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# Weathering the storm with bold measures

There is greater discipline in public spending with RM9bil cut

THERE was much concern for the people and investors on how Malaysia can weather the storm arising from the continuous plunging crude oil price that hovers around US\$30 per barrel currently as Budget 2016 was drawn up based on estimated oil price of US\$45 per barrel.

The pressing question raised is whether our government can deal with the mammoth challenge to source for other revenue streams and to cut the expenditure to sufficiently plug the oil revenue gap so as to stay on course in meeting the fiscal deficit and national debt targets of 3.1% and 55% limit of gross domestic product (GDP) respectively, failing which the country's sovereign rating may be downgraded, resulting in a whole host of ramifications.

It is a relief to know that the government is committed to attaining the fiscal targets set and I am pleasantly surprised this can be achieved largely by the RM9bil cut in the development and operating expenditure.

The cut is laudable as the budget's operating expenditure had already been reduced by RM8bil when Budget 2016 was first prepared compared with Budget 2015.

It is comforting to see greater discipline in public spending; in the past the grouses were that only the rakyat were required to tighten their belts.

It seems the revenue gap that needed to be filled is not as wide judging from the mere RM9bil cut on public expenditure.

This could be due to the unexpectedly high goods and services tax (GST) collection of RM51bil since its implementation on April 1 2015, the original forecast for the entire 2016 was only RM39bil.

We must acknowledge the introduction of GST is absolutely timely to cushion the adversity facing the Malaysian economy.

The Government's economic transformation programme which also include subsidy rationalisation, diversification to the service sector, has reduced the country's dependence on oil revenue from more than 40% of total revenue to 20% currently.

It is heartening to note the government did not implement any measures which required the rakyat to fork out more money through income tax and a high in the GST rate.

Doubling the compliance and auditing efforts on tax evaders and restructuring the selling channels in duty-free islands to plug leakages are continuous actions to ensure unscrupulous businesses are taxed.

Measures that were anticipated but did not materialise included the full withdrawal of Labuan duty free status, further rollback of tax incentives and hike in stamp

duty rate.

It is likely that such moves were not implemented as the priority of the government was to maintain a conducive and accommodative business environment to sustain the economy.

The government is also providing a special tax relief of RM2,000 for individual taxpayers whose monthly salary did not exceed RM8,000 which will benefit two million taxpayers and cost the government RM350mil.

The 3% reduction for employees' contribution to the Employees Provident Fund (EPF) will increase market liquidity and purchasing power of consumers.

The EPF cut would add RM8bil in disposable income to the country's 13.8 million workforce and if the money is spent as investment or expenditure within our economy, it would boost our GDP of RM1.2 trillion by about 0.65%.

The education and tourism sectors will benefit from the additional RM5bil allocation for study loans and the arrival of Chinese tourists without visa respectively.

SMEs and start-ups would also benefit from the RM6bil fund injected by the development financial institutions and government-owned venture capital funds.

Other effective measures the government may consider moving forward include opti-

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misising the government sizeable workforce which stands at 1.6mil now.

Most of the commercial organisations locally and globally are embarking on right-sizing exercises to optimise resources utilisation and enhance competitiveness.

Ultimately for an economy to thrive, the nation's resources should be fully optimised. Land disposal can be a major revenue stream. In the case of Singapore government, it reaped about S\$14bil in 2015 from the sale of land.

We may fully adopt the public auction process practised by the Singapore and Hong Kong Governments.

Generally, people are encouraged by the better than anticipated state of affairs of our fiscal position as well as the bold measures introduced especially on the RM9bil expenditure cut while more measures can be introduced to further consolidate and stimulate our economy.

**Yee Wing Peng is the Country Tax Leader of Deloitte Malaysia. The above views are his own.**