

# More in low income group will not pay tax

SUN 20 OCT 2001

The Budget will help those in the lower income group who had previously been paying income tax, Datuk Seri Dr Mahathir Mohamad said.

Many who previously fell under the taxable bracket are now exempt from paying income tax as the level has been raised, he said.

The prime minister noted that civil servants will get a bonus equivalent to half their pay, and the lower income group will be getting RM1,000 – almost two months' pay.

"The idea here is to give more to the lower income group. We are also spending more money in the rural areas and we want to take care of small contractors so that they can earn more income for themselves," he told a press conference after tabling the Budget.

Mahathir said some of the proposed price increases will be effective immediately to prevent anyone taking advantage.

Asked why there is no fresh spending announced, Mahathir said there is a limit to what the government can spend in a year.

"If we spend too much, it will affect our financial situation. But this time, we are spending a little bit more," he said.

Asked how the funding

for Budget 2002 will be sourced, he said it will be done within the system.

"There are sufficient funds within the country. Banks have a lot of money. They have RM80 billion which was not given out as loans," he said.

"So since they are not giving it out as loans, the government will take it."

He said money from the Employees' Provident Fund is also there.

"There is no need to borrow from outside," he said.

Mahathir also said there are perks in the Budget which will benefit the corporate sector.

Asked whether the government plans to raise money through sovereign bonds, he said it will do so if there is a need.

"At the moment, there is no such need. Next year, we will see whether we need to do so, depending on our tax collection," he said.

On the 5.5% growth forecast for next year, Mahathir said the emphasis will be on the domestic contribution to the GDP and not from external sources.

"Now that we are putting more money into circulation, we hope retailers and other people will benefit from the extra money spending power of

government servants and those in the lower income group," he said.

Asked whether there is a need to lower the interest rate, Mahathir said the rate in Malaysia is already low at between 6% and 7%.

"If we lower it too much, then people will not save and there will be no fixed deposits," he said.

"We have to balance this so that the people will save and we can use the savings to finance a lot of other things."

On the allocation for religious schools, Mahathir said religious schools are meant for teaching religion.

"If they are teaching something which is contrary to the religion, we don't see why we should give money to them. There is no reason for the government to support them," he said.

On the Budget being not "smoker-friendly", he quipped: "Why should I be friendly to smokers? They make me an unwilling smoker, secondary smoker."

"So why should I be nice to them? I am trying to save their lives."