Don't spend more than you earn

MY Say

BY AZAM ARIS

> How did they (my parents) manage the monthly expenditure? The simple formula was that there would be enough if the salary was not spent on what was not needed."

The most important lesson that I learnt from my parents is not to spend more than I earn. This message remained in my mind throughout my working life.

Those who are now retired and in their 60s like me would have parents who had lived during tough times. My parents grew up in Sungai Lalang in Semenyih, Selangor, during the days of British Malaya. They experienced the Japanese occupation between 1942 and 1945, during World War II, which disrupted their education, and they then faced continued hardship at the height of the Communist insurgency between 1948 and 1960.

My father started his working life during the British administration as a clerk at the Postal Department. He worked his way up to retire as assistant superintendent — a post that required a university degree — in the early 1980s. As far as I can recall, his last salary including allowances did not exceed RM3,000 a month.

This meant that for many years of his working life, he earned between a few hundred ringgit and less than RM1,000 a month. Then for many more years, his salary was less than RM2,000 a month. But there was always food on the table and there was enough money for a household of 11, though it was difficult as we lived in Selangor and Kuala Lumpur, where the cost of living was the highest in the country.

Both my parents had to be frugal; they had no choice. On top of the daily expenses and monthly rent, they had to pay for our education — it was not free then. You had to buy your own books and pay monthly school fees even in government schools. When my eldest brother was at Universiti Malaya and he was not on scholarship, our youngest sibling was in primary school. Having nine children at various stages of education must have been costly for my parents.

But neither of them complained much and they did not show that there was not enough money. They never resorted to borrowing — those were the days before credit cards were easily available — and even had a small amount of savings at the end of some months. After deducting his expenses and other fixed household costs, and setting aside his monthly contribution to my grandmother — which he never missed, my mother always reminds me — my father let my mother, a full-time housewife, manage the household budget.

How did they manage the monthly expenditure? The simple formula was that there would be enough if the salary was not spent on what was not needed. Additionally, my mother cooked daily for the family and we hardly ate out. I can't recall all 11 of us at a restaurant having lunch or dinner.

Having satay was a luxury then, and if there were occasions to celebrate with satay on the menu, it was mostly bought from the satay stall or the satay man who was making his rounds on a bicycle in the neighbourhood. Roti canai for breakfast on the weekends was always packed so one saved money by not having to pay for drinks.

The other formula was always feeling *syukur* (grateful) to the Almighty for what we had. As a family, we realised that there were a lot of families who faced more difficulties and hardships.

So, I was surprised at the public reaction — some of it offensive, to the point of expressing ridicule — against Minister of Economic Affairs Rafizi Ramli when he asked consumers to opt for cheaper products to force prices down, drink a cheaper coffee or spend less on eating out if it places constraints on your monthly budget. It is simply a financially logical thing to do.

The younger generation certainly, and maybe including some of mine, are not like the generation of our parents. This is the generation of spenders, many of whom live beyond their means and don't mind being in prolonged debt situations.

The availability of easy but "costly" money via credit cards, personal loan schemes, buying of products in instalments, and through the latest "buy first pay later" schemes, means many can leverage their purchasing power basically just on debt. Things are made easier when everything — approval, borrowing and buying — can be done online.

But the question remains: Does one need to overspend on things that are not essential and on branded products when cheaper options are available? Do you need to have coffee at Starbucks and the like all the time? Do you need to have the latest Samsung or iPhone models and pay for them in instalments? If you can afford them, fine, but if you cannot, then why borrow to buy them?

What our parents had that many of us don't is financial discipline. They did not have to be taught by a financial planner how to manage their finances. To them, the maths was simple — it's just about being good at the plus and minus; it is about not spending more than you earn.

Prioritising tax policies that are inclusive, equitable and sustainable is key to economic growth

MY Say

BY AMARJEET SINGH

It is that time of the year again when the nation's focus will be on the upcoming Budget 2024, scheduled to be tabled on Oct 13 by Prime Minister Datuk Seri Anwar Ibrahim, who is also the finance minister. This will be Anwar's second budget as prime minister, and will be based on the Malaysia Madani policy framework, which is a vision to create a more inclusive, equitable and sustainable society for all Malaysians.

