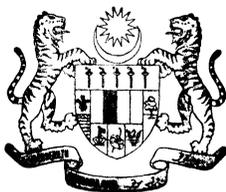


Jilid I
Bil. 58



Hari Khamis
6hb November, 1975

PENYATA RASMI PARLIMEN

PARLIAMENTARY DEBATES

DEWAN RAKYAT

HOUSE OF REPRESENTATIVES

PARLIMEN KEEMPAT

Fourth Parliament

PENGGAL PERTAMA

First Session

KANDUNGANNYA

RANG UNDANG-UNDANG:

Rang Undang-undang Perbekalan, 1976 [Ruangan 6621]

USUL:

Anggaran Pembangunan Sementara, 1976 [Ruangan 6650]

MALAYSIA

DEWAN RAKYAT YANG KEEMPAT

Penyata Rasmi Parlimen

PENGGAL YANG PERTAMA

Hari Khamis, 6hb November, 1975

Mesyuarat dimulakan pada pukul 3.20 petang

YANG HADIR:

- Yang Amat Berhormat Perdana Menteri, dan Menteri Pertahanan, TUN HAJI ABDUL RAZAK BIN DATUK HUSSEIN, S.M.N., K.O.M. (Pekan).
- „ Timbalan Perdana Menteri, Menteri Kewangan dan Menteri Penyelarasan Perbadanan Awam, DATUK HUSSEIN BIN DATUK ONN, S.P.M.J., S.I.M.P., P.I.S. (Sri Gading).
- Yang Berhormat Menteri Pertanian dan Pembangunan Luar Bandar, TUAN ABDUL GHAFAR BIN BABA (Alor Gajah).
- „ Menteri Buruh dan Tenaga Rakyat, DATUK LEE SAN CHOON, S.P.M.J., K.M.N. (Segamat).
- „ Menteri Perhubungan, TAN SRI V. MANICKAVASAGAM, P.M.N., S.P.M.S., J.M.N., P.J.K. (Pelabuhan Kelang).
- „ Menteri Perdagangan dan Perindustrian, DATUK HAJI HAMZAH BIN DATUK ABU SAMAH, D.S.R., S.M.K., S.I.M.P. (Temerloh).
- „ Menteri Kerajaan Tempatan dan Alam Sekitar, DATUK ONG KEE HUI, P.M.N., P.N.B.S. (Bandar Kuching).
- „ Menteri Hal Ehwal Dalam Negeri, TAN SRI HAJI MUHAMMAD GHAZALI BIN SHAFIE, P.M.N., D.I.M.P., P.D.K. (Lipis).
- „ Menteri Kerja Raya dan Pengangkutan, DATUK HAJI ABDUL GHANI GILONG, P.D.K., J.P. (Kinabalu).
- „ Menteri Kesihatan, TAN SRI LEE SIOK YEW, P.M.N., A.M.N., P.J.K. (Ulu Langat).
- „ Menteri Undang-undang dan Peguam Negara, TAN SRI ABDUL KADIR BIN YUSOF, P.M.N., S.P.D.K., S.P.M.J., P.J.K., B.C.K., A.D.K. (Tenggaroh).
- „ Menteri Kebajikan Am, PUAN HAJAH AISHAH BINTI HAJI ABDUL GHANI A.D.K. (Kuala Langat).
- „ Menteri Penerangan dan Tugas-tugas Khas dan Perancangan Am dan Penyelidikan Sosio-Ekonomi, DATUK AMAR HAJI ABDUL TAIB BIN MAHMUD, P.G.D.K. (Samarahan).
- „ Menteri Kebudayaan, Belia dan Sukan, DATUK ALI BIN HAJI AHMAD, S.P.M.J., S.M.J. (Pontian).
- „ Menteri Luar Negeri, Y.M. TENGKU AHMAD RITHAUDEEN AL-HAJ BIN TENGKU ISMAIL, P.M.K., Tengku Sri Mara Raja (Kota Bharu).
- „ Menteri Tenaga, Teknologi dan Penyelidikan, DATUK HAJI MOHAMED BIN YAACOB, P.G.D.K., P.M.K., S.M.T. (Tanah Merah).
- „ Menteri Perumahan dan Kampung-kampung Baru, TUAN MICHAEL CHEN WING SUM (Ulu Selangor).

- Yang Berhormat Menteri Pelajaran, DR MAHATHIR BIN MOHAMAD (Kubang Pasu).
- ” Timbalan Menteri Hal Ehwal Dalam Negeri, DATUK ABDUL SAMAD BIN IDRIS, J.M.N., A.M.N., P.J.K. (Kuala Pilah).
- ” Timbalan Menteri Penerangan, DATUK SHARIFF AHMAD, D.I.M.P., J.M.N. (Jerantut).
- ” Timbalan Menteri Perhubungan, DATUK HAJI WAN ABDUL KADIR BIN ISMAIL, D.P.M.T., P.P.T. (Kemaman).
- ” Timbalan Menteri Penyelarasan Perbadanan Awam, DATUK MOHAMED BIN RAHMAT, D.P.M.J., K.M.N. (Pulai).
- ” Timbalan Menteri Pertanian dan Pembangunan Luar Bandar, DATUK HAJI MUSTAPHA BIN HAJI ABDUL JABAR, D.P.M.S., J.M.N., J.P. (Sabak Bernam).
- ” Timbalan Menteri Jabatan Perdana Menteri, DATUK SERI HAJI KAMARUDDIN BIN HAJI MAT ISA S.P.M.P., K.M.N., J.P. (Larut).
- ” Timbalan Menteri Pelajaran, TUAN CHAN SIANG SUN, J.S.M., A.M.N., P.J.K., J.P. (Bentong).
- ” Timbalan Menteri Kewangan, TAN SRI CHONG HON NYAN, P.S.M., J.M.N. (Batu Berendam).
- ” Timbalan Menteri Jabatan Perdana Menteri, DATUK ABDULLAH AHMAD S.J.M.K., D.P.M.K., P.N.B.S., J.M.K., A.D.K. (Machang).
- ” Timbalan Menteri Kesihatan, TUAN ABU BAKAR BIN UMAR, S.D.K. (Kota Setar).
- ” Timbalan Menteri Kerja Raya dan Pengangkutan, TUAN RICHARD HO UNG HUN (Lumut).
- ” Timbalan Menteri Tanah dan Galian, DR SULAIMAN BIN HAJI DAUD (Santubong).
- ” Timbalan Menteri Perusahaan Utama, TUAN PAUL LEONG KHEE SEONG (Taiping).
- ” Setiausaha Parlimen kepada Menteri Perhubungan, TUAN HAJI RAMLI BIN OMAR, P.M.P., K.M.N. (Bagan Serai).
- ” Setiausaha Parlimen kepada Perdana Menteri, TUAN ABDULLAH BIN MAJID K.M.N. (Raub).
- ” Setiausaha Parlimen kepada Menteri Buruh dan Tenaga Rakyat, TUAN S. SUBRAMANIAM (Damansara).
- ” Setiausaha Parlimen kepada Perdana Menteri, DR GOH CHENG TEIK (Nibong Tebal).
- ” Setiausaha Parlimen kepada Menteri Tenaga, Teknologi dan Penyelidikan, DR NEO YEE PAN (Muar).
- ” Setiausaha Parlimen kepada Menteri Perumahan dan Kampung-kampung Baru, TUAN MOHD. ALI BIN MOHD. SHARIFF (Kuantan).
- ” Setiausaha Parlimen kepada Menteri Kebudayaan, Belia dan Sukan, TUAN RAIS BIN YATIM (Jelebu).
- ” Tuan (Timbalan) Yang di-Pertua, TAN SRI SYED NASIR BIN ISMAIL, P.M.N., D.P.M.J., D.P.M.P., J.M.N., P.I.S. (Pagoh).
- ” TUAN HAJI NIK ABDUL AZIZ BIN NIK MAT, K.M.N., J.P. (Pengkalan Chepa).
- ” TAN SRI ABDUL AZIZ BIN YEOP, P.S.M. (Padang Rengas).
- ” TUAN ABDUL JALAL BIN HAJI ABU BAKAR, A.M.N. (Batu Pahat).
- ” TUAN HAJI ABDUL RASHID BIN HAJI JAIS, A.D.K., A.S.D.K. (Ulu Padas).
- ” TUAN HAJI ABDUL WAHAB BIN YUNUS (Dungun).
- ” PENGHULU ABIT ANAK ANGKIN, P.P.N. (Kapit).

