

19 OCT 2001

BUDGET-STAYING COMPETITIVE

2002 BUDGET AIMS TO BOOST COMPETITIVENESS, REDUCE COSTS

KUALA LUMPUR, Oct 19 (Bernama) -- The 2002 Budget has put in place measures to address issues related to competitiveness and productivity amid the challenges of borderless world and commitments towards the implementation of the Asean Free Trade Area.

Besides boosting productivity, the 2002 Budget also aims to help reduce the cost of doing business.

In line with this, Prime Minister Datuk Seri Dr Mahathir Mohamed had proposed in the 2002 Budget that the Industrial Building Allowance be granted to approved buildings including hotels be reviewed.

Dr Mahathir, who is the finance minister, proposed that the annual allowance be increased from two percent to three percent, and as a result, companies can claim depreciation within a shorter time frame, that is, to 35 years from 45 years.

The initial allowance of 10 percent currently granted for capital expenditure incurred in the construction of buildings is to be extended to capital expenditure incurred in the acquisition of buildings.

As a further measure to reduce cost and increase competitiveness, Dr Mahathir proposed that import duties on 55 products which have been long protected be reduced to between 10 percent and 50 percent from 20 percent and 105 percent.

Among the products involved are aerated beverages, woven fabric, lace and blankets.

He also proposed that import duties in 171 products inclusive of intermediate goods such as multimedia projectors, telephone answering machines, furniture components and photographic papers be reduced to zero and 25 percent from between five percent and 35 percent.

He also proposed that income received by non-residents from renting containers to shipping companies in Malaysia be exempted from income tax in order to reduce the cost of doing business for shipping companies in Malaysia.

He 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 for a period of five years from 10 percent.

In a move to enhanced productivity, he proposed that the tax deduction on bonus payment which is limited to two months salary now, be abolished.

"It is hoped that this measure will provide an opportunity to employers to offer remuneration which is commensurate with the their workers' productivity," said Dr Mahathir.

He said the payment of bonus was an incentive to workers to increase productivity.

He also proposed that expenditure incurred by any person in providing practical training to individuals who were not their employees to be given deduction for purposes of income tax.

He said practical training schemes needed to be encouraged as one of the avenues to increase the supply of skilled and trained manpower.

As part of the plan to enhance productivity and competitiveness, employers must undertake to train and upgrade the skills of their workers, he added.

He said in this regard, the Government has set up the Human Resource Development Fund as well as provided tax incentives for training in

technical and vocational fields.

Dr Mahathir also said that Malaysia'S productivity had not increased in line with the increase in the cost of production and if this trend was not checked, the country would lose its share in the international market and this may result in workers losing their jobs, wages staying stagnant and no additional new job opportunities.-- BERNAMA

MSL SHY