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2000 Budget designed to encourage public, corporate sector spending

KUALA LUMPUR, Thurs. - The 2000 Budget, which will be unveiled by the Government tomorrow, will be generous both to businessmen and the rakyat.

First Finance Minister Tun Daim Zainuddin is due to present the Budget in Parliament at 4pm - his first after an eight-year absence from the portfolio.

The main thrust of the Budget is expected to be expansionary, meaning it is designed to encourage spending by both the public as well as the local and foreign corporate sectors.

Tax cuts and incentives are expected for the business community, while the man-in-the-street may see a cut in personal tax rates.

Prime Minister Datuk Seri Dr Mahathir Mohamad, in an interview with RTM at his office in Putrajaya today, said the Budget "is good for everyone, but it is not meant to fish for votes in the next general election".

Bernama reported that the Prime Minister described the 2000 Budget as "better than the 1999 Budget" which was made last year when the economy was not doing well.

"The Government expects next year's economy to show a better performance, and therefore we can afford to be more generous," he said.

The Government expects an increase in revenue next year, and because of this it feels it should expend the money in a way that is more helpful to everyone.

Dr Mahathir also expressed regret that some Ministries did not use up the allocations provided because their failure to spend could affect the country's economic growth.

"If they do not spend, then this will affect the country's economic growth because Government expenditure contributes to the income of people like contractors and consortiums whose business cannot improve if our money is not spent," he said.

On the economy, Dr Mahathir said Malaysia's recovery was apparent and real but to further boost performance, certain sectors should be given attention.

The required efforts included holding buy Malaysian goods campaigns, and property ownership campaigns, he said.

Dr Mahathir's statement further strengthened market speculation that there would be incentives to sustain the revival in consumer spending for both everyday items (products usually on offer at the numerous buy local goods campaigns) as well as major purchases such as residential and commercial property.

Rating Agency Malaysia Sdn Bhd said more tax incentives were expected to be introduced to sustain big-ticket consumer items particularly car and property sales.

The incentives range from raising exemption of excise duty on locally made cars from the current 50 per cent to 70 per cent for a limited period.

"The Government may consider waiving stamp duties as well as allowing for a greater amount of EPF allocation from housebuyers from the current rate of 30 per cent."

For car makers, RAM said: "In view of the rising Japanese yen and the need to import certain car components, the Government may temporarily suspend or lower import duties to both Proton or possibly the completely-knocked-down vehicles as well.

To supplement this move, RAM added that it expects a one to three per cent cut in personal income tax for the highest income bracket which currently stands at 30 per cent, to raise individual disposable income.

The business community is expected to see lower corporate tax from 28 per cent to 26 per cent, a move intended to spur local and foreign investment, important for reviving the economy.

There is 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.

The Government is likely to push for a higher allocation for tourism and education of the services sector to correct the balance of payments.

Also, more reductions in import tariffs on selected luxury goods to supplement the relatively undervalued ringgit may be introduced to turn Malaysia into a shopping paradise.

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