- Yang Berhormat TUAN ABU BAKAR BIN ARSHAD (Hilir Perak).
- „ TUAN HAJI AHMAD BIN HAJI ITHNIN (Jasin).
- „ TUAN AU HOW CHEONG (Telok Anson).
- „ TUAN AZAHARI BIN MOHAMED TAIB, J.S.M., A.M.N., S.M.K., J.P.
(Kulim Bandar Baru).
- „ TUAN AZHARUL ABIDIN BIN HAJI ABDUL RAHIM (Batang Padang).
- „ TUAN BUJA BIN GUMBILAI (Tuaran).
- „ DR CHEN MAN HIN (Seremban).
- „ TUAN CHIAN HENG KAI (Batu Gajah).
- „ TUAN CHIENG TIONG KAI *alias* CHIENG SIE LUNG (Sarikei).
- „ PUAN CHOW POH KHENG (Selayang).
- „ TUAN RICHARD DAMPENG ANAK LAKI (Serian).
- „ TUAN EDWIN ANAK TANGKUN, A.B.S. (Batang Lupar).
- „ TUAN EMBONG BIN YAHYA, A.M.N. (Ledang).
- „ TUAN FAN YEW TENG (Menglembu).
- „ TUAN FARN SEONG THAN (Sungai Besi).
- „ DATIN HAJJAH FATIMAH BINTI HAJI ABDUL MAJID, J.M.N., P.I.S. (Semerah).
- „ TUAN HAJI HADADAK BIN HAJI D. PASAUK (Simunjan).
- „ TUAN HASHIM BIN GHAZALI (Matang).
- „ DATUK NIK HASSAN BIN ABDUL RAHMAN, S.P.M.T., P.S.D., K.M.N. (Kuala Nerus).
- „ TUAN SYED HASSAN BIN SYED MOHAMED, P.J.K. (Arau).
- „ DR HEE TIEN LAI *alias* HEE TEN LAI, A.M.N., P.I.S. (Ayer Hitam).
- „ TUAN HISHAMUDDIN BIN HAJI YAHAYA (Maran).
- „ TUAN JA'AFAR BIN HAMZAH, P.I.S. (Johor Bahru).
- „ TUAN HAJI JAMIL BIN ISHAK, P.J.K. (Tanjong Karang).
- „ TUAN JAWAN ANAK EMPALING (Rajang).
- „ TUAN JONATHAN NARWIN ANAK JINGGONG (Lubok-Antu).
- „ TUAN EDMUND LANGGU ANAK SAGA, P.B.S. (Saratok).
- „ TUAN LATIP BIN HAJI DRIS (Mukah).
- „ TUAN LEE LAM THYE (Kuala Lumpur Bandar).
- „ TUAN LEO MOGGIE ANAK IROKE (Kanowit).
- „ TUAN LEW SIP HON, K.M.N. (Shah Alam).
- „ TUAN LIBEN ANAK KATO *alias* WAIRY LEBEN ANAK KATO (Betong).
- „ TUAN LIM KIAM HOON *alias* LIM AH YING (Padang Serai).
- „ TUAN LIM KIT SIANG (Kota Melaka).
- „ DR LING LIONG SIK (Mata Kuching).
- „ TUAN LOH FOOK YEN (Kluang).
- „ TUAN LUHAT WAN (Baram).
- „ TUAN LUKMAN BIN ABDUL KADIR (Ulu Nerus).
- „ DATUK ALBERT MAH, D.M.P.N., K.M.N., P.J.K. (Bukit Bendera).
- „ TUAN MAK HON KAM, A.M.P. (Tanjong Malim).

- Yang Berhormat TUAN MOHAMED SOPIEE BIN SHEIKH IBRAHIM, J.M.N. (Kepala Batas).
- „ TUAN MOHD. BAKRI BIN ABDUL RAIS (Parit).
- „ TUAN MOHD. IDRIS BIN HAJI IBRAHIM (Setapak).
- „ TUAN MOHD. SALLEH BIN DATUK PANGLIMA ABDULLAH, A.S.D.K., A.D.K. (Silam).
- „ TUAN HAJI MOHD. TAUFECK BIN O. K. K. HAJI ASNEH, B.S.K., B.K., P.P.M. (Hilir Padas).
- „ TUAN MOHD. ZAHARI BIN AWANG (Kuala Krai).
- „ TUAN HAJI MOHD. ZAIN BIN ABDULLAH (Bachok).
- „ DATUK ENSKU MUHSEIN BIN ABDUL KADIR, D.P.M.T., J.M.N., P.J.K. (Ulu Trengganu).
- „ DATUK SYED NAHAR BIN TUN SYED SHEH SHAHABUDDIN, D.P.M.K., K.M.N. (Jerlun-Langkawi).
- „ RAJA NASRON BIN RAJA ISHAK, K.M.N., P.J.K. (Kuala Selangor).
- „ TUAN NGAN SIONG HING (Kinta).
- „ TENGKU NOOR ASIAH BINTI TENGKU AHMAD, A.M.N., P.B. (Tumpat).
- „ TUAN OH KENG SENG (Petaling).
- „ TOH PUAN OON ZARIAH BINTI ABU BAKAR, A.M.N., A.M.P., P.J.K. (Kuala Kangsar).
- „ TUAN OO GIN SUN, A.M.K. (Alor Setar).
- „ TUAN PANG SUI CHEE *alias* ALEX PANG, B.K., A.D.K. (Tawau).
- „ TUAN K. PATHMANABAN, K.M.N. (Telok Kemang).
- „ TUAN PATRICK ANEK UREN (Bau-Lundu).
- „ TUAN RASIAH RAJASINGAM (Jelutong).
- „ TENGKU TAN SRI RAZALEIGH BIN TENGKU MOHD. HAMZAH, P.S.M. S.P.M.K., (Ulu Kelantan).
- „ TUAN S. SAMY VELLU, A.M.N. (Sungai Siput).
- „ TUAN SANUSI BIN JUNID (Jerai).
- „ DATUK SENU BIN ABDUL RAHMAN (Kuala Kedah).
- „ TUAN SHAARI BIN JUSOH, P.P.N. (Kangar).
- „ TUAN HAJI SHAFIE BIN ABDULLAH, P.G.D.K., A.M.N., B.C.K., P.B.S., J.P. (Baling).
- „ TUAN SHAMSUDDIN BIN DIN, P.P.N. (Grik).
- „ TUAN SHAMSURI BIN MD. SALEH, A.M.N., J.P. (Balik Pulau).
- „ TUAN SIBAT ANAK TAGONG *alias* SIBUT MIYUT ANAK TAGONG (Ulu Rajang).
- „ TUAN THOMAS SALANG SIDEN (Julau).
- „ WAN SULAIMAN BIN HAJI IBRAHIM, S.M.K. (Pasar Puteh).
- „ TUAN SULAIMAN BIN HAJI TAIB, A.M.P. (Parit Buntar).
- „ TUAN SU LIANG YU (Beruas).
- „ PENGIRAN TAHIR BIN PENGIRAN PATERA, A.D.K. (Kimanis).
- „ DR TAN CHEE KHOON (Kepong).
- „ TUAN TAN CHENG BEE, A.M.N., J.P. (Bukit Mertajam).
- „ TUAN JAMES STEPHEN TIBOK, A.D.K. (Penampang).
- „ TUAN WEE HO SOON (Bandar Sibul).
- „ TUAN YANG SIEW SIANG, P.B.S. (Miri-Subis).
- „ DATUK STEPHEN YONG KUET TZE, P.N.B.S. (Padawan).

- Yang Berhormat TENGKU ZAID AL-HAJ BIN TENGKU AHMAD, D.P.M.K., J.M.K., S.M.K. (Pasir Mas).
 „ WAN ZAINAB BINTI M. A. BAKAR, A.M.N., P.J.K. (Sungai Petani).
 „ TUAN ZAKARIA BIN ABDUL RAHMAN (Besut).
 „ TUAN HAJI ZAKARIA BIN ISMAIL, P.B. (Rantau Panjang).

YANG TIDAK HADIR:

- Yang Berhormat Tuan Yang di-Pertua, TAN SRI HAJI NIK AHMED KAMIL, D.K., P.M.N., S.P.M.K., S.J.M.K.
 „ Menteri Tanah dan Galian dan Tugas-tugas Khas, DATUK HAJI MOHAMED ASRI BIN HAJI MUDA, S.P.R., S.P.M.K., S.P.D.K., DATUK SERI PADUKA RAJA (Nilam Puri).
 „ Menteri Perusahaan Utama, DATUK MUSA HITAM, S.P.M.J. (Labis).
 „ Timbalan Menteri Buruh dan Tenaga Rakyat, TUAN HAJI HASSAN ADLI BIN HAJI ARSHAD (Bagan Datok).
 „ Timbalan Menteri Pertanian dan Pembangunan Luar Bandar, TUAN MOKHTAR BIN HAJI HASHIM (Tampin).
 „ Setiausaha Parlimen kepada Menteri Perdagangan dan Perindustrian, TUAN MUSTAPHA BIN ALI (Kuala Trengganu).
 „ DATUK PATINGGI HAJI ABDUL-RAHMAN BIN YA'KUB, D.P., P.N.B.S., S.I.M.P. (Payang).
 „ PENGIRAN AHMAD BIN PENGIRAN INDAR, A.S.D.K., A.D.K. (Kinabatangan).
 „ TUAN HAJI AHMAD SHUKRI BIN HAJI ABD. SHUKOR (Padang Terap).
 „ TUAN AJAD BIN O. T. OYUNG, A.D.K. (Labuk-Sugut).
 „ TUAN ARIFFIN BIN HAJI DAUD (Permatang Pauh).
 „ TUAN CHIN HON NGIAN (Rengam).
 „ TUAN STEPHEN ROBERT EVANS (Keningau).
 „ TAN SRI SYED JA'AFAR ALBAR, P.M.N., D.P.M.J. (Panti).
 „ TUAN LEE BOON PENG, A.M.N., J.P., P.J.K. (Mantin).
 „ TUAN LIM CHO HOCK (Ipoh).
 „ DR LIM CHONG EU (Tanjong).
 „ DATUK LIM PUI HO, P.G.D.K., J.P., B.K. (Sandakan).
 „ DATUK PETER LO SU YIN, P.G.D.K. (Gaya).
 „ TUAN HAJI MADINA BIN UNGGUT, P.P.N. (Bandau).
 „ TUAN HAJI MOHAMED KHIR JOHARI (Kuala Muda).
 „ TAN SRI HAJI MOHAMED SAID BIN KERUAK, P.M.N., S.P.D.K. (Kota Belud).
 „ TUAN RACHA UMONG, P.B.S. (Limbang-Lawas).
 „ TUAN HAJI SUHAIMI BIN DATUK HAJI KAMARUDDIN, A.M.N. (Sepang).
 „ TUAN TING LING KIEW (Bintulu).
 „ TUAN HAJI YUSOF RAWA *alias* HAJI YUSOF BIN HAJI ABDULLAH, J.P. (Ulu Muda).

