



PORAM ANNUAL FORUM 2022
**SHAPING OR SHAKING THE INDUSTRY: POLICIES, REGULATIONS AND
THEIR IMPACT ON THE PALM OIL INDUSTRY**

28 November 2022, One World Hotel, Bandar Utama, Petaling Jaya



A Taxing Matter: The Continuous Conundrum in the Malaysian Palm Oil Industry

Joseph Tek Choon Yee
Chief Executive - Malaysian Palm Oil Association (MPOA)



TAXATION OF THE MALAYSIAN OIL PALM SECTOR



..... To share that oil palm growers are very heavily taxed in Malaysia

THE EDGE

M A L A Y S I A

www.theedgemarkets.com/article/cover-story-taxing-time-oil-palm-growers

Taxing time for oil palm growers 4 Jan 2018

Much has been said about Malaysia's heavy reliance on foreign workers and the need to move up the worker-productivity ladder. It is clearly difficult to attract Malaysian workers to the plantation sector, which has led to a labour shortage and significant productivity loss in operations. This, in turn, has contributed to a loss in revenue for growers and the country.

In March 2016, the increase in levy for guest workers in Peninsular Malaysia, from RM590 to RM640, hiked the cost of production for plantations. The Minimum Wage Order 2016, which came into effect on July 1, 2016, contributed to a further rise in cost for the plantation sector. The order called for the minimum wage to increase 11% from RM900 to RM1,000 in Peninsular Malaysia and 15% from RM800 to RM920 in Sabah and Sarawak.

While the Malaysian Estate Owners' Association (MEOA) concurs with the long-term aspiration for higher productivity and income, it believes any further

BY JOSEPH TEK CHOON YEE



increase in worker levy or minimum wage for the plantation sector without a corresponding increase in productivity in a commodity business will not achieve the nation's desired aspiration because of unique factors pertaining to the commodity-based business model.

The Malaysian palm oil industry competes in a global market against 16 other edible oil industries. Palm oil products are commodity priced. Therefore, a higher cost structure will erode our competitiveness relative to producers in other countries. This has adverse implications for the sustainability of the industry in Malaysia in the long run. While there is room for a wider adoption of mechanisation for the evacuation of crops, especially

where the terrain is suitable, the general experience to date has been a higher unit cost of production. Notwithstanding this, innovation and mechanisation in plantations must continue with enhanced focus and effectiveness.

The MEOA continues to implore the relevant authorities to expedite the recruitment and employment of foreign guest workers towards resolving the current shortage of foreign workers in the plantation sector. Is there a possibility for a one-stop centre for foreign guest workers engaged in the sector?

Being a commodity, palm oil's products are largely price takers, not price makers. Many factors are beyond the control of growers, including the weather, competing oils, foreign exchange movements and policy changes. In recent times, crude palm oil prices have been on a volatile trend while the cost of production continued to increase unabated. This was set against the backdrop of a multitude of taxes and levies imposed on oil palm growers. Their

profitability has eroded while the cash flow of new planters with borrowings or those embarking on replanting has been significantly affected.

While the CPO price recovered to some extent, following a perfect storm of low prices on low crops because of the El Niño phenomenon in 2016/17, it has again reverted to a downward trend. Against this backdrop, there is a need for the government to review the windfall profit levy, notwithstanding that it is not applicable to CPO prices at present. The MEOA calls for the WPL on palm oil to be abolished once and for all, or at least for the threshold to be adjusted to better reflect business conditions.

The WPL came into effect in 1999 to bolster the government's coffers during the Asian financial crisis and was subsequently reintroduced in 2008. It should be pointed out that no oil palm grower is rejoicing at today's prices, given the cumulative effect of relentless cost increases over the years. Today's derived margin at the established



BIRTH OF MPOA : 3-BECAME-1

1. *Rubbers Growers Association (RGA) - 1907*

and

2. *United Planting Association of Malaya (UPAM) - 1897*

and

3. *Malaysian Oil Palm Growers Council (MOPGC) - 1968*

=

MALAYSIAN PALM OIL ASSOCIATION (MPOA) - 1999

'ABC' of INDUSTRY : MPOA IS NOT GOVERNMENT BODY eg. MPOB, MPOC or MPOCC

Our mission is to ensure long-term **profitability** and **growth** of the Malaysian palm oil industry and other plantation tropical crops

**COMPETITIVENESS
MARKET ACCESS
SUSTAINABILITY**

Representation in the Malaysian palm oil supply-chain

MPOA represents about **70%** of the oil palm planted area under private ownership, which makes up about **40%** of the total planted oil palm area and include all **major key players** along the integrated palm oil supply chain in Malaysia.

SOME OF MPOA MEMBERS



Plantation



IOI GROUP



Plantations



TH PLANTATIONS BERHAD



**GENTING
PLANTATIONS**



Kulim (Malaysia) Berhad



UNITED PLANTATIONS BERHAD



**HAP SENG
PLANTATIONS**

2021 STAKEHOLDERS JOINT-APPEAL '3 ELEPHANTS IN THE ROOM'

RELEVANT STAKEHOLDERS OF THE MALAYSIAN PALM OIL INDUSTRY



etc



www.theedgemarkets.com/article/plight-malaysian-oil-palm-sector

TUESDAY MARCH 9, 2021 13 THEEDGE CEO MORNING BRIEF

HOME

Plantation associations appeal to govt on foreign worker, taxation, market access issues

BY ARJUNA CHANDRAN SHANKAR
theedgemarkets.com



KUALA LUMPUR (March 8): Oil palm plantation industry associations have appealed to the government on three issues: foreign workers, taxation and market access.

In a joint statement today, the associations appealed to the government to formulate and implement a top-level strategy that will consider allowing guest workers working in the sector who are currently in their respective countries of origin to return to Malaysia, as well as end the current pause in foreign worker recruitment for the sector.

They added that the Sarawak government's recent move allowing foreign workers back into the state could be emulated elsewhere in the country.

Sarawak has allowed foreign workers working on plantation estates in the state to return to their workplaces from March 1. Employers are responsible when it comes to ensuring the mandatory two-week quarantine for the workers and the administration of Covid-19 tests.

On the issue of taxation, the associations stated that with higher crude palm oil (CPO) prices in 2021, they expect substantial increases in the amount of tax levied on them this year.

Based on production and sales in 2021 from income tax, levies, cess, sales and service tax (SST), excluding CPO export tax duties, can range from RM1 billion to over RM12 billion, the associations estimated. Their estimated contribution to the government coffers in 2021, excluding GST duties, is about RM5.42 billion.

As such, these associations have called the Windfall Profit Levy (WPL) "seriously unfair" and are calling for it to be abolished. If the levy is not abolished, they are appealing to the government to review the threshold levels, which are currently at RM2,500 per tonne CPO in Peninsular Malaysia and RM3,000 per tonne in Sabah and Sarawak.

"For a start, the revision of threshold levels to RM3,500 and RM4,000 respectively would have closer semblance to the notion of windfall profit. In addition, portions of the WPL from the growers should also be channelled back to the palm oil industry as reinvestment to ensure the sustainability and competitiveness of the

industry," the associations viewed. The MPOB recently announced that it has increased the cess levied on per tonne of CPO and crude palm kernel oil (CPKO) to RM16, from RM14 previously, which will be used to support the establishment of the Mechanisation and Automation Research Consortium of Oil Palm (MARCOOP). In Sabah, the government imposes an SST of 7.5% on CPO sales when CPO prices exceed RM1,000 a tonne. In Sarawak, the SST on CPO and CPKO is at 5% when CPO prices are above RM1,500 a tonne. These taxes are levied on revenue. On market access, the associations also called on the government to invest more resources in government-to-government (G2G) engagements to address issues such as sustained and increasing anti-palm oil campaigns by environmental non-government organisations (NGOs) — including no-palm oil labelling campaigns. They also touched on the US Customs Protection (CBP) currently issued Release Orders (WRO) by the United States Trade and Development Administration (Itd and FGV) which is causing the loss as discriminatory trade barriers imposed by foreign governments. They also lamented that unrelenting and ever-changing sustainability requirements also in effect. In Sabah, the government signed the statement are the Malaysian Palm Oil Association (MPOA), the Malaysian Estate Developers' Association (MEOA), the National Association of Smallholder Palm Growers (NASH), the Palm Oil Manufacturers Association (POMA), the Incorporated Society of Planters (ISP), the Malaysian Oleochemical Manufacturers Association (MOMA), the Incorporated Society of Planters (ISP), the Malaysian Agricultural Producers Association (MAPA), the Palm Oil Refiners Association (PORAM) and Tawau Agricultural Association (TAA).

.... WORKERS, MARKET ACCESS & TAXATION!

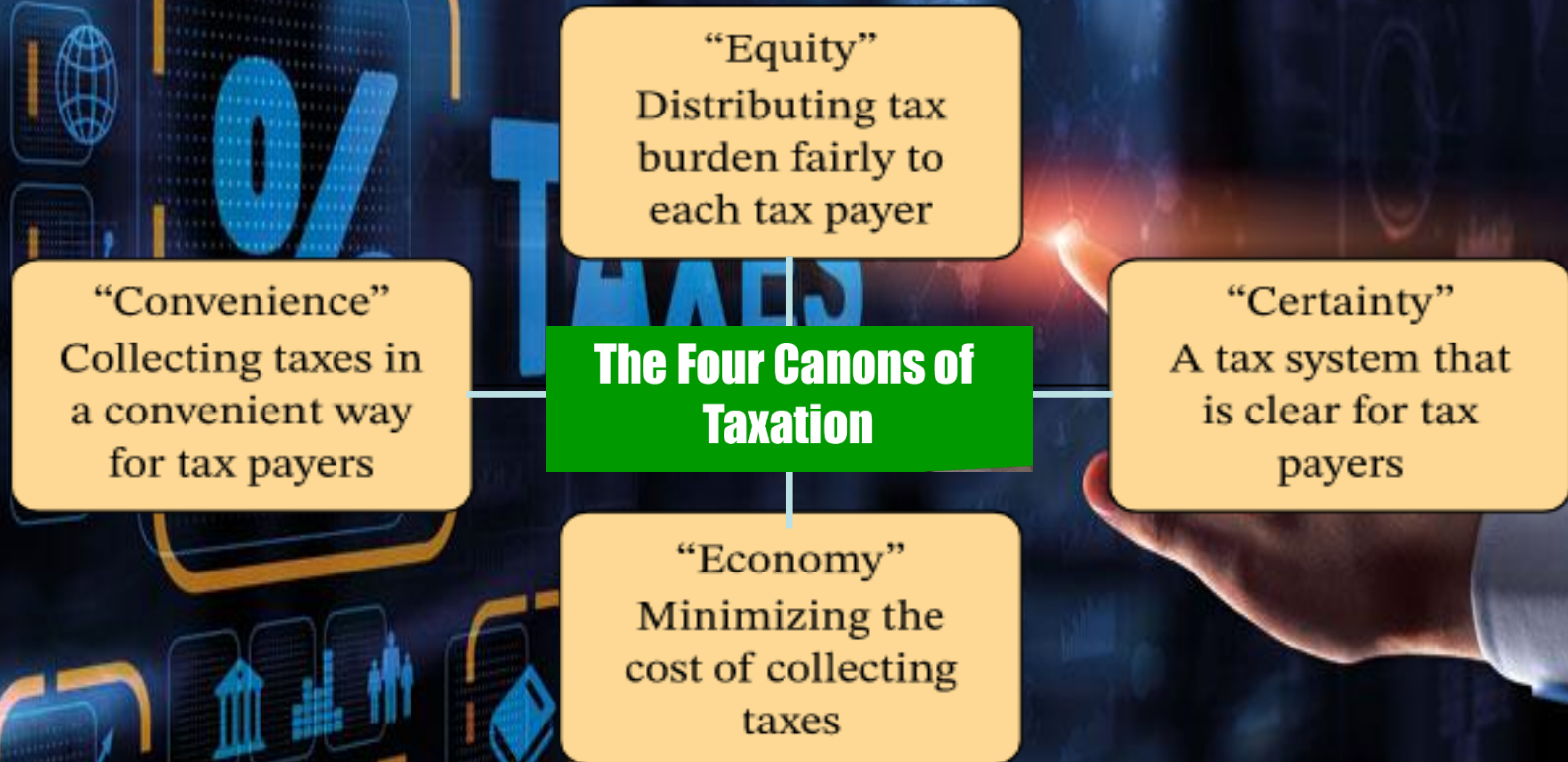
Read also:

