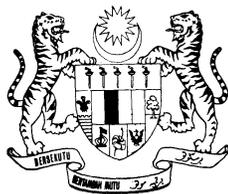


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Bil. 6



Hari Selasa
12hb November, 1974

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PARLIAMENTARY DEBATES

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HOUSE OF REPRESENTATIVES

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Anggaran Pembangunan, 1975 [Ruangan 523]

MALAYSIA

DEWAN RAKYAT YANG KEEMPAT

Penyata Rasmi Parlimen

PENGGAL YANG PERTAMA

Hari Selasa, 12hb November, 1974

Mesyuarat dimulakan pada pukul 3.15 petang

YANG 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.
- Yang Amat Berhormat Perdana Menteri, Menteri Luar Negeri 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., 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. (Pelabohan Kelang).
- „ Menteri Tanah dan Galian dan Tugas-tugas Khas, DATUK HAJI MOHAMED ASRI BIN HAJI MUDA, S.P.M.K., S.P.D.K. (Nilam Puri).
- „ Menteri Perdagangan dan Perindustrian, DATUK HAJI HAMZAH BIN DATUK ABU SAMAH, S.M.K., D.S.R., S.I.M.P. (Temerloh).
- „ Menteri Kerajaan Tempatan dan Alam Sekitar, DATUK ONG KEE HUI, 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. (Tenggaroh).
- „ Menteri Kebajikan Am, PUAN HAJJAH AISHAH BINTI HAJI ABDUL GHANI (Kuala Langat).
- „ Menteri Perancangan Am dan Penyelidikan Sosio-Ekonomi, DATUK 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 Penerangan dan Tugas-tugas Khas bagi Hal Ehwal Luar Negeri, Y.M. TENGGU AHMAD RITHAUDEEN AL-HAJ BIN TENGGU ISMAIL, P.M.K. (Kota Bharu).

- Yang Berhormat Menteri Tenaga, Teknologi dan Penyelidikan, TUAN HAJI MOHAMED BIN YAACOB, P.M.K., S.M.T. (Tanah Merah).
- „ Menteri Perumahan dan Kampung-kampung Baru, TUAN MICHAEL CHEN WING SUM (Ulu Selangor).
- „ Menteri Perusahaan Utama, DATUK MUSA HITAM, S.P.M.J. (Labis).
- „ 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, TUAN SHARIFF AHMAD, J.M.N. (Jerantut).
- „ 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 Buruh dan Tenaga Rakyat, TUAN HAJI HASSAN ADLI BIN HAJI ARSHAD (Bagan Datok).
- „ 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 (Machang).
- „ Timbalan Menteri Pertanian dan Pembangunan Luar Bandar, TUAN MOKHTAR BIN HAJI HASHIM (Tampin).
- „ Timbalan Menteri Kesihatan, TUAN ABU BAKAR BIN UMAR (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).
- „ 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 M. SHARIF (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.M.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 (Padang Rengas).

- Yang Berhormat TUAN ABDUL JALAL BIN HAJI ABU BAKAR, A.M.N. (Batu Pahat).
- ” TUAN HAJI ABDUL RASHID BIN HAJI JAIS, A.D.K. (Ulu Padas).
- ” TUAN HAJI ABDUL WAHAB BIN YUNUS (Dungun).
- ” PENGHULU ABIT ANAK ANGKIN, P.P.N. (Kapit).
- ” TUAN ABU BAKAR BIN ARSHAD (Hilir Perak).
- ” TUAN HAJI AHMAD BIN HAJI ITHNIN (Jasin).
- ” TUAN HAJI AHMAD SHUKRI BIN HAJI ABD. SHUKOR (Padang Terap).
- ” TUAN ARIFFIN BIN HAJI DAUD (Permatang Pauh).
- ” TUAN AU HOW CHEONG (Telok Anson).
- ” TUAN AZAHARI BIN MD. TAIB, J.S.M., A.M.N., S.M.K., J.P. (Kulim Bandar Bahru).
- ” 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).
- ” TUAN CHIN HON NGIAN (Rengam).
- ” 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 (Arau).
- ” DR HEE TIEN LAI *alias* HEE TEN LAI (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 BOON PENG, A.M.N., J.P., P.J.K. (Mantin).
- ” 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 (Padang Serai).
- ” TUAN LIM CHO HOCK (Ipoh).
- ” TUAN LIM KIT SIANG (Kota Melaka).
- ” DATUK LIM PUI HO, P.G.D.K., J.P., B.K. (Sandakan).

Yang Berhormat DR LING LIONG SIK (Mata Kuching).

- „ TUAN WALTER LOH POH KHAN (Selayang).
 „ DATUK PETER LO SU YIN, P.G.D.K. (Gaya).
 „ TUAN LUHAT WAN (Baram).
 „ TUAN LUKMAN BIN ABDUL KADIR (Ulu Nerus).
 „ TUAN MADINA BIN UNGGUT (Bandau).
 „ DATUK ALBERT MAH, K.M.N., D.M.P.N., P.J.K. (Bukit Bendera).
 „ TUAN MAK HON KAM, A.M.P. (Tanjong Malim).
 „ 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 (Silam).
 „ TUAN HAJI MOHD. TAUFECK BIN O. K. K. HAJI ASNEH (Hilir Padas).
 „ TUAN HAJI MOHD. ZAIN BIN ABDULLAH (Bachok).
 „ DATUK ENSKU MUHSEIN BIN ABDUL KADIR, D.P.M.T., J.M.N.
 (Ulu Trengganu).
 „ DATUK SYED NAHAR BIN TUN SYED SHEH SHAHABUDDIN, D.P.M.K., K.M.N.
 (Jerlun-Langkawi).
 „ RAJA NASRON BIN RAJA ISHAK, P.J.K. (Kuala Selangor).
 „ TUAN NGAN SIONG HING (Kinta).
 „ TENGKU NOOR ASIAH BINTI TENGKU AHMAD (Tumpat).
 „ TUAN OH KENG SENG (Petaling).
 „ PUAN OON ZARIAH BINTI ABU BAKAR, A.M.N., A.M.P., P.J.K. (Kuala Kangsar).
 „ TUAN OO GIN SUN (Alor Setar).
 „ TUAN PANG SUI CHEE *alias* ALEX PANG (Tawau).
 „ TUAN K. PATHMANABAN, K.M.N. (Telok Kemang).
 „ TUAN RACHA UMONG (Limbang-Lawas).
 „ TUAN RASIAH RAJASINGAM (Jelutong).
 „ TENGKU RAZALEIGH BIN TENGKU MOHD. HAMZAH, S.P.M.K., P.S.M.
 (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., P.P.M. (Kangar).
 „ TUAN HAJI SHAFIE BIN ABDULLAH, A.M.N., B.C.K., P.B.S., J.P. (Baling).
 „ TUAN SHAMSUDDIN BIN DIN, P.P.N. (Gerik).
 „ 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).
 „ TUAN HAJI SUHAIMI BIN DATUK HAJI KAMARUDDIN (Sepang).
 „ WAN SULAIMAN BIN HAJI IBRAHIM, S.M.K. (Pasir Puteh).
 „ TUAN SULAIMAN BIN HAJI TAIB (Parit Buntar).
 „ TUAN SU LIANG YU (Beruas).

