

## **MIA/MIT 1999 Budget Hotline**

The *1999 Budget Hotline* service operated by Malaysian Institute of Accountants (MIA) and Malaysian Institute of Taxation (MIT) in collaboration with the New Straits Times Press (M) Bhd Group was opened to members of the public on Saturday, 24 October 1998, a day after the 1999 Budget was presented by the Honourable Prime Minister Datuk Seri Dr Mahathir Mohamed who is also First Finance Minister on Friday, 23 October 1998.

Operated from 9:00 am to 12:00 noon in English, the hotline did not receive as good a response as in previous years because, according to the hotline handlers who are qualified volunteers with extensive experience in taxation, the newspapers had done a good job in covering the Budget proposals.

However, there were still a good number of callers who ranged from ordinary people to company executives. Their enquiries centred on Budget 1999 tax measures such as the one-year income tax exemption given to all tax payers in 1999, the 50% tax exemption on the interest-in-suspense accounts and the 70% tax exemption to companies designated as “international trading companies”.

At the press phone-in-interview held exclusively for the NSTP Group reporters on Budget day, MIA Council Members Mr Neoh Chin Wah and YB Lee Hwa Beng were on hand to give MIA’s initial response to the Budget proposals. And at the post-Budget press conference on 24 October to brief the media on the implications of the budget proposals were Mr Neoh Chin Wah, YB Lee Hwa Beng as well as MIT Council Members Mr Lee Yat Kong, Mr Quah Poh Keat and Haji Abdul Hamid.

In speaking to the press, they said that there would be a fundamental change in Malaysia’s tax administration in the new millennium. This would involve an extensive revision of the Principal Income Tax Act. “Tax payers and their accountants have to be prepared for the said changes. The change in basis of tax from prior year basis to current year basis is a good move to improve the government tax collection in the long run.”

“The position of Schedule Tax deduction for 1999 may, however, require clarification since the 1999 income is proposed to be waived. Other than the windfall tax on crude palm oil and crude palm kernel, there is not much restriction or provision that seeks to control or influence the conduct of business.”

“This continuous flexible and non-interference approach is good to instil business confidence. We noted not much change in tax incentives to attract foreign direct investment (FDI). This is probably due to the fact that the existing incentives are quite adequate.”

“We hope that the various measures taken or would be taken are able to produce the desired results, that is, the financial sector will hopefully be able to achieve a 1% to 2% growth. Building on the confidence, FDI will hopefully return to further strengthen the economy.”

The Institute also expressed its happiness with the amendment of Schedule 7A on Reinvestment Allowance to do away with the increased process efficiency condition. It observed, however, that some issues of concern had been missed out. Bonus restriction which does not provide incentive for employees to work harder had not been lifted.

The widely expected lowering of personal and corporate tax rates to keep Malaysian tax competitive in the region did not materialise. Further, the issue of some practical irregularity and problems related to service tax, which was raised by the Institute had also not been addressed.

The MIA also noted that business and economic recovery were emphasised in the budget proposals. Provisions have been made for the exemption of stamp duty for merger of financial institutions and refinancing instruments in respect of term loans.

“However, in the reorganisation and rehabilitation of businesses in trouble, as in the case of non-performing loans (NPLs) of companies taken over by Danaharta, it may involve refinancing instruments which are not limited only to term loans. As such, perhaps the stamp duty exemption should not be restricted, so long as it is an approved and rehabilitation scheme.”

“To complement Danaharta and perhaps extend help to other businesses which need help but have not been taken over by Danaharta, the introduction of other legislation to provide the legal framework to facilitate rehabilitation and reorganisation will be helpful.”

“The recent amendment to Section 176 of the Companies Act, placing a condition before an application for a restraining order, is a positive step. The government should also consider the introduction of Judicial Management legislation to help the reorganisation and rehabilitation of businesses in trouble.”

#### **Sidebar at end of this report**

The Institute would like to extend its appreciation and heartfelt thanks to the hotline volunteers:

Ms Bernice Tan and Mr Ho Wai Khee from *Arthur Andersen*  
Mr Jimmy Yok Kok Wah from *Ernst & Young*  
Mr Gabriel Kua and Mr Terence Ng from *Kassim Chan & Co*  
Mr Peter Huntsman from *KPMG Peat Marwick*  
and Mr Goh Kgirr Keng from *PricewaterhouseCoopers*

for their kind contribution to the Institute.

