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Run-up to 2012 Budget

UHY: Reduction in Tax Rate in 2012 Budget could spur Malaysia's growth and competitiveness

UHY research shows: -

- **Up to 17% lower than country with highest tax rate**
- **Tax rate at lower spectrum amongst countries surveyed on 2012 budget -**

On 2012 Budget, PM may announce tax proposal that will spur growth in inter-ASEAN trade & trade with China.

Researched by UHY, an international accounting and consultancy network

"Malaysia has one of the world's most competitive and business friendly tax systems in the world today, given the global state of affairs with a debt crisis in the US and EU, a further reduction in tax would put Malaysia on the map as a haven for investors and international businesses" says Alvin Tee of UHY in Malaysia, adding that "even marginal reductions can make Malaysia suddenly visibly more attractive, it would make sense to do this as it would beautifully complement the government's drive to raise FDI, attract new talent and encourage consumer and business spending and investment domestically."

The consensus amongst Tax Practitioners in Malaysia is that our PM plans to announce a cut of 1 to 2% in corporate tax rate for the 2012 Budget on 7 October. However, based on the present corporate tax rate, our country has one of the most reasonable tax systems amongst fast growing economies, reveals research from the UHY international accounting and consultancy network.

Last month, UHY tax professionals studied tax data in 21 countries across its international network, including members of the G8 as well as key emerging economies. Tax professionals in each country calculated post-tax profits for businesses making annual statutory pre-tax profits of US\$100,000, US\$1 million and US\$ 100 million.

UHY explained that, when analysing larger profitable businesses (i.e. those making a statutory tax profit of US\$100 million per annum), the same business in Brazil would pay over a third more in tax (US\$34 million) than the equivalent business in Malaysia (US\$25 million).

The G8 countries
Corporate tax payable per country in US dollars (highest to lowest)

Tax payable (assuming pre-tax profit of US\$100,000)			Tax payable (assuming pre-tax profit of US\$1 million)			Tax payable (based on statutory pre-tax profit of US\$100 million)		
Germany	\$32,450	32%	Japan	\$419,900	42%	Japan	\$41,990,000	42%
Italy	\$31,400	31%	USA	\$340,000	34%	USA	\$35,000,000	35%
Japan	\$31,106	31%	France	\$333,333	33%	France	\$34,397,363	34%
France	\$23,350	23%	Germany	\$324,500	32%	Germany	\$32,450,000	32%
USA	\$22,250	22%	Italy	\$314,000	31%	Italy	\$31,400,000	31%
Russia	\$20,000	20%	UK	\$238,337	24%	Canada	\$29,187,384	29%
UK	\$20,000	20%	Canada	\$223,781	22%	UK	\$26,000,000	26%
Canada	\$15,500	16%	Russia	\$200,000	20%	Russia	\$20,000,000	20%

Sharing his insights on this, Senior Partner of UHY in Malaysia, Alvin Tee says: “Malaysia has a highly competitive and stable rate of tax for small, medium and larger sized firms. This is an attractive centre for fast growing businesses and enjoys a far lower tax rate than some other competing countries in the region. The corporate tax rate in Malaysia is largely equivalent to China’s. One interesting observation is that our Central Bank (Bank Negara Malaysia) seems to synchronize its policy changes with that of The People’s Bank of China (China’s Central Bank).”

“In line with our national aspiration to become a high income nation, competitiveness of the nation’s tax regime is critical. While the cost of doing business (and living) in Malaysia has been on the rise, we are confident that the Budget 2012 announcement shall see further policy level initiatives to

increase the attractiveness of Malaysia’s tax regime, both for domestic and international businesses investing in the country. In view of uncertainties in the US and Europe, our PM may announce tax proposals that would further spur inter-ASEAN trade and trade with China to counter the slow growth brought about by the drop in imports of Malaysian goods by the US and Europe.”

