

# GST, cost of living hamper business as consumers cut spending

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Suggestions are raised for the government to exempt medical-related equipment, services and insurance from GST to ease peoples' burden.



PETALING JAYA: The goods and services tax (GST) appears to be taking a toll on a variety of industries, with doctors, retailers, small and medium enterprises and an employment federation saying the tax has reduced business for them.

Speaking to FMT, they said the GST had contributed to the increased cost of living since its implementation in April 2015.

They added that the high cost of living had hurt their bottom line as members of the public tighten their belts.



Some privately-run clinics have closed down due to lack of patients, says MMA's Ravindran.

Malaysian Medical Association (MMA) president Dr Ravindran R Naidu said some private clinics had recorded a drop in patients as more customers were now seeking treatment at government hospitals.

"For the coming budget, we have requested that the government remove GST from all medical devices, medications and treatment at clinics and hospitals.

"Privately-run clinics have been charging patients GST. Cost of healthcare is going up.

"Patients are feeling the pinch with the increase in living cost, higher fuel prices and currency depreciation," he told FMT.

He said he had been informed by the health ministry last year that there was a 30% increase in the number of patients going to government hospitals.

"Some privately-run clinics have closed down due to lack of patients. This has never happened before, but it is happening now," he said.

Ravindran was asked to comment on a recent Malaysian Reserve article quoting data from Bank Negara Malaysia, which revealed that an increasing number of Malaysians have started cancelling their life insurance policies despite a healthy growth in the industry.

The report said the life insurance industry underwrote insurance coverage amounting to RM1.3 trillion for all policies last year – which was 5% higher than the RM1.24 trillion in 2015.

However, it also noted a doubling in the number of policies surrendered over the past four years.

The report said only 325,396 policies were surrendered in 2013, compared with 531,444 in 2014, 610,771 in 2015 and 639,018 in 2016.

National Association of Malaysian Life Insurance and Family Takaful Advisers (Namlifa) president James Bong singled out the implementation of the GST as being responsible for the trend, based on feedback from insurance agencies and clients.

## **Retailers record 20%-30% drop in business**

Malaysian Muslim Wholesalers and Retailers Association president Amanullah Maideen said business had dropped by 20%-30% since the GST was implemented two years ago.

“Customers come to our shops. But they have developed a look-and-see attitude. Consumers are cutting back on their budget to combat the high cost of living. They only buy the essentials,” he told FMT.

He added that retailers are only given seven to 15 days to pay their suppliers. Consequently, they are pressured by suppliers to pay within this short frame of time to avoid the 5% penalty for delay in paying GST.

Previously, he said, they had the luxury of 30 to 60 days to pay suppliers, giving them “time to roll their money”.

## **MEF membership stagnant**



Shamsuddin says people have not been signing up as MEF members as quickly as they used to.

Malaysian Employers Federation (MEF) executive director Shamsuddin Bardan said the organisation’s maximum membership fee for a year is RM6,000.

Since 2015, he said, people had not been signing up as quickly as they used to, which he blamed on the 6% GST.

“Our membership is lingering at around 5,000 members. It is difficult to grow further as people are reconsidering the things in life they need to cut back on,” he told FMT.

Although membership fees are not taxable, GST is imposed, he said.

“On one hand, the government says it is giving tax relief but on the other hand, it is still charging us GST.”

He said this was the same with any activities carried out by MEF, such as training or representation in court carried out for members, as GST is still imposed.

He urged the government to look at the issue carefully as it could be slowing down further growth in some sectors.

## Small businesses hit, no bonus paid



Removing the 6% GST from life and medical insurance would be a good move on the part of the government, says Lim.

Financial planner Wilfred Lim, of Practical Wealth, said many smaller companies were unable to raise enough revenue to give out bonuses to their staff due to the higher cost of running the business.

“Some companies have halved their bonus. Most of the employees are on a fixed monthly salary. They overspend on money they expect to get from the bonus. Some of them have even lost their jobs.

“They are mainly in their 30s and 40s, and they are getting caught in the credit card debt trap, resulting in them lapsing on their life or medical insurance payments,” he told FMT.

Lim said people were feeling the pinch of the high cost of living with minimum or no salary increment.

Removing the 6% GST from life and medical insurance would be a good move on the part of the government, he said, adding that it was crucial to have insurance schemes.

He said life and medical insurance are part of future investments, allowing people to seek surgery at private hospitals if the queues at government hospitals are too long.

Life insurance schemes, he said, were useful for a rainy day in case of permanent disability or if money is needed by loved ones.

Lim advised Malaysians to look at the alternatives and sign up for investment-linked insurance premiums which would not lapse during bad times, as the money invested is turned into units to pay for their monthly premiums.

“People need financial management. They need to have policies that cater for a contingency plan.

“People should be ready to face any difficult times without losing their insurance policies.

“If a lot of people are surrendering their insurance due to GST, the government needs to consider removing it as people are feeling the pinch,” he said.