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TAX INCENTIVES TO BE ENHANCED FURTHER, SAYS PM

KUALA LUMPUR, Oct 19 (Bernama) -- The Prime Minister, Datuk Seri Dr Mahathir Mohamad proposed that tax incentives for exports be further enhanced.

"This is to ensure that exports continue to expand and the country has to reduce the dependence on electronic exports," he said in his presentation of Budget 2002 at Dewan Rakyat today.

He reasoned that gross exports was expected to decline by 10.6 percent this year due to the significant contraction in global demand for electronic products.

He believed that Malaysia must diversify the sources of exports as well as explore new markets to stay afloat.

The Prime Minister, who is also the Finance Minister, said Malaysia could not be overly dependent on a particular export item especially one with a high import content.

However, the country should not reduce the export of other items in order to reduce its dependence on exports of electronics, he added.

Electronics is the nation's main export item, contributing nearly half the export earnings of the manufacturing sector.

He said electronics represented 41 percent of the nation's export earnings.

However, more than 70 percent of electronics components comprise imported intermediate goods.

As such, the nation had not been able to maximise benefits from higher value-added activities of exports, he added.

In terms of incentives to promote exports, he has proposed, among others, Malaysian trading companies approved as international trading companies, be granted income tax exemption.

The exemption should be equivalent to 10 percent of the increased export value.

And the qualifying criteria such as value of annual sales turnover be liberalised, the Prime Minister said.

He also proposed that income tax exemption for companies engaged in the export of services be increased to 50 percent from 10 percent of the increase in the value of exports.

The Prime Minister proposed income tax exemption be given to the organisers of international trade exhibitions which attract at least 500 foreign visitors a year.

Double deduction was also proposed by the Prime Minister for purposes of income tax be extended to other expenses incurred in promoting exports.

They include products and services such as participation in virtual trade shows and expenses incurred on feasibility studies for participation in overseas tenders, he added.

The premier also proposed a single deduction for purposes of income tax be allowed on expenses incurred in registering patent overseas and on hotel accommodation provided for potential importers of Malaysian goods.

To increase the domestic investment in the rubber, palm oil and wood based industries which have export potential, he proposed that the local companies in the industries which reinvest for expansion purposes be granted incentives.

As for those located outside promoted areas, pioneer status with tax exemption of 70 percent of statutory income for five years or investment tax

allowance for 60 percent on capital expenditure incurred within a period of five years with the allowance deducted for each year of assessment limited to 70 percent of statutory income. -- BERNAMA

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