



社会经济研究中心
SOCIO-ECONOMIC
RESEARCH CENTRE

**Ministry of Finance Economic Report and
National Budget 2020**

**Expansionary yet Responsible Budget
for Future**



Theme

Driving Growth And Equitable Outcomes Towards Shared Prosperity

Continued expansion in real GDP growth

	2019E	2020F
MOF	4.7%	4.8%
SERC	4.7%	4.5%



Budget deficit
RM51.7bn

Budget deficit
(% of GDP)

2019E

-3.4%

2020B

-3.2%



Budget Assumptions



Brent crude oil
US\$62/barrel

Crude palm oil
RM2,100
/metric tonne

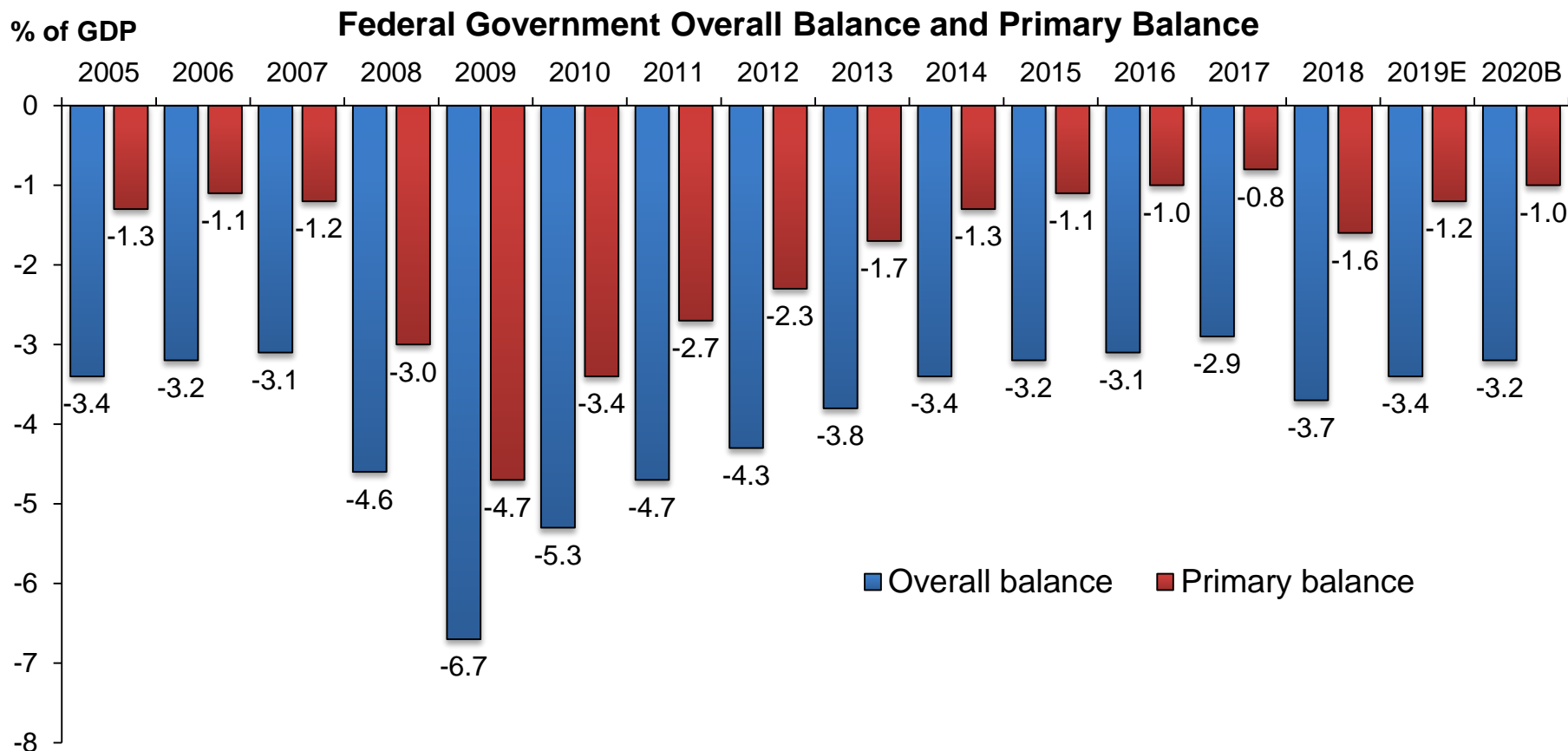


SMR20*
RM5.50 per kg

Note: Standard Malaysian Rubber 20

Overall deficit at 3.2% of GDP & primary deficit at 1.0% of GDP in 2020















- Fiscal consolidation remains on track amid higher expenditure in 2020.
- A smaller primary deficit indicates improved fiscal health.



Note: Primary balance excludes debt service charges

Source: MOF

Medium-Term Fiscal Framework (MTFF) 2020-2022

	2020-2022	
	Total (RM bn)	Share of GDP (%)
 Revenue	764.9	15.0
 Non-petroleum	615.7	12.1
 Petroleum-related	149.2	2.9
 Operating expenditure	751.4	14.7
 Current balance	13.5	0.3
 Gross development expenditure	159.0	3.1
 Less: Loan recovery	1.8	0.0
 Net development expenditure	157.2	3.1
 Overall balance	-143.7	-2.8
 Primary balance	-31.9	-0.6
Underlying assumptions		
 Real GDP growth (%)	4.5 – 5.0	
 Nominal GDP growth (%)	5.5 – 6.0	
 Crude oil price (USD per barrel)	60 – 65	
 Oil production (barrels per day)	600,000	

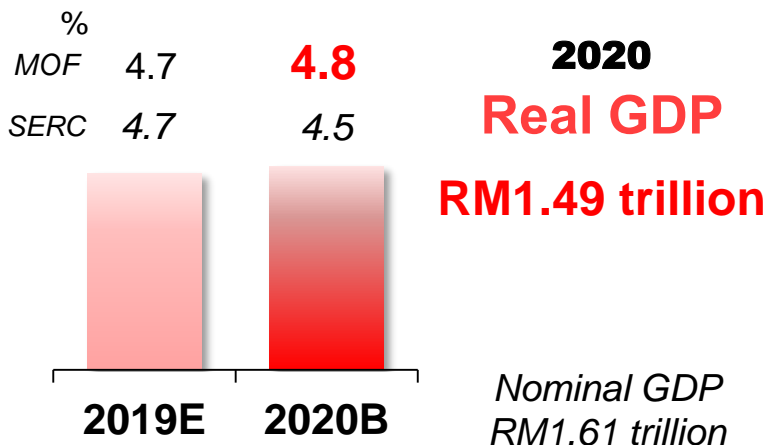
Note: MTFF estimate, excluding budget measures

Source: MOF

Economic Outlook



2020 ECONOMY snapshot



Inflation Rate

2019E : 0.9%

2020B : 2.0%



Unemployment Rate

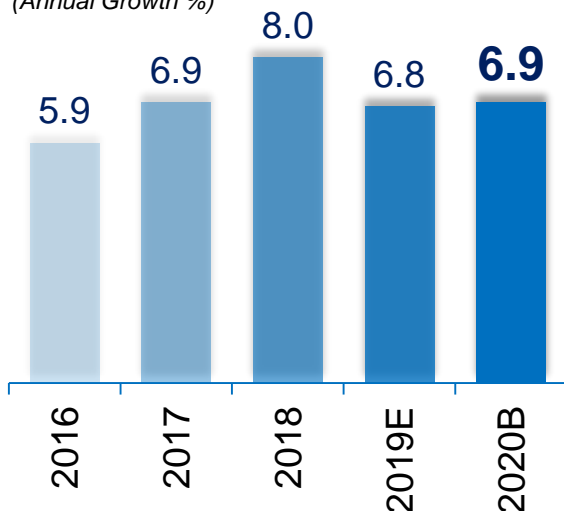
2019E : 3.3%

2020B : 3.3%

Resilient Private consumption

2020B: **59.3%** share of GDP

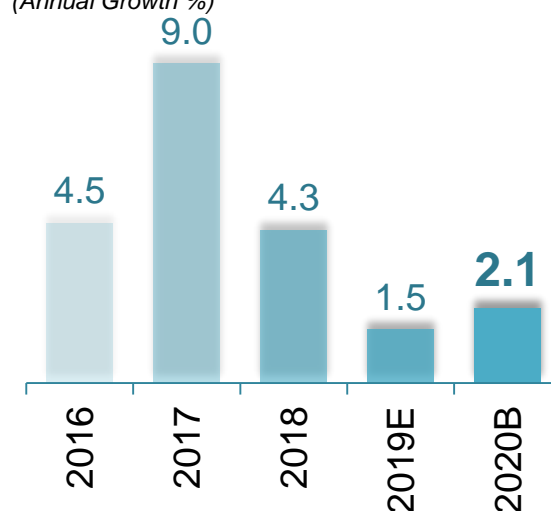
(Annual Growth %)



Still Weak Private Investment

2020B: **16.3%** share of GDP

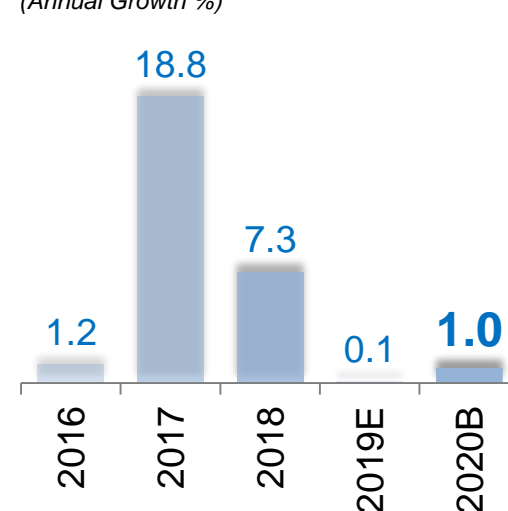
(Annual Growth %)



Subdued Gross Exports

2020B: **63.1%** of GDP

(Annual Growth %)



A. Economic Overview

- *The Ministry of Finance (MOF)'s projected **real GDP growth of 4.8% in 2020 vs. SERC's 4.5%** (MOF: estimated 4.7% in 2019 vs. SERC's 4.7%) is **on the high side** given increasing external uncertainties weighing on trade and investment amid still-cautious domestic business confidence.*
- *With exports expected to remain subdued in 2020 (estimated 1.4%), the economy still pinning high hopes on the strength of **private consumption, which is projected to increase by 6.9%** (6.8% in 2019), underpinned by stable labour market (unemployment rate at 3.3%) and income-supportive measures such as Bantuan Sara Hidup (BSH) of RM5.0bn, increased cost of living and higher minimum wage amid some dampening impact from the reintroduction of a managed float RON95 fuel prices.*
- *We view with concern over the continued moderate pace of **private investment (estimated 2.1% in 2020 vs. 1.5% in 2019)** as it would exert a bigger drag on economic growth prospects if it is not revitalised amid the resumption of strategic projects while the property overhang in residential and commercial properties had dampened private investment in real estate. We see the **urgent need of policy reorientation to enhance better investment climate and competitive cost of doing business** as well as **provide growth catalysts** to re-energise private investment.*

A. Economic Overview (cont.)

- *In tandem with an increase of 4.3% in development expenditure to RM56.0bn in 2020, **public investment is projected to decline marginally by 0.6%** compared to a larger contraction of 8.1% in 2019. Development of new oil and gas projects such as Kasawari, on-going projects such as Floating LNG2, MRT2, LRT3, LRT line extension and ECRL as well as Tekai hydroelectric and Pasir Gudang combined-cycle gas turbine power plant projects are expected to buoy public investment.*
- *By sector, MOF expects **all economic sectors to register positive growth in 2020, which is tandem with our estimates amid variation in the growth estimates.** The services sector is expected to lead with a projected growth of 6.2%, followed by manufacturing (4.1%), construction (3.7%), agriculture (3.4%) and mining (0.3%). The manufacturing sector is at risk, hinging on the anticipated revival in global semiconductor sales and also on the outcome of the US-China's trade and technology war.*
- ***Headline inflation** as measured by the Consumer Price Index (CPI) is expected **to increase by 2.0% in 2020** (estimated 0.9% in 2019), reflecting largely the impact of a managed floating of RON95 fuel prices, departure levy and digital tax as well as the expected water tariff hikes. At this juncture, no ceiling price will be set for RON95 when it is on a managed float. The fuel price adjustment will be gradual, with the price hikes not more than 4 cents per litre. Global crude oil price outlook remains a wild card.*

Where is the **GROWTH** coming from?



Services (2019E: 6.1%, 2020B: 6.2%)

% share of GDP in 2020B: 58.2%

- Supported by tourism related activities and accelerating growth of e-commerce.
- 5G-driven ICT; increase in bank lending and higher fee income; operation of new highways.



Manufacturing (2019E: 4.0%, 2020B: 4.1%)

% share of GDP in 2020B: 22.1%

- Benefit from global electronics supply chain following the US-China trade and technology dispute and uptick in electronics cycle.
- Domestic-oriented industries (consumer and construction-related clusters).



Agriculture (2019E: 4.3%, 2020B: 3.4%)

% share of GDP in 2020B: 7.2%

- Higher output of palm oil (2020: 22.2 mil tonnes vs. 21.0 mil tonnes in 2019); CPO average prices at RM2,100 per metric tonne in 2020 vs. RM2,000 in 2019; Higher demand (bilateral trade deal) from China.
- Higher production of rubber and food products (except aquaculture).

Where is the **GROWTH** coming from? (cont.)



Mining (2019E: 0.6%, 2020B: 0.3%)

% share of GDP in 2020B: 7.0%

- Strong demand from petrochemical industry; rising exports of LNG.
- Commencement of the North Malay Basin Full Field Development (FFD – Phase 2), Gorek, Integrated Bokor (Phase 3), Betty redevelopment projects.
- Crude oil subsector is expected to increase moderately, underpinned by the development of Anggerik FFD, Zetung FFD and Bayan Oilfield (Phase 2B and 2C).



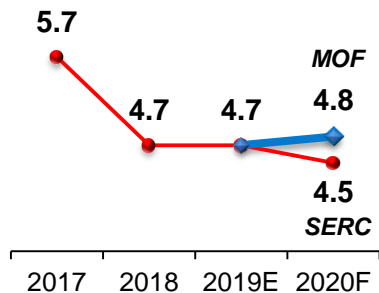
Construction (2019E: 1.7%, 2020B: 3.7%)

% share of GDP in 2020B: 4.7%

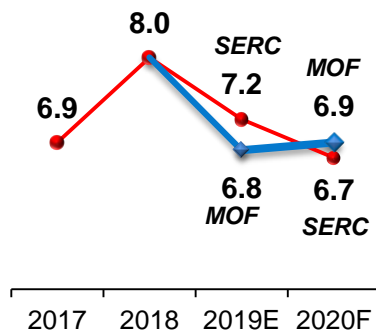
- Acceleration and revival of mega projects and building of affordable housing.
- Civil engineering segment: ECRL; MRT2; LRT3; Electrified Double Track Gemas-Johor Bahru; KVD2; Central Spine Road; Pan Borneo Highway; and Coastal Highway in Sarawak.
- Non-residential subsector remains subdued, dragged by persistent overhang.

