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Budget to boost spending (HL)

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KUALA LUMPUR, Fri. - Prime Minister Datuk Seri Dr Mahathir Mohamad today unveiled a Budget whose main thrust is to encourage spending and help businessmen weather the effects of a slowdown in the world economy.

Part of the stimulus package is a one to two per cent cut in the rates of personal income tax. This will bring some cheer to the salaried men and women.

But the happiest people will be the country's 850,000 civil servants who will be given a 10 per cent salary increase next year and a half-month bonus or at least RM1,000 this year.

Half of the bonus will be paid this month and the rest next month.

Some other goodies include:

- * widows will continue to receive their late husband's pensions even if they re-marry, a privilege they lose at present;

- * the overtime allowances for medical officers will be increased from 25 to 50 per cent;

- * import duties on 55 products will be reduced from between 20 and 105 per cent to between 10 and 50 per cent; and,

- * import duty on luxury motorcycles will be cut from 120 to 60 per cent. For other motorcycles it will be reduced to 60 per cent from between 80 and 100 per cent.

Speculation of a reduction in the corporate tax did not materialise.

However, a wide range of tax incentives aimed at lowering the cost of doing business and enhancing competitiveness were given.

On the flip side, motorists will have to pay more for petrol and diesel. These will cost an additional 10 sen per litre.

The price of cigarettes may go up as a result of a hike in import and excise duty.

The threshold for the imposition of service tax has been reduced. This means a larger number of establishments will now slap on this tax.

Dr Mahathir, who is also Finance Minister, noted that the Budget was being tabled amidst an extremely challenging time with increasing volatility in the external environment.

He said the horrendous attacks on the United States had further aggravated global economic conditions with prospects of an early recovery becoming more uncertain.

Despite this, Malaysia's ability and success in riding out the boom-and-bust cycle in the economy should enable it to mobilise efforts and respond immediately to challenges arising from the instability in the external environment.

The Government is budgeting for a total expenditure of RM100.52 billion, an increase of RM10.4 billion over the original allocation last year.

Of the amount, RM66.98 billion is for operating expenses and RM33.54 billion for development.

With the revenue estates of RM73.4 billion, the overall Federal Government account is estimated to record a deficit of five per cent of GDP, amounting to RM18.6 billion.

The deficit is lower than the RM22.4 billion or 6.5 per cent in 2001.

The Budget strategy seeks to:

- * strengthen economic growth through increased domestic expenditure, enhancing the role of the private sector and increasing competitiveness;

- * diversify sources of growth through trade and domestic industrial

activities without reducing the role of foreign direct investment as well as ensuring the continued expansion of the nation's exports; and,

* ensure equitable distribution of wealth between urban and rural areas, between high and low income groups and between the more developed and less developed States.

Dr Mahathir said that peace and stability are the cornerstone of economic progress.

"Social cohesion builds a strong nation," he said.