

11/09/1998

Capital gains tax may be imposed: PM

MALAYSIA may impose a capital gains tax on share transactions or some similar measures to curb "contra" activities, Prime Minister and First Finance Minister Datuk Seri Dr Mahathir Mohamad says.

He said contra deals, where investors take advantage of the present five-day settlement period to delay payment, is one of the reasons for the the Kuala Lumpur Stock Exchange's (KLSE) instability.

"Contra trade is one of the problems. We are looking at the possibility of some capital gains tax or something like that," Dr Mahathir said at a press conference in Kuala Lumpur yesterday to announce the appointment of Salomon Smith Barney as financial adviser to the Government.

Salomon will advise Danamodal Nasional Bhd in the restructuring and recapitalisation of the banking industry and help the Government design and implement a financing programme to meet the country's needs.

Payment for and delivery of shares are currently required to be made within five days of a transaction, which means players have the period to bet on rising or falling prices without actually making or taking delivery of the shares traded.

The KLSE had reduced the settlement and delivery period from T+7 to T+5, and has plans to shorten it further, in line with international standards.

Dr Mahathir was asked about the recent volatility on the KLSE which saw the KLSE Composite Index falling 95.50 points on Tuesday, only to bounce back 40.09 points the next day. The market also saw wild price gyrations last week, plunging on Tuesday followed by four straight days of sharp gains.

"We have to put a stop to that. Share prices should (only) go up over time to reflect the true value of the stocks," he said.

Later, asked if recent political developments in the country might affect investors' perception about Malaysia, he said the stock market is obviously not affected.

"The people in the stock market have been buying ... and selling, behaving in a normal way. You can see it has not affected the sentiment in the market. I don't think there will be any long-term effects."

Datuk Seri Anwar Ibrahim was last week removed as deputy prime minister and finance minister, and also expelled by Umno, for alleged moral misconduct.

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