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ALJEFFRI & CO.

1988 Budget

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1988 BUDGET SUMMARY

With great pleasure, we enclose herewith our summary and synopsis of the 1988 Budget Proposals.

This summary is based on the Budget Speech delivered by The Honourable The Minister of Finance, Encik Daim Zainuddin, to the Parliament on 23rd. October, 1987.

The summary is divided into the following sections :-

<u>SECTION</u>	<u>PAGE</u>
A Introduction and Briefing	2
B Highlights - Amendments to The Income Tax Act	5
C Analysis and Comments on Amendments to Direct Taxation	
(1) Corporate Tax	6
(2) General Tax	8
(3) Real Property Gains Tax	9
(4) Share (Land Based Company) Transfer Tax Act 1984	11
D Analysis and Comments on Amendments to Indirect Taxation	13
E Other Significant Taxes	14
F Synopsis and Comparison	16

Readers are reminded that this summary is intended solely for information and general briefing and should not be regarded as being authoritative interpretations of the amendments.

SECTION A

INTRODUCTION AND BRIEFING

The 1988 Budget Speech presented by the Minister of Finance emphasised the need to resolve the basic problems faced by the country and called for a step-up of our commitment and efforts for improving the slow economic growth. The Minister has identified the major basic problems i.e. the unsatisfactory growth rate in the economy, the unemployment situation and the continuing strain in the public sector financial position. He stressed the importance for the private sector output and investment to respond even more vigorously to the opportunities and incentives currently available in order to create more jobs and to achieve a higher economic growth rate from the 1987 level of 2.4%.

In his previous budget speech, the Minister had aimed for a strengthening of the public sector finance, an improvement in the balance of payments through the promotion of exports and reduction of imports, and the creation of an improved environment for an expansion of the private sector investment.

The 1987 budget strategy has been successful in terms of the balance of payments, as evidenced by improved export earnings through a pick-up in commodity prices and stronger demand for our exports, which, coupled with a moderate growth in imports, had improved the balance of payments significantly. The year 1987 is expected to show a surplus of \$2 billion in the current account, the first since 1979, compared to the deficit of \$770 million in 1986.

Although the state of the public sector finance in 1987 has shown improvement, the Government continues to view the above-said problem as a source of concern. Against this background coupled with the expected unemployment level at 9.4% in 1988 and its desire to register a higher economic growth rate, the 1988 Budget Strategy aims to :-

- i) strengthen the process of economic recovery, through encouraging growth and employment creation;
- ii) increase industrial efficiency; and
- iii) improve the public sector finance.

The Minister in his speech emphasised greater private sector participation in the country's efforts to accelerate the economic growth and to jointly redress the anticipated unemployment situation. Fair warnings had been given to the would-be graduates to look towards the private sector other than the public sector for employment opportunities.

At the same time the Minister realised that this private sector involvement had to be stimulated through increased public sector expenditure. It is anticipated that Federal Government expenditure for 1988 will amount to \$28,121 million, comprising \$21,236 million for operating expenditure and \$6,885 million for development expenditure.

These monies will be used to implement several specialised projects aimed at encouraging a step-up in construction activity thereby creating more employment opportunities.

The sources of revenue to cater for these expenditures will come from:-

- 1) An increase in crude oil production to 540,000 barrels per day; equivalent to a yearly revenue of US \$3,500 million at the current price of US\$18 per barrel.
- 2) Petronas dividend to be maintained at \$2 billion yearly.
- 3) Expected higher dividend from Bank Negara.
- 4) Expected sale of shares in Malaysia Airline System and Malaysia International Shipping Corporation to Bank Negara.
- 5) Compulsory income tax instalment payments by companies and businesses.
- 6) Reintroduction of sales tax at a rate of 5% on certain foodstuffs, building materials and semi-processed goods and a rate of 10% on certain other goods.

To encourage the participation of small-scale industries towards meeting the Government's economic objectives, the Minister sought to create conditions that are favourable to these industries. The relaxation of terms pertaining to the Special Loan Schemes as enumerated in this summary may appear to be quite attractive to these industries.

