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PRESS STATEMENT

BUDGET 2025: IS IT WISE TO INTRODUCE THE INHERITANCE TAX?

Kuala Lumpur, 7 October 2024 – The Institute of Strategic Analysis and Policy Research (INSAP) objects to any suggestions to the introduction of inheritance tax in the upcoming 2025 budget.

This is in response to a recent article which pointed out that the Malaysian government may introduce a new inheritance tax as one of additional sources of tax revenue.

“If this move were true, then this would act as a coverup for the persistent inefficiencies in the current tax system, especially the Sales and Service Tax (SST), Low-Value Goods Tax (LVGT), Capital Gain Tax (CGT) and all the other newly introduced taxes since 2023”, says Datuk Dr Pam Yong, who is the Chairman of INSAP.

“From the feedback from our numerous meetings with the various grassroots, GST is still regarded as a better tax system compared to the SST, as it has a broader and more efficient tax base.”

“This appeal aligns with our ongoing advocacy for a comprehensive and fairer tax system that supports economic growth without overburdening the rakyat as well as the business community”, she adds.

INSAP is of the view that the speculated inheritance would disproportionately affect middle-class families and small business owners. These taxes, while seemingly progressive, could deter investment and burden families during times of wealth transfer.

For SMEs, the inheritance tax could be particularly harmful as many small businesses are family-run. The imposition of taxes during ownership transfers would add unnecessary financial burden on family-owned enterprises. This could stifle entrepreneurship and discourage wealth creation of the middle classes.

The Low-Value Goods Tax (LVGT), introduced in the last budget, is already been heavily criticized for generating only minimal revenue, approximately RM200 to RM300 million annually. A far cry from the RM44 billion collected under GST in 2017. The limited base of the LVGT, which focuses on low-end goods, has also failed to capture the broader consumption activities.

“The introduction of inheritance tax is not only disincentivising entrepreneurship, it will not make up for the shortfall in government revenues, had GST not been abolished in the first place.”

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