



Persatuan Pengguna Pulau Pinang Consumers Association of Penang

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Press Statement

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CAP: Re-introduce inheritance tax and adjust certain existing taxes to help bridge the gap between the haves and the have-nots.

The Consumers Association of Penang (CAP) is shocked with the pre-empted announcement by the Minister of Finance even before the scheduled budget dialogue which is to be held on 27th June 2019, that the long awaited inheritance tax would not be implemented.

This would only contribute to the worsening of the inequality between the haves and the have-nots. Many governments are known to be addressing this problem and taking steps to impose inheritance tax to address it.

The Financial Times reported yesterday that US billionaires, including George Soros and Facebook Co-founder Chris Huges have called for tax on the wealthiest as inequality tops the agenda for the US 2020 elections.

In an open letter they wrote: *“America has a moral, ethical and economic responsibility to tax our wealth more”. A wealth tax could help address the climate crisis, improve the economy improve health outcomes, fairly create opportunity and strengthen our democratic freedoms”.*

We have been calling for the reintroduction of inheritance tax since 2001.

Implemented properly, inheritance tax (as well as other relevant forms of taxation like wealth tax, capital gains tax and gift tax) provides important revenue for state coffers from the highly rich, and not from those in lower income brackets.

Inheritance tax (similar to estate duty or estate tax) is assessed on the net worth of an individual at death. Not all estates are subject to the tax. Only those estates above a certain value are included.

Amid the current economic slowdown that Malaysia is facing, particularly with a depreciated ringgit and rising prices of goods, the biggest sufferers are those in the low-income and middle-income categories.

Unlike those who have high salaries and high business revenue, this section of society is acutely hit due to heightened difficulty in buying basic items – food, housing, transportation, education, medical treatment, etc – in the present financial scenario.

CAP has consistently called for stringent measures to bridge this gap between the haves and the have-nots. The best way to tackle wealth inequality is through the use of taxation, especially that of inheritance tax.

The growing disparity between the haves and the have-nots is not acceptable. People who work hard and toil over long hours pay taxes, while those who gain fortunes by not doing work and instead merely inheriting them from someone else do not have to pay tax. This is in principle unfair and unjust.

Inheritance tax in other countries and in Malaysia previously

Some of the countries with inheritance tax (or its equivalent) are the United Kingdom, France, United States of America, Japan and Germany.

According to the US-based The Tax Foundation, as of 2015, the estate or inheritance tax to lineal heirs in Japan was 55%, South Korea was 50%, France 45%, United Kingdom 40%, United States 40%, Spain, 34% and Ireland 33%, while Belgium and Germany both had 30%.

In ASEAN, Thailand re-introduced inheritance tax on Feb 1, 2016, after 72 years, with the government citing the purpose of the law as being important to increase the tax base for revenue generation to develop the country and upgrade the living of underprivileged people.

Malaysia abolished estate duty in 1991. Prior to that move, estate duty was applicable only if the net worth of the estate exceeded RM2 million. The rates were 5% on estates worth RM2.4 million, and 10% on everything above that.

But before that, it used to be that the estate duties were more progressive with various tax rates for different bands of valuation of the estate, something like our income tax.

In the present context, the inheritance tax rate for Malaysia should now be at least 50% for estates valued at between RM2 million and RM3 million, with progressive increase as the inheritance amount gets higher.

We have asserted before that the average Malaysian should not fear the inheritance tax. This is because they do not have to pay a single sen in inheritance tax unless they happen to have assets worth millions. Inheritance tax hits the super-rich not the ordinary citizens.

According to Khazanah Nasional Bhd's book 'The State of Households', it is wealth inequality that really counts. And the best way to tackle the problem of wealth inequality is through the use of taxation, especially that of inheritance tax.

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