However, the Minister cautioned that the public expenditure stimulus is dependent upon the ability of our primary-commodity prices, viz. rubber and oil, to remain somewhat constant at current levels.

Strengthening the Economy

In spite of the continued budget deficit faced by the Government, it recognises the need to lend a helping hand in improving the economy. To this end, the Government has adopted several strategies which

includes :-

- 1) Increasing the output of petroleum production from the existing 494,000 barrel per day to 540,000 barrel per day which is expected to contribute to a higher growth of GDP of 4% in 1988. At the present price of US\$18/= per barrel this is expected to generate a revenue of US\$3,500 million.
- 2) Implementation of a number of schemes and projects which includes the Peninsular Gas Utilisation Phase II, the special rural water supply programme and the North-South Highway project. The implementation of these schemes and projects would encourage construction activity and create more employment opportunities.
- 3) The allocation of a budget of \$2 billion for development expenditure under the Fifth Malaysia Plan and \$1,057 million for rural infrastructure, regional development, agricultural projects and construction of educational facilities. This is further expected to promote growth and employment creation.
- 4) In the case of the private sector, the Government has proposed to abolish the 3% excess profit tax on companies which in the long run is expected to have a positive effect in the economy through the generation of greater growth in income. This initial step is part of the long-term strategy to reduce the Malaysian companies' tax rate so as to be comparable with its neighbouring countries. This move will encourage new investments as well as reinvestment by existing companies in Malaysia. To provide further incentive for the reinvestors, the Government proposed to improve on the reinvestment allowance incentive.
- 5) Furthermore, the authorities will continue with the provision of licenses, loans and sites for petty traders and small businesses, open new land for commercial agriculture and provide more training facilities for skills needed by the industry.

Increase Industrial Efficiency

Steps are being taken to draw up long term strategies and plans to enable us to become efficient producers especially in the manufacturing sector. The Government proposes to encourage industries to rationalise their activities through amalgamations or consolidation, or modernisation. In this context an Industrial Adjustment Fund will be set-up with an initial funding of \$500 million to provide soft loans to these industries. Furthermore, the government intends to extend some of the existing tax incentives.

SECTION B

HIGHLIGHTS

- ABOLISHMENT OF EXCESS PROFIT TAX
- AMENDMENT TO THE REINVESTMENT ALLOWANCE
- COMPULSORY TAX DEDUCTION FOR COMPANIES AND BUSINESSES
- ADDITIONAL RESTRICTION ON EXEMPTION OF SHARE TRANSFER TAX
- EXEMPTION ON CROSS TRANSFER AMONG CO-PROPRIETORS UNDER RPGT
- REDUCTION ON THE NUMBER OF GOODS WHICH ARE EXEMPTED FROM SALES TAX
- INCENTIVE TO THE DEVELOPMENT OF SMALL SCALE INDUSTRIES

SECTION C

ANALYSIS AND COMMENTS ON AMENDMENT TO DIRECT TAXATION

1. CORPORATE TAX

(i) Abolition of Excess Profit Tax (EPT) On Companies

Present :

3% excess profit tax will be levied on Companies where chargeable income is in excess of M\$2 million.

Proposed :

The EPT will be abolished as from year of assessment 1988.

Comments:

With the abolition of the EPT, the government revenue is expected to drop by about \$140 million in 1988. However this measure can be an incentive to potential and existing investors to made additional investments in Malaysia.

(ii) Amendment to the Reinvestment Allowance (RA)

Present:

Qualifying capital expenditure incurred from 1.1.1979 to 31.12.1988 on an approved project will be given an allowance of 25% of that expenditure.

Proposed :

The RA will be extended to 31.12.1990 with the rate increased to 40% for capital expenditure incurred on or after 1.1.1988.

Comments :

The proposed amendment is to encourage reinvestment by existing companies and to strengthen the process of economic recovery.