## MIA's TWELFTH ANNUAL GENERAL MEETING

The Institute had its 12th Annual General Meeting on Saturday, 5 December 1998. Six members of the Malaysian Institute of Accountants Council who were due for retirement at the end of the 1997/98 term were returned unopposed. They are : Mr Soon Kwai Choy, YM Raja Dato' Seri Abdul Aziz Raja Salim, YB Mr Lee Hwa Beng, En Ahmad Mustapha Ghazali, Mr Tony Seah Cheoh Wah and Mr Yue Sau Him. The Council also accepted a new member, YB Peter Nansian Nguse, who was appointed following a casual vacancy in the Council before the AGM.

The MIA President, YBhg Dato' Hanifah Noordin, who chaired the AGM, said that despite the current economic situation in the country, the Institute has had a very busy year in its efforts to uphold and develop the Malaysian accountancy profession.

The MIA, the President said, is also gearing itself towards the information technology era as we advance into the next millenium. The MIA has recently adopted the Codified International Standards on Auditing and Related Services issued by the International Federation of Accountants (IFAC) which will eventually replace the existing International Auditing Guidelines.

"The Codified International Standards on Auditing will no longer be printed on papers but will be issued to members in a diskette form before the end of the year. By doing this, the Institute hopes to create a future paperless office environment not only for the Institute but also for the members," explained Dato' Hanifah in his speech.

Dato' Hanifah proudly informed that Mr Tony Seah, Council Member and Chairman of the Accounting Standards Committee has been appointed to the Steering Committee on Developing Countries/Economies in Transition of the International Accounting Standards Committee (IASC). This shows that the IASC is confident that the MIA has the ability to address the issue of financial reporting and accounting standards.

Last year during the 30th Anniversary celebration of the Institute, the President mentioned on the possibility of setting up a practice review department in line with the more established practices around the accounting world. In his speech during the AGM, Dato' Hanifah informed the members that the Institute has already set up a Practice Review Department.

"By adopting practice review, our country is now able to show itself to be at the forefront of the profession around the world; thus enhancing the image of the Institute," addressed Dato' Hanifah.

In his speech, Dato' Hanifah reminded the accountants to continually maintain and upgrade their professional standards in order to keep up with the ever changing environment and rising public expectations towards the accountants. "Being professionals, we cannot and should not be ignorant of the global changes that affects our profession directly or indirectly," he stressed. With this, the accountants are urged to attend the continuing professional development seminars conducted by the Institute as the courses have been specifically designed to include current issues which develop well-rounded accountants.

One of the main highlights of the AGM was the issue of the unification of the accountancy profession in Malaysia. It arose from a motion proposed by an accountant who was both a member of the MIA and the Malaysian Association of Certified Public Accountants (MACPA). The motion called for the setting up of an executive committee comprising of MIA Council members and members of the floor to formulate plans for the merger of the MIA and MACPA.

“Although the meeting did not agree that an executive committee be set up for this purpose, the members present, who voiced their concern and disappointment at the delay in the merger, fully supported the Council in their proposed strategy to achieve unification without further delay,” he explained.

Dato’ Hanifah said that with the support of all accountants in the country, the MIA Council will pursue unification for the overall good of the accountancy profession. “The Council will be discussing this matter further with the MACPA Council,” he continued.

The 12th AGM went on for 3 hours and was adjourned at 5:30 p.m.

The new MIA Council for the 1998/99 period is as follows:

<b>Name</b>	<b>Position</b>
YBhg Dato’ Hanifah Noordin	President
Mr Soon Kwai Choy	Vice-President
YBhg Dato’ Mohamed Adnan Ali	Accountant-General
YM Raja Dato’ Seri Abdul Aziz Raja Salim	Council Member
YB Mr Lee Hwa Beng	Council Member
YB Peter Nansian Nguse	Council Member
En Ahmad Mustapha Ghazali	Council Member
Mr Chian Ngook For, Daniel	Council Member
Mr Goh Joon Hai	Council Member
Mr Lam Kee Soon	Council Member
Mr Neoh Chin Wah	Council Member
Mr Ong Euwan George	Council Member
Mr Seah Cheoh Wah, Tony	Council Member
Mr Tay Beng Wah	Council Member
Mr Yue Sau Him	Council Member
En Mohammad Abdullah	Registrar

