



SABAH LOGISTICS FORUM

## **Sabah Logistics Forum (SLF) Stands Firm Against Proposed 6% Service Tax in Nationwide Logistics Sector Implementation**

The Sabah Logistics Forum (SLF), a consortium of key logistics stakeholders and private-sector industry players in Sabah, strongly opposes the Ministry of Finance's proposed nationwide implementation of a 6% Service Tax within the logistics sector. This collective stance is underpinned by SLF's commitment to safeguarding the interests of the State's logistics industry and promoting economic development in the State.

A memorandum stating SLF's opposition was handed over to YB Datuk Ir. Shahelmey Yahya, Deputy Chief Minister III cum Minister of Public Works Sabah after the association paid a courtesy call to his office, headed by SLF Chairman, Datuk Ng Kiat Min who is also the Managing Director for Sabah Ports Sdn Bhd.

Among the **Key Opposition Points** presented in the memorandum by SLF are:

- i) Logistics, encompassing ports and shipping activities, are crucial economic drivers essential for nation-building. Given Sabah's import-driven economy and the associated double handling costs, minimizing logistics costs is essential to safeguard the State's economic well-being. Implementing a service tax in addition to the already heightened costs faced by Sabahans would impose an additional burden.
- ii) As of 2022, Sabah has recorded the lowest GDP growth at 3.7% and per capita income of RM81.9 billion, significantly lower than the national average of 8.7%. The proposed service tax would exacerbate the existing economic challenges, creating an environment that is not conducive for economic growth.
- iii) The implementation of the service tax throughout the logistics chain is anticipated to have a compounding effect on the prices of goods and materials, directly impacting the end consumer. This, in turn, is likely to contribute to a higher cost of living and furthermore create negative repercussions to potential businesses, diminishing the prospects for economic growth in the region.
- iv) Sabah contends with price disparities in goods due to trade imbalances and an under developed manufacturing sector. Consumers, affected by heightened logistics costs, face challenges even with basic necessities such as the rising poultry prices. The low poultry production in Sabah compared to West Malaysia further adds to the disparity. Urgent measures for price equalization are crucial for the well-being of the State to address the impact on consumers and fostering economic balance.

Secretariate:

**SABAH PORTS SDN BHD (58073-H)**

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vi) The additional cost is expected to discourage potential investors (FDI/DDI) and impede the growth of local businesses. The combination of inadequate logistics infrastructure and the proposed tax will negatively impact Sabah's attractiveness to potential investments. The added cost may further hinder Sabah's ability to develop more export-oriented industries.

vi) The upcoming implementation of "The Sabah Ports Authority (Scales of Dues & Charges) Regulations, 1977" Tariff Revision is imperative for the port's economic sustainability in view of the tariff being unchanged since its enactment over 40 years ago. The tariff revision will provide support for the port operator to upgrade cargo handling equipment leading to enhanced port efficiency. However, the proposed service tax introduces an additional layer of financial burden to an already necessary revision.

Further to the memorandum, SLF highlighted the need to expedite logistics infrastructure to promote trade growth as well as advocating for the maintenance of the Cabotage policy to encourage the development of the shipping industry in Sabah.

SLF urgently calls for a reconsideration of the proposed 6% Service Tax Implementation and emphasizes the need for a collaborative approach, considering Sabah's unique economic challenges, as essential for the sustainable growth of the logistics industry and the overall development of the State.

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**About Sabah Logistics Forum (SLF):** SLF is an association comprising Sabah's key logistics stakeholders and private-sector industry players. It collaborates to provide collective input on crucial issues, aiding policy-setting and decision-making to address industry challenges. The ultimate goal of SLF is to uplift the Sabah State economy through logistics planning and development.

SLF Members are:

- |               |   |  |
|---------------|---|--|
| Chairman      | - | Datuk Ng Kiat Min, Managing Director, Sabah Ports Sdn Bhd                        |
| Vice Chairman | - | Dato' Johnson Dai, President, Sabah Logistics and Freight Forwarders Association |
| Secretariat   | - | Siti Noraishah Azizan, Sabah Ports Sdn Bhd                                       |

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### Members

1. Sabah Shipping Agents Association
2. Kota Kinabalu Container Haulier Association
3. Sabah Logistics and Freight Forwarders Association
4. Sabah West Coast Lorry Transportation
5. Malaysian International Chambers of Commerce and Industry
6. Kim Teck Cheong Consolidated Berhad
7. Federation of Sabah Industries
8. Federation of Malaysian Manufacturers Sabah
9. BIMP– EAGA Business Council Sabah
10. Malaysian Airlines Berhad
11. Chartered Institute of Transport & Logistics Malaysia
12. Sabah Ports Sdn Bhd
13. Suria Capital Holdings Berhad

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*Secretariate:*

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