The focus of the budget is expected to be on health and education, as well as subsidy rationalisation. Fiscal measures, among others, are expected to include the following:

1. Global minimum tax under the base erosion and profit shifting (BEPS) 2.0 project
2. Capital gains tax
3. E-invoicing
4. Tax incentive reforms

At this stage, the reintroduction of the Goods and Services Tax (GST) is not expected in this budget, despite advocacy by several business groups.

There are varied reasons for the introduction of the above fiscal measures, from simply adhering to international rules, improving efficiency and effectiveness in tax administration through digitalisation to increasing tax revenue.

There is considerable pressure on Malaysia to increase its tax revenue. The Organisation for Economic Co-operation and Development (OECD) reported that Malaysia's tax-to-GDP (gross domestic product) ratio was 11.8% in 2021, which is below the Asia-Pacific average of 19.8% and the OECD average of 34.1%. In comparison, Malaysia's neighbours, namely Singapore, Thailand, the Philippines and Vietnam, have higher tax-to-GDP ratios of 12.6%, 16.4%, 18.1% and 18.2% respectively.

Furthermore, Malaysia has a heavy reliance on direct taxes, such as personal and corporate income tax, contributing a total of 65% of the nation's tax revenue. Only 26% comes from other taxes on goods and services. In comparison, in other Asia-Pacific and OECD countries, direct taxes make up approximately 34% and 33% respectively of total tax revenues. This means Malaysia's tax revenue is prone to fluctuations, as direct taxes are highly susceptible to economic cycles, potentially leading to sharp declines in tax revenue during economic downturns. These fluctuations are somewhat mitigated in countries that rely more on consumption taxes.

The above measures, if introduced, should contribute to an increase in tax revenue for Malaysia.

The introduction of e-invoicing, though not directly a tax measure, supports the increase in tax revenue by potentially reducing the tax leakages from the shadow economy. It also has other benefits.

For one, it will eventually have the potential to simplify and almost automate the tax compliance process for individuals and businesses. Based on experiences in other countries, once e-invoicing is fully implemented, for individuals the need to keep records to justify claims for selected deductible expenses, such as the purchase of sports equipment, computers or WiFi subscriptions, could potentially be removed. This is because the Inland Revenue Board (IRB) receives real-time data in a machine-readable format. In some countries that have implemented e-invoicing, the tax computations are prepared by the tax administrators and taxpayers merely need to review and approve the prepared tax computations and returns.

Further, the availability of data could potentially help with the nation's subsidy rationalisation agenda. With the IRB having data on individual spending, the subsidies for petrol, utilities and so on could be removed altogether. Subsequently, a direct subsidy could be provided to individuals in the targeted segments, such as the bottom 40% (B40) group.

Despite the many benefits of the GST, the regressive nature of the tax has often been raised as a concern. Arguably, a consumption tax like GST imposes a higher relative burden on lower-income earners than on high-income earners. This is because lower-income earners tend to spend a larger proportion of their income as compared to high-income earners, who save or invest more of their income. For example, if a consumption tax rate is 6%, a person who earns RM10,000 and spends RM9,000 will pay RM540 in GST, which is 5.4% of their income. However, a person who earns RM100,000 and spends RM50,000 will pay RM3,000 in GST, which is only 3% of their income. Hence, the view by some that the consumption tax is more burdensome for the lower-income earners.

The regressive nature of the GST can potentially be mitigated by providing direct and targeted GST rebates to the B40 group. Given that the IRB will eventually have the necessary data on taxpayers and the GST amount that is borne by the affected groups through e-invoicing, the e-invoicing system could complement the targeted rebates.

Arguments for global minimum tax and capital gains tax are that these are simply to level the playing field. The former seeks to ensure profits are not arbitrarily shifted to jurisdictions with low tax rates and the latter aims to provide more equitable outcomes by taxing selected capital gains, in addition to income. Care must be taken in implementing these taxes, to ensure that Malaysia remains an investment destination of choice in Asia.

Tax incentive reforms are overdue and necessary, as the country is seen to be overly generous in granting incentives without placing sufficient emphasis on the outcomes

Hard decisions have to be made

The problem of overspending is not limited to individuals and households alone but it is a problem that many nations face as well. For a country, although debt and spending can be managed on a longer-term perspective through expansive fiscal and monetary policies and including international financing, the basic ingredients of good financial management and discipline remain the same — don't overspend for a long period of time and continue to incur more debts. Debts remain debts and have to be paid.

