

**With eye on polls government pledges cash all around, no new taxes**  
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**By Lee Wei Lian**

KUALA LUMPUR, Oct 7 — Datuk Seri Najib Razak promised today cash handouts, more money for civil servants, schools and a fund for “high-impact development” projects as part of his Budget 2012 measures to put cash in the pockets of voters ahead of a general election expected soon.

The government will offer a one-off RM500 cash handout to households with a monthly income of less than RM3,000, a RM100 cash aid and RM200 book vouchers for students.

In a clear sign that elections are near, the government announced no new taxes but it will increase to 13 per cent the contribution from employers to the Employees Provident Fund (EPF).

Civil servants got a direct financial boost from the Budget as some 600,000 government pensioners received an additional annual pension increment of two per cent and civil servants will see their pay packets rise between RM80 and RM320.

Ex-members of the special constabulary and auxiliary police as well as widows and widowers meanwhile received RM3,000.

Market analysts were, however, sceptical about the prime minister’s bullish growth projections amid global economic uncertainty.

The prime minister also announced plans to impose a 10 per cent real property gains tax (RPGT) for properties disposed within two years in a measure aimed at deflating the property bubble.

Najib also announced a RM1 billion fund for school maintenance and repairs while outlining plans to raise the civil service retirement age to 60 years. It also made schooling free, a move costing RM150 million, and announced tax incentives for private schools, which have become an increasingly popular option for urban Malaysians.

Among other key measures announced were plans to allow 100 per cent foreign ownership of 17 service subsectors including in the legal industry, engineering sector, healthcare and logistics.

Another move seen as a pump priming move is the move to implement a RM98.4 billion rolling plan until 2013 for high impact development projects.

Najib said in his Budget speech today that Malaysia will be able to achieve economic growth of 5-6 per cent in 2012 and cut its fiscal deficit further as strong domestic demand and commodities exports cushions the impact of a global downturn.

Authorities will trim development spending and maintain subsidies to keep prices down, while banking on low borrowing costs and a healthy job market to keep economic growth on an even keel next year.

The 2012 Budget funds for subsidies totalled RM33.2 billion for 2012.

The government revised its 2011 economic growth target to 5.0-5.5 per cent from 5.0-6.0 per cent earlier. It estimated that the fiscal deficit will shrink further to 4.7 per cent of gross domestic product next year from 5.4 per cent in 2011 as it reduces development spending.

But analysts were not impressed with the government's rosy projection.

Najib, accompanied by his deputy Tan Sri Muhyiddin Yassin (left), Second Minister of Finance Datuk Seri Ahmad Husni Mohamad Hanadzlah (on Najib's left) and Deputy Finance Minister Datuk Donald Lim Siang Chai (right), arrives in Parliament to present Budget 2012. — Picture by Jack Ooi

"The government still looks fairly positive on the growth front. We were perhaps expecting a bit more caution given what is happening in the global front.

"That's a pretty bullish outlook relative to the street and relative to ourselves as well. We're looking at 4 per cent this year and 4.2 per cent next year. Second-half (growth) has to turn up to 5.5 per cent to average even 5 per cent. So that looks a bit optimistic from my view," Hak Bin Chua from Merrill Lynch Bank of America told Reuters.

First-time home buyers will be able to aspire for more expensive property after the My First Home Scheme is expanded under the budget to a maximum of RM400,000 from RM220,000.

In a nod to strengthening the government's appeal to the non-Malay minorities, all contributions to missionary schools and houses of worship will become tax exempt.

The budget will also attempt to stimulate entrepreneurship with RM2 billion allocated for Bumiputera entrepreneurs while under a RM100 million SME Revitalisation Fund, loans of up to RM1 million will be made available for entrepreneurs to be made available from January 2012.

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