(iii) Payment of Income Tax by Instalment Scheme for Companies and Businesses.

Present :

Tax liability must be settled within 30 days from the receipt of the notice of assessment or by any prior arrangement that has been made with the Collection Branch for a maximum of nine monthly instalments.

Proposed :

In order to standardise the method of tax collection, the following is introduced :-

- a) The instalment scheme shall be imposed on all companies and businesses (i.e OG cases)
- b) The instalment payment scheme will be based on the tax liability estimated by the IRD or the tax payer himself before the actual notice of assessment is served. The number and the periods of instalment scheme shall be determined by the Director General of Inland Revenue (D.G)

c) A penalty will be imposed under the following circumstances :-

- underestimation of tax liability by more than 30% from actual assessment made by the IRD, the rate will be 10% of the amount which exceeds 30% of the actual assessment. However the underestimation resulting from the tax estimate made by the D.G. and accepted by the tax payer shall escape the penalty.

Example

ABC Sdn. Bhd. estimated tax liability for year of assessment 1990 to IRD is \$5,000. However the actual assessment made by the IRD is \$12,000. The computation of the penalty is as follows :-

	\$	
Actual assessment	12,000	
Estimated tax liability supplied by tax payerer	5,000	
	<u> </u>	
Amount underestimated	\$ 7,000	(A)
	<u> </u>	
Limit on estimation (30% x \$12,000)	\$ 3,600	(B)
	<u> </u>	
Penalty imposed on underestimation of tax liability 10% x (A - B)	\$ 340	
	<u> </u>	

- 30 days grace period will be granted for each instalment after which a 10% penalty will be imposed on the outstanding amount.

The above proposal will be effective from 1.1.1989.

Comments

The above proposal is an extension to the compulsory deduction scheme for the employees introduced in the 1987 Budget to streamline the collection of taxes. This may result in rescheduling of cash flow planning on the part of companies and entrepreneurs.

(iv) Taxation On Life Insurance Companies

Present :

Commission paid is non-deductible in stages by reference to gross premiums receivable in the basis period for the Year of Assessment 1986 as follows :-

Gross Premium Receivable	Effective date from
(a) \$50 million or more	Year of Assessment 1988
(b) \$10 million or more but less than \$50 million	Year of Assessment 1990
(c) less than \$10 million	Year of Assessment 1992

Proposed :

A deduction equivalent to 2% of the balance of revenue account at the end of the basis period for the year of assessment be given to companies whose commissions which are no longer allowed. The total deduction is limited to the amount of commissions paid.

Comments :

The proposed amendment is to assist the growth of the life insurance businesses.

2. GENERAL TAX

- (i) The following sections of the Income Tax Act, 1967 (ITA) will be amended :-
- (a) Section 2(1) : Definition of "Malaysia" be amended to incorporate the exclusive economic zone as provided for under the Exclusive Economic Zone Act 1984 ;
 - (b) Section 7(1)(b) be amended to clarify the conditions for qualifying for resident status for purposes of income tax;
 - (c) Section 45(4) be amended so that option for separate assessment can be made by a wife even after the year of assessment concerned;

- (d) Section 82(5) be amended so that reference to the definition of "accountant" refers to Section 153(3) of the Income Tax Act 1967;
- (e) Section 83(5) be amended so that the period taken by the Department of Inland Revenue in giving income tax clearance in the case of an employee who is about to cease to be employed be lengthened from 30 days to 90 days; and
- (f) Section 107(4) be amended to further clarify the powers of the Director General of the Department of Inland Revenue to collect tax from an employer who fails to notify the Department of Inland Revenue regarding an employee who has ceased to be employed.

(ii) Amendment to the (Petroleum)(Income Tax) Act 1967

Section 2 on the definition of "Malaysia" be amended to incorporate the exclusive economic zone as provided for under the Exclusive Economic Zone Act 1984.