Labour curbs seen costing Malaysia palm industry RM1.8b in annual revenue [Click here](#)

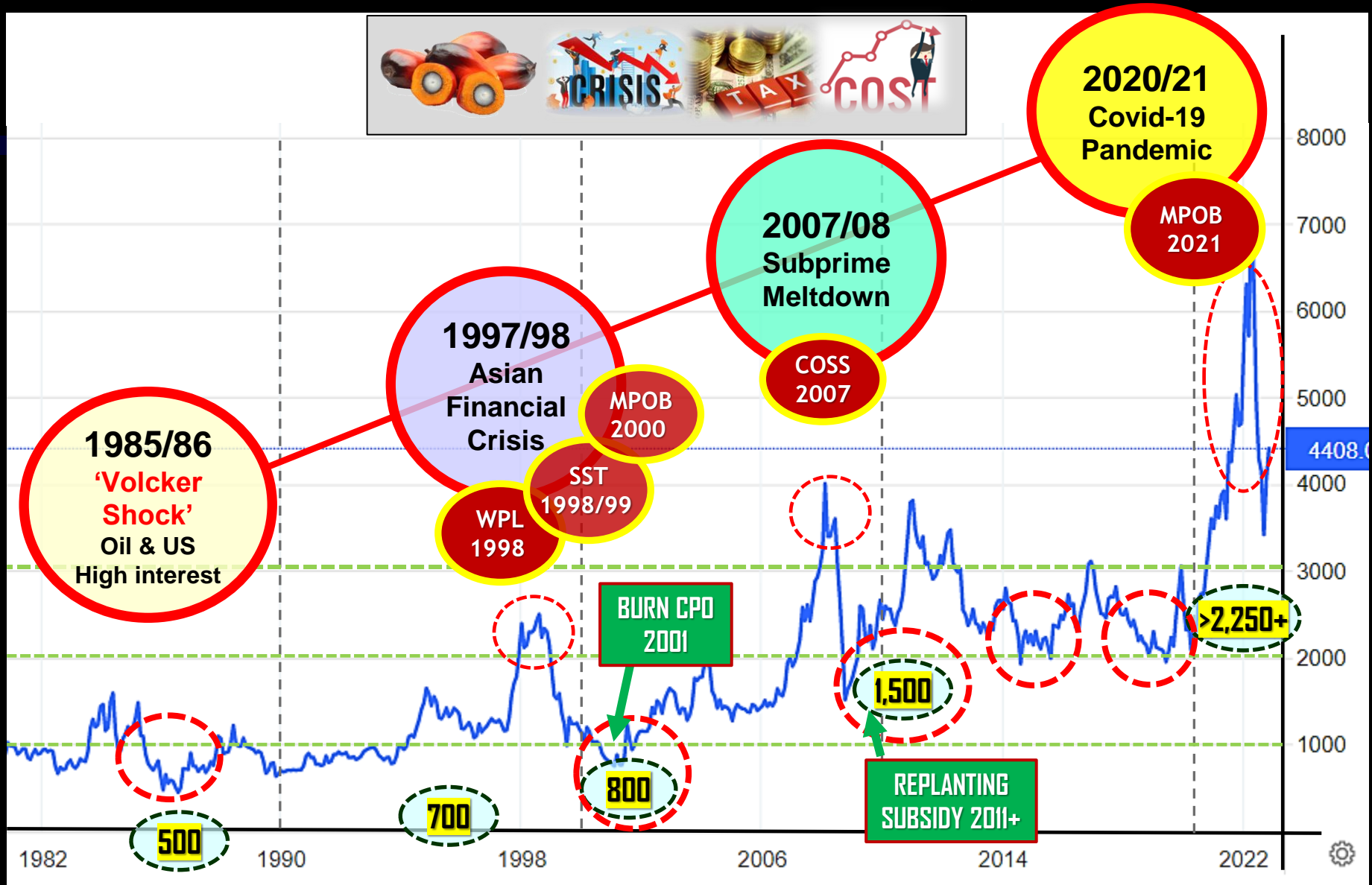
CPO prices pierce RM4,000 for first time this year [Click here](#)

FOUR CANONS OF TAXATION

The principles of good taxation were formulated many years ago. In *The Wealth of Nations* (1776), Adam Smith argued that taxation should follow the four principles of equity/fairness, certainty, convenience and efficiency/economy.



SNAPSHOT OF PALM OIL PRICES AMID ECONOMIC CRISES, TAXATION AND COST (1980-2020)



SUMMARY OF TAXES ON THE MALAYSIAN PALM OIL INDUSTRY

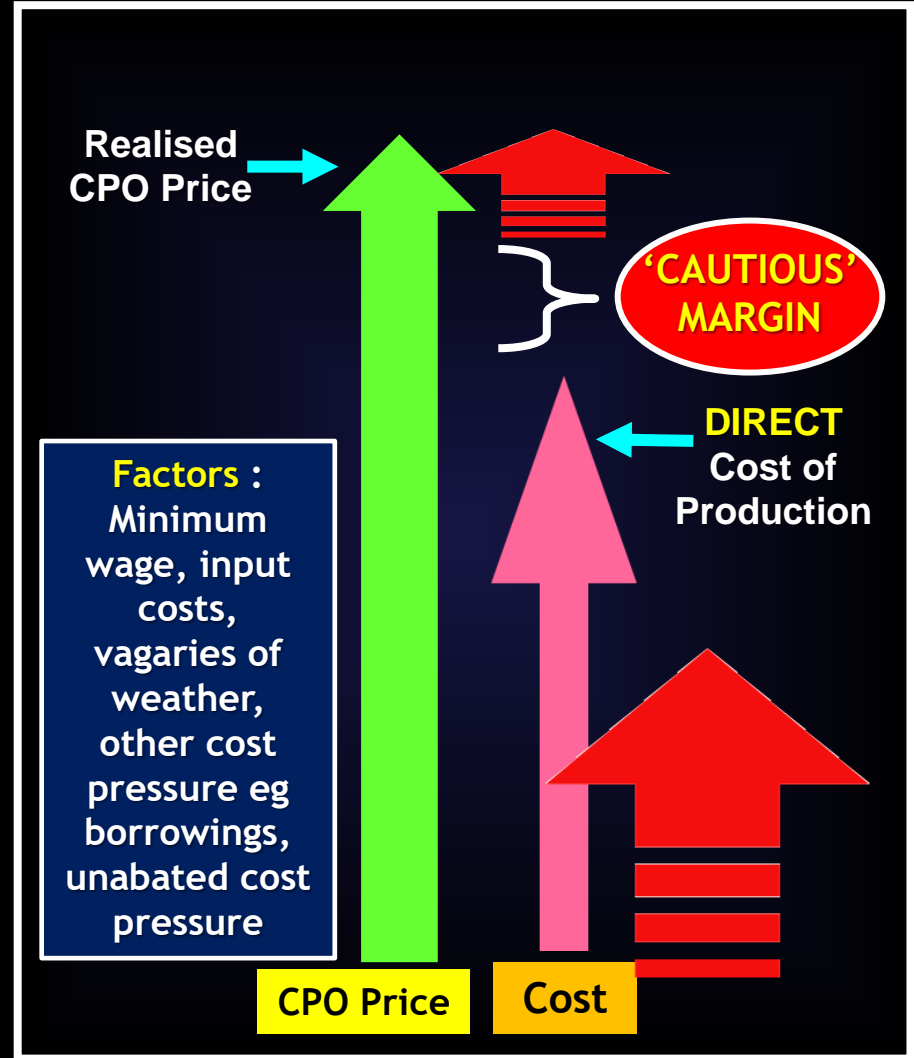
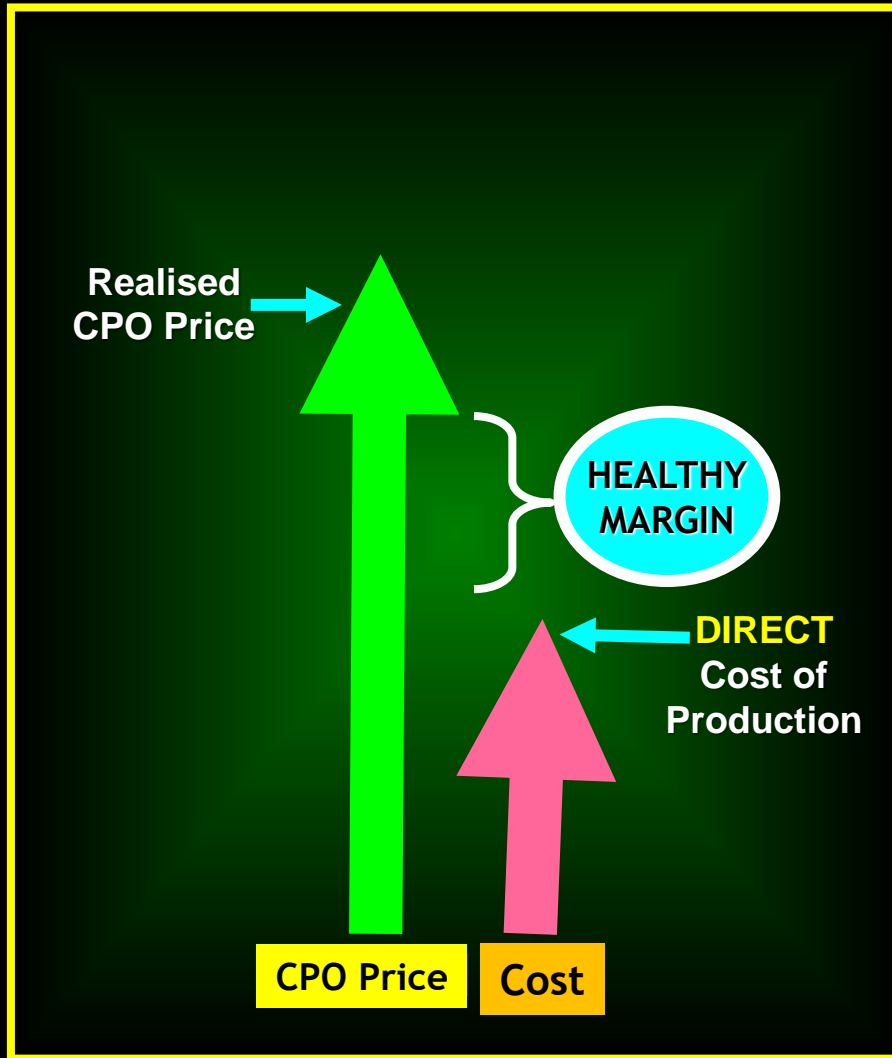


1	Corporate Tax	24% of corporate profit
2	Prosperity Tax (Cukai Makmur) <i>(Year 2022 only)</i>	Chargeable income above RM100 mil to be taxed at 33% instead of 24%
3	MPOB Cess (Latest Order 2021)	RM16 per for CPO and CPKO
4	Windfall Profit Levy (WPL)	Peninsular Malaysia : 3% on FFB for CPO prices above RM3,000/tonne Sabah & Sarawak : 3% on FFB for CPO prices above RM3,500/tonne
5	Foreign Workers Levy <i>New - Budget 2023: Multi-Tier Levy Mechanism(MTLM)</i>	Peninsular Malaysia : RM640 per worker Sabah & Sarawak : RM590 per worker
6	Human Resource Development Fund (HRDC) Levy <i>(effective 2022)</i>	Levy fee for registered employers is 1% of the monthly wages of each employee.
7	Sabah Sales Tax (SST)	7.5% for CPO when CPO price >RM1,000 pmt
8	Sarawak Sales Tax (SST)	5.0% for CPO when CPO price >RM1,500 pmt 5.0% for CPKO when CPKO price >RM1,500 pmt (2.5% applicable when CPO & CPKO prices >RM1,000 pmt)
9	Export duty on CPO	3.0 % to 8.0% per tonne of CPO above RM2,250 per tonne
10	Import Duties/Form 4, Excise Duties on Plantation Machineries, SST, Property Assessment Tax (PAT), Quit Rent, other foreign workers charges etc.	



