST became an issue when people started

questioning its advantages as the people felt that it caused an increase in living costs and inflation. Therefore, even though GST is not the main reason for the problem, it also contributes to the inflation and living costs problem.

In addition, the lack of information and awareness about GST among citizens in Malaysia is challenging, making them form negative thoughts about GST. The introduction of GST on 1st April 2015 has, until now, given rise to objections from different groups, including those from the middle- and low-income levels. It also became resistant in the business context. As indicated, the imposition of GST in Malaysia has impacted the retail sector. Some service-oriented sectors are also facing short-term downturns as consumers become cautious about spending (shopping) (Urif, 2016), negatively impacting business activities.

Besides, as stated by Joel Liew, the Chief Technology Officer at Feradigm company, most SMEs are not fully ready for GST based on his interactions with those involved in the SME industry. He said that even though they all attended GST courses or lectures and understood the tax system in principle, laws, and what they need to do, it was difficult to implement when it comes to enforcing it towards their own business. Besides, most SMEs are using the manual way to keep their accounting records, which means when GST is adopted, they need to upgrade to the accounting software. Furthermore, GST has become a challenge to Malaysians because of the rate levied on the tax. The 6 percent tax rate is quite high to be implemented as a starting point for GST.

Another challenge of GST in Malaysia is that it confuses the people. In this context, confusion regarding the mobile prepaid cards once happened. Although GST replaced SST for mobile prepaid reload by 6 percent, there were still many complaints about it during the first day of implementation due to the higher prices of mobile reload. As mentioned by the Communications and Multimedia minister at that time, Ahmad Shabery Cheek said that GST for prepaid mobile top-up would be charged based on the customer's usage, wherein customers who paid RM10 for prepaid top-up would get the value of mobile service worth RM10 (Gomez, 2015).

In conclusion, the challenges of GST in Malaysia come from the people. It is because they are not all ready or can accept a new tax to be

implemented in the country. Most of them stated that GST would only give them disadvantages as the price level, living cost, and inflation increase. Even though GST is more transparent than SST, whether it triggers the prices of goods and services to increase to the extent that they are burdened will be considered an insignificant effort.

THE IMPACTS OF GST IMPLEMENTATION IN SINGAPORE

Politics

As for Singapore, the effect of GST on the political sector did not create many issues. It is because GST implementation in Singapore was a success in the early years. Singapore's successful implementation of GST is attributed in no small part to the government's unwavering commitment to introducing the tax and, subsequently, to increasing the tax rate. In addition, a unique political environment where the governing political party is overwhelmingly dominant and enjoys strong credibility among the electorate, is relatively insulated from pressures exerted by vested interest groups, and is virtually certain of being in the government in the foreseeable future undoubtedly aided the tax reform process (Poh, 2005).

However, Singapore's politics may be a bit problematic when the ruling party of Singapore, the People's Action Party, planned to increase GST from 7 percent to 9 percent starting from 2021 to 2025 to support rising expenditure on health care, security, and infrastructure. However, in response to this statement, the opposition party, Singapore's Workers' Party, stated that they did not support or were against the government's plans to increase the GST rate. One of the opposition party members asserted that the government should find other resources to support the expenditure, but not by increasing the GST rate. The matter of the GST hike might trigger the political environment in Singapore.

Therefore, the Deputy of Prime Minister, Heng Swee Keat, stated, "I hope that when elections come around, the WP won't use the GST to distract people from longer-term issues that we face." (Iwamoto, 2018). Nevertheless, as the Covid-19 pandemic occurred, Heng expressed that the plan to increase the GST rate will not be scrapped and will need to be done by 2025. Therefore, GST rates also play

a crucial role in maintaining the powers in politics. In addition, the government transition makes it worse because each government wants to implement different tax policies in the country.

Economy

According to the Asia Pacific Indirect Tax Leader, Koh Soo How, in 2017, the Inland Revenue Authority of Singapore collected S\$11.1 billion in GST. In addition, he also stated that GST contributed the most to the country's revenue compared to other taxes implemented in Singapore (Tan, 2018). Then, in 2018, Singapore's GST revenue was only \$11.29 billion. However, the revenue in 2019 went down to \$11.18; this year, it is expected to collect \$11.27 billion. The figure below shows the overall budget balance of Singapore.