YANG HADIR BERSAMA:

- Yang Berhormat Timbalan Menteri Undang-undang, DATUK ATHI NAHAPPAN, D.P.M.S. (Dilantik).

DEWAN RAKYAT

PEGAWAI-PEGAWAI KANAN

Setiausaha Dewan Rakyat: Datuk Azizul Rahman bin Abdul Aziz.

Timbalan Setiausaha: Haji A. Hasmuni bin Haji Hussein.

Penolong Setiausaha: Mohd. Salleh bin Abu Bakar.

Penterjemah Melayu Kanan/Pemangku Penolong Setiausaha: Ghazali bin Haji Abd. Hamid.

BAHAGIAN PENYATA RASMI PARLIMEN

Penyunting: Yahya Manap.

Penolong Penyunting: P. B. Menon.

Penolong Penyunting: Osman bin Sidik.

Pemberita-pemberita:

N. Ramaswamy.

Louis Yeoh Sim Ngoh.

Abdul Rahman bin Haji Abu Samah.

Rani bin Rahim.

Suhor bin Husin.

Amran bin Ahmad.

Mohd. Saleh bin Mohd. Yusof.

Margaret Chye Kim Lian.

Quah Mei Lan.

Puan Kong Yooi Thong.

Juliah binti Awam.

Supiah binti Dewak.

Ismail bin Hassan.

BENTARA MESYUARAT

Mejar (B) Musa bin Alang Ahmad.

DOA

(Tuan (Timbalan) Yang di-Pertua *mem-*
mempengerusikan Mesyuarat)

RANG UNDANG-UNDANG

RANG UNDANG-UNDANG
PERBEKALAN, 1976

Bacaan Kali Yang Kedua

3.20 ptg.

Timbalan Perdana Menteri, Menteri Kewangan dan Menteri Penyelarasan Perbadanan Awam (Datuk Hussein bin Datuk Onn): Tuan Yang di-Pertua, saya mohon mencadangkan supaya satu Rang Undang-undang bernama "Suatu Akta bagi menggunakan sejumlah wang dari Kumpulan-wang Yang Disatukan untuk perkhidmatan bagi tahun 1976 dan bagi memperuntukkan wang itu dan lain-lain wang sebagaimana yang telah di'benar dikeluarkan untuk perkhidmatan tahun itu", dibaca bagi kali yang keduanya.

Oleh kerana setengah-setengah daripada Ahli-ahli Yang Berhormat tidak begitu fasih dalam Bahasa Kebangsaan dan juga oleh kerana perkara-perkara yang saya akan sentuh dalam ucapan saya ini menggunakan perkataan-perkataan dan istilah-istilah teknikal, maka disamping saya bercakap dalam Bahasa Kebangsaan, saya mohon izin bercakap dalam bahasa Inggeris.

Tuan Yang di-Pertua, Ahli-ahli Yang Berhormat tentu masih ingat bahawa di dalam Ucapan Belanjawan saya yang lalu di Dewan ini, dan juga di dalam Perutusan Belanjawan saya di Dewan Negara, saya telah menegaskan bahawa kita di Malaysia tidak syak lagi akan menerima kesan rosotan dan inflasi yang berlaku di seluruh dunia. Saya telah menyatakan pada masa itu bahawa kita semua mestilah bersedia menghadapi masa yang sukar ini tetapi keadaan itu pasti tidak akan berterusan buat selamalamanya.

Tuan Yang di-Pertua, saya sesungguhnya merasa yakin bahawa dengan sokongan rakyat, kita akan dapat mengatasi masalah yang dihadapi. Di samping itu, saya berasa gembira dan lega, bahawa pada saat ini saya boleh memaklumkan kepada Dewan ini

yang kita dengan jayanya telah dapat mengatasi peringkat rosotan dan inflasi yang paling teruk itu. Dengan pertolongan Tuhan dan sokongan serta pengorbanan rakyat, kita telah berjaya menghadapi masalah ekonomi dan kewangan negara. Rakyat kita bukan sahaja telah menambah bahkan telah menguatkan lagi usaha Kerajaan dalam mengatasi masalah ekonomi negara kita itu.

(*Dengan izin*) The economic outlook today is much better than it was a year ago. I am happy to say that it is even better than it was, at the time of my Budget Message to the Senate, exactly 10 months ago. At the time of my Budget Speech on November 12th last year, Malaysia's economic growth was estimated at 5% in real terms. However, by the time of my Budget Message on January 6th, this year, all the economic indicators pointed to prospects of a longer and deeper recession that was not anticipated earlier, either at home or abroad. I therefore indicated a revision in our estimates and pointed out that our economy might not be able to achieve a real growth rate of 5% but much less, depending on the world recession. In the event, my caution and unfortunately my worst fears have proved to be correct. The experts in the industrial countries had forecast that the economic growth of their economies would increase by about 1%. However, they kept revising their forecasts downwards, as the recession deepened and prolonged in 1975.

The latest estimates now are that the economic growth in the industrial countries decreased by 1½% for the whole of this year. Consequently, Malaysia's economic growth was also adversely affected, as our exports, which constitute nearly 50% of our GNP, are dependent on the demand of the industrial countries. Given this changing and uncertain situation we have therefore had to revise our own estimates which now indicate that Malaysia's GNP grew by about only 1 to 2% in real terms while its output or GDP increased by about 2½%, this year. This is about the lowest rate of economic growth that we have had and it reflects the extent to which we have been hit by the world recession. However, I have to add, for the sake of perspective, that our economic performance has been better than most other economies, including some of the strongest, which experienced negative growth rates.

On the other hand, our inflation rates, as reflected by the Consumer Price Index, did much better and in fact declined substantially this year. It is estimated that the CPI increased by only 5.6% for the first 9 months of this year as compared to 19% for the same period last year. However, the C.P.I. is estimated to increase by 7% for the whole of 1975 as compared to 17.4% for last year. This slowdown in the rate of increase is therefore gratifying. This encouraging trend in inflation has been due largely to our own anti-inflationary efforts and the slowdown in inflation rates abroad.

Tuan Yang di-Pertua, saya telah memberikan Ahli-ahli Yang Berhormat satu pandangan secara am, berkenaan dengan kedudukan ekonomi kita. Tetapi saya ingin menegaskan bahawa kita masih belum lagi dapat mengatasi masalah ini sepenuhnya. Masalah ekonomi masih lagi menyelubungi negara kita. Beberapa keraguan masih lagi terdapat berkenaan dengan berapa lama bagi negara-negara perusahaan dan seterusnya negara kita akan pulih sepenuhnya, daripada rosotan ini. Sungguhpun kita telah nampak ada tanda-tanda kejayaan, keraguan masih lagi timbul tentang bila kita akan terlepas terus daripada masalah ini. Kebanyakan pakar ekonomi berpendapat bahawa ia akan mengambil masa kira-kira 6 bulan manakala yang lain berpendapat pemulihan ekonomi sepenuhnya hanya akan berlaku menjelang akhir tahun 1976.

As I have just now stated, I have given you a very broad view of our economic position. I would however like to emphasise strongly that we are by no means completely out of woods. The economic clouds still hang over us. There is still some uncertainty as to how long it will take for the industrial countries and consequently our own economy to fully recover from the recession. Although we have seen the light, there is still some doubt as to when we will be able to get out of the tunnel. Most economists think it will take about 6 months while others are of the view that full economic recovery will take place only towards the end of 1976.

There is also another imponderable. It is considered that a faster pace of economic recovery in the United States and other industrial countries, could give rise to a renewal of inflationary pressure. This would indeed be unfortunate as, in that case,

Malaysia with its open economy could be hit once again by rising prices. We experienced our highest rates of inflation in 1974 when the C.P.I. rose by 17.4%. We have to make sure that our present low rates of inflation continue to decrease rather than increase, so as to prevent hardship to our people.

Although we can face next year with some optimism yet there is still considerable uncertainty. We must therefore be cautious. In the end, the world economic outlook will depend a great deal on how the industrial countries plan and implement their budgets in the months ahead. Much of our own economic and financial outlook and fiscal and monetary planning will also depend on the economic outturn in the industrial countries. That however does not mean that we will just have to adopt a wait and see attitude! Indeed we will strive to determine our own economic destiny as best as we can. In fact this is exactly what I will do, through the 1976 Budget, although at the same time we need to be *realistic* and recognise the uncertainties and imponderables that I have mentioned earlier.