Since 1970, Malaysia has been spending more than it earns — in all but five years. Running a budget deficit for 48 years means it has had to borrow to make ends meet. At the end of 2022, the total government debt had exceeded the trillion ringgit mark — at RM1.08 trillion. And if it included government guarantees provided to various entities, the liabilities reached almost RM1.5 trillion. Divided by a population of 32 million, this debt is equivalent to RM46,875 for each of us.

High debt also means much of what Malaysia earns as government revenue goes to service these debts, which last year amounted to RM41.3 billion. With subsidies amounting to RM67.4 billion in 2022 (and the government has warned that it could reach RM81 billion this year), these two components combined exceed what was spent on education, health, social community services, agriculture and rural development and housing put together.

With revenue not growing as much as spending, all of our development expenditure — for building schools, universities, hospitals and roads — needs to be borrowed. While some of the structural issues that contributed to the problems have been there for years, this situation cannot continue for many more.

It is in this scenario that Prime Minister Datuk Seri Anwar Ibrahim, who is also the finance minister, will present Budget 2024 on Oct 13.

Hard decisions have to be made on managing subsidies more effectively so that they reach the targeted groups that need them. While the revenue base needs to be expanded, likely through new taxes, economic leakages through corruption and poor enforcement need to be addressed stringently.

To help the poor tackle the high cost of living and rising prices, social protection programmes, including subsidies in certain sectors, must continue. Doing all this without causing anger and more hardship for the rakyat who are feeling the pinch of a much "reduced" purchasing power and at the same time ensuring better financial discipline to narrow the budget deficit requires a delicate balancing act indeed. E

Azam Aris is an editor emeritus at The Edge

---

or resultant benefits. As such, a renewed incentive framework, which is multi-tiered, outcome-based and competitive, is crucial to ensure incentives are used to attract the right investments and at the same time, that multiplier benefits to the economy result from the said investments.

All in all, the measures, if introduced, are for the greater good of the nation and support the overall objectives of the Madani policy.

Notwithstanding this, the burden of these measures does fall primarily on the corporate sector, especially the large corporate entities that have been the major contributors to the nation's economy and tax revenue. Unlike simple changes in tax law, these changes are more intrusive in that they require significant changes to an organisation's processes, systems and very likely, the reskilling and upskilling of the workforce.

To corporate entities, the changes that come from the introduction of such measures are inevitable and the only consolation is probably that they are not the only ones subjected to these changes. Fiscal policy changes are being instituted in almost every jurisdiction, as countries face challenges to close fiscal gaps following the significant stimulus measures introduced to battle the economic effects of the Covid-19 pandemic.

Outlined below are some suggestions that organisations may consider in dealing with these changes:

1. Undertake a current state assessment on the impact of these proposed changes to the organisation and outline a blueprint on the approach to address the impact that these measures may have on the organisation. In doing so, it is necessary to take an approach that considers the organisation's processes, systems and people.
2. Engage the relevant internal and external stakeholders to create an awareness of the impact to the organisation
3. Where appropriate, engage and lobby for changes to the standard proposed measures, where there will create unintended or unequitable adverse consequences
4. Secure appropriate budgets, where required, to implement changes to processes, systems and the organisational structure; especially in the reskilling or upskilling of people

Lastly, it is important that the relevant government ministries and agencies continue to engage the corporate sector, to ensure their concerns and specific circumstances are addressed. Further, some relief, perhaps in the form of enhanced tax deductions, should be considered to alleviate the costs that will be incurred by these organisations in implementing these measures, which will ultimately benefit the nation and rakyat at large. E

Amarjeet Singh is the EY Asean tax leader and a partner at Ernst & Young Tax Consultants Sdn Bhd

---

It's critical to budget for the Dual Language Programme

EDU nation

BY NOOR AZIMAH ABDUL RAHIM

The Ministry of Education (MoE) needs to view the Dual Language Programme (DLP) from a wider and more dynamic lens, rather than twisting and turning the guidelines to find ways and means to annihilate it.

Currently, only 20.74% of primary schools and 33.21% of secondary schools offer DLP. Subtracting the number of Sarawak schools, the primary schools offering DLP significantly drop to only 4.5%. In terms of pupils, only 7.4% of primary school students and 12.17% of secondary school students are eligible to enrol in DLP classes. The numbers are a pittance.

