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Kick-start for new strategy (HL)

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KUALA LUMPUR, Fri - Datuk Seri Dr Mahathir Mohamad today kick-started the Government's new economic strategy, which will see the country driving growth largely on its own steam.

The measures spelt out in Budget 2003 will help Malaysia achieve a gross domestic product (GDP) growth of between six and 6.5 per cent for next year, the Prime Minister and Finance Minister said when tabling the Budget at the Dewan Rakyat.

The Budget addresses issues of Malaysia's vulnerability to continued uncertainties in the external environment.

Domestic businesses and industries are the prime beneficiaries, as the Government follows through on recovery efforts made since the 1997-98 Asian financial crisis.

The Government proposes that RM109.8 billion be allocated under the Budget, an increase of 9.2 per cent over Budget 2002's original allocation.

"We recognise that our domestic market is small.

"However, we can further increase the purchasing power of our population of 24 million.

"Small countries in Europe with smaller populations than ours have become developed nations," Dr Mahathir said when tabling the Budget.

If Malaysians can increase productivity, the nation's GDP and competitiveness will also be enhanced, he added.

The Government will increase domestic investment in all sectors with strong growth potential and more incentives will be considered.

The corporate tax for small and medium-scale industries (SMIs) with a paid-up capital of RM2.5 million or less will be cut to 20 per cent from the present 28 per cent on chargeable income of up to RM100,000.

A widely anticipated across-the-board corporate tax cut did not materialise.

Dr Mahathir said it was incorrect to perceive that a low tax regime would attract more foreign direct investments (FDI).

"Malaysia was successful in attracting FDI even when our corporate tax rates were higher, that is at 40 per cent in the 1980s and 30 per cent in the 1990s."

To further stimulate domestic investments, Budget 2003 suggests perks for reinvestment. Companies will be given an option to qualify for reinvestment allowance before the completion of their pioneer period on condition they surrender their pioneer status.

In addition to reducing the cost of doing business, Budget 2003 also spurs Malaysians to become global players.

The Government will provide income tax exemption of 50 per cent for local companies that penetrate new markets, and 30 per cent for those that succeed in increasing exports.

In addition, service tax on courier services to overseas destinations will be abolished and income on services rendered overseas by non-residents shall not be taxable.

Tourism is also a major beneficiary, with the Government doubling the Special Tourism Fund to RM400 million. It also approved a RM200 million Tourism Infrastructure Fund.

As for agriculture, the sector is identified as the economy's third engine of growth.

Companies consolidating rubber smallholdings will be rewarded by the Government, as will be those who invest in rubberwood plantations, food production and food processing.

Civil servants will receive a one-month bonus or a minimum of RM1,200 for their "hard work and dedication".

Rural folk will continue to receive generous allocations to improve their standards of living. A total of RM2.5 billion was allocated to rural development, a 36 per cent increase over Budget 2002.

The allocation will be spent on upgrading rural roads, electricity and water supplies, and health services.

The Government will also introduce a "One Village One Industry" concept to help the people supplement their income. Villages will also be planned more holistically, replete with retail and coffee shops, social amenities and small factories.

For the poor, a sum of RM190.9 billion will be allocated for various programmes, while their children will benefit from textbook loans, food supplements and school uniforms, among others.

In concluding his more than two-hour speech, Dr Mahathir said: "In this recovery process, we must be agile to act fast and respond to changes in our environment.

"Only with the courage to implement measures, although unorthodox, can we safeguard the nation and overcome all challenges."