

## **SUBMISSION ON GST PROPOSAL BY PHARMACEUTICAL INDUSTRY**

Medicines and drugs are essential goods for the general public. Every Malaysian is spending an average of 18% of their income for medicines and drugs. Medical and drug/medicine expenses make up a large portion of household income. As the implementation of GST has great impact on individuals when they are most vulnerable, we appeal to the Malaysian Ministry Of Finance and the Royal Malaysian Customs to implement zero tax rate for GST for medicines and drugs (Poison A & Non-Poison X category). This proposal was made after several rounds of discussions with the following industry players.

Pharmaceutical Association of Malaysia (PhAMA)

Malaysian Organization of Pharmaceutical Industries (MOPI)

Malaysian Association of Pharmaceutical Suppliers (MAPS)

### **PROPOSAL:**

The above organizations collectively recommend that GST for medicines and drugs ((Poison A & Non-Poison X category), should be 'zero-rated' for all distribution line.

### **RATIONALE:**

i) Under the current taxation regime in Malaysia, drugs/medicines are not subject to any taxes. There are no import duties on Active Pharmaceutical Ingredients (API's) nor do any import duties attach to the importation of equipment used in the manufacture of drugs/medicines. In this light, GST would be a totally new tax on the entire Pharmaceutical Industry, which would have a direct impact on the cost of drugs/medicines burdening consumers and patients with higher costs at a point when they are most vulnerable.

ii) The annual drugs/medicines bill for the country is approximately RM3 billion. With the imposition of GST on drugs/medicines at a rate of 6%, the Government will be able to generate additional revenue of RM180M. However, the Government is also the largest purchaser of medicines/drugs in Malaysia to a tune of 70% of the total market. Based on our understanding of the implementing of GST, the Government would have to pay back a sum of RM 126M of the Inputs as Credits. As such, government will be left with net increased revenue of RM54M which will conversely be an additional cost to be borne in the private Healthcare sector. This will lead to a direct rise of prices of drugs/medicines in the private sector impacting not only Private

Insurance rates in Malaysia but will also lead to more patients seeking cheaper treatment options in Government Hospitals. This will lead to overcrowding in Government hospitals and long waiting hours to obtain medical services and medicines. This additional burden on the Government Healthcare system will negate any increase in Revenue collection from this Industry.

iii) The Government over the last few years has been advocating a Universal Healthcare system in Malaysia to improve patient access to quality medical treatment whilst ensuring an equitable balance of funding for such a system. The success of such a system will be severely compromised if the gulf in prices between private sector drug/medicine prices and Government prices continue to deviate especially with the imposition of GST.

Finally, we are of the opinion that imposition of GST on drugs/medicines impact the most vulnerable in our society. The requirement for drugs/medicines is not seen as a discretionary spend as patients do not ask to be sick.

On this note we seek the support of the Malaysian Ministry Of Finance and Royal Malaysian Customs to declare zero-rated tax on medicines and drugs manufactured/imported which are essential for consumers of health sector.

**Signed by:**

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**Leonard Ariff Abdul Shatar**  
**President of Malaysian Organisation of Pharmaceutical Industry (MOPI)**

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