Malaysia's key ECONOMIC INDICATORS

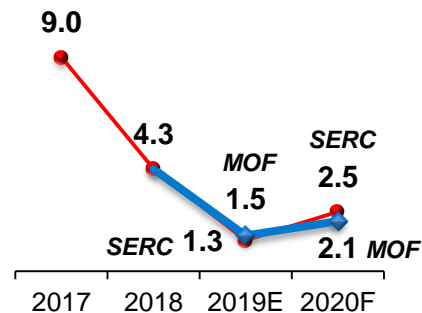
Real GDP Growth (%)



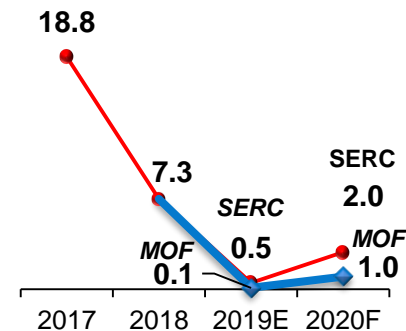
Private Consumption Growth (%)



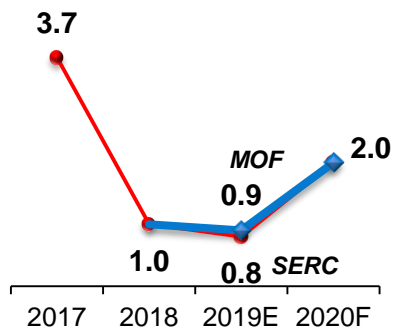
Private Investment Growth (%)



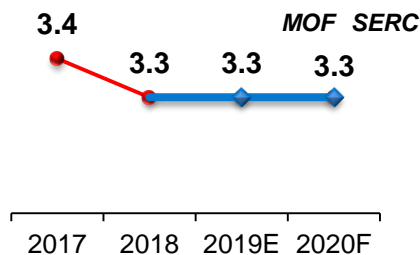
Gross Exports Growth (%)



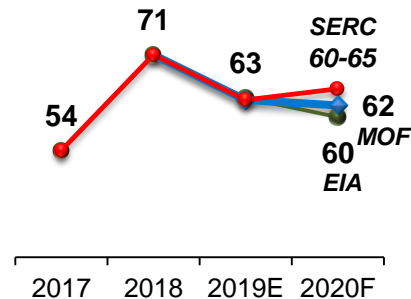
Inflation Rate (%)



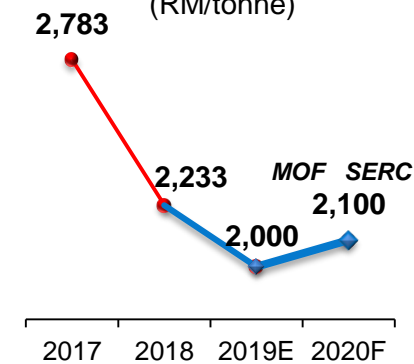
Unemployment Rate (%)



Brent Crude Oil Prices (US\$/barrel)



Crude Palm Oil Prices (RM/tonne)



Source: DOSM; MOF; EIA; MPOB; SERC as indicated in by the red line

Sources of GDP growth: DEMAND and SUPPLY side

- **Private consumption remains resilient**; public investment will decline marginally in 2020.
- All economic sectors are expected to register **positive growth** in 2020.

% growth, 2015=100	2017	2018	2019 1H	2019E (MOF)	2019E (SERC)	2020B (MOF)	2020F (SERC)
GDP by demand component							
Private consumption (58.1%)	6.9	8.0	7.7	6.8	7.2	6.9	6.7
Private investment (16.8%)	9.0	4.3	1.2	1.5	1.3	2.1	2.5
Public consumption (12.1%)	5.5	3.3	3.2	2.0	2.7	1.5	2.0
Public investment (6.5%)	0.3	-5.0	-11.3	-8.1	-8.9	-0.6	-1.0
Exports of goods and services (64.3%)	8.7	2.2	0.1	-0.4	-0.7	1.4	1.2
Imports of goods and services (56.7%)	10.2	1.3	-1.8	-2.1	-1.6	1.9	1.0
GDP by economic sector							
Agriculture (7.3%)	5.8	0.1	4.9	4.3	4.6	3.4	2.5
Mining & quarrying (7.3%)	0.4	-2.6	0.3	0.6	0.5	0.3	0.8
Manufacturing (22.2)	6.0	5.0	4.2	4.0	4.4	4.1	3.9
Construction (4.7%)	6.7	4.2	0.4	1.7	0.8	3.7	1.5
Services (57.5%)	6.2	6.8	6.3	6.1	6.1	6.2	6.0
Overall GDP	5.7	4.7	4.7	4.7	4.7	4.8	4.5

Figure in parenthesis indicates % share to GDP in 2019E

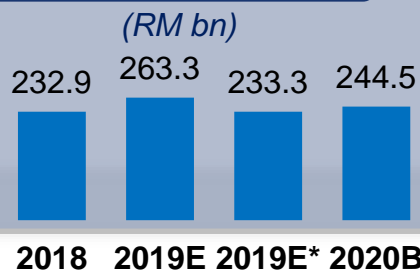
Source: DOSM; MOF

Budget Commentary



2020 BUDGETARY OPERATION snapshot

REVENUE

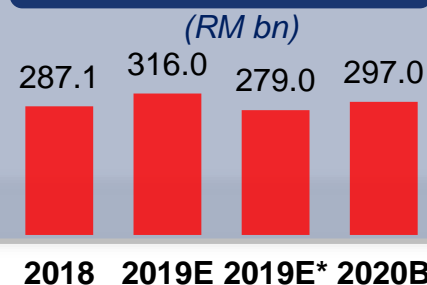


-7.1% from 2019E

+4.8% from 2019E*

* Excludes a one-off PETRONAS special dividend of RM30bn

EXPENDITURE

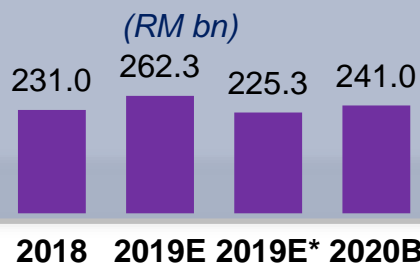


-6.0% from 2019E

+6.5% from 2019E*

* Excludes a one-off tax refunds of RM37bn

OPERATING EXPENDITURE



-8.1% from 2019E

+7.0% from 2019E*

* Excludes a one-off special tax refunds of RM37bn

DEVELOPMENT EXPENDITURE



+4.3% from 2019E

B. Budget Overview

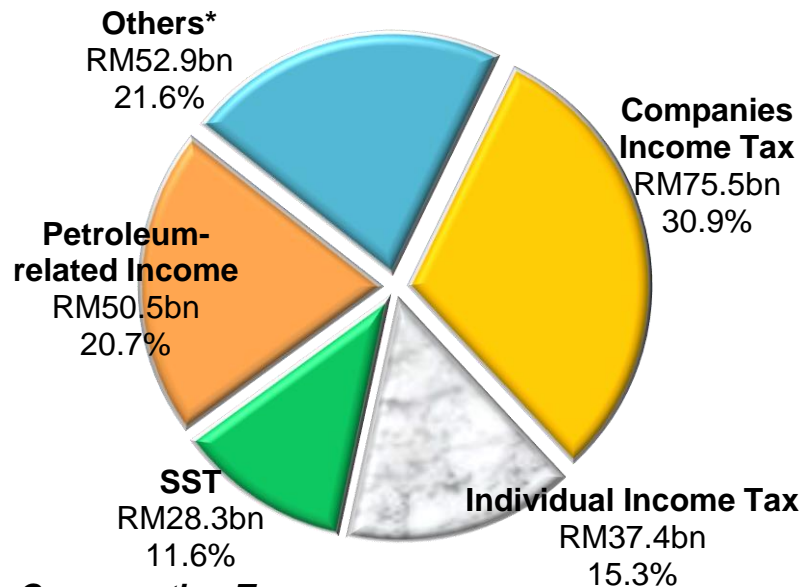
- *The fiscal budget for 2020 is a budget that prepares Malaysians and businesses for the future. It is an **expansionary yet responsible** budget for sustaining economic growth, job creation, lifting productivity through reskilling and upskilling as well as enhancing competitiveness.*
- *While the Malaysian economy is estimated to grow by 4.7% in 2019 (SERC: 4.7%) and 4.8% in 2020 (SERC: 4.5%), the Government **takes no chances to insure the economy against ongoing risks**, including weak global growth prospects and prolonged trade tensions. If the global economy does turn down more sharply than expected, then a decisive expansionary budget stance is deemed appropriate to keep the economy going at decent tempo.*
- *It is indeed a tough and challenging political balancing act for the Minister of Finance to craft a **responsive budget without impairing domestic growth and worsening the fiscal deficit**.*
- *2020 Budget thrusts are aimed at **strengthening Malaysia's economic resilience, revitalise private investment and competitiveness** in an era of increasing global uncertainty and complexity, brought about by changing trade winds toward more market protectionism mindset and rapid digital technologies-induced disruptions.*

C. On the Budgetary Operations

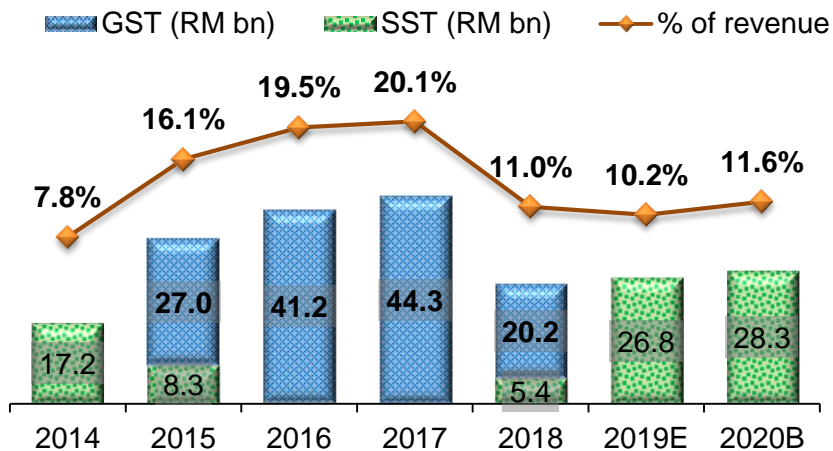
- *The **fiscal deficit for 2020 is expected to hit RM51.7bn or -3.2% of GDP**, slightly higher than the earlier guidance of -3.0% of GDP but an improvement from the deficit of RM51.8bn (-3.4% of GDP) in 2019. **Primary deficit** excluding debt service charges **will narrow to -1.0% of GDP in 2020** from -1.2% of GDP in 2019, indicating improving fiscal health.*
- *We view a slight deviation from the original fiscal target of -3.0% of GDP is acceptable as to allow for some targeted expansionary spending to safeguard the domestic economy against the high risk of a bigger global economic slowdown.*
- ***Operating surplus** is projected to improve to **RM3.5bn in 2020** (2019E: RM1.0bn). Owing to higher commitments, operating surplus has been shrinking to an **average of RM2.9bn per year in 2008-2019** from an average of **RM13.9bn per year in 2001-2007**.*
- *We **do not expect global rating agencies to build a rating review case on Malaysia** as the Government remains committed towards meeting the medium-term fiscal consolidation stability framework. There is a need to strike a balance between stimulating domestic economic activity and consumption and the containment of government debt.*

DISTRIBUTION in revenue

2020B: Where is the money coming from?



Consumption Tax:

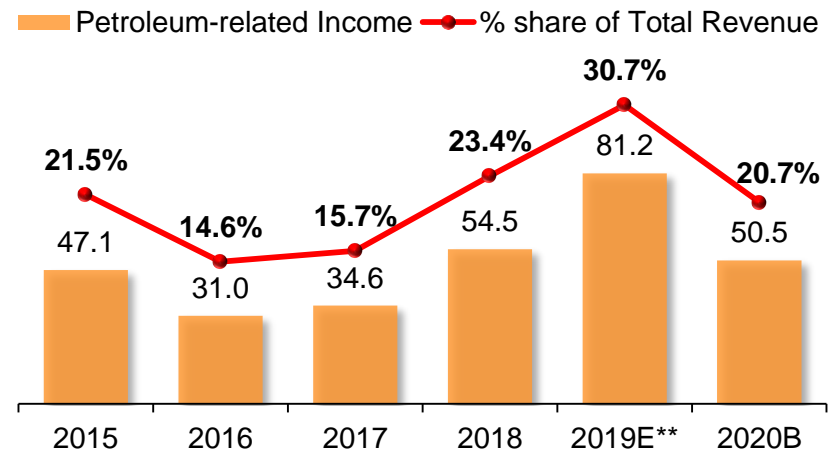


* Includes non-tax revenue, excise duty, stamp duty, etc.

Source: MOF

- **SST revenue** is budgeted to increase by 5.6% to **RM28.3bn in 2020** or 11.6% of total revenue (2019: RM26.8bn).
- **Company income tax** (+6.7% to RM75.5bn); **Individual income tax** (+6.1% to RM37.4bn).
- **Petroleum-related revenue** will **decline by 37.8% to RM50.5bn** (the absence of RM30bn PETRONAS's special dividend).
- **Oil price assumption:** US\$63/bbl in 2019 and US\$62/bbl in 2020.

Petroleum-related Revenue:



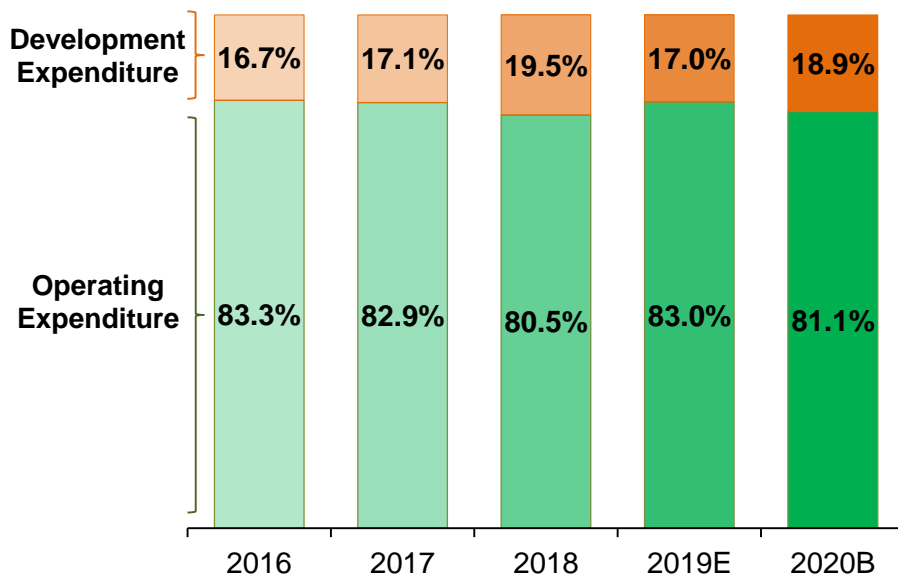
** Includes a one-off PETRONAS dividend of RM30bn for income tax and GST refunds

Budget Revenue

- *It should be noted that **federal revenue is projected to decline by 7.1% to RM244.5bn in 2020** from estimated RM263.3bn in 2019. Excluding the one-off PETRONAS special dividend of RM30.0bn in 2019, **federal revenue will increase by 4.8% in 2020**, which is on the high side given the anticipated slower economic growth.*
- *The Government will continue to enhance the revenue collection through continuous tax auditing and compliance, broadening the tax base and reducing the tax gap (the difference between taxes paid and taxes owed) which is currently at 26.1% of GDP in 2015 compared to Indonesia (21.8%), and Singapore (9.2%). The large tax gap calls for a more forceful tax enforcement to increase revenue. For 2017, Malaysia's tax revenue to GDP in only 13.1%, which is lower when compared to Vietnam (19.1), South Korea (15.4%), Poland (16.8%) and Chile (17.4%). In 2019, the number of eligible taxpayers is 3.4 million or 22.4% of total workforce of 15.6m.*
- a) ***Sales and Services Tax (SST) collection is revised higher to RM26.8bn in 2019 from RM22.0bn projected in 2019 Budget** due to better-than-expected collection in 1H 2019. Of the total, **RM15.5bn is sales tax collection** due to higher demand for four wheels drive (4WD) and sports utility vehicles (SUV) as well as machines and spare parts. **RM11.3bn is estimated for service tax**, contributed by higher demand for food and beverages, telcos and insurance sector. **For 2020, SST collection is projected to increase by 5.6% to RM28.3bn or 11.6% of total revenue.***
- b) ***Oil-related revenue, including PETRONAS dividend is estimated to decline by 1.4% to RM50.5bn in 2020** (20.7% of total revenue) from RM51.2bn (excluding a one-off PETRONAS dividend of RM30.0bn) in 2019. **For 2020, Petronas dividend is budgeted at RM24.0bn**, same amount as in 2019, based on crude oil price assumption of US\$62 per barrel in 2020 (US\$63 per barrel in 2019).*

