

BUDGET CONSULTATION 2007
“Leveraging Diversity and Endowments for Quality Growth”

RINGKASAN MEMORANDUM
By
Asian Strategy & Leadership Institute (ASLI)

No.	Issue	Recommendation
1.	It is proposed that Budget 2007 should promote corporate philanthropy and social entrepreneurship so that the corporate sector can be partners in development. Corporate philanthropy can be better promoted with elimination of restrictions in the Income Tax Act which limits donations.	<p>The Income Tax Act specifies that donations are only deductible against aggregate income but restricted to only 5% of the aggregate income for the year in which the donation is made. This 5% restriction should be removed. In other jurisdictions, if a donation to a charity cannot be utilized due to insufficient taxable income, the excess can be carried forward for five years.</p> <p>Social entrepreneurship can be further promoted to undertake civic projects by having tax rebates for approved social entrepreneurship projects.</p>
2.	To ensure effective monitoring and implementation of the Ninth Malaysia Plan, Annual Budgets and all aspects of Government Policies and Programmes as well as to develop long-range strategic planning in closer consultation with key stakeholders viz Government, Business, Civic Organizations, Academia, Think Tanks and Workers.	It is proposed that a National Planning and Monitoring Commission be established like in the case of India with a successful Planning Commission. The EPU should be designated as the Secretariat of the proposed commission. The Prime Minister himself should be Chairman of this National Planning and Monitoring Commission with a Senior Minister appointed as Executive Director, Members of the proposed commission should be drawn from the highest echelons of the civil service with representatives from the business community, universities, think-tanks, womens groups and workers organizations. The proposed National Planning and Monitoring Commission can replace the National Economic Action Council which was set up for the specific purpose of promoting economic recovery during the Financial Crisis. The new commission can be the new mechanism to take the Malaysian economy to new heights of achievements.

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3.	To ensure a more representative civil service to enhance Malaysia's unity in diversity.	To encourage civil service diversity, it is proposed that a scheme of Senior Civil Service Fellows be established and be drawn from the private sector of all ethnic groups to serve for a specified contract period in the civil service. To also compel non-Bumiputras awarded PSD and other Government scholarships to serve a longer period of time in Government Service upon completion of their studies. A Special National Unity Scholarship Award Schemes can be specifically set up to have Bumiputras from Sabah and Sarawak and non-Bumiputras to serve in the Civil Service upon graduation.
4.	To promote the Bumiputra Commercial & Industrial Community and facilitate more genuine Bumiputra-non Bumiputra business partnerships, a Business Integration Initiative is proposed.	This proposed Business Integration Initiative seeks to establish 50/50 partnerships between Bumiputra and non-Bumiputra entrepreneurs. To allow tax rebates for genuine Bumiputra-non Bumiputra partnerships of between 3% and 5% under this initiative, so as to encourage more genuine multi-racial joint ventures. For such partnerships the equity mix must be 50% Bumiputra and 50% non-Bumiputra. Employment at all levels should also be a minimum of 50% Bumiputras. This will also encourage more Bumiputra employment in Commerce & Industry.
5.	To help reduce graduate unemployment, to focus on internship programmes and entrepreneurial training.	It is proposed that to help reduce graduate unemployment, companies be encouraged to develop and offer internship programmes to unemployed Bumiputra graduates for which such companies can be allowed tax exemption on the cost of the internship training programmes. It is further proposed that to overcome graduate unemployment greater focus be accorded to entrepreneurial training so that unemployed graduates can be trained in entrepreneurial skills so that they can set up their own small business instead of just seeking employment.