Thus my basic Budget theme is to be cautious, pragmatic and flexible, so as to respond *promptly and effectively* to the economic and financial changes and challenges as they arise.

Tuan Yang di-Pertua, I should mention that the 1976 Budget will provide the basis for the first year of the Third Malaysia Plan 1976-1980. As I emphasised in my 1975 Budget Speech, my Budget philosophy is to ensure that the Budget will play a dynamic role in promoting economic growth and income distribution within the framework of financial stability. The *Budget* will not be traditional or static in the sense that it will not be preoccupied with the mere collection of revenues and allocation of expenditures. Neither will the Budget be inflexible. On the contrary, the Budget will serve as an Annual Economic as well as Financial Plan for the Nation. It will thus seek to implement the objectives of the Third Malaysia Plan and indeed the long term Perspective Plan 1970-1990, on an annual basis and in a practical and realistic manner.

I will ensure that all agencies of Government exercise greater rationale and stricter financial discipline in implementing our national socio-economic objectives. There is

often a tendency to request for more and more public funds because sometimes high expenditure levels are unfortunately confused with achievement. However, I want to stress that it will be more prudent to spend less and at the same time to ensure quality and efficient resource allocation, rather than to spend more and get proportionately less benefits especially for those in the lower income groups. The emphasis should increasingly be on the proper identification, preparation and efficient implementation of sound projects and programmes that will directly benefit the lower income groups, particularly those of our people who live away from the more developed areas of the country. This should therefore be the challenge for the planners and the professionals in the public sector. Indeed this challenge should be taken up by those professionals in the private sector as well, since it is the responsibility of all of us to ensure that the have-nots of all races benefit even more directly and substantially, from all Government's development efforts.

Tuan Yang di-Pertua, sekarang, saya ingin menghuraikan kepada Ahli-ahli Yang Berhormat, satu penilaian yang mendalam mengenai Prestasi Ekonomi dan Kewangan dalam tahun 1975 dan seterusnya menyentuh tentang Prospek untuk tahun 1976, dan selepas itu, saya akan membentangkan Cadangan Belanjawan. Saya bercadang untuk memberikan Ucapan ringkas sahaja dan menumpukan kepada perkembangan, aliran dan soal dasar secara kasar, oleh kerana Lapuran Ekonomi Perbendaharaan 1975-76 yang akan didedarkan kepada Ahli-ahli Yang Berhormat, mengandungi analisa yang menyeluruh tetapi mendalam mengenai ekonomi dan juga prospeknya.

I would now like to give you a more detailed assessment of our Economic and Financial Performance in 1975 and then I will outline the Prospects for 1976, after which I will give you the Budget Proposals. I intend to be brief in my Speech and confine it to broad developments, trends and policy issues, since the Treasury 1975-1976 Economic Report which will be tabled before you, contains a comprehensive and yet detailed analysis of the economy and its prospects.

Tuan Yang di-Pertua, I have mentioned earlier that the Malaysian economy was hit more than we expected by the

world recession and grew by only about one per cent to two per cent this year. The 1975 Budget was designed to be counter-cyclical, to combat recession and yet not aggravate inflation. Consequently, public sector expenditures, i.e. the budgets of the Federal and State Governments as well as the Statutory Bodies, were planned to increase so as to stimulate the economy. These expenditures were at the same time planned to increase production so as to minimise inflation as far as possible.

The 1975 Budget in fact estimated that the public sector expenditures would increase by about 7% in real terms, while it was estimated that the private sector would expand its spending by about 4% in real terms. Public sector or Government spending was therefore planned to grow at nearly double the rate of the estimated private sector spending. However, what has happened is that, the Government sector in fact is now estimated to have increased its spending this year by about 9% in real terms, compared to the 1975 Budget estimate of 7%, while the private sector's spending is now estimated to have actually declined by about 5% in real terms, as compared to the 1975 Budget estimated growth of about 4%.

Thus Government spending provided the thrust to economic growth and expanded more than anticipated in the 1975 Budget as compared to the private sector which performed poorly. Indeed without the boost to the economy provided by the Budget, the economy would have been even more severely affected by the recession.

The increase in Government spending to counter recession also helped to compensate to some extent the poor performance of the export sector. The 1975 Budget estimated the value of our exports to decline by only about 5% in current prices because of the recession. But the unexpected severity of the recession affected the export sector badly, and as it turned out, export values declined even more by about 11% in current prices. On the other hand, import values declined by about 6½% in current prices. Given this big drop in our export earnings and the smaller decline in our import expenditures, the balance of payments' merchandise account registered a deficit for the first time in recent years. Thus the current account of

the balance of payments deteriorated by about \$1,285 million, which constitutes about 6% of the estimated GNP for 1975 of just over \$20,000 million.

Although in retrospect we could perhaps have done more to step up Government expenditures to stimulate the economy further, we had also to make sure that the additional Government expenditures would be for development purposes and on projects that were viable and productive in the short term. Otherwise we might have utilised more funds on current expenditures and consumption and even less on productive projects and this would have aggravated inflation. As it is, we managed to slowdown inflation and at the same time achieve growth, within the context of financial stability. This was made possible through the sacrifice of our people in responding to the call for greater food production under the Green Book campaign and in accepting the austerity measures in spending.

In order to counter the effects of the world recession and to stimulate an early recovery in the domestic economy, the Government initiated a policy of monetary ease in November 1974, and subsequently further relaxed monetary policy in February, and again in May and August 1975. Monetary measures were directed towards ensuring that monetary expansion would be sufficiently strong to stimulate activity in the domestic economy but not too strong to rekindle inflationary fears and expectations; that the financial system would be sufficiently liquid to meet the demands for credit by the private sector but not to the extent of encouraging unnecessary consumption, speculation and hoarding; and the credit would be distributed equitably in line with the objectives of national policy. The details of these measures are given in the Treasury Economic Report.

The impact of these measures have already begun to affect monetary developments in the right direction. In recent months, bank credit to the private sector has begun to pick up. Together with the stimulus provided by expansionary fiscal policy, money supply has increased at an annual rate of 12.1% in September, with the average annual growth rate for the first nine months of 1975 being 7.4% as against a rate of 25.3% for the corresponding period of 1974. The Government will continue to monitor the monetary

situation and to take appropriate measures to ensure that the financial system plays its vital role in the financing of economic recovery.

As I have mentioned earlier, the private sector performed poorly in 1975. Although this is understandable during a recession, it is nevertheless regrettable, since private investment in particular declined by about 5%—well below our Budget's estimated increase of about 4%. I am concerned at this poor performance, particularly, since the Government looks to the private sector to play an active role in the expansion of industrial development and modernisation. The Government alone cannot and should not be responsible for all industrial growth. Private investors, both domestic and foreign, are better equipped by virtue of their know-how and capital to expand investment. I am aware that there are administrative and other problems. However, I wish to assure the private sector, that the Government is anxious to accelerate the pace of industrialisation. We welcome both domestic and foreign private investment and enterprise, and I would personally welcome all concrete and positive proposals that the private sector may have to achieve our common aim of promoting and expanding private investment and industrial growth.

Our balance of payments were adversely affected by the world recession. The merchandise account of the balance of payments is estimated to register a deficit for the first time. This was due to the sharp deterioration in the prices of our major export commodities and the continued high inflation rates abroad, that showed up in our import costs.

Our earnings from the services account of the balance of payments are traditionally lower than what we spend on shipping, freight and insurance. Hence the service account is also estimated to record a deficit of about \$1,060 million. The balance of payments' current account is therefore estimated to register a deficit of about \$1,285 million compared to the balance of payments' current account deficit of \$840 million in 1974. However, the basic strength of the economy and its balance of payments, continue to attract long-term foreign capital inflows. Consequently, the large current account deficit was thus negated and the basic balance of payments for 1975 is now

estimated to be about equilibrium or to register a surplus. The overall balance of payments, however, which takes into account short term capital flows and the usual errors and omissions, is estimated to register a deficit of about \$100 million.

Given the severe strain of the recession, this performance of the balance of payments is therefore satisfactory. The official reserves are consequently estimated to decline by this loss of about \$100 million in the balance of payments. Thus the official reserves are estimated to stand at about \$3,790 million, which will represent about 5 months of retained imports as at the end of 1975. This healthy reserve position is indeed heartening to have, under the difficult circumstances that our economy has gone through.

Prestasi Belanjawan tahun 1975

Tuan Yang di-Pertua, saya telah menyentuh prestasi ekonomi negara pada tahun ini dan sekarang saya ingin memberitahu Ahli-ahli Yang Berhormat mengenai Prestasi Kewangan Kerajaan Persekutuan dalam tahun 1975.

Sebagaimana Ahli-ahli Yang Berhormat sedia maklum, Belanjawan tahun 1975 telah mengalami keadaan tegang sepanjang tahun ini oleh kerana rosotan dunia yang berterusan dan mendalam. Manakala jumlah hasil jatuh, kita sebaliknya pada masa yang sama terpaksa menambah perbelanjaan untuk menahan rosotan dan meringankan mana yang boleh akibat buruk inflasi. Tambahan pula, kita terpaksa membuat perbelanjaan tambahan yang lain, yang tidak diduga semasa Ucapan Belanjawan saya pada tahun 1975.

The 1975 Budget Outturn

I have covered the country's economic performance this year and I would now like to inform you of the Federal Government's financial performance in 1975.