(iii) Incentive to the Development of Small Scale Industries

The special loan scheme established under Credit Guarantee Corporation available to small traders and hawkers is as follows :-

	Present	Proposed
Capital Outlay	< \$5,000	< \$10,000
Loan granted	\$2,000	\$3,000 - 5,000

Comments :

To further assist small traders and hawkers, and to encourage more unemployed workers to venture into this field.

3. REAL PROPERTY GAINS TAX

(i) Amendments to the Real Property Gains Tax (RPGT) Act 1976

- (a) The definition of "accountant" as per section 2 of the RPGT Act, with reference to para 15, schedule 5 of ITA, 1967 be replaced with section 153 of the Act which states that :-

- 10 -

- (1) No person holding himself out as an accountant, a tax consultant or a tax adviser (or under any other like description) shall be permitted to act in Malaysia on behalf of any person for any of the purposes of this Act unless he is an accountant as defined in this section ;

Provided that -

- a) where a company, body of persons or partnership so holds itself out in any calendar year, then, if at the time of the holding out any employee of the company, member of the body or partner in the partnership (whether or not that employee, member or partner is in Malaysia) is an accountant as so defined :
- i) it shall be sufficient for the purposes of this subsection if there is present in Malaysia for a period or periods in that year amounting in all to more than one hundred and eighty-two days an employee, member or partner, as the case may be (not being necessarily the same employee, member or partner throughout that period or those periods) who is such an accountant; and
- ii) the company, body or partnership in question shall not be guilty of a contravention of this section unless after the end of that year it is shown to have failed to comply with subparagraph (i);
- b) nothing in this subsection shall be construed as restricting an advocate in the lawful practice of his profession.
- (2) In this section (and in section 120 in so far as it related to this section) "person" includes partnership.
- (3) For the purposes of this Act - "accountant" means:
- a) a professional accountant authorized by or under any written law to be an auditor of companies;
- b) any other professional accountant approved by the Minister; or

- c) any other person approved by the Minister on the recommendation of the Director General.
- (4) An application for an approval under subsection (3) (b) or (c) or for a renewal of such approval shall be made to the Minister.
- (5) A fee as may be prescribed by the Minister by an order published in the Gazette shall be paid on the application for an approval or renewal of an approval under subsection (4).
- (6) An approval or renewal of an approval under this section shall be valid for a period of twenty-four months beginning from the date of such approval or renewal.
- (7) An approval granted by the Minister before the 24th. October, 1986 shall lapse on the 31st December, 1987 unless a renewal of such approval is obtained under this section by that date.

(b) Present :-

An election shall be made in writing addressed to the D.G and shall be irrevocable in respect of tax exempt disposal of property/ies by way of gift.

Proposed :-

The need to elect for exemption in writing is no longer required.

Comments :

This will reduce the administration work and to cut down unnecessary cost.

ii) Exemption of RPGT on Gross Transfers Among Co-proprietors

Present :

The disposal by one of the Co-proprietors of his share on the chargeable asset in the manner of cross transfer shall be subjected to RPGT.

Proposed :

Transfer be tax exempt from Budget day.

Comments :

It is only fair that the transactions between Co-proprietors be exempted as no profit or loss arises from the transfers. This may have the effect of better and effective utilisation

of land.

4. SHARE (LAND BASED COMPANY) TRANSFER TAX ACT, 1984

i) Amendment to Section 4A

Present :

Tax exemption will be granted under the following situations :-

- a) transfer of shares between companies in the same group;
- b) transfer of shares in any scheme of reorganisation, reconstruction, or amalgamation in compliance with government policy on capital participation in industry; and
- c) transfer of shares due to the liquidation of the company under a scheme of reorganisation, reconstruction or amalgamation in compliance with government policy on capital participation in industry.

The above-mentioned conditions must be complied with to qualify for tax exemption. However, it is possible that these conditions may not be complied with after the exemption.

Proposed :

If it is found within three years that :-

- a) the transfer or disposal was not made for the purpose of the existing circumstances, or
- b) subsequent to the transfers between the groups the shares have been transacted with a third party outside the group.

the exemption will be withdrawn.

Effective from Budget Day.

