

16 SEP 2003

AUTOMOTIVE-TAX

GOVT TO CUT IMPORT TAX ON CARS BUT WILL RAISE EXCISE DUTY AS WELL

KUALA LUMPUR, Sept 16 (Bernama) -- The government will definitely reduce the import tax on completely built up cars imported from abroad but will also impose excise duty on them at the same time from next year, Datuk Kamariah Hussain, head of the tax analysis division in the Ministry Of Finance (MOF), said today.

She said currently many people were still unclear about the issue.

"The import duty would definitely be reduced but the quantum has not been decided. MOF and the Ministry of International Trade and Industry (MITI) will be working together on some type of duty structure," she said.

Under the Asean Free Trade Area's tax structure for the automotive sector, automobiles manufactured in Asean will attract an import tax of between zero and five percent.

Malaysia will adhere fully to the provisions of the AFTA automotive tax structure from Jan 1, 2005.

MITI was expected to make an appropriate announcement by the year-end, Kamariah said in a question-and-answer session in the annual post budget luncheon talk on the 2004 Budget organised by Malaysian Institute of Taxation.

Prime Minister Datuk Seri Dr Mahathir Mohamad said in his 2004 Budget presentation that the government would levy excise duties on imported cars when import duties on them were reduced from Jan 1, 2004.

Dr Mahathir, who is also the finance minister, said the imposition of the excise duty on imported cars would be done in such a way that eventually the price of these cars would not really be reduced.

Asked whether such a move would tantamount to be a discriminatory act under AFTA and trigger other Asean countries to follow suit by imposing similar excise duties on products manufactured by Malaysia, Kamariah, "The government's decision to impose excise duty on imported cars is not discriminatory. Some Asean countries also imposed excise duty (on certain products). There is no difference, so the issue of discrimination does not arise here."

Explaining the impact of a corporate tax reduction if the government were to reduce it by one percent, she said this could mean a loss of RM900 million in government revenue.

She said the government still needed revenue for its social obligations in developing sectors such as education and health.

Kamariah said the top 10 taxpayers in Malaysia were the oil and gas companies and government-owned companies.

She also revealed that 60 percent of the corporate tax payers in Malaysia were those whose chargeable income were below RM100,000.

As such, she said raising the threshold of chargeable income to RM500,000 from RM100,000 for small and medium scale companies to enjoy the reduced 20 percent corporate tax concession was more appropriate in helping them to promote domestic investment. -- BERNAMA

SM SHY