Budgetary EXPENDITURE MIX

Share of development expenditure rises in 2020



Stable share of DE to GDP in 2020

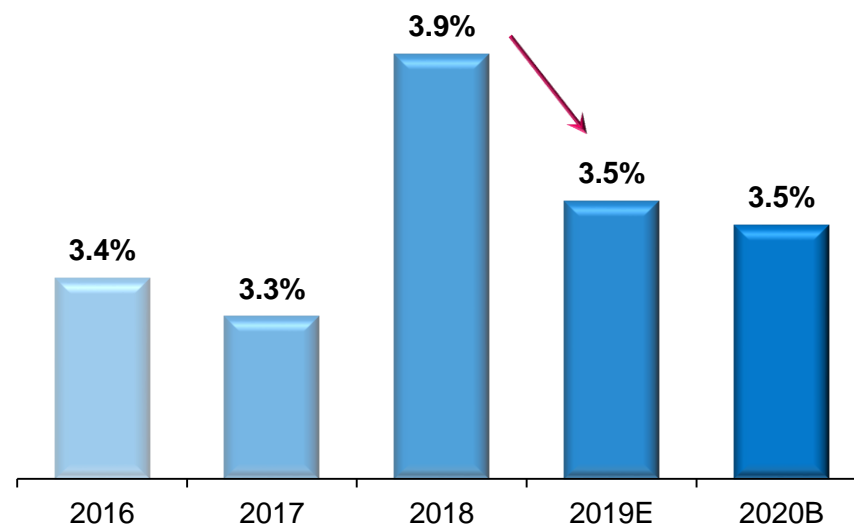
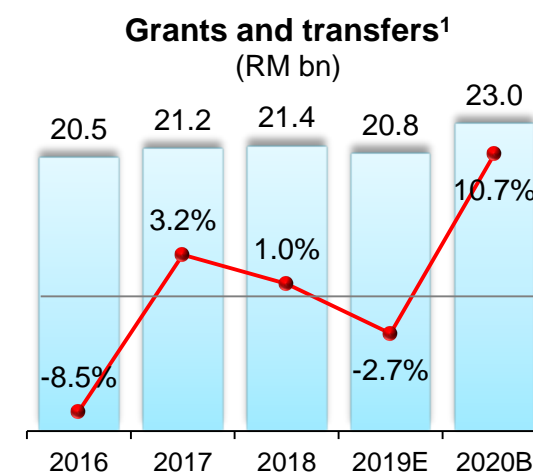
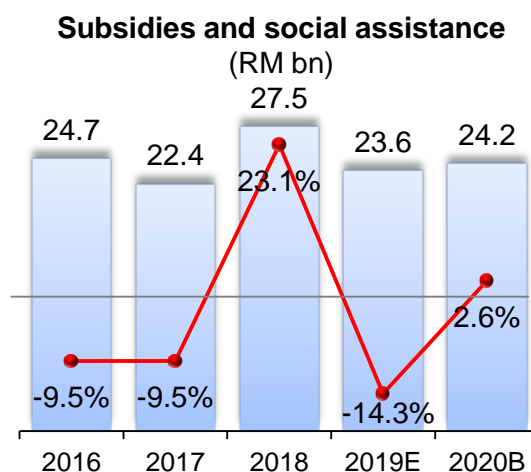
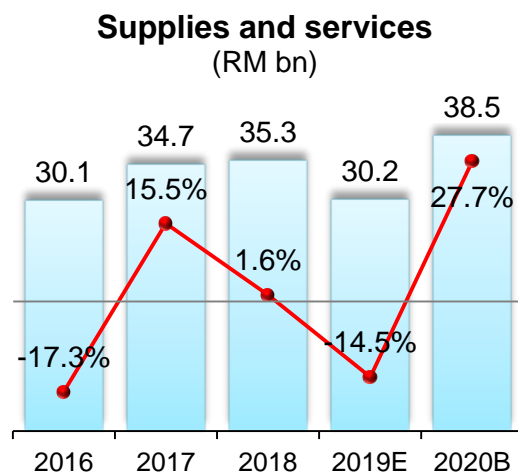
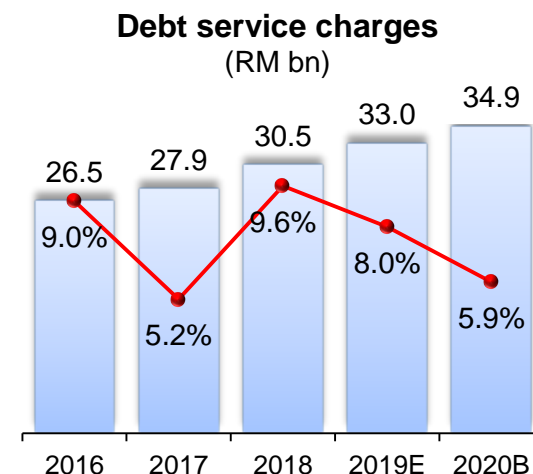
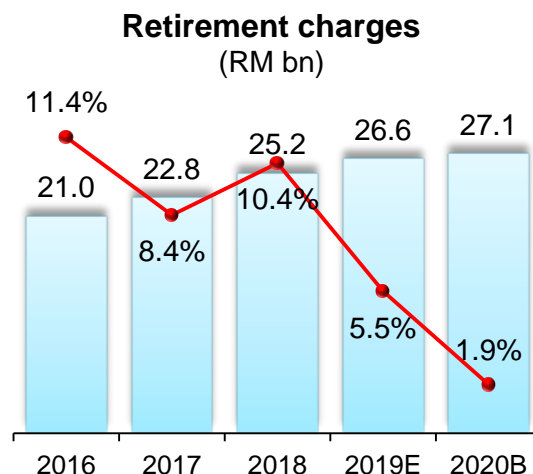
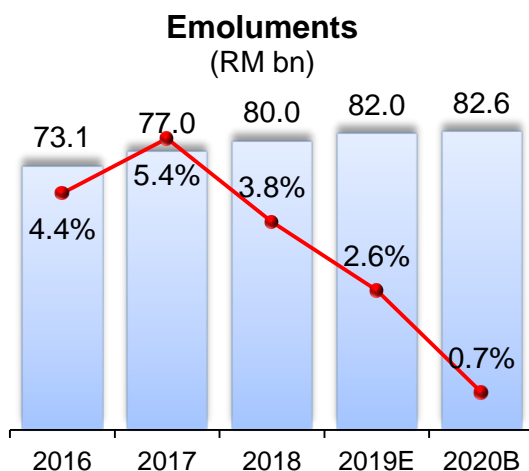


Figure denotes share of total expenditure

Source: MOF, SERC

OPERATING EXPENDITURE needs further restrain

Distribution of operating expenditure by type



Note:

Line chart indicates an annual rate of change in operating expenditure

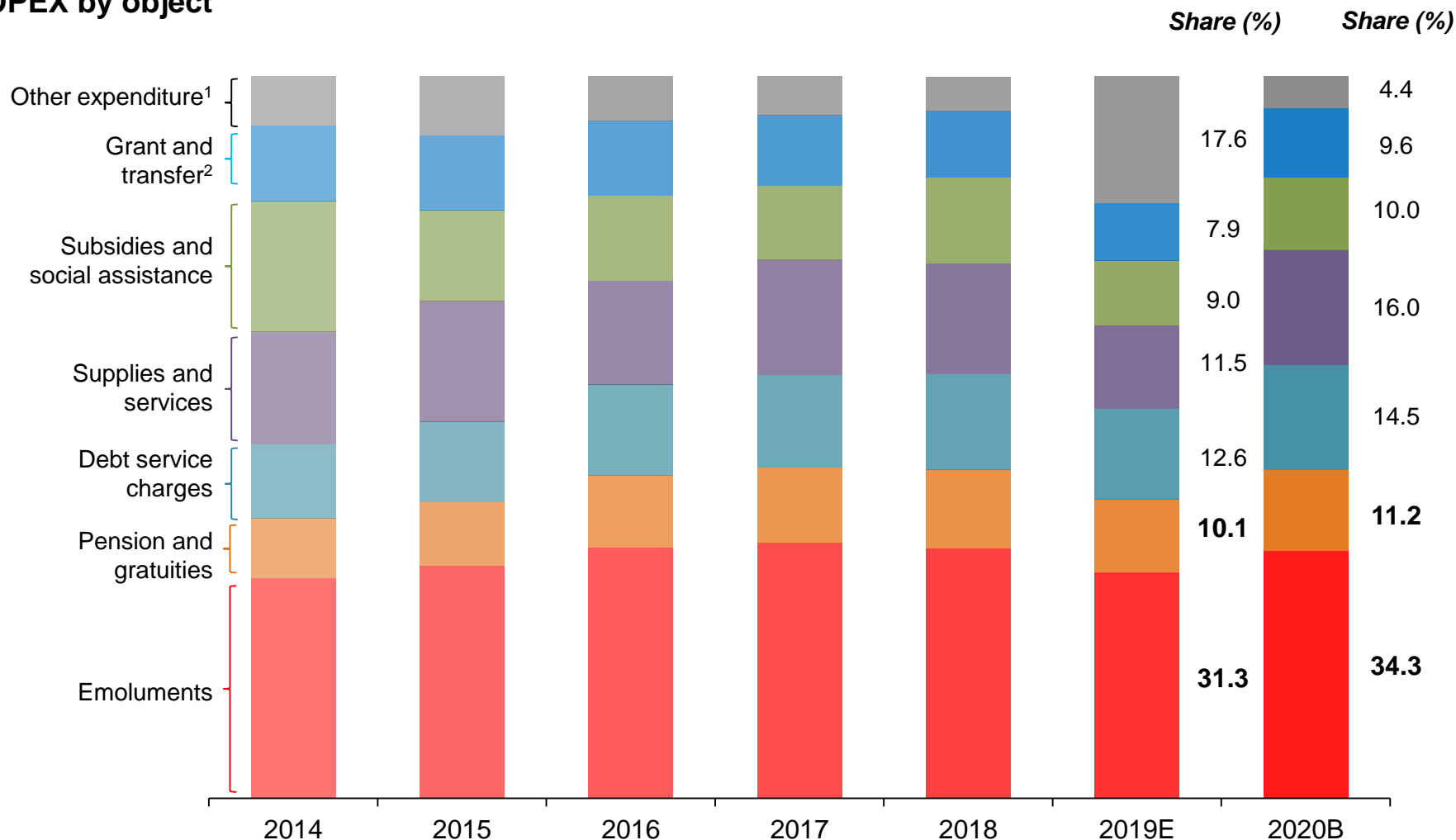
Straight line indicates 0%

¹ Includes grants and transfers to state governments and grants to statutory bodies

Source: MOF

About 46% for EMOLUMENTS and RETIREMENT CHARGES

OPEX by object



¹ Includes assets acquisition, refunds and write-offs, grants to statutory funds and etc.

² Includes grants and transfers to state governments and grants to statutory bodies.

Source: MOF

Total Expenditure

- **Total expenditure** is projected to **increase by 6.5% to RM297.0bn in 2020** (RM279.0bn in 2019, excluding a one-off tax refunds of RM37.0bn). Of this, **operating expenditure** takes a **lion share of 81.1%** of total expenditure (an average share of 73.5% per year in 2001-09), leaving a balance of **18.9%** for **development expenditure** (an average share of 26.5% per year in 2001-09).

(i) Operating Expenditure

- **Operating expenditure will increase by 7.0% to RM241.0bn in 2020** from RM225.3bn in 2019, which excludes a one-off income tax and GST refunds of RM37.0bn. It makes up 81.1% of total expenditure and 98.6% of total revenue (an average of 89.9% per year in 2001-09).
 - a) **Emoluments** for 1.4 million civil servants will amount to **RM82.6bn or 34.3% of total opex in 2020**; followed by **RM27.1bn or 11.2% of total** for **retirement charges** to accommodate 874,000 pensioners and beneficiaries;
 - b) **RM34.9bn or 14.5% of total for debt service charges (DSC)**. It should be noted that DSC accounts for 14.3% of total revenue, which has been rising in recent years due to increased debt and liabilities. The Government set an administrative rule that DSC should not exceed 15% of total revenue; and

(i) Operating Expenditure (cont.)

- c) **Supplies and services (16.0% of total capex) is budgeted to increase by strong double-digit rate of 27.7% to RM38.5bn in 2020 (-14.5% to RM30.2bn in 2019). The increase is for repairs and maintenance as well as allocation for professional services. Ministry of Health will receive 28.2% of total allocation for procurement of medical supplies as well as repairs and maintenance of medical facilities. Ministry of Education will get 16.0% of total supplies and services mainly for repairs and maintenance of school facilities, security and cleaning services.**
- **With no strong political will to undertake structural reforms to right size 1.4 million civil servants and reform public sector pension (with potential liabilities of RM100bn in the years ahead) as well as more rationalisation of non-critical spending, operating expenditure will continue to exert pressure on the budget's allocation, and hence lesser amount for development expenditure. On concerns over the sustainability of public sector pension scheme, the Government is exploring options for a more robust scheme to efficiently manage future pension obligations. We propose a migration from defined-benefit pension plan to a defined contribution scheme.**

(i) Operating Expenditure (cont.)

- ***Subsidies and social assistance will increase by 2.6% to RM24.2bn or 10.0% of total opex in 2020 after a decline of 14.3% to RM23.6bn in 2019.***
- a) ***Fuel subsidies*** are estimated to be lower with the reinstatement of a managed-float system for RON95 starting 1 January 2020. The targeted fuel subsidy scheme which is estimated to cost RM784 million per year will benefit 2.9 million eligible recipients (B40 households) receiving between RM48 every four months or RM144 per year (motorcycle owners) and RM120 (car owners) every four months or RM360 per year. For cars, only those with 1,600cc engines and below or vehicles over 10 years old with engines larger than 1,600cc are eligible. For non-BSH households, they will enjoy subsidy using Kad95. With the implementation of this targeted fuel subsidy scheme, the Government may save at least RM2.0bn fuel subsidy, depending on the direction of global crude oil prices.
- b) ***Bantuan Sara Hidup (BSH) or cost of living aid*** will be allocated **RM5.0bn in 2020 for 5.0 million households with an expanded coverage of recipients** (RM5.0bn in 2019 and RM6.4bn in 2018). In 2019 Budget, BSH was restructured in terms of recipients' criteria and assistance compared to previous BR1M.

Development expenditure: **SECTORAL ALLOCATION**

By Sector	2018	2019E	2020B	2018	2019E	2020B	2018	2019E	2020B
	RM million			% YoY			% Share		
Economic	36,103	28,820	31,019	49.3	-20.2	7.6	64.4	53.7	55.4
Agriculture and rural development	2,133	2,310	2,973	-3.9	↑ 8.3	↑ 28.7	3.8	4.3	5.3
Energy and public utilities	2,254	2,584	4,338	-8.9	↑ 14.6	↑ 69.8	4.0	4.8	7.7
Trade and industry	2,512	3,022	2,446	-33.9	20.3	↓ -19.1	4.5	5.6	4.4
Transport	17,004	11,209	12,195	63.0	-34.1	↑ 8.8	30.3	20.9	21.8
Environment	1,665	1,945	1,734	-19.2	16.8	↓ -10.8	3.0	3.6	3.1
Others	10,535	7,750	7,333	229.0	-26.4	-5.4	18.8	14.5	13.1
Social	12,873	15,010	15,068	3.6	16.6	0.4	22.9	28.0	26.9
Education and Training	6,505	8,020	7,864	3.2	23.3	-1.9	11.6	14.9	14.0
Health	1,773	2,258	2,898	20.6	↑ 27.4	↑ 28.3	3.2	4.2	5.2
Housing	1,285	1,830	1,491	63.7	42.4	↓ -18.5	2.3	3.4	2.7
Others	3,310	2,902	2,815	-14.3	-12.3	-3.0	5.8	5.5	5.0
Security	4,929	6,689	6,557	-7.6	35.7	-2.0	8.8	12.5	11.7
Defence	3,262	3,432	3,160	-24.4	5.2	-7.9	5.8	6.4	5.6
Internal Security	1,667	3,257	3,397	63.6	95.4	4.3	3.0	6.1	6.1
General Administration	2,190	3,181	3,356	-25.5	45.3	5.5	3.9	5.8	6.0
Total	56,095	53,700	56,000	25.0	-4.3	4.3	100.0	100.0	100.0

Source: MOF

(ii) Development Expenditure

- *Development expenditure (DE) is budgeted to increase by 4.3% to RM56.0bn or 18.9% of total expenditure in 2020 (RM53.7bn in 2019).*
 - *Of the 2020 allocation, RM53.2bn is allocated for 4,744 ongoing projects while RM2.8bn is for 722 new projects.*
 - *The **economic** sector remains the largest recipient (RM31.0bn or 55.4% of total DE), followed by **social** (RM15.1bn or 26.9% of total), **security** (RM6.6bn or 11.7% of total) and general administration (RM3.4bn or 6.0% of total) sectors.*
- a) The transport sector** will see an increase of 8.8% in allocation to RM12.2bn or 21.8% of total DE) mainly for public transportation and highway such as MRT2, KVDT and Pan Borneo Highway, expansion of airports in Sandakan and Johore Bahru, as well as maintenance and upgrading of roads, bridges, ports and railways.*
- b) Energy and public utilities sector** will receive an allocation of RM4.3bn or 7.7% of total DE. This is for the enhancement of utilities and amenities, water supply and sewerage services as well as flood mitigation infrastructure.*

(ii) Development Expenditure (cont.)

