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TAX-CORPORATE

NO CORPORATE TAX CUT IS NOT A LET DOWN, SAYS TAX CONSULTANT

By: Mohd Arshi Daud

KUALA LUMPUR, Nov 9 (Bernama) -- The lack of a corporate tax cut in the recently announced 2001 Budget is not a big let down contrary to some beliefs in corporate circles, says a partner with an accounting and management consultancy.

"I do not see it as a let down," Poon Yew Hoe of Horwath Mok and Poon told Bernama on the sidelines of a 2001 Budget briefing organised by his company here today.

Ahead of the unveiling of the budget on Oct 27, the stock market was abuzz with expectations that the corporate tax would be reduced by one to two percentage points to narrow the gap against neighbouring Singapore or be on par.

Malaysia's corporate tax currently stood at 28 percent and maximum individual income tax at 29 percent.

Poon said that expectations following much speculation prior to the presentation of the budget.

"Otherwise people don't expect that," he said.

Poon believed that there was no reduction because the country was still coming out of the recession.

"I don't think nobody is really that disappointed," he added.

Prime Minister Datuk Seri Dr Mahathir Mohamad, in justifying the non-reduction in corporate tax, said the government could not afford a cut as anticipated as it reduce taxes all at once.

"Over the long run, the government may not have any money. We need to build more schools and provide aid to many groups...everything is expanding," the prime minister had said.

Poon, who also prepared the Malaysian Association of Certified Public Accountants 2001 Budget executive summary, said those who were looking for major strategic changes in the 2001 taxation landscape would have to wait for another year.

"Like an island in the ocean, Malaysia remains the outstanding exception in a sea of widespread adopters of the goods and service tax (GST)," Poon said in reference to proponents of such a tax.

"Indonesia has done it, so has Singapore and lately, Australia. But Malaysia has resisted the temptation. But it will be a matter of time."

With the extension of the service tax base to include variety of services in the 2001 Budget, Poon said a GST, which allowed for input credits and therefore a firmer tax regime, would be the next logical step.

"If accompanied by a major reduction in direct tax rates, the consolidation of the sales tax and service tax into a GST will promote hard work at the expense of consumption. The bottomline is that a hardworking and thrifty population will make for a stronger and fitter country," he said.

Poon argued that perhaps the timing for a GST was inappropriate at this juncture.

"A GST at this stage may actually be a spanner in the works considering that we have started to recover from the bitter downturn in 1998 when a negative growth of 7.5 percent was recorded.

"In our recuperation, the 1999 Budget was a good kickstart, wittingly or unwittingly by the 1999 tax waiver, which redoubled the efforts of the businessman to make tax free profits. So, it was no surprise that corporate profits increased during the period. On the other hand, the 2000 and 2001

Budgets continued that process by fuelling the country's continued recovery." -- BERNAMA  
MAD SHY