

The expanded list of items exempted from the Goods and Services Tax (GST) announced in the 2015 Budget on Friday will further help to reduce the costs of living for the masses, said UOB Research.

In a note, it said the announcement by Prime Minister Datuk Seri Najib Tun Razak has provided more clarity to the people ahead of the implementation of the single tax in April 2015.

Retail sales of RON95 petrol, diesel and liquefied petroleum gas (LPG) were also exempted from the GST.

The 2015 Budget also raised the 1Malaysia People's Aid (BR1M) cash assistance for low-income households from RM650 to RM950 next year.

Despite the higher BR1M, the total bill for subsidies and cash handouts to the low-income group is expected to fall by more than seven per cent in 2015 due to the 10 per cent hike in pump prices at the start of October.

The government estimates the net revenue gains from the GST in 2015 at only RM690 million, after deducting the revenue loss from the sales and services tax, GST exemptions and BR1M assistance.

"This will reduce the revenue contribution from the GST at the initial stage of implementation but should improve more substantially in the coming years," said UOB Research.

Meanwhile, Alliance DBS Research said the subsidy cut and GST implementation next year shows the government's steadfastness in its fiscal reform agenda going forward.

"But we need further clarity on the new mechanism to deliver petrol subsidy effectively, and to address many grey areas in the GST before its implementation," the research house said.

It said the government's proposal to cut personal income tax by 1-3 percentage points from 2015, instead of 2016, is positive for the consumer sector, which has been suffering from weakening consumer sentiment.

The proposal would help to mitigate the dampening effect of cost-push inflation and the GST on household disposable income, it said.