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EXIT TAX-ANNOUNCEMENT

GOVERNMENT MAY ANNOUNCE IMPOSITION OF EXIT TAX SOON

KUALA LUMPUR, Jan 25 (Bernama) -- An announcement pertaining to the nominal exit tax on the proceeds of sales of securities to replace the 1-year waiting period imposed in September will be made quite soon, said Ms Yeo Kar Peng, chief representative of Malaysia equities in Salomon Smith Barney Malaysia.

This message was conveyed to 28 fund managers from Europe and the United States by Prime Minister Datuk Seri Dr Mahathir Mohamad at a special closed-door briefing today.

Among the major international fund managers present at the meeting were those from Prudential Investment Management, Loomis, AIG London, Black Rock Financial, TCW, Guinness Flight Hambro Asset Management, Columbus Advisors and Fineco.

Yeo said the question on the year for the nominal exit tax was raised at the meeting and she revealed that "at the moment, the prime minister could not comment much but certainly, it is currently being considered and an announcement pertaining to that will be made quite soon."

Meanwhile, speaking in a live telecast of the Global talk show on TV2 last night, Stephen Taran, managing director and head of sovereign risk of Salomon Smith Barney, the government's financial adviser, said the imposition of an exit tax in a quantum in relation to the tenure of the investments would bring about a more predictable and reliable investment environment.

Despite the risk of a credit crunch for Malaysia being limited and virtually zero, foreign investors are still taking a "wait and see" attitude because of various changes in the investment rules.

Taran said they were looking at how modifications were being made to capital controls, the restructuring of the corporate sector and the trial of former deputy prime minister Datuk Seri Anwar Ibrahim.

He added that the investors felt there was a need to address the issue of the withdrawal of investments which had been locked in because of capital controls.

The 1-year moratorium requires foreign investors to lock in capital in Malaysia for at least one year from Sept 1, 1998 before it is repatriated.

Most viewed the ruling negatively as it discouraged the inflow of fresh money. And if the situation is still the same after September 1999, fund managers might be compelled to stay out of the market.

Other panelists in the programme were Dr Sulaiman Mahbob, head of the National Economic Action Council Secretariat, Tan Sri Bek-Nielsen, Senior Executive Director, United Plantations Bhd, and Dr Ghazali Atan, chief executive officer and managing director of Metrowangsa Asset Management.

They discussed the topic, "Malaysia's Economic Revival", during the programme which was organised by the NEAC Communications Team.

Among the items discussed included the current state of the Malaysian economy, whether it has bottomed out and how the public should read various economic indicators.

The panelists also focused on the impact of the imposition of capital controls on the country's economy and the possibility of the government imposing an exit tax in lieu of the 1-year holding period ruling on equity investments.

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