

Goodies for almost every sector

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BUDGET 2007 contains a bag of goodies that very few can complain about. Almost every sector of society, from the *rakyat* to corporations, walked away with incentives.

The lower income group enjoys some of the best perks in the form of scholarships, bonuses for civil servants, housing, school allowances, a RM4bil poverty eradication programme and others.

Considerable focus is on education, which should be a source of delight for school-goers and parents.

An allocation of RM33.4bil has been set aside for education and training which is in line with the government's vision of a caring society and development of a skilled labour force. So is the provision of incentives for the purchase of computers and books.

The general public gets to enjoy a better lifestyle via measures to improve safety and the public transportation system. Pensioners are also taken care of.

The other big winners are:

- THE business community, which gets a 2% corporate

tax cut, the first time in nine years;

- AGRICULTURE, biotechnology, *halal* food, Islamic banking and other priority sectors;

- CONSTRUCTION sector and real estate investment trusts (REITs).

Sin taxes, which have been heavy in the past few years, were light this time. Nevertheless, they are among the three main categories in which taxes went up.

The other two involve smuggled and copyright goods.

The government's financial position is strong, on increased revenue especially from higher dividends from Petronas.

It can afford an expansionary Budget with a development expenditure of RM46.5bil, an increase of 31%.

Other service sectors that the Government is promoting in a big way are tourism and Islamic finance. A total of RM149mil is allocated for tourism campaigns under Visit Malaysia 2007.

Islamic finance receives major breaks in the form of:

- A 10-YEAR tax exemption on Islamic banking;
- TAX breaks for takaful players;
- TAX relief for Islamic

finance studies;

- TAX deduction on sale of Islamic products.

For some time, the REIT market has been attracting a new class of investors, not only in Malaysia but also all over Asia.

The Budget proposals to reduce withholding tax on REIT dividends on foreign investors from 28% to 20%, and tax on REIT dividends on domestic investors to 15% are expected to augur well for the sector.

In line with the trend of going global, the Government has also outlined several measures, especially for the banks to generate income beyond Malaysian shores.

Further measures to improve the public delivery and tax administration systems, promote the private sector as the engine of growth and intensify R & D augur well in the government's drive towards a more conducive business climate.

This also helps to attract more foreign direct investment and bring about a more robust workforce.

At the same time, new sources of growth and job opportunities are created, while maintaining a sustainable level of growth.