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BUDGET-TOBACCO

MTC STUDYING IMPLICATIONS OF HIKE IN CIGARETTES & TOBACCO TAX

KUALA LUMPUR, Oct 24 (Bernama) -- Malaysian Tobacco Company Bhd, the country's largest cigarette manufacturer, says the latest hike in import duty for tobacco and its products in the 1999 Budget is fairly significant.

"We actually need to look at the implications of this hike to our business performance, particularly the pricing of our products," a company spokesman said when asked to comment on the increase.

Prime Minister and First Finance Minister Datuk Seri Dr Mahathir Mohamad in presenting the budget had proposed that import duty on cigarettes and other tobacco products be increased from RM138 and RM162 per kg to RM180 per kg.

In addition, the excise duty on locally manufactured cigarettes would be increased from RM28.60 per kg to RM40 per kg.

The spokesman said the company would have to thoroughly study the implications on whether it would have to transfer the additional tax burden to consumers.

"The latest proposals have a double impact actually. The substantial increase in the import duty is one thing, the excise duty, which jumped by over 80 percent, is another," she added.

MTC produced some 21 billion cigarette sticks last year and its key brands include Benson & Hedges and Kent.

It reported a 57 percent fall in pre-tax profit for the year ended Dec 31, 1997 to RM16.1 million from RM37.4 million the previous year on a two percent decline in turnover to 525.83 million.

Meanwhile, the Malaysian International Chamber of Commerce and Industry (MICCI) said the increase in taxation of alcoholic beverages and tobacco might be counter-productive as it could produce less income for the government as a result of reduced sales and the inevitable increase in smuggling. -- BERNAMA

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