

The Impact of Indirect Tax Policy Changes on Malaysian Household Consumption Expenditures

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ABSTRACT

Since the Goods and Services Tax (GST) was highly politicized as a tax that oppresses lower-income groups, its abolishment became the new government's (Pakatan Harapan) promise in the election manifesto and, as a result, Malaysia is the only country that reverts from the Goods and Services Tax (GST) to the Sales and Services Tax (SST) (Wong & Kee, 2018). On the contrary, the Barisan Nasional camp defended the position of GST, claiming that Pakatan Harapan's SST is the actual burden to the citizens, as asserted by former prime minister Datuk Seri Najib Razak (The Edge Malaysia Weekly, 2019). Notwithstanding these assertions, it is evident that both SST and GST are claimed to be regressive since they may impose a heavier burden on lower-income groups than higher-income groups (Narayanan, 2014), thus affecting the household consumption expenditures of these groups (Jamel et al., 2021). While managing the public acceptance of tax changes is rather complex, especially if the changes are deemed unfavorable with the possibility of undermining spending patterns following their implications on product rates, the public is also likely to resent the government's tax increment due to the burden imposed on them.

Keywords: Indirect tax policy, tax burden, spending patterns, household consumption expenditures