PALM OIL IS A COMMODITY : PRICE TAKER AND NOT PRICE MAKER

YIELD-COST-MARGIN COSTING or RETURN OF INVESTMENT



A GLIMPSE ON PALM OIL COST OF PRODUCTION - SABAH vs PEN M'SIA

Ref : Joseph Tek, ISP NATSEM 2010 - quoting MOPGC, Ling & MEOA

Palm Oil Cost of Production (pmt CPO)

Year 1987
Pen M'sia **RM478** (MOPGC)



Year 1997
Pen M'sia **RM679** (MOPGC)



Year 2000
Sabah **RM758** (Ling)



Year 2010
Sabah **RM1,445** (MEOA)
Pen M'sia **RM1,434** (MEOA)



Today in 2022 ?

Location Source Year	MOPGC, 1987 & 1997		For Sabah Ling, 2001 2000	For Sabah MEOA, 2009	For Pen. M'sia MEOA, 2009
	1987	1997	2000	FORECAST 2010	
FFB Yield (t/ha)	20.9	21.2	21.2	20.0	18.0
OER (%)	na	na	20.1	22.5	20.0
Cost (RM/t FFB)				CPO at RM2,400/mt	
Estate (field)	71	103	119	225+56	240+3
Mill	24	28	33	45	44
Total	95	131	152	326	287
Cost (RM/t/CPO)					
Estate	358	536	592	1,000+245	1,201+13
Mill	120	143	166	200	220
Total	478	679	758	1,445	1,434

A GLIMPSE ON PALM OIL COST OF PRODUCTION - SABAH vs PEN M'SIA

Ref : Joseph Tek, ISP NATSEM 2010 - quoting MOPGC, Ling & MEOA

CPO PRODUCTION COST - 2010 Forecast

	Eg. Estate in Sabah		Eg. Estate in Peninsular	
FFB Production	41,640		12,420	
Ha	2,082		690	
Yield	20		18	
OER%	22.50%		20.00%	
FFB Production Cost	RM/t FFB	RM/t/CPO	RM/t FFB	RM/t/CPO
Upkeep & Maintenance	20	90	20	102
Manuring	96	428	101	506
Harvesting & Collection	38	169	41	205
Dispatching	12	53	20	100
General Charges	22	98	36	180
Depreciation	17	78	4	20
Head Office Charges	19	84	17	87
	224	1,000	239	1,200
MPOB Cess (RM13/t/CPO)	3	13	3	13
Sabah State Tax (7.5%)	41	180	0	0
Sabah Levy on CPO (RM40)	9	40	0	0
Sabah Levy on PK (RM65)	3	13	0	0
Mill Processing Cost	36	160	34	170
CPO Transport	9	40	10	50
	101	446	47	233
Total Cost	325	1,446	286	1,433

Forecast Price of Fertilizer in 2010

	RM/tonne
MOP	1,700.00
AC	900.00
Kieserite	600.00
Rock Phosphate	720.00
Borate	2,100.00

SOURCE :

Malaysian Estate Owners' Association (MEOA)
Annual Report 2009

TAXATION
17% vs 0.9%
Sabah PM'sia



ABOUT FERTILISER (2019 - 2023f)

.... Factors : Interplay on cut-back & incomplete fertiliser applications amid lower CPO price in 2019/20 & labour shortage, increase in freight costs, Covid MCO disruptions, China export restrictions & ban, Ukraine-Russia conflict (dependance on gas), importers cash-flow ...

www.thestar.com.my/business/business-news/2022/11/19/planters-need-sustained-high-cpo-prices



Planters need sustained high CPO prices

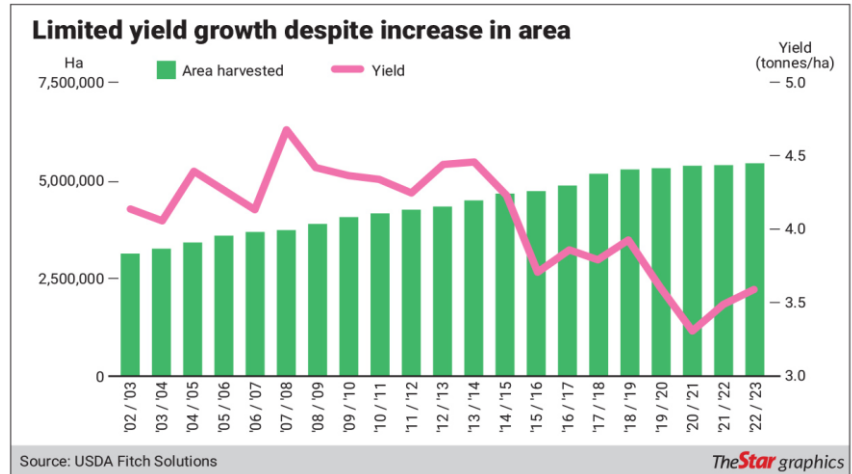
By BHUPINDER SINGH



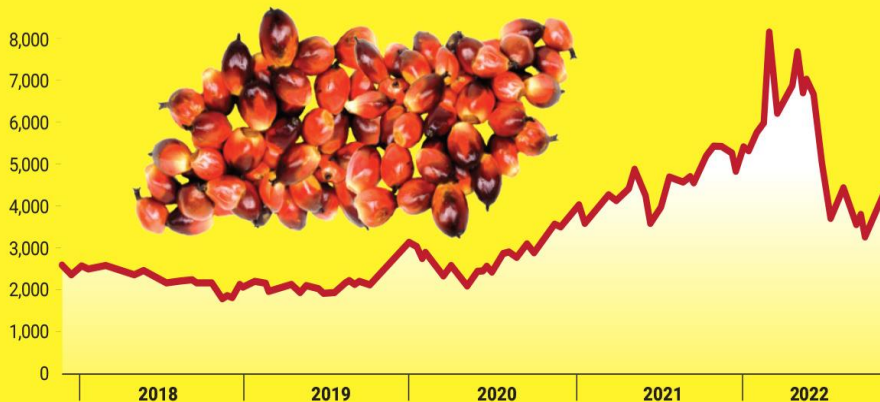
COMMODITIES

Saturday, 19 Nov 2022

Related News



Daily price chart of crude palm oil futures contract on Bursa Malaysia Derivatives



Source: Bloomberg

TheStar graphics

.... “The **RM3,000 per tonne** figure can be considered as the new norm, as **cost of production** for some plantation companies is already at this level set against their realised oil yields. There can still be a dip in prices set against global supply-demand of any commodity businesses as price takers and not price makers –but perhaps not in the foreseeable future.”
Breaking the RM3,000 level will also attract good demand, Tek adds

A GLIMPSE ON MINIMUM WAGE INCREMENT IN MALAYSIA (2012-2022)



LAWS OF MALAYSIA

Act 732

NATIONAL WAGES CONSULTATIVE COUNCIL
ACT 2011



27 April 2022
27 April 2022
P.U. (A) 140

WARTA KERAJAAN PERSEKUTUAN

FEDERAL GOVERNMENT
GAZETTE

PERINTAH GAJI MINIMUM 2022

MINIMUM WAGES ORDER 2022



2011	2012	2014	2016	2018	2020	2022
Establishment of National Wages Consultative Council	RM900 /month West Malaysia RM800 /month East Malaysia	RM900 /month West Malaysia RM800 /month East Malaysia	RM1000 /month West Malaysia RM920 /month East Malaysia	RM1100 /month entire Malaysia	RM1200 /month 56 city councils or municipal council cities RM1100 /month others	RM1500 Entire Malaysia
Source: NWCC		Increase every 2 years	+12.5% to 15%	+10% to 19.6%	+9%	+25% to 36%

% Increase over 10 years (2012 to 2022) : **67% to 87.5%**

TOTAL ESTIMATED TAXES ON OIL PALM GROWERS, 2021



Estimates of Total Cess, Windfall Profit Levy, State Sales Tax and Income Tax for Year 2021
On Oil Palm Growers in Peninsular Malaysia, Sabah & Sarawak Based On Broad Parameters

			Pen. Malaysia	Sabah	Sarawak	Malaysia	
	Crude Palm Oil (CPO) Production	mtonnes	9,847,022	4,362,698	3,907,820	18,117,540	
	Palm Kernel (PK) Production	mtonnes	2,598,137	956,791	862,791	4,417,719	
	Crude Palm Kernel Oil (CPKO) production	mtonnes	1,243,432	445,051	360,952	2,049,435	
1	MPOB Cess (+RM2 to RM16 pmt CPO, RM16 pmt CPKO wef Mar 2021)	(RM mil)	175	76	67	318	2.2%
2	Windfall Profit Levy (based on CPO price, chargeable per tFFB) (3% in Pen. M'sia threshold ≥ RM2,500 pmt; 1.5% in Sabah/Swak threshold ≥ RM3,000 pmt)	(RM mil)	1,444	286	262	1,992	13.8%
3	State Government CPO Sales Tax (7.5% for Sabah and 5% for Sarawak)	(RM mil)	0	1,454	898	2,351	16.3%
4	State Government CPKO Sales Tax (5% for Sarawak)	(RM mil)	0	0	108	108	0.7%
1 to 4	Sub-Total Cess, Windfall Profit Levy and State Sales Taxes	(RM mil)	1,619	1,816	1,334	4,768	33.1%
A	'Business Profit' = PBT assuming no WPL and State Sales Taxes		28,129	10,639	8,546	47,314	
B	PBT net of WPL and State Sales Taxes		26,685	8,899	7,279	42,863	
5=Bx20.5%	Effective Income Tax assumed at avg 22.5% (ie. 21% at SME rate of 17%)	(RM mil)	6,004	2,002	1,638	9,644	66.9%
C = 1 to 5	Grand Total Cess, Windfall Profit Levy, State Sales Taxes and Income Tax	(RM mil)	7,623	3,818	2,972	14,413	100.0%
6 = C ÷ A	Total Cess, WPL, State Sales Tax and Income Tax as % of 'Business' Profit	(RM mil)	27.1%	35.9%	34.8%	30.5%	

Aggregate assumptions

a	Average CPO price (MEOA estimates are underlined)	(RM pmt)	4,400.50	<u>4,442.73</u>	<u>4,374.65</u>	4,407.00
b	Average PK price (MEOA estimates are underlined)	(RM pmt)	<u>2,865.64</u>	<u>2,518.88</u>	n.a.	2,773.00
c	Average CPKO price	(RM pmt)	n.a.	n.a.	n.a.	5,674.50
d	Overall average all in cost of production (incl HQ, replanting costs)	(RM/ tCPO)	2,300.00	2,550.00	2,800.00	
e	FFB yield	(tonnes/ha)	16.24	15.77	13.94	15.47

BIG PICTURE SUMMARY ON ESTIMATED TAXATION OF OIL PALM GROWERS IN MALAYSIA, 2020 AND 2021

Table 2. SUMMARY



		2020	2021
CPO price	RM/tonne	2,686	4,407
Tax & cess:			
MPOB cess	RM mil	299	318
WPL	RM mil	271	1,992
State sales tax	RM mil	1,569	2,459
Income tax	RM mil	3,145	9,644
TOTAL	RM mil	5,284	14,413
'Business Profit'	RM mil	17,183	47,314
Tax/'Business Prof' - Pen Msia non-SME	%	29.0%	32.4%
Tax/'Business Prof' - Sabah non-SME	%	45.9%	38.4%
'Business Profit' per planted hectare	RM/ha	2,931	8,247
Pre-tax ROI (RM80k/ha capital value)	%	3.7%	10.3%
Planted area	mil ha	5.862	5.737

• When CPO price was 'more normal' at RM2,686/tonne in 2020, the tax burden on Sabah non-SME planters was 45.9% (compared to 38.4% in 2021 when CPO price was RM4,407). This illustrates the painful effects of revenue-based sales tax in Sabah (and Sarawak to a lesser extent).

