



A STUDY ON THE GOODS AND SERVICES TAX (GST)
EFFECT ON GROSS DOMESTIC PRODUCT (GDP) AND
INFLATION IN SINGAPORE

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ABSTRACT

According the application of goods and services tax (GST) in Singapore since 1 April 1994 where rate of GST was 3%, this project paper will examine between GDP and Inflation rate, which one of these variable have strong relationship with the GST. Besides that this paper also wants to determine whether GST effect the GDP and inflation rate or not since 1994 until 2009 to Singapore. This paper will help other researchers to make future study about this based on Ordinary Least Square (OLS) regression and the analysis note which are conducted by using annual data on GST, GDP and Inflation Rate in Singapore over the time period. In addition, multiple regression analyses are performed to determine the relationship between the GST against GDP and inflation rate to the country. Using the results, conclusions are drawn about the relationship among these variables.

Keyword(s): Goods and Services tax, Gross domestic product, Tax, effect, inflation rate

CHAPTER I: INTRODUCTION

1.1 BACKGROUND OF STUDY

Since the fifth prime minister of Malaysia who also the finance ministry of Malaysia have announce to apply the GST in Malaysia it attract researcher to make familiar about what is GST actually and what its effect on national accounts and inflation. Based on the budget 2010 of Malaysia, that budget also said the government have been in the final stage of completing the study on the implementation of GST on the people and will not burden to the population. Researcher chooses Singapore as country will be in scope of study because Singapore is the nearest from Malaysia that have implement the GST in the country since 1994. Singapore has been earliest known by 3rd century Chinese account which described Singapore as "Pu-luo-chung" ("island at the end of a peninsula") (Kenneth, 2007). Little is known about the island's history at this time but this matter-of-fact description belies Singapore's colourful past. By the 14th century, Singapore had become part of the mighty Sri Vijayan Empire and was known as Temasek ("Sea Town") (Kenneth, 2007). During the 14th century, this small but strategically-placed island had earned a new name - "Singa Pura", or "Lion City"(Kenneth, 2007). Singapore is the nearest country with Malaysia. In the middle between these country is only have a Johor Strait. The Johor Strait is the separation between this country, which means Singaporeans that wish come to Malaysia will go through Johor Strait and vice versa.