- c) **Agriculture and rural development** will be allocated with RM3.0bn or 5.3% of total DE, mainly for paddy irrigation system, oil palm and rubber replanting activities, and agricultural entrepreneurs' fund.*
- d) **Trade and industry subsector** is allocated with RM2.4bn or 4.4% of total DE, focussing on projects and programs related to entrepreneurs' development, corridors development, industrial readiness for IR4.0.*
- e) **Education and training sector** will be given a sum of RM7.9bn or 14.0% of total DE for rebuilding of dilapidated schools, refurbishment and improving of schools' infrastructure, upgrading of training institutions, education training and research fund.*
- f) **Health sector** will be allocated with RM2.9bn or 5.2% of total DE, a strong increase of 28.3% from RM2.3bn in 2019. The allocation is mainly for building, upgrading and maintaining hospitals and clinics as well as procurement for medical equipment.*
- g) **Housing sector's** allocation of RM1.5bn will be primary utilised for the construction of People's Housing Project and civil servants' quarters as well as rehabilitation of abandoned private housing projects.*

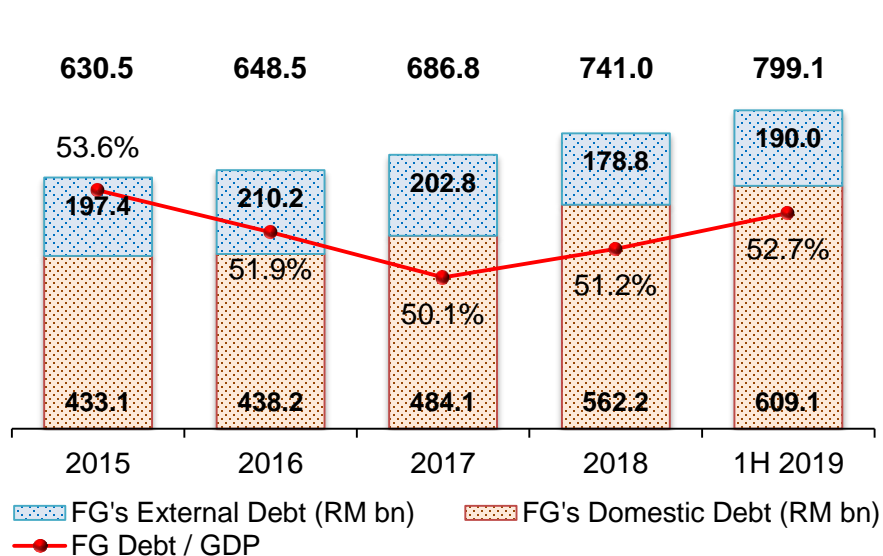
Overall Federal Debt and Liabilities



FG's total DEBT AND LIABILITIES (end-June 2019: RM1.17 trn or 77.1% of GDP)

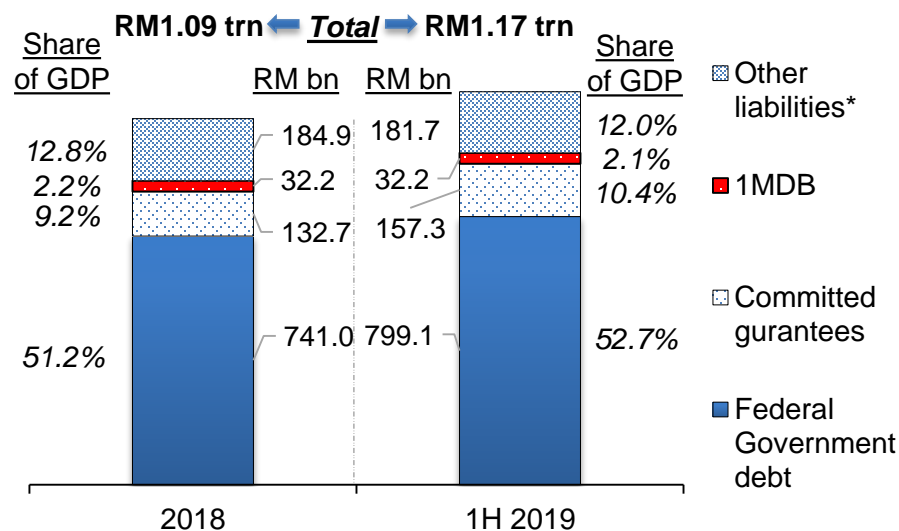
- Federal government's direct debt stood at RM799.1bn (52.7% of GDP) at end-June 2019, a rise of 7.8% from RM741.0bn (51.2% of GDP) at end-2018.
- The Federal Government debt, contingent liabilities and commitment made under public-private partnership (PPP) projects stood at RM1.17 trillion (trn) or 77.1 of GDP as at end-June 2019 (End-2018: RM1.09 trillion or 75.4% of GDP).

FG debt to GDP ratio improves due to the transfer of Treasury Housing Loan



Source: BNM; MOF

Federal Government Debt and Liabilities Exposure



* PPP, PFI and PBLT;
 1MDB=1Malaysia Development Berhad

Details of Government Guarantees

Major Recipients of Loan Guarantees as at end-June 2019

Entity	RM million	Share (%)	Share of GDP (%)
Total loan guarantees	273,847	100.0	18.0
Of which:			
DanaInfra Nasional Berhad	57,820	21.1	3.8
National Higher Fund Corporation	40,300	14.7	2.7
Prasarana Malaysia Berhad	31,414	11.5	2.1
Public Sector Home Financing Board	20,750	7.6	1.4
Malaysia Rail Link Sdn. Bhd.	18,715	6.8	1.2
Khazanah Nasional Berhad	14,000	5.1	0.9
Pengurusan Air SPV Berhad	12,410	4.5	0.8
Project Lebuhraya Usahasama Berhad	11,000	4.0	0.7
Suria Strategic Energy Resources Sdn. Bhd.	8,049	2.9	0.5
GovCo Holdings Berhad	7,300	2.7	0.5
Total of major recipients	221,758	81.0	14.6

Source: MOF

Details of Government Guarantees (cont.)

Committed Guarantees

	RM million		Share (%)	
	2018	2019*	2018	2019*
DanaInfra Nasional Berhad	52,740	57,820	39.7	36.7
Prasarana Malaysia Berhad	31,414	31,414	23.7	20.0
Urusharta Jamaah Sdn Bhd	-	20,000	-	12.7
Malaysia Rail Link Sdn Bhd	18,862	18,715	14.2	11.9
Suria Strategic Energy Resources Sdn Bhd	7,925	8,049	6.0	5.1
GovCo Holdings Berhad	7,300	7,300	5.5	4.6
Jambatan Kedua Sdn Bhd	5,751	5,679	4.3	3.6
MKD Kencana Sdn Bhd	3,500	3,500	2.6	2.2
SRC International Sdn Bhd	3,600	3,400	2.7	2.2
Sentuhan Budiman Sdn Bhd	800	800	0.6	0.5
TRX City Sdn Bhd	485	429	0.4	0.3
Asset Global Network Sdn Bhd	228	203	0.2	0.1
K.L. International Airport Berhad	94	40	0.1	0.0
Total	132,699	157,349	100.0	100.0

* End-June 2019

Source: MOF

Components of 1MDB's Debt

	Rate	Maturity	Principal	
	%		USD million	RM million
Government Guarantee				
Sukuk	5.75	2039	-	5,000
IPIC-MOF Inc.				
1MDB Energy Ltd	5.99	2022	1,750	7,320^
1MDB Energy (Langat)	5.75	2022	1,750	7,320^
Letter of Support				
Global bond	4.44	2023	3,000	12,550^
Total				32,190

^ Exchange rate as at end-June 2019: RM/USD = 4.1829



Budget Fiscal Measures & Initiatives

BUDGET
2020

Theme

*Driving Growth And Equitable Outcomes Towards
Shared Prosperity*

Thrusts



FIRST

Driving Economic Growth in the New Economy and Digital Era



SECOND

Investing in Malaysians: Levelling up Human Capital



THIRD

Creating a United, Inclusive and Equitable Society



FOURTH

Revitalisation of Public Institutions and Finances

Proposed fiscal measures for 2020 – Main focuses



Spurring Private Investment through Enhancing Competitiveness



Gearing up for Digitalisation & Industry4WRD



SME Financing & Entrepreneurial Development



Supporting Agriculture Sector



Jobs Creation and Upskilling of Workforce



Driving Tourism - Visit Malaysia Year 2020



Promoting Access to Housing & Ease Property Overhang



Affordable Healthcare in An Inclusive & Caring Society



Enhancing the Transportation Ecosystem



Enhancing Research & Development (R&D) Framework



Easing Cost of Living



Empowerment of Bumiputera Agenda



Narrow Rural-Urban Divide and Regional Development

Spurring Private Investment through Enhancing Competitiveness



Main proposals/initiatives

- RM1bn customised packaged investment incentives annually over 5 years to attract targeted Fortune 500 companies and global unicorns in high technology, manufacturing, creative and new economic sectors. To qualify, these companies must invest at least RM5bn each in Malaysia, which will support domestic SMEs and create 150,000 high quality jobs
- RM1bn in customized packaged investment incentives annually over 5 years to companies proving their ability to grow and exports their products and services
- Embarked a comprehensive review and revamp of the existing incentive framework, comprising the Promotion of Investments Act 1986, Special Incentive Package and incentives under the Income Tax Act 1967; new framework is expected to be ready by 1 Jan 2021
- RM10m on post-approval investment monitoring and realisation
- Provide tax incentives to further promote value added activities in the electrical and electronics (E&E) industry to transition to 5G digital economy and IR 4.0: (a) Income tax exemption up to 10 years to Electrical and Electronics (E&E) companies investing in selected knowledge-based services; (b) Special Investment Tax Allowance to encourage companies in E&E sector that have exhausted the Reinvestment Allowance to further reinvest in Malaysia, for application in 2020 and 2021
- Extend Accelerated Capital Allowance (ACA) and automation equipment capital allowance to YA2023 for manufacturing sector on the first RM2m and RM4m incurred on qualifying capital expenditure; incentive also be expanded to include services sector on the first RM2m incurred on qualifying capital expenditure from YA2020 to YA2023
- RM1.1bn to support projects for corridor development: (i) Chuping Valley Industrial Area in Perlis by NCIA (RM50m); (ii) Kuantan Port related projects by ECERDC (RM69.5m); (iii) Sungai Segget Centralised Sewerage Treatment Plant in Johor by IRDA (RM42m); (iv) Samalaju Industrial Park in Sarawak by RECODA (RM55m); and (v) Sabah Agro-Industrial Precinct by SEDIA (RM20m)
- RM1bn 1:5 matching guarantee for dedicated private equity funds to invest in Malaysian consortiums bidding for projects and concessions overseas

Spurring Private Investment through Enhancing Competitiveness (cont.)



Main proposals/initiatives (cont.)

- Offering a 2% interest subsidy per annum to support strategic projects through financing programmes under Bank Pembangunan Malaysia Berhad via (i) Sustainable Development Financing Fund size increased from RM1bn to RM2bn; (ii) RM1bn Maritime & Logistics Fund; and (iii) RM2bn Industry Digitalisation Transformation Fund
- Undertake an in-depth feasibility study on the development of Pulau Carey
- RM50m for the repair and maintenance of roads leading to Port Klang
- The Royal Malaysian Customs Department will introduce a deferred payment facility to expedite the clearance process of cross border transactions
- To strengthen trade with Thailand via 100-acre logistic hub, Kota Perdana Special Border Economic Zone (SBEZ) at Bukit Kayu Hitam
- Provide RM50m to stimulate public-private partnerships for the development of a Truck Depot
- Provide support for the construction of primary infrastructure while the private sector will invest in critical business assets to catalyse domestic investment worth RM800m
- Easing Johor Causeway and proceed with Rapid Transit System (RTS)

Spurring Private Investment through Enhancing Competitiveness (cont.)



Our view

We welcome the packaged investment incentives to make Malaysia's an attractive and competitive investment destination, especially to attract the inflow of high quality FDI in technology and value-added products and services, which will benefit our SMEs through the integration of global supply chains and sourcing of domestic materials. However, we think the special reinvestment allowance should be extended to services meeting the high value-added and new knowledge-based content.

The National Investment Committee co-chaired by both Minister of Finance and Minister of International Trade and Industry to coordinate and expedite the investment applications' approval process, including the granting of investment incentives is a positive step in the right direction. The Government has embarked on a comprehensive review and revamp of the existing incentive framework, comprising the Promotion of Investments Act 1986, Special Incentive Package and incentive under the Income Tax Act 1967. This new framework is expected to ready by 1 Jan 2021.

According to the latest Global Competitiveness Report, Malaysia's ranking has dropped from 25th to 27th. In terms of cost and time to start a business, Malaysia ranked 86th and 80th respectively out of 141 economies. In this regard, incentives alone is not sufficient, it must be supported by complementary reforms with respect to trade policy and facilitation. Malaysia has been losing competitiveness to Thailand and Vietnam in the aspects of customs, international shipments, logistics quality and competence, tracking and tracing as well as timeliness. Hence, the Government must continue to review the time cost for exports in order to attract/retain more manufacturing businesses to have their operations in Malaysia, amid continue to assess the overall cost of doing business and several pertinent issues, such as the custom documentary compliance and border compliance, policy clarity and ease of regulations and insufficient skilled workforce.

Malaysia's effective average corporate tax rate with incentives of 15.6% is very unattractive compared to many neighbouring countries such as Singapore (7.0%), Vietnam (9.2%), Thailand (9.6%), Laos (10.6%), Indonesia (11.4%) and Myanmar (12.9%). It is necessary for Malaysia to review the tax competitiveness to retain domestic investments as well as attract foreign investments.

Beneficiaries:

E&E companies, services, export-oriented industries, investors in various economic corridors



Main proposals/initiatives

- Implement National Fiberisation & Connectivity Plan (NFCP) over next 5 years involving a total investment of RM21.6bn
- RM250m to improve connectivity in remote areas; RM210m to accelerate the deployment of new digital infrastructure for public buildings and high impact areas such as industrial parks
- Introduce a 5G Ecosystem Development Grant worth RM50m; RM25m to set up a contestable matching grant fund to spur more pilot projects on digital applications such as drone delivery, autonomous vehicle, blockchain technology.
- RM20m to Malaysian Digital Economy Corporation (MDEC) grow local champions in creating digital content, especially in e-Games, animation and digital arts
- Provide a 50% matching grant of up to RM5,000 per company for the subscription of digitalisation services for business operations. The matching grant will be worth RM500m over 5 years, limited to the first 100,00 SMEs applying to upgrade their systems
- Introduce the concept of Digital Social Responsibility (DSR); contributions towards DSR by the companies will be given tax deduction
- RM550m to provide Smart Automation matching grants to 1,000 manufacturing and 1,000 services companies to automate their business processes (up to RM2m per company)
- A budget of 70m will be allocated to MDEC to build up to 14 one-stop Digital Enhancement Centres in all states to facilitate access to financing and capacity building for IR4.0
- Allocate up to RM450m to Khazanah Nasional to implement a one-time RM30 digital stimulus through e-wallets to 15m qualified Malaysians aged 18 and above with annual income less than RM100,000. The one-time digital stimulus per person can be redeemed and used for a two-month period commencing 1 Jan 2020 and will expire on 29 Feb 2020
- RM20m to be matched by another RM20m from HRDF towards encouraging working adults to undertake professional certification examinations in fields relating to IR4.0
- Offering a 2% interest subsidy per annum to support strategic projects through financing programmes under Bank Pembangunan Malaysia Berhad via RM2bn Industry Digitalisation Transformation Fund

Gearing up for Digitalisation & Industry4WRD (cont.)