- In Peninsular Malaysia, the extra tax burden is mainly WPL. This pushed the overall tax burden for non-SME estates to 29.0% and 32.4% of 'Business Profits' in 2020 and 2021 respectively.
- Taking capital values to be RM80,000 per planted hectare, the returns on investments amounted to 3.7% and 10.3% pre-tax in 2020 and 2021 respectively (national average).

WINDFALL PROFIT LEVY & CPO EXPORT DUTY (2021)

(SOURCE : MINISTRY OF FINANCE, FEDERAL GOVERNMENT)

PERINCIAN ANGGARAN HASIL KERAJAAN PERSEKUTUAN DETAILS OF FEDERAL GOVERNMENT REVENUE ESTIMATES

KOD HASIL (Revenue Code)		PENDAPATAN 2021 (2021 Revenue) YEAR 2021	ANGGARAN DISEMAK 2022 (2022 Revised Estimate)	ANGGARAN 2023 (2023 Estimate)
		RM	RM	RM
62700	Levi Levy	2,056,859,150	3,450,000,000	2,010,000,000
WPL	62705 Levi Buah Kelapa Sawit Levy on Oil Palm Fruit	1,952,907,456	3,337,905,000	1,800,000,000
	Lain-lain Others	103,951,694	112,095,000	210,000,000
62000	Cukai Tidak Langsung Indirect Tax	43,586,432,156	51,020,400,000	53,001,000,000
62100	Duti Eksport Export Duty	2,057,063,357	2,200,000,000	1,450,000,000
CPO Export Duty	62111 Minyak Kelapa Sawit Mentah Crude Palm Oil	1,364,156,408	1,027,500,000	413,800,000
	62114 Petroleum Mentah Crude Petroleum	614,216,111	900,000,000	850,000,000
	Lain-Lain Others	78,690,838	272,500,000	186,200,000

Source : <https://budget.mof.gov.my/pdf/2023/revenue/details.pdf>

MPOB CESS

SINCE 1 MARCH 2021
RM16 PMT CPO & CPKO
(> RM320 MIL/YEAR)

MPOB CESS ORDERS : EVERY RM1 IS ~RM20 MILLION CESS

Palm Oil Research and Development Act 1979 (No. 218)

<https://leap.unep.org/countries/my/national-legislation/palm-oil-research-and-development-act-1979-no-218>



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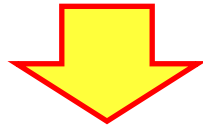


Palm Oil Research and Development Act 1979 (No. 218)

Country Malaysia

Type of law Legislation

Source FAO, FAOLEX



<http://led.mpob.gov.my/wp-content/uploads/2016/12/Malaysian-Palm-Oil-Board-Act-1998-Act-582.pdf>



Established in 1979



LAWS OF MALAYSIA

REPRINT

Act 582

MALYSIAN PALM OIL BOARD ACT 1998

Incorporating all amendments up to 1 January 2006

**RM16
2021**

**RM11
2000**



25 Februari 2021
25 February 2021
P.U. (A) 74

WARTA KERAJAAN PERSEKUTUAN

FEDERAL GOVERNMENT GAZETTE

PERINTAH LEMBAGA MINYAK SAWIT MALAYSIA
(SES) (PINDAAN) (NO. 2) 2021

*MALYSIAN PALM OIL BOARD (CESS)
(AMENDMENT) (NO. 2) ORDER 2021*

MPOB (CESS) ORDER 2021 = +RM2 @ MARCOP (1 YEAR)
MPOB (CESS) ORDER 2019 = +RM1 AS GREEN FUND

MPOB (CESS) ORDER 2007 = +RM2 to RM30/>RM1500 AS COSS

MPOB (CESS) ORDER 2001 = +RM4 AS POSF

MPOB (CESS) ORDER 2000 = RM11

MALYSIAN PALM OIL BOARD ACT 1998
MALYSIAN PALM OIL BOARD (CESS) ORDER 2000

In exercise of the powers conferred by subsection 35(1) of the Malaysian Palm Oil Board Act 1998 [Acr 582], the Minister after consultation with the Minister of Finance makes the following order:

Citation and commencement

- (1) This order may be cited as the Malaysian Palm Oil Board (Cess) Order 2000.
- (2) This Order shall come into operation on 1 May 2000.

Interpretation

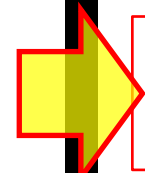
2. In this Order, unless the context otherwise requires, "crude palm oil" means palm oil in crude form originating or extracted from the pericarp of the oil palm fruit, and includes palm oil in crude form originating or extracted from the kernel of the oil palm fruit.

Imposition of cess

3. A person who produces crude palm oil shall pay to the Board a cess of eleven ringgit in respect of every metric ton or part of a metric ton of crude palm oil produced by him.

Revocation

8. The Palm Oil (Cess) Order 1978 [P.U. (A) 372/78] and the Palm Oil (Research Cess) Order 1979 [P.U. (A) 331/79] (in this Order referred to as the "revoked Orders") are revoked.



MPOB CESS ORDER (AMENDED) 2021

Effective 1 March 2021



LEMBAGA MINYAK SAWIT MALAYSIA
Malaysian Palm Oil Board

Kementerian Perusahaan Perladangan dan Komoditi
(Ministry of Plantation Industries and Commodities)

Ruj. Tuan / Your Ref. :

Ruj. Kami / Our Ref. :

25 Februari 2021

Pk (EF) MPOB 01/2021

Semua Pemegang Lesen Kategori Kilang Buah Kelapa Sawit
Semua Pemegang Lesen Kategori Kilang Pelumat Isirung Sawit

Tuan,

PENGUATKUASAAN PERINTAH LEMBAGA MINYAK SAWIT MALAYSIA (SES)
(PINDAAN) 2021 KE ATAS PEMEGANG LESEN KATEGORI KILANG BUAH KELAPA
SAWIT (MF) DAN KILANG PELUMAT ISIRUNG SAWIT (CF)

Dengan hormatnya saya merujuk kepada perkara di atas.

2. Dimaklumkan bahawa, sebagaimana kuasa yang diperuntukkan di bawah seksyen 35 Akta Lembaga Minyak Sawit Malaysia 1998 (Akta 582), YB Menteri Perusahaan Perladangan dan Komoditi setelah berunding dengan Menteri Kewangan membuat suatu perintah bernama **Perintah Lembaga Minyak Sawit Malaysia (Ses) (Pindaan) 2021 [P.U. (A) 74/2021]** yang mula berkuatkuasa pada **1 Mac 2021**.

3. Perenggan 3 Perintah Lembaga Minyak Sawit Malaysia (Ses) 2019 [P.U. (A) 361/2019] adalah dipinda dengan menggantikan perkataan "empat belas" dengan perkataan "enam belas". Jumlah kadar ses minyak sawit mentah yang perlu dibayar mulai **1 Mac 2021** oleh seseorang yang mengeluarkan minyak sawit mentah adalah sebanyak **RM16.00 (Ringgit Malaysia: Enam Belas Sahaja)** atas tiap-tiap tan metrik atau sebahagian daripada suatu tan metrik minyak sawit mentah yang dikeluarkan olehnya. Bersama-sama ini dilampirkan **Pekeliling Penguatkuasaan (Penguatkuasa) MPOB 01/2021 [Pk (EF) MPOB 01/2021]** yang memperincikan peruntukan Perintah tersebut.

<https://e-lesen.mpob.gov.my/document/Pekeliling%20Penguatkuasaan%20Perintah%20Lembaga%20Minyak%20Sawit%20Malaysia%20SES%202021%20ke%20atas%20pemegang%20lesen%20kategori%20MF%20dan%20CF.pdf>



RM16 PMT
CPO & CPKO

Add RM2
pmt for
MARCOP
(1 year since
March 21 to
RM30 mil)
Now back to
MPOB ...

RM12 PMT

R&D and Regulatory

+

RM3 PMT

Palm Oil Promotion Fund
(MPOC & MPOCC)

+

RM1 PMT

'Green Fund'

Reference

<https://budget.mof.gov.my/pdf/2023/revenue/details.pdf>

[www.parlimen.gov.my/files/jindex/pdf/Jawapan%20Bukan%20Lisan%20\(Bertulis\).pdf](http://www.parlimen.gov.my/files/jindex/pdf/Jawapan%20Bukan%20Lisan%20(Bertulis).pdf)

WPL

WINDFALL PROFIT LEVY

*Levy applied “uniquely” to oil palm growers,
based on CPO price and not on profits*

(YEAR 2021 : RM1.9 BILLION)

(1st HALF 2022 : RM2.1 BILLION)

WHAT IS WINDFALL PROFIT LEVY (WPL) OR TAX ?

- A **one-off** tax on excess profits – *Institute for Fiscal Studies (1997) vol. 18, no. 3, pp. 279–291*
- A piece of unexpected **good fortune**, typically one that involves receiving a large amount of money – *The Oxford Dictionary*
- **One-off imposed upon an extremely rare historical event** - in most countries, windfall taxes for a particular sector occur only once throughout the nation's history

The Malaysian Reserve

REST OF THE WORLD



1997 one off tax on private utility owners who had purchased on the market at an extremely cheap price



Cut windfall profits resulting from EU's carbon emissions trading programme & promote progress to cleaner energy



Sharp increase in oil prices brought about by the oil crisis caused by the OPEC oil embargo – oil shock where oil prices rose by 300%



Tax on refiners fuel profits when oil drops below USD40 per barrel. Goes into a stabilisation fund aimed at reducing environmental pollution



WINDFALL PROFIT LEVY



LAWS OF MALAYSIA

REPRINT

Act 592

WINDFALL PROFIT LEVY ACT 1998

Incorporating all amendments up to 1 January 2006

WINDFALL PROFIT LEVY ACT 1998

Date of Royal Assent... 28 December 1998

Date of publication in the *Gazette*... 31 December 1998

... TAXED BASED ON
CPO PRICE ie
REVENUE-BASED
AND NOT PROFIT
...proper implementation
as per the rest of the world
...need CONSISTENCY
and CERTAINTY

Changes in the Windfall Profit Levy affecting the Palm Oil Industry

Date	Threshold Price ¹	Levy Rate & Basis ¹
Jan 1999 ^{2,3}	RM2,000	RM50 per tonne CPO and CPKO
17/12/2003 ³	RM2,000	WPL suspended / ceased to operate
1 July 2008 ^{3,4,5}	RM2,000	Peninsula: 15% x (Market Price ¹ less Threshold Price) x tCPO or tCPKO Sabah & Sarawak: 7.5% x (Market Price ¹ less Threshold Price) x tCPO or tCPKO Paid by mills and kernel crushers. MPOB cess for Cooking Oil Subsidy Scheme abolished
15 July 2008 ⁶	RM2,000	Peninsula: 3% x (Market Price ¹ less Threshold Price) x tFFB Sabah & Sarawak: 1.5% x (Market Price ¹ less Threshold Price) x tFFB Levy collected per tonne FFB with smallholders exempted.
Mar 2009 ⁶	RM2,500 Peninsula RM3,000 Sabah & Sarawak	Levy collected per tonne FFB with smallholders exempted. Levy rates of 3% in Peninsula and 1.5% in Sabah & Sarawak.
Jan 2022 ⁷	RM3,000 Peninsula RM3,500 Sabah & Sarawak	Levy collected per tonne FFB with smallholders exempted. Levy rates of 3% in Peninsula, Sabah & Sarawak.

