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REACTION-MEF

MEF WELCOMES TAX EXEMPTION ON PROFESSIONAL SERVICES WITHIN GROUPS

KUALA LUMPUR, Sept 21 (Bernama) -- The Malaysia Employers Federation (MEF) is pleased with the Budget 2003 tabled by Prime Minister Datuk Seri Dr Mahathir Mohamad, particularly the exemption of service tax on professional services provided to companies within the same group.

MEF executive director Shamsuddin Bardan said the move would reduce the cost of doing business and increase efficiency and economies of scale.

The federation also welcomed the review of the income tax on compensation on loss of employment where compensation received by an employee who had been retrenched or accepted VSS which is exempted from income tax has been increased from RM4,000 to RM6,000 for each completed year of service.

This would help alleviate the burden borne by effected employees, Shamsuddin said in a statement today.

He said the budget focus on the development of basic requisite skills from young age was also timely as it would lead to the development of knowledgeable and skilled workers which was essential for the establishment of a knowledge based economy.

However, he added that the building of human capital to meet the challenges of the new economy would require a holistic approach to encompass the development of superior technical and professional skills through the formulation and adoption of a National Human Resource Masterplan.

MEF also commended the initiatives to strengthen the public sector effectiveness to ensure fast delivery services and the adoption of a pro-business attitude in implementing its policies and procedures.

On the downside, MEF expressed that the country's corporate tax was relatively still higher than others in the region.

"The private sector has been looking forward for an overall reduction of the present corporate tax of 28 percent for a number of years to maintain competitiveness within the region," Shamsuddin said.

The country's ability to attract new investment both local and foreign investments may be affected as no significant overall incentive has been offered, he added.

Also, while commending the move to cut corporate tax for SMLs to 20 percent, he said that the imposition of an upper limit of RM100,000 could be restrictive.

"The tax incentive given to small and medium industries of RM2.5 million and less whereby the first RM100,000 taxable income is reduced to 20 percent may not be good enough to attract more investment in SMI," he added. -- BERNAMA

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