Yang Berhormat PENGIRAN TAHIR BIN PENGIRAN PATERA (Kimanis).

- „ DR TAN CHEE KHOON (Kepong).
- „ TUAN TAN CHENG BEE, A.M.N., J.P. (Bukit Mertajam).
- „ TUAN WEE HO SOON (Bandar Sibu).
- „ TUAN YANG SIEW SIANG (Miri-Subis).
- „ DATUK STEPHEN YONG KUET TZE, P.N.B.S. (Padawan).
- „ TUAN HAJI YUSOF RAWA *alias* HAJI YUSOF BIN HAJI ABDULLAH, J.P. (Ulu Muda).
- „ 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 HAJI ABDUL RAHMAN (Besut).
- „ TUAN HAJI ZAKARIA BIN ISMAIL (Rantau Panjang).

YANG TIDAK HADIR:

Yang Berhormat Timbalan Menteri Perhubungan, DATUK HAJI WAN ABDUL KADIR BIN ISMAIL, D.P.M.T., P.P.T. (Kemaman).

- „ Timbalan Menteri Jabatan Perdana Menteri, DATUK SRI HAJI KAMARUDDIN BIN HAJI MAT ISA (Larut).
- „ Timbalan Menteri Perusahaan Utama, TUAN PAUL LEONG KHEE SEONG (Taiping).
- „ 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 (Kinabatangan).
- „ TUAN AJAD BIN O. T. OYUNG (Lubuk Sugut).
- „ TUAN STEPHEN ROBERT EVANS (Keningau).
- „ TAN SRI SYED JA'AFAR ALBAR, P.M.N., D.P.M.J. (Panti).
- „ DR LIM CHONG EU (Tanjong).
- „ TUAN LOH FOOK YEN (Kluang).
- „ TUAN HAJI MOHAMED KHIR JOHARI (Kuala Muda).
- „ TAN SRI MOHAMED SAID BIN KERUAK, P.M.N., S.P.D.K. (Kota Belud).
- „ TUAN MOHD. ZAHARI BIN AWANG (Kuala Krai).
- „ TUN DATU HAJI MUSTAPHA BIN DATU HARUN, S.M.N., P.D.K., K.V.O., O.B.E. (Marudu).
- „ TUAN PATRICK ANEK UREN (Bau-Lundu).
- „ TUAN JAMES STEPHEN TIBOK, A.D.K. (Penampang).
- „ TUAN TING LING KIEW (Bintulu).

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.

Jamaludin bin Haji Ali.

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 Yang di-Pertua *mempengerusikan Mesyuarat*)

RANG UNDANG-UNDANG

RANG UNDANG-UNDANG
PERBEKALAN, 1975

Bacaan Kali Yang Kedua

Timbalan Perdana Menteri, Menteri Kewangan dan Menteri Penyelarasan Perbadanan Awam (Datuk Hussein bin Datuk Onn): Tuan Yang di-Pertua, di samping saya bercakap dalam Bahasa Kebangsaan, saya mohon izin bercakap dalam bahasa Inggeris dalam ucapan saya ini.

Tuan Yang di-Pertua, saya mohon mencadangkan supaya "Suatu Akta bagi menggunakan sejumlah wang daripada Kumpulanwang Disatukan untuk perkhidmatan bagi tahun 1975 dan bagi memperuntukkan wang itu dan lain-lain wang sebagaimana yang telah dibenarkan dikeluarkan untuk perkhidmatan bagi tahun itu" dibaca bagi kali yang kedua.

Ini ialah ucapan belanjawan saya yang sulung dan percayalah bahawa ucapan ini adalah yang paling sukar bagi saya membuatnya, memandangkan kepada kedudukan ekonomi dan kewangan dunia yang luar biasa pada masa ini.

Tun Tan Siew Sin yang patut kita puji di atas usahanya memperkukuhkan ekonomi dan memperstabilkan kewangan negara kita tentulah merasa lapang oleh kerana terlepas daripada memikul tanggungan ini dan menengok saya pula memikul tanggungan itu. Saya ingin mengambil peluang ini memberikan kepadanya setinggi penghargaan atas "leadership" dan pimpinannya yang bijaksana mengenai hal ehwal ekonomi dan kewangan negara kita selama beberapa tahun ini (*Tepuk*). Saya yakin dengan tradisi yang telah dimulakannya itu serta kebijaksanaan Kerajaan dan rakyat mengendalikan masalah ekonomi dan kewangan kita akan berjaya menenmpoh masa hadapan yang susah itu.

(*Dengan izin*) Tuan Yang di-Pertua, as I was saying, this is my first Budget Speech and believe me it is a difficult one to make, in view of the rather extraordinary world

economic and financial circumstances. Tun Tan to whom credit is due for much of our economic strength and financial stability, must be relieved to see me in his shoes. I would like to pay him a warm tribute for his wise leadership and guidance in the economic and financial affairs of our country for so many years. I am confident that with the tradition that he has set and with the intrinsic qualities of economic endeavour and financial prudence of our Government and people, we will be able to ride successfully through the difficult times ahead.

I want to emphasise at the outset that I do not regard the Budget in the traditional sense as the means of accounting for the Government's financial position. On the contrary, the Budget is and will be used as an active and dynamic instrument of Government's economic, fiscal and monetary policies, so as to effectively achieve our country's socio-economic aspirations. It will not be just a plan on paper but will seek actually to implement the objectives of the Second Malaysia Plan and the Perspective Plan, within the framework of financial stability. In short, the Budget will give the nuts and bolts to the practical realisation of plan objectives which would otherwise be mere macro designs.

I will ensure that the Budget is a dynamic document that is both pragmatic and flexible so that we will be able to respond expeditiously and effectively to the economic and financial developments as they arise. The Budget will in effect be an Annual Economic Plan. It is with this *philosophy* that I have approached the Budget for 1975. Indeed I would like to regard the 1975 Budget as a rolling economic plan that will anticipate the developments and needs, not only for next year, but for 1976 and the years ahead.

We in Malaysia are not unfamiliar with the *business cycle* which reflects the ups and downs in economic performance. The basic approach of our economic management in the short term, as evidenced from the ECONOMIC REPORT that will be tabled, is geared to managing the business cycle, which is largely determined by the economic performance in the industrial world. Thus, when the industrial countries prosper, we gain from their demand for our exports. But when their economies slow down or experience recession, we too lose out. We

have experienced these problems in the past, and are, therefore, not overwhelmed or rattled by the recession and inflation that the industrial countries are now facing. The major difference this time, however, is that the present recession is more serious and it is being accompanied by rampant inflation as well. For instance it is expected that all the industrial countries, i.e. including the United States, the countries of Western Europe and Japan will register economic growth rates in real terms, averaging about minus half per cent in 1974 and about 3 per cent in 1975, while the inflation rates will be in the region of 12 per cent this year and 7 per cent in 1975.