Figure 5

Overall Budget Balance

Overall Budget Balance				
	Revised FY2019	Estimated FY2020	Change over Revised FY2019	
	\$billion	\$billion	\$billion	% change
OPERATING REVENUE	74.73	76.01	1.28	1.7
Corporate Income Tax	16.75	17.10	0.34	2.0
Personal Income Tax	12.20	12.51	0.31	2.6
Withholding Tax	1.66	1.70	0.04	2.5
Statutory Boards' Contributions ¹	1.80	2.59	0.79	44.0
Assets Taxes	4.75	4.65	(0.10)	(2.1)
Customs, Excise and Carbon Taxes	3.32	3.60	0.28	8.4
Goods and Services Tax	11.18	11.27	0.09	0.8
Motor Vehicle Taxes	2.46	2.27	(0.19)	(7.7)
Vehicle Quota Premiums	2.90	2.64	(0.27)	(9.2)
Betting Taxes	2.64	2.63	(0.00)	(0.1)
Stamp Duty	4.30	4.29	(0.01)	(0.3)
Other Taxes ²	6.83	6.67	(0.15)	(2.3)
Fees and Charges (Excluding Vehicle Quota Premiums)	3.48	3.62	0.14	4.0
Others	0.47	0.48	0.01	2.9

Source: Singapore budget (2020)

Furthermore, due to the global pandemic of COVID-19, Singapore was affected, especially in the economic sector. Therefore, the plan to increase the tax rate of GST would not take effect in 2021. As said by the Deputy of Prime Minister, who is also the Finance Minister, Heng Swee Keat, in his Budget speech, "In other words, the GST rate will remain at 7 percent in 2021" (Lim, 2020). The objective of increasing the GST rate was to boost the government's revenue due to

the expected increase in recurrent expenditure, particularly in health care, given that the country is grappling with an ageing population.

Society

In Singapore, the GST hike also affected its citizens. Starting from January 2020, digital services would be taxed under GST, particularly imported digital services. The possible digital streaming services that are affected are Spotify and Netflix. However, this tax is not yet named. In addition, the amendment allows the government to collect GST on overseas services starting in 2020, particularly by imposing an overseas vendor registration regime on business-to-consumer services, such as through the applications, e-market listing fees, software, and video streaming, and online subscription fees (Ng, 2018).

As explained by Ong Teng Koon, a member of Marsiling-Yew Tee GRC, the digital tax will become a disadvantage to the lower-income communities because they lack digital exposure. He added that some digital services could also serve as more accessible replacements for physical facilities, for example, online learning and education, including online entertainment. However, knowing this digital tax might burden the lower-income groups, the Singapore government has prepared the GST Voucher Scheme to help the households reduce their GST burden. In this issue, the subsidies of Internet access to the affected groups will also be considered (Ng, 2018).

THE EFFECTIVENESS OF GST IMPLEMENTATION IN SINGAPORE

The effectiveness of GST or VAT in Singapore can be measured through its impact on the economy. Besides, GST in Singapore is also effective on society. For example, the Singapore government has implemented an offsetting plan to ease the burden on people. The offset package includes raising tax rates and reducing taxes on low-income Singaporeans, raising property taxes, reducing rent, utility charges, and maintenance charges on public housing, and increasing subsidies for government, education, and health services. In addition, after the implementation of GST in 1994, 70 percent of individuals who, before the implementation of GST, had to pay taxes were no

longer obliged to pay taxes. Then, when the GST tax rate was raised from 5 percent to 7 percent effective from 1st July 2007, it was found that the lower 20 percent of Singapore households paid an additional GST of \$370 per annum but received an offset package of \$910 per annum plus a permanent benefit payment of \$1,000 a year.

In 2010, the Singapore government revealed that 84.2 percent of GST was contributed by foreigners living and working in Singapore and the top 40 percent of Singapore households. On the other hand, the lower 20 percent of Singapore households contributed only 4 percent of the GST collected. However, the government believes it has prepared and contributed the GST collection back to its people.

Furthermore, the GST policy in Singapore helps the government to lower individual and corporate income taxes. Before the GST implementation, the individual and corporate income taxes were 30 percent. After the GST implementation, the tax rate for corporate was decreased to 17 percent and the individual income tax rate to 22 percent until the present day. The Singapore authorities have brought numerous measures to lessen the aggressive impact of the tax implementation since it was introduced more than two decades ago.

