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Proposed tax cuts to benefit 91,000

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KUALA LUMPUR, Tues. - About 91,000 wage earners might not have to pay income tax next year following the proposed individual tax reduction in the 2002 Budget.

Deputy Finance Minister Datuk Chan Kong Choy said today this was owing to the proposed one to two per cent cut in individual tax rates.

"However, the exact number can only be determined when the new tax schedule is released in December," he told reporters after opening the 19th National Tax Seminar at Nikko Hotel.

He also said the tax reductions would result in revenue losses of up to RM1 billion for the Inland Revenue Board.

Prime Minister Datuk Seri Dr Mahathir Mohamad, in unveiling the Budget in Parliament on Oct 19, had proposed a one to two per cent cut in individual tax rates with the maximum rate lowered to 28 per cent from 29 per cent.

The move, according to Dr Mahathir, was to increase the disposable income of the people, whose purchasing power had been affected by the global economic slowdown.

IRB chief executive and director-general Datuk Zainal Abidin Abdul Rashid, who was also present at the function, said the board would work harder and smarter to increase its revenue.

"We will also have to broaden our tax base," he said, adding that IRB now had about two million active files.

Asked if the expected corporate tax reduction which did not take place had any effect on investors, Chan said it was being explained to them.

"The response from them has been encouraging as our effective tax rate is very competitive with other countries in the region."

He said investors should not view the corporate tax in isolation but should also look at other incentives like no tax imposed on dividends.

The seminar was organised by the Inland Revenue Officers' Union and supported by the Malaysian Institute of Accountants and Malaysian Institute of Taxation.

It was held to provide information on the country's taxation system to the public especially accountants, lawyers and tax consultants.