

21 MAY 2003

MAHATHIR-PACKAGE

MAHATHIR UNVEILS NEW STRATEGIC ECONOMIC PACKAGE

PUTRAJAYA, May 21 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad today unveiled a new four-prong strategic economic package worth RM7.3 billion to bolster the nation against the global uncertainty and lend a helping hand to sectors affected by the fallout from the Severe Acute Respiratory Syndrome (SARS) outbreak and the war in Iraq.

Dr Mahathir, who announced details of the package here today, said it involves 90 steps to encourage private investment, consolidate the nation's productivity, generate new sources of growth, enhance the effectiveness of the delivery system of both the public and private sectors and overcome the ill-effects of SARS.

Dr Mahathir, who is also finance minister, said in financing the package, some RM1.7 billion would come from the Federal budget, RM2 billion from Bank Negara Malaysia while financial institutions like Bank Pertanian Malaysia, Bank Simpanan Nasional and Bank Pembangunan Infrastruktur dan Industri would provide RM3.6 billion.

These institutions would source their funds from the excess liquidity prevailing in the market, especially funds from the Employees Provident Fund (EPF).

Dr Mahathir said the comprehensive package would, among others, benefit small traders who would have easier access to micro credit worth a billion ringgit at an interest rate of 4.0 percent and a repayment schedule based on the viability of the cashflow.

He said the comprehensive package also contains specific measures to fight against the adverse effects of SARS and help those affected by the disease.

To help doctors in their daily fight in containing SARS, they would be paid a monthly critical allowance of RM400 while other medical staff would be paid RM200, backdated from April 1, 2003, until the epidemic is wiped out.

A further helping hand to those affected, especially in the hospitality industry, include a 5.0 percent discount on the electricity bills for hotel operators beginning June 1, 2003 to Dec 31, 2003.

The road tax for taxis for six months would be reduced by 50 percent while hotels and restaurants would be exempted from service tax between June 1 and Dec 31, 2003.

At the same time, the service tax on the complimentary hotel room would be abolished as of June 1, 2003.

To help the cashflow of operators in the tourism industry, a special relief guarantee facility worth RM1 billion would be made available.

For those employees whose salaries have been cut due to the poor business in the industry, financial institutions would be asked to restructure and reschedule their outstanding loans.

Dr Mahathir said the decisive and initial steps taken by the government had succeeded in containing the SARS epidemic, which had also been acknowledged by the World Health Organisation (WHO).

But he said without the commitment of each and everyone to safeguard the cleanliness of their surroundings, the SARS outbreak would not be overcome.

He said the government would allocate RM100 million to local authorities to step up cleaning up activities, including public toilets.

Dr Mahathir said the package includes a micro credit scheme worth RM500

million and raising the Amanah Ikhtiar Malaysia (AIM) fund, both to be placed under Bank Pertanian Malaysia while a further RM200 million micro credit scheme worth RM300 million would be placed under Bank Simpanan Malaysia.

Others who also stand to gain from the package include small and medium scale enterprises (SMES), farmers and fishermen.

The tax exemption for SMEs accorded pioneer status would be raised to 100 percent from 70 percent while the statutory income which could be used for tax investment allowances would be increased to 100 percent from 70 percent.

Also, to encourage foreign equity in SMEs, Malaysian equity would be reduced to 60 percent from 70 percent while small companies only need to fulfil one of two criteria to qualify for these incentives.

They either have to achieve at least 15 percent value added or that they contribute to the socio economic development in the rural areas.

For SMIs, the Economic Fund for Entrepreneurs would be raised by RM200 million while Bank Negara Malaysia would make available RM600 million to the SMI Fund and RM400 million to the New Entrepreneurs Fund.

Some RM1 billion would be added to the Food Fund under Bank Pertanian Malaysia while about 1,000 boats would be built for hire-purchase by fisherme, a move which would go a long way to enhance their income.

To attract foreign direct investments, the Foreign Investment Committee (FIC) guidelines would be made more investor-friendly, the prime minister said.

They include extending the pioneer status period and tax investment allowance under a pre-package scheme and giving such perks a second time for research and development firms as well as full income tax exemption for Operational Headquarters.

In acquiring local assets, only the 30 percent bumiputera shareholding ruling applies while 30 percent bumiputera participation should be uniform unless relaxed by the government.

As for companies listed on the Kuala Lumpur Stock Exchange (KLSE), they must have at least the 30 percent bumiputera equity only upon listing while the foreign equity shareholding would be relaxed to encourage more foreign equity in listed companies in line with the Capital Market Masterplan.

The ceiling for foreigners to purchase properties would be reduced to RM150,000 per unit and for purchases in excess of RM100 million, the company can apply for exemption from FIC guidelines, subject to approval from the Finance Minister.

Dr Mahathir said incentives would also be given to hypermarkets and direct sales firms which export Malaysian-made products.

To enhance students in technical and vocational training, the Skills Development Fund would be restructured with an injection of RM500 million for training and re-training of new graduates in Information and Communications Technology (ICT) and accounting.

Home ownership would be encouraged whereby subsidies would be given to buyers by way of an imposition of a mere 3.0 percent interest for the first year for loans for houses below RM100,000 or a non-interest loan for the 10 percent deposit payment from Bank Simpanan Malaysia.

For loans from other banks, RM600 would be given to purchases of houses priced below RM100,000.

Dr Mahathir said the programme aptly known as "the people's hope to own houses (HARAPAN)" would stimulate the economy, enhance the academic performance of students, discourage loafing and reduce the gap between "the haves and the have-less."

For houses between RM100,000 and RM180,000, a RM5,000 tax exemption would be given for loans for years of assessment for 2003, RM3,000 for 2004

and RM2,000 for 2005, while stamp duty exemption would be given for houses priced not more than RM180,000.

Real Property Gains Tax would also be exempted from a year beginning June 1, 2003.

Dr Mahathir said that the government would also build more low and medium-cost houses whereby Syarikat Perumahan Negara Berhad would build 150,000 units, a move which would give business opportunities with good track records.

To increase the people's disposable income, EPF contributions would also be reduced to 9.0 percent from 11 percent currently for one year beginning June 1, 2003.

"It is hoped that the Malaysian Trades Union Congress (MTUC) would support the move," he said.

In efforts to reduce business costs, the government has decided to cut Bank Negara's intervention rate by 50 basis points. The rate was last cut, also by the same margin, in Sept 20, 2001.

Dr Mahathir said the cut in intervention rate should benefit those borrowing from banks.

The prime minister also said the country's delivery system would be made more effective by speedier processing of the Certificate of Fitness (CFO) and employing a fast track system for land ownership and conversion.

The time period for processing of permits and business licenses would be shortened.

Dr Mahathir said the private sector should similarly improve their delivery system.

He also the package would help to consolidate the economy and enable it to grow by more than 4.2 percent achieved in 2002.

It also gives the people an opportunity to improve their standard of living.

However, the prime minister emphasised that all segments of the population need to pull together in one direction to ensure the success of the package. -- BERNAMA

MR SHY