We in Malaysia will undoubtedly be affected by these international developments. Nevertheless we will not be as adversely affected as most other countries. In fact, it was refreshing for me to return home recently from Ottawa and Washington, to a climate of continuing confidence in the economy although many countries were affected by economic gloom and a sense of foreboding and hopelessness. I do not doubt, however, that there will be a *recession* in Malaysia and that there will also be continuing inflation. This could also be accompanied by some increase in unemployment as well. However, we will still have economic growth and financial stability. We will have enough to eat and sustain ourselves; there will be no starvation like there will unfortunately be in some countries. There will also be no mass unemployment. Indeed, because of the availability of land, adaptable labour and our accessibility to domestic finance and foreign exchange resources, we will be able to alleviate the worst effects of the recession that is expected in 1975.

What is more encouraging is that these difficult times will not last indefinitely. It is our considered view that the world wide recession will ease somewhat in the industrial economies, sometime towards the end of 1975 and early 1976, when the Malaysian economy will also regain its growth momentum after the usual lag of a few months. In essence then, we are approaching some troubled waters but we have the means to sail through on an even keel.

Tuan Yang di-Pertua, the challenge before us then is, to summon our resources and our best efforts collectively, to face up to the

hard times that lie ahead and to gear ourselves to overcome the difficulties. In doing so we need to take stock of our economic strengths and our weaknesses so that we will be on firm ground and in full appreciation of the total economic and financial perspective, before we evolve and enunciate economic and financial policies that will affect us all. It is in this context that I wish to review the economic performance this year. I shall be berif in my review as the detailed economic analysis and all the facts and figures are set out in my Economic Report for 1974/75, which should be regarded as the Supplement to my Budget Speech.

In the 1974 Budget Speech, the assessment of the economic outlook for this year was one of cautious optimism. The Treasury was cautious and perhaps a little uncertain because of the energy crisis that had emerged last October just before the Budget. However, when most people were already talking about economic gloom and some people were prophesising even doom, the *Treasury estimated* "a high growth rate of about 7 per cent at constant prices". We were confident that our rubber prices would hold out at a high level, ironically because of the energy crisis, since we calculated that synthetic rubber, which is a by-product of petroleum, would become more costly to produce. We could have done better this year but for the decline in most of our commodity prices in the second half of the year, and the consequent economic slowdown that followed.

The recession coupled with the continuing high inflation in the industrial countries, not only dampened demand for our exports, but also boosted the import bill considerably for 1974. Thus, whereas *exports* expanded by about 50 per cent last year, they increased by only about 30 per cent this year. Conversely, *imports* grew by about 30 per cent last year but shot up by nearly 50 per cent this year. Thus the external sector, unlike last year, did not provide the boost to economic growth this year.

Instead, *private sector demand*, both private consumption and private investment, provided the main thrust for economic growth for 1974. Private investment in particular performed well in achieving about 37 per cent growth in current prices, although in real terms the growth rate was

estimated at about 13 per cent. The impressive growth in private investment was due mainly to the increase in the investment in machinery and equipment by 20 per cent. This is certainly encouraging and reflects the expansion of the industrial sector and in particular the manufacturing sector.

Private consumption, which forms the largest component of the GNP at 61 per cent, also increased substantially by 26 per cent in current prices this year. This is typical during and after a boom year, as evidenced from the significant increase in the import of cars, motor cycles, bicycles and clothing. This indicates that economic prosperity was enjoyed by the lower income groups as well, particularly by those who benefitted from the high prices for our export commodities.

With the continuing pressure on prices, for the better part of this year, from the export and private sectors, the Government found it necessary to hold back spending, in order to reduce the pressure on inflation. This was very difficult to accomplish, particularly for *public consumption*, as inflation also reduced the purchasing power of the lower and fixed income employees. The Government, therefore, provided for increases in the *wage bill* to alleviate the problems of public employees. Mainly because of this significant increase in the wage bill therefore, public consumption increased by about 19 per cent in current prices and about 8 per cent in real terms this year.

Public investment, however, registered slow growth of about 16 per cent in current prices and a decline of nearly 7 per cent in real terms. This was because some projects with lower priority were dropped or postponed. Furthermore, there were bottlenecks in implementation capacity and shortages of building materials. The details for this slowdown in public investment are discussed more fully in the Economic Report for 1974 and 1975.

Tuan Yang di-Pertua, the *balance of payments* in 1974 will certainly not perform as well as last year. This is chiefly because of the decline in export commodity prices and is to be expected during a slowdown in the economy. However, the overall balance of payments will remain healthy in that it is estimated that there will be surplus of about

\$100 million. This will increase foreign exchange reserves, which will be able to sustain a high level of 5 months retained imports.

Although the economy performed satisfactorily, it is unfortunate that despite Government's best efforts, *inflation* grew to be worse than last year. In many respects the high inflation rate estimated at about 18 per cent this year has been unavoidable. Malaysia's imports constitute about 48 per cent of the G.N.P. and the import price index in the first 7 months of 1974 had already increased by 42.5 per cent on an annual basis. Its impact on our domestic prices therefore cannot be overemphasised. Furthermore, the export earnings also added pressure to prices, especially earlier in the year. Thus the inflation rate as reflected in the consumer price index for Peninsular Malaysia this year, is estimated to increase by about 18 per cent over last year's 10.5 per cent rate of increase. In Sabah and Sarawak the inflation rate is estimated to increase by about 15 per cent this year.

It is striking that *food* items which have a weightage of about 47 per cent in the calculation of the consumer price index, registered an increase of 30 per cent for the first nine months of this year. It is clear therefore that it is imperative, I stress imperative to ensure that our campaign to increase food production is successful.

The Government on its part is giving high priority to this campaign to increase food production. Thus it is intended to open up another 500,000 acres of land for food cultivation, about half of which will be in Peninsular Malaysia.

Tuan Yang di-Pertua, sebagaimana yang saya terangkan tadi memandangkan kepada kenaikan harga barang-barang makanan, maka mustahaklah bagi kita menentukan iaitu kempen kita menambahkan makanan dalam negara kita ini berjaya. Bagi pihak Kerajaan, ia akan memberi priority yang tinggi kepada kempen menaikkan atau meninggikan atau menambahkan makanan. Oleh yang demikian, Kerajaan adalah berniat untuk membuka tanah seluas 500,000 ekar kerana penanaman makanan dan setengah daripada tanah ini ialah di Semenanjung Malaysia.

Tuan Yang di-Pertua, the Government is also examining the possibilities of introducing large scale cultivation of padi on an estate basis and about 260,000 acres of this new land will be provided for padi cultivation.

I do not see why we should import beef, when we have the land and climate to expand this industry. Plans are therefore being drawn up for the country to be self-sufficient in beef in 15 years time.

Consequently, programmes are also being finalised for the development of pastures and animal feeds which should also be produced here, instead of importing them. After considerable research we are satisfied that maize, sorghum and tapioca can be processed for animal feeds on a commercial scale.

Similarly there is also a long term perspective plan for the development of the fishing industry. There are unexplored fishing resources off the East Coast of Peninsular Malaysia, which will be exploited. This would not only increase protein consumption but also raise the livelihood of the low income fishermen and bring about better regional balance in economic development.