As Honourable Members are aware, the 1975 Budget came under severe strain during this year, because the world recession dragged on and deepened. While our revenues declined, nevertheless at the same time we had to expand expenditures to counter recession and alleviate, where possible, the adverse effects of inflation. Furthermore, we had to incur

other additional expenditures that were not anticipated at the time of my 1975 Budget Speech.

For instance, the actual revenue receipts for indirect taxes fell short of the 1975 Budget estimates by about \$220 million or by 8%, mainly because of the decline in imports. Although the 1975 Budget estimates for direct taxes are expected to increase by about \$60 million or 4%, due to the higher income taxes collected, on the basis of the better economic performance in 1974, the actual overall revenue outturn is nevertheless estimated to decline by \$55 million or about 1% to \$4,815 million, from the 1975 Budget estimate of \$4,870 million.

The 1975 Budget expenditure outturn however turns out to have differed even more substantially from the original 1975 Budget estimates. The actual expenditure outturn for 1975 is now estimated at \$5,000 million, i.e. \$405 million or about 9% above the original Budget estimate of \$4,595 million. This large increase needs some explanation since it had a direct bearing on the Federal Government's finances and the Government's response to the serious financial situation that consequently arose.

Tuan Yang di-Pertua, the major causes for the wide differences between the 1975 Budget and its estimated outturn are:

- (a) the implementation of the Harun Salaries Commission recommendations which cost \$100 million. This amount was not provided for in the original 1975 Budget as, indeed, it was not proper to anticipate the Harun Commission Report;
- (b) the payment of the 13th month bonus to civil servants, estimated at \$150 million per annum which was given to help ameliorate the adverse effects of inflation. This was also not provided for in the original 1975 Budget. As Honourable Members are aware, the bonus is not meant to be paid as a matter of right. At the time of my Budget Speech last year, it was not yet decided as to whether the bonus would continue to be paid in 1975. Hence the bonus payments were not taken into account in the 1975 Budget. I may add that they have not been taken into account for the 1976 Budget either; and

(c) expenditures on defence amounting to \$127 million were not anticipated, together with allocations of \$26 million for the text-books subsidy, and \$40 million for the rubber stabilisation programme. These were also new commitments that arose only during the course of 1975.

The 1975 Budget outturn is now therefore estimated at \$5,000 million, and given the lower revenue outturn as well, the 1975 Budget current account is now expected to be in deficit by \$135 million, as compared to the original Budget's estimated surplus of \$337 million. Indeed, if it is not for the austerity measures and the more stringent controls that were exercised by the Treasury, particularly in the second half of this year, the Government's Budgetary position would have become even more serious.

The development expenditures also exceeded the 1975 Budget estimates by about \$235 million. However, I would like to stress that the Treasury took a less stringent line on development expenditure and in fact was prepared to provide even more finance for the more viable and productive development projects which would help to stimulate economic growth and employment. After taking into account all these developments in revenue and expenditure during the year, the overall deficit is consequently now estimated to increase substantially, as compared to the 1975 Budget. This higher deficit however will be more than adequately covered by borrowing.

The Economic Outlook for 1976

Tuan Yang di-Pertua, I have mentioned earlier that the Budget will play a dynamic role and will respond to the economic developments at home and abroad. Thus we need to make an assessment of the economic prospects for 1976. Here then is my assessment.

It is clear that the industrial economies, particularly the U.S., are slowly recovering from the recession. The economic growth in these countries is gradually expected to gain momentum from the low growth bases, ranging from the negative growth rates in 1974 and in 1975, to higher growth rates of about 4½% in 1976.

The inflation rates in the industrial countries have also slowed down recently. However, with reflation of their economies and the ensuing economic expansion, inflation could rear its ugly head once again in the industrial countries, with the consequential impact on our own domestic prices. We have, therefore, to be alert and watchful and try to reduce the impact of external inflation.

Tuan Yang di-Pertua, oleh itu, prospek ekonomi untuk tahun 1976, adalah dijangka menggalakkan di dalam separuh pertama dan lebih cerah di dalam separuh kedua tahun 1976. Anggaran awal menunjukkan bahawa negara-negara perusahaan dijangka akan mencatatkan kadar pertumbuhan ekonomi dalam lingkungan 2% hingga 6%. Kadar inflasi juga telah dijangka akan lebih tinggi dari kira-kira 9% bagi negara-negara perusahaan yang besar.

The economic prospects in 1976 therefore are expected to be favourable in the first half and to improve further in the second half of 1976. Preliminary estimates indicate that the industrial countries can be expected to register economic growth rates ranging from 2% to 6% in real terms. Inflation rates too are not expected to be higher than about 9% for the major industrial countries.

Prospek ekonomi Malaysia juga dipengaruhi dengan kuatnya oleh perkembangan ekonomi luar negeri. Oleh itu, eksport kita dianggar akan bertambah sebanyak kira-kira 9% dan impot sebanyak kira-kira 5%. Oleh itu, imbalan pembayaran, sepatutnya akan lebih baik dalam tahun 1976 berbanding dengan tahun ini dan yang demikian akan dapat menyumbang kepada pertumbuhan ekonomi kita dalam tahun 1976, tidak seperti keadaannya dalam tahun 1975.

Malaysia's own economic prospects are influenced considerably by economic developments abroad. Thus our exports have been estimated to grow by about 9% and our imports by about 5% in real terms. The balance of payments should therefore perform much better in 1976 compared to this year and would therefore contribute to our economic growth in 1976, unlike the situation in 1975.

The resultant increase in external demand for rubber is expected to strengthen the recent rising trend in rubber prices. Rubber production constituted about 16% of our Gross

Domestic Product in 1974, hence its prices still have a substantial impact on our economic growth, and the socio-economic wellbeing of nearly three million of our people. Estimating rubber prices, however, is a hazardous business but, given the better economic prospects, it will be reasonable to assume an average price of about 140 cents per kilo for R.S.S.I. rubber in 1976.

With the gradual recovery of the economy, the private sector should play a more positive and expansionary role. I recognise however that because of some lingering uncertainty regarding the international economic outlook, the private sector may still be cautious in its investment planning. I understand that there is also some uncertainty regarding Government's policies towards private investment.

While worldwide recession is beyond our control, we can, however, set the record straight for the domestic and foreign investors in Malaysia. I wish, therefore, to state categorically, that we welcome and indeed encourage private investment. Our policies are clearly stated and there should therefore be no doubt that the Government does mean what it says. It may be, however, that some uncertainty has been due, in some cases, to the interpretation and implementation of certain policies. In cases of doubt, investors should seek clarification from the Government. It will be unfortunate if investors form their impressions of Government's attitude to private investment, on the basis of rumours.

The Prime Minister in his speech at the Malaysian Investment Seminar on October 27th, stated and I quote "the Malaysian Government is committed to a system where the private sector's role is a prerequisite for continued and rapid industrial development. On the Government's part, I wish to reiterate here our commitment to assist the private sector in every way possible to fulfil this role, so that it can be true partners in our progress and development. This is the corner-stone of our industrial policy to which my Government is fully committed and will adhere to, in the future." The Prime Minister further added, and I quote "Malaysia's success story is generally acknowledged and a major element in that story, also generally acknowledged, is the Government's pragmatism and fair-mindedness as well as our recognition of the important role of foreign

private investment in our industrial development programme. No Government can be so foolish as to change a tested formula for success. My Government will therefore ensure, through the laws that we promulgate, and the policies we implement, that economically and politically, Malaysia continues to be a sound base for investment. We cannot afford not to be pragmatic. We shall always be fair. We are a prudent and rational people, as our records have shown, and our enlightened self-interest, not doctrinaire consideration, will continue to dictate our policies." This statement by the Prime Minister expounds, unambiguously, the Government's policies and attitudes towards private investment, both domestic and foreign, as well as the execution and implementation of these policies.

It would appear that private consumption and private investment may not be able to provide the thrust to a more rapid recovery of the economy. In that event the Government therefore will have to continue to play a leading and counter-cyclical role in hastening the process of economic recovery, particularly if the expected boost from the external sector is not sufficiently strong. The Treasury Economic Report however explains the strategy in greater detail.

The 1976 Budget therefore has been geared to fulfil an expansionary role to promote economic growth and employment while bearing in mind the equally important need to maintain financial stability. Thus, public consumption has been planned to increase by 7% and public investment to increase by 6% in real terms in 1976. However, I must hasten to add, that the public investment estimates do not take into account the additional funds that have to be provided for new projects and programmes under the Third Malaysia Plan. The additional allocations for development projects and programmes could increase public investment to a much higher level than 6%. Thus the 1976 Budget will have to be flexible to meet the economic challenges and financial requirements as they arise.

Tuan Yang di-Pertua, I will now give you the Budget proposals. The 1976 Budget's revenue at existing tax rates is estimated at \$5,100 million or about 6% above the latest estimates of the 1975 revenue outturn. The ordinary expenditures are estimated to increase to \$5,340 million or by 7% as

compared to the latest 1975 estimated outturn of \$5,000 million. This increase of \$340 million includes a transfer of \$200 million to the Contingencies Fund which at present amounts to only \$100 million. With the increasing size of the Federal Budget, a Contingencies Fund of \$100 million or only 2% of the 1975 outturn of \$5,000 million is not realistic.