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6.	To overcome the problem of racial polarization at school level and to promote national unity at schools level, a Schools Twinning Programme is proposed.	It is proposed that the Schools Integration Programme be further promoted. A twinning programme should be carried out by the Ministry of Education whereby every Sekolah Jenis Kebangsaan should be twinned with a Sekolah Kebangsaan. This schools twinning programme will facilitate closer interaction between the different communities. Adequate allocation should be given to the Ministry of Education to implement the proposed twinning programme.
7.	To combat the rising rate of corporate fraud and commercial crimes, a National Commercial Crimes Commission should be established under the Ministry of Finance.	It is proposed that a National Commercial Crimes Commission be established under the Ministry of Finance for a more concerted and coordinated effort to combat corporate fraud and commercial crime which requires an inter-agency and multi-disciplinary approach. This commission should have specialist staff drawn from Bank Negara, the Securities Commission, the Companies Commission, Bursa Malaysia and the Commercial Criminal Investigation Department of PDRM. Rising fraud cases in credit cards, insurance, money laundering and cross-border commercial crimes require such an integrated approach.
8.	To create and foster a greater spirit of creativity and innovation there needs to be adequate support for people with ideas.	It is proposed that greater efforts must be focused on stimulating and promoting angel financing and mezzanine capital for new start-ups to promote the spirit of enterprise and innovation. There is not enough angel financing in Malaysia to nurture innovation. To promote angel investing, profits from exiting angel investments should be tax exempt, through a pioneer incentive scheme for angel investors.

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9.	To transform Malaysia into a Regional Education hub, greater liberalization with a faster-pace of implementation is needed.	<p>It is proposed that for Malaysia to succeed as an education hub, there must be greater push towards deregulation and liberalization of the Education Sector in Malaysia. A judicious balance needs to be maintained between the need to uphold academic standards on the one hand and the need to aggressively promote Malaysia as a Centre of Excellence for education. Compulsory courses imposed on foreign students studying in Malaysia such as Bahasa Malaysia, Morals and Malaysian Studies should be relaxed as such students will return home and not remain in Malaysia after graduation. Malaysian students should also be allowed to enter local international schools as we currently lose a lot of students to Singapore, United Kingdom, Australia and now even Thailand with the establishment of top British Boarding Schools in Thailand.</p>
10.	With the rise of China and India, a National Strategy is needed to more pro-actively engage China and India and develop viable business opportunities there.	<p>It is proposed that a comprehensive national strategy needs to be crafted that will more proactively identify specific niches in China and India that Malaysian companies could develop. Malaysian SME's should be assisted by GLC's to form joint ventures to enter the China and India markets. This will help reduce an often-heard criticism that GLC's are crowding out the private sector, especially small contractors in Malaysia.</p> <p>A National Strategy with appropriate fiscal incentives should be developed to attract more Chinese manufacturing companies to relocate their production operations to Malaysia, just like Malaysia has successfully attracted Japanese and Taiwanese manufacturers to relocate to Malaysia in the 1980's and 1990's. Thailand, Indonesia, Singapore have been proactively courting Chinese investors with Indonesia offering hundreds of thousands of hectares for Chinese oil palm plantations.</p> <p>Malaysia should also allow a free inflow of specialist and knowledge workers from China and India and allow them longer-term employment pass or work permits. This will help build up our human capital base.</p>

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11.	Reduction of withholding tax payable to knowledge workers and knowledge providers.	To facilitate Malaysia's move up the value chain, Malaysia needs to focus on knowledge creation and knowledge industries. As such, we require the services of knowledge expert providers such as specialists in professional services or prominent experts and leading consultants. It is proposed that the withholding tax payable for such services be reduced to 5% and that reimbursement of their travel expenses (such as air-tickets) should not be liable for withholding tax payment.
12.	There is general concern about the rising cost of living and higher interest rates which may lead to higher personal debts.	The Government should consider inflation targeting, fixing the consumer price index increase to between 2% and 2.5% a year and below. A combination of supply side strategies to increase supply as well as price control mechanisms for essential goods should be practised. Monetary policy which has been judiciously managed can perhaps be linked to the inflation targets to better manage inflation. A National campaign to get consumers to switch to lower-priced substitutes can be promoted.

Proposals submitted by Dato' Dr. Michael Yeoh
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