1. Threshold and Market Prices are based on the monthly national average price of CPO or CPKO published by the Malaysian Palm Oil Board.

2. Windfall Profit Levy Act 1998, 31 December 1998

3. Joint memorandum to YAB The Prime Minister from palm oil associations in Malaysia, Review of the Windfall Profit Levy on the Malaysian palm oil industry, 23 February 2011

4. Windfall Profit Levy (CPO and CPKO) Order 2008, http://www.customs.gov.my/en/pg/Pages/pg_Levy.aspx

5. News <https://www.malaysianbar.org.my/article/news/legal-and-general-news/general-news/oil-palm-companies-to-pay-windfall-tax-from-july-1>

6. MPOB news "Windfall Tax On Oil Palm To Involve 3,661 Plantations", 16/7/2008. <https://bepi.mpo.gov.my/news/detail.php?id=5211>

7. Windfall Profit Levy (Oil Palm Fruit) (Amendment) Order 2009, 10 March 2009. http://cooptaxmy.blogspot.com/2009/03/windfall-profit-levy-oil-palm-fruit_10.html

8. Windfall Profit Levy (Oil Palm Fruit) (Amendment) Order 2021, 21 December 2021.

JOINT MEMORANDUM FOR WPL REVIEW IN 2011

RESTRICTED & CONFIDENTIAL

JOINT MEMORANDUM TO YAB THE PRIME MINISTER
FROM PALM OIL ASSOCIATIONS IN MALAYSIA

REVIEW OF THE
WINDFALL PROFIT LEVY ON
THE MALAYSIAN PALM OIL INDUSTRY

Malaysian Palm Oil Association (MPOA)
Malaysian Estate Owner's Association (MEOA)
East Malaysia Plantation Associations (EMPA)
Sarawak Oil Palm Plantation Owners Association (SOPPOA)

23 February 2011

Table 3: Change in Threshold Price & Basis and Abolition of WPL

Year	Threshold Prices	Levy Rate Market Price Basis
<u>Existing WPL</u>		
Peninsula	RM 2,500	15% x Monthly Market Price less Threshold Price
Sabah/Sarawak	RM 3,000	7.5% x Monthly Market Price less Threshold Price
<u>Proposed WPL</u>		
<u>Phase 1</u>		
Peninsula	RM3,500	15% x Annual Market Price less Threshold Price
Sabah/Sarawak	RM4,000	7.5% x Annual Market Price less Threshold Price
		Exemption: Newly developed plantations less than 8 years old.
<u>Phase 2</u>		
	None	Abolition of Windfall Profit Levy



Dato' Abd Wahab Maskan
Chairman
Malaysian Palm Oil Association
(MPOA)




Haji Othman Walat
Chairman
East Malaysia Planters Association
(EMPA)




Mr Boon Weng Siew
Chairman
Malaysia Estate Owners Association
(MEOA)




Datuk Abdul Hamid Sapawi
Chairman
Sarawak Oil Palm Plantation Owners
Association (SOPPOA)



Why no WPL on glove companies which made super-normal profits from pandemic?

Will the taxman target glove companies?

By ROYCE TAN



TAXATION

Potential windfall tax levy for glove makers
The Star

Tuesday, 18 Aug 2020

18 Aug 2020



www.theedgemarkets.com/article/top-glove-hartalega-and-supermax-confirm-donations-govts-rm400-mil-covid19-fund

Budget 2021

Kossan, Top Glove, Hartalega and Supermax confirm donations to Govt's RM400 mil COVID-19 fund

6 Nov 2020

www.theedgemarkets.com/article/dewan-rakyat-passes-amendments-windfall-profit-levy-act

Parliament (Updated)

Windfall tax bill passed by MPs; MoF says no plans to impose levy on glove companies



Syafiqah Salim / theedgemarkets.com

October 13, 2021 00:03 am +08



13 Oct 2021



malaysia.news.yahoo.com/generous-donations-substantially-smaller-windfall-020200628.html

Dr Veerinderjeet Singh, MIA President

'Generous donations' substantially smaller than windfall tax would have been <10%

7 Nov 2020

"If you look at the numbers, the government would have earned something like RM4.8 BILLION from these companies. The loss seems quite staggering between the donation and legitimate demand for taxation?". He agreed.

themalaysianreserve.com/2020/11/09/rm400m-is-one-off-donation-not-a-windfall-tax-substitution/

8 Nov 2020

RM400m is one-off donation, not a windfall tax substitution



WHY EAST MALAYSIAN OIL PALM GROWERS ARE NOT HAPPY WITH WPL EFFECTIVE 1 JAN 2021 ?

Palm oil growers from Sabah and Sarawak are crying foul over what they deemed to be the unjust doubling up of the windfall profit levy rate from 1.5% to 3% to be imposed on those who operate in the two states, as proposed under Budget 2022.

Budget 2022

Sabah, Sarawak palm oil players cry foul over doubling of windfall profit levy rate

Syafiqah Salim / theedgemarkets.com
October 31, 2021 14:25 pm +08

THE EDGE
MARKETS
MAKE BETTER DECISIONS

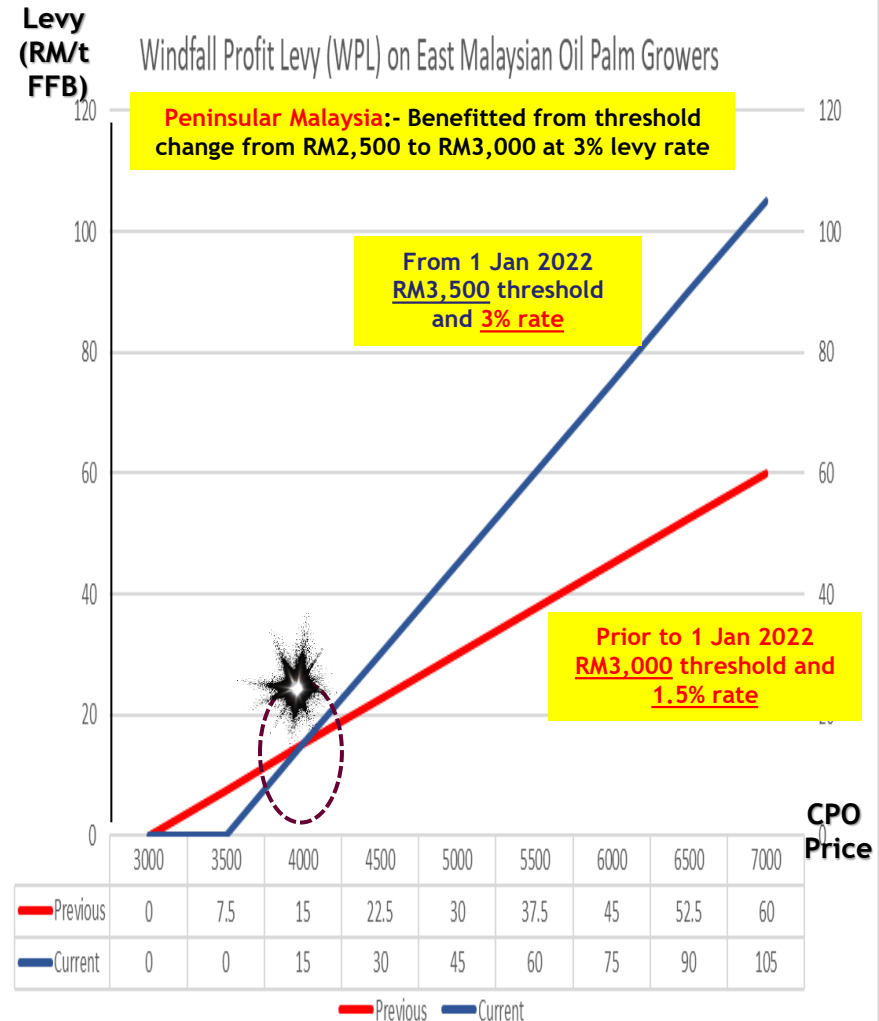
We Choose Sarawak
dayak
daily

Oil palm windfall profit levy threshold in Sarawak, Sabah to be increased to RM3,500, levy rates adjusted to 3pct

Oct 29, 2021 @ 20:19

MPOA APPEAL TO FEDERAL GOVT IN BUDGET 2023

1. PROFIT vs REVENUE - **SUSPEND WPL ?**
2. REVERT TO **LOWER RATE** FOR EAST MALAYSIA IN VIEW OF SST
3. CHANGE TO **HIGHER CPO PRICE THRESHOLD**
4. **RECHANNEL** WPL TO INDUSTRY eg. GREEN FUND





SST

STATE SALES TAX (SABAH & SARAWAK)

YEAR 2021 SST

SABAH ~RM1.4 BILLION

SARAWAK ~RM1 BILLION

MALAYSIA AGREEMENT 1963 (MA63)



No. 10760

**UNITED KINGDOM OF GREAT BRITAIN
AND NORTHERN IRELAND
and
FEDERATION OF MALAYA,
NORTH BORNEO, SARAWAK
and SINGAPORE**

Agreement relating to Malaysia (with annexes, including the Constitutions of the States of Sabah, Sarawak and Singapore, the Malaysia Immigration Bill and the Agreement between the Governments of the Federation of Malaya and Singapore on common market and financial arrangements). Signed at London on 9 July 1963

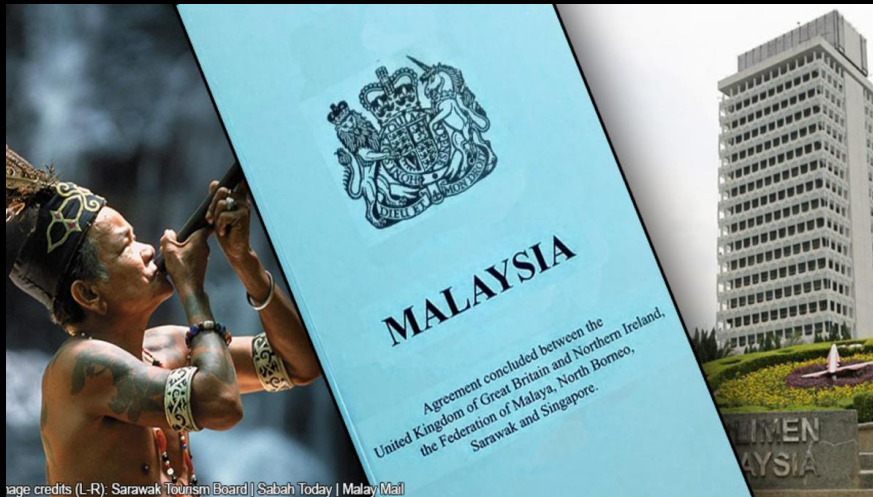
Agreement amending the above-mentioned Agreement. Signed at Singapore on 28 August 1963

Authentic texts of the Agreement: English and Malay.

