

letter

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Budget 2010 – What would we want?

THE government has asked for feedback for Budget 2010. Hence, I give below what I believe most Malaysians would like to see in Budget 2010 that is to be released tomorrow.

The overall economic scenario will be taken into account in preparing the budget proposals. It is now clear that the world economy is not sliding further but that the green shoots of recovery can already be seen. The Malaysian economy is also slowly picking up.

We would now need therefore to step up the pace of economic growth, employment and better income distribution. But with the rising budget deficits we have severe constraints.

Thus, the budget strategy should be to stimulate the private consumption and investment and not depend unduly on the public sector or government to lift and push the economy forward.

Therefore, there should be even more liberalisation of socio-economic policies and administrative procedures for government approvals to be more speedily given. This goal should now be more easily acceptable by the government, as most of the earlier socio-economic restructuring targets have been achieved through the many success stories of the government-linked companies (GLCs).

Thus personal income tax and corporate tax could be marginally reduced to give the right economic expansionary signals and to raise the incentives to increase short-term consumption on goods and services and the long-term investment on infrastructure.

To compensate for the loss of revenue due to the lowering of income and corporate taxes, the much delayed value added tax (VAT) which is an indirect tax could be introduced. Thus only those who buy goods that bear a VAT need to pay the tax. The present sales tax could be incorporated in the new VAT.

The VAT should be carefully designed to apply more heavily on the goods and services consumed by the more wealthy. Basic needs that are necessary for the low income groups can be exempted from the VAT.

The budget should definitely reflect the prime minister's call for 1Malaysia and its realisation through the national key result areas (NKRA) as follows.

1 REDUCING crime can be achieved by providing more human and financial resources to the police, immigration and the MACC.

Expenditure incurred in residential areas to hire private security guards could be made tax exempt.

The more responsible larger companies can be allowed to employ their own auxiliary police to protect their private property and equipment. This would relieve the police to do more sophisticated and less routine police work

2 FIGHTING corruption will contribute to greater efficiency and saving of public expenditures. The MACC budget will have to be substantially raised according to international norms to make it more effective in catching the bigger fish and not mainly the small

fry. Savings could be made in other less priority areas such as lavish ceremonies and functions.

3 WIDENING access to quality education is vital to raise our national competitiveness, our meritocracy and upgrading our human resources.

The private sector school and university system has to be given tax incentives like the manufacturing and any other industries. We need more and better qualified graduates who will help Malaysia break out of our present middle income trap!

4 RAISING living standards of the poor is paramount in building 1Malaysia and national unity. The poorest states like Sabah, Sarawak, Kelantan and Terengganu will need more budget allocations over and above the inadequate present capitation and road grants.

It is time to introduce a basic minimum wage. This would also help to reduce the embarrassingly high number of immigrant labour that causes wasteful social problems

The budget should regard poverty as both a rural as well as an urban phenomenon by providing more facilities like housing, transport and basic amenities like water and electricity etc to many areas that don't have these basic needs. Budget 2010 has to show that we care for all the poor, regardless of race, religion and geography.

5 IMPROVING infrastructure in the rural areas need not be at the expense of the urban areas. The balance in government facilities has to be improved between rural and urban communities. However, there are now serious pockets of poverty in the urban areas that have to be addressed. Otherwise we will undermine national unity and inadvertently lay the grounds for social unrest as in the case of Kampung Medan.

6 IMPROVING public transport. There should be a National Master Plan initiated by the budget to ensure a holistic multimodal transport system in the country. The wastage in resources due to the inefficient public transport system is horrendous and must be reduced soon – even with more subsidies for public transport users.

Finally, this budget can be very challenging as we have, the Prime Minister Datuk Seri Najib said in Parliament, to balance the large and growing deficit with the goal to ensure a steady economic recovery.

More deficit means more debt and the risk of inflationary pressure if not now, then certainly in the near future.

Let's hope that the Budget 2010 proposals will show the rakyat that the government means real business in implementing the laudable 1Malaysia policy. We would all like to be able to make good judgments on the budget tomorrow!

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