

11/07/2001

`Government may cut direct taxes'

THE Government is likely to reduce direct taxes such as those of corporate sector and individuals by one to two per cent in the 2002 Budget to drive domestic investment, the SungeiWay Group said.

"There is not much scope for raising taxes," its corporate adviser Tan Sri Ramon Navaratnam said in the group's memorandum presented to Prime Minister Datuk Seri Dr Mahathir Mohamad at a pre-Budget 2002 dialogue in Putrajaya, Selangor yesterday.

"Direct taxes could be lowered by one to two per cent to enable local industries to be more competitive with our rivals in attracting foreign investment and promoting more domestic investment."

The Prime Minister yesterday hinted that the corporate tax would be reduced as the Government intensifies efforts to encourage the private sector to invest more domestically.

This is to offset the declining foreign direct investment caused by mild economic growth globally.

"We have studied the possibility (of a corporate tax reduction). We must consider our needs in terms of the revenue to be raised from taxpayers," Dr Mahathir told reporters after chairing the opening session of the dialogues.

The local corporate tax rate now stands at 28 per cent.

Navaratnam said given the pending Asean Free Trade Area where import duties will be reduced across the board, "the sooner the necessary reductions are made, the better for our manufacturers to prepare for greater competition."

"This will lower the cost of living too."

He said the foreign investment incentives needed to be further reviewed, ensuring that incentives were provided only to high value-added investments, and not those of labour-intensive as in the past.

"The tax consultants especially from the Big Six international consulting firms have consistently presented memorandums to the Treasury on the technical tax constraints that inhibit quicker approval and faster inflow of domestic and foreign investments.

"The problems pertaining to rising crime, causing strains on the social infrastructure and the security of the country caused by immigrant labours have to be addressed."

(END)