Thus, the current account of the 1976 Budget is estimated at a deficit of \$190 million, at existing tax rates, after adjusting for the usual contribution of \$50 million to the Sinking Fund. I like to emphasise however, that this estimated deficit does not include any budgetary provision for the following:

1. Additional expenditures over and above the 1976 Budget estimates, for Security and Defence, that will arise during the year;
2. No provision is made in the 1976 Budget for the 13th month bonus payments;
3. Subsidies amounting to about \$183 million, including \$88 million for the rice subsidy, and \$50 million for the urea subsidy, have been omitted from the 1976 Budget;
4. No new posts have been approved in the 1976 Budget;
5. No provision has been made for the implementation of the Ibrahim Ali Salaries Commission Report; and
6. The 1976 Budget does not take into account any other policy decisions which have financial commitments, which are not now included in the 1976 Budget.

Indeed, the 1976 Budget's estimated deficit of \$190 million would be much larger if budgetary provisions were made for the above items.

As I have mentioned before, the development expenditure is tentative, pending the finalisation of the Third Malaysia Plan. The overall deficit is consequently tentatively estimated at about \$2,175 million. The deficit will be financed mainly by domestic borrowing estimated at \$1,350 million and foreign project and market borrowing estimated at about \$785 million. These estimates of financing, however, will be modified since, as I have said, the 1976

Budget will be managed flexibly, to respond effectively to the needs of the economic situation, the requirements of the Third Malaysia Plan and also to take into account the new taxes that will be raised in the 1976 Budget.

TAX PROPOSALS FOR 1976

Tuan Yang di-Pertua, I am coming now to the part which all Honourable Members have been waiting for, i.e. the tax proposals for 1976.

Given the expected budgetary position of the Federal Government for 1976, as I have mentioned just now, we have no alternative but to raise a fairly substantial additional revenue for 1976 from taxation. I can assure Honourable Members that this is not an easy task for me under the present economic circumstances. The objective of a tax policy is not only to provide adequate revenue for the Government, but also, among other things, to achieve a more equitable income redistribution which is one of the objectives of our New Economic Policy. The tax proposals which I am going to introduce in a moment have been formulated with these objectives in mind. I should also add that these proposals would not, in our assessment, inhibit the projected economic growth which I mentioned earlier, nor would they aggravate any inflationary tendencies. All these proposals are expected to generate about \$108 million of additional revenue in a full year. The estimated additional revenue yield expected from each tax change refers to a full year unless I mention otherwise. I should make this point clear at this stage in order to avoid my having to repeat "per annum" every time. Tuan Yang di-Pertua, I shall begin with direct taxes.

DIRECT TAXES

Individual Income Tax

Under our present tax system, income of resident individuals is subject to graduated tax rates ranging from a rate of 6% on a chargeable income of \$2,500 to 50% on a chargeable income exceeding \$50,000. I should explain that the term "chargeable income" refers to income after allowing all personal reliefs available under the Income Tax Act, 1976. As Honourable Members are aware, a progressive rate structure is designed to effect a more equitable distribution

of tax burden based on the concept of ability to pay. Thus a progressive tax takes a bigger proportion of large income than of small income.

Whilst it is recognised that a very high maximum marginal tax rate could have a disincentive effect to work, it is considered that the existing maximum rate of 50% still leaves some room for a further increase without unduly generating such an undesirable effect. However, in formulating what further increase could be introduced, we need also to take into account other taxes which an individual has to pay on his income. Firstly, there is the development tax which is now imposed at the rate of 5% on an income derived from a trade, business, profession or vocation and rent from the letting of properties. This tax, however, does not apply to salary and wages, dividends and interest. Therefore, only certain categories of individuals such as businessmen and professionals are liable to the development tax on their income. Secondly, an individual is liable to a 5% excess profits tax on his chargeable income in excess of \$75,000. Honourable Members will recall that this tax was introduced in the last Budget as an anti-inflationary measure. Taking all these into consideration, it is proposed to introduce a new maximum marginal rate of 55% on a chargeable income exceeding \$75,000. The existing 50% rate will therefore apply only to chargeable income exceeding \$50,000 up to \$75,000.

The opportunity is also taken to make some adjustments to certain parts of the rate structure. The present structure starts with the lowest marginal rate of 6% on a chargeable income of \$2,500 and thereafter the rate increases by 3% for every next \$2,500 of income until the aggregate income reaches \$10,000. After that the rate increases by 5% for the next \$5,000. But for the next two additional income brackets of \$5,000, the rates increase by only 3% and 2% respectively. As Honourable Members can readily see, both these rate increases are not only lower than the previous increase of 5%, but they are also on a diminishing scale. Clearly, such rate increases are not in line with the concept of progressivity as I have mentioned earlier. It is therefore considered desirable that this anomaly should be rectified by making some adjustments to these particular rates. The proposal now is to increase the 23% rate to

25% and the 25% rate to 30%. As a consequential change, the existing 30% rate is to be increased to 35%. Other rates will remain unchanged.

All these changes are to be made effective from the year of assessment 1976, and are estimated to yield about \$10 million of additional revenue.

Real Property Gains Tax

As Honourable Members are aware, at present gains derived from a disposal of lands and buildings situated in Malaysia and any interest, option or other rights in or over such lands and buildings are liable to tax at the rate of 50% if such a disposal is made within two years after the date of the acquisition of the property. However, if the amount or value of the consideration for the disposal does not exceed \$100,000, it is exempted from the tax. This tax is provided in the Land Speculation Tax Act, 1974, and it is intended to discourage speculative activities in such property which, among other factors, had contributed to an alarming rise in the prices of immovable property.

Therefore, a gain made from a disposal of immovable property beyond the period of two years after its acquisition is beyond the scope of this land speculation tax. Nor is it liable to income tax under the income tax legislation since a gain on realisation is not normally regarded as income. Such gains, if taxed, can provide a good source of revenue to the Government. From the equity point of view, it cannot be denied that such gains add to a person's wealth in the same way as any additional income such as bonus or dividends. He is certainly better off than a person with the same income but having no such gains. It is therefore inequitable that such gains should be free from tax. Furthermore, a tax on such gains would add a further element of progressivity in our tax system. The case for taxing such gains becomes even stronger when they accrue not out of a person's own exertions but purely fortuitously, resulting from Government's development efforts.

On both revenue and equity grounds, it is now proposed to introduce a tax on gains derived from a disposal of real property, that is, land including building, situated in Malaysia and any interest, option or other right in or over such land. From this it can be

seen that the type of the chargeable asset is still the same as under the Land Speculation Tax Act. For this purpose, it is proposed to introduce a new legislation to be called "Real Property Gains Tax Act, 1976", and to repeal the existing Land Speculation Tax Act, 1974. I should make it clear that the repeal of the Land Speculation Tax Act does not mean that the Government proposes to abandon the intention of discouraging speculative activities in real property. On the contrary, as will be clear from the proposed provisions for the rates structure and the exemption limit which I shall mention later, the new legislation will discourage such activities even more.

Under this proposal, gains from a disposal of real property are to be taxed on a diminishing scale of rates in accordance with the length of the holding period as follows:

- 50% if the property is disposed of within the first or second year after the date of its acquisition,
- 40% within the third year,
- 30% within the fourth year,
- 20% within the fifth year, and
- 10% within the sixth year or thereafter.

To illustrate, if a person buys a piece of land on 1-1-76 at a cost of \$100,000 and sells it in the third year of holding say on 1-6-78, at \$120,000, the gain of \$20,000 is to be liable to a 40% rate of tax, that is \$8,000.

A graduated scale of rates in accordance with the holding period is intended to differentiate between gains which accrue from speculative transactions and gains arising from investment. The shorter the holding period, the greater is the element of speculation and it, therefore, justifies a levy of a higher rate of tax. It will be seen from the rate structure which I have just mentioned that the rate applicable to a disposal of real property made within two years after the date of acquisition remains at 50% as presently provided in the Land Speculation Tax Act.

It is proposed to provide that where the amount or value of the consideration for the disposal of a property is less than \$50,000, such disposal is to be exempted from the tax. This is intended to provide some measure of relief to people of lesser means who for some reasons have to sell their properties.

It will be noted that the proposed exemption limit is lower than what is presently provided in the Land Speculation Tax Act, which is \$100,000 in the amount or value of the consideration. This figure was originally \$200,000, but was reduced to the present figure in the last Budget in order to make the tax more effective. Further observation into the operation of the land speculation tax has shown that a very large portion of the sales of real property was in the range of less than \$100,000 in value. A reduction of the exemption limit to the proposed value of less than \$50,000 is also justifiable if the speculative activities in land transactions is to be further discouraged.

As in the case of the land speculation tax, there will be provision for the treatment of losses. However, since in this case the tax is to be imposed on a scale of rates depending on the length of the holding period, the treatment of losses naturally poses more problems than in the case of a flat rate of tax like the land speculation tax, where a loss from one transaction can easily to offset against a gain from another. As an equitable solution to the problem, losses will not be allowed as a deduction from gains. Instead, tax relief for losses will be allowed, at the rate of tax applicable to the category of disposal giving rise to the loss, as a deduction from the total tax assessed on chargeable gains derived in the year of assessment in which the loss is suffered with provision to carry forward unabsorbed tax relief for losses. In this way, neither the tax-payer nor the Government will be unduly affected by the treatment of losses.