Among the redistributions achieved are increased subsidies to offset the GST payable to education and the introduction of automatic unemployment benefits and wage hikes for the working and low-income groups. In conclusion, GST in Singapore is highly effective due to the government's yearly percentage increase rate. GST's effectiveness in Singapore includes society and the economic sector. However, the effectiveness might be crucial to every country implementing the tax policy. The challenges of GST implementation are also essential in shaping a better GST form.

THE CHALLENGES OF GST IMPLEMENTATION IN SINGAPORE

The current challenges of GST in Singapore are concerning the government's planned hike rate. As planned, the GST rate will be increased by next year, but due to the coronavirus outbreak, the government then announced and changed the GST hike plan from 2021 to 2025. In this context, the citizens will feel the challenge,

especially the lower-income group. As stated in the previous part, the opposed party of the government also disagreed with the GST hike planned by the government. However, the Singapore government has played a vital role in ensuring that the GST increase rate will not burden their citizens.

Even though the price of products and services can increase, the government has provided or supported the Singaporeans through subsidies for education, health, housing, and other alternative aid. Besides, the GST Voucher Scheme initiated by the government in Budget 2012 to assist lower-income Singaporeans will be strengthened once the GST rate is raised. In addition, the Assurance Package for GST announced in Budget 2020 is one of the Singapore government initiatives to help people with the increasing GST. Under this package, each adult in Singapore can acquire a payout of \$700 to \$1,600 over five years, and lower-income households can receive more. Furthermore, those living in one- to three-room Housing and Development Board (HDB) flats can receive offsets similar to ten years' value of extra GST expenses.

However, as aforementioned, these GST hikes are planned to become a challenge due to the coronavirus outbreak and people's acceptance, even though subsidies will be provided when GST increases. Besides, as stated by Kor and Seow (2019), Singapore's implementation of the GST reverse charge has a significant effect on companies in Singapore, as it will require them to self-account GST to the Inland Revenue Authority of Singapore (IRAS) on imported services as if they were the service providers supplying services to themselves.

From this perspective, the challenges of GST will affect businesses. One of the challenges for the GST reverse charge is its invisibility. Unlike the GST paid by local providers, the GST for imported commodities is unseeable to the accounting officer who processes the invoice. Invoices issued from overseas service providers will check the same before and after 1st January 2020 as foreign service providers do not charge Singapore GST.

However, after 1st January 2020, accounting personnel were required to self-account for the GST output duty on foreign services. The necessity to self-account GST on foreign services may go past the accounting department. For example, payment for the Board of

Directors' fees overseas is subjected to a reverse charge; therefore, the payment may be handled by the human resource officer rather than the accounting officer (Kor & Seow, 2019). In sum, the challenges of GST in Singapore include the hike planned rate and the reverse charge of GST levied on imported goods. In addition, the coronavirus outbreak challenged the government to implement the raised GST rate as the economy in Singapore is quite unstable. The following section discusses the differences in GST implementation between Malaysia and Singapore to answer the objectives of this current study.

HOW DOES MARXISM EXPLAIN THE GST IMPLEMENTATION IN MALAYSIA AND SINGAPORE?

The GST implementation in Malaysia and Singapore has both positive and negative sides. As Marx considered the progressive tax, GST or consumption tax is not a proposed tax by Marxist as it is a regressive tax, even though Malaysia also applied progressive tax like income tax. As the GST discourse is concerned, the regressive tax affected the lower-income groups more than the high-income earners. In this context, the fairness or so-called fair distribution of wealth come as one of the indicators to identify whether the tax is good or not. As Marx stated, progressive tax, like income tax, is fairer than regressive tax. Therefore, the question is whether the GST system is reasonable to be implemented.

The Royal Malaysian Customs Department (RMCD) (2020) stated that GST is a fairness and equity tax. In GST, taxes are equally imposed among all the companies involved, whether in the manufacturing, wholesale distribution, retailing, or service industries. Therefore, GST is known as multistage taxation because all sectors will be taxed. In addition, fairness can be identified through the consumption price, as Malaysians, whether of high or lower income, will pay the same tax rates for goods and services. It means that Malaysia's GST is quite fair to all consumers. Whether rich or poor, they still have to pay 6 percent when purchasing goods.

