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Don't expect salary hike (HL)

Ashraf Abdullah

KUALA LUMPUR, Sat. - Bracing itself for a sharp drop in revenue this year as a result of the economic downturn, the Government has cautioned its employees not to expect any upward adjustment in salaries if the situation persists.

This is because revenue from three main sources - corporate tax, income tax and import duty - is expected to drop as a result of lower company profits, retrenchments and reduction in imports.

The last salary adjustment for civil servants was in 1995, an exercise which cost the Government RM2 billion. Civil servants were also paid one month's bonus last year.

Prime Minister Datuk Seri Dr Mahathir Mohamad said today that Sime Darby Bhd, which in the past had made an average profit of RM2 billion a year, had paid the Government RM560 million a year in corporate tax.

"However, the company has not made any profit this year and there is a possibility it will not pay the Government any tax at all," he said when launching the Implementation and Co-ordination Unit of the Prime Minister's Department's Quality Day.

Dr Mahathir also launched the book Penggerak Jentera Pembangunan published by the unit and presented excellent service awards to 24 officers and staff members.

The book, on the development of the unit, describes its role and duties in co-ordinating the implementation of policies, programmes and projects under the New Economic Policy and National Development Policy.

The Prime Minister said companies were required to pay 28 per cent of their annual profits as corporate tax.

"However, we expect a sharp fall in payment as many of our economic sectors are not making profits as a result of the economic problems."

Similarly, revenue derived from personal income tax and import duty were also expected to fall.

"We impose a 300 per cent tax on imported luxury cars. If the actual price of a Mercedes Benz is RM100,000, it will cost RM400,000 for a Malaysian to buy one. As we are no longer encouraging the use of imported items, there is a possibility that government revenue from import tax will drop."

Therefore, Dr Mahathir said, civil servants should not hope for a pay rise if the economy did not recover. However, the Prime Minister said civil servants should continue to work hard and increase productivity because, eventually, they would enjoy the benefits.

"When we work hard and increase productivity, the Government will earn more in terms of taxes and will in turn pay higher salaries."

In an immediate reaction, Cuepacs said it accepted the fact that there would be no pay rise as long as the economic downturn persisted.

"We are with the Government on this as we acknowledge that the country is facing economic problems," Cuepacs president Abdul Aziz Sultan said.

He said a new wage adjustment was not due until the year 2000 as the previous salary rise took effect in 1995.

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