As to the question of valuation of the property for purposes of this tax, it is proposed to provide a certain rule in determining the value of property acquired in the past. The difference between the acquisition price and disposal price, is a gain or loss as the case may be. Acquisition price is the purchase consideration and incidental costs incurred for the purchase of the property by the disposer plus any further expenses incurred by him in improving the property. However, in the case of property acquired in the distant past, in view of the difficulty in determining the historical cost and further expenses up to date, the market value of the property as at 1st January, 1970 will be used instead of the purchase

consideration, incidental costs and further expenses incurred by the disposer up to 1st January, 1970.

Apart from the rate structure, the exemption limit and the special provision for the treatment of gains and losses, the Real Property Gains Tax Bill, copies of which will be distributed to Honourable Members shortly, contains basically the same provisions as the Land Speculation Tax Act, 1974. After all, the present proposal is merely an expansion of the scope of the tax in the Land Speculation Tax Act to cover gains derived from any disposal of land and buildings made beyond two years after their acquisition. However, since the present proposal is to cover not only speculative gains, but also long term gains on disposal of real property, it is considered necessary to introduce a new legislation altogether. The new legislation, therefore, continues to provide, for example, an exemption from the tax on the gains made from a disposal of one private residence in certain circumstances. Similarly, genuine housing developers have no cause for alarm because they will not be affected by this tax. Their profits being regarded as ordinary business income, are liable to ordinary income tax.

The tax will be imposed on gains made on disposal of real property on or after 7th November, 1975. It is estimated the tax will generate about \$10 million of additional revenue in 1976.

Estate Duty

It is proposed to make some changes to the estate duty structure on estate of a deceased person who was domiciled in Malaysia. At present, no duty is payable on the first \$25,000 of the value of such estate. The rates of duty on the value exceeding \$25,000 are on a progressive scale starting with the marginal rate of 5% on the next \$25,000, 7½% on the next \$50,000, 10% on the next \$50,000 and so on. The highest marginal rate is 50% on the value exceeding \$2 million.

As I have mentioned just now, there is no duty payable on the estate if its value does not exceed \$25,000. It is considered that this amount is no longer realistic in the context of the present value of property. With the view to providing more relief, it is now proposed to increase this amount to \$50,000.

Consequent upon this change, it is proposed to abolish the existing marginal rate of 5% that I have mentioned earlier in order to maintain the progressivity of the duty structure. In other words, under these proposals there will be no duty payable on the first \$50,000 of the value of the estate, and the lowest marginal rate will now be 7½% which applies to the next \$50,000 as at present.

In order to make the duty structure more progressive, it is proposed to introduce two more marginal rates at the upper end of the scale. The existing maximum rate of 50% will now apply only to the value exceeding \$2 million but does not exceed \$4 million. On the value exceeding \$4 million but does not exceed \$6 million, the new rate will be 55% and on the value exceeding \$6 million the new rate will be 60%.

These changes will be made effective from 1st January, 1976, that is, the new exemption limit and the new rates of duty will apply in the case of any person dying on or after 1st January, 1976, and domiciled at the date of his death in Malaysia. Honourable Members will appreciate that in this matter it is extremely difficult to make a reasonable estimate of the additional revenue which these changes will bring in, especially since we have improved greatly our health services (*Ketawa*). Not only does it depend on how many deaths occur, but what is more relevant is who dies—the rich or the poor. (*Ketawa*). So, for the purpose of our estimate we have put a figure of \$1 million of expected additional revenue.

Bonus payment by an employer to an employee.

Tuan Yang di-Pertua, I am coming to a bit more acceptable proposal and that is bonus payment by an employer to an employee.

Honourable Members will recall that in the last Budget I introduced an amendment to the Income Tax Act which limits the deduction for tax purposes in respect of bonus paid by an employer to an employee as an expenditure to a maximum of two-twelfths of the wages or salary paid to him. The Treasury has reviewed this matter again in the light of the representations received, particularly its effects on the lower-paid employees. It is now proposed to revise this limitation as follows: for the purposes

of tax, the deduction for such bonus payment will be limited to \$1,000 or two-twelfths of the wages or salary paid to each employee, whichever is the greater. This will mean that the employer can claim as a deduction for tax purposes more than two months' salary or wages in cases where the salary or wages paid is less than \$500 per month. For example, if the salary of an employee is \$250 per month, a bonus payment up to the maximum of four months can be allowed as a deduction to the employer for tax purposes. This change will be made effective from the year of assessment 1976.

INDIRECT TAXES

Import Duties

As a revenue measure, it is proposed to increase import duties on a number of categories of luxury and largely non-essential goods. It is also intended that this measure will help to reduce imports of such items.

These changes are contained in the Customs Order, copies of which will be made available to Honourable Members shortly. Briefly, import duties on fresh and dried fruits such as oranges, apples, pears, grapes, figs, peaches, plums and so on will be increased by 50% from \$896 per ton to \$1,344 per ton or by 20 cents per lb. Preserved fruits which fall under Heading Nos. 08.10 and 08.11 and which are subject to import duty of \$1,344 per ton and those under Heading No. 08.13 which attract a duty of \$224 per ton will now be made dutiable at \$1,680 and \$336 per ton respectively—these represent an increase of 25% and 50% respectively. The additional revenue expected from all these duty increases is estimated at \$16.7 million.

Import duties on motor cars and motor cycles are also to be increased. At present, motor cars are subject to import duty at the rate of 60%. It is proposed to change this flat rate to progressive rates as follows:

- 60% on the value not exceeding \$20,000,
- 70% on the next \$5,000,
- 80% on the next \$5,000,
- 90% on the next \$5,000, and
- 100% thereafter.

The value here refers to value for purposes of customs duty. I should make it clear that these changes do not apply to commercial vehicles. Import duties on motor cycles will

also be increased from 30% to 45%. As we know, our motor assembly industry is producing a very wide range of makes of motor cars and motor cycles. If consumers chose to buy imported cars, and motor cycles, particularly of the luxurious and expensive types, then obviously they can well afford to pay more duty. (*Ketawa*).

All these duty increases are expected to yield about \$3.5 million of additional revenue.

Import duties on musical instruments, gramophones, dictating machines and other sound recorders and reproducers will be increased by 20%, from 25% to 45%. This change is expected to generate about \$4 million of additional revenue. Electrical appliances such as refrigerators, washing machines, calculating machines etc. will also attract higher duties. In the case of refrigerators and other refrigerating equipment the duties will be increased from 35% to 45% and those under Heading No. 84.15 450 the duty will be increased from 35% or \$280 per unit, whichever is the higher, to 45% or \$360, whichever is the higher. Machines for washing dishes and those for washing clothes will now be liable to duties at higher rates of 25% and 35% respectively, representing in each case an increase of 10%. Duties on calculating and data processing machines will be increased by 5% to 25%. The additional revenue yield from these duty changes is estimated to be about \$2.6 million.

I have also bad news for the ladies. Perfumery, cosmetics and toilet preparations will be subject to duties at 60% instead of 50% as at present. Duties on carpets and rugs will be increased from 35% to 50%. Duties on watches will be increased from 10% to 15% and on clocks from 25% to 30%. In addition, there are also other items—and I think the husbands will welcome this proposal—namely, precious and semi-precious stones, jewellery, articles made of leather and fur, glassware, and articles made of metals which will be subject to higher duties. Individually, these items will yield a small amount of revenue, but when added together they can produce quite a significant amount.

I should mention that some of the items affected by the proposed duty increases are already liable to import duties in Penang

Island, whilst others are not. It is proposed to extend all these duty changes to Penang Island—and I anticipate a heated argument from Honourable Members from Penang.

[**Tuan Mohamed Sopicie bin Sheikh Ibrahim (Kepala Batas):** No! **Datuk Hussein bin Datuk Onn:** You are not from Penang Island itself. (*Ketawa*).]

This means that those items which at present are not dutiable in Penang Island will now be liable to import duties at the new rates. I know that this move may make people in Penang Island unhappy. But we must be realistic that the future of Penang Island does not depend on maintaining whatever is left of its free port status. Moreover it is only fair that the people in Penang Island should also contribute to the additional revenue to be raised by this measure.

All the import duty changes proposed are estimated to bring in about \$38 million of additional revenue.

Surtax

At present a surtax at the rate of 4% is imposed on all imports except on certain goods including essential commodities. This is a broad-based tax which has provided a growing source of substantial revenue to the Government since its introduction in 1967. As a measure to raise additional revenue, it is proposed to increase it by 1% to 5%. This increase is estimated to bring in about \$50 million of additional revenue.

As an incentive to encourage industrial development, a partial exemption of 2% is presently granted on imports of raw materials needed by industries for the manufacture of their products. The exemption is given on application and considered on the merit of each case. Similarly, an exemption from the surtax, either partial or full, is given on machinery depending again on the merit of each case. It is proposed to continue the present practice. However, in respect of raw materials, it is proposed to grant exemption, on application of the 1% increase in the surtax on raw materials used for the production of essential goods and goods for export only.

Excise Duties

Consequential to the proposed structuring of the import duties on motor cars which I have mentioned earlier, it is proposed to

make some changes on the excise duty structure on locally assembled motor cars. At present, the excise duty structure is as follows:

- 25% on the value not exceeding \$7,000,
- 30% on the next \$3,000,
- 35% on the next \$3,000,
- 40% on the next \$3,000, and
- 45% on the value exceeding \$16,000.