Tuan Yang di-Pertua, these are some of Government's plans and I would like to see the *private sector* play its role too. In fact I would like to urge the private sector to take up the challenge and expand and modernise the food production industry. What we need is more drive, imagination and some sense of urgency to give effect to the food production campaign. This is a fundamental objective of our anti-inflation programme and I am prepared to give sympathetic consideration to any problem that the private sector may have in helping to implement the Government's policy of increasing food production.

The Government as you know has taken a whole series of *measures to counter inflation*. These have ranged from, the imposition of export surcharges, the exemption of import and excise duties, the provision of subsidies and wage allowances, to the measures to restrain the increase in money supply. All these measures have had a dampening effect on inflation which, however, has persisted largely because it is a world-wide problem. I wish to add, however, that we will not hesitate to take further

measures to restrain inflation so long as they do not conflict with our objectives of promoting economic growth and employment.

1974 BUDGET OUTTURN

Tuan Yang di-Pertua, having reviewed the economic performance this year, I now would like to report on the financial position of the Federal Government.

The 1974 Budget estimated that there would be a \$67 million *surplus* on its current account. I am glad to say, however, that the surplus for this year is now estimated at about \$660 million (*Tepuk*) which is about 10 times more than the Budget estimate. This impressive budgetary outturn was primarily due to the striking increase of about 30 per cent in revenue over the 1974 Budget estimates. These increases were obtained mainly from the doubling of export duty receipts by about \$440 million and the significant growth of 26 per cent or \$215 million in income tax collections, based on the boom year of 1973 and of course the new oil revenues.

Another outstanding feature is that Development Expenditure is estimated to increase by nearly 40 per cent to about \$1,548 million, over the 1974 Budget estimate. Despite this increase, however, the *overall deficit* is estimated to be the *lowest* since 1971 largely because of the very healthy performance of the current account. The 1974 Budgetary position is, therefore, very strong.

THE OUTLOOK FOR 1975

Tuan Yang di-Pertua, I would now like to give our views on the economic outlook for 1975 before I get into the 1975 Budget.

The economy is expected to continue to *slowdown* next year due to the recession in the industrial world, which will adversely affect Malaysia's export commodity prices, especially that of rubber. It is always difficult to estimate *rubber prices*. Last year's Budget estimated that rubber prices would average 60 cents per pound or 132 cents per kilo for RSSI; however, the actual average is now estimated at about 81 cents per pound or 178 cents per kilo! Estimating rubber prices is a matter on which the best informed opinion is divided. It is true that the weak external demand will depress rubber prices next year. However, it is also

possible, as in the case of this year, that synthetic rubber prices will remain high, because of the continuing high oil prices. Consequently there could be a shift in demand to natural rubber. Already the synthetic rubber called SBR 1500, which is equivalent to RSS3 natural rubber, costs about 67 cents per pound or 147 cents per kilo as compared to the RSS3 October price of 52 cents per pound or 114 cents per kilo. SBR 1500 is therefore well above the price for RSS3. There are many in the rubber market, understandably, who are confident that the rubber prices will remain about 65 cents per pound or 143 cents per kilo for RSS1 in 1975. However, there are some who think it might average about 55 cents per pound or 121 cents per kilo. So much for the difficulties in forecasting rubber prices and the variety of these forecasts! As Minister of Finance, however, I can have only one estimate—and one estimate only—to make my calculations. I have, therefore, decided on an average of 60 cents per pound or *132 cents per kilo* for RSS1, for 1975 as a whole. If the price turns out to be higher, well and good; but I hope that the average for the whole year will not be lower!

On this basis our *exports* in 1975 are projected to decline by about 6 per cent in current prices compared to the 30 per cent growth this year. At the same time our *imports* will increase at about 9 per cent compared to the decline in exports. For next year therefore, the external sector will not provide the boost to economic growth; instead the export sector will be the main cause of the slowdown in economic growth in 1975.

Private consumption and private investment for next year are also not expected to perform as impressively as this year. However, the anticipated growth rates of about 12 per cent and 13.5 per cent respectively in current prices compare favourably with the average of 6 per cent for private consumption and 9 per cent for private investment, that was realised for the 10 year period ending 1973. I would add, that the estimates for private investment for 1975 which are based on the encouraging import data for machinery and equipment, reflect Government's confidence that the economic prospects for private investors will continue to be comparatively good in 1975 and 1976 despite the recession.

In view of the slowdown in exports and private sector demand, the 1975 Budget has been planned to play a counter cyclical role. Thus, Government expenditures will be stepped up to counter the recessionary trends. At the same time we will ensure that there is minimal impact on inflation. Government consumption and Government investment have therefore been planned to increase by about 12 per cent and 17 per cent respectively in order to provide the thrust and lead for economic growth, and with the hope and expectation that the private sector will also respond.

Taking all these projections into account, it is estimated that Malaysia's Gross National Product will grow by about 5 per cent in real terms in 1975 compared to about 6 per cent this year. Next year's growth will therefore, be fairly respectable since it will be much higher than the low level of $2\frac{1}{2}$ per cent growth projected for the industrial countries.

The inflation rates in the industrial countries are expected to slow down to an average of 7 per cent for the whole of 1975. The external influence on domestic inflation, therefore, will continue to be felt, although less strongly, through our imports for next year as well. However, the decline in export earnings and the reduction in the increase in bank lending and private spending, would dampen our rate of inflation. In this regard, increased food production would help considerably to reduce food prices. Thus the consumer price index for 1975 can reasonably be expected to be well below the 1974 estimated average of 18%.

Tuan Yang di-Pertua, given this kind of economic outlook, the *1975 Budget Strategy* will be, to gear the economic, fiscal and monetary policies of the country so as to counter recession and restrain inflation. I shall now outline the *specific measures*:—

I would like to refer to the *monetary measures* that need to be taken to achieve this budget strategy. Honourable Members are aware that several measures were introduced during the year to mop up excess liquidity in the economy. These measures have proved to be effective in that they curbed money supply which increased on an annual basis by only 13.2% at the end of September this year, as compared to the annual increase of about 37% as at the end of December 1973.

Although monetary expansion has slackened considerably as a direct result of the gradual tightening of monetary policy, the time is not yet opportune for a general easing of present measures. Inflation is still very much with us and we must not allow the monetary situation in any way to fan the ambers of inflation. However, there is a need for some *selective relaxation* to ensure that productive projects, especially in the priority sectors of the economy, are assured of adequate financing. I have therefore decided after consultation with Bank Negara to double the growth ceilings for loans and advances to the manufacturing sector and for individual housing loans, that is, from 20 per cent to 40 per cent above the loans and advances outstanding to these sectors, at the end of December 1973. The 20 per cent ceiling will now apply only to growth in the total loans and advances for all purposes, except these two that I have mentioned as well as loans to (a) Bumiputras, (b) Government, corporations and agencies, and (c) small borrowers under the Credit Guarantee Scheme. At the same time, the credit growth ceiling for loans by borrowing companies during the year will be raised from 25 per cent to 30 per cent above the base 1973 levels. Loans by the commercial banks and finance companies must continue to be restricted to productive purposes only and loans for speculation, loans for hoarding and loans for unnecessary consumption will continue to be discouraged. To ensure that the credit needs of small borrowers are adequately met, the requirement that the commercial banks should maintain a minimum of 5 per cent of their total savings deposits in small loans under the Credit Guarantee Scheme, is now raised to 10 per cent.