Our view

Digital services depend on a good and well-developed digital infrastructure for delivery. Policymakers, industry participants and other stakeholders need to work collectively: commit to actions that promote the long-term growth of the digital economy; remove impediments to the expansion of digital infrastructure; and modernize policies to encourage investment and innovation throughout the internet ecosystem. Of importance is to drive our SMEs readiness for the adoption of digital technologies in their business processes and also have a skilled workforce for the future.

Beneficiaries:

Industry participants (telcos, SMEs, software and hardware providers, etc.) and end-users



Main proposals/initiatives

- Chargeable income subjected to 17% rate will be increased from RM500,000 per annum to RM600,000
- RM500m over 5 years: 50% matching grant of up to RM5,000 per company for the subscription of digitalisation measures for business operations, e.g. Point Of Sale systems (e-POS), Enterprise Resource Planning (ERP) and electronic payroll system (limited to first 100,000 SMEs)
- Government guarantee under Skim Jaminan Pinjaman Perniagaan (SJPP) will be increased from 70% to 80% and a reduced guarantee fee to only 0.75% for Bumiputera SMEs, export-oriented SMEs and SMEs investing in automation and digitalisation. A new SJPP allocation of RM500m in guarantee facility is earmarked for women entrepreneurs
- SME Bank will introduce two new funds with annual interest subsidy of 2%: (i) RM200m for women entrepreneurs, offering loans of up to RM1m/SME; and (ii) RM300m to support Bumiputera SMEs with priority given to producers of halal products and manufacturers with high local content
- Increase the ceiling per company for Market Development Grant (MDG) from RM200,000 to RM300,000 yearly; ceiling for participation in each export fair from RM15,000 to RM25,000; RM50m to encourage SMEs to engage in more export promotion activities
- RM445m will be provided in terms of access to financing, provision of business premises and entrepreneur training to support Bumiputera entrepreneurial development
- RM50m to My Co-Investment Fund (MyCIF) to help finance the underserved SMEs
- RM20m to Cradle Fund for the provision of training and grants to seed companies
- Tax incentives given to venture capital and angel investors will be extended until the YA2023
- RM100m for Small Business Loans for the Chinese community carries an interest rate of 4%
- RM20m under TEKUN Nasional's Skim Pembangunan Usahawan Masyarakat India (SPUMI) at an interest rate of 4%
- RM10m to Malaysian Global Innovation & Creativity Centre (MaGIC) to support social enterprises
- RM10m to MyCIF specifically for social enterprises to fundraise via P2P Financing platforms



Main proposals/initiatives (cont.)

- Bank Negara Malaysia is proposing a 2-phase restructuring plan for domestic Development Financial Institutions (DFIs) to form a new financial institution through the merger of Bank Pembangunan Malaysia, Danajamin Nasional, SME Bank, and the Export-Import Bank of Malaysia
- A tax deduction of up to RM1.5m be given on the listing costs (fees to authorities, professional fees and underwriting, placement and brokerage fees) to assist technology-based companies and SMEs to grow their businesses by raising capital through listing in ACE Market or LEAP Market

Our view

The increase in SMEs' chargeable income threshold to RM600,000 will result in tax savings up to RM7,000 per year, which helps to ease SMEs' cashflow. We hope that the Government will raise the chargeable income limit higher coupled with a reduction in company tax rate over time to enhance SMEs' cost competitiveness. On a negative note, the proposed increase in minimum wage is expected to increase the operating cost of SMEs.

Beneficiaries:

SMEs, entrepreneurs, venture capitalists and angel investors, exporters



Main proposals/initiatives

- RM550m palm oil replanting loan fund for smallholders' collateral-free at an interest rate of 2% per annum, with a tenure of 12 years, including a 4-year moratorium on repayment.
- RM27m to support Malaysian Palm Oil Board's (MPOB) efforts to market palm oil internationally and counter anti-palm oil campaigns
- Enhance the implementation of biodiesel, with B20 biodiesel for the transport sector to be implemented by end-2020
- RM200m for Bantuan Musim Tengkujuh to eligible rubber smallholders under RISDA and Lembaga Industri Getah Sabah (LIGS); RM100m for Rubber Production Incentive to enhance income of smallholders faced with low rubber prices
- RM810m for welfare of FELDA community: (a) RM250m for an income enhancement program benefiting 11,600 settlers; (b) RM300m to write-off the interest of settlers' debts; (c) RM100m for water supply projects; (d) RM70m for housing the new generation of Felda settlers; and (e) RM90m for the upgrading of roads and basic infrastructure
- RM738m to implement various income-generating programmes, benefitting more than 300,000 RISDA and 100,000 FELCRA smallholders
- RM4.9bn to Ministry of Agriculture (MOA) with a special focus towards enhancing incomes of farmers
- Increase fishermen allowance from RM200 to RM250 per month, with a total allocation of RM152m
- RM150m to facilitate crop integration to help supplement their income such as through chili, pineapple, coconut, watermelon and bamboo
- RM855m under the Skim Baja Padi Kerajaan Persekutuan (SBPKP) and Skim Insentif Pengeluaran Padi (SIPP) to raise padi yield; continue the subsidy for Padi Bukit and Padi Huma
- RM43m for Agriculture Industry 4.0 to develop new crop varieties with higher productivity and quality
- RM100m Disaster Assistance Fund to provide loans at an interest rate of 4% to assist farmers in time of need

Supporting Agriculture Sector (cont.)



Our view

These various allocations are expected to ease the financial burden of smallholders impacted by low commodity prices, particularly the welfare of FELDA settlers' community. We welcome the allocation of RM150m to facilitate crop integration to help supplement smallholders' income and also allocation to encourage the development of new crop varieties with higher productivity and quality through IR 4.0 and smart technology.

The export duty on crude palm oil (CPO) has been reduced in every price band, leaving some savings of about RM7m for CPO exporters in 2020. It remains doubtful that B20 biodiesel for the transport sector can be fully implemented by end-2020 as the usage of biodiesel has yet to achieve economies-of-scale in Malaysia. It is expected that the enhanced implementation of B20 biodiesel will increase palm oil demand by 500,000 tonnes per annum.

Beneficiaries:

Oil palm planters and rubber smallholders, CPO exporters, fishermen, paddy farmers, FELDA settlers

Jobs Creation and Upskilling of Workforce



Main proposals/initiatives

- Launch a five years RM6.5bn Malaysians@Work initiative to increase employment opportunities for youth and unemployed graduates, encourage women participation in the workforce and to encourage the replacement of low-skilled foreign workers with local workers: (i) Graduates@Work – Graduate will receive a wage incentive of RM500/month for two years, while employers receive a hiring incentive up to RM300/month for each new hire for two years; (ii) Women@Work – Wage incentive for returning women workers is RM500/month for two years, and a corresponding hiring incentive for employers up to RM300/month for two years; (iii) Locals@Work: Wage incentive for Malaysians who are hired to replace foreign workers is at either RM350 or RM500 per month, depending on the sectors, for a duration of two years, and corresponding hiring incentive for employers up to RM250 per month for two years; and (iv) Apprentice@Work: A TVET incentive programme of additional RM100 per month on existing allowance for trainees on apprenticeships
- Review the Employment Act 1955, which includes the following: (a) Increase maternity leave from 60 days to 90 days effective 2021; (b) Extend the eligibility to overtime from those earning less than RM2,000 per month to those earning less than RM4,000 per month; (c) Improve protection and procedures for handling sexual harassment complains; and (d) Introduce new provisions on the prohibition of discrimination on religion, ethnicity and gender
- Allocate RM5.9bn in 2020 for the development of the Technical & Vocational Education & Training (TVET) programme (i) RM50m through Perbadanan Tabung Pembangunan Kemahiran (PTPK) to fund TVET courses conducted by State Skills Development Centres (SSDCs) to further strengthen the public and private sectors' synergy; (ii) Allow Public Skills Training Institutions (ILKAs) to utilise surplus revenues generated from TVET courses for expenditures such as upgrading equipment and hiring trainers from industry; (iii) RM20m of matching grant fund to support customised TVET courses undertaken in collaboration with industries; (iv) Expand pathways for TVET graduates to pursue further studies and securing jobs; and (v) RM30m to Human Resource Development Fund (HRDF) to train >3,000 youths from low income households
- RM192m is allocated for professional certification programmes under Yayasan Peneraju
- Extend double tax deduction on expenses incurred by companies participating in Skim Latihan Dual Nasional (SLDN) for another two years
- Double tax deduction given to companies undertaking Structured Internship Programme (SIP) approved by Talent Corporation Malaysia Berhad (TalentCorp) will be expanded to include students from all academic fields rather than just engineering and technology

Jobs Creation and Upskilling of Workforce (cont.)



Our view

Pending the announcement of the detailed mechanism by EPF in due course, provide wage incentives and hiring incentives to provide valuable employment may be attractive to the unemployed job seekers and employers needing workers. The Malaysians@Work initiatives are expected to create 350,000 jobs over the next five years and will reduce foreign workers dependency by more than 130,000. As at end-2018, there were officially 2.2 million foreign workers or 15% of national labour force of 15.4 million workforce.

Well-intentioned government-backed employment support programs come with a cost, to be extracted from the pockets of taxpayers. The employability support programs must be thoroughly thought through, planned and monitored to ensure that it deliver the expected outcome and also fiscally sustainable, commensurate with the allocation of public resources.

Countries, which had implemented the government-backed employment and training programs had backfired. Japan paid for training and other forms of supportive programs helping those trying to scratch out a living. But it has swollen the population of "freeters," those under age 35 without permanent jobs. Denmark has scaled down its "Flexicurity" system (state-subsidized programs offering temporary work to prevent layoffs, job training and up to four years of assistance for those without work) into half.

The urgency in upskilling and re-skilling the workforce to improve productivity and to deepen workforce capabilities as well as to reduce reliance on lower skilled foreign workers is vital to stay relevant in a technology-intensive environment.

Beneficiaries:

Youth, graduates, diploma students



Main proposals/initiatives

- Continue to allocate 50% of tourism tax to respective State Governments to support their efforts in conjunction with Visit Malaysia 2020 (VMY2020)
- RM1.1bn to Ministry of Tourism, Arts and Culture (MoTAC) to fulfil the aspirations of VMY2020, including an allocation of RM90m to drive awareness, promotions and programmes for VMY2020 campaign
- Substantial portion of departure levy collected will be allocated for tourism infrastructure projects
- Income tax exemption be given for organisers of approved arts and cultural activities, approved international sports recreational competitions, and conferences organisers
- New investments in international theme park projects will be given income tax exemption of 100% of statutory income or Investment Tax Allowance of 100% to be set off against 70% for 5 years
- Increasing tax deductions given to companies sponsoring arts, cultural and heritage activities in Malaysia from RM700,000 to RM1m per year
- Accelerated Capital Allowance for expenditure incurred on purchase of new locally assembled excursion bus to be fully claimed within 2 years
- Excise duty exemption of 50% for locally assembled vehicles be given to tour operators for purchase of qualified new tourism vehicles
- RM25m to Malaysian Healthcare Tourism Council (MHTC) to strengthen the position of Malaysia as preferred destination for health tourism in ASEAN for oncology, cardiology and fertility treatment, alongside having Malaysia Year of Healthcare Travel 2020
- Licensed travel agents under MoTAC will be allowed to submit group application for up to 100 people per transaction through eNTRI and eVISA system



Our view

Malaysia's Visit Malaysia Year campaign in 2020 has targeted for 30m tourist arrivals with RM100bn of tourist receipts or 6.2% of total GDP in 2020). In conjunction with several mega events in 2020, namely Asia-Pacific Economic Cooperation (APEC), World Congress on Information Technology (WCIT) and Commonwealth Heads of Government Meeting (CHOGM), it is essential for Malaysia to be well-prepared in reaping the huge benefits from higher tourist arrivals. The immigration, police and custom department must be further improved in terms of ease of facilitation and safe to move around in Malaysia as well as our public facilities and amenities must be further enhanced in terms of cleanliness and availabilities. This is to ensure that tourists would have a good impression about Malaysia as a safe place to visit and enjoy. As eco-tourism has been set as the focus point in 2020, the nature sites and locations must be well preserved and maintained properly.

There is a RM90m of allocation to be used for driving awareness and market promotion. ACCCIM M-BECS revealed that 68.3% of respondents opined that the Government should further enhance the effectiveness of tourism promotion, marketing and branding. These can be achieved through various channels such as media, social-media and digital platforms as well as "word-of-mouth" marketing/advertising - frequent travellers and recurrent tourists sharing the good experience of travelling around Malaysia is deemed as one of the best tools for promotion and marketing.

While we view positively the move to allow the eNTRI and eVISA for group application, an outright visa exemption should be given to tourists from China and India as indicated by nearly 74.9% of respondents in ACCCIM M-BECS. This is because of Malaysia has been losing these tourists to the neighbouring countries.

Medical tourism has been growing at a rapid rate of 17% annually from 2015 until 2018, which generated RM1.5bn revenue from 1.2m healthcare travellers.

Beneficiaries:

All tourism-related businesses such as retail, hotels and restaurants, travel agencies, medical tourism and eco-tourism products

Promoting Access to Housing & Ease Property Overhang



Main proposals/initiatives

- Introduce Rent To Own (RTO) financing scheme: Financing of up to RM10bn will be provided by financial institutions with support from Government via a 30% or RM3bn guarantee
- Extend Youth Housing Scheme (10% loan guarantee through Cagamas to enable borrowers of full financing and RM200 monthly instalment assistance for first two years) until 31 December 2021
- RM100m for repair and refurbishment of low and medium cost strata housing
- RM15m to Safe City Initiative (Bandar Selamat)
- Lower the threshold for foreign purchase of condominiums and apartments in urban areas from RM1m to RM600,000
- Review of RPGT treatment on the disposal of property after 5 years from the date of acquisition: The determination of market value as of 1 Jan 2000 for real properties acquired before year 2000 be amended to market value as of 1 Jan 2013 as the acquisition price for the disposal of properties acquire prior to year 2013 for the purpose of RPGT computation

Overhang residential property in 1H 2019

Malaysia	Overhang residential units					
	2-3 Storey Terrance		Condominium/ Apartment		Total	
	Units	RM million	Units	RM million	Units	RM million
Below RM300k	3,212	776	4,677	1,009	11,511	2,279
RM301k-RM600k	4,005	1588	5,406	2,418	11,377	4,817
RM601k-RM800k	1,237	836	1,582	1,040	3,701	2,497
RM901k-RM1mil	712	63	926	790	2,008	1,776
More than RM1mil	862	1,246	1,430	3,023	4,213	8,391
TOTAL	10,028	5,082	14,021	8,280	32,810	19,760

Source: NAPIC

Promoting Access to Housing & Ease Property Overhang (cont.)



Our view

RTO scheme is a welcome initiative for the first-time home buyer to own an affordable house without having to bear high financial commitment at the early stage of home financing scheme.

We hope the Government to consider lower the threshold for foreign purchase of residential properties, which also burdened with large unsold units in 1H 2019 (9,922 units or 30.2% of total overhang) for price ranges between RM600,001 and more than RM1m. The definition of high rise needs to be clearly defined and this measure should include service apartment (which is under commercial title; 13,210 overhang units between RM600,001 and more than RM1m in 1H 2019) instead of only condominium/apartment (which is under residential title). In addition, the Home Ownership Campaign (HOC) which had sold as 21,000 property units value at RM13.4bn should be extended to 31 Dec 2020.