It is now proposed to make this structure more progressive by adding two more marginal rates at the upper end of the scale as follows:

- 50% on the value exceeding \$20,000 but does not exceed \$25,000, and
- 55% on the value exceeding \$25,000.

Under this new duty structure, the existing 45% rate will only apply to the value exceeding \$16,000 but does not exceed \$20,000. The term value refers to the ex-factory value which is used for the purpose of calculating excise duty.

The additional revenue expected from this change is estimated at about \$250,000.

OVERALL DEFICIT

With the additional revenue of \$108 million expected to be raised from the revenue measures that I have mentioned earlier, a current deficit of \$82 million and an overall deficit of \$2,065 million are anticipated for 1976.

PENUTUP

Tuan Yang di-Pertua, sekarang tibalah masanya saya menggulung atau menutup ucapan saya ini. Saya telah berusaha, sedaya upaya saya, untuk memberikan kepada Dewan dan juga kepada negara, satu gambaran mengenai kedudukan ekonomi dan kewangan, di samping prestasi bagi tahun 1975 dan prospek bagi tahun 1976. Sesungguhnya, tahun 1975 merupakan tahun yang susah dan penuh cabaran bagi kita semua. Bukan sahaja kita telah dilanda teruk oleh rosotan seluruh dunia, tetapi serentak dengan itu juga, keganasan Komunis dan juga pengkhianatan oleh anasir anti-nasional telah menambahkan rasa bimbang kita. Sekalipun demikian, keadaan ini bukanlah satu perkara baru kepada kita semua. Kita telah mengalami keadaan ini pada masa lepas. Namun demikian, saya tidak merasa syak bahawa lebih besar

cabaran yang dihadapi oleh negara, maka lebih kuat dan lebih bersedia rakyat negara kita untuk menghadapinya serta membuat pengorbanan. Rakyat Malaysia adalah golongan yang lemah-lembut dan cintakan keamanan. Tetapi kita juga adalah rakyat yang mempunyai maruah dan kebanggaan. Kita bangga dengan negara kita, bangga dengan kejayaan kita, bangga dengan agama kita, kebudayaan kita serta cara kehidupan kita.

Tugas kita yang paling hampir dan segera belum lagi selesai. Sebenarnya, banyak lagi tugas yang masih perlu dijalankan. Kita belum lagi mencapai perpaduan negara. Kita masih lagi terpisah mengikut garis-garis perkauman dalam sikap, pendirian dan tindakan kita. Sangatlah sedih bahawa masih ada setengah-setengah rakyat negara ini yang belum sedar bagaimana bertuahnya dan bernikmatnya mereka kerana mempunyai satu negara yang indah dan subur, bebas daripada kebuluran, bebas memilih corak Kerajaan yang mereka suka, bebas mencari penghidupan serta nafkah dan di atas segala-galanya, bebas daripada rasa ketakutan.

Kerajaan Barisan Nasional adalah berpegang teguh kepada dasarnya untuk mewujudkan satu MASYARAKAT ADIL, berpegang teguh kepada progem menyatupadukan masyarakat dan penagihan pendapatan dan peluang yang adil untuk perpaduan dan kemajuan negara, ia juga berpegang sepenuhnya kepada tujuan mengurangkan seterusnya membasmi kemiskinan dikalangan semua rakyat Malaysia tanpa mengira kaum dan ia berpegang kukuh kepada dasar menyusun semula masyarakat Malaysia bagi memperbaiki jurang ekonomi yang tidak seimbang antara kaum, dalam konteks ekonomi yang berkembang. Inilah ikrar Kerajaan Barisan Nasional, yang kita harap, dengan petunjuk dan rahmat Allah yang Maha Esa, akan dapat dicapai dan dipenuhi.

Sepertimana yang telah saya sebutkan awal tadi, falsafah belanjawan ini ialah untuk menentukan bahawa belanjawan akan memainkan peranan yang dinamik bagi mendorong pertumbuhan ekonomi dan penagihan pendapatan dalam rangka kewangan yang stabil. Ini akan menjadi asas bagi perancangan tahunan ekonomi dan kewangan negara. Oleh sebab masih terdapat keraguan tentang tempoh serta peringkat pemulihan

ekonomi di negara-negara perusahaan, Kerajaan terpaksa bercermat dalam perancangan belanjawannya.

Kami menyeru kepada semua pihak—masyarakat peniaga, golongan majikan dan pekerja, kesatuan sekerja, pekilang-pekilang, kakitangan awam, petani, belia, pelajar-pelajar dan juga kepada seluruh rakyat amnya supaya memberikan khidmat mereka yang penuh dalam masa yang genting ini bagi mengurangkan kesan kesulitan ekonomi dan kewangan yang sedang dialami oleh negara kita. Kita mestilah berusaha menuju kepada taraf pencapaian disiplin yang tinggi untuk menjalankan tugas kewajipan dan tanggungjawab kita kepada negara, dengan penuh dedikasi dan dengan penuh kejujuran. Saya mempunyai keyakinan penuh kepada kebijaksanaan dan pemikiran waras rakyat negara ini. Sesungguhnya, masa depan negara kita sangat cemerlang. Peliharalah keadaan itu.

CONCLUSION

Tuan Yang di-Pertua, it now remains for me to conclude my speech. I have endeavoured, as best as I can, to give the House and the country a panorama of our economic and financial positions, their performances in 1975 and prospects for 1976. 1975 has been a hard and challenging year for us all. Not only have we been severely hit by the world-wide recession, but at the same time, communist terrorism and subversion by anti-national elements have caused us added concern. Nevertheless, all these are not new to us; we have experienced them before. I have no doubt whatsoever that the greater the challenges that our country face, the greater and more readily will our people respond and make sacrifices. We are a gentle and peaceful people, but at the same time, a proud people—proud of our country, achievements, religions, cultures and way of life.

Our immediate and urgent task is not yet over. Indeed, there is still much to be done. We still have not yet achieved national unity; we are still divided along racial lines in our outlook, attitude and action. It is sad that our people do not fully realise how fortunate and blessed they are in being endowed with such a beautiful and fertile country, free from hunger, free to choose the

type of government they want, free to earn their livelihood, and above all else, free from fear.

The Barisan Nasional Government is fully committed to the creation of a JUST SOCIETY; it is fully committed to the programmes of social integration and more equitable distribution of income and opportunities for national unity and progress; it is fully committed to reduce and eventually to eradicate poverty among all Malaysians, irrespective of race, and it is fully committed to restructure Malaysian society in order to correct racial economic imbalance in the context of an expanding economy. These are the pledges of the Barisan Nasional Government, and with God's blessing and guidance, they will be fulfilled.

Tuan Yang di-Pertua, as I have said earlier, my Budget philosophy is to ensure that the Budget will play a dynamic role in promoting economic growth and income distribution within the framework of financial stability. It will serve as an annual economic as well as financial plan for the nation. As there is still considerable uncertainty as to the time and level of economic recovery in the industrial countries, the Government has to be cautious in its Budget projections.

We appeal to all concerned—the business community, employers and employees, labour unions, manufacturers, civil servants, farmers, youths, students and the people, to do their utmost in this difficult time to lessen the impact of economic and financial hardships which our country is currently going through. We must strive for higher standards of discipline and perform our duty and responsibility to our country with greater sense of dedication and honesty. I have great faith in the common-sense and fair-mindedness of our people. Our country's future is bright; let us then keep it that way.

Tuan Yang di-Pertua, I beg to move.
(Tepuk).

Menteri Buruh dan Tenaga Rakyat (Datuk Lee San Choon): Tuan Yang di-Pertua, saya mohon menyokong.

USUL

ANGGARAN PEMBANGUNAN SEMENTARA, 1976

Datuk Hussein bin Datuk Onn: Tuan Yang di-Pertua, saya mohon mencadangkan bahawa usul di atas nama saya berkenaan Anggaran Perbelanjaan Pembangunan Sementara, 1976 dalam Aturan Urusan Mesyuarat hari ini diserahkan kepada Jawatankuasa sebuah-buah Majlis yang berbunyi:

Bahawa Dewan ini membuat ketetapan iaitu satu jumlah wang sebanyak tidak lebih daripada \$1,982,785,649 dibelanjakan daripada Kumpulanwang Pembangunan bagi tahun 1976, dan bagi maksud kepala dan pecahan-pecahan kepala perbelanjaan Pembangunan Sementara yang dinyatakan di bawah Kepala Pembangunan atau ("P") dalam senarai Belanjawan Persekutuan, 1976 yang dibentangkan sebagai Kertas Perintah 35 tahun 1975, adalah diuntukkan di bawah kepala-kepala yang berkenaan jumlah-jumlah yang setentang dengan pecahan-pecahan kepala itu di ruangan enam dan tujuh senarai tersebut.

Datuk Lee San Choon: Tuan Yang di-Pertua, saya mohon menyokong.

Tuan (Timbalan) Yang di-Pertua: Ahli-ahli Yang Berhormat, perbahasan mengenai Rang Undang-undang Perbekalan, 1976 dan Usul Anggaran Pembangunan Sementara akan ditangguhkan hingga 10hb November, 1975.

Dewan sekarang ditangguhkan sehingga pukul 2.30 petang, besok 7hb November, 1975.

Dewan ditangguhkan pada pukul 5.25 petang.