Malaysia's Taxes Less Than China and Most G8 Nations

Tuesday, 26 June 2012 Newsdesk

New research reveals that Malaysia's tax burden is smaller than most developed countries', and it is effectively using tax revenues to make the country more competitive and attract investment.

According to research by UHY, the international accounting and consultancy group, Malaysia's taxes are lower than most of the Group of Eight (G8) nations and Brazil, Russia, India & China's (BRIC) economies! On average, the G8 and the BRIC countries take 28 per cent of GDP in tax, whereas Malaysia collects only 21 per cent of GDP in taxes.

Alvin Tee, Senior Partner of UHY in Malaysia says: "The tax burden in Malaysia is highly competitive by global standards. Even among the BRIC nations, Malaysia imposes lower taxes than both China and Brazil, which will surprise many people. It is crucial that we retain a competitive tax regime if we are to attract foreign investment."

As Tee implies, low taxes work to stimulate economic growth. Last week, two internationally-based companies -- Evyap, Turkey's leading soap and personal product maker and the Chinese carmaker, Chery – announced huge investment deals here. They are the latest of many businesses to feel the gravitational pull of Malaysia's robust economy.

Both corporations have chosen the country to make multi-million ringgit investments and build production hubs because of our favourable business climate and steady economic growth that was even noted in the respected business journal, *The Wall Street Journal (WSJ)*.

The *WSJ* commended Malaysia as being one of the few countries that will emerge from the euro-zone crisis stronger. The nation's economy is expected to grow nearly 5 per cent this year whereas the majority of the world's economies will languish.

Those findings are confirmed in UHY's research that says Europe's high taxes -- that are being used to pay down debt -- are draining their economies. In the euro-zone, Germany, France and Italy collect, on average, 43.4 per cent of GDP in tax. France's taxes are so high at 44 per cent they make the UK seem like a bargain at 34 per cent of GDP.

Alvin Tee says, "When you look at these numbers, it's quite clear that, from a tax perspective, euro-zone nations are pricing themselves out of the market. Many are raising taxes to pay down debts, eroding competitiveness even further – it's a Catch 22."

The higher tax burdens of the European countries show how little wiggle room they have to maneuver in terms of raising taxes to shore up public projects, all while trying to stimulate economic growth.

Contrast that picture with Malaysia where our low taxes, an abundance of natural resources, strong infrastructure, online capability and a Government that takes a sophisticated and cooperative approach to business all contribute to attracting investment.

But, don't take it from us alone. Here's what one of the companies making a RM400 million investment here had to say. "Malaysia is a safe investment destination and the government provides good services and facilities to investors like us to enable us to carry out our operations here," said Evyap's Chief Executive Officer (CEO), Mehmet Evyap.

More investments deals will be announced as the euro-zone desperate for a safe haven continues to be emotionally and literally taxed.