Comments :

These restrictions are introduced to ensure that the conditions laid down are adhered to by parties seeking tax exemption.

SECTION D

ANALYSIS AND COMMENTS ON AMENDMENT TO INDIRECT TAXATION

SALES TAX

- i) The sales tax be reimposed on the following items :-
 - a) 5% on certain foodstuffs, building materials and semi-processed goods;
 - b) 10% for certain other goods.

- ii) Restriction of tax free raw materials and components to manufacturers of taxable goods

Present :

Exempted goods and goods manufactured by persons exempted from licensing are exempted from sales tax.

Proposed :

Raw materials and components used by manufacturers of exempted goods and persons exempted from licensing under the Sales Tax Act 1972 be prohibited from obtaining their inputs free of tax.

However, goods manufactured for export will be entitled to obtain full duty drawback paid on their raw materials and components. On the other hand they can obtain exemption to obtaining the relevant materials.

SECTION E

OTHER SIGNIFICANT TAXES

- i) Proposal to Abolish all Duties on various items used by Kidney Patients

All duties on the following equipments and materials used by kidney patients be abolished :-

Code BTN	Equipments/Goods	Import Duty		Sales Tax	
		Present	Proposed	Present	Proposed
28.54 000	Hydrogen Peroxide)				
29.04 100	Surgical Spirit 70%) (Methyl Alcohol) Spirit)				
29.11 000	Formaldehyde 37%) Formalin)	2%	Nil	10%	Nil
29.14 000	Acetic Acid)				
38.19 999	Clinitest Tablets) (containing) Cooperoxide))				
39.01 100	Mixed Resin 2.3 kg) (Ion Exchanger))				
84.18 294	Artificial Kidney) (dialysers))				
	A.V Bloodlines) (Sterile Packing))				
	A.V.F Needles)				
	30 c.c Disposable) Syringes)				
90.17 319	20 c.c Disposable) Syringes)	5%	Nil	10%	Nil
	Aneroid Transducers)				
	Infusion Drip Sets) (Sterile Packing))				

Code BTN	Equipments/Goods	Import Duty		Sales Tax	
		Present	Proposed	Present	Proposed
	Patient Line - One) Set Air Vent))				
	Pump Line Submicron) Filter))				
	Pump Line (Sterile) Packing)))				
	Peritoneal Dialysis) Trocar (Sterile) Packing) and Cannula))				
	P.D Giving Set) (Sterile Packing)) (Transfer Set)))				
	P.D. Cyclor System) Tubing Set (Sterile) Packing)))				
90.17 319	Tenckhoff Catheter)	5%	Nil	10%	Nil
	CAPP Titanium) Connector))				
	Locking Cap For P-D) Catheter))				
	Clamp For Outlet Port)))				
	Set Change Tray)))				
	Solution Transfer Set) Travenol Prep Kits))				

Note :

- 1) IPD = Intermittent Peritoneal Dialysis
- 2) CAPD = Continuous Ambulatory Peritoneal Dialysis
- 3) CCPD = Continuous Cycling Peritoneal Dialysis

Comments :

With the abolishment of the duties, this would benefit approximately .750 kidney patients suffered yearly.

SECTION F

SYNOPSIS AND COMPARISON

PARTICULARS	1984 & 1985	1986	1987	BUDGET 1988
1. PERSONAL TAX				
a) Tax rates	Ranges from: 1984 : 6% - 55% 1985 : 5% - 40%	No change	No change	No change
b) Pension of wife on optional retirement	1984 : Assessed with husband 1985 : - do -	Can opt for separate assessment	No change	No change
c) Tax exemption Gains or profit	1984 : Gains or profit accruing on a deposit of up to \$5,000 for a calendar year on any savings account with Bank Islam Malaysia Berhad. 1985 : No change	No change	No change	No change
Pension	1984 : All pension 1985 : Withdrawn for person with multiple pension except for highest pension.	No change	No change	No change
d) Free air passage for tax payer and family for relocation of employment.	1984 : Overseas - once a year Local - 3 times a year			