At the subsequent Council meeting, Chairmen for MIA branches were also appointed by the Council as follows:

<b>Name</b>	<b>Branch</b>
YB Datuk Nellie Tan	Negeri Sembilan/Melaka
YB Peter Nansian Nguse	Sarawak
Mr Lee Yat Kong	Perak
Mr Michael Tong Yin Shiew	Sabah
Mr Neoh Chin Wah	Northern
Mr Seah Cheoh Wah, Tony	Southern
Mr Wong Seng Chong	East Coast

### **Courtesy Visit to the Registry of Companies**

Upon the appointment of the new Registrar of Companies, YBhg Dato' Idrus Harun, the MIA Council paid him a courtesy visit to congratulate him on being appointed to his new post. The visit was also to further strengthen the relationship between the Institute and the Registry Of Companies (ROC). The Council Members who were present during the visit were YBhg Dato' Hanifah Noordin, MIA President; Mr Soon Kwai Choy, Vice President; Mr Daniel Chian Ngook For, Mr Goh Joon Hai and Mr Neoh Chin Wah.

YBhg Dato' Hanifah Noordin started with a brief introduction on the establishment of the Institute. He also explained the Institute's roles in regulating the accountancy profession in Malaysia. Mr Soon then continued with a more in-depth history of the MIA and the accountancy profession in Malaysia.

The visit lasted for two hours and ended with Dato' Hanifah presenting a souvenir to Dato' Idrus.

## **MIA EAST COAST BRANCH ANNUAL DINNER**

The MIA East Coast Branch held its Annual Dinner and Dance in the Primula Parkroyal Hotel, Kuala Terengganu on 30th October 1998. The Dinner was graced by the presence of the Guest-of-Honour, YB Dato' Idris Jusoh, the Deputy Minister of Entrepreneur Development. The Dinner was hosted by Mr Wong Seng Chong, MIA East Coast Branch Chairman. YBhg Dato' Hanifah Noordin, MIA President; Mr Soon Kwai Choy, MIA Vice-President; and Mr Lee Yat Kong, MIT Council Member were also present during the Dinner.

In his speech, Mr Wong Seng Chong urged the authorities to undertake three measures in order to spur economic development in the East Coast Region. "I would like to request the Federal Government to carry out the construction of the East Coast Highway without further delay as this will propel the development of the East Coast states to put them on a par with the West Coast of Malaysia," he said.

The second measure is for the State governments to give priority to local residents and companies from the respective East Coast states when awarding contracts and sub-contracts unless there are no qualified local contractors for the job. "If there are no qualified local contractors then only it is appropriate for the state to award the contract to contractors from states other than the East Coast states," he added.

Thirdly, Mr Wong proposed that the Government open up more land for the cultivation of rubber wood, rattan and teak wood. "If this done, a furniture village can be set up following the very successful model in Muar," he explained in his speech.

The Branch Chairman further explained that capital controls, which include inflow and outflow of short-term capital, is only a stopgap measure. He stressed that it is important for the capital control measures to be temporary and accompanied by steps to correct weaknesses in the affected economies.

During the Dinner, the MIA East Coast Branch donated RM2,000 to two Down's Syndrome centres in the East Coast.

A short seminar on *1999 Tax Budget and It's Tax Consequences and Corporate Recovery and Restructuring During the Economic Downturn* was held before the Dinner. The seminar was conducted by Mr Lee Yat Kong and Mr Edwin Chew from Arthur Andersen for MIA members and staff.

## **COURTESY CALL TO THE OFFICIAL RECEIVER OF MALAYSIA**

Representatives of the Corporate Restructuring and Recovery Practice Board (CRRPB) of Malaysian Institute of Accountants made a courtesy call to the newly appointed Official Receiver (OR), Tuan Jalaldin b. Hussain at his office at the Department of Official Assignee, Bangunan Bank Rakyat on Saturday, 12 December 1998 at 10.00 a.m.

The Insolvency Practice Committee of MIA was represented by CRRPB Chairman, Mr Neoh Chin Wah, Mr Ng Pyak Yeow, Mr Gan Ah Tee, Mr K Balasubramaniam, En Ahmad Salleh, Ms Katharene E. and En Aidil Tupari.

