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🕒 Wednesday, Jan 23 2019



23 January 2019 – KUALA LUMPUR :The country is progressing on the right track towards restoring its fiscal position within three years after being damaged by the 1Malaysia Development Bhd (1MDB) scandal, says Finance Minister Lim Guan Eng.

He said on Wednesday three of the world's largest international credit rating agencies – Moody's Investors Service, Fitch Ratings and S&P Global Rating – had confirmed Malaysia's credit ratings.

In its recent positive January 2019 annual update, Moody's stated that the country's economic growth will stay stronger than its A-rated peers and that Malaysia's strong diversified economy was partially offsetting the negative impact of the government's high debt level.

In November last year, Fitch expected that "debt ratios will fall in the next few years, provided that GDP growth remains broadly in line with the authorities' revised outlook for growth of 4.9% for 2019 and 5% in 2020."

S&P Global Ratings pointed out "the government's commitment to gradual fiscal consolidation is credible, and that one-off pressures such as funding of GST rebates should abate after 2019."

Moody's had on Dec 7, decided to maintain the government's credit ratings at A3. Fitch reaffirmed Malaysia's sovereign ratings at 'A-' with Stable Outlook. S&P has also maintained Malaysia's credit rating at A-.

Lim said initially, these rating agencies were concerned about the government's narrowing revenue base following the removal of the Goods and Services Tax (GST) that was replaced with the Sales and Service Tax.

In the statement on Wednesday, he said: "The concerns are being addressed, as can be seen by the encouraging increase in direct tax collection last year which rose by RM13.7bil or 11.1% year-on-year to a record high of RM137bil."

He said the tax collection proved that, not only was the government on track with its consolidation exercise, the economy continued to grow last year, with corporate tax amounting to 51.1% of direct taxes collected.

He also said the government collected RM5.4bil in SST revenue for the last two months of 2018, which was 34% higher than the projected collection of RM4bil.

Improved tax collection strategies and continued economic growth will ensure that Malaysia readily meets its fiscal consolidation objectives.



Lim also pointed out the Tax Reform Committee and Public Finance Committee established last year would help the government diversify its revenue base and aid the fiscal consolidation exercise without placing too great a burden on the people or hurting economic growth.



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