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Tax waiver not for foreign employees

KUALA LUMPUR, Wed. - Foreign workers will still have to pay income tax next year pending a Cabinet decision, it was announced today.

However, foreign workers who are only working here temporarily will not enjoy the tax waiver for next year's earnings as announced in the 1999 Budget by Prime Minister Datuk Seri Dr Mahathir Mohamad, who is also First Finance Minister.

The status of new businesses setting up operations next year and companies whose financial year do not fall on Dec 31, 1999 has also not been determined yet.

However, companies already enjoying tax incentives will not be given the tax waiver.

Second Finance Minister Datuk Mustapa Mohamad made these clarifications at a Press conference at his ministry today.

"The Cabinet will in due course decide on these matters.

"We have also yet to decide on new companies starting operations next year as their full financial year will end somewhere in the year 2000," he said.

Companies whose financial year ends on Dec 31, 1999 would benefit from the tax waiver.

Mustapa said the Inland Revenue Board would not encounter any difficulties in providing the waiver to companies whose financial year ended on Dec 31, 1999 as its operations covered one full year.

The waiver provided in the Budget was only for personal income tax and corporate tax. "All other taxes, such as customs and excise duties, will still have to be paid," he said.

Mustapa also clarified that there would not be a significant reduction in the Government's revenue from tax collection next year following the waiver.

Among those who will not pay income tax next year are those who started their working career after Jan 1, 1995 and workers in Sabah and Sarawak.

This is because these workers have been paying income tax one year ahead of their year of assessment.

For example, a worker who came under this category and started work on January 1995 started paying tax for the year of assessment 1996.

Mustapa also clarified that the Pay-As-You-Earn system would only be introduced in the year 2000 and that at present, taxpayers were under the Schedular Tax Deduction Scheme where they either paid their taxes for earnings for the previous year or the year ahead.

On the shortfall in revenue, Mustapa said although the figures were not yet available, the amount was not big.

Mustapa said the compensation paid to workers retrenched next year would also be tax-free.

"But if a worker is retrenched in 1998 and receives his compensation only in 1999, the payment will be subject to tax deductions."

On another note, Mustapa said petroleum companies would not enjoy the waiver.

"This is because the petroleum industry is an 'extractive' industry and the production of petroleum is for a specified period.

"It is also because the Profit Sharing Contract has also specified the annual production rate and the amount of tax to be paid has also been decided."

On another note, Mustapa said only tour companies licensed by the Culture, Arts and Tourism Ministry would receive tax exemptions to conduct tours locally as announced in the 1999 Budget.

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