

October 27, 1989

### 1990 BUDGET SUMMARY

We have pleasure in presenting for your appreciation our summary and synopsis of the 1990 Budget Proposals.

This summary is based on the Budget Speech delivered by The Honourable The Minister of Finance, Y.B. Datuk Paduka Daim Zainuddin, to the Parliament on 27th October 1989. In compiling this summary we have concentrated on those matters we have judged to be of importance or interest to the readers. We wish to emphasise that the summary is intended solely for information and general briefing and should not be regarded as being authoritative interpretations of the budget proposals.

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SECTION A  
COMMENTARY

There has been an expansion in the objectives of budget strategy for 1990 from those of past years. The 1990 Budget aims to :

- i) sustain growth at a high level
- ii) moderate price increases and
- iii) continue to restrain public expenditure.

The Government has reshaped its strategy to include measures to promote growth in new sectors and measures to curb inflation which if left unchecked can undermine economic growth.

**Sustenance of Economic Growth**

The Government's efforts in making our economy a more broad based one and less dependent on commodities has been intensified by measures proposed in the current budget to encourage and sustain growth in both the service and manufacturing sectors. These sectors which have been identified as potential growth areas and labour intensive industries are :-

- i) tourism
- ii) rattan and wood-based industries
- iii) housing and construction
- iv) small and medium scale industries
- v) securities industry
- vi) sports and related activities.

The direct and indirect incentives given to these industries are :-

- o tax incentives to promote tourism by creating competitive shopping destination in Malaysia, by making Malaysia an inexpensive tourist destination catering for middle class tourists and by encouraging provision of improved services. Measures include tax incentives such as double deduction relief on staff training expenditure, abolishment of service tax in Labuan, withdrawal of import duties on tourist items, withdrawal of import duties on CKD components for locally assembled tour buses and luxury cars.
- o tax incentives to encourage development of and growth in downstream activities in rattan and wood-based industry. The local timber industry now wholly comprises the export of sawlogs. Although this contributes greatly to foreign exchange reserves, sawlogs are not value added items and the country is losing in terms of greater earnings and job creation. All proposed measures are aimed at encouraging the creation of wood-based industries

exporting all or a major portion of their products. Thus there would be less dependence on primary products, increased earnings from export of value added items and increased employment. In the case of Sabah and Sarawak incentives are extended even to industries producing for the local market, contributing to greater industrialisation of Sabah and Sarawak.

- o monetary measures to stimulate and sustain growth in the housing and construction sector. These measures are aimed at increasing the purchasing power of civil servants and include eligibility of husbands and wives, working with the Government, to apply for separate loans to buy separate houses.
- o monetary and other measures to further develop the capital market and securities industry in the country. Towards this end the creation of a credit ranking agency adds sophistication to the Malaysian capital market. Secondly the proposed delinking of KLSE from SES is intended to increase the local business and to remove the speculative element currently inherent in it. Improvements in the local industry are aimed towards making KLSE one of the leading markets in the region and this in turn would attract foreign funds. KLSE must compete to improve its services as 1997 approaches and in view of the uncertainty over the importance of the Hong Kong Stock Exchange.
- o monetary measures to provide further assistance to small and medium scale industries such as the setting up of an Industrial Technical Assistance Fund and implementation of a new Export Credit Refinancing Scheme. Direct financial assistance would be given for a variety of purposes all aimed at fostering the small and medium scale sector which is normally considered to be labour intensive.
- o incentives for sports and related activities include exemption from income tax of prize money of sports people and exemption from import duties for various sports equipments. This would encourage hosting of various sporting events in Malaysia and thereby encourage tourism and related sectors.

#### Moderate Price Increases

Currently inflation is reported to be around 4%, which although is lower when compared to inflation in other ASEAN countries, is still a source for concern. It is also expected the inflationary pressures will increase in the coming year mainly due to inflationary pressures in the world economy.

The Budget proposes certain measures to control these price increases within acceptable levels by :-

- o signalling to housing developers not to increase the price of houses
- o proposed charges in import duty, sales tax, surtax and excise duties on essential items such as food, agricultural inputs,

and household items.

- o withdrawal of bonus restriction thereby making our wage structure more flexible and linked with productivity.
- o restraining public expenditure thereby controlling overall demand.