Tuan Yang di-Pertua, I am aware that many businessmen are not in a position to have all the credit that they have requested from their bankers as a result of our policies. In times of inflation, each of us must shoulder our share of the sacrifice that must be made in order to contain the present growth in consumer prices. I will see to it that the burden which they have been asked to bear is not heavier than necessary nor longer than appropriate. Our policies have been, and will continue to be, *flexible* enough to ensure that projects that add to the productive capacity of our industries will not

be denied adequate financing. The Government is watching the current situation very closely and the present policies are being reviewed regularly in consultation with Bank Negara. The Government will not hesitate to act to promote monetary stability and a sound financial structure, and to influence the direction of the credit situation towards the objectives of national policy.

A key factor in solving any inflationary situation is to avoid unnecessary expenditure, especially the consumption of luxury goods. We must step up *savings* and we must inculcate the savings habit in our people not only as part of the Budget Strategy but for the longer term.

The Government attaches great importance to the encouragement of savings. The Prime Minister will launch the National Savings Bank on December 5. The *National Savings Bank* will retain some of the better features of the Post Office Savings Bank and will also introduce innovations to make it a more dynamic savings institution.

At the same time plans are underway for the Employees Provident Fund rates of contribution and dividends to be revised, in order to increase savings as well as to improve the welfare of our workers.

I would also *urge bankers* to identify themselves more and more with the aspirations and financial needs of the country, in order to sustain a higher level of investment, through increased savings. The Banks could launch an extensive *Savings Campaign* which should reach all levels of the public, including those in the rural areas. Bank branches should be dispersed more widely in the rural areas and the smaller towns. Facilities in these smaller banks should be made more attractive and the atmosphere must blend with the environment, so that the people would feel "at home" in dealing with those banks. Much more could be done to intensify the promotion of savings. I would therefore like to see early and concrete evidence of the banking community's efforts, to promote greater savings on a national scale.

Tuan Yang di-Pertua, in this connection I would also like to clarify some doubts that may exist regarding the implementation of one aspect of our foreign exchange regulations. Honourable Members will recall that

on May 8 last year, the then Minister of Finance announced that, in order to deter *foreign companies* from operating in this country, with a minimum of capital resources and borrowing locally to the maximum, companies which were controlled by non-residents were required to seek Exchange Control approval for their loans from local sources if such loans exceed M\$500,000. It was then envisaged, however, that permission would freely be given up to an amount equal to a company's paid-up capital, reserves and longterm loans from abroad. The intention was that while Malaysians and Malaysian-controlled companies would not be subject to any restrictions whatever, there would be some restriction to local borrowing by non-resident controlled companies.

However the monetary situation has changed. Honourable Members are aware that in order to restrain the growth of money supply during inflation, certain measures were introduced on 23rd April this year to restrain bank credit. These restraints had to apply to all borrowers whether resident or non-resident. Thus borrowing by non-resident controlled companies had also to be curbed, despite the announcement on 8th May, 1973 that they could borrow freely, under the conditions that I have outlined earlier. The point, therefore, is that, monetary policy will change to meet changing circumstances and that, the policy in existence at a particular time must be overriding.

Tuan Yang di-Pertua, I now come to the *1975 Budget*. I mentioned earlier that the Budget would play its counter cyclical role to counter recession and inflation. Consequently the *Ordinary Expenditure* for 1975 has been allowed to increase by about 21% to \$4,595 million, while \$2,306 million has been appropriated for *Development Expenditure*. This represents an increase of 26% over the 1974 development budget appropriation. Given the usual shortfalls, it is estimated that \$1,800 million will be the actual amount spent on development next year. This will be about 14% above the estimated actual expenditure for this year. It is clear, therefore, that the appropriations for Government expenditures reflect Government's expansionary policies at this time. I will not go into the details of these expenditures as they are fully covered in

Command Paper No. 21 of 1974 and the Economic Report, which supplements my speech.

I would like to add however, that Development Expenditure will be given high priority especially for those *projects* which will have high employment potential, low import content, and which will not take long to complete. Since these large allocations are being made for development to counter recession, it is imperative to ensure that these expenditures will be utilised for meaningful and carefully conceived projects that will really contribute to reducing the adverse effects both of recession and inflation.

Despite these large expenditure increases, Honourable Members will be glad to know that the 1975 Budget is estimated to record a *surplus* of about \$280 million in its current account. This surplus does not take into account the new tax measures which I will announce shortly. The expansion in development expenditure will increase the overall deficit which is estimated to reach about \$1,490 million for 1975, *before the new taxes*. Although this increase is large, it has been allowed in order to counteract recessionary trends. This deficit would be much larger if not for the high current account surpluses which will be used to finance some of the development expenditures. The resulting *overall deficit* will be financed by increased domestic and foreign borrowing, new taxes and some drawdown of reserves. Domestic borrowing, estimated at about \$1,200 million will be largely obtained from non-inflationary source such as the Employees Provident Fund and the National Savings Bank. Foreign borrowing will also be increased to about \$210 million which will be shared about equally between market and project loans.

TAX CHANGES FOR 1975

Tuan Yang di-Pertua, the overall financial position of the Federal Government which I have just outlined did not take into account any new taxes. I have mentioned the measures that will be taken on the expenditure and monetary fronts in accordance with the budget strategy and now I shall introduce tax measures within the context of this strategy. Tuan Yang di-Pertua, the Budget, like tooth extraction, is never painless (*Ketawa*). However, I have ensured

that I use sufficient anaesthetics to deaden the pain. Before proceeding, however, I should make it clear that the figures of additional revenue yield or revenue loss resulting from the tax changes proposed refer to an estimated revenue yield or loss in a full year so as to avoid my having to repeat the words "per annum" every time. I shall deal first with direct taxes.

EXCESS PROFIT TAX ON COMPANIES AND OTHER PERSONS

As Honourable Members are aware, the Government has taken several tax measures in the past to curb inflation. The inflation could be reduced further by increasing saving. With this objective in mind it is now proposed to introduce a new tax measure. With effect from the year of assessment 1975, it is proposed to levy a tax known as Excess Profit Tax, on the excess of the chargeable income of any company or any other person including an individual, at the rate of 5%. Copies of the Bill to amend the Income Tax Act, 1967 for this purpose will be distributed to Honourable Members shortly. For the purposes of this tax, a company (not including a non-resident company operating in Malaysia through a branch, establishment, office or agent) having chargeable income in excess of 25% of its shareholders' funds as defined in the Bill or \$200,000, whichever is the greater, will be regarded as making excess profit and on this excess profit the tax will apply. Chargeable income will be the amount as computed for income tax purposes. Like the development tax, no credit will be given to shareholders of resident companies in respect of the Excess Profit Tax paid by the company. As Honourable Members will appreciate, if credit is allowed, it will render the tax less effective in achieving its objective.

