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BUDGET-LOAN REFINANCING

EXEMPTION OF STAMP DUTY ON LOAN REFINANCING INSTRUMENTS

KUALA LUMPUR, Oct 23 (Bernama) -- As a step to further stimulate business activity in the country, the government today announced the exemption of stamp duty on loan refinancing instruments with respect to term loans.

Prime Minister Datuk Seri Dr Mahathir Mohamad, in making the proposal in the 1999 Budget, said the proposal should reduce the cost of doing business and lessen the burden of borrowers who wish to undertake refinancing facilities to fund their business and trade activities.

He, however, said the proposal, which is effective from Oct 24, 1998, was subject to several conditions.

Saying that the refinancing facility represented a term loan for the purpose of funding the original loan, he pointed out that refinancing for the purpose of funding an overdraft facility and for working capital are not eligible for such exemption.

Dr Mahathir also said that the exemption is limited for the purpose of funding the balance of the original loan and for syndicated loan, the amount of refinancing loans given by each bank has to be stipulated on the refinancing loan agreement.

Under the present position, loan instruments are liable to a stamp duty of RM2.50 for every RM500 as determined under the First Schedule of the Stamp Act 1949.

Loan refinancing for the purpose of settlement of the original loan also required a loan agreement and this new agreement attracts stamp duty.

-- BERNAMA

DVS SHY