

Chance for firms to export with weaker ringgit, says Deloitte

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SUBANG JAYA: The depreciating ringgit is a silver lining for Malaysia as it provides opportunities for local companies to export their products abroad during the current challenging economic climate.

Deloitte Tax Services managing director Yee Wing Peng said Malaysia should look to export its services to Singapore or other countries with higher operating cost resulting from the global economic uncertainties.

"On the flip side of weakening ringgit, Malaysia is attractive to foreigners in terms of cheap labour and rental," he said at the pre-budget tax forum in conjunction with the launch of the Deloitte Tax Challenge 2015, here, yesterday.

Taylor's Business School associate professor Dr Subramaniam Pillay said the government should take the opportunity to include in the 2016 Budget incentives to boost export of goods and services overseas.

"In Australia and Canada, they see currency depreciation as a blessing where we rarely see as major news in their own respective countries. It is evident that it is not a big concern and their exporters are happy about it," he said.

However, Subramaniam said the ringgit should come to a level that is reflective of the country's fundamental value, which is around

RM3.80 to a US dollar.

Yee said the weakening of ringgit is a result of the strengthening of US dollar, depreciation of yuan and local current political instability.

Other areas that Yee and Subramaniam touched on include effectiveness of Goods and Services Tax (GST) and solutions to address the current economic uncertainties.

Yee said GST is more effective compared with the income tax and previous Sales Services Tax as everyone cannot escape from paying.

"For example, those people who earn from black market can purchase any goods and services without being taxed at all if GST is not imposed on those goods and services," he said.

Yee said the six per cent GST should not cause any excessive price hike, but it happened due to profiteering by irresponsible businessmen.

Subramaniam said GST and effective corporate tax rate are lower compared with other countries.

"Despite the current corporate tax rate of 25 per cent, which seems higher compared with Singapore's 17 per cent and Thailand 22 per cent, the effective corporate tax rate is actually lower as the government provides tax allowances," he said.

Yee said the implementation of Bantuan Rakyat 1 Malaysia (BR1M) should assist as it is well targeted to the lower-income earners.