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MAHATHIR-COMPETITIVENESS

2002 BUDGET AIMED AT MAKING LOCAL COMPANIES MORE COMPETITIVE

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KUALA LUMPUR, Oct 19 (Bernama) -- The 2002 Budget, which, among other things, has proposed cuts on import duties for products that had long been protected, has sent a clear message to investors to up their investments and domestic firms to sharpen their competitive edge in an ever challenging global arena

Tabled by Prime Minister Datuk Seri Dr Mahathir Mohamad at the Dewan Rakyat today, the government decided that import duties on 55 products be reduced from between 20 and 105 percent to between 10 percent and 50 percent.

Besides this, import duties on 171 products, inclusive of intermediate goods such as multimedia projectors, telephone answering machines, furniture components and photographic papers, would be reduced from between 5.0 percent and 35 percent to between zero percent and 25 percent.

To cut the cost of doing business by shipping companies in Malaysia, Dr Mahathir proposed that income received by non-residents from renting containers to shipping companies in Malaysia be exempted from income tax.

Although the financial blueprint for next year stressed on raising consumption expenditure, companies were not left out either as those which reinvest in expansion projects, automate or diversify would have the reinvestment allowance period extended from five to 15 years.

The annual industrial building allowance granted to approved buildings including hotels would be raised to 3.0 percent from 2.0 percent as a result of which companies could claim depreciation within a shorter time frame, i.e. from 45 years to 30 years.

Dr Mahathir said small and medium companies, the backbone for supporting growth, must participate in the global supply chain management network for on-line and real-time procurement, production and logistics management.

He proposed a grant of RM5 million for the development of RosettaNet, the Internet-based common order code, to communicate directly with global suppliers.

To encourage multinational companies, he proposed that the expenditure incurred in pioneering the RosettaNet programming for the benefit of small and medium companies be given income tax deductions.

However, he said the corporate tax would not be reduced contrary to widespread speculation since the rate was still competitive compared with many Asean countries.

He said the effective tax rate was lower if the tax incentives already provided for were taken into account.

To accelerate the acquisition of state-of-the-art technology, the prime minister also proposed that the annual deduction on expenses incurred in acquiring proprietary rights such as patents, industrial designs and trade marks be increased to 20 percent from 10 percent for a period of 5 years.

He also proposed that expenditure incurred by any person in providing practical training to individuals who are not their employees be given income tax deductions, a move aimed at enhancing productivity and competitiveness.

To enable employees to remunerate their workers based on their productivity, he proposed that the restriction on bonus payment, an incentive to workers to raise productivity and which until now has been limited to two months salary, be abolished.

In efforts to enhance the information and communication technology (ICT), smart cards and their related equipment would be tax exempted to enhance the usage of multi-purpose smart cards, he said.

Also, to further encourage the use of ICT in trade as well as establish Malaysia as an attractive business location for international trade, Dr Mahathir proposed that the tax on income derived from offshore trading through websites in the country be cut from 28 percent to 10 percent for a period of five years.

At the same time, the cost incurred in the development of websites be granted an annual deduction of 20 percent for a period of five years, he said.

To provide breathing space for those public-listed companies with unsatisfactory financial position or with an issued capital below the minimum threshold, they would be given an extension up to December 2002 to comply with the listing requirements.

To improve the financial position of distressed companies, he said the requirement of share buy-back was to be further relaxed.

To provide incentives for exports, Malaysian trading companies approved as international trading companies would be granted income tax exemption equivalent to 10 percent of the increased export value and the qualifying criteria such as value of annual sales turnover would be liberalised.

Companies involved in the export of services would have increased tax exemptions of 50 percent from 10 percent of the increase in export value while organisers of international trade exhibitions which attract at least 500 foreign visitors per year would also be given tax exemptions.

For investors, Dr Mahathir said Bank Negara Malaysia would issue the Third Series of Bon Simpanan Malaysia, especially for citizens above 55 years and welfare organisations.

Also, RM1 billion would be issued with a rate of return of 5.0 percent of which half would be issued based on Islamic principles, he said.

To accelerate import substitution in the manufacturing sector, the prime minister proposed that the income tax exemption available to companies involved in the production of machine tools, plastic injection machines, material handling equipment, robotic and factory automation equipment as well as parts and components be increased.

In efforts to further encourage industries in higher value-added manufacturing activities such as logistics services, integrated market support services and also utility services centres, he proposed an income tax exemption of 70 percent against statutory income for a period of five years.

Besides that, there would be a tax exemption of 85 percent against statutory income for a period of five years for projects located in the Eastern Corridor of Peninsular Malaysia, Sabah and Sarawak.

As a continuous effort to introduce and promote local brands in international markets, Dr Mahathir proposed that the advertising cost for Malaysian brand names registered overseas and professional fees paid to Malaysian brand management companies be given double deduction for income tax.

To further promote rubber, oil palm and timber-based industries as well as encourage greater investment in these areas, companies which reinvest in the production of such resource-based products would be granted income tax exemption of 70 percent or investment tax allowance of 60 percent for a period of five years.

To strengthen the agriculture sector's contribution towards growth, reinvestment undertaken by existing companies would be granted 100 percent income tax exemption against the statutory income for a period of five years.

To encourage food production on a large scale for export and import substitution purposes, the 100 percent allowance on capital expenditure given to prawn farming, floriculture and the planting of approved fruits would be extended to other agricultural projects such as vegetable and herb farming, breeding of fish including ornamental fish, cockles and oysters.

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MR SHY