

Sell to the world, Dr M tells business

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GET out and sell to the world.

That's the message the Prime Minister emphasised in his Budget 2003 speech.

And he backed it up by proposing a raft of tax incentives for those companies that are able to crack the tough overseas market.

The Budget 2003 was simple in its approach. It focuses on increasing domestic investment, developing small and medium-scale industries, reducing the cost of doing business, and giving special rewards to the best national exporters.

Furthermore, the Budget touched on accelerating capital market development, increasing investments in the services sector, quickening the transition to information communications technology (ICT), making agriculture the third engine of growth, and encouraging high-value activities in the manufacturing sector.

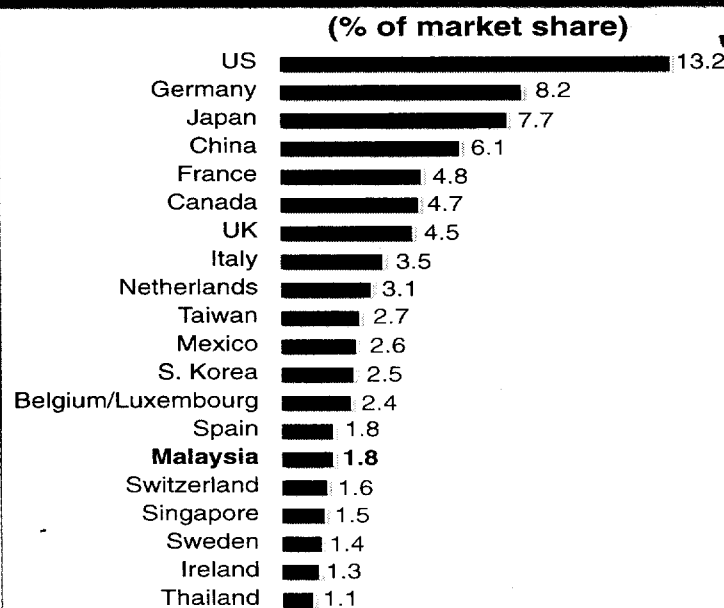
A lot of the measures proposed by Prime Minister and Finance Minister Datuk Seri Dr Mahathir Mohamad concentrated on domestic-oriented industries, which analysts said was practical as the government tried to build up private investment from domestic industries at a time when foreign direct investment (FDI) was anaemic. The budget, nevertheless, contained new tactics to attract fresh FDI to new areas of businesses.

The amount of private investment in Malaysia is estimated at RM30bil in 2003, compared with about RM71bil just before the Asian financial crisis in 1997.

"The amount of private investment the government hopes to see next year is reasonable, and is achievable. In absolute terms, it is just RM3.4bil more than for 2002," said Affin-UOB Securities chief economist Suhaimi Ilias.

Among the steps taken to attract new FDI into Malaysia are

THE TOP 20 WORLD EXPORTERS



Source: UNCTAD

proposals for tax breaks for foreign companies to set up operational headquarters in Malaysia and incentives for regional distribution centres.

The Budget also proposes to reward Malaysian companies with lucrative tax breaks should they increase their level of exports, and with a 50% tax break if they penetrate new markets.

Malaysian companies that record the highest increase in exports in their category of business will get full income tax exemption under another proposal.

These measures are seen as a major benefit to export-oriented companies, whether listed or privately-held. This will prompt them to be productive and assertive in growing their businesses, said analysts.

Apart from exports, another big winner seems to be domestic

consumption. Here, the government proposes to inject fresh money into the system through the reduction of corporate taxes for small and medium-size companies (SMCs) and by increasing the bonus payout to civil servants to a minimum RM1,200.

The proposed corporate tax cut can result in savings of up to RM8,000 for the SMCs. A minimum 34,000 SMCs would enjoy the proposed tax cut.

Domestic auto component makers are also touted as big winners in the Budget as the government has proposed a comprehensive tax exemption for companies that make components in more than 25 categories.

Here, analysts believe the government is helping auto component makers deal with the liberalisation of the auto component sector under the Asean Free Trade Area.