I should explain that the 25 per cent ratio of profit to shareholders' funds is proposed after taking into account the position of industries with high risks and the need to maintain attractive investment climate of the country in view of the Government's present efforts to accelerate industrialization. With regard to the amount of exemption of \$200,000, it is found necessary to introduce some fixed amount as an alternative basis for this tax in view of the existence of branches of non-resident companies operating

in the country. These branches have only working capital or they carry on through a current account with their headquarters. Even though the consolidated balance sheet of the company will show shareholders' funds, the figures will not be entirely relevant to the Malaysian branch, since the non-resident company may also have branches or activities elsewhere outside Malaysia. For these branches of non-resident companies a comparison of the branch profit to the shareholders' funds will not be quite appropriate and so only the exemption limit of the fixed amount of \$200,000 will apply.

At present the highest marginal rate of individual income tax is 50% on chargeable income exceeding \$50,000. In addition, a 5% development tax is leviable on development income which is defined as income from business and letting of properties situated in Malaysia. It is also proposed to impose a 5% excess profit tax on the chargeable income of any person, including an individual, apart from a company, which exceeds \$75,000. Assuming in the case of an individual that all personal reliefs up to the maximum limits available under the income tax law are made, this would mean that an individual earning more than \$7,000 per month only will be liable to pay the tax on the income in excess of \$75,000.

It should be made clear that this tax will not apply to certain companies by virtue of the fact that they are exempt from income tax. These include pioneer companies which are exempt from income tax in accordance with the provisions of the Investment Incentives Act, 1968. In any case, the exclusion of such companies from the scope of this tax is not one of permanent feature. The tax relief granted to pioneer companies is for a limited period and on expiry of this period they will be liable to this tax. Petroleum companies which are engaged in the exploration and production of petroleum are governed by the Petroleum Income Tax Act, 1967, whereby they are excluded from the scope of the Income Tax Act, 1967 under which this Excess Profit Tax is to be introduced. Therefore, they will not be liable to this tax. The provisions of the Petroleum Agreements concluded with these companies also preclude imposition of income tax on them. The petroleum income tax legislation provides for the rate of tax at

50%. I should mention that there is only one petroleum company in commercial production at the moment and this company has agreed to pay petroleum income tax at the rate of 55% in line with the increase in income tax in the Persian Gulf countries.

As Honourable Members are aware, persons who are engaged in the production of tin or in the extraction of timber are at present subject to Tin Profits Tax and Timber Profits Tax respectively. It is proposed that the income from tin mining and timber extraction be also excluded from the scope of the Excess Profit Tax. Any income, institutions, authorities, persons and funds exempt from income tax under the provisions of the Income Tax Act, 1967, will also be exempted from the Excess Profit Tax.

The estimated yield of additional revenue from this new tax is about \$15 million from companies and about \$3.5 million from other persons.

SEPARATE INCOME TAX ASSESSMENT FOR WORKING WIVES

Tuan Yang di-Pertua, under the present system, the income of a wife is aggregated with that of her husband for the purposes of income tax assessment. The system has merits from the point of view of revenue and equity. In the light of several representations received, the Government has reviewed this system, particularly from the point of view of its possible disincentive effect on wives to work. On balance, therefore, it is considered that there is a case for this system to be revised and it is now proposed to introduce a separate assessment for the purposes of income tax and the proposed excess profit tax for a wife having income from *employment* only, that is salaries, wages, etc. as defined in the Income Tax Act. Income from other sources will continue to be aggregated with that of her husband and assessed jointly as at present. Under this new system the wife will be entitled to claim a personal relief of \$2,000, earned income relief on her employment income, the maximum limit being apportioned proportionately between her employment income and her other earned income, and relief for provident fund contribution and insurance premium paid by her subject to an apportionment of the present maximum limit of \$3,000 in that respect between the wife and the husband or

among the wives separately assessed and husband. (*Ketawa*). Child relief will be allowed only to the father. (*Ketawa*). It will be appreciated that it will be difficult to split the child reliefs between the husband and the wife without causing domestic upheaval. Since it is the responsibility of the father to maintain the family, it is proposed that child reliefs will continue to be allowed to the husband only as at present. The exemption limit of \$75,000 applicable to Excess Profit Tax will also be apportioned between the wife and the husband or among the wives separately assessed and the husband in the proportion of the chargeable income of each.

It is possible that there may be cases among taxpayers in the lower income brackets where separate assessment will result in the wife having to pay more tax on her income than under the joint assessment, because the husband's income cannot absorb all the reliefs available to him. For this reason, it is proposed that separate assessment on the wife be made only on her option to do so.

The proposed separate assessment will not, however, apply to wives employed in the husbands' businesses (*Ketawa*). This is absolutely necessary on revenue considerations. If this allowed, it will create a loophole for the husbands to use the wives' names as their employees although the wives are not really working and pay her high salaries in order to take the tax advantage of this system. This will considerably erode the tax base resulting in substantial loss of revenue to the Government, a position which the Government can ill afford, not to mention the problems of enforcement against such avoidance.

This new system will be made effective as from the year of assessment 1975. In agreeing to this proposal from Kaum Wanita the Government incurs a loss of about \$7 million.

ABATEMENT OF INCOME TAX IN SABAH AND SARAWAK

Tuan Yang di-Pertua, according to paragraph 24 of the Report of the Inter-Governmental Committee of 1962, the level of taxation in Sabah and Sarawak should be brought up to that of Peninsular Malaysia in graduated stages. With regard to income tax, when Malaysia was formed, an individual taxpayer in Sabah and Sarawak with a

chargeable income of not more than \$50,000 per year was entitled to an abatement of 40% of the tax. In other words, he was paying 40% less income tax than an individual taxpayer in Peninsular Malaysia. In the 1966, 1971 and 1973 Budgets, this tax abatement was reduced to 30%, 20% and 10% respectively. It is now proposed to remove this income tax abatement completely so that an individual taxpayer anywhere in Malaysia will be liable to the same amount of income tax.

The removal of this tax abatement is estimated to bring in about \$2 million of additional revenue.

REDUCTION IN CERTAIN ALLOWANCES AND DEDUCTIONS

The income tax law at present provides for certain allowances or deductions to be allowed for income tax purposes. Whilst it is recognized that such allowances or deductions should be given where expenses are wholly and exclusively incurred in the production of income of a business, it is considered that some restriction is necessary in respect of certain types of expenses to ensure that the Government does not lose revenue. It is, therefore, proposed to restrict capital allowances for motor cars and deduction for excessive bonus payment as expenditure.

(a) *Capital allowances in respect of motor cars used in business*

In respect of any motor vehicle owned and used for the purpose of a business, the current practice is to allow an initial allowance of 20% of the full cost of the vehicle and an annual allowance of 20% of the written down value. It is recognized that motor vehicles are a necessary requirement in the operation of a business. This is certainly true in the case of motor vehicles licensed for commercial transportation of goods and passengers such as lorries, buses, vans and so on, and for such motor vehicles a full allowance of their costs is justifiable. However, in respect of motor cars, whilst it is conceded that they are also required in the operation of a business, they need not necessarily be of the expensive types. It should be noted that, unlike taxis and hire cars, these motor cars can also be used for private purposes and that motor cars used for

private purposes do not qualify at all for any deduction for tax purposes for the owners. It is, therefore, proposed to restrict the allowances, permitted for motor cars purchased on or after the first day of the basis period for the year of assessment 1975 to a maximum value of \$15,000 only.

