



*By Kua Kia Soong*

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WE look at the Republicans and Democrats in the US, Conservatives and Labour in the UK and we say that their general election is like choosing between Coca Cola and Pepsi Cola because *mutatis mutandis*, they all stand for the same neo-liberal capitalist policies. Nevertheless, we notice that for at least a year of electoral campaigning before their general elections, these Cola parties are expected to put forward their respective fiscal policies before the people. The Democrats, for example, want to tax the super-rich a bit more and have more public spending while the Republicans want spending cuts and tax cuts for the rich.

Surprisingly in Malaysia, the 13<sup>th</sup> general election is just weeks away and the two opposing coalitions do not feel the need to show the electorate their fiscal policies. All we get are populist

freebies being handed out by both coalitions which are superficial and unsustainable. These are not fiscal policies to redistribute wealth, never mind fundamental changes in economic policies, including nationalisation of utilities.

Well, the ruling Barisan Nasional (BN) coalition will just carry on as they have for the last 55 years waiting to be dumped by the rakyat but what are Pakatan Rakyat's (PR) fiscal and public spending policies? Do we have to wait for the election to be called and all the manifestoes to be printed in small print and these important policies submerged by the usual campaign rhetoric?

### Financing the welfare state

One of the most transformational makeovers by PAS is their proposal for a welfare state instead of their erstwhile insistence on an Islamic state as the end-all and be-all of politics. Is there a consensus within the PR coalition for such a proposal? We don't hear DAP or PKR echoing this. Will this be in PR's last-minute manifesto and how will it be financed? Why can't we hear it now or are they going to give the excuse that BN may steal their idea?

PR claims that "good governance" will save so much money that it will allow us to do wonders. Without fundamental changes in policy from that of BN's, this is a mere pipe dream. Take PKR's stand on guaranteed minimum wage for example...

## **Guaranteed minimum wage policy**

The Selangor GLCs have successfully implemented such a policy with RM1,500 as the base line but the PKR director of strategy, Rafizi Ramli has been quoted as saying a minimum wage beyond RM1,100 in the other sectors would have an adverse effect on industries. He says this is according to a classified World Bank report.

Since when has the World Bank been concerned about the plight of the lowest paid? So, does this mean that PR will not have a RM1,500 guaranteed minimum wage policy as demanded by the workers' network? We are unlikely to achieve the objective of a high-income society if we continually depend on low-wage labour and use the same excuse about the adverse effect on industry. When Singapore implemented such a policy with its National Wages Council in the 1970s, it was met with the same objections from those who were not prepared to up wages for their workers. It looks like they are now forced to face another round of reality check after the recent revolt by their foreign workers.

With a guaranteed minimum wage policy acceptable to the labour organisations, our small and medium industries can be supported by other means of revenue and government incentives. That is why we need to have a debate about fiscal policies.

So where will the money come from? Since the existence of the first human societies, taxes have been a means of financing public works and other expenditure. The question is whether the burden should be on the bottom 90 per cent or the top 10 per cent income earners. This is where a progressive fiscal policy is expected of any coalition that is contesting the general election.

### Taxing the rich

The rich pay a substantial share of taxes across the developed world, and this share has risen in recent decades. According to the OECD, the top 10 per cent of earners contribute about a third of total tax revenues — 28 per cent in France, 31 per cent in Germany, 39 per cent in Britain and 42 per cent in Italy. America's wealthiest households contribute a larger share to government than in any other OECD country, at 45 per cent. In Europe, they certainly have more to show for it — social services, unemployment benefits, a national health system and other social benefits. Despite this, William Buffett, one of America's richest men recently criticised the US tax system as manifestly unfair since he is taxed at a lower rate than his secretary!

Malaysia's income tax system grants greater tax savings for the rich as well as encourages tax evasion. We rank among the world's top countries for illicit outflow of money. In addition, the limited coverage has resulted in poor revenue generation. Without sufficient revenue, individual income tax cannot provide substantial funds for poverty lifting projects.

In recent years, the oil boom has provided the bulk of Malaysia's revenue. These windfall gains should have been scrupulously invested for our future generations. Instead, they have been blown on populist mega projects and financing the annual budgets. Oil's share of revenue is above 30 per cent while nearly 50 per cent come from direct taxes.

### **Review fiscal incentives and tax exemptions to multinationals**

The granting of fiscal incentives to companies like Lynas is a trend that has existed for many years under the BN government which has offered generous tax holidays to such foreign investors. Some of these foreign investors have the effect of displacing existing investments that paid taxes. Thus, the country not only faces a reduction in tax revenue, there is no net increase in employment. The energy guzzlers in Sarawak (foreign-owned aluminium smelters, mining companies, etc) are not only expecting the same kind of fiscal incentives including tax holidays, they are opportunistically waiting for the tariff rates of the Bakun and Murum dams to fall further before they commit their investments.

So what is PR's policy toward the granting of such fiscal incentives in general and these toxic, energy guzzling industries in particular if they come into federal power?

These are some pointers for a progressive fiscal policy in the Malaysian civil society 13th general election demands:

- Impose a higher marginal tax rate on high-income earners and a correspondingly lower tax rate for lower income earners;

- An incremental Capital Gains Tax on property;
- A progressive inheritance tax;
- Implement regular review and monitoring of the tax laws and implementation to ensure there are no tax loopholes;
- Review capital allowances and tax holidays for foreign firms;
- Regulate and impose a tax on all international financial transactions and hedge funds;
- A progressive tax on all luxury goods.

### **Defence cuts and a progressive economic policy**

While we are agonising over giving our lowest paid workers a guaranteed minimum wage of RM1,500, the government is coolly shopping for the next generation Multi-Role Combat Aircraft to replace the MIGs. British Aerospace (BAE) is trying to flog their Typhoons and other special offers in a RM10 billion arms deal!

Is it also time for PR to tell us their defence policy or will they merely be interested in exposing the commissions that will be creamed from this next big arms deal? The Scorpene deal (costing RM7 billion) has been the biggest single deal so far and we still haven't got to the end of that story!

This plus a progressive economic policy including nationalising all utilities and essential services including water resources, health, public transport, energy, ensuring they are owned and controlled by the Malaysian peoples at federal, state and local levels, will bring respite to our lowest paid workers who deserve a decent standard of living and not populist crumbs.