PARTICULARS	1984 & 1985	1986	1987	BUDGET 1988
e) Rental income received from residence vacated due to transfer	1985 : Restriction to MAS or tickets issued by MAS. Exempted	No change but restriction removed. Exempted	No change. Withdrawn	No change No change
f) Exemption on compensation for loss of employment	1984 : Limited to \$2,000/- per complete year of service 1985 : No change	No change	Limited to \$4,000/- per complete year of service	No change
g) Deduction of tax from salary/remuneration	As directed by DGIR	As directed by DGIR	Compulsory for tax liability in excess of \$500/-	No change
h) Withholding tax on interest	NIL	Interest on F.D. for less than 12 month - 5% withholding tax (Final tax)	No change	No change
i) Saving account in :- Bank/Financial or other institutions - Exempt limit	\$1,000	\$1,000	\$5,000 (w.e.f Y/A 1988)	No change
CORPORATE TAX				
a) Withholding tax on interest payments on Foreign Loans	1984 : 15% 1985 : No change	20%	No change	No change
b) Insurance				
i) Export credit insurance premiums	NIL	Double deduction allowed on premium payments.	No change	No change

PARTICULARS	1984 & 1985	1986	1987	BUDGET 1988
ii) Life insurance - Commissions paid	Deductible expense	No change	Not deductible where gross premiums receivable for Y/A 1986 :	No change
- Gross revenue	NIL	NIL	>\$50m wef Y/A 1988 >\$10m - <\$50m wef 1990 <\$10m wef Y/A 1992	Allowable deduction of 2% on the balance of revenue account at the end of basis period wef Y/A 1988
c) Approved revenue research expenditure	NIL	NIL	Double deduction on approved expenditure.	No change
d) Payment of income tax	30 days from date of service of notice of assessment	No change	No change	Payment by instalment scheme wef 1:1.1989
CAPITAL ALLOWANCES				
a) Industrial building allowance	1984 : Extended to building approved for industrial training, licensed godowns and stores for export. 1985 : No change	Abolished for manufacturing sector	Hotel business carried on by pioneer company - Hotel building of approved standard in Malaysia. Extending or modernising an existing hotel building to approved standard in Malaysia.	No change
b) Accelerated depreciation allowance (ADA)	1984 : Initial - 20% Annual - 80% ADA for heavy construction equipment withdrawn 1985 : No change	Extended to year 1988 (heavy construction equipment does not qualify for this allowance) Initial - 20% Annual - 40% (w.e.f. Y/A 1987)	No change	No change

PARTICULARS	1984 & 1985	1986	1987	BUDGET 1988
c) Construction of public road by private sector	NIL	Construction costs of public roads under privatisation programme to be treated as qualifying building expenditure Initial - 10% Annual - 6%	No change	No change
d) Motor vehicle qualifying limit	1984 : \$15,000 1985 : \$25,000	No change	No change	No change
e) Rent paid on hire/leased of motor vehicle qualifying limit	1984 : All rents allowed 1985 : \$25,000	No change	No change	No change
f) Reinvestment allowance	1985 : Capital expenditure incurred from 1.1.1979 to 31.12.1988 at 25% rate	No change	No change	Period extended to 31.12.90 Rate increased to 40% for capital expenditure incurred on or after 1.1.88.
PROMOTION OF INVESTMENTS				
Investment Incentives Act, 1968 was repealed w.e.f. 1.1.86 and was subsequently replaced by Promotion of Investment Act, 1986 (PIA) w.e.f. April 1986.	No comparison as the PIA comes into effect w.e.f. April, 1986.			
a) Rubber based industry		Increased by 15%	No change	No change

