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BUDGET-MANUFACTURING

PM CALLS FOR REDUCING DEPENDENCE ON IMPORTED CAPITAL GOODS

KUALA LUMPUR, Oct 19 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad today called for a reduction in the dependence on imported intermediate and capital goods which comprise the largest component in the nation's list of imports.

To accelerate the country's import substitution programme, the income tax exemption available to companies involved in producing machine tools, plastic injection machines, material handling equipment, robotic and factory automation equipment as well as parts and components would be increased.

As for Pioneer Status, the increase is to 100 percent from 70 percent while that of Investment Tax Allowance is to 100 percent from 60 percent, he said when tabling the 2002 Budget at the Dewan Rakyat here.

For companies manufacturing machinery and other equipment such as fabricated cranes, it is proposed the value-added criteria for the purpose of granting the 70 percent Pioneer Status or 60 percent Investment Tax Allowance be reduced from 30 percent to 20 percent.

For the manufacturing sector, Dr Mahathir said there was a need to further develop domestic-resource based industries, mainly furniture, palm oil-based oleochemicals and rubber products as well as household electrical appliances which have high demand potential, especially from West Asia and Africa.

At the same time, he said the steel and aluminium fabrication industry as well as production of machinery have to further accelerated.

This was to meet the demands of local industry and for the export of cranes, oil refinery plants, boilers and other fractionation towers for chemical and petrochemical plants.

As for promoting Malaysian brands, Dr Mahathir said domestic advertising costs for the promotion of Malaysian brands registered in the country currently were given double deduction for purposes of income tax.

As a continuous effort to introduce and promote local brands in international markets, the advertising costs for Malaysian brand names registered overseas and professional fees paid to Malaysian brand management companies would be given double deduction for purposes of income tax.

Also, to encourage investors to reinvest, it is proposed that the Reinvestment Allowance (RA), which is limited to five years since 1998, be extended to 15 consecutive years commencing from the year the first reinvestment is made.

The RA is currently being granted to manufacturing companies and producers of promoted food products which reinvest in expansion, modernisation, diversification and automation projects.

Also the increasing competition in the international market will need local small and medium scale enterprises (SMEs) to strengthen their global supply chain management via on-line and real time procurement, production and logistic management.

Dr Mahathir said there was a need to encourage the adoption of the RosettaNet, an open Internet-based common business messaging standard for supply chain management link-ups with global suppliers.

It has been proposed that the expenditure and contributions incurred by companies in the management and operation of RosettaNet Malaysia and in assisting local SMEs to adopt RosettaNet be allowed as a deduction for

purposes of income tax effective 2002. -- BERNAMA  
SHO SHY