While the revision of base year from Jan 2000 to Jan 2013 for the computation of RGPG for the disposal of property after five years of acquisition, the Government may consider to abolish the RPGT for the disposal of property beyond 5 years on the following reasons:

- (a) It is seen as counter productive to discourage genuine long-term domestic investors;*
- (b) It is effectively a “tax on inflation” that not only hurts homeowners and genuine long-term property investors but also deters investing in property investment as a hedge against inflation;*
- (c) It is also deemed as not equitable as homeowners are investing without monies where income tax has already been paid; and*
- (d) The perpetual RPGT not only dampens the already lacklustre property market but also prevents capital from flowing into the market. In reality, speculative property investment has been dead or non-existent for many years.*

Beneficiaries:

Youth, first time home buyers, foreign buyers, property developers



Main proposals/initiatives

- A total of RM30.6bn will be allocated to the Ministry of Health for healthcare services, including:
 - RM1.6bn for the construction of new hospitals as well as upgrading and expansion of existing ones. These include Tengku Ampuan Rahimah Hospital in Klang, Kampar Hospital and Labuan Hospital
 - RM319m for the construction and upgrading of health and dental clinics, as well as quarters facility
 - In line with the principle of 3R culture, Repair – Replace – and Restore, a total of RM227m to upgrade medical equipment while RM95m for renovation of medical infrastructure and facilities such as at Pontian Hospital
 - An initial allocation of RM60m to kick-start the pneumococcal vaccination for children
 - RM59m for in collaboration with NGO medical ambulance services to acquire more ambulances, to ensure a more responsive emergency and trauma services;
 - RM31m for upgrading and maintenance of ICT services which will include a pilot project for hospital electronic medical records; and
 - RM5m to provide mobile clinics in rural areas, especially Orang Asli in line with the Sustainable Development Goals of achieving universal health coverage
- Expansion of MySalam & PEKA B40
 - For MySalam, it includes cover 45 illnesses from the existing 36; raise the age coverage up to 65 years old from 55 years old, benefiting an additional 1.5m individuals; those with gross annual income up to RM100,000 will receive critical illness pay out of RM4,000 and RM50 daily hospitalisation income replacement for up to 14 days when diagnosed and warded at Government hospitals. This will benefit an additional up to 5m Malaysians
 - For PEKA 40, expanding the coverage of health and cancer for those aged between 50 and 60 years old to those aged 40 and above

Affordable Healthcare in An Inclusive & Caring Society (cont.)



Main proposals/initiatives (cont.)

- EPF will introduce a new category of withdrawals, allowing for fertility treatment such as in-vitro fertilisation (IVF) procedure. Also provide the income tax relief of up to RM6,000 given on expenses incurred for medical treatment of serious illnesses will be expanded to include expenses incurred on fertility treatment.
- Allow for pre-retirement withdrawals for the Private Retirement Schemes for the purposes of healthcare and housing with the same terms and conditions as that allowed by EPF and not subject to any penalty for early withdrawal.

Our view

A wider coverage of medical health services will ease the healthcare expenses for the low and middle-income households, especially elderly persons. MySalam has benefitted 4.3m households and a total of 100,000 have benefited from PEKA B40 initiative.

Beneficiaries:

B40 households, elderly, EPF contributors, private retirement schemes' contributors

Enhancing the Transportation Ecosystem



Main proposals/initiatives

- Invest RM450m to acquire up to 500 electric buses of various sizes for public transport in selected cities nationwide
- Support last-mile connectivity in rural and urban areas by subsidising the bus operators with an allocation of RM146m
- Upgrade the rail tracks from Gorge Line between Halogilat Station to Tenom Station in Sabah at a cost of RM50m
- Invite proposals on public private partnership basis to upgrade the Sultan Azlan Shah Airport in Ipoh including an extension of its runway
- Invest RM85m beginning 2020 to ease congestion at the Causeway and 2nd Link towards enhancing vehicle and traffic flow through the Customs, Immigration and Quarantine Complex (CIQ)
- An additional 50 counters will be opened for motorcyclists and with streamlining of immigration and PLUS counters
- To proceed with the Rapid Transit System (RTS) between Johor Bahru and Singapore

Our view

The improved connectivity via enhanced public transportation ecosystem will reduce cost and time of travelling as well as raise efficiency to facilitate cross-border people to people movements and trade as well as services flows.

Beneficiaries:

Commuters, travellers, Iskandar development

Enhancing Research & Development (R&D) Framework



Main proposals/initiatives

- RM524m to intensify R&D in the public sector
- RM30m for R&D matching grants for collaborations with industry and academia to develop higher value added downstream uses of palm oil, specifically tocotrienol in pharmaceuticals and bio-jet fuel
- RM10m to establish a Research Management Agency to centralise and coordinate management of public research resources
- Establish a one-stop Innovation Office to transform intellectual property into commercially exploitable opportunities to promote commercialisation of R&D from the public sector, research universities
- Income tax exemption of 100% up to 10 years on income generated by intellectual property (IP)

Our view

Malaysia's R&D to GDP (1.44 in 2016) is relatively lower when compared to South Korea (4.55 in 2017), Japan (3.20 in 2017), United States (2.80 in 2017), China (2.13 in 2017) and Singapore (2.22 in 2016), revealing that Malaysia needs to increase its overall R&D expenditure. Despite technology spillovers can be acquired from trade and investment, Malaysia is required to build up a stronger base in order to absorb such technology transfer.

Besides that, it was claimed that the commercialization of R&D was lacking and there were concerns whether the research output from the academic and public research institutions can be practically used by private sector for commercialization use. To ensure that public research output can be utilized by private sector for commercialization, Research Management Agency should be tasked to monitor the impact of R&D and setting KPIs on the R&D conducted.

Beneficiaries:

Organisations with intellectual property income derived from patent and copyright software

Easing Cost of Living



Main proposals/initiatives

- Increase the minimum wage from RM1,100 per month to RM1,200 per month only in major cities effective 2020
- Individual tax relief for fees paid to childcare centres and kindergartens will be increased from RM1,000 to RM2,000
- RM5bn for Bantuan Sara Hidup (BSH) and expand the coverage to 1.1m single individuals aged above 40 years old who are earning less than RM2,000 per month. This brings total recipients to 5m households
- RM575m socio-economic assistance to senior citizens benefiting 137, 000 seniors whose household income is below the poverty level
- The Government will consider to acquire or dispose all shares of PLUS Malaysia Berhad. There will be minimum reduction of average toll charges by 18% discount across all PLUS highways (save highway users up to RM1.1bn in 2020 and RM43bn over the entire concession period till 2038). The government also approved the proposed offer to acquire 4 Klang Valley highways, which will provide a savings nearly RM180m/year, or RM2bn over the respective concession periods; toll rates for cars at Second Penang Bridge will be reduced from RM8.50 to RM7.00
- Cash transfer of petrol subsidy to eligible BSH recipients; special Kad95 for non-BSH recipients to enjoy subsidy; RON95 market price will be determined by the Automatic Pricing Mechanism (APM) in West Malaysia starting 2020
- Cash payment of RM500 for civil servants Grade 56 and below and RM250 for pensioners. Increase cost of living allowance (COLA) by RM50 per month for civil servants with an additional allocation of RM350m

Our view: *The continued payment of BSH scheme (RM5bn for 5m households) and increase in minimum wage are expected to support consumption of B40 income households, which account for 25% of total national consumption. The targeted recipients of BSH will be given fuel subsidy of RM144 per year for motorcyclist and RM360 per year for motorists respectively while non-BSH car owners or motorcyclists will enjoy Kad95 subsidy by 1Q2020. This is to provide partial relief to households when RON95 pump price will be adjusted gradually on a managed float starting January 2020, which may see an increase in the general price level. It is disheartening that there is no higher personal tax relief or lifestyle allowance except for an increase in relief for childcare.*

Beneficiaries: *B40, car owners and motorcyclists, toll users, low wage earners in major cities*

Enhancing Revenue: Taxing Top Income Earners

- A new tax band (annual chargeable income above RM2m) will be introduced with a tax rate of 2%-pt higher to 30% from 28% previously. About 2,000 super rich persons will be captured under this new band. It must be noted that the highest tax band in Singapore is taxed at 22% only. Non-resident taxpayers will also be slapped with a flat tax rate of 30% starting YA2020 (28% since YA2016).

Our view: Higher marginal tax rate may dampen work efforts, affect productivity and constraint talent retention. Talented persons may seek employment elsewhere that offers more attractive and competitive income tax rate coupled with a strong exchange rate and purchasing power.

Historical Personal Income Tax Rate by Income Bracket

Chargeable Income (RM)	YA2008	YA2009	YA2010-2012	YA2013-2014	YA2015	YA2016-2017	YA2018-2019	YA2020
1-2,500	0	0	0	0	0	0	0	0
2,501-5,000	1	1	1	0	0	0	0	0
5,001-20,000	3	3	3	2	1	1	1	1
20,001-35,000*	7	7	7	6	5	5	3	3
35,001-50,000	13	12	12	11	10	10	8	8
50,001-70,000	19	19	19	19	16	16	14	14
70,001-100,000	24	24	24	24	21	21	21	21
100,001-250,000	27	27	26	26	24	24	24	24
250,001-400,000	28	27	26	26	24.5	24.5	24.5	24.5
400,001-600,000	28	27	26	26	25	25	25	25
600,001-1,000,000	28	27	26	26	25	26	26	26
1,000,001-2,000,000	28	27	26	26	25	28	28	28
Exceeding 2,000,000	28	27	26	26	25	28	28	30

* Special income tax rebate of RM400 for chargeable income less than RM35,000 starting YA2009 (RM350 in YA2001-2008)

Source: LHDN

Empowerment of Bumiputera Agenda



Main proposals/initiatives

- Allocate a total of RM8.0bn to assist the Bumiputera institutions and entrepreneurs, including the following:
 - RM6.6bn for Bumiputera institutions focused on education such as Majlis Amanah Rakyat (MARA), Universiti Teknologi Mara (UiTM) and Yayasan Peneraju Pendidikan Bumiputera
 - RM1bn of financing for Bumiputera SMEs such as through SJPP and SME Bank
 - RM445m for entrepreneurship programmes mainly under SMECorp, Pelaburan Hartanah, PUNB, TEKUN and TERAJU
- Continue to ensure at least 30% of tenders of each Ministry are reserved for only Bumiputera contractors

Our view

Year to date until August 2019, Bumiputera companies have successfully secured new projects via tender valued at more than RM3.6bn worth of contracts awarded by the Government in 2019. Over a period of 20 years (1996-2015), there were RM1.1trn worth of government procurement for development, supplies and services, of which over 50% estimated contracts awarded to Bumiputera. Still, Bumiputera SMEs contribution to GDP was below 9% in 2015.

The under-performance of Bumiputera reflected significant flaws of the affirmative action policies to drive Bumiputera economic empowerment agenda. The pervasive and entrenched corrupt practices as well as distribution of leakages in the supply chain had not improved Bumiputera condition as was intended.

This calls for a radical and bold revamp of the policy to ensure that public resources are efficiently distributed to achieve the intended outcome, giving fair opportunities to those having abilities and competencies to deliver, and not to those taking a free ride on public procurement, including contracts, APs and government's grants to make quick gains.

A centralised agency overseeing the government's procurement projects and contracts should be tasked to monitor and track the performance of Bumiputera's involvement in the implementation of projects. The Government should also consider to institutionalise a mechanism to ensure better governance of the public procurement and the deserving ones will be given the opportunities.

Narrow Rural-Urban Divide and Regional Development



Main proposals/initiatives

- Increase the allocation for rural development projects to RM10.9bn in 2020 (RM9.7bn in 2019)
- RM587m for rural water projects, out of which RM470m for Sabah and Sarawak to meet our target of 99% access to clean water
- RM500m on rural electrification benefiting more than 30,000 rural households, with a majority of the beneficiaries living in Sabah and Sarawak
- Build rural roads with a total allocation of RM1bn throughout Malaysia, primarily targeted at Sabah and Sarawak. Rural road projects in Sabah amount to RM326m and Sarawak amounts to RM224m and will benefit 145,000 rural population
- To complete the Pan-Borneo Highway project, which is an important catalyst to economic growth in Sabah and Sarawak. The savings from the on-going cost rationalisation to date is RM1.2bn, reducing the project cost to RM29bn. An important component of this project from savings is the package worth RM600m for the 40 km Jalan Kalabakan-Serudong and the construction of the Customs, Immigration, Quarantine and Security Complex (CIQS) and government housing quarters
- For 2020, Sabah and Sarawak will receive the largest portion of development expenditures amounting to RM5.2bn and RM4.4bn respectively
- For the first time, the Government proposes to increase the rate of Special Grant for 2020 to RM53.4m for Sabah and RM32m for Sarawak. The Government plans to double the rate again to RM106.8m to Sabah and RM64m for Sarawak within 5 years
- RM4.85bn is also provided under the MARRIS fund from the Federal to all state governments to upgrade roads, slopes, bridges and drains utilising up to 15% or RM20m from MARRIS funds allocated to each state, whichever is lower
- RM170m toward subsidising the cost of transportation and distribution for basic goods to rural areas

Our view

This marks the beginning of a sharing of economic prosperity and inclusive development agenda aims at narrowing the urban-rural divide by expanding coverage of basic infrastructure for rural areas, particularly for Sabah and Sarawak.

Other significant measures



Main proposals/initiatives

Growing Islamic Finance

- Tax deductions on the cost of issuance and additional deductions on Sukuk issuance costs under principle of Wakalah will be extended until YA2025
- Tax exemption for fund management companies managing Shariah compliant funds and SRI funds, and tax deduction on the cost of issuing SRI Sukuk will be extended until YA2023
- To further promote the development of REITs, the existing tax treatment be extended for a period of 6 years

Our view: *This would continue to support Malaysia as a leading Islamic Sukuk issuer (Malaysia issued US\$13.9bn or 35.1% of the total US\$39.5bn Sukuk issued as at 1Q19), particularly to support a sustainable and responsible investment (SRI) Sukuk market, which Indonesia is currently also aiming for.*

Green Growth and Energy for the Future; Promoting Environmental Sustainability

- Green Investment Tax Allowance (GITA) and Green Income Tax Exemption (GITE) incentives will be extended to 2023
- A 70% income tax exemption of up to 10 years will be given to companies undertaking solar leasing activities
- RM30m to raise the capability and capacity of the Department of Environment and Department of Chemistry to tackle rivers' pollution
- Allocate RM443.9m towards flood mitigation projects and RM150m towards the maintenance of existing flood retention ponds

Our view: *The extension of the GITA and GITE would continue to encourage sustainability and green growth areas. With the emergence of energy-efficient technologies, the adoption of better standards and regulations as well as putting the right policies to pursue green growth, it can help Malaysia to gain a competitive advantage. Green initiative and environmentally sustainable will be one of the main dimensions in the formulation of 12th Malaysia Plan.*

Thrust 1: Driving Economic Growth in the New Economy and Digital Era

(Extracted from 2020 Budget Speech)

Strategy	Key measures and initiatives
1. Making Malaysia the Preferred Destination for Investment	<p>Trade War Opportunities</p> <ul style="list-style-type: none"> Established the National Committee on Investment (NCI), jointly chaired by the Minister of Finance and the Minister of International Trade and Industry Embarked a comprehensive review and revamp of the existing incentive framework, comprising the Promotion of Investments Act 1986, Special Incentive Package and incentives under the Income Tax Act 1967; new framework is expected to be ready by 1 Jan 2021 Make available up to RM1bn worth of customised packaged investment incentives annually over 5 years, as part of the strategic push to attract targeted Fortune 500 companies and global unicorns in high technology, manufacturing, creative and new economic sectors Make available up to RM1bn in customised packaged investment incentives annually over 5 years, strictly conditional upon companies proving their ability to grow and export their products and services globally RM10m on post-approval investment monitoring and realisation Income tax exemption up to 10 years to E&E companies investing in selected knowledge-based services Special Investment Tax Allowance to encourage companies in E&E sector that have exhausted the Reinvestment Allowance to further reinvest in Malaysia Extend Accelerated Capital Allowance (ACA) and automation equipment capital allowance from YA2020 to YA2023 Expand incentive to services sector on first RM2m incurred on qualifying capital expenditure from YA2020 to YA2023 RM550m to provide Smart Automation matching grants to 1,000 manufacturing and 1,000 services companies to automate business processes (up to RM2m/company) <p>Improving Competitiveness</p> <ul style="list-style-type: none"> Undertaking an in-depth feasibility study on the development of Pulau Carey RM50m for the repair and maintenance of roads leading to Port Klang Commence feasibility studies on the Serendah-Port Klang Rail Bypass for cargo shipments and the Klang Logistics Corridor, estimated to cost RM8.3bn Introduce a deferred payment facility to expedite the clearance process of cross border transactions Strengthen trade with Thailand via our 100-acre logistics hub, Kota Perdana Special Border Economic Zone (SBEZ) at Bukit Kayu Hitam Allocate an additional RM50m to stimulate public-private partnerships for the development of a Truck Depot RM1.1bn to support projects for corridor development: (i) Chuping Valley Industrial Area in Perlis by NCIA (RM50m); (ii) Kuantan Port related projects by ECERDC (RM69.5m); (iii) Sungai Segget Centralised Sewerage Treatment Plant in Johor by IRDA (RM42m); (iv) Samalaju Industrial Park in Sarawak by RECODA (RM55m); and (v) Sabah Agro-Industrial Precinct by SEDIA (RM20m)