#### Restraint on Public Expenditure

Overall expenditure is expected to increase by about 11% over 1989 budget allocation; 72% of public expenditure would be taken up by operating expenditure and 28% by development expenditure. Restraints on public expenditure ensure that every aspect of expenditure would be essential and unavoidable.

Currently 24% of operating expenditure alone is comprised of debt servicing expenditure. The Government has made debt prepayments and will continue to do so; thereby the debt service ratio in future periods will be reduced.

Restraints on public expenditure will however not affect planned development expenditure to uplift the rural poor and allocations required by the 5th Malaysia Plan will be fulfilled. The Government is wholly committed to the proposed development envisaged in the 5th Malaysia Plan the objectives of which are the eradication of poverty and equitable distribution of the country's wealth. The Government shall continue to make efforts necessary to achieve these objectives.



## SECTION C

## ANALYSIS ON AMENDMENTS TO DIRECT TAXATION

## 1. REDUCTION OF DEVELOPMENT TAX

## Proposal :

Development tax is to be reduced from 5% to 4%. This reduction is applicable to both individuals and companies.

This proposal is effective from year of assessment 1990.

## 2. BONUS RESTRICTION

## Proposals :

- i) restriction on deduction for bonus payment be abolished; and
- ii) all bonuses (contractual or otherwise) are subject to EPF contributions.

These proposals are effective from year of assessment 1990.

## 3. PRIZE MONEY

## Proposal :

All prize money won by professional sportsmen and sportswomen (local and foreigners) be exempted from income tax.

This proposal is effective from year of assessment 1990. However the budget is silent as to whether such payments continue to be recognised as allowable deduction for tax purposes.

## 4. INCENTIVES UNDER THE INCOME TAX ACT, 1967

The following double deductions are proposed:-

## a) Tourism Industry

- i) Specified expenditure incurred by hotel and tour operators on overseas promotion as follows :-

o on publicity and advertisements in any mass-media outside Malaysia;

o publications of brochures, magazines and guide books including delivery costs which are not charged to the overseas customers;

- o market research to find new markets overseas, subject to the prior approval from the Ministry of Culture and Tourism;
  - o fares to any country outside Malaysia for the purpose of negotiating or securing a contract for advertising or participating in trade fairs or conferences or forums approved by the Ministry of Culture and Tourism subject to a maximum of \$200/- per day for lodging and \$100/- per day for food for the duration of the stay overseas; and
  - o organising trade fairs or conferences or forums approved by the Ministry of Culture and Tourism.
- ii) expenses incurred on training approved by the Minister of Culture and Tourism.

These proposals are effective from year of assessment 1991.

b) Rattan and Wood-based Industry

- o freight charges incurred by manufacturers in Sabah and Sarawak who export rattan and wood-based products (excluding sawn timber and veneer).

This proposal is effective from 1st January 1990.

## SECTION D

## ANALYSIS AND COMMENTS ON AMENDMENTS TO INDIRECT TAXATION

## 1. STAMP DUTY ON VARIOUS FINANCIAL INSTRUMENTS

Stamp duty on negotiable certificate of deposit will be abolished with effect from 1.1.1990.

Stamp duty on instrument relating to secondary trading of shares and either listed or unlisted property unit trust be abolished with effect from 1.1.1990.

## 2. MEASURES TO DEVELOP TOURIST INDUSTRY

- i) CKD components for locally assembled tourist buses - import and excise duties will be abolished w.e.f. 27.10.89.
- ii) CKD components for locally assembled limousines used in the tourist sector will be exempted from import and excise duties effective from 27.10.89 to December 1990, subject to the following conditions:-
  - a) Limousines must be of 2000 cc and above;
  - b) Company must be registered with Tourist Development Corporation (TDC) as a tour operator;
  - c) Company must be in possession of licence issued by the Commercial Vehicle Licencing Board;
  - d) Company cannot sell the vehicle within 10 years.
- iii) The range of items made available to tourists which are free of sales tax shall include pewterware with effect from 27.10.89.
- iv) Exemption level for service tax on hotels be increased from 6 rooms and below to 25 rooms and below with effect from 27.10.89.
- v) Service tax in Labuan to be abolished from 28.10.89.

## 3. MEASURES TO IMPROVE RATTAN AND WOOD-BASED INDUSTRIES

It is proposed that the import duties and surtax exemption be extended to manufacturers for domestic market with effect from 1.1.1990.