Authentic text of the annexes: English.

Authentic text of the amending Agreement: English.

Registered by the United Kingdom of Great Britain and Northern Ireland on 21 September 1970.



Page credits (L-R): Sarawak Tourism Board | Sabah Today | Malay Mail

law passed by virtue of the item, save as provided by federal or State law.

(3) The Legislature of a Borneo State may also make law for imposing sales taxes, and any sales tax imposed by State law in a Borneo State shall be deemed to be among the matters enumerated in the State List and not in the Federal List; but—

SARAWAK STATE SALES TAX (SST) ON PALM OIL

Since 1998, the Sarawak Sales Tax imposes a **2.5%** tax rate on CPO prices **above RM1,000 pmt** and **5%** for prices **above RM1,500 pmt**



THE SARAWAK GOVERNMENT GAZETTE

PART II

Published by Authority

Vol. LIII

5th September, 1998

No. 33

Swk. L. N. 79

THE STATE SALES TAX ORDINANCE, 1998
THE STATE SALES TAX
(TAXABLE GOODS AND RATE OF TAX) ORDER, 1998
(Made under section 13(1))

In exercise of the powers conferred by section 13(1) of the State Sales Tax Ordinance, 1998 [Cap. 25], the Majlis Mesyuarat Kerajaan Negeri has made the following Order:

Citation and commencement

1. This Order may be cited as the **State Sales Tax (Taxable Goods and Rate of Tax) Order, 1998**, and shall come into force on the 1st day of October, 1998.

Interpretation

2. In this Order—

“import” means to bring in or convey into Sarawak by land, sea or air, from within (including Malaysia Free Trade Zone) and outside Malaysia;

Doppa appeals to Sarawak govt for CPO sales tax review

POSTED ON JULY 17, 2019, WEDNESDAY AT 12:05 AM

SARAWAK

KUCHING: The Dayak Oil Palm Planters Association (Doppa) is urging the Sarawak government to review the sales tax on crude palm oil (CPO) due to a drop in prices.

In a statement issued yesterday, the association said it hoped for the government to restructure the sales tax by increasing the threshold level of the CPO price band and lowering the tax rate.

It proposed for the tax rate to be reduced to 1.5 per cent should the CPO price be above RM2,000 and below RM2,500 per tonne; 3.5 per cent if the price was RM2,500 and below RM3,000 per tonne; and five per cent if the price was RM3,000 and above per tonne.

Soppoa Sarawak to review SST on crude palm oil

Aug 21, 2022 @ 14:22



**SARAWAK OIL PALM
PLANTATION OWNERS
ASSOCIATION**

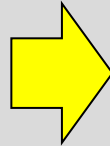
*In support of humanity, sustainability and to enhance
the economic wealth of Sarawak and the nation*



SABAH STATE SALES TAX (SST) ON CPO

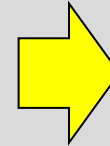
YEAR 1999

**RM50 PMT CPO
>RM1,000**



YEAR 2002

**5% PMT CPO
>RM1,000**



YEAR 2005

**7.5% PMT CPO
>RM1,000**

SABAH, MALAYSIA

Warta Kerajaan

Tambahan Kedua

Diterbitkan dengan kuasa

KOTA KINABALU, KHAMIS, 1 APRIL 1999

No. S3

ENAKMEN CUKAI JUALAN NEGERI 1998

PERINTAH CUKAI JUALAN NEGERI (KADAR CUKAI) 1999

Pada menjalankan kuasa-kuasa yang diberikan padanya oleh seksyen 6(1) Enakmen Cukai Jualan Negeri 1998, Menteri Kewangan dengan ini membuat perintah berikut:

- Perintah ini bolehlah dinamakan Perintah Cukai Jualan Negeri (Kadar Cukai) 1999 dan hendaklah mula berkuatkuasa pada 1hb. April 1999.
- Cukai jualan Negeri hendaklah diletak ke atas jualan barang-barang yang kena dibayar cukai yang ditetapkan dalam ruangan (1) Jadual pada kadar yang dinyatakan bertentangan dengannya dalam ruangan (2).

(1)	(2)
Barang-Barang Yang Kena Dibayar Cukai	Kadar Cukai
Minyak Mentah Kelapa Sawit	RM50.00 se tan metrik (di mana harga jualan melebihi RM1000.00 se tan metrik berdasarkan kepada harga yang dikeluarkan oleh Lembaga Pendaftaran dan Pelesenan Minyak Kelapa Sawit).



(MPOB) untuk bulan tertentu Tiertakluk kepada harga purata tersebut melebihi RM1,000.00).

3. Perintah Cukai Jualan Negeri (Kadar Cukai) 1999 yang diisrukan dalam Pemberitahuan Warta No. S 3 tahun 1999 adalah dengan ini dibatalkan.

Diperbuat pada 4 Disember 2002.

DATUK MILSA HAIL AMAN,
Menteri Kewangan.

(Akan dibentangkan pada Dewan Undangan menurut seksyen 6(3) Enakmen Cukai Jualan Negeri 1998.)

[No. JPBN(S)600-1/57 Ril. 3]

STATE SALES TAX ENACTMENT, 1998

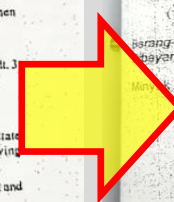
STATE SALES TAX (RATE OF TAX) ORDER 2002

In exercise of the powers conferred upon him by section 6(1) of the State Sales Tax Enactment 1998, the Minister of Finance hereby makes the following order:

- This Order may be cited as State Sales Tax (Rate of Tax) Order 2002 and shall come into force on the 1st day of January 2003.
- State sales tax shall be levied on the sale of the taxable goods specified in column (1) of the Schedule at the rate stipulated opposite thereto in column (2).

(1)	(2)
Taxable Goods	Rate of Tax
Crude Palm Oil	(5%) Five per cent x sales value (metric tonne) x average price of Crude Palm Oil (CPO) for Sabah as published by Malaysia Palm Oil Board (MPOB) for that particular month (provided that the average price exceeds RM1,000.00).

1. The State Sales Tax (Rate of Tax) Order 1999 published in Gazette Notification No. S3 of 1999 is hereby revoked.



KEMENTERIAN KEWANGAN
Wisma Kewangan
63593 Kota Kinabalu
Sabah, Malaysia

NOTIS PENGUMUMAN

kepada/Seialapa Yang Bertkajaan...

Berikutan dengan Perberitan Warta Kerajaan Tambahan Kedua melalui Bil. No. S 3 JPBN(S)600-1/57 Ril. 4, bertarikh 23 Disember 2004, maka Perintah Cukai Jualan Negeri (Kadar Cukai) 2004 yang berkuatkuasa pada 1 Januari 2005 seperti berikut:

(1)	(2)
Barang-barang Yang Kena Dibayar Cukai	Kadar Cukai
Mentah Kelapa Sawit	(7.5%) Tujuh Peruluhan lima Peratus x Jualan Isipadu (Tan Metrik) x Harga Purata Minyak Mentah Kelapa Sawit bagi Sabah seperti yang diisrukan oleh Lembaga Minyak Sawit Malaysia (MPOB) untuk bulan tertentu tertakluk kepada harga purata tersebut melebihi RM1,000.00).

Dengan demikian, pihak berkenaan diingatkan bahawa kegagalan mematuhi peraturan tersebut boleh dianggap sebagai telah melakukan kesalahan dibawah Seksyen 31 Enakmen Cukai Jualan Negeri 1998 dan sekiranya gagal mematuhi hukuman denda tidak melebihi RM20,000.00 atau penjara selama (tempoh) tidak melebihi dua(2) tahun atau keduanya sekali.

Sekian dan terima kasih.

(DATUK H. S. ABDULLAH HASSAN, JP)

Pengarah
Cukai Jualan Negeri Sabah

Program Besar Negeri
Jabatan Peguam Besar Negeri Sabah
KOTA KINABALU

EAST MALAYSIA'S SST ON PETROLEUM PRODUCTS

Sabah has earned RM800mil in sales tax on petroleum products so far this year: Masidi

By DURIE RAINER FONG



SABAH & SARAWAK

Tuesday, 19 Jul 2022

3:30 PM MYT



First half 2022 : RM808 MILLION

KOTA KINABALU: Sabah has collected RM808mil in state sales tax (SST) on petroleum products so far this year, says Datuk Seri Masidi Manjun.

www.thestar.com.my/news/nation/2022/07/19/sabah-has-earned-rm800mil-in-sales-tax-on-petroleum-products-so-far-this-year-masidi

Oil and gas: Sarawak has collected RM8.52bil in sales tax since 2019, says Uggah

By SHARON LING



SABAH & SARAWAK

Thursday, 26 May 2022

5:08 PM MYT

Related News



Year 2021 : RM2.5 BILLION

First quarter 2022 : RM813 MILLION

www.thestar.com.my/news/nation/2022/05/26/oil-and-gas-sarawak-has-collected-rm852bil-in-sales-tax-since-2019-says-uggah

REVIEW THE **SST RATE** AS PER PETROLEUM PRODUCTS SST (SABAH) AND CHANGE TO HIGHER **CPO PRICE THRESHOLD** IN VIEW OF PRESENT **CPO COST OF PRODUCTION** and to promote invest/reinvest eg ESG, replanting etc

HRDC

HUMAN RESOURCE DEVELOPMENT CORP

1% LEVY ON PLANTATION

Note : HRDF = HRDC or PSMB

HRDC LEVY INCLUSION OF PLANTATION SECTOR EFFECTIVE 2022

SOLIDARITY AMONG PALM OIL RELEVANT STAKEHOLDERS ON COMMON ISSUES

Home / Economy / News / Revise HRDF levy, urge palm oil associations

Revise HRDF levy, urge palm oil associations



MALAYSIA CORPORATE POLITICS & GOVERNMENT

Select Language

Plantation groups voice opposition to HRDF Levy inclusion, call for engagement

Arjuna Chandran Shankar / theedgemarkets.com

April 07, 2021 19:22 pm +08



MALAYSIA CORPORATE

Select Language

Plantation associations oppose sector's inclusion in HRDF Act

Arjuna Chandran Shankar / theedgemarkets.com

March 24, 2021 14:48 pm +08



theedgemarkets



KUALA LUMPUR (April 7): Twelve plantation groups today voiced their opposition to the government's decision to order the plantation sector to contribute 1% towards the Human Resources Development Fund (HRDF) Levy.