DLP should instead be provided with a considerable budget. It should be relooked, restudied and reviewed to consciously and systematically expand the number of DLP schools and DLP classes, so that the number of pupils enjoying DLP can be increased significantly. The training of teacher trainers, teacher trainees and in-service teachers needs to be boosted as this appears to be the main obstacle affecting the programme.

The English Language Teaching Centre (ELTC) is the unit in MoE that manages and oversees DLP and everything else related to English. Among the recommendations made by the National Education Advisory Council (2018-2020), of which I was a member, was that ELTC should be made a full-fledged department with ample support if its policies are to succeed and flourish. It appears that it is unable to cope with the demands of DLP, in particular ensuring that there is an adequate number of acceptor schools. Nonetheless, once a primary school offers DLP, there is still a good six years before the cohort is elevated to secondary level. The programme has now reached a critical stage.

The teaching and learning of science and mathematics in the English language had long existed, since pre-Merdeka days, producing world-class doctors, engineers, scientists, architects, economists, accountants and professionals of all disciplines, taking what was then Malaya from the backwaters and turning it into a robust and trail-blazing modern Malaysia. South Korea and Vietnam were way behind us in those days.

Post-1969, the education system turned to the Malay language as the medium of instruction, the purpose of which was to find a Malaysian identity. English-medium schools were closed and vernacular schools were reactivated. An attempt was made to resurrect the teaching of science and mathematics in English (PPSMI) in 2003 but after six years, it was abolished, although the programme was allowed to run its course so students' learning was not disrupted.

Parents are more discerning now. Mother tongue could mean the English language for some families. It cannot be assumed anymore that one's mother tongue is based on one's race.

DLP was introduced in 2016 to give parents the option of having their children taught science and mathematics in English. A budget of RM20 million was allocated. Since then, while DLP continues to be budgeted for, there has been silence on whether or not it receives any funds whatsoever.

Moving forward, it is clear that little has been allocated, if at all, for DLP. As parents seek to retain existing DLP classes, obedient principals become obstacles, as in the stalemate between the director-general of MoE and the parents of SK Convent Bukit Nanas (1), SK Bukit Damansara, SJKT Vivekananda, SJKT Segambut and SJKT Ladang Edinburgh in Kuala Lumpur. The opening of more DLP classes, such as at SK Seri Hartamas, and schools wanting to offer DLP such as SK Cyberjaya, in spite of complying with all criteria, face extraordinary challenges.

Further, the excuse given to parents who want to choose between DLP and non-DLP classes for their children is that they are told there is no guarantee that DLP classes will be available at the secondary school level. Teachers create fear in parents and they choose the non-DLP option.

Instead of the current situation, Kuala Lumpur should be targeting more DLP classes and schools as it is the students in KL who will propel the way forward: it is the financial centre, with Bursa Malaysia achieving a market capitalisation of US$400 billion, taking its place among the top bourses in Asean; it has an array of private boutique medical centres with a variety of specialists in medicine offering world-class medical tourism; there is the presence of oil and gas conglomerates; and Google and Microsoft have settled here, bringing the digital economy to our shores, apart from many more such developments.

The Academy of Sciences Malaysia, also based in KL, has been emphasising for the longest time the importance of meeting the human capital needs of the science, technology and innovation sectors. It is well known that employers in these fields desperately need 20,000 scientists, 10,000 engineers and technologists, 190,000 engineers, scientists and applied scientists, 280,000 engineers, doctors, architects and ICT implementers and 500,000 skilled workers in support services with qualifications ranging from PhDs to diplomas.

Sarawak is single-minded about DLP. It is pushing ahead regardless of the challenges, beginning with 1,265 primary schools in 2019. Penang, too, has demanded that all of its schools have DLP as it requires a capable workforce to attract foreign direct investment. Johor and Selangor, too, should push for more schools to offer DLP as both have strong manufacturing and commercial sectors.

There is no place for state directors of education who have no vision of preparing students for the unrelenting future where they will face demanding challenges. They have to work hard now, but later will get to enjoy a better quality of life in their adulthood. It is time to act fast. E

Datin Noor Azimah Abdul Rahim is chairman of the Parent Action Group for Education Malaysia, an educational lobby group that serves as a channel between concerned parents, the Ministry of Education and other educational stakeholders