

**"Synergising GST rate with
Direct Tax Rate in sustaining economic growth in Malaysia: Is There A Laffer
Curve?"**

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ABSTRACT

The current individual and corporate tax base rate imposed in Malaysia does not seem to generate the best possible tax revenue at its maximum point thus affecting the economic growth indirectly. The importance of generating higher tax revenue is to finance government expenditures over the years. Insufficient tax revenue will lead to government borrowings and severe government debts over the years if this issue is not adhered to immediately. With the appropriate tax rate for individual and corporate, the GST rate should then be synergized to ensure increased economic growth rate in Malaysia.

The main objective of this research is to determine optimum tax rate appropriate for both individual and corporate tax. With the optimum tax rate obtained, the Malaysian government is able to generate maximum tax revenue for both individual and corporate respectively. From these rates, the GST rate is also determined.

Optimum Tax Theory models using Laffer curve concept is used to estimate the tax rates for individual and corporate where at this point the tax revenue is at its maximum point thus contributing to the economic growth.

Data of individual and corporate tax rates, tax revenue are gathered for over 34 years (1980-2013) from Data Stream, Department of Statistics, Bank Negara Malaysia and World Bank. The data will be analyzed using Ms-Excel and EViews 8.

This paper derives the optimum tax rates for both individual and corporate denoted as Malaysia Optimum Individual Tax Rate (MOITR) and Malaysia Optimum Corporate Tax Rates (MOCTR) and GST rate in generating maximum individual and corporate tax revenue.

KEYWORDS: *Individual tax revenue, corporate tax revenue, individual tax rate, corporate tax rate, optimum tax rate, Laffer Curve.*