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Strategy for growth

RUNNING THROUGH THE NUMBERS, businessman Simon Khoo (not his real name) sighs. The figures staring at him would have been money saved had the government given in to intensive lobbying for a corporate tax cut. As in the past year, Malaysian corporations will be moving into another new year without a respite on corporate tax rates.

Just at that moment, his driver pulls into a petrol station. 'Fuel price up today, boss,' he tells Khoo.. Another sigh from Khoo, this time almost inaudible. He did not bother working out the maths. The 10 sen hike in petrol and diesel comes as the government slices away part of the petroleum subsidy. Last year alone, almost half of the RM4.4 billion subsidy allocation went towards petroleum products. This price increase will push up costs for companies relying heavily on transport.

But Budget 2002 is not all gloom and doom for business folks like Khoo. Coming at a time of intense pressure on the global economy, the Budget presented by Prime Minister Datuk Seri Dr Mahathir Mohamad in October gave the corporate world some goodies. While not getting a bigger slice of the cake, not much was taken away from them, either.

The group that got a bigger share is arguably the general population. The highlight must surely be the personal income tax rate cut. The 1-2% cut translates into RM873 million more in disposal income for consumers, which should mean more liquidity in the market.

Now that in itself is sweet music to the business community. It does not stop there. The government is also giving the more than 900,000 civil servants a 10% salary hike and a bonus of half-month salary or a minimum RM1,000, whichever is higher. Last year, they enjoyed a similar salary hike.

The number crunchers estimate there could be some RM360 million increase in private consumption. The idea to go for a cut in personal income tax, instead of bringing down corporate tax rates, is to channel the money flow through the man in the street. It is estimated that household's spending accounts for about 45% of the spending in economy.