## 4. SALES TAX EXEMPTION FOR BUILDING INDUSTRY

Certain building materials as listed below are to be exempted from sales tax :

Tariff Code HS	Description	Present rate	Proposed rate
6810.11 000	Concrete building bricks and blocks	5%	) ) ) Nil
6819.19 900	Concrete slabs and ridge tiles	5%	
44.07	Sawn timber	5% & 10%	

## 5. MEASURES TO MODERATE PRICE PRESSURES

To increase local supplies and help restrain price increases, the following proposed changes are made.

## a) Goods proposed for reduction in import duty :

- i) Foodstuff eg. various types of grains, potatoes, chocolates, etc. - reduction ranging from 1% to 3%
- ii) Input for manufacture of beverages - reduction ranging from 8% to 20%
- iii) Household goods eg. toiletries, rice cookers, etc. - reduction ranging from 5% to 10%
- iv) Pharmaceutical products - 3% reduction
- v) Agricultural inputs, such as various herbicides - reduction ranging from 3% to 5%

## b) Goods proposed for abolition of surtax (5%) :

- i) Foodstuff eg. oats, vegetables and poultry
- ii) Household goods eg. matches, cooking appliances, tables, etc.
- iii) Agricultural inputs, ie. various fertilizers

## c) Goods proposed for exemption from sales tax (5%):

- various types of meat.

- d) Goods proposed for reduction in excise duties :
- i) Matches and pocket lighters - total exemption
  - ii) Refrigerators not over 350 litres - reduced by half

(N.B. : Detailed listing of the above can be obtained from the customs office and Aljeffri Sdn Bhd)

#### 6. MEASURES TO ASSIST TRANSPORT SECTOR

Import duty of 5% on all CKD components of locally assembled lorries and buses and excise duty of 5% on all buses be abolished.

Excise duty on motorcycles not exceeding 150 cc reduced from 20% to 10%.

#### 7. AMENDMENTS TO FEES IMPOSED UNDER ROAD TRANSPORT ACT 1987

The following reductions are proposed to be made :

- i) Transfer fee reduced from \$300 to \$100 for transfer of motor vehicles from individuals to companies
- ii) Road tax for motorcycles between 250 cc to 500 cc reduced from \$150 to \$100 p.a.
- iii) Road tax for motorcycles exceeding 500 cc flat rate of \$130 p.a.
- iv) Road tax of buses and lorries owned by driving schools to be reduced from an average of \$1,500 p.a. for buses and \$5,300 p.a. for lorries to a flat rate of \$600 p.a.

The above amendments will be effective from 28.10.89.

#### 8. MEASURES TO PROMOTE SPORTS

Import duty, surtax and sales tax which are currently charged at 5% to 10% on certain sports goods have been proposed to be abolished or exempted from such tax. These goods include bowling balls, volleyballs, hockey sticks etc.

(N.B. : Detailed listing of the above can be obtained from the customs office and Aljeffri Sdn Bhd)

9. HARMONISATION OF IMPORT DUTY ON SPARE PARTS

Rates of import duties on certain spare parts are to be harmonised with import duties on finished goods.

Import duties have been abolished for certain machinery and equipment parts in the manufacturing sector.

Import duties have also been reduced ranging from 3% to 25% for certain spare parts.

(N.B. : Detailed listing of the above can be obtained from the customs office and Aljeffri Sdn Bhd)

## SECTION E

## INCENTIVES FOR MANUFACTURING SECTOR

## RATTAN AND WOOD-BASED INDUSTRIES

The manufacturing sector contributes tremendously to growth in the Malaysian economy and is expected to record an expansion of 13% in 1989. It is noted that the downstream activities of the forest resources are inadequate as presently most sawlogs are exported. In this respect, there is a need to further develop the rattan and wood-based industries.

The following incentives under the Promotion of Investment Act (PIA), 1986 are proposed :-

- i) the pioneer status is further extended by 5 years for manufacturers of rattan and wood-based furniture and furniture components; without the need to comply with the present criteria on capital and employment; and
- ii) the incentives under PIA are now made available to the companies that satisfies the following conditions :-
  - a) 51% or more of its equity are owned by Malaysians; and
  - b) export 60% or more of their component products.