(b) *Bonus Payment by an employer to an employee*

Under the present income tax legislation, any amount paid by an employer to an employee by way of bonus, qualifies for a deduction as an expenditure from the employer's income. It is proposed to limit such deduction to a maximum of two-twelfths of the wages or salary paid to each employee so that deduction is not allowed to excessive bonus payment. This change will be effective from the year of assessment 1975.

BENEFICIAL VALUE OF LIVING ACCOMMODATION PROVIDED TO AN EMPLOYEE

At present, if an employee is provided with a living accommodation by his employer either rent free or otherwise, the value of such accommodation as defined in the income tax law is assessable as benefit in kind to the employee, but not exceeding 20% of the employee's emoluments. In the case of the employer, he is getting a full deduction for the actual rent paid to the owner. This has been the practice for several years. It will also be appreciated that rental value has increased considerably since the recent past. It is, therefore, proposed that this provision relating to the beneficial value assessable on the employee in respect of the accommodation be revised. The maximum limit of 20% is to be increased to 30%. This change will be effective from the year of assessment 1975.

LAND SPECULATION TAX

Honourable Members will recall that a Land Speculation Tax was introduced in the last Budget with the objective of curbing speculation in land. It was considered that such speculative activities were one of the main factors contributing to the rise in land prices. The tax at the rate of 50% is imposed on any disposal of lands and buildings situated in Malaysia, and any interest, option and other rights in or over

land if such disposal is made within two years after the date of acquisition of the asset, and if the amount or value of the consideration for the disposal of the asset is \$200,000 or more.

During the debate on this proposal in this House, I remember that many Honourable Members expressed the view that the exemption limit of \$200,000 was too high. In his reply, the former Minister of Finance explained that as this was a new tax, it was necessary to proceed with this tax cautiously at the initial stage, partly to enable the Inland Revenue Department to gain some experience in the administration of the tax, and partly, to ensure that the tax would not hit those whom the tax was not designed to include. He went on to say that the Government would review the position from time to time with the view to making it more effective.

In the light of the experience gained in the operation of this tax, the time has now come for a change to be made in order that the tax be more effective. Statistics have also shown that a larger proportion of transactions in lands and buildings fall below \$200,000 in value. It is, therefore, proposed to lower the exemption limit from \$200,000 to \$100,000 with effect from 13th November, 1974. The disposal period of two years will, however, remain unchanged.

It is estimated that this change will generate about \$5 million of additional revenue.

INDIRECT TAXES

ROAD TAX ON MOTOR VEHICLES

Tuan Yang di-Pertua, it is proposed to restructure the road tax on some categories of motor vehicles with the objectives of bringing about a greater equity in the tax system, an improvement in public transportation, and at the same time to raise additional revenue for the Government.

(a) *Tax on Buses*

At present, a seat tax is imposed on buses at the rate of \$10 per authorized capacity per month. For example, a bus with a capacity of 40 passengers will have to pay \$4,800 per year. This represents a fixed cost to the bus company, irrespective of the number of passengers each bus carries. Thus, a bus

operating in a sparsely populated area has to pay the same amount of tax as that payable by a bus of similar size operating in a densely populated area. Obviously, this tax favours bus companies operating in densely populated areas. Moreover, since the tax is fixed for each bus it discourages bus companies from expanding. This is certainly not desirable in view of the present need to improve the public transport system.

With this objective in mind, it is now proposed to modify the present seat tax system. The new tax will be \$10 per authorized capacity per month or 12% of the gross collection, whichever is the lesser. Under the latter basis, the tax is payable on the gross collection made in a quarter. For the purpose of this tax, taxable quarter means January to March, April to June, July to September and October to December of each year. The tax is required to be paid within 28 days in the month following each quarter. For this purpose, a company has to submit a return on the gross collection of each quarter together with the payment of the tax.

Under this new system, a bus company operating the same fleet of buses in a less lucrative area, will pay less tax than under the present system. Similarly, a bus company operating in urban areas will not be paying more tax than what it is paying now.

It is proposed to make this change effective from 1st February, 1975 since some amendments will have to be made to the road transport legislation. It is realized that there may be bus companies which have made payment in respect of any month of the taxable quarter January to March, 1975. For such cases, provisions will be made for such companies to adjust to the new system.

This change will result in a loss of revenue of about \$8 million.

(b) *Road Tax on Private Passenger Cars*

Tuan Yang di-Pertua, as a revenue measure, it is proposed to revise the motor vehicle licence fees, or commonly known as the road tax, on private passenger cars. At present, the road tax on motor cars using petrol is imposed at a flat rate of 12 cents per cubic centimeter of cylinder capacity. In respect of motor cars using diesel, the road tax is 44 cents per c.c. or 3½ times of that applicable to petrol powered cars. The

proposal now is to introduce a graduated scale of road tax to replace the existing flat rate. The rates for petrol powered cars will be 13 cents on the first 1,000 c.c. and thereafter the marginal rate rises by 1 cent per c.c. for every subsequent 500 c.c. increase until the cylinder capacity reaches 3,000 c.c. After this level, the rate will be 18 cents per c.c. To state it in another way, the new rate structure will be as follows:

On the first 1,000 c.c.	13 cents per c.c.
On the next 500 c.c.	14 cents per c.c.
On the next 500 c.c.	15 cents per c.c.
On the next 500 c.c.	16 cents per c.c.
On the next 500 c.c.	17 cents per c.c.
On the balance	18 cents per c.c.

With regard to diesel powered cars, the amount of road tax payable will be increased to four times that which is payable on petrol powered cars. At present, the road tax payable on diesel powered cars is $3\frac{2}{3}$ times and we are increasing it only by an additional $\frac{1}{3}$.

Under the new road tax structure, the increase in the amount of the tax payable in respect of petrol powered cars, for example, will be \$10 for a 1,000 c.c. car, \$35 for a 2,000 c.c. car, and \$80 for a 3,000 c.c. car. From the equity point of view, the element of progression contained in the new road tax means that people who own bigger cars should be able to pay more tax.

However, I should make it clear that the new rate structure will not apply—repeat, not apply—to all classes of taxi and hire cars so as not to increase the tax burden on the public transport services. They will, therefore, continue to be liable to the present rates of road tax, that is 12 cents per c.c. for petrol powered cars and 44 cents per c.c. for diesel powered cars.

It is estimated that this new road tax structure will generate an additional revenue of about \$9.5 million.

(c) Road Tax on Motor Cycles

The existing road tax on motor cycles is \$40 per year. This rate has been in force since 1959. It is now proposed, as a revenue measure, to increase it by \$10 to \$50. The increase will yield about \$5.5 million of additional revenue.

CUSTOMS DUTIES

As a revenue measure, it is proposed to make some changes in import duties on unmanufactured tobacco, cigarettes, cigars and liquor and in excise duties on some items.