Tuan Jalaldin welcomed and thanked MIA for making the courtesy call. He was very grateful for MIA's co-operation and assistance so far in creating public awareness as to the existence and role of the Official Receiver's office through the joint seminars organised with MIA. He also thanked MIA for giving the opportunity to his officers to attend the Institute's seminars.

Tuan Jalaldin highlighted that his department is currently going through a shift of paradigm and change in mindset. They now want to be seen to be both creditor and debtor friendly and wish to become arbitrators in the settlement of debts. In addition, the OR's office also hopes to be more transparent in whatever they do.

Mr Neoh Chin Wah, as chairman of CRRPB then briefed all present on MIA's role as the national accountancy body and regulator of all accountants, i.e. which includes auditors and liquidator, in Malaysia. Mr Neoh thanked the OR's office for its representation on the Insolvency Practice Committee of the Institute and expressed the hope that the OR's office would continue to be represented for mutual benefit.

Among matters discussed were liquidators misconduct, the sponsoring of INSOL membership fee for officers at the OR's office by the Institute, MIA seminars, substitution liquidator, power of liquidator to sell assets, and Consultative Working Group

Finally, Tuan Jalaldin expressed his sincere gratitude on the close co-operation that has been fostered between the Institute and the Official Receiver's Department and hoped that such close rapport will always be maintained.

## **6th Annual Accountants' Retreat**

Genting Highlands Resort, City of Entertainment, was the venue for the 6th Annual Accountants' Retreat 1998 from 27-29 November 1998. Genting Highlands Resort is the magical gateway filled with relaxation, recreation, fun and excitement for the families.

As in the previous year, we had three sessions on the technical programme during the 3 days 2 nights duration. The first session consist of topics such as Surviving Y2K, Revitalising Malaysia's Economy and Corporate Recovery & Restructuring Business. These tropical issues attracted a total of 74 members attended the programme. Another more lively topic entitled "Professional Image Enhancement" was presented by Ms Chung Siak Eoi, Managing Director from Asset Tree Sdn Bhd. The Keyword of her talk "Nothing Succeeds Like The Appearance Of Success"! The secret to an impactful personal presentation is through focusing on AIM - Attitude, Image and Manner. Who needs image? We all do!

Besides enjoying the cool air, Genting Theme Park was a major attraction for the members and their families. A special discounted package was arranged for a unlimited ride admittance at both the Indoor and Outdoor Theme Park. A 10% discount was also accorded to members who wish to dine at The Peak Restaurant of the Genting Hotel. Members of the Institute together with their families, a total of 94 people enjoyed the warm hospitality for an enjoyable and unforgettable holiday with its many facets.

### **Technical Programme**

#### **Friday, 27 November 1998**

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|----------------|---|
| 1.30 - 2.30 pm | Surviving Y2K by Ms Ong Ai Lin, Executive Director, PriceWaterhouseCoopers.<br>Chaired by Mr Lee Yat Kong.  |
| 2.30 - 3.3 pm  | Revitalising Malaysia's Economy by Dr R. Thillainathan, Director of Finance, Genting Berhad.<br>Chaired by Mr Neoh Chin Wah.  |
| 4.00 - 5.00 pm | Corporate Recovery & Restructuring Business - Future Prospects & Challenges by Mr Gan Ah Tee, Partner, Head of Corporate Recovery & Restructuring, KPMG Peat Marwick.<br>Chaired by Mr Neoh Chin Wah. |

#### **Saturday, 28 November 1998**

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| 9.30 - 10.30 am    | Professional Image Enhancement by Ms Chung Siak Eoi, Managing Director, Asset Tree Sdn Bhd.    |
| 11.00 - 12.00 noon | 1999 Budget & Tax Update by Mr Lee Yat Kong, Branch Chairman.<br>Chaired by Mr Wong Seng Chong |

#### **Sunday, 29 November 1998**

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| 9.30 - 10.30 am    | IAS Update by Mr Tony Seah, MIA Council Member<br>Chaired by Mr Harbhajan Singh. |
| 11.00 - 12.00 noon | Breach of Institute's Code of Ethics by Ms Ho Foong Moi.                         |
| 12.00 - 1.00 pm    | Forum on Rotation of Auditors, Chair by Mr Lee Yat Kong.                         |

Panellists: Mr Goh Joon Hai, Mr Neoh Chin Wah & Ms Ho Foong Moi