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Tax reductions in store (HL)

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PUTRAJAYA, Tues. - The business sector can expect tax cuts and other incentives as the Government intensifies its drive to spur domestic investment to offset declining foreign direct investment.

Prime Minister Datuk Seri Dr Mahathir Mohamad said the Government was considering all angles. However, he ruled out waiving corporate tax.

"(There will be) more reductions, but not waivers," he told reporters after chairing a 2002 pre-Budget dialogue with representatives of various industry associations, government agencies and non-governmental bodies as well as economists and academicians.

The second and third sessions will be held on Friday and Saturday.

The theme for this year's dialogue is "Promoting Growth Through Strengthening Resilience and Enhancing Competitiveness".

For Dr Mahathir, it was his first time chairing the dialogue, having taken over the Finance portfolio from Tun Daim Zainuddin following the latter's resignation on June 1.

The Prime Minister said that the Government would have to carefully study the impact to its coffers of any reductions or incentives.

He said the thrust of next year's Budget, set for October, was about increasing the country's economic resilience.

"We have to ensure that we have both the financial capacity and the trained personnel."

Dr Mahathir said the recommendations and concerns raised by the representatives at the dialogue were useful in helping the Government prepare its Budget.

"Most of the recommendations are useful in the sense of, for example, deciding on the kind of taxes we can reduce to eventually boost business confidence.

"There are suggestions that will spur businesses, and we will consider them.

"But if we merely reduce or review taxes or provide incentives without getting any return from the other side, the Government will get less revenue. Then, we may be having a larger deficit budget."

He said there was also concern about the adverse impact of the softening global economy which some representatives felt might last longer than expected.

To partially address this drawback, Dr Mahathir said that domestic investment would be increased. "We have the capacity in this aspect."

On lending, he said the Government would give due consideration to complaints that financial institutions were still making it difficult for companies and individuals to get loans.

To another question on the concern raised by representatives over the massive outflow of local funds, the Prime Minister quipped, "I hope the country will get good returns from the dividends the local businessmen get from their overseas ventures."

Malaysian Investors' Association honorary president Dr P.H.S. Lim disclosed that Malaysians had invested up to US\$15 billion (RM57 billion) in various projects overseas especially in China, South Africa, Australia and Asean countries.

"So far, we have seen very little inflow of dividends into the country arising from these foreign investments," he said.

Lim pointed out that the US\$15 billion overseas should yield the country

an estimated annual dividend of eight per cent, totalling US\$1.2 billion a year.