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BUDGET-CORPORATE TAX

LOWER CORPORATE TAX FOR SMALL AND MEDIUM SCALE COMPANIES

KUALA LUMPUR, Sept 20 (Bernama) -- Corporate tax for companies with paid-up capital of RM2.5 million and below will be subject to a corporate tax of 20 percent on chargeable income of up to RM100,000, said Prime Minister Datuk Seri Dr Mahathir Mohamad.

The corporate tax rate on the remaining chargeable income will be maintained at 28 percent, he said when presenting the 2003 Budget here today.

He said dividends distributed will be given a tax credit of 20 percent in the hands of the shareholders.

The proposal, effective from the year of assessment 2003, is in line with the Government's policy to further promote domestic investment by small and medium scale companies, the prime minister said.

Currently, all companies in Malaysia are subject to a corporate tax of 28 percent on the chargeable income.

However, taking into consideration tax incentives, the effective tax rate is much lower, Dr Mahathir said, giving an example in the manufacturing sector, where it is only about eight percent.

Small and medium scale companies, however, do not benefit much from tax incentives compared with large companies, and their effective tax rates are much higher, he said. -- BERNAMA

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