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BUDGET-BOOST

2002 BUDGET AIMS TO HELP DOMESTIC ECONOMY BLOOM

By: Mikhail Raj Abdullah

KUALA LUMPUR, Oct 19 (Bernama) -- The 2002 Budget has put in place a host of measures to invigorate the domestic economy through several fiscal incentives designed to help businesses stay viable and competitive amidst the harsh external environment as well as induce greater productivity among workers in the country.

Tabled by Prime Minister Datuk Seri Dr Mahathir Mohamad at the Dewan Rakyat today, the 2002 financial contained tax incentives to nudge the manufacturing, tourism, education, services and information and communication technology sectors.

Despite the fact that the corporate tax was not reduced, it was felt that other incentives being introduced would still provide support to the private sector. For instance, the reinvestment allowance period which would be extended to 15 years from five years is significant and is a response to the call by the private sector for it to be continued.

It would spur companies to invest further in the country which in turn would attract new investors.

Corporates should also be pleased with the incentives offered for offshore trading via websites in Malaysia as the websites would expand the horizon of Malaysian companies.

In the 2002 Budget, income received by companies undertaking offshore trading via websites in Malaysia is to be taxed at a concessionary rate of 10 percent for a period of five years on the condition that it is approved by the Minister of Finance.

PricewaterhouseCoopers said the extension maintains Malaysia's competitiveness relative to other countries in the region.

The hike in the rate of industrial buildings allowances covering factory buildings and hotels would further benefit new projects in the manufacturing sector.

There were also measures aimed at improving private sector productivity, where employers welcomed the move to freely grant bonuses without being imposed tax on the amount of bonus paid beyond two months.

The Malaysian Employers Federation said that employers should be free to pay reasonable amount of bonuses to employees based on productivity and performance of employee.

This again, would further enhance productivity and improve the country's competitiveness.

As for the increased allocation of RM613.9 million for tourism, the increased marketing expenditure will make Malaysia better known as a destination.

This would translate into increase in-bound traffic, given Malaysia's track record in the hospitality sector, specifically in the operations and turnaround of hotels. This would generate increased foreign exchange earnings.

Dennis Tan, general manager for the Value Hospitality Group, said the government should be focused and targeted in their efforts to promote tourism with intention of attracting value added tourists with significant purchasing power.

To further promote Malaysia as a centre of excellence in education and to reduce the cost of providing educational facilities, all private institutions of higher learning and private language institutions would be granted exemptions on import duty, excise duty and sales tax on educational

equipment, including laboratory fittings, workshops, studios and language labs. -- BERNAMA

MR SHY

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REACTION-RAFIDAH

MSIA'S EFFECTIVE CORPORATE TAX RATE ALREADY VERY COMPETITIVE

KUALA LUMPUR, Oct 19 (Bernama) -- Malaysia's effective corporate tax rate is already very competitive with some companies, both local and foreign, sometimes paying as low as 19 percent in corporate tax, Minister of International Trade and Industry Datuk Seri Raidah Aziz said here today.

She said that rather than resorting to corporate tax for its revenue, the government was more keen to provide a conducive business environment for companies.

In this way, the companies will make more money, she said when asked why the government did not announce any corporate tax cuts contrary to widespread speculation that the tax of 28 percent would be further reduced.

Rafidah said that in some countries, the tax rate was lower but their cost of doing business was much higher which did not provide a conducive business environment for business.

With a better business environment, companies would be able to grow and expand their operations and in the process reap in better returns.

This is why the government does not resort to imposing corporate taxes per se to raise revenue, she said.

Prime Minister and Finance Minister Datuk Seri Dr Mahathir Mohamad, in tabling the 2002 Budget, said the government was already providing various tax incentives to foreign and domestic investors and if all these were taken into consideration, Malaysia's tax rate was lower.

Rafidah also stressed on the question of productivity saying that "we do not want bonus to be given, (but) productivity does not increase."

She also said that exemption duty on certain products and the cut in tax meant that the government is prepared to open the market when the time is right for it to compete with imported products.

However, with the launching of the Asean Free Trade Area (AFTA) in 2003, there should not be any more people saying that they were not prepared since they have already been reminded, Rafidah said.

She said that the government would like to see investors in strategic sector, especially in the manufacturing of component and equipment for the large industries, which have always been imported.

The ministry would also review the financial package for the small and medium enterprises (SMEs) in connection with industrial network programme so that local industries could increase production of capital and intermediate goods like what was stated by the Prime Minister.

In terms of diversifying exports and exports destination, the country's focus is Asean and China and the south countries, apart from maintaining export promotion to developed countries.

"We do not want exports to be delayed and we want to ensure that the Malaysian brand would get a place in foreign countries," she said. --

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