

Najib to announce pro-investment 2011 budget
Malaysiakini.com
October 15, 2010

Prime Minister Najib Razak is expected today to unveil a pro-investment budget, with incentives including tax cuts aimed at luring much-needed foreign funds.

Najib, who is also finance minister, will attempt to spur employment and economic growth in the 2011 budget to be announced in parliament at 4pm, likely his last before elections tipped for next year.

The government has already announced this week that it will again delay the implementation of a controversial goods and services tax which had been due next year, in the face of strong public opposition.

Malaysia recently announced ambitious plans to double private investment over the next 10 years, and to propel annual growth to an average of 6.0 percent to meet its goal of achieving developed-nation status by 2020.

The Southeast Asian nation is moving to reverse a sharp decline in foreign direct investment, which fell 81 percent to 1.4 billion dollars in 2009 from 7.3 billion in 2008.

Neighbouring Southeast Asian economies including Singapore, Thailand and Indonesia have outshone Malaysia with much higher inflows.

"Overall, the budget will attempt to attract foreign investment to generate jobs," AmBank group economist Manokaran Mottain told AFP.

"I expect some tax cuts - both corporate and personal - which are very high compared to Singapore and Hong Kong," he said. The corporate tax in Malaysia is 25 percent while personal income tax has a top rate of 27 percent.

Hong Kong and Singapore are the most attractive countries tax-wise among the major financial centres of the world. The corporate tax in Hong Kong is 16.5 percent and in Singapore is 17 percent.

"The goal of this budget is to set the pace for the transformation of Malaysia into a developed and high-income economy by 2020," Najib was quoted as saying by *The Star* newspaper.

Key requests

The premier said that in consultations with the public, the key requests were for tax rebates and financial assistance to cope with rising living costs.

Kenanga Research said Najib would attempt both to win the hearts of voters, and to maintain growth momentum despite faltering economic recovery in the advanced economies.

"It's crucial that the budget has the element to enhance confidence and support from the people, especially if a snap election is to be held soon," it said.

Najib's ruling BN lost its two-thirds majority in parliament and control of five states in a 2008 election. It is now battling to win back the support of minority Chinese and Indian voters who deserted it.

It is also concerned at the prospect of losing its traditional voter base, ethnic Malays who dominate the multicultural population, to the conservative Islamic party PAS, which is part of the opposition alliance.

- AFP

Copyright © 1999-2007 Mkini Dotcom Sdn. Bhd.
Source : <http://www.malaysiakini.com/news/145435>