

All budget proposals will be studied, says PM

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PUTRAJAYA: The Government will study all proposals for tax reductions and requests for increased government expenditure when drawing up the next budget, but will give priority to ensuring the continued stability of the nation's economy, Prime Minister Datuk Seri Dr Mahathir Mohamad said.

Dr Mahathir, who is also Finance Minister, said there was a conflict between the views of businessmen and entrepreneurs who wanted a reduction in taxes, and those of social organisations which were keen to see an increase in government expenditure to upgrade the quality of life.

"Sometimes when we reduce taxes, we can collect more, but sometimes not. But to improve the quality of life, we must spend more.

"There is a conflict between these views which we must reconcile," he said after chairing the concluding session of the pre-budget dialogue here yesterday.

Dr Mahathir said excessive government spending and too much reduction in taxes would have an adverse impact on the nation's economy.

"We will have problems like a huge budget deficit and we will be financially weak. If our economic position is not strong and if we are attacked like we were during the crisis, we may not be able to turn the economy around," he said.

He added that the Government would study all proposals for tax reductions and would only cut taxes if satisfied that such a move would spur further economic growth.

During earlier sessions of the pre-budget dialogue, the Government had received proposals for a reduction in corporate tax from various bodies, including the Malaysian Employers Federation and the Malaysian Institute of Accountants. The current corporate tax rate of 28% is higher than Singapore's 26% and Taiwan's 25%.

Dr Mahathir said that while the Government wanted to entertain the requests of the social bodies, it had to ensure that such a move would not weaken the nation financially and that the country would be able to defend itself "should there be occurrences beyond our control from other countries."

He said the Government's ability

to meet demands for tax reductions and increased expenditure was limited.

Dr Mahathir also said the Government would try to reduce the budget deficit for next year.

"We should protect government finances. If we spend too much, we will have problems; and if the economy deteriorates, we may face more problems," he said.

When asked if the upcoming budget would contain more pump priming measures and what were the sectors that would receive special attention, Dr Mahathir said he would study all proposals which had been forwarded before making a decision.

During the closed-door dialogue yesterday, non-governmental organisations presented their proposals to the government.