

20/10/2001

PM: Budget focuses on lower wage group

THE Budget 2002 is more friendly towards the lower income group and civil servants as the Government wants to boost their spending power, said Prime Minister Datuk Seri Dr Mahathir Mohamad.

Dr Mahathir, who is also Finance Minister, said attention was also given to rural development, with assistance given to small contractors.

He said this when asked to describe the thrust of the Budget which he had earlier tabled in the Dewan Rakyat.

"The idea is to give more money to the lower income group. For example, more people are not required to pay tax because the (minimum) taxable level has been raised.

"For government staff, a half-month bonus is given, and RM1,000 in the case of the lower income group, which is almost two months' wages," he said at a Press conference at the Parliament lobby.

On funding, the Prime Minister said it would be done within the country without the involvement of foreign borrowings.

"There are sufficient funds within the country. As you know, the banks have plenty of money, RM80 billion ... we don't have to borrow from outside."

On whether the Government was planning to issue sovereign bonds to raise funds, he replied: "We will do it if there is a need. But at the moment, there is no need. For next year, we will see but it will depend on our tax collection."

On the absence of any corporate tax cuts, Dr Mahathir said the rate had been lowered progressively from 45 per cent to 28 per cent.

"We don't impose any tax on dividend which other countries are doing. Also, we have provided other perks benefiting the private sector."

Dr Mahathir said some aspects of the Budget would be effective immediately as the Government did not want any quarter to take advantage of the cuts and hikes announced.

To a question on the ability to achieve next year's forecast of the GDP, Dr Mahathir felt it could be realised.

"We are putting the thrust on domestic activities to contribute to the GDP and not external sources. I think we can do this especially now when more funds are being put into circulation.

"We hope retailers and other people will benefit from the bigger spending power of civil servants and the lower income group."

Asked why more incentives were given to the lower income group while at the same time they were called to increase productivity, the Prime Minister said:

"It is a question of either giving more money first or productivity increase. We decided to do both - urge them to produce more and at the same time, give them some incentives."

Dr Mahathir was also asked on the possibility of additional fiscal measures being introduced if the economy deteriorated, to which he replied it would be done if there was a necessity.

On interest rates, the Prime Minister felt it was already low. "If we lowered too much, people will not save. We have to balance it so that people will continue to save, and the funds used to finance other things."