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BUDGET-PRIVATE SECTOR

REINVESTMENT ALLOWANCE PERIOD EXTENDED TO 15 YRS, SAYS PM

KUALA LUMPUR, Oct 19 (Bernama) -- The Prime Minister Datuk Seri Dr Mahathir Mohamad in his 2002 Budget presentation at the Dewan Rakyat today said that the period of reinvestment allowances would be extended from five to 15 years.

He said this would be an attraction for the existing investors to continue to reinvest in expansion projects, modernisation, automation and diversification besides attracting new investors.

To date, the Government has approved 20 projects with investments totalling RM33 billion under the pre-package incentives, mainly for petrochemicals and electronics.

Dr Mahathir, who is also the Finance Minister, said, "The private sector has to resume its role as the main catalyst of economic growth."

This is because in long-term, economic growth could not continue to rely solely on public sector investment through fiscal stimulus.

The growth also could not depend only on the inflows of foreign direct investment, due to its volatility and stiff competition from other countries like China and Latin America. The private sector has been adversely affected by the global economic slowdown.

Dr Mahathir said public sector contribution to the Gross Domestic Product (GDP) declined to 12.8 percent compared with 32 percent prior to the financial crisis.

On the other hand, he said, efforts to attract investments were increasingly becoming challenging.

In this respect, he said the government had received many proposals to reduce corporate tax, "However, the government does not intend to reduce the corporate tax, since the rate is still competitive compared to many ASEAN, Asian and other developed countries."

As the backbone for supporting growth of larger industries, he encouraged the small and medium companies to participate in the Global Supply Chain Management Network for on-line and real-time procurement, production and logistics management.

To use this network, small and medium companies need to utilise internet-based common order code such as RosettaNet, to communicate directly with global suppliers.

A grant of RM5.0 million is provided for the development of RosettaNet.

"In addition, I propose that the expenditure incurred by multinational companies in pioneering this programme for the benefit of the small and medium-scale companies be given deduction for purposes of income tax," he said.

To increase the participation of Bumiputera community in industrial and commercial activities, particularly in the retail sector, he said the government had launched the Projek Usahawan Bumiputera Dalam Bidang Peruncitan or PROSPER.

Dr Mahathir said this scheme was aimed at assisting small Bumiputera entrepreneurs who lack capital, face difficulties in securing suitable premises or locations and experience management problems.

"Up to Oct 8, 2001, PROSPER has successfully trained 2,997 Bumiputera entrepreneurs in the retail sector. A total of 82 business proposals has been approved, of which 12 are from ex-army personnel."

For 2002, he said an additional 250 Bumiputera entrepreneurs were expected to be trained.

"PROSPER is not a get-rich scheme but a serious scheme for long-term business undertakings that will grow if managed properly," he said --  
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