

19 OCT 2001

REACTION-BAT

BAT DISAPPOINTED WITH STEEP RISE IN TAXES ON TOBACCO PRODUCTS

KUALA LUMPUR, Oct 19 (Bernama) -- British American Tobacco Malaysia Bhd (BAT Malaysia) is extremely disappointed with the increase in excise and import duties levied on cigarettes and other tobacco products in the 2002 Budget.

The increases were substantial and they would have a significant impact on the industry, which had yet to fully recover volumes affected by the economic slowdown and the 67 percent sales tax increase in the 2001 Budget.

Prime Minister Datuk Seri Dr Mahathir Mohamad said in his budget presentation at the Dewan Rakyat here that the import duty on cigarettes and tobacco products would be raised from RM180 per kg to RM216 per kg.

The Prime Minister, who is also the Finance Minister, proposed that excise duty to be increased from RM40 per kg to RM48 per kg.

BAT Malaysia said the tobacco industry would have to pass the increased cost to consumers in the form of higher prices for cigarettes in various categories.

The new round of excise and import duty increases would further compound the problem of contraband cigarettes, it added.

The company said contraband was already a serious problem which took up over 20 percent of the local cigarette market.

Any increases in price of legitimate cigarettes would make contraband products even more attractive, it added.

BAT Malaysia said it fully understood the government's revenue needs but it believed that the increase in excise duties may not necessarily bring in the expected additional revenues.

It said the contraband market would take away the volumes from legitimate manufacturers like BAT Malaysia.

BAT Malaysia also said that it appreciated that the government acknowledged the impact of the exercise and import duty increases on contraband cigarettes.

The company also welcomed the commitment to step up enforcement against illegal cigarettes.

In its submission to the government this year, BAT Malaysia expressed its view that increases in excise and other duties on tobacco products should be structured.

It should also be planned to protect revenue without encouraging the growth of contraband which threatened the industry, the company said.

BAT Malaysia arose from the merger of the operations of the former Rothmans of Pall Mall (Malaysia) Sdn Bhd and Malaysian Tobacco Company Bhd in Nov 1999. The company has in its portfolio some of the country's leading tobacco brands such as Dunhill, Benson & Hedges, Peter Stuyvesant, Kent and Perilly's.

BAT Malaysia is part of the British American Tobacco group which has its headquarters in London and is the second largest international cigarette company in the world. -- BERNAMA

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