The following are proposed for the manufacturers of rattan and wood-based products (excluding sawn timber and veneer) in Sabah and Sarawak:-

- i) Manufacturers who produce for domestic market are eligible for incentives under the PIA.
- ii) Manufacturers who produce for export market will be eligible for extension of pioneer status by 5 years without having to comply with the criteria on capital and employment.

These proposals are effective from 1st January 1990.

## SECTION F

## SYNOPSIS AND COMPARISON

PARTICULARS	1984 & 1985	1986 & 1987	1988 & 1989	BUDGET 1990
1. PERSONAL TAX				
a) Tax rates				
- Income Tax	1984 : 6% - 55% 1985 : 5% - 40%	No change	No change	No change
- Development Tax	5% on income from business and letting of property.	No change	1988 : No change 1989 : Abolished gradually starting with a reduction of -1% (w.e.f Y/A 1990).	Reduced to 4% w.e.f Y/A 1990.
- Excess Profits Tax	5% on taxable income in excess of \$300,000.	No change	No change	No change
b) Pension of wife on optional retirement	1984 : Assessed with husband 1985 : - do -	1986 : Can opt for separate assessment 1987 : No change	No change	No change
c) Tax exemption :				
- Gains or profits	1984 : Gains or profit accruing on a deposit of up to \$5,000 for a calender year on any savings account with Bank Islam Malaysia Berhad. 1985 : No change	No change  No change	No change  No change	No change  No change
- Pensions	1984 : All pensions exempted.  1985 : Withdrawn for persons with multiple pensions except for highest pension.	No change	No change	No change

PARTICULARS	1984 & 1985	1986 & 1987	1988 & 1989	BUDGET 1990
d) Exemption on compensation for loss of employment	1984 : Limited to \$2,000/- per complete year of service. 1985 : No change	1986 : No change 1987 : Limited to \$4,000/- per complete year of service.	No change	No change
e) Deduction of tax from salary/remuneration	As directed by DGIR.	1986 : As directed by DGIR. 1987 : Compulsory for tax liability in excess of \$500/-.	No change	No change
f) Withholding tax on interest	Nil  NIL	1986 : Interest on F.D. for less than 12 months- 5% withholding tax (Final tax). 1987 : No change	1988 : No change  1989 : w.e.f 1.1.1989 interest earned on fixed deposit will be subject to 5% final withholding tax except for savings in Bank Simpanan Nasional and Lembaga Urusan Dan Tabung Haji.	No change
g) Savings account in :- Bank/Financial or other institutions - Exempt limit	\$1,000	1986 : \$1,000/- 1987 : \$5,000/- (w.e.f Y/A 1988).	No change	No change
h) Price Money received by Professional sportsmen	Tax at individual tax rate for local sportsmen and subject to 15% withholding tax for foreign sportsmen.	No change	No change	Exempted from income tax w.e.f Y/A 1990.
2. CORPORATE TAX				
a) Tax rates				
- Income tax	40%	40%	1988 : 40%	1990 : 35% Reduced to 4% from Y/A 1990
- Development tax	5%	5%	1988 : 5% 1989 : 35% 1989 : Abolished gradually starting with a reduction of 1% (w.e.f Y/A 1990)	
- Excess profit tax	5%	3%	Abolished	
				No change

PARTICULARS	1984 & 1985	1986 & 1987	1988 & 1989	BUDGET 1990
b) Withholding tax on interest payments on Foreign Loans	1984 : 15% 1985 : No change	1986 : 20% 1987 : No change	No change	No change
c) Insurance				
i) Export credit insurance premiums	NIL	1986 : Double deduction allowed on premium payments. 1987 : No change	No change	No change
ii) Life insurance - Commissions paid	Deductible expense	1986 : No change 1987 : Not deductible where gross premiums receivable for Y/A 1986:  >\$50m w.e.f. Y/A 1988 >\$10m - <\$50m w.e.f. Y/A 1990 <\$10m w.e.f. Y/A 1992	No change	No change
- Gross revenue	NIL	NIL	1988 : Allowable deduction of 2% on the balance of revenue account at the end of basis period w.e.f. Y/A 1988. 1989 : No change	No change
d) Approved revenue research expenditure	NIL	1986 : NIL 1987 : Double deduction on approved expenditure.	No change	No change
e) Payment of income tax	30 days from date of service of notice of assessment	No change	1988 : Compulsory tax instalment w.e.f 1.1.89 as directed by DGIR. 1989 : No change	No change
f) Dividends received	Tax at source at 40%	No change	1988 : No change 1989 : Tax at source @ 35%.	No change

