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BUDGET-PREVIEW

BUDGET 2000 EXPECTED TO CONTAIN GENEROUS HANDOUTS

By: Mikhail Raj Abdullah

KUALA LUMPUR, Oct 28 (Bernama) -- With just a day away for what appears to be a people-friendly Budget for next year, Malaysians are bracing for generous handouts beginning with the 880,000 or so government servants expecting a bonus payout.

The government, which has always pursued pro-business strategies, is anticipated to continue with its investor-oriented and expansionary Budget for next year's financial and development blueprint.

To be unveiled by First Finance Minister Tun Daim Zainuddin, it would be his first Budget presentation after leaving the Cabinet several years ago. The 1999 Budget was presented by Prime Minister Datuk Seri Dr Mahathir Mohamad who also held the finance portfolio then.

Tax consultant Yong Poh Chye in reviewing what is in store tomorrow, said a lower corporate tax from 28 percent to 26 percent could be in the bag to spur local and foreign investment important for reviving the economy.

He said that there was a possibility that the government would widen the scope for reinvestment allowance and research and development deductions through subsidies.

There could also be more R&D grants and infrastructural facilities for the agriculture sector, especially in increasing food production.

To ensure and improve social well-being of Malaysians, the government might give a two percent cut in personal tax rates for individuals.

By this, it means that the first RM5,000 chargeable income in excess of RM150,000 would be taxed at 28 percent instead of 30 percent (imposed since year of assessment 1996).

"Better still, the government may even consider reducing the maximum personal tax rate to 26 percent to be on par with the proposed corporate tax rate of 26 percent," said Yong.

Alternatively, the government might consider increasing personal relief for the Employees Provident Fund (EPF) and insurance premium payments from RM5,000 to RM7,000 each for husband and wife.

"Mortgage interest payments may also be tax deductible subject to a maximum sum of RM5,000 per family," he said.

The Real Property Gains Tax (RPGT) on the gains from the disposal of properties for Malaysian individuals might be reduced from 30 percent, 20 percent and 15 percent to 20, 15 and 10 percent respectively, depending on the holding period of the properties.

The RPGT rates on the gains for the disposal of properties for non-citizens and non-permanent residents might also be reduced to 30 percent to those applicable to Malaysian citizens and permanent citizens.

He said that this would revert the taxing rates to those applicable before Oct 27, 1995.

All these incentives together with the tax waiver on 1999 income and higher exemption threshold for the sales tax from RM100,000 (imposed since 1972 when sales tax was first introduced) to RM300,000 will increase the disposal income of the rakyat and assist in the recovery process.

No less important would be new tax measures that would benefit the manufacturing and information technology sectors, said Yong, who is executive director of Tax Advisory and Management Services Sdn Bhd.

In line with the 10-year masterplan for the whole financial sector (2000-2010), he said the government would give new incentives like

exemption of stamp duty and real property gains tax to be extended to end-2000 and tax credit and flexibility to nudge the consolidation of Malaysian banking, insurance, and stockbroking industries.

"Malaysia may allow the foreign insurance companies and unit trust funds to enter the local market earlier than the stipulated year of 2003," he said.

To strengthen the balance of payments, the government might exempt remittances from overseas received by resident individuals as well as making Malaysia the regional centre for tertiary education by giving further incentives to colleges and universities.

To make Malaysia a knowledge-based economy, Yong said incentives would be given to local entrepreneurs, especially small and medium scale industries, to modernise and be IT-oriented.

"E-commerce will enable them to reach global markets faster and at lower costs. Over time, Malaysian SMIs can supply higher value-added intermediate products through local sourcing," he said.

Yong said that with the expected implementation of the World Trade Organisation (WTO) valuation agreement, there might be a slight loss in the tax revenue, but this could be made up with the widening of the prescribed services under the service tax.

Furthermore, the government might rationalise the various threshold levels (some RM500,000, RM300,000 or even RM150,000) for service tax in respect of various prescribed services.

"Although we are recovering, we have yet to bounce back to pre-crisis levels. Furthermore, there is the possibility of a sharp slowdown in the United States' economic performance and the fear that the recovery of the Japanese economy is not sustainable.

"Thus, a higher infrastructure spending will be the key driver to our economic growth besides the subsidies, tax reductions and incentives which have been proposed by the government," he said.

Given the ill-effects of the financial crisis, Yong said all incentives tax measures contain in the 2000 Budget would help further strengthen the resilience and competitiveness of the nation's economy.

He said it would entail restructuring the financial sector and improving governance in the private and public sectors, strengthening further balance of payments and ensuring the social well-being of the rakyat.--BERNAMA

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