Nevertheless, the lower-income group is still affected by GST due to their high sensitivity to the consumption of basic goods (Kadir, 2017). Therefore, this means that Marx is right about the regressive tax burdening the lower-income or poor people. Lim Guan Eng, the

Finance Minister during the Pakatan Harapan administration, stated that GST hit the poor community as previously they never had to pay taxes. However, when GST was applied, they had to pay for stuff they purchased (Rashvinjeet, 2018). It becomes one reason for Marx's argument towards progressive tax. It is because progressive tax, such as income tax, is only levied on the high-income group. In Malaysia, income tax is levied on households that achieve an income above RM3,000. From this progressive tax, the government will distribute the wealth to the lower-income and build the infrastructure, as Marx mentioned as fairness.

However, Marx's view about the wealth distribution on regressive tax remains debatable. It is because the Malaysian government takes initiatives to redistribute GST collection to reduce the citizens' burden. It can be seen that the Malaysian government try to make a win-win situation between the GST and the citizens. People must pay GST whenever they buy or use the goods and services. However, in return, the government help back their people with the initiative such as the BR1M through the GST collection. As stated by Datuk Seri Najib, the main purpose of BR1M is a method of redistribution of income from the 60% of the richest group to the 40 percent of the lowest income group and as an economic driver, especially in rural or small towns (Mardhiah, 2018). This initiative is truly meaningful, especially to the lower-income earners and the poor. The government also built KR1M to decrease the affected people by GST, as KR1M offered goods at a lower price. Besides, the Zero-rated Supplies and Exempt Supplies adopted in Malaysia help the poor as the basic and essential stuff at zero-rated while the public amenities are exempted. In the context of wealth distribution, Marx also preferred inheritance tax. An inheritance tax is a tax payable by a person who inherits money or property from a deceased person.

As observed, GST in Singapore remains until today, even though the rate might increase in 2021. The effectiveness of GST in Singapore is quite the same as in Malaysia. The difference is that GST in Singapore remains, but it has been abolished in Malaysia. Marx stated that regressive tax burdened the people, and it must be admitted that the fact is true. However, the Singapore government know how to reduce the burden on the lower-income household. In this perspective, to combat the GST burden, the Singapore government has provided the GST Voucher Scheme that the government introduced in Budget

2012 to help the lower-income group. This voucher will be enhanced when the GST rate is raised. Besides, the Assurance Package for GST announced in Budget 2020 is also one of the Singapore government's efforts to help their people with the increasing GST. Under this package, every adult Singaporean will receive a cash payout of \$700 to \$1,600 over five years. Lower-income households will receive more than that. Those living in one- to 3-room HDB flats will receive offsets equivalent to about ten years' worth of additional GST expenses. In addition, GST has contributed to Singapore's revenue as it became the second tax, after corporate tax, that contributed to the nation's revenue. It shows that wealth and income redistribution are also through the collection of GST.

In addition, as the Singapore government planned to increase the GST rate by 2021, the economists estimated that the 2 percent increase in the GST rate could boost Singapore's headline inflation rate by 1.0–1.5 percentage points and core inflation, the measure closely watched by policymakers even more (Lam, 2018). Based on the Marxist preference of tax, Singapore has also adopted the progressive income tax and inheritance tax. Without a doubt, these taxes contribute to national revenue. However, this study only focused on regressive tax, whereby GST was highlighted in this article.

CONCLUSION

This paper concluded that the tax system influences every state's political, economic, and social condition. Tax is crucial in every country, as it is one of the fundamental tools to shape and increase the economy. For example, GST has contributed to Singapore and Malaysia's economy and revenue. Nevertheless, the GST impact affected the citizens of Singapore and Malaysia, especially the lower-income earners. It is because of its features, which is a regressive tax. This study also showed that not all can accept the GST tax policy. As for theoretical implication, it can be observed that by Marx and the Marxism theory, the regressive tax itself does not meet the criteria of the Marxist as it is a regressive tax. GST has both pros and cons. However, it is still relevant to be applied in the country. Based on the orthodox and heterodox liberal conception, the tax policy could contribute to the national revenue, where every transaction should be charged.

In contrast, most critical theorists have raised their concern about how the tax policy could be distributed equally to the people, especially in lower-income societies. As for practical implications, the government needs to ensure that welfare distribution can reach all levels of the lower class of society, including the working class and precariat groups. Undoubtedly, nobody enjoys paying taxes, but one must know that taxes are essential for funding public goods and services. Moreover, some believe the taxes also contribute to the country's production. Further studies are needed to put other perspectives in analysing the effectiveness of GST policies, particularly involving working-class, middle, and lower-class societies as their focus of study and require other theoretical lenses of view.

ACKNOWLEDGMENT

This research received no specific grant from any funding agency.

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