PARTICULARS	1984 & 1985	1986 & 1987	1988 & 1989	BUDGET 1990
g) Entertainment expenditure	Allowed as a reduction to arrive at chargeable income (both Individuals and Companies) if incurred wholly and exclusively in the production of gross income.	No change	<p>1988 : No change</p> <p>1989 : Entertainment expenditure/allowance disallowed as expense in arriving at the chargeable income, except:</p> <ul style="list-style-type: none"> <li>i) entertainment given to employees;</li> <li>ii) entertainment provided by a business for payment where the nature of business is to provide entertainment for payment.</li> <li>iii) expenditure on promotional gifts or samples.</li> <li>iv) the provision of entertainment for cultural or sporting events open to members of the public, wholly to promote the business of that person.</li> </ul>	No change
h) Bonus Restriction	Maximum of \$1,000 or 2/12th of annual salary whichever is greater.	No change	<p>1988 : No change</p> <p>1989 : Maximum of \$2,000 or 2/12th of annual salary plus any additional sum which shall not be more than twice the percentage increase in the company's current year's net profit before tax when compared to the previous year's net profit before tax.</p>	Abolished. However bonus paid are subject to EPF contribution. w.e.f Y/A 1990.



PARTICULARS	1984 & 1985	1986 & 1987	1988 & 1989	BUDGET 1990
i) Free air passage for taxpayer and immediate family  j) Overseas promotion to hotel & tour operators  k) Approved training expenses for tourist industry	1984: Overseas - once a year Local - 3 times a year  1985 : Restriction to MAS or tickets issued by MAS  NIL  NIL	1986 : No change but restriction removed  1987 : No change  NIL  NIL	1988 : No change  1989 : Expenditure on free passage be disallowed as a deduction to the employer but continue to be tax exempt in the hand of the recipient.  NIL  NIL	No change  Double deduction allowed on certain expenditure w.e.f Y/A 1991.  Double deduction allowed on approved training w.e. Y/A 1991.
B. CAPITAL ALLOWANCES  a) Industrial building allowance  b) Accelerated depreciation allowance (ADA)  c) Construction of public road by private sector	1984 : Extended to building approved for industrial training, licensed godowns and stores for export.  1985 : No change  1984 : Initial - 20% Annual - 80% ADA for heavy construction equipment withdrawn  1985 : No change  NIL	1986 : Abolished for manufacturing sector 1987 : 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  1986 : Extended to year 1988 (heavy construction equipment does not qualify for this allowance) Initial - 20% Annual - 40% (w.e.f. Y/A 1987)  1986 : Construction costs of public roads under privatisation programme	No change  1988 : No change  1989 : Expired and not extended	No change  Expired

PARTICULARS	1984 & 1985	1986 & 1987	1988 & 1989	BUDGET 1990
<p>d) Motor vehicle qualifying limit</p> <p>e) Rent paid on hire/ leased of motor vehicle qualifying limit</p> <p>f) Reinvestment allowance</p>	<p>1984 : \$15,000</p> <p>1985 : \$25,000</p> <p>1984 : All rents allowed</p> <p>1985 : \$25,000</p> <p>1985 : Capital expenditure incurred from 1.1.1979 to 31.12.1988 at 25% rate</p>	<p>to be treated as qualifying building expenditure Initial - 10% Annual - 6%</p> <p>1987 : No change</p> <p>No change</p> <p>No change</p> <p>No change</p>	<p>No change</p> <p>No change</p> <p>No change</p> <p>1988 : Period extended to 31.12.90 Rate increased to 40% for capital expenditure incurred on or after 1.1.1988.</p> <p>1989 : No change</p>	<p>No change</p> <p>No change</p> <p>No change</p> <p>No change</p>
<p>4. PROMOTION OF INVESTMENTS</p> <p>Investment Incentives Act, 1966 was repealed w.e.f. 1.1.86 and was subsequently replaced by Promotion of Investment Act, 1986 (PIA) w.e.f. April 1986.</p> <p>a) Rubber based industry</p> <p>b) Pioneer status</p> <p>c) Abatement of adjusted income for compliance with Government policy</p>	<p>Y/A 1985 and prior years: Investment Incentives Act, 1968.</p>	<p>1986 onwards : Promotion of Investment Act, 1986 (PIA) w.e.f. April, 1986.</p> <p>1986 : Increased by 15%</p> <p>1987 : No change</p> <p>1986 : 5 years</p> <p>1987 : 10 years for specific industries</p> <p>1986 : Abatement of 5% of adjusted income</p> <p>1987 : 5 years of assessment from the year in which the Co. is first given the abatement.</p>	<p>No change</p> <p>No change</p> <p>No change</p>	<p>No change</p> <p>No change</p> <p>No change</p>

