

P I O N E E R   S T A T U S

T A X   I M P L I C A T I O N S

## Table of contents

Acknowledgement	i
1.0 Introduction	1
2.0 Methodology	3
3.0 Limitations of study	4
4.0 Findings	5
4.1 Legislation	5
4.2 Pioneer Certificate	10
4.3 Ascertainment of Income	17
4.4 Dividends Exempt from tax	20
4.5 Income Statement In Dispute	23
4.6 Fixed Capital Expenditure	26
4.7 Accounting Period	28
4.8 Losses	31
5.0 Comments	32
6.0 Conclusion	34
7.0 Bibliography	35

## ACKNOWLEDGEMENT

I am grateful to many individuals and professionals who have aided and guided me in preparing this research paper. Many helpful suggestions and valuable comments have made this paper possible. I am indebted to the staff of Inland Revenue, especially Mr. Nakaratnam who assisted me on the point of Tax law, the Accountants of Monsanto Electronics on aspects of a Pioneer Status company, and most of all to my advisor Puan Faridah Ahmad for her patience and guidance in going through the script and making this paper possible.

Jan. 1987

## 1.0 INTRODUCTION

MALAYSIA has a crucial need for new investment especially foreign investments, after a difficult year where its key commodities, including petroleum reached rock bottom prices. The growth outlook for the economy is expected to be discouraging, and an increase dependence on foreign investments seems to be one of the areas which could keep the economy going.

In the Fifth Malaysia Plan (1986-90), the foreign sector is expected to provide a substantial amount of equity financing.

However foreign investments is also subject of intense wooing especially by developing countries including Malaysia.

In light of the difficult economic time, Malaysia is reviewing many of its policies to stimulate economic growth.

While it is important to attract new investors, it is equally important to create the right climate for those who are already here. The earlier companies should also be encouraged to expand operations.

In this paper, a closer look is taken at one of the incentives provided to increase investments:-

Pioneer Status and its Tax Implications.

A look at the Pioneer Status through tax incentives is made due to the fact that very little is written for the layman, and if it may be of any help to prospective investors local or foreign in understanding how tax plays an important role in their investments and what is in store for them should they invest and whether the tax relief period is sufficient or advantages to them in the long run, keeping in mind the tax effect post-pioneer.