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RAMON-EXIT TAX

SMART PARTNERSHIP SHOULD BE APPLIED ON EXIT TAX STRUCTURE

By: Muammar Kamaruddin

KUALA LUMPUR, Feb 3 (Bernama) -- The ingenious home-grown smart partnership concept can be applied in working out a structure for an exit tax which benefits both Malaysia and foreign equity investors, a prominent corporate official said.

Tan Sri Ramon Navaratnam, group corporate advisor to the Sungeiway Group of Companies, said it should not be punitive to foreign investors.

It should be such that it encourages foreigners to keep their money in Malaysia or allows them to take out funds on a gradual basis, he said when commenting on how the muck-talked about exit tax could benefit both parties.

Prime Minister Datuk Seri Dr Mahathir Mohamad said on Monday that the government would decide in a few weeks time whether or not to impose an exit tax and other measures regarding the repatriation of foreign equity funds.

Navaratnam said the question the authorities should tackle when working out the exit tax is how both parties could spread out the money nicely, i.e. between keeping the money here and taking it out.

To ensure its acceptance, Navaratnam said "the authorities should consult foreign investors to device a formula carefully so that the exit tax would be beneficial to both parties and not be punitive to the foreign investors."

By having a structure that offers a reasonable rate of return to foreign investors, it should hopefully encourage foreign investors to keep their money here.

Besides the exit tax, Navaratnam said the authorities should also single out short-term speculators who would encourage genuine long term investors to keep their money here.

By now, Navaratnam said the authorities should be able to distinguish between genuine investors, long term investors (those who invest in the market for one to two years), and short-term speculators, the latter comprising those who get out of the market overnight.

He added that the government could allow genuine investors and long term speculators to take out their money, but short-term speculators should be identified and penalised.

Nevertheless, "the market still needs some speculation in order to be healthy and alive, but short-term speculation will ruin the market, that's why those disruptive kind of players should not be tolerated," he said.

Asked whether it was better to impose an exit tax on the capital brought in or the capital gains made, he said it would be better to tax the capital gains as it would encourage investors to keep their money here.

It was estimated that 23 percent or RM69 billion of the Kuala Lumpur Stock Exchange's (KLSE) market's capitalisation of RM300 billion was held by foreigners.

Dr Mahathir had said that eventhough the money brought in by foreign investors was less, but since the stock market had appreciated, their holdings were now much more.

However, some players in the stock market were worried that foreigners would start dumping their shares once the exit tax is imposed by the government.

Yet, Dr Mahathir said recently that such a scenario was unlikely as investors have made a lot of money here and many want to come in and not to

go out. -- BERNAMA
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