

08/11/1998

Foreigners who are resident here need not pay tax next year

KUALA LUMPUR, Sat. - Foreigners who have been working in Malaysia for more than six months and have been subject to tax deductions will not have to pay tax for income earned in 1999.

Inland Revenue Board chief executive officer Najirah Tassaduk Khan said as long as a foreigner had been in the country for more than 182 days, he or she would enjoy the tax waiver on next year's earnings.

"These workers will also be entitled to the waiver as the Income Tax Act classifies them as residents which is similar to Malaysian workers.

"If a foreigner working here has been paying tax for the past 25 years, we cannot deny him the privilege of the waiver," she said.

Much uncertainty has arose as to whether foreigners working here will also enjoy the tax waiver for income earned in 1999 as announced in next year's Budget by Prime Minister Datuk Seri Dr Mahathir Mohamad on Oct 23.

Under Section 7 of the Income Tax Act 1967, "an individual is resident in Malaysia for the basis year for a particular year of assessment if he is in Malaysia in that basis year for a period or periods amounting in all to one hundred and eighty two days or more."

Najirah was speaking to reporters after opening the 16th National Seminar on Taxation here.

Also present were secretary of the Treasury's Tax Analysis Division Dr Syed Mohammad Syed Abdul Kadir, Inland Revenue Officers Union president Mustaffa Hassan and several senior officials from the Finance Ministry and IRB.

More than 500 participants from the private sector attended the seminar which was organised by the IROU.

Last week, Second Finance Minister Datuk Mustapa Mohamed had said that foreign workers would still have to pay income tax next year pending a Cabinet decision.

However, it has been clarified that only foreign workers who are working here temporarily will not enjoy the tax waiver.

Later, while tabling the 1999 tax proposals, IRB deputy director-general Nujumudin Mydin said fish rearing and deep sea fishing had also been included in the businesses to be given the group relief incentives as announced in the Budget.

This was aimed at reducing imports and increasing food production.

While tabling the Budget, Dr Mahathir had said that for a start, food and feed items such as maize and cattle would qualify for the incentive as they were heavily imported.

This incentive would only be applicable for applications received before the end of 1999.

Companies, he said, would enjoy the benefits only if 80 per cent of the produce was sold locally.

Nujumudin also said that owners of ships who did not operate them on their own would not be exempted from income tax.

In the Budget, it was proposed that to further develop the shipping industry and to increase the tonnage of Malaysian ships, the rental income from time charter and voyage charter would be exempted from income tax.

To another question from a participant whether sub-organisers of international events held here, such as hotels, would receive tax exemptions, IRB assistant director general (technical division) Sharazad Yahaya said the board was still discussing the matter with the Treasury.

In the Budget, it was proposed that organisers of events such as the Formula One, which was internationally recognised, be given tax exemption of 50 per cent.

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