IMPORT DUTIES

At present, unmanufactured tobacco attracts an import duty of \$9.40 per lb. This duty is now to be increased by \$1.80 to \$11.20 per lb. The import duty on cigarettes is to be increased from \$12.50 to \$15.00 per lb. and the import duty on cigars from \$16 to \$20 per lb. The estimated yield of additional revenue from these duty increases is about \$20 million per annum, of which \$19 million will be from unmanufactured tobacco.

The import duties on wines and liquor are to be increased by 10%. Honourable Members will be able to see the details of this proposal in the Customs Orders, copies of which will be circulated to Honourable Members in a short while. Malt liquors—that means beer as well—are, however, not affected by this change. These duty increases are estimated to raise about \$2 million of additional revenue.

EXCISE DUTIES

The excise duty on cigarettes is to be increased from \$1.30 to \$1.50 per lb., an increase of 20 cents. The additional revenue yield is about \$4 million.

Tuan Yang di-Pertua, at present, there is an excise duty on condensed milk at the rate of 1 cent per lb. It is proposed to remove this duty as this item can be regarded as essential. The loss in revenue is about \$1.7 million, which Honourable Members would be aware is a form of indirect subsidy to this commodity.

The excise duty on plywood and veneer at the rate of 1 cent per square foot is also to be abolished since these are building materials. The estimated loss in revenue from the removal of this duty is about \$1.6 million.

GAMING TAX

Under the Gaming Tax Act, 1972, a person participating in any form of gambling activity, except the social welfare lottery and toto is liable to pay a gaming tax at the rate of 5%, subject to a minimum of 5 cents.

Where a gambling activity involves the use of tickets, coupons or receipts, there is no difficulty in the administration and collection of the tax. However, there are some forms of gambling activities such as those found in a casino which make use of chips. The purchase of the chips in itself does not constitute in law a bet, but merely provides the means by which a bet is made. A bet takes place only when the chips are used and only at this stage that the tax can be collected. Obviously it is administratively difficult to collect the tax at this stage—everytime somebody puts the chips on the table, the Customs officer will have to say “I am going to tax on the chips”. It is therefore proposed to amend section 2 of the Gaming Tax Act, 1972, to provide that where chips or other articles are used in a gambling activity, the tax becomes leviable and collectible at the time when the chips or other articles are purchased.

It is estimated that this change will yield about \$7 million of additional revenue.

SERVICE TAX

As Honourable Members are aware, the services sector of our economy accounts for a significant proportion of our G.N.P. With the rapid growth of industrial and economic development, the services sector is also growing in importance, and will provide a potential source of revenue. It is, therefore, proposed to introduce a new legislation to enable the Government to tax this sector, and the new tax is called Service Tax. Copies of the Bill for this purpose will be circulated to Honourable Members.

This tax will be levied on all charges in respect of any prescribed services and all sales or provisions of prescribed goods made by or in any prescribed establishment. Like the Customs Act, 1967, the Minister of Finance will be empowered to fix the rate of Service Tax to be levied by way of an order published in the *Gazette*, and to amend it from time to time. This tax will be administered by the Department of Royal Customs and Excise.

Under this new legislation, it is proposed to impose a Service Tax at the rate of 5% on certain services provided in hotels and similar establishments, such as motels and rest houses. For the purpose of this tax, the

services which will be taxed are confined to accommodation, food, entertainment and other services provided by such establishments.

Proprietors of hotels and similar establishments referred to as taxable persons, will be responsible for charging and collecting the tax and filing monthly returns in respect of the taxable services to the Department of Royal Customs and Excise. Taxable persons will be required to pay all taxes collected during each taxable period, which is a calendar month, to the Department within twenty-eight days in the month following each taxable period.

For purposes of control and ease of administration, a taxable person will be required to apply and obtain a licence from the Department of Royal Customs and Excise. This licence will be issued free of charge. Application forms for such a licence can be obtained from all customs stations throughout the country.

It is proposed to make this tax effective as from 1st February, 1975. It is estimated that this new tax will yield about \$5 million of additional revenue in a full year.

Tuan Yang di-Pertua, I should like to mention that as this new source of revenue is to be derived from, among others, hotel services, which form part of the tourist industry, an arrangement will be made by the Treasury to give sufficient funds out of this revenue to the Tourist Development Corporation to enable it to promote further the tourist industry in the country.

All the proposed tax and duty changes that I have mentioned are expected to generate about \$60 million of *net* additional revenue.

OVERALL DEFICIT

With the additional revenue of \$60 million expected from the tax and duty changes mentioned earlier, a current account surplus of about \$340 million and an overall deficit of \$1,430 million are anticipated for 1975.

CONCLUSION

I would like to conclude my speech with an affirmation of my faith in the readiness of our people, in all walks of life, to face the hard times ahead with fortitude and self-reliance. As I have said earlier, the issue

before us is to summon our abundant resources and our best efforts collectively, and thereby gear ourselves to meet the challenges and hard times ahead. The Government has done a great deal to combat inflation and recession. It will not hesitate to take sterner and firmer measures, if such measures are necessary. The Government's efforts must, however, be supplemented and supported by the people themselves. The business community must play their part in keeping prices down and reducing their profit margins. Similarly, the labour unions must help in these difficult times by restraining their demands for excessive wage increases which would inevitably lead to reduction in production, aggravation of inflation and increase in unemployment. The farmers must increase their food production, the manufacturers must expand theirs, and above all, the people must start inculcating the savings habit and save as much as they can. Let us then face these challenges and trying times with a united voice and a united action, so that together, we the Government and the people, will weather the storm that is ahead of us.

Tuan Yang di-Pertua, saya mohon mencadangkan. (*Tepuk*)

Perdana Menteri: Tuan Yang di-Pertua, saya mohon menyokong.

USUL

ANGGARAN PEMBANGUNAN, 1975

Datuk Hussein bin Datuk Onn: Tuan Yang di-Pertua, saya mohon mencadangkan

bahawa usul di atas nama saya berkenaan Anggaran Perbelanjaan Pembangunan, 1975, 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 \$2,406,598,777 dibelanjakan daripada Kumpulanwang Pembangunan bagi tahun 1975, dan bagi maksud kepala dan pecahan-pecahan kepala perbelanjaan pembangunan yang dinyatakan di bawah Kepala Pembangunan atau "P" dalam senarai Belanjawan Persekutuan, 1975 yang dibentangkan sebagai Kertas Perintah 22 tahun 1974, adalah diuntukkan di bawah kepala-kepala yang berkenaan jumlah-jumlah yang setentang dengan pecahan-pecahan kepala itu di ruangan enam dan tujuh senarai tersebut.

Perdana Menteri: Tuan Yang di-Pertua, saya mohon menyokong.

Tuan Yang di-Pertua: Ahli-ahli Yang Berhormat, perbincangan atas bacaan kali yang kedua Rang Undang-undang Perbelanjaan, 1975 dan Usul yang telah dikemukakan oleh Yang Berhormat Menteri Kewangan akan dimulakan pada minggu hadapan.

Sekarang saya tangguhkan Dewan ini sehingga pukul 2.30 petang, hari Khamis, 14hb November, 1974.

Dewan ditangguhkan pada pukul 5.00 petang.