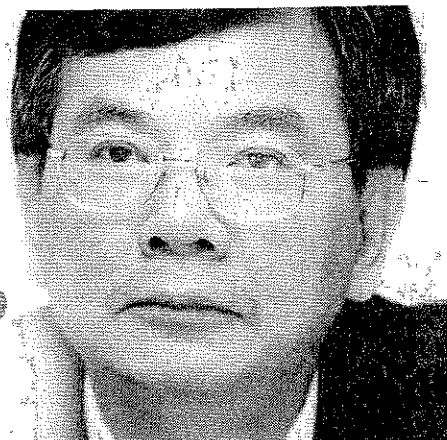


6/10/10 NST



Lower tax rates to spur growth: CTIM

By Tan Choe Choe
choe@nstp.com.my

**RUN-UP
TO
2011
BUDGET**

66
MALAYSIA, AT 25 PER CENT (CORPORATE TAX), SHOULD BE REDUCED, POSSIBLY TO 20 PER CENT, TO REMAIN COMPETITIVE ... THE GOVERNMENT SHOULD LOOK AT BROADENING THE TAX BASE VIA THE OFF-DEFERRED GOODS AND SERVICES TAX

— Khoo Chin Guan
President
Chartered Tax Institute of Malaysia

THE Malaysian government should lower corporate and personal tax rates in the short and medium term to spur economic growth, the Chartered Tax Institute of Malaysia (CTIM) said.

While Malaysia's tax structure remains competitive in the region, CTIM president Khoo Chin Guan said there are areas where "we have some catching up to do".

For instance, Hong Kong is enjoying a 16.5 per cent corporate tax rate while Singapore is currently at 17 per cent.

"Malaysia, at 25 per cent, should be reduced — possibly to 20 per cent — to remain competitive," Khoo said at a briefing on CTIM's wish-list for the upcoming 2011 Budget yesterday.

Mindful that this would result in a reduction in tax revenue collection, Khoo said the government should look at broadening the tax base via the off-deferred Goods and Services Tax.

He said there should be an official timeline in which the proposed tax would be implemented to give businesses enough time to prepare themselves.

Khoo said the 15-year cap on companies to claim the reinvestment allowance should also be abolished.

"We should encourage reinvestments. Now, the moment a company starts to claim this allowance — whether to expand, modernise, automate, or diversify their activities — it can do so for up to 15 years only. This time-limit should be lifted," he said.

CTIM believes the cap amount for amount allowed for

loss carry-back should be increased and that the loss carry-back period be extended to at least three preceding years.

To mitigate the impact of the economic contraction resulting from the global meltdown, the government had allowed taxpayers to carry back its current year business losses — of up to RM100,000 and only for assessment years 2009 and 2010 — to the immediate preceding year of assessment to reduce tax liability.

Companies, said Khoo, should also be allowed to enjoy simultaneous tax incentives.

"The current provision prohibits a company undertaking two projects from qualifying for reinvestment allowance if one of its project is already enjoying pioneer status.

"To avoid deferral of projects, we hope this restriction will be lifted," he added.

For the services sector, Khoo said industrial building allowances should be extended to include shopping malls, office complexes, or convention centres as these are also used as "assets to generate revenue".

The threshold of chargeable income for SMEs should also be increased from the current RM500,000 to RM1 million.

Group relief losses should be extended to this category to encourage more risk-taking, he added.