PSMB (HRDC) LEVY (AMENDED) ORDER, 2021

 <p>26 Februari 2021 26 February 2021 P.U. (A) 84</p>	<p>WARTA KERAJAAN PERSEKUTUAN</p> <p><i>FEDERAL GOVERNMENT GAZETTE</i></p>
<p>PERINTAH PEMBANGUNAN SUMBER MANUSIA BERHAD (PINDAAN JADUAL PERTAMA) 2021</p> <p><i>PEMBANGUNAN SUMBER MANUSIA BERHAD (AMENDMENT OF FIRST SCHEDULE) ORDER 2021</i></p>	

"JADUAL PERTAMA
[Subseksyen 1(2) dan 15(1)]

BAHAGIAN I

(1)

Kelas Majikan

Majikan yang mempunyai
sepuluh orang pekerja atau lebih

(2)

Industri

Pertanian dan perladangan

Perternakan dan perikanan

Perhutanan dan pembalakan



KEMENTERIAN
SUMBER MANUSIA



HUMAN RESOURCE DEVELOPMENT CORPORATION

PEMBAYARAN LEVI
PAYMENT OF LEVY

Number of Malaysian employees

10 or more Malaysian employees

5 to 9 Malaysian employees

Imposed rate of HRDF Levy

1 % of the monthly wages of each of
their Malaysian employees

0.5 % of the monthly wages of each
of their Malaysian employees

MTLM

**MULTI-TIER
LEVY MECHANISM
(AS PER BUDGET 2023)**

MULTI-TIER LEVEL MECHANISM (MTLM) FOR OIL PALM SECTOR

Why MTLM ?

To reduce dependency of foreign workers
ie recruiting locals and promote mechanisation

Impact of multi-tiered levy



PLANTATIONS

Monday, 10 Oct 2022

PETALING JAYA: The plantation and construction sectors, which have large foreign worker workforces, will be facing higher costs next year with the multi-tiered levy system for foreign workers under Budget 2023.

Under the system, companies with high numbers of foreign workers will be charged higher levy rates.

The government has proposed to channel the increased levy revenue to support employers in automation initiatives to reduce dependence on foreign workers.

Meanwhile, there will be strong economic multiplier effects from the billions allocated for education and housing related infrastructure initiatives. Next year, RM2.3bil will be allocated to make sure students enjoy a conducive and safe learning environment compared with RM1.7bil for 2022.

ADVERTISING

BUSINESS

Adding salt to wound: MPOA pans multi-tiered levy system as unfeasible

It will place unnecessary pressure on cost of plantation operations, says chief exec

Updated 4 weeks ago · Published on 08 Oct 2022 7:10PM

44
Shares



Budget 2023

Multi-tiered levy system for foreign workers' recruitment not feasible for plantation sector, says MPOA

Chester Tay / theedgemarkets.com
October 07, 2022 21:41 pm +08



KUALA LUMPUR (Oct 7): The government's intention to implement a multi-tiered levy system for foreign workers' recruitment next year may not be feasible for the plantation sector, said the Malaysian Palm Oil Association (MPOA).

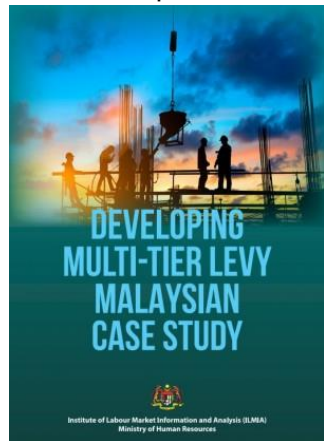
MULTI-TIER LEVEL MECHANISM (MTLM) FOR OIL PALM SECTOR

	Option 1 (ILMIA, MOHR)		➔	Option 2 (MPIC)		➔	Option 3 Hybrid Model (Multi-Tier) / ILMIA, MOHR		➔	Industry Counter Proposal (Incentivise & Phased Approach)	
Sector	Dependency Ratio Ceiling ("DRC")	Levy (RM)		Dependency Ratio Ceiling ("DRC")	Levy (RM)		Dependency Ratio Ceiling ("DRC")	Levy (RM)		Land: Labour Ratio	Levy (RM)
Oil Palm (Pen. M'sia)	81.8% of Total Workers	1,500		Tier 1: 1:12 Ha	640		Tier 1: ≤45%	640		Tier 1: 1:16 Ha	256
				Tier 2: 1:10 Ha	685		Tier 2: >45% to ≤65	1,200		Tier 2: 1:14 Ha	384
				Tier 3: 1:8 Ha	730		Tier 3: >65% to ≤81.8 %	1,950		Tier 3: 1:12 Ha	512
										Tier 4: 1:10 Ha	576
										Tier 5: 1:8 Ha	640 (Base Levy)

Notes **81.8%** is the total number of foreign workers permissible

Ratio is to determine permissible number of local and foreign workers

DRC percentage is to be used with a Land-Labour Ratio to determine permissible number of foreign workers



Institute of Labour Market Information and Analysis (ILMIA) under MOHR

Note: Current deliberations on the Plantation sector is pertaining to only Peninsular Malaysia. Note for Sabah & Sarawak - which are currently regulated based on Land-Labour ratios of 1:6 Ha and 1:7 Ha at a levy rate of RM590 in the Oil Palm sector.

KEY POINTS

- To utilise the existing Land-Labour Ratio of 1:8 Ha (i.e. one worker to 8 hectares of land) for the Oil Palm sector
- To use a levy amount of RM640 per foreign worker as the 'Base Levy' for the Oil Palm sector.
- To decrease, or discount, the levy amount from the 'Base Levy' (RM640) to incentivise and reward companies which improve their efficiency and productivity
- In the future, the 'Base Levy' could be raised to penalise the laggards which have not moved up the productivity ladder

IMPORT DUTIES

MECHANISATION MACHINERIES

TAXATION ON IMPORTS OF PLANTATION MACHINERIES

Call for exemption & waiver to promote mechanisation in the plantation sector?

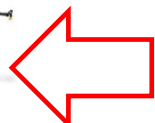
NEW EDITION 2022





THE MALAYSIAN TRADE CLASSIFICATION AND CUSTOMS DUTIES ORDER

ALL AMENDMENTS UP TO 1 JUNE 2022

- IMPORT DUTIES • EXPORT DUTIES
- SALES TAX • IMPORT LICENCE (AP)
- EXPORT LICENCE (AP) • EXCISE DUTIES

PRICE: RM200.00
PUBLISHED AND PRINTED BY: MDC PUBLISHERS SDN. BHD.



MACHINERIES USED IN PLANTATION SECTOR	HS CODE	IMPORT TAXATION
1. MOTOR GRADER 	8429.20.0000	Import Duty : 20% SST: Nil Form E: 5% <i>Form E: Imports under ACFTA (ASEAN-China FTA)</i>
2. EXCAVATOR 	8429.52.0000	Import Duty : 5% SST: Nil Form E: 5%
3. COMPACTOR 	8430.61.0000	Import Duty : 10% SST: Nil Form E: 5%
4. BACKHOE LOADER 	8429.59.0000	Import Duty : 10% SST: Nil Form E: 5%
5. ALL TERRAIN VEHICLE (ATV) & UTILITY TACTICAL VEHICLE (UTV)	8703.21.4200 - CBU CBU (Complete Built-Up)	Import Duty : 10% SST: 10% Excise Duty: 65%

Source : Agriculture Machinery Provider, 2021

PAT

**PROPERTY ASSESSMENT TAX
ON PLANTATION
(ESTATES & MILLS)**

PAT ON MILLS : ONCE UPON A TIME IN SABAH (2019)

Estate owners laud Sabah's decision not to impose tax

Published on: Monday, May 13, 2019

By: Bernama



Sabah planters happy with no property assessment tax on palm oil mills



theedgemarkets.com / theedgemarkets.com

May 12, 2019 18:35 pm +08

Local

Sabah gets praise after decision not to implement property assessment tax



12-05- 2019 09:55 AM

Oil palm folk glad proposed property tax cancelled

By Jeffery Ong - May 27, 2019 @ 10:15pm

SUMMARY

CONCLUDING DISCERNMENT

HISTORY LESSON FROM COCOA (1950s-1970s)

CALLS FOR PRUDENT POLICIES & ADMINISTRATION ON COMMODITIES

Commodity : Price taker, high capitalisation, long-haul, reinvestment, social-economy etc

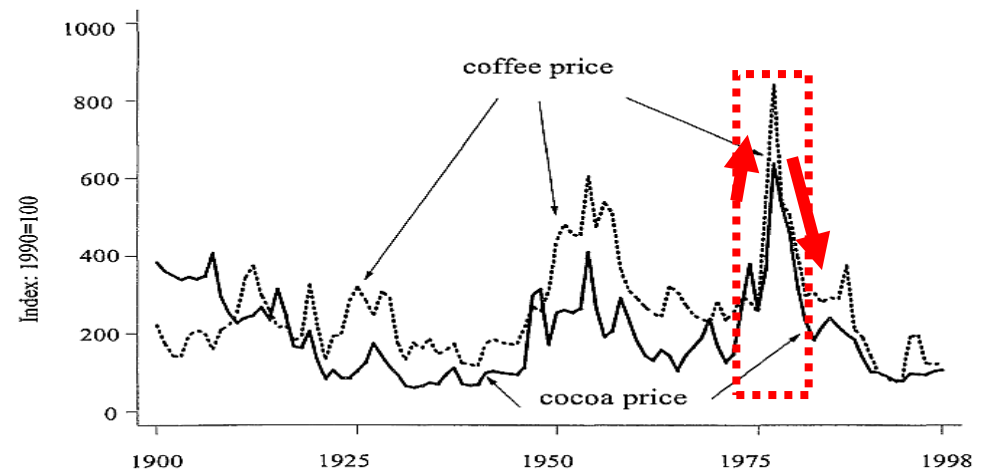
**COLLAPSE OF
GHANA'S COCOA SECTOR**



Kwame Nkrumah Administration in Ghana

“If you want to send your children to school, **it is cocoa**
If you want to build a house, **it is cocoa**
If you want to marry, **it is cocoa**
If you want to buy cloth, **it is cocoa**
If you want to buy a lorry, **it is cocoa**
Whatever you want to do in this world
It is with **cocoa money** that you do it....”
Ghanaian 1950s high-life tune

Real coffee and cocoa prices 1900–1998



Source: World Bank data.



WHY PALM OIL FOR MALAYSIA ?

APPRECIATE THE BLESSED MULTIPLIER-EFFECTS AND SPIN-OFF ECONOMIES

... AN INTER-TWINED SUPPLY-CHAIN OF VALUE-ADDING & JOBS

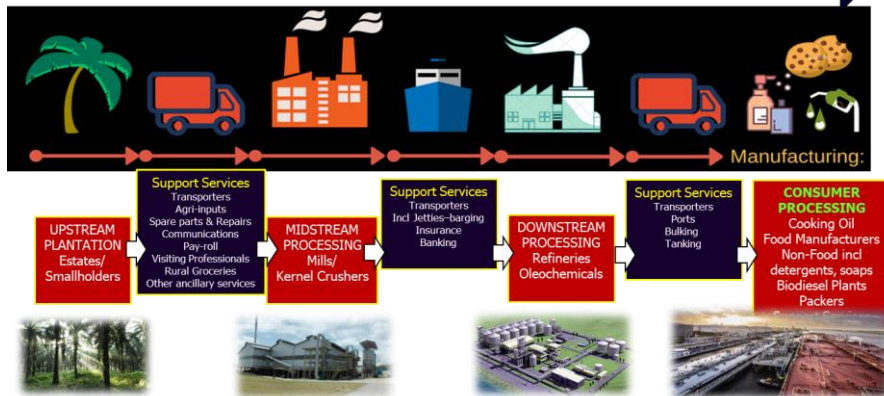
... NATIONAL RECOVERY POST COVID-19

... POVERTY ERADICATION ESPECIALLY RURAL ECONOMIES

... CONTRIBUTION TO GOVERNMENT COFFERS ...

... MODEL OF SHARED PROSPERITY

PALM OIL PLANTATION SUPPLY CHAIN



PLANTATION AND COVID-19 MCO



The Plantation Industry have been the **ONLY INDUSTRY** that Stood Strong through all the financial Crisis from the 1980s, 90s, 2000. It held the Malaysian Economy together through the Recession in the 1980s , The Asian Financial Crisis, The Sub Prime Crisis 2007 and now the Covid 19 Pandemic.

