

# TAX UPDATE

## 1999 Budget Issue

OCTOBER 1998

### INTRODUCTION

Mired in its first recession in 13 years, Malaysia's 1999 Budget announced on October 23, 1998 is expansionary and pro-business planned to stimulate the national economic situation through major fiscal and other measures. The 1999 Budget follows and complement measures adopted in July under the National Economic Recovery Plan and capital controls introduced last month. The thrust is to focus on immediate reflationary measures to shorten the time lag for the effect of the recently introduced monetary measures to filter through to the economy.

Despite experiencing a contraction in the GDP growth of estimated 4.8%, the country is boasting a balance of payments current account surplus of RM20 billion or 7.7% of GNP and an improved external reserves of US\$22.99 billion as at October 22, 1998.

The 1999 Budget strategy is aimed at :

- (i) reviving economic activities and insulating the economy from the contagion effects of the regional financial crisis to stabilise the financial market and the value of the Ringgit;
- (ii) strengthening the resilience and competitiveness of the nation's economy;
- (iii) restructuring the financial sector and improving governance in the private and public sectors;
- (iv) strengthening further the balance of payments; and
- (v) ensuring social well being.

The Update is divided into two main parts. The first covers the 1999 Budget tax proposals and the second, other recent tax and investment developments.

The first part is based on the *Finance (No. 2) Bill 1998*, the 1999 Budget Speech and other indirect tax instruments. The proposed changes herein are subject to enactment.

As this publication has been prepared for clients and associates by way of general information, further details may be required. Readers are kindly advised to consult with us at any of our offices shown on the back cover before acting on any material contained in this publication.

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