Strategy	Key measures and initiatives
2. Accelerating the Digital Economy	<p>Building Digital Infrastructure</p> <ul style="list-style-type: none"> Implementing National Fiberisation & Connectivity Plan (NFCP) over next 5 years involving a total investment of RM21.6bn RM250m to improve connectivity in remote areas, especially in Sabah and Sarawak RM210m to accelerate the deployment of new digital infrastructure for public buildings and high impact areas such as industrial parks <p>Building Digital Applications</p> <ul style="list-style-type: none"> Introduce a 5G Ecosystem Development Grant worth RM50m RM25m to set up a contestable matching grant fund to spur more pilot projects on digital applications RM20m to grow local champions in creating digital content, especially in e-Games, animation and digital arts <p>Building Digital Companies</p> <ul style="list-style-type: none"> RM500m over 5 years: 50% matching grant of up to RM5,000/company for the subscription of digitalisation measures for business operations, e.g. Point Of Sale systems (e-POS), Enterprise Resource Planning (ERP) and electronic payroll system (limited to first 100,000 SMEs) RM550m to provide Smart Automation matching grants to 1,000 manufacturing and 1,000 services companies to automate business processes (up to RM2m/company) RM70m to build up to 14 one-stop Digital Enhancement Centres in all states to facilitate access to financing and capacity building RM20m to Cradle Fund for the provision of training and grants to seed companies <p>Building Digital Malaysians</p> <ul style="list-style-type: none"> Introduce the concept of Digital Social Responsibility (DSR); contributions towards DSR by the companies will be given tax deduction RM10m to MDEC to train micro-digital entrepreneurs and technologists RM20m to grow potential of eSports RM450m: One-time RM30 digital stimulus to 15m qualified Malaysians to use e-wallets
3. Strengthening Access to Financing for Businesses	<ul style="list-style-type: none"> Government guarantee under SJPP will be increased from 70% to 80% and reduce the guarantee fee to only 0.75%; new allocation of RM500m earmarked for women entrepreneurs SME Bank will introduce two new funds with annual interest subsidy of 2%: (i) RM200m for women entrepreneurs, offering loans of up to RM1m/SME; and (ii) RM300m to support Bumiputera SMEs with priority given to producers of halal products and manufacturers with high local content RM10m to focus on advocacy and awareness for halal certification, halal product development and providing platforms for local players to tap on global halal market Increase the ceiling per company for Market Development Grant (MDG) from RM200,000 to RM300,000 yearly; ceiling for participation in each export fair from RM15,000 to RM25,000 RM50m to encourage SMEs to engage in more export promotion activities RM50m to My Co-Investment Fund (MyCIF) to help finance the underserved SMEs Tax incentives given to venture capital and angel investors will be extended until the YA2023

Strategy	Key measures and initiatives
3. Strengthening Access to Financing for Businesses (cont.)	<ul style="list-style-type: none"> • RM1bn 1:5 matching guarantee for dedicated private equity funds to invest in Malaysian consortiums bidding for projects and concessions overseas • RM445m to support Bumiputera entrepreneurial development: (i) RM150m for overall entrepreneurship development and upskilling by Perbadanan Usahawan Nasional Berhad (PUNB); (ii) RM75m by SME Corporation (SMECorp) for capacity building and export focus for Bumiputera SMEs; (iii) RM170m in total for access of financing via TEKUN, SME Bank and Pelaburan Hartanah Berhad; and (iv) RM50m for entrepreneurship under Unit Peneraju Agenda Bumiputera, Ministry of Economic Affairs (MEA) • Offering a 2% interest subsidy per annum to support strategic projects through financing programmes under Bank Pembangunan Malaysia Berhad via (i) Sustainable Development Financing Fund size increased from RM1bn to RM2bn; (ii) RM1bn Maritime & Logistics Fund; and (iii) RM2bn Industry Digitalisation Transformation Fund • RM100m for Small Business Loans for the Chinese community at an interest rate of 4% • RM20m under TEKUN Nasional's Skim Pembangunan Usahawan Masyarakat India (SPUMI) at an interest rate of 4% <p>Restructuring Development Financial Institutions (DFIs)</p> <ul style="list-style-type: none"> • Propose a 2-phase restructuring plan for DFIs to form a new financial institution through the merger of Bank Pembangunan Malaysia, Danajamin Nasional, SME Bank, and the Export-Import Bank of Malaysia <p>Growing Islamic Finance</p> <ul style="list-style-type: none"> • Established Special Committee on Islamic Finance (JKKI) to formulate Islamic Economic Blueprint and organise outreach initiatives and professional courses to promote deeper understanding of Islamic Finance nationwide • Tax deductions on the cost of issuance and additional deductions on sukuk issuance costs under principle of Wakalah will be extended until YA2025 • Tax exemption for fund management companies managing Shariah compliant funds and SRI funds, and tax deduction on the cost of issuing SRI Sukuk will be extended until YA2023
4. Strengthening Economic Diversity	<p>Green Growth and Energy for the Future</p> <ul style="list-style-type: none"> • Decided to migrate the current power purchase system towards a wholesale market in the future; renewable energy suppliers will also be able to compete directly in the retail market • Green Investment Tax Allowance (GITA) and Green Income Tax Exemption (GITE) incentives will be extended to 2023; a 70% income tax exemption of up to 10 years will be given to companies undertaking solar leasing activities • Accelerate Energy Performance Contracting (EPC) implementation for Government buildings, prioritising hospitals and education institutions <p>Commodity Development</p> <ul style="list-style-type: none"> • RM550m palm oil replanting loan fund for smallholders collateral-free at an interest rate of 2% per annum, with a tenure of 12 years including a 4 year moratorium on repayment. • RM27m to support Malaysian Palm Oil Board's (MPOB) efforts to market palm oil internationally and counter anti-palm oil campaigns • Enhance implementation of biodiesel, with the B20 biodiesel for the transport sector to be implemented by the end of 2020

Strategy	Key measures and initiatives
4. Strengthening Economic Diversity (cont.)	<p>Commodity Development (cont.)</p> <ul style="list-style-type: none"> • RM200m for Bantuan Musim Tengkujuh to eligible rubber smallholders under RISDA and Lembaga Industri Getah Sabah (LIGS) • RM100m for Rubber Production Incentive enhance income of smallholders faced with low rubber prices • RM810m for welfare of FELDA community: (i) RM250m for an income enhancement program benefiting 11,600 settlers; (ii) RM300m to write-off the interest of settlers' debts; (iii) RM100m for FELDA water supply projects; (iv) RM70m for housing new generation of FELDA settlers; and (v) RM90m for upgrading of FELDA roads and basic infrastructure • RM738m for RISDA and Federal Land Consolidation and Rehabilitation Authority (FELCRA) to implement various income-generating programmes to benefit >300,000 RISDA and 100,000 FELCRA smallholders <p>Increasing the Incomes of Farmers</p> <ul style="list-style-type: none"> • RM4.9bn to Ministry of Agriculture (MOA) with a special focus towards enhancing incomes of farmers • Increase fishermen allowance from RM200 to RM250/month, with total allocation of RM152m • RM150m to facilitate crop integration to help supplement their income • RM30m for the production of glutinous rice in Langkawi Island, expected to benefit 1,200 farmers • RM855m under the Skim Baja Padi Kerajaan Persekutuan (SBPKP) and Skim Insentif Pengeluaran Padi (SIPP) to raise the padi yield • Continue the subsidy for Padi Bukit and Padi Huma • RM43m for Agriculture Industry 4.0 to develop new crop varieties with higher productivity and quality <p>Enhancing Research & Development (R&D) Framework</p> <ul style="list-style-type: none"> • RM524m to intensify R&D in the public sector • RM30m for R&D matching grants for collaborations with industry and academia to develop higher value added downstream uses of palm oil, specifically tocotrienol in pharmaceuticals and bio-jet fuel • RM10m to establish a Research Management Agency to centralise and coordinate management of public research resources • Establish a one-stop Innovation Office to transform intellectual property into commercially exploitable opportunities to promote commercialisation of R&D from the public sector, research universities • Tax exemption for IP-generated income based on the Modified Nexus Approach (MNA) derived from patents and copyright software for a period of up to 10 years • RM11m towards initiatives by the Ministry of Education (MOE) in collaboration with Ministry of Environment, Science, Technology and Climate Change (MESTECC) to inculcate the Science, Technology and Innovation (STI) culture, encouraging more students into the fields of Science, Technology, Engineering and Mathematics (STEM) <p>Visit Malaysia 2020</p> <ul style="list-style-type: none"> • Continue to allocate 50% of tourism tax to respective State Governments to support their efforts in conjunction with Visit Malaysia 2020 (VMY2020) • RM1.1bn to Ministry of Tourism, Arts and Culture (MoTAC) to fulfil the aspirations of VMY2020, including an allocation of RM90m to drive awareness, promotions and programmes for VMY2020 campaign • Substantial portion of departure levy collected will be allocated for tourism infrastructure projects

Strategy	Key measures and initiatives
4. Strengthening Economic Diversity (cont.)	<p>Visit Malaysia 2020 (cont.)</p> <ul style="list-style-type: none"> Income tax exemption be given for organisers of approved arts and cultural activities, approved international sports recreational competitions, and conferences organisers New investments in international theme park projects will be given income tax exemption of 100% of statutory income or Investment Tax Allowance of 100% to be set off against 70% for 5 years Increasing tax deductions given to companies sponsoring arts, cultural and heritage activities in Malaysia from RM700,000 to RM1m/year Accelerated Capital Allowance for expenditure incurred on purchase of new locally assembled excursion bus to be fully claimed within 2 years Excise duty exemption of 50% for locally assembled vehicles be given to tour operators for purchase of qualified new tourism vehicles RM100m towards construction of a new cable car system to Penang Hill RM5m to Cultural Economy Development Agency (CENDANA) to support Malaysian visual art galleries and exhibition organisers in holding art exhibitions RM10m will be allocated to Think City to preserve culture and urban heritage RM25m to Malaysian Healthcare Tourism Council (MHTC) to strengthen the position of Malaysia as preferred destination for health tourism in ASEAN for oncology, cardiology and fertility treatment, alongside having Malaysia Year of Healthcare Travel 2020 Licensed travel agents under MoTAC are allowed to submit group application for up to 100 people per transaction through eNTRI and eVISA system

Thrust 2: Investing in Malaysians: Levelling Up Human Capital

Strategy	Key measures and initiatives
5. Enhancing job opportunities for Malaysians	<p>Malaysians@Work</p> <ul style="list-style-type: none"> A total of RM6.5bn over five years, expected to create an additional 350,000 jobs for Malaysians and reduce foreign workers dependency by more than 130,000 Graduates@Work: Graduate who secures work will receive a wage incentive of RM500/month for two years, while employers receive a hiring incentive up to RM300/month for each new hire for two years, expected to benefit 35,000 graduates Women@Work: Wage incentive for returning women workers (who have stopped working for a year or more and are between 30-50 years old) is RM500/month for two years, and a corresponding hiring incentive for employers up to RM300/month for two years, expected to create 33,000 job opportunities per year for women Income tax exemption for women who return to work after a career break be extended until 2023 Locals@Work: Wage incentive for Malaysians who are hired to replace foreign workers is at either RM350 or RM500 per month, depending on the sectors, for a duration of two years, and corresponding hiring incentive for employers up to RM250 per month for two years Apprentice@Work: A TVET incentive programme of additional RM100 per month on existing allowance for trainees on apprenticeships

Strategy	Key measures and initiatives
5. Enhancing job opportunities for Malaysians (cont.)	Malaysians@Work (cont.) <ul style="list-style-type: none"> • Extend double tax deduction on expenses incurred by companies participating in Skim Latihan Dual Nasional (SLDN) for another two years • Double tax deduction given to companies undertaking Structured Internship Programme (SIP) approved by Talent Corporation Malaysia Berhad (TalentCorp) will be expanded to include students from all academic fields rather than just engineering and technology • RM30m to provide more TASKAs, focusing especially on hospitals and schools • Individual tax relief for parents who enrol their children in registered nurseries and kindergartens will be increased from RM1,000 to RM2,000
6. Modernising the Labour Market	<ul style="list-style-type: none"> • Review Employment Act 1955: (i) Increase maternity leave from 60 days to 90 days effective 2021; (ii) Extend the eligibility to overtime from those earning less than RM2,000 to those earning less than RM4,000 per month; (iii) Improve protection and procedures for handling sexual harassment complaints; and (iv) Introduce new provisions on the prohibition of discrimination on religion, ethnicity, and gender • Increase the minimum wage rate only in major cities to RM1,200/month effective 2020 Enhancing social protection <ul style="list-style-type: none"> • Employees Provident Fund (EPF) will extend coverage to contract workers • Self-Employment Social Security Scheme by the Social Security Organisation (SOCSO) will be expanded to enable contributions by other self-employed groups across 18 key sectors, such as fishermen, farmers, sole proprietors and partnerships • A new RM500m rehabilitation centre in Perak, equipped with the latest technology including robotics, trauma treatment and with a centre of excellence for prevention of accidents • RM20m to further extend the benefits under i-Suri via social safety coverage under SOCSO
7. Investing in Education and Talent	Upgrading our Schools <ul style="list-style-type: none"> • RM735m for school maintenance and upgrading works • RM783m on repairing dilapidated schools • RM23m to ensure that national school facilities are disabled friendly • RM12m to include sewerage services in utility assistance benefitting 2,000 government-aided schools Mainstreaming TVET <ul style="list-style-type: none"> • RM5.9bn: (i) RM50m through Perbadanan Tabung Pembangunan Kemahiran (PTPK) to fund TVET courses conducted by State Skills Development Centres (SSDCs) to further strengthen the public and private sectors' synergy; (ii) Allow Public Skills Training Institutions (ILKAs) to utilise surplus revenues generated from TVET courses for expenditures such as upgrading equipment and hiring trainers from industry; (iii) RM20m of matching grant fund to support customised TVET courses undertaken in collaboration with industries; (iv) Expand pathways for TVET graduates to pursue further studies and securing jobs; and (v) RM30m to Human Resource Development Fund (HRDF) to train >3,000 youths from low income households

Strategy	Key measures and initiatives
7. Investing in Education and Talent (cont.)	<p>Professional certifications</p> <ul style="list-style-type: none"> Expand education withdrawal from EPF for qualifications attained at certificate level, especially for accredited programmes that are in line with nation's IR4.0 aspirations RM20m to be matched by another RM20m from HRDF towards encouraging working adults to undertake professional certification examinations in fields relating to IR4.0 <p>MARA and Yayasan Peneraju</p> <ul style="list-style-type: none"> RM1.3bn for MARA, with a further RM2bn allocated for student loans RM192m is allocated for professional certification programmes under Yayasan Peneraju