With the Plantation spread over 6 million Hectares throughout Malaysia, the multiplier effect is so vast that community , villagers and towns survive off these plantations.



IMPORTANT NUMBERS TO REMEMBER

650,000

... livelihood of smallholders
in MALAYSIA

4,000,000

... people involved with dependents
excluding the multiplying & spin-offs

90%

of Malaysian
palm oil
exported

>170

Consuming countries

RM109 BIL

... export value

~3,000,000,000

... palm oil consumers in the world

>RM14 BILLION TAXES ON
GROWERS

SIGNIFICANCE OF **RM14 BILLION** ESTIMATED TAXES FROM THE MALAYSIAN OIL PALM GROWERS IN YEAR 2021 ?

<https://www.thestar.com.my> > nation > 2019/10/12 > dr... ⋮

RM416mil allocation to be used for building clinics, new hospital

12 Oct 2019 — "On average, it costs about **RM1.2mil per bed** to build a hospital," he said. "A 50-bedded hospital could cost about RM80mil while a 100-bedded ..."

OIL PALM GROWERS'
TAXES OF RM14 BILLION
IN YEAR 2021



116 @ 100-BEDDED
GOVERNMENT HOSPITALS
(9 HOSPITALS / STATE / YEAR)

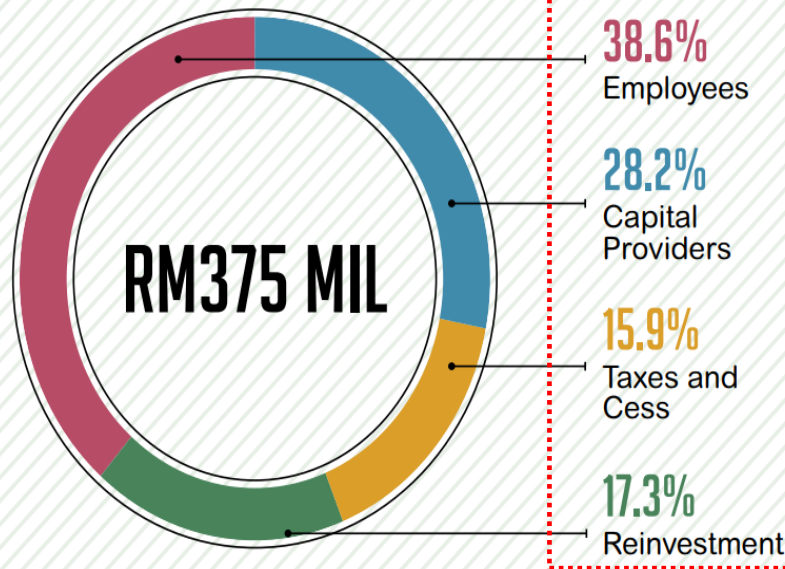


VALUE ADDITION & DISTRIBUTION FROM OIL PALM COMPANIES

MODEL OF SHARED PROSPERITY

**LOCAL COMMUNITIES
AND SPIN-OFF ECONOMIES**
(EVIDENT DURING COVID-19 MCO)

Distribution of Total Value Added ("TVA")



Example :

	31.3.2018 RM'000	31.3.2017 RM'000
VALUE ADDED		
Revenue	747,217	753,711
• Purchases of goods & services	(372,101)	(331,830)
Total value added	375,116	421,881
DISTRIBUTION		
To employees		
• Employee benefits expenses	144,787	133,442
To governments		
• Income tax expense	33,249	51,976
• Sabah sales tax	24,514	27,814
• MPOB cess	2,019	1,949
• Windfall Profit Levy	–	310
To providers of capital		
• Dividends	61,641 [#]	44,029 [*]
• Finance costs		
• Interest expense	23,096	16,592
• Foreign exchange differences on borrowings	23,460	1,364
• Adjustment on long term receivables under FRS139	–	5,865
• Non-controlling interests	(2,591)	1,458
Retained for future reinvestment & growth	64,941	137,082
	375,116	421,881



WHY PALM OIL FOR THE WORLD ?



MULTITUDE OF BENEFITS & VALUE PROPOSITION FOR ALL

Health

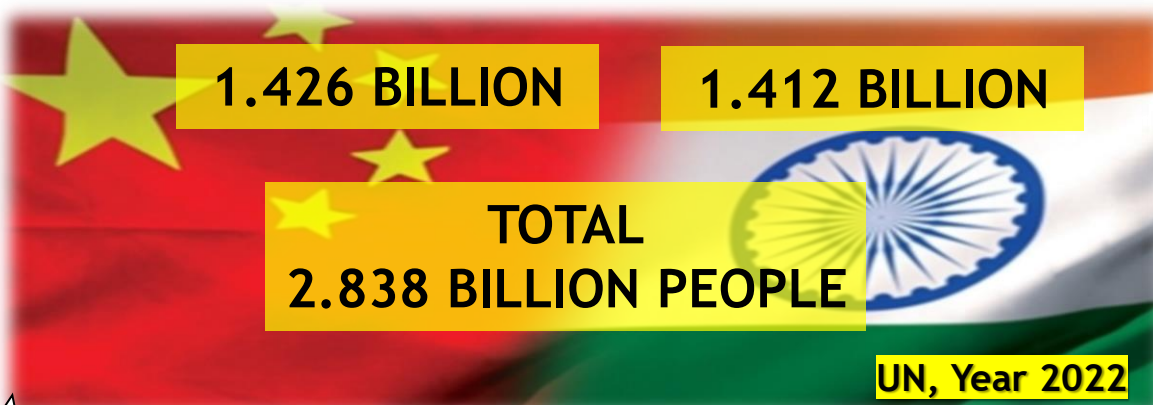
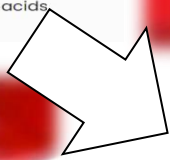
The FDA's Take on the Benefits of Olive Oil

Feb. 26, 2014
Sukhsatej Batra



Nearly a decade ago, the Food and Drug Administration allowed a qualified health claim on food labels of olive oil in response to a petition filed by the North American Olive Oil Association. The stamp of approval in the form of the qualified health claim, and increased awareness of the benefits may explain the higher intake of olive oil by Americans in recent years.

The claim states that daily consumption of about 2 tablespoons, or 23 grams of olive oil, may reduce the risk of coronary heart disease. The decision to allow the claim was made after the FDA found sufficient evidence to conclude that monounsaturated fatty acids, naturally present in olive oil, may prevent heart disease.



2 tablespoons (~23 g) of palm oil per day per person for just CHINDIA will require additional >24 million tonnes of palm oil per year, “unattainable” by Malaysia’s present total annual palm oil production



*The
Cobra
Effect!*

COBRA EFFECT ON PALM OIL

..when attempted solutions result in unintended consequences

Removing palm oil from the global food supply-demand equation will only lead to devastating consequences for the world.

FORTIFYING THE 'TIME-TESTED' PALM OIL SECTOR

DON'T KILL THE GOOSE THAT LAYS THE GOLDEN EGGS

OIL PALM SECTOR

“The art of taxation consists of plucking the goose so as to obtain the most feathers with the least hissing.”
— Jean-Baptiste Colbert

**ALL STAKEHOLDERS
INCL POLICY MAKERS**

FOCUS

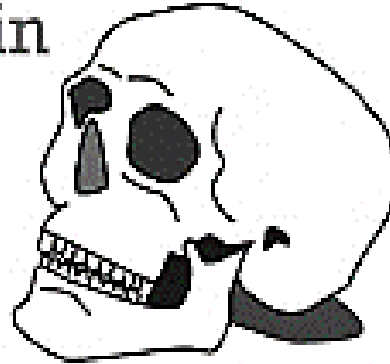
... RECOVERY eg workers
... REINVEST eg replanting
... COMPETITIVENESS,
... MARKET ACCESSIBILITY
& SUSTAINABILITY

BUDGET

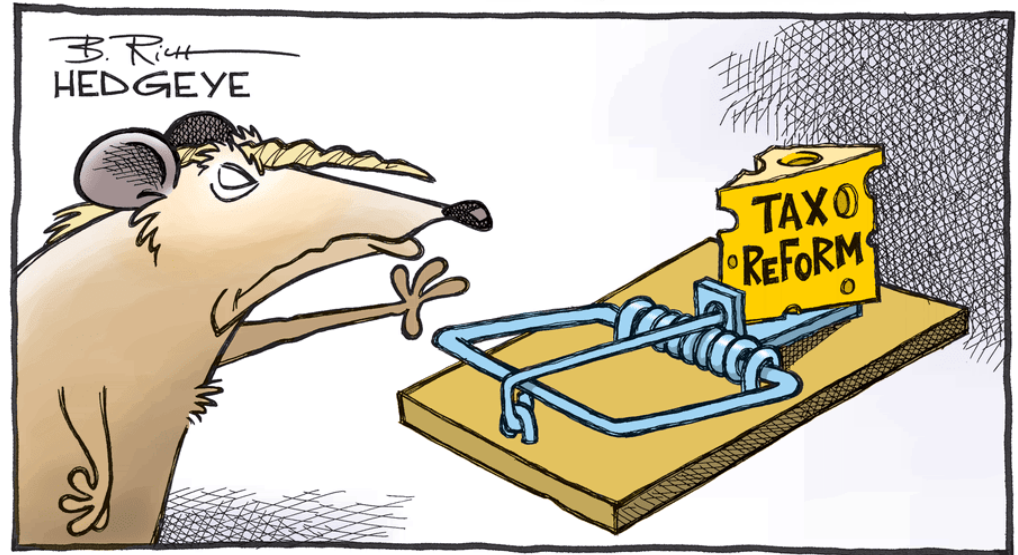
**SWIM OR SINK
WITH OIL PALM**

PARTING WORDS ON TAXES

“ In this world, nothing can be said to be certain except **Death** and **Taxes** ”



Benjamin Franklin, Except from a letter to Jean-Baptiste Leroy





PORAM ANNUAL FORUM 2022
SHAPING OR SHAKING THE INDUSTRY: POLICIES, REGULATIONS AND
THEIR IMPACT ON THE PALM OIL INDUSTRY

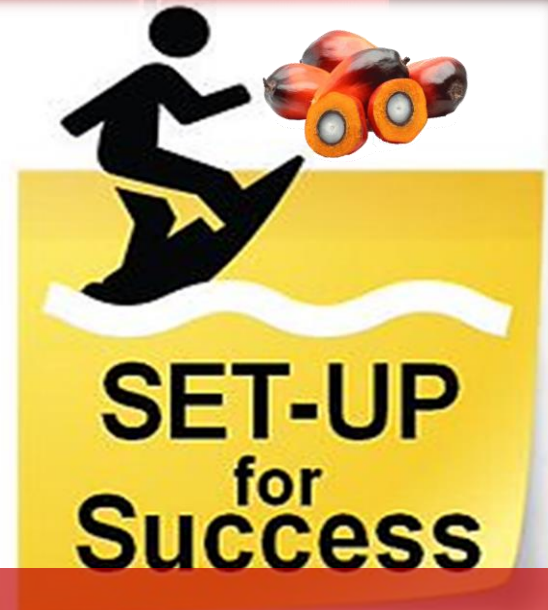
28 November 2022, One World Hotel, Bandar Utama, Petaling Jaya



A Taxing Matter : The Continuous Conundrum in the Malaysian Palm Oil Industry

Joseph Tek Choon Yee

Chief Executive - Malaysian Palm Oil Association (MPOA)



THANK YOU