UHY countries surveyed Corporate tax payable per country in US dollars (highest to lowest)

Tax payable (assuming pre-tax profit of US\$100,000)			Tax payable (assuming pre-tax profit of US\$1 million)			Tax payable (based on statutory pre-tax profit of US\$100 million)		
Brazil	\$34,000	34%	Japan	\$419,900	42%	Japan	\$41,990,000	42%
Germany	\$32,450	32%	USA	\$340,000	34%	USA	\$35,000,000	35%
Italy	\$31,400	31%	Brazil	\$340,000	34%	France	\$34,397,363	34%
Japan	\$31,106	31%	France	\$333,333	33%	Brazil	\$34,000,000	34%
India	\$30,900	31%	Germany	\$324,500	32%	Germany	\$32,450,000	32%
Mexico	\$30,000	30%	India	\$324,450	32%	India	\$32,445,000	32%
Australia	\$30,000	30%	Italy	\$314,000	31%	Italy	\$31,400,000	31%
China	\$25,000	25%	Australia	\$300,000	30%	Australia	\$30,000,000	30%
Malaysia	\$25,000	25%	Mexico	\$300,000	30%	Mexico	\$30,000,000	30%
Spain	\$25,000	25%	Spain	\$278,571	28%	Spain	\$30,000,000	30%
Israel	\$24,000	24%	China	\$250,000	25%	Canada	\$29,187,384	29%
France	\$23,350	23%	Malaysia	\$250,000	25%	UK	\$26,000,000	26%
USA	\$22,250	22%	Israel	\$240,000	24%	China	\$25,000,000	25%
Netherlands	\$20,000	20%	UK	\$238,333	24%	Malaysia	\$25,000,000	25%
Russia	\$20,000	20%	Netherlands	\$235,714	24%	Netherlands	\$24,342,857	24%
UK	\$20,000	20%	Canada	\$223,780	22%	Israel	\$24,000,000	24%
Romania	\$16,000	16%	Russia	\$200,000	20%	Russia	\$20,000,000	20%

Canada	\$15,500	15.5%	Romania	\$160,000	16%	Romania	\$16,000,000	16%
Ireland	\$12,500	12.5%	Ireland	\$125,000	12.5%	Ireland	\$12,500,000	12.5%
Dubai, UAE	\$0	0%	Dubai, UAE	\$0	0%	Dubai, UAE	\$0	0%
Estonia	\$0	0%	Estonia	\$0	0%	Estonia	\$0	0%

John Wolfgang, chairman of UHY comments: “The difference between countries in the amount of tax they take from business profits is quite staggering. It will shock many commentators that, among the G8 countries, both the USA and Japan impose higher corporate taxes on some businesses than EU countries like France and Germany, which are traditionally seen as high tax economies.”

“Most non-G8 countries now impose a flat rate of tax regardless of the amount of profit generated. The majority of the G8 – with the exception of Germany, Italy and Russia – have progressive tax models with the effective tax rate increasing with profits. While this allows them to help smaller companies to grow, it does make their tax systems more complex.”

“High corporate taxes can deter business investment, which can hinder economic growth. Over the last decade many EU countries have slashed corporate taxes, leaving some of the BRIC nations, such as Brazil and India, surprisingly high tax in comparison.”

The UHY research reveals that (excluding Dubai and Estonia, which do not tax profits at all), for business with profits of US\$100,000 per annum the difference in the amount of tax collected between the highest taxing country (Brazil) and the lowest taxing (Ireland) is US\$21,500, which means that a business in Brazil would pay nearly three times more tax on its profits than the equivalent business in Ireland.

The calculations assume all exceptional gains and costs have been taken into consideration, as well as things like interest, the cost of stock options and goodwill amortisation. The tables (above) ranks countries from the highest tax burden first to the lowest tax burden last.

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Notes for Editors

About UHY, Malaysia

UHY, a Malaysian partnership, has 3 offices and more than 100 professional staff. The firm has service capabilities in audit, advisory, tax, forensic, litigation support and valuation areas.

UHY, a Malaysian partnership, is a member of UHY, an international network of independent accounting and consulting firms with offices in major business centres throughout the world. Further information can be found at www.uhy.com.my

Additional information for Editors

About UHY

UHY is proud to celebrate its 25th Anniversary in 2011. Established in 1986 and based in London, UK, UHY is a network of independent accounting and consulting firms with offices in nearly 240 major business centres in 78 countries. Over 6,300 staff generated an aggregate income of US\$583 million in 2010, ranking UHY the 23rd largest international accounting and consultancy network. Each member of UHY is a legally separate and independent firm.

For further information on UHY please go to www.uhy.com

UHY is a full member of the Forum of Firms, an association of international networks of accounting firms. For additional information on the Forum of Firms, visit www.forumoffirms.org

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