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REACTION-TAX CUT

TAX CUT FOR SMIS WOULD ENCOURAGE MORE PEOPLE TO DO BUSINESS

By: Saraswathi Muniappan & Norizatini Norali

KUALA LUMPUR, Sept 20 (Bernama) -- The corporate tax cut for small and medium scale industries (SMIs) would encourage more people to do business and in turn enhance domestic growth, said Malaysia's division director of Chartered Practitioners Accountant (CPA) Australia Viji Nair.

Commenting on the 2003 Budget announced by Prime Minister and Finance Minister Datuk Seri Dr Mahathir Mohamad today, he said the budget was more focused on stimulating the domestic trade sector which is important to drive the country's economy.

Dr Mahathir had announced a corporate tax cut for SMIs with paid-up capital of RM2.5 million and below from 28 percent to 20 percent on chargeable income up to RM100,000.

"However, this does not mean that the country is not giving importance to attract Foreign Direct Investment (FDI) as the much anticipated two percent corporate tax cut was not announced in the 2003 Budget," Viji said.

"The budget is actually for us not to lose our focus in building the domestic trade sector," he told Bernama.

Meanwhile, the SMI Association of Malaysia in a statement said that tax savings of eight percent amounting to RM8,000 for profitable and viable SMIs was indeed an equivalent to outright grants to these companies.

SMIs will be encouraged to use these savings in upgrading their Information and Communication Technology (ICT) facilities and enhance their competitiveness in facing increasing competition during this globalisation era.

"The fact that this is given directly in the form of lower tax as against application by way of grants shows the government's seriousness in helping to further develop SMIs in the country and allowing them to play a greater role in the nation building process," the association said.

Most SMIs have been reluctant to participate in overseas exhibitions because of prohibitive costs, uncertain return, lack of knowledge and necessary resources.

"With attractive tax incentives on increased exports and development and penetration of new markets, the government has given the impetus and sign posts to SMIs to be more export oriented," it said.

Tan Sri Ramon Navaratnam, group corporate adviser of Sunway Group, meanwhile viewed the reduction of corporate tax for SMEs as the most appealing proposal in the Budget as it would encourage the industry players.

"SMEs are the backbone of the Malaysian industry and the reduction could see a more efficient structure of economy in medium term," he told Bernama.

He also described the budget as "compassionate" as a large sum had been allocated for the poor and civil servant.

Civil servants should therefore not take it lightly and must respond to the incentives in Budget 2003 by increasing their productivity and efficiency.

He also said that the double deduction for export promotion expenses where professional services were concerned was a good move which could help boost the services sector.

Ramon added that one incentive the government should consider was giving some incentive for the hi-tech or pre-fabricated industrial building

system which did not use much labour.

"This can lessen our dependence on foreign labour and as such can minimise the problem with illegal immigrants," he said. -- BERNAMA

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