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## The Budget 2003 primer

Zulkifli Othman

DEPENDING on whether you are a big-wig high net worth individual or just another ordinary Joe waiting for the speech in Parliament to end so you can finally watch some TV last Friday, by now you are either enlightened about the contents of Budget 2003, or are totally confused.

So here is a primer. It is A primer, not THE primer for Budget 2003 and though I spent a whole hour researching it, you might get more information elsewhere, but here goes:

If you are a government servant, congratulations. The Government has given you some money - one month bonus or RM1,200 whichever is higher.

If you are working for a private company, no such luck but you can use this piece of news as leverage to get your own bonus.

If you are a big company, no, you are not going to pay less tax this year even though those awful analysts and newspaper people got your hopes up to heady heights.

How could they quote sources saying the Government will cut tax by as much as 5 per cent and then forget to say that it is only for those pesky small-and-medium scale enterprises?

It was like someone leaked the question papers, but there was something wrong with the Xerox machine.

There was a huge tax cut, but only for mom-and-pop companies, the so-called small-and-medium scale enterprises, which have historically shown that they don't know what to do with Government incentives like cheap loans from banks if it bit them in the rear.

And it's their fault that bankers got into trouble. They complained that banks weren't lending them money for innovative businesses like a fashion house for pets, for example, and look what happen?

There they were, the bankers, enjoying the Budget speech over tea and biscuits when Dr Mahathir dropped the bombshell.

He said, unless they get cracking and lend more money, presumably to those same clueless SMEs, Bank Negara Malaysia might see it fit that they put some of their idle money in interest-free accounts.

If you are a banker, this stuff feels like a huge iron ball in the pit of your stomach - really sickening stuff, because once your money go into the sucking pit that is the Statutory Reserve - it stays there doing nothing.

Dr Mahathir said the Government might be compelled to ask banks to deposit more of their money in these accounts called Statutory Reserves Requirement (SRR) if they continue to seek excessive profits and steer away from risky investments.

Right now they only have to put 4 per cent of their money in the SRR, but if you still cannot get your loan approved for that RM60,000 Home Theatre Room project, then they better watch out.

Now if you average Joe out there think this is good, remember there is no free lunch. If it comes to pass, the banks, like the Empire, will strike back - they WILL raise interest rates.

If you had been hoarding cigarettes, alcohol and other conscious-altering substances, this is a good time to have a binge because they haven't gone more expensive.

Smokers and other general sinners were let off without any new tax, but in return may have to say prayers and go to confession more often.

Drivers and petrol heads didn't get the reduction in import tax for

cars. Yes, there were many of us who were praying very hard for a cut in the import tax which is now at 42 per cent.

This is not such a big thing to expect, because these tariffs must come down to 20 per cent by 2005.

The absolute lack of anything in Budget 2003 means that the Government must lop 22 per cent off the tax in the next two years.

So if you've been holding on to old rusty waiting to trade in for cheaper Mercedes Benzs and Jaguar XJ220s, you need to wait some more, maybe forever.

And then, all those shopping complexes and those Bangla carpet peddlers who were dreaming of ringing cash registers because the Government always puts money in our pockets at Budget day, it didn't this year.

No, the budget didn't cut income tax or other incentives for us to spend this year because the Government wants to spur growth and stimulate domestic investment by reducing the cost of doing business in the country.

Here are the harder to understand and leftover bits of the budget I saved for last: The Government said it didn't need to raise tax because it is living within its means. It spent only 4.7 per cent more than it earned this year and will cut that overspend to just 3.9 per cent.

A prudent and wise thing that I need to do as well.

Total expenditure is proposed to increase by only 4.3 per cent, with net development expenditure falling another 2 per cent to RM32.8 billion, after a 1.7 per cent decline this year. Total revenue is expected to increase by 7.5 per cent.

Foreign firms setting up operational headquarters in Malaysia will be exempted from tax for 10 years, while certain car parts makers and select high-tech firms will enjoy a five-year tax holiday.

Import duty and sales tax on paper were abolished, as was the 5 per cent service tax on courier services to foreign destinations.

The Government also proposed that the rate of withholding tax be reduced from 15 per cent to 10 per cent for companies and from 5 per cent to 3 per cent for employees.

The economy will get better next year, but this will depend on things like whether US citizens get to party a lot or not this year. (Teens partying = rubber products = more Malaysian exports).

Your ringgit is still pegged at RM3.80. If President Bush invades Iraq, then all this may not be relevant.