

# KERATAN AKHBAR

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## Incentives and tax exemptions for economic growth

By Prof Datuk Dr  
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PRIOR to 2020, the Malaysian economy witnessed steady growth just like other nations.

However, Malaysia saw a decline in the average growth of gross domestic product (GDP) of about 2.2% in 2009 and 2010. The global economic crisis aftermath was a steady GDP spike of between 2.7% and 3.2%.

The Asian financial crisis during 1997 and 1998 caused a meltdown of economies globally but did not adversely impact Malaysia.

This is because the high demand for some sectors either internally or globally contributed to the growing economic performance.

Manufacturing, services, tourism and information technology are sectors that played a pivotal role in sustaining the Malaysian economy. The oil and gas industries had equally contributed to the growth of Malaysia via collection of revenue by the Inland Revenue Board of Malaysia.

Revenue is essential as it is used in funding the implementation of infrastructure such as schools, roads, bridges and fundamental facilities for both rural and urban citizens of Malaysia.

The revenue collection contributes to the progress and prosperity of the nation.

Malaysia's economy is connected to the revolution of global economics arising every seven to eight years.

Covid-19 devoured the Malaysian economy at the dawn of 2020. Our GDP dwindled as much as 17.2% in the second quarter of 2020 and plunged further to a deficit of 5.6% for the entire year.

Every sector involved fell victim to the global Covid-19 pandemic.

The survivor was the manufacturing and agriculture sector, especially the glove and palm oil industries which had amplified their exports due to the increasing demand for the resources as stated by the Deputy Minister in the Prime Minister's Office (Economy Division).

The Malaysian economy saw a surge at a rate of 8.9%, reporting a steadier second quarter for 2022 promoted by domestic demand – compared to the 5% recorded in the first quarter 2022 equating to an overall growth of 6.9%.

This is a positive sign for Malaysia, economically.

### Incentives and exemptions

To boost the nation's economy, selected sectors will be given tax exemptions to attract foreign investment and domestic players.

Sectors that are critical to economic growth are eligible for additional allowances, double tax deductions, deduction on provision expenses, while certain sectors get exemptions on import and excise duty and other forms of taxes.

Generally the various tax exemptions and tax incentive products were implemented by the government through HASIL for several vital sectors, such as the pioneer status, investment tax allowance and reinvestment allowance just to name a few under the Promotion of Investment Act 1986.

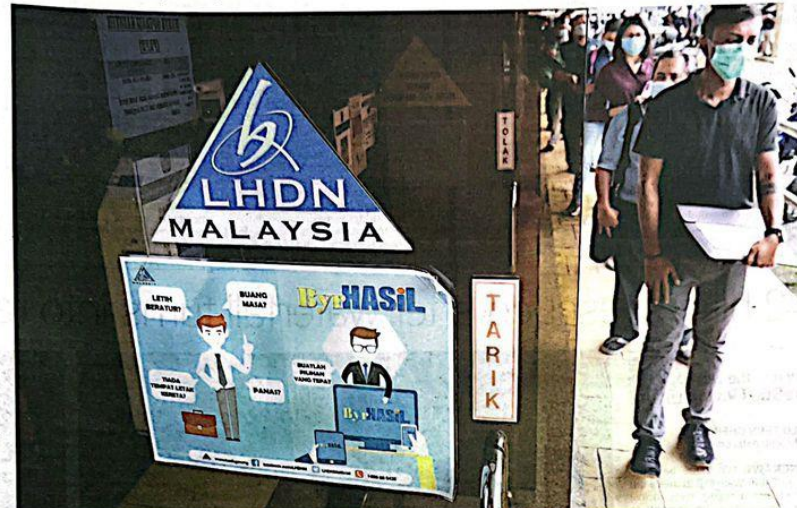
Manufacturers that shift their operations to Malaysia are eligible for tax exemption in the first 15 years.

The service sector on the other hand enjoys 10% in the first five years of assessment for global business centres and this tax exemption privilege is renewable for the next five years.

Go to [www.hasil.gov.my](http://www.hasil.gov.my) for the entire list of incentives and eligible tax relief by HASIL for each sector of the economy.

# INCENTIVES AND TAX EXEMPTIONS FOR ECONOMIC GROWTH

HASiL provides privileges for businesses under the Promotion of Investment Act 1986



Revenue collected by the Inland Revenue Board of Malaysia is channelled back to the rakyat in the form of building infrastructure such as schools, roads, bridges and fundamental facilities.



The injection of the right incentive into the right sectors will boost national growth, opines Prof Datuk Dr Mustafa Mohd Hanefah.

### Conclusion

Since Malaysia gained independence on Aug 31, 1957, national growth has endured challenges. As a tropical nation, we were reliant on agriculture and commodities that are subject to fluctuating prices.

The world economy posed challenges to commodities, causing a transition to the manufacturing sector with the rise of the Industrial Revolution in the mid 80s.

Tax incentives and eligible tax relief by HASIL have boosted the dynamic growth that benefited the people on the whole, modernising the nation for the benefit of citizens via the HASIL collection to be redistributed to the people via amenities and facilities.

The Government and HASIL must be ready for the forecasted rivalry from China in the glove manufacturing industry and be on guard against Indonesia and India in the palm oil trade as they emerge as the largest exporter of



While the Covid-19 pandemic impacted almost all sectors of the economy, palm oil and rubber glove producers amplified their exports due to the increasing demand for these resources.

the commodity in the world.

The injection of the right incentive into the right sectors will boost national growth.

The adequacy of incentives for sectors such as Islamic finance, tourism, services, information communication technology, higher education and research and development (R&D) will cater to the people as the beneficiary of the benefits arising from these sectors.

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