

**RM32 mil kickbacks for Sarawak timber**  
**Malaysiakini.com**  
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Sarawak Chief Minister Taib Mahmud has been implicated in a scandal allegedly involving RM32 million in kickbacks paid by Japanese shipping companies for timber from the resource-rich state.

According to Japan Times, the multi-million ringgit 'bribe' - made over a period of seven years - was paid to a Hong Kong company said to be linked to Taib and his family.

The money came from a Japanese cartel consisting of nine companies which buy timber from Sarawak.

They pay a Hong Kong-based company, Regent Star, 1.1 billion yen (RM32 million) for services rendered in this transaction. This was disguised as business expenses, and was therefore not taxed.

However, the Japanese tax authorities have discovered that the payments were "illegitimate expenses" as the Hong Kong agency - believed to be a paper company - did very little "substantive work" to justify the payments.

The Tokyo Regional Taxation Bureau has instead classified the payment as a "rebate", which is taxable.

The newspaper reported that the shipping firms were likely to be slapped with well over 400 million yen (RM11.6 million) in back taxes along with heavy penalties for "hiding" the funds from the tax authorities.

The companies are suspected of having made payments to the Hong Kong agent for 26 years, and thus the total income concealed could be several times the figure cited by sources.

**Money used as 'lubricant'**

According to Japan Times in its report last Thursday, the shipping companies were believed to have used the money as a "lubricant to facilitate their lumber trade".

The shipping firms, which have rejected the tax authorities' claim and argued that the transactions with Regent Star were legitimate, have denied any wrongdoing.

Sarawak's lumber export is controlled by the state government through Dewaniaga Sarawak - a state-affiliated organ in charge of timber export control which is headed by the Sarawak chief minister's younger brother.

The Japanese cartel was established in 1962 to avoid stiff competition among the shipping companies in the import of lumber from Southeast Asia, including Sarawak.

Among the companies implicated in the alleged tax evasion scandal are top shippers Mitsui OSK. Kinkai Ltd and NYK-Hinode Line.

The cartel signed an agreement in 1981 with Dewaniaga Sarawak for the export of timber to Japan.

### **'Mediating charges'**

The shipping companies have to pay 'mediating charges', whose sums were tied to the amounts of lumber exported, to Regent Star as instructed by Dewaniaga.

The shipping firms posted the payments to Regent Star as expenses for transport operations.

The Japanese tax authorities, however, have concluded that the Hong Kong firm performed little work that deserved to be paid for and that the payments by the Japanese companies were kickbacks that went via Regent Star to senior Sarawak officials, according to the sources.

Taib, who is the country's longest-serving chief minister, is believed to be one of Malaysia's richest politicians.

His family has wide-ranging business interests in Sarawak since Taib took office 25 years ago.

This is mainly through public-listed conglomerate Cahaya Mata Sarawak - with interests in banking, financial services and construction - and many of its subsidiaries, which Taib's wife, Laila, has a substantial stake.

It has been estimated that Taib's family is worth at least RM2 billion, though this is not officially confirmed.

### **Pak Lah, explain in Parliament**

In an immediate response, Opposition Leader Lim Kit Siang said that he had sent a letter today to Prime Minister Abdullah Ahmad Badawi regarding the matter.

"In my letter, I reminded Abdullah of his pledge when he became prime minister ... to make anti-corruption his top agenda, (and) his proclamation of 'zero tolerance for corruption'."

Lim urged Abdullah to come personally to Parliament next Monday to respond to the many serious allegations of high-profile corruption in his government.

Malaysiakini has last week reported that another chief minister, Sabah's Musa Aman, had also been allegedly mired by a litany of accusations involving graft and abuse of power.

These recent scandals came in the wake of explosive allegations of corruption involving Anti-Corruption Agency chief Zulkipli Mat Noor, who has since step down, and Abdullah's deputy in the Internal Security Minister, Mohd Johari Baharum.

Both individuals, who have denied the allegations, are currently under investigations.

