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BDO-BUDGET

GOVT CAN ACHIEVE BALANCED BUDGET BY 2005

KUALA LUMPUR, Sept 23 (Bernama) -- The various policies laid out by the government boosting the economy could make it possible for a balanced budget to be achieved by 2005, a tax consultant said here today.

However, the world economic recovery was also a crucial factor in achieving a balanced budget by that year, said BDO Binder Tax Services Sdn Bhd's tax director, Lee Voon Siong.

"Basically it's a two-prong matter. We are a trading nation, so we are dependent and influenced by external factors which the government cannot control. As such, the recovery in the world economy is also important," he said.

Locally, Lee said that in terms of policies the government was moving in the right direction, especially in promoting domestic investments.

This goes to show that the government recognises that Foreign Direct Investments (FDIs) are not within its expectations, he told reporters after the 2004 Budget Proposals briefing by BDO Binder here, today.

Lee said that the incentives proposed in the 2004 Budget are effective in getting the local people to re-invest and in return spur the economy.

The incentives to promote re-investment include raising the threshold of chargeable income to RM500,000 from RM100,000 for small and medium scale companies (SMEs) to enjoy the reduced 20 percent corporate tax concession.

Lee said that under the earlier corporate tax regime, a company earning RM500,000 would need to pay tax totalling RM132,000 but under the new tax structure, the SMEs earning RM500,000 would only pay RM100,000 tax.

"They will have a total of RM32,000 for re-investment," Lee said.

As for the Budget deficit he said: "It's already down (Budget deficit). That's a good sign. Even if it's not going to be a completely balanced budget (by 2005). The deficit should go down.

"We should be able to do better as people start spending, our economy will run by itself and not be dependent too much on the external factors," he said.

The government had initially targeted to achieve a balanced budget by 2005, however it found that this could not be achieved due to various reasons.

These included the sharp decline in private sector activities following the regional financial crisis, uncertainties in the external environment including the Sept 11 attacks on New York, geo-political tensions in the Middle East, war in Iraq and the outbreak of Severe Acute Respiratory Syndrome (SARS).

Prime Minister and Finance Minister Datuk Seri Dr Mahathir Mohamad said in his Budget presentation on Sept 12 that all these factors had necessitated the government to implement several stimulus packages to revitalise domestic economic activities to prevent the economy from going into recession.

As such the objective of a balanced budget could not be achieved in 2005, he had said.

However, the government remained committed to achieve a balanced budget in the near term. -- BERNAMA

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