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BUDGET REACTION

BUDGET '99: SETTING THE ECONOMY ON TRACK TOWARDS RECOVERY

KUALA LUMPUR, Oct 23 (Bernama) -- Setting the economy right on track towards recovery -- that is the main thrust of the 1999 Budget strategy.

Economists, analysts and commentators said most of the measures unveiled are indeed positive towards pulling Malaysia out of the economic recession.

Chief executive officer and director of Asian Strategy and Leadership Inc, Sdn Bhd (ASLI) Datuk Michael Yeoh views the 1999 Budget as "realistic" and will certainly help Malaysia along its path of economic recovery.

He said the RM16.635 billion deficit estimated for this year is reasonable as it is not too large, adding that the expected growth of one percent for next year is also within achievable level.

"I think one of the most surprising aspect of the budget is the changes in tax system, but I cannot comment much on that since there are not too many details available (yet)," he said.

In a move to modernise and streamline the tax administration system, the Inland Revenue Board has proposed to change the tax assessment of income tax, based on the income received in the preceeding year, to that of the current year beginning from the year 2000.

Prime Minister Datuk Seri Dr Mahathir Mohamad in his budget presentation said the change is aimed at increasing efficiency and responsiveness in the collection of income tax to ensure that the cash flow of the government reflects the current performance of the economy.

Tan Sri Azman Hashim executive chairman of Arab-Malaysian Merchant Bank described the 1999 budget as "good and balanced".

He said the measures and incentives complemented one another and also provided some fine-tuning to the government's earlier measures to revive the economy.

Azman welcomed tax benefits and tax relief for banks as a further move to help financial institutions.

Dr Mahathir proposed that 50 percent of interest income in banking institutions' interest-in-suspense account not be considered as income for purpose of income tax.

Such income would be taxed once it is realised as revenue to the entity, adding that the proposal would be effective for assessment years 1999 and 2000.

The deputy president of the Malaysian Associated Indian Chamber of Commerce and Industry (MAICCI) Lachman Naraindas said the 1999 Budget signified a re-emphasis on the government's previous measures to strengthen the economy.

"What is good about the budget is, in spite of the economic slowdown, it is not painful," he said.

He welcomed the government's proposal to abolish excise duties on refrigerators, televisions and air conditioners as locally-made electronic items would now become more competitive in the market.

"That (the removal of excise duties) is good news because now the customers only need to pay the sales tax. As such, our local electronic products could become cheaper," he said.

Dr Mohd Haflah Piei, deputy director of Malaysia Institute of Economic Research (MIER), said with the fiscal stimulus injected to the economy, Malaysia is expected to make an economic turnaround next year.

But he said the country should bear in mind the external factors that

were beyond Malaysia's control, which might jeopardise the recovery efforts.

One of them was the likelihood that the financial crisis which plagued the Asian countries were to spread to the rest of the world.

With the tax relief given to taxpayers, it was hoped that it would stimulate spending, said Haflah.

The budget also did not neglect the agricultural sector as it encouraged companies to venture into food production like cattle breeding and maize planting.

The Association of the Computer Industry Malaysia (PIKOM) said it is happy with the 1999 Budget aimed at stimulating the economy and increasing exports.

An economic recovery would lead to higher spending in IT (information technology), it said.

It said the RM110 million allocation for the four Multimedia Super Corridor (MSC) flagships applications, namely Electronic Government, Smart Schools, Telemedicine and Multi-purpose Smart Card, is certainly welcomed.

In these difficult times, this is understandable and commendable, said PIKOM Chairman Shaifubahrim Saleh.

Jason Goh, deputy president of the Federation of Malaysian Freight Forwarders, said the federation welcomed the proposal to exempt tax from income received by residents from "time" and "voyage" charters.

The move would support more people to use the local shipping facilities, he said. -- BERNAMA

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