



Revise windfall, state sales taxes on oil palm, growers urge govt

The Malaysian Palm Oil Association's (MPOA) has urged the East Malaysian states of Sabah and Sarawak to revise downward the state sales tax (SST) and the federal government to the same with the windfall profit levy (WPL, or the windfall tax).

These two taxes, which are imposed on East Malaysian oil palm growers, need to be revised in view of sharp rises in production of crude palm oil.

According to a report in theedgemarkets.com on October 10, 2022, MPOA chief executive Joseph Tek Choon Yee said the proposed price threshold review of the SST in Sabah and Sarawak would take into account the current high cost of palm oil production, while the windfall tax should be revised back to the original 1.5% from the present 3%, after factoring in the existing SST.

According to him, the SST started at RM50 per metric tonne of crude palm oil (CPO) in 1999, before it was revised to

5% per metric tonne of CPO in 2002 and 7.5% per metric tonne of CPO in 2005.

He said the price thresholds which were set around 1998 to 1999 were appropriate, as the costs then were around RM750 per metric tonne of CPO.

However, Tek noted that the cost of production has risen due to imposition of the minimum wages and high input costs of fertilisers and fuel in particular, among others.

Meanwhile, he said the WPL should be brought back to its original 1.5% their cost of production is higher than that of their Peninsular Malaysia counterparts.

CPO production year-on-year from January to September in Malaysia only rose a mere 0.25% or 34,000 metric tonnes to 13.34 million tonnes this year, from 13.31 million tonnes in 2021.

Tek said national CPO production this year is only

expected to hit 18 million tonnes due to the slow return of foreign workers who have missed the peak cropping season, the destructive impacts from the monsoon season, and the likelihood that the rains will intensify, hammering plantations, resulting in further crop losses in the last quarter.

Because of this, there had been no growth in CPO production for the past three years, he said.

Tek was speaking at Bursa Malaysia's inaugural East Malaysia Palm & Lauric Oils Price Outlook Conference & Exhibition (emPOC2022) in Sabah, where he was delivering a special paper entitled "The East Malaysian Palm Oil Supply Chain Equation: Snippets of History, Current Realities and Some Food for Thought".