PARTICULARS	1984 & 1985	1986 & 1987	1988 & 1989	BUDGET 1990
<p>d) Incentive for construction companies</p> <p>e) Incentive for rattan &amp; wood-based industries.</p>	<p>NIL</p> <p>NIL</p>	<p>NIL</p> <p>Eligible for incentive if export sales are 80% or more.</p>	<p>1988 : NIL</p> <p>1989 : .</p> <p>i) income earned from overseas construction project and remitted back to Malaysia be abated by 50%. Dividends paid out of the tax exempt income will also be tax exempt.</p> <p>ii) applicable to projects implemented from Budget Day to 1993 and whose income is brought back within 5 yrs from commencement of the projects.</p> <p>No change</p>	<p>No change</p> <p>Eligible for incentive if export sales are 60% or more provided 51% of equity is owned by Malaysians.</p> <p>For Sabah &amp; Sarawak there are additional incentives.</p>
<p>5. REAL PROPERTY GAINS TAX</p> <p>a) Exemption</p> <p>b) Resident company rate :</p> <p>c) Non-resident company - rate:</p>	<p>1984 : Land belonging to a deceased person in settlement of estate duties up to the extent of estate duties payable.</p> <p>1985 : No change</p> <p>1984 : Scale from 40% to 5% over a period of six years. Exempted in the seventh year onwards.</p> <p>1985 : No exemption in the seventh year onwards but at 5%.</p> <p>40%</p>	<p>No change</p> <p>1986 : No Change</p> <p>1987 : Scale from 20% to 10% over a period of four years. 5% from the fifth year onwards.</p> <p>1986 : 40%</p> <p>1987 : Same as resident company.</p>	<p>1988 : Additional exemption for cross transfers between co-proprietors.</p> <p>1989 : No change.</p> <p>No change</p> <p>No change</p>	<p>No change</p> <p>No change</p> <p>No change</p>

PARTICULARS	1984 & 1985	1986 & 1987	1988 & 1989	BUDGET 1990
d) Resident individual rate :	1984 : Scale from 40% to 5% over a period of six years. Exempted in the seventh year onwards.  1985 : No change	1986 : No change 1987 : Scale from 20% to 5% over a period of five years. Exempted in the sixth year onwards.	No change	No change
e) Non-resident rate :	40%	1986 : 40% 1987 : Same as resident individual	No change	No change
f) Disposal of shares			1989 : Subject to RPGT w.e.f Budget day.	No change
6. SUPPLEMENTARY INCOME TAX (for companies)				
Excess profit tax				
i) Concept of share holders' funds	In existence	1986 : Withdrawn 1987 : No change	No change	No change
ii) Franking limit	\$200,000	1986 : \$2,000,000 - Applicable to resident and non-resident persons	Abolished w.e.f. Y/A 1988 1989 : No change	No change
iii) Rates	5%	1987 : No change 1986 : 3% 1987 : No change	NIL	No change
7. SHARES (LAND BASED COMPANY) TRANSFER TAX ACT 1984				
a) Rates	10%	1986 : 10% As per section 4A 1987 : 2% Conditions stipulated under the new section 4A	1988 : No change 1989 : Repealed w.e.f Budget Day. Gain on disposal now subject to RPGT.	No change
b) Exemption under section 4A	NIL	No change	1988 : Exemption granted will be withdrawn if	

