

Credit card strategies

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Cardholders have to pay service tax or use points

PETALING JAYA: Many banks in Malaysia are strategising to help customers pay the government service tax on credit cards effective Jan 1, 2010.

A random survey by *StarBiz* found that the banks are willing to allow customers to utilise their points collected to help pay the tax charge.

Other banks have also said that consumers could easily offset the tax with the many cash rebates offered with their credit cards.

The Government had announced in Budget 2010 that an annual service tax of RM50 will be imposed for each principal credit card and RM25 for each supplementary card, in an effort to encourage prudent spending.

HSBC Bank Malaysia Bhd general manager for personal financial services Lim Eng Seong said HSBC would be charging the RM50 service tax.

"However, our cardholders have the option to redeem (the service

tax) using their points," he told *StarBiz*.

"Furthermore, the credit card industry as a whole has come to a consensus that this tax will be borne by the cardholders and not the banks," he added.

A spokesperson from Standard Chartered Bank Malaysia Bhd also confirmed that its customers could also opt to use their reward points to redeem their service tax.

"Our bank will continue to find ways of rewarding loyal customers through discounts and promotions so that they can see more value in keeping and using Standard Chartered credit cards," the spokesperson added.

Besides HSBC and Standard Chartered, checks by *StarBiz* revealed that EON Bank Bhd, CIMB Bank Bhd and Alliance Bank Malaysia Bhd have also provided for its cardholders the option to redeem the tax by using their points.

These banks are offering their

principal cardholders the option to offset the RM50 service tax charge using 10,000 bonus points.

As for supplementary cardholders, the banks have offered to offset the RM25 service tax charge using 5,000 bonus points.

Public Bank Bhd and OCBC Bank (M) Bhd have said in the survey by *StarBiz* that their cardholders could use the many cash rebates and bonuses received to offset the credit card tax.

But a spokesperson with Bank Rakyat Bhd said the bank was still reviewing how it would react to the credit card tax charges.

Early last week, Bank Islam Malaysia Bhd (BIMB) announced that it would not "cover" the proposed service tax on credit cards, saying it already had enough incentives for its credit card customers.

It is the second bank to announce this after Malayan Banking Bhd.

The survey by *StarBiz* also revealed that RHB Bank Bhd would not "cover"

the proposed service tax for its customers.

In a statement yesterday, the Association of Banks in Malaysia (ABM) reiterated that banks and other card issuers were allowed to enter into arrangements where cardholders might apply for redemption, reward points or rebates that they earned through using their cards for the payment of the service tax.

"Member banks and other card issuers will be contacting their cardholders in respect of the imposition of the service tax," the statement said.

ABM also confirmed that the service tax becomes chargeable at the time when the credit card or charge card is issued, on the anniversary date or upon renewal.

"For example, if a credit card or charge card is issued to a new cardholder on Jan 10, 2010 with a validity

Some banks' strategies in relation to RM50 card service tax

Bank	Strategies
Maybank	Customer to pay
CIMB	Redemption of points
RHB	Customer to pay
Citibank	Redemption of points
Alliance	Redemption of points
EON	Redemption of points
Bank Islam	Customer to pay
StanChart	Redemption of points
OCBC	Customer to utilise current cash rebate
Public Bank	Customer to utilise current cash bonus for most cards
HSBC	Redemption of points

Source: Various

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