

A unique budget for revitalisation

Largest one in M'sian history heralds overhaul of country's finances

By **JAGDEV SINGH SIDHU**
jagdev@thestar.com.my

PETALING JAYA: Budget 2023, unlike many earlier ones, is not one that is a continuation of promises laid out in larger umbrella plans like the Malaysia Plans.

Instead, it is a unique creation under Prime Minister Datuk Seri Anwar Ibrahim's Malaysia Madam concept, which is a manifestation of the more inclusive approach promoted by the unity government.

The RM388.1bil budget is the largest in Malaysian history, with RM97bil being earmarked for development expenditure, also the highest allocation yet.

While the government has been drumming home a message about the mounting debts of the Federal Government, why did it propose such a huge spending Bill?

The answer lies in government

taxes, which rose strongly last year to RM294.4bil due to much stronger economic growth than forecast. With the economy clocking an 8.7% growth rate, tax collection will mirror the performance.

Still, there will be a relatively high deficit in the budget at 5% of GDP. This, however, will be less than an earlier estimate of 5.5%.

The plan is to bring it down to 3.2% by 2025. That debt reduction schedule is going in the right direction.

Higher tax revenues are only part of the cash-raising proposals. Asking the well-heeled populace to foot their fair share of tax revenue is a good step.

High-income earners are not going to make too much of a fuss about paying their fair share in raising government finances. It was also good that vape and e-liquids be subjected to tax.

It is a huge grey area that has flourished without government control. The best thing now is to tax such products as they are substitutes for cigarettes and basically perform the same function.

Then there is the tax on sale of shares in unlisted companies. This is basically a capital gains tax on unlisted companies that sell their business for a profit. This will also be an equitable approach.

It is not an inheritance tax, but just a case of the government taking a slice for enabling companies to sell their assets at a profit. Maybe it is a different approach from the prosperity tax (or windfall tax), but in an era of high indebtedness by countries and greater calls for progressive taxes, such a tax was inevitable.

The tax on luxury goods will have to be balanced against the need to maintain tourism receipts. Will this

put off potential tourists given that Malaysia is one of the cheapest destinations for luxury goods? The devil will be in the details.

Budget 2023 also reflects a different approach to addressing the issues of the past.

The usual ministries received an allocation bump and for good reason, but with a twist. Healthcare got a raise but there is acknowledgement that fixing the bottlenecks will use "the whole of nation" approach with spare beds and doctors from university and army hospitals, along with private hospitals, being utilised.

The move to tackle the problem of the hardcore poor is to be applauded. The call to alleviate the scourge of poverty within a year is formidable, but for Malaysia, which is on the cusp of high-income nation status, having 130,000 people on the wrong side of the

poverty line is a shame.

Fixing the amenities at schools fast is also an urgent need, thus the increased allocation for the Education Ministry.

Defence too got higher allocations, as these are the basic foundations of any country.

The caring side of the budget was shown when it looked to help micro, small and medium enterprise sectors. These small companies employ a lot of people, and for them to get a tax deduction will go some way towards helping to shore up their finances.

The overall tone of Budget 2023 was appropriate.

It showed care and compassion for a large cross section of Malaysians. It is surely the start of an overhaul of the country's finances as we head towards a national revitalisation over the next few years.