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MAHATHIR-CORPORATE TAX

MAHATHIR: GOVT SEES NO NEED FOR REDUCING CORPORATE TAX FOR NOW

KUALA LUMPUR, Sept 12 (Bernama) -- The government does not see the need to reduce the corporate tax as it feels that the existing 28 percent rate is already low, Prime Minister Datuk Seri Dr Mahathir Mohamad said today.

He said a lot of companies were enjoying privileges given by the government and some were not even paying taxes due to these privileges.

Dr Mahathir, who is also the Finance Minister, said any reduction in the corporate tax would not make any difference for the government or private sector as the existing taxes "were very low".

On the tax increase for cigarettes and alcohol, he said the hike would bring in a considerable amount of about RM150 million to the government.

When asked to comment on the reduced allocation in 2004 Budget compared with 2003, Dr Mahathir said last year's budget had a lot of supplementary allocations.

"Even in 2004, it may be necessary to have supplementary budgets but we want to avoid making supplementary budgets because it is an inefficient way to do," he said.

When asked on how the reduced budget allocation would help stimulate the economy, which was currently being driven mainly by the public sector, Dr Mahathir said he believed that the private sector would make up for that reduction.

"Even in the reduction, we have to prioritise and consider which (projects) we will continue because of their contributions to economic growth. At the same time, there are big private sector projects like aluminium smelting and others which could help generate economic growth," he said. ("Dalam reduction itu pun kita kena prioritise, yang mana (projek) penting kita teruskan kerana ia mampu menyumbang kepada pertumbuhan ekonomi. Di masa yang sama, ada big private sector projects seperti aluminium smelter dan lain-lain yang boleh menyumbang kepada economic growth.")

On the government's target to achieve a balanced budget by 2006, Dr Mahathir said he believed that this would be achieved with support from the private sector.

"We have to match the private sector. If they do not respond, then government spending will have continue to be in deficit."

"This is the measure taken by the government to stimulate the private sector, so it is hoped that if they really respond, it can be (achieved) in 2005. (But) the target is in 2006," he added.

When asked on taxes on imported cars in AFTA, Dr Mahathir said: "We will stick to what we have agreed in AFTA (to reduce import duties). The main thing is that we have to equalise the taxes on domestic and imported (cars).

"And that does not mean we need to reduce taxes on foreign cars. We can still impose higher taxes in order to bring the level of (prices of) local cars to the same level as foreign cars."

When asked on how much the government would expect to lose from the duty reductions from AFTA, Dr Mahathir said the government did not have the figures as yet.

However, he said the excise duty impose on imported cars would be done in such a way that eventually the price of imported cars would not really be reduced.

"It (the prices) will be the same," he added. -- BERNAMA

WNZ SHY