PARTICULARS	1984 & 1985	1986	1987	BUDGET 1988
b) Pioneer status		5 years	10 years for specific industries	No change
c) Abatement of adjusted income for compliance with Government policy		Abatement of 5% of adjusted income	Abatement of 5% of adjusted income for 5 years of assessment from the year in which the Co. is first given the abatement.	No change
REAL PROPERTY GAINS TAX				
a) Exemption is granted for	1984 : Land belonging to a deceased person in settlement of estate duties up to the extent of estate duties payable 1985 : No change	No change	No change	No change Additional exemption for cross transfers between co-proprietors.
b) Resident company	1984 : Scale from 40% to 5% over a period of six years. Exempted in the seventh year onwards. 1985 : No exemption in the seventh year onwards but at 5%.	No change	Scale from 20% to 10% over a period of four years. 5% from the fifth year onwards.	No change
c) Non-resident company	40%	No change	Same as resident company	No change
d) Resident individual	1984 : Scale from 40% to 5% over a period of six years. Exempted in the seventh year onwards 1985 : No change	No change	Scale from 20% to 5% over period of five years. Exempted in the sixth year onwards.	No change

PARTICULARS	1984 & 1985	1986	1987	BUDGET 1988
e) Non-resident	40%	No change	Same as resident individual	No change
I. SUPPLEMENTARY INCOME TAX				
Excess profit tax				
i) Concept of share - holders' funds	In existence	Withdrawn	No change	
ii) Franking limit	\$200,000	\$2,000,000 - Applicable to resident and non-resident persons	No change	Abolished wef Y/A 1988
iii) Rates	5%	3%	No change	NIL
I. SHARES (LAND BASED COMPANY) TRANSFER TAX ACT 1984				
a) Rates	10%	10%	2%	No change
b) Exemption under section 4A	NIL	As per section 4A	Conditions stipulated under the new section 4A	Exemption granted will be withdrawn if failed to comply with conditions stipulated under section 4 within the period of 3 years from date of approval.

PARTICULARS	1984 & 1985		1986	1987	BUDGET 1988
IMPORT DUTY AND SURTAX					
a) Rationalisation of import duty and surtax	1,300 items consolidated Ad Valorem rate instead of specified rate		No change	No change	No change
b) Rates					
i) Completely built up motor vehicles	1984	1985			
Less than \$20,000	105%	140%			
Next 5,000	125%	160%			
Next 5,000	150%	185%			
Next 5,000	175%	210%			
Next 5,000	215%	250%			
Balance	265%	300%	No change	No change	No change
ii) Completely knock down motor vehicles	30%	40%	No change	No change	No change
iii) Food and garments easily substituted	5-50%	No change	No change	No change	No change
iv) Raw materials and components	3-45%	No change	Certain items qualified for 2%	List of items qualified for 2% are further reduced	No change
v) Self-monitoring equipment	Import duty - 3% Sales duty - 10%		No change	Abolished	N/A

PARTICULARS	1984 & 1985	1986	1987	BUDGET 1988
9. SALES TAX				
a) Rates	i) Building material not generally used for low cost housing.	No change	No change except for cigarettes and liquor - 15%	Reimposed 5% on foodstuffs, building materials and semiprocessed goods
	ii) Exemption for ready made jewellery	No change	No change	10% on other goods which are not basic necessities.
b) Exemption			Not subject to sales tax i) manufacturers of exempted goods ii) persons exempted from licensing	Withdrawn except for raw materials and components manufactured for export
10. SERVICE TAX				
Rates on taxable goods and services	10%	5%	No change	No change
11. OTHER SIGNIFICANT TAXES				
a) Stamp duty				
Rates on contract notes between local and foreign brokers	0.1%	No change	No change	No change

PARTICULARS	1984 & 1985	1986	1987	BUDGET 1988
b) Road tax on				
1) Diesel cars	1984 : 5 times 1985 : 4 times	No change	No change	No change
1i) Company cars	1984 : 4 times 1985 : 2 times	No change	No change	No change
c) Royalty exemption limit				
1) Literary and artistic work	1984 : \$3,000 1985 : \$6,000	No change	No change	No change
1i) Translation work for Education Ministry and Attorney General's office	1984 : NIL 1985 : \$3,000	No change	No change	No change