PARTICULARS	1984 & 1985	1986 & 1987	1988 & 1989	BUDGET 1990
			<p>fail to comply with conditions stipulated under section 4 within the period of 3 years from date of approval.</p> <p>1989 : Repealed - taxable under RPGT.</p>	No change
<p>8. IMPORT, EXCISE DUTIES AND SURTAX</p> <p>a) Rationalisation of import duty and surtax</p>	<p>1,300 items consolidated Ad Valorem rate instead of specified rate</p>	No change	<p>1988 : No change</p> <p>1989 : Import duty reduced between 20% to 87% on certain manufactured goods.</p>	<p>CKD components for locally assembled lorries &amp; buses exempted from import &amp; excise duty.</p> <p>Import duty reduced between 3% - 20% for foodstuff, household goods, manufacturing inputs, pharmaceutical product and agriculture inputs.</p> <p>Abolition of surtax proposed for certain foodstuff, household goods and agricultural inputs.</p> <p>Excise duties reduced between 5% - 20% for matches, lighters and refrigerators.</p> <p>Excise duty on motor cycles not exceeding 150cc reduced from 20% to 10%.</p> <p>Exemption of import duty &amp; surtax for sports goods.</p> <p>Import duties of spare parts to be harmonised with import duties of finished goods.</p>

PARTICULARS	1984 & 1985	1986 & 1987	1988 & 1989	BUDGET 1990
b) Rates				
i) Raw materials and components	1984 : 3% - 45% 1985 : No change	1986 : Certain items qualified for 2%. 1987 : list of items qualified for 2% are further reduced.	No change	No change
ii) Self-monitoring equipment	Import duty - 3% Sales duty - 10%	1986 : No change 1987 : Abolished	No change	No change
9. SALES TAX				
a) Rates				
i) Building material not generally used for low cost housing		1986 : No change 1987 : No change except for cigarettes and liquor - 15%	1988 : Reimposed 5% on foodstuffs, building materials and semiprocessed goods. 1989 : No change except additionally imposed on other foodstuffs and building materials.	No change
ii) Exemption for ready made jewellery		No change	1988 : 10% on other goods which are not basic necessities. 1989 : No change except additionally imposed on certain video cassette tapes.	No change
b) Exemption		Not subject to sales tax i) manufacturers of exempted goods ii) persons exempted from licensing.	1988 : Withdrawn except for raw materials and components manufactured for export. 1989 : No change	Further exemption for following goods : Pewterware sold to tourist Concrete building material & sawn timber Meat

PARTICULARS	1984 & 1985	1986 & 1987	1988 & 1989	BUDGET 1990
<p>10. SERVICE TAX</p> <p>a) Rates on taxable goods and services</p> <p>b) Exemption levels</p>	<p>10%</p>	<p>5%</p>	<p>No change</p> <p>6 rooms and below (Hotel industries)</p>	<p>Certain sports goods.</p> <p>No change</p> <p>25 rooms &amp; below. (Hotel industries)</p>
<p>11. OTHER SIGNIFICANT TAXES</p> <p>a) Stamp duty : Corporate bonds at time of issue time of transaction time of transfer</p> <p>b) Share &amp; property unit trust</p> <p>c) Certificate of deposit</p>	<p>1% for unlisted &amp; 0.3% for listed.</p> <p>\$3.00</p>	<p>No change</p> <p>No change</p>	<p>1988 : 0.5% 0.1% 0.3%</p> <p>1989 : exempted</p> <p>No change</p> <p>No change</p>	<p>No change</p> <p>Exempted w.e.f 1.1.1990</p> <p>Abolished w.e.f 1.1.1990</p>
<p>12. AGRICULTURAL SECTOR</p> <p>- Deduction for capital expenditure on approved agricultural projects</p>			<p>1989 : Expenditure be allowed as a deduction from aggregate income (w.e.f Y/A 1989)</p>	<p>No change</p>
<p>13. ROAD TRANSPORT ACT 1987</p> <p>a) Transfer fee from individual to company</p> <p>b) Motorcycle - Road Tax</p> <p>c) Buses and lorries owned by driving school</p>	<p>-</p> <p>-</p> <p>-</p>	<p>1987 : \$300</p> <p>1987 : 250cc to 500cc \$150 p.a &gt; 500cc \$0.50 per cc</p> <p>1987 : Average \$1500 p.a for buses \$5300 p.a for lorries</p>	<p>No change</p> <p>No change</p> <p>No change</p>	<p>Reduced to \$100</p> <p>250cc to 500cc - \$100 p.a Above 500cc - Flat rate \$130 p.a</p> <p>Flat rate \$600 p.a</p>