Thrust 3: Creating a United, Inclusive and Equitable Society

Strategy	Key measures and initiatives
8. Inclusive Development	<p>Narrowing Inequality and the Rural-Urban Divide</p> <ul style="list-style-type: none"> RM587m for rural water projects, of which RM470m for Sabah and Sarawak to meet target of 99% access to clean water RM500m on rural electrification benefiting more than 30,000 rural households RM1bn for rural roads, primarily targeted at Sabah (RM326m) and Sarawak (RM224m) RM600m for the 40 km Jalan Kalabakan-Serudong and construction of Customs, Immigration, Quarantine and Security Complex (CIQS) and government housing quarters Double the Special Grant under Section 112D of the Federal Constitution to RM53.4m for Sabah and RM32m for Sarawak; will double again within 5 years RM4.85bn provided under MARRIS fund to all state governments to maintain roads and allow upgrading of roads, slopes, bridges and drains utilising up to 15% or RM20m, whichever lower RM170m subsidising the cost of transportation and distribution for basic goods to rural areas <p>Bantuan Sara Hidup (BSH)</p> <ul style="list-style-type: none"> RM5bn for BSH and expand to cover 1.1m single individuals aged above 40 years old who are earning <RM2,000/month Disabled persons aged 18 years old and above, with an income <RM2,000/month will receive BSH payment of RM300 and qualified as recipient of the free MySalam Takaful scheme <p>Social Enterprise and Community Development</p> <ul style="list-style-type: none"> RM575m socio-economic assistance to senior citizens benefiting 137,000 seniors whose household income is below the poverty level RM4.6m to Senior Citizens Activity Centre (PAWE) to cover expenditure of 129 centres across Malaysia, benefiting 37,000 senior citizens RM80m towards upgrading, repair and maintenance of 67 various institutions under Department of Social Welfare (JKM) RM25m for the management, administration and expansion of the Food Bank program RM20m for 5 new Independent Learning Centres, Down Syndrome training and a disabled TASKA All training and coaching services provided by training service provider to disabled persons will be exempted from services tax

Strategy	Key measures and initiatives
8. Inclusive Development (cont.)	<p>Social Enterprise and Community Development (cont.)</p> <ul style="list-style-type: none"> • RM15m to the National Anti-Drugs Agency's pilot RINTIS program • RM4.5m to Anjung Singgah, benefit about 7,000 homeless Malaysians • RM20m to expand skills training and programmes that meet national TVET standard for inmates in areas such as in food & beverage, carpentry, laundromat and metal works • RM10m to Malaysian Global Innovation & Creativity Centre (MaGIC) to support social enterprises • RM10m to MyCIF specifically for social enterprises to fundraise via P2P Financing platforms • Increase donation reporting threshold to RM20,000 • Increase tax deduction on donation for charitable and sports activities and projects of national interest for tax payer other than companies to 10% from aggregate income; tax deduction expanded to (i) Cash wakaf contribution to state religious authorities or a body established by state religious authorities administering wakaf; (ii) Cash wakaf contribution to public universities allowed by state religious authorities to receive wakaf; and (iii) Cash endowment contribution to public universities • Tax exemption will be extended to religious institution or organisation registered as a Company Limited By Guarantee with Companies Commission of Malaysia • RM57m to provide and improve welfare and assistance of Orang Asli • RM83m for overall economic development, education and infrastructure of the Orang Asli • RM100m to Malaysian Indian Transformation Unit (MITRA), of which 80% will be programme-based not organisation specific to strengthen initiatives targeted at improving the socio-economic situation, skills development, health, education and women empowerment • RM85m to support the development and repair of basic infrastructure in new villages <p>Bumiputera Agenda</p> <ul style="list-style-type: none"> • RM8bn including: (i) RM6.6bn provided for Bumiputera institutions focused on education; (ii) RM1bn of financing for Bumiputera SMEs such as through SJPP and SME Bank; and (iii) RM445m provided for entrepreneurship programmes • At least 30% of tenders of each Ministry are reserved for only Bumiputera contractors <p>Upholding Islam</p> <ul style="list-style-type: none"> • RM1.3bn for Islamic affairs • Increase allowance to Al-Quran dan Fardu Ain class (KAFA) Teachers by RM100 a month to 33,200 existing KAFA teachers with an additional cost of RM46m • One-off special bonus of RM500 for each Imam, Bilal (Muezzin), Tok Siak/Noja/Merbot (mosque caretakers) and Guru Takmir • RM10m for Rahmatan Lil-Alamin

Strategy	Key measures and initiatives
9. Towards Better Health Services	<ul style="list-style-type: none"> • RM30.6bn for (i) RM1.6bn for the construction of new hospitals as well as upgrading and expansion; (ii) RM319m for the construction and upgrading of health and dental clinics, as well as quarters facility; (iii) RM227m will be provided to upgrade medical equipment; (iv) RM95m for renovation of medical infrastructure and facilities; (v) RM60m will be provided to kick-start the pneumococcal vaccination for children; (vi) RM59m will be allocated in collaboration with NGO medical ambulance services to acquire more ambulances; (vii) RM31m is allocated for upgrading and maintenance of ICT services; and (viii) RM5m to provide mobile clinics in rural areas <p>Expansion of MySalam & PEKA B40</p> <ul style="list-style-type: none"> • Coverage will be extended to 45 illnesses from existing 36, including polio and terminal illness • Coverage will be extended to those aged up to 65 years old, compared to current 55 years old, benefiting an additional 1.5m individuals • Coverage will be extended to those with gross annual income up to RM100,000 and they will receive critical illness pay out of RM4,000 and RM50 daily hospitalisation income replacement for up to 14 days, benefit an additional up to 5m Malaysians • Expand coverage for Skim Peduli Kesihatan (PeKA) B40 to those aged 40 and above <p>Fertility Incentive</p> <ul style="list-style-type: none"> • EPF will introduce a new category of withdrawals, allowing for fertility treatment such as in-vitro fertilisation (IVF) procedure • income tax relief on expenses incurred for medical treatment of serious illnesses will be expanded to include expenses incurred on fertility treatment <p>Private Retirement Schemes (PRS)</p> <ul style="list-style-type: none"> • Allow pre-retirement withdrawals for Private Retirement Schemes for the purposes of healthcare and housing without penalty
10. Enhancing the Transportation Ecosystem	<p>Prioritising Public Transport</p> <ul style="list-style-type: none"> • Invests RM450m to acquire up to 500 electric buses of various sizes for public transport in selected cities nationwide • RM146m subsidy for bus operators • RM50m to upgrade rail tracks from Gorge Line between Halogilat Station to Tenom Station in Sabah <p>Sultan Azlan Shah Airport, Ipoh</p> <ul style="list-style-type: none"> • Upgrade Sultan Azlan Shah Airport in Ipoh to include an extension of its runway <p>Easing Johor Causeway</p> <ul style="list-style-type: none"> • Invest RM85m to better ease congestion at the Causeway and 2nd Link • An additional 50 counters will be opened for motorcyclists and with streamlining of immigration and PLUS counters • Proceed with Rapid Transit System (RTS) between Johor Bahru and Singapore <p>Reducing Highway Toll Burden</p> <ul style="list-style-type: none"> • Minimum reduction of average toll charges by 18% discount across all PLUS highways • Savings to the four Klang Valley highway users nearly RM180m/year, or RM2bn over the respective concession periods • Toll rates for cars at Second Penang Bridge will be reduced from RM8.50 to RM7.00

Strategy	Key measures and initiatives
10. Enhancing the Transportation Ecosystem (cont.)	Targeted Fuel Subsidy <ul style="list-style-type: none"> Cash transfer of petrol subsidy to eligible BSH recipients Special Kad95 for non-BSH recipients to enjoy RON95 subsidy RON95 market price will be determined by the Automatic Pricing Mechanism (APM) in West Malaysia starting 2020
11. Promoting Access to Housing	Fund for Affordable Homes <ul style="list-style-type: none"> Introduce Rent To Own (RTO) financing scheme: Financing of up to RM10bn will be provided by financial institutions with support from Government via a 30% or RM3bn guarantee; provide stamp duty exemptions on the instruments of transfer in this scheme Lower threshold on high rise property prices in urban areas for foreign ownership from RM1m to RM600,000 Extend Youth Housing Scheme (10 percent loan guarantee through Cagamas to enable borrowers of full financing and RM200 monthly instalment assistance for first two years) until 31 December 2021 RPGT treatment: Revise base year for asset acquisition at 1 Jan 2013 for asset acquired before 1 Jan 2013 Maintenance of Public Housing <ul style="list-style-type: none"> RM100m for repair and refurbishment of low and medium cost strata housing RM15m to Safe City Initiative (Bandar Selamat)
12. Unity through Sports	<ul style="list-style-type: none"> RM299m to implement Sports For All program throughout the country RM179m for preparation in international sporting events RM45m for National Football Development Programme RM10m to further promote women in sports and nurture the next generation of world class sportswomen RM138m for the Youth Power Club (YPC), Malaysia Future Leaders School (MFLS) and volunteerism initiatives
13. Promoting Environmental Sustainability	<ul style="list-style-type: none"> RM30m to raise the capability and capacity of the Department of Environment and Department of Chemistry to protect environment RM443.9m towards flood mitigation projects and RM150m towards maintenance of existing flood retention ponds RM100m Disaster Assistance Fund to provide loans at an interest rate of 4% Preserve Our Forests <ul style="list-style-type: none"> RM48m to preserve Malaysia's pristine forests and natural biodiversity, of which RM10m will be utilised as a matching grant against private sector contributions towards conservation and biodiversity initiatives RM15m to Malaysian Conservation Alliance for Tigers (MyCat) and Sepilok Orangutan Rehabilitation Centre and other NGOs RM20m will be provided to employ more forest rangers to protect flora and fauna Sustainable Development Goals (SDG) <ul style="list-style-type: none"> RM10m towards a joint Government-UN Sustainable Development Goals (SDG) fund to co-finance SDG initiatives in Malaysia RM5m to support convening of Parliamentary Select Committee meetings and for greater engagement by Members of Parliament with civil society Defence and Public Security <ul style="list-style-type: none"> RM16.9bn to Ministry of Home Affairs and RM15.6bn to Ministry of Defence

Thrust 4: Creating a United, Inclusive and Equitable Society

Strategy	Key measures and initiatives
14. Commitment to Fiscal Consolidation	<p>Enhancing Government Revenue</p> <ul style="list-style-type: none"> • New band for taxable income in excess of RM2m be introduced and taxed at 30%, • Chargeable income subjected to 17% rate will be increased to RM600,000 • Merge Special Commissioner of Income Tax and Customs Appeal Tribunal into the Tax Appeal Tribunal, to be operation in 2021 • Malaysians above the age of 18 and corporate entities will be assigned a Tax Identification Number (TIN) • RM235m to purchase 20 additional cargo scanners to be placed at all strategic ports of entry to strengthen enforcement and to reduce leakages from smuggling through containerised cargo and wrongful declaration for customs duties • Propose a higher minimum mandatory penalty of RM100,000 for illegal gamblers, along with a minimum mandatory jail sentence of 6 months • Higher minimum mandatory penalty of RM1m and a 12-month minimum mandatory jail sentence will be imposed for illegal gambling operators • Total number of special draws for Numbers Forecast Operator (NFO) will be reduced from 11 to 8 times a year • Generate revenue of >RM3bn by disposing assets which were approved previously via competitive bidding process • Bandar Malaysia Project will include a People's Park, with an additional 5,000 units of affordable homes and greater Bumiputera participation throughout the project <p>Rationalising Government Expenditure</p> <ul style="list-style-type: none"> • Centralise and combine tender and procurement of RM500m worth of medicine across Ministry of Health, Ministry of Defence and University Hospitals • Increase operating expenditure allocation for maintenance and repair of existing public assets to RM10.5bn <p>Local Content Procurement Policy</p> <ul style="list-style-type: none"> • Introduce an initiative to encourage local producers to upgrade equipment and tools used in public clinics and hospitals, based on a minimum allocation of 30%
15. Strengthening Institutions, Governance & Integrity	<ul style="list-style-type: none"> • Adding an additional 100 personnel and allocate RM10m to undertake Risk Assessment Tests at all Ministries, Departments and Agencies • Establishing Independent Police Complaints and Misconduct Commission (IPCMC) to raise public confidence in Royal Malaysian Police Force (PDRM) • Establish Malaysian Ombudsman to replace Bureau of Public Complaints to enhance governance and delivery systems of Government • RM50m through GIACC to enhance detention procedures and facilities, in particular the installation of 11,500 units of Closed-Circuit Televisions (CCTV) in police detention centres and immigration entry points

Strategy	Key measures and initiatives
15. Strengthening Institutions, Governance & Integrity (cont.)	<p>Uplifting the Public Service</p> <ul style="list-style-type: none"> • Cost of Living Allowance (COLA) will be increased by RM50 per month for support group with an additional allocation of RM350m annually • Civil servants will be allowed early redemption of Accumulated Leaves (Gantian Cuti Rehat) for up to 75 days as replacement pay, for those who have at least 15 years of service • Offer free personal accident insurance (up to RM100,000 coverage) for two years to new Government housing loan borrowers via Public Sector Home Financing Board (LPPSA) • Introduce an Ex-Gratia Death Benefit of up to RM150,000 payable to dependants of the deceased • Annual Salary Movement (PGT) is brought forward for civil servants who have died in service before Salary Movement Date (TPG) • RM26m for People's Volunteer Corps or RELA's higher allowance of RM2/hour • Special allowance of RM200 a month, amounting to RM35m, will benefit 14,400 personnel of Fire and Rescue Department of Malaysia • RM35m for one-off payment of RM500 to 70,000 holders of Pingat Jasa Malaysia • RM330m to Property and Land Management Division to repair and maintain the public service quarters • RM150m and RM250m for the repair and refurbishment of Malaysian Armed Forces family housing units (RKAT) and PDRM quarters respectively • Special payment of RM500 for civil servants Grade 56 and below • Special payment of RM250 will be paid for government retirees and will be extended to non-pensionable veterans

Measures described in Appendix but not announced in Budget speech

APPENDIX 2: Review of Capital Allowance for Small Value Assets

- Value of each asset be increased from RM1,300 to RM2,000 for the purpose of claiming capital allowance by SME and non-SME, starting YA2020
- Limit of qualifying capital allowance eligible to be claimed by non-SME be increased from RM13,000 to RM20,000 for each year of assessment, starting YA2020

APPENDIX 3: Review of Tax Treatment for Expenses Incurred on Secretarial Fee and Tax Filing Fee

- Tax deduction limit on expenses incurred on secretarial fee and tax filing fee be combined and allowed up to RM15,000 each year of assessment, starting YA2020

APPENDIX 4: Tax Deduction on Cost of Listing in Bursa Malaysia

- Tax deduction of up to RM1.5m be given on the following listing costs: (i) Fees to authorities; (ii) Professional fees; and (iii) Underwriting, placement and brokerage fees, starting YA2020 till YA2022 in assisting technology-based companies and Small and Medium Enterprises to grow their businesses by raising additional capital through listing in ACE Market or LEAP Market

APPENDIX 9: Income Tax Rebate for Departure Levy Imposed on Outbound Air Passenger Performing Umrah and Pilgrimage to Holy Places

- Individual income tax rebate equivalent to the amount of levy paid be given and can be claimed twice in a lifetime, subject to either one of the following: (i) Umrah visa; or (ii) Confirmation letter on pilgrimage to holy place from religious body recognised by the Committee for the Promotion of Inter Religious Understanding and Harmony Among Adherents, Department of National Unity and Integration, Prime Minister's Department, starting YA2019

APPENDIX 13: Stamp Duty Remission for Transfer of Property by Way of Love and Affection

- Stamp duty remission of 50% on instrument of real property transfer between parents and children and vice versa by way of love and affection is restricted to Malaysian citizen only, for instrument of real property transfer executed from 1 Jan 2020

APPENDIX 14: Review of Stamp Duty on Foreign Currency Loan Agreement

- Maximum amount of stamp duty on foreign currency loan agreements be increased from RM500 to RM2,000 for loan agreements executed from 1 Jan 2020

APPENDIX 22: Expansion of Scope of Tax Deduction on Contribution to Charity and Community Projects

- Tax deduction under subsection 34(6)(h), ITA 1967 be enhanced to include: (i) Environmental preservation and conservation projects including forest, island, beach and national park; and (ii) Maintenance and conservation projects for heritage buildings designated by National Heritage Department under the National Heritage Act 2005

APPENDIX 23: Expansion of Scope of Tax Incentives for Tourism Projects

- Scope of current tax incentives for tourism projects be expanded to include integrated tourism and sports tourism project

APPENDIX 24: Exemption of Entertainments Duty for Stage Performance

- Full entertainments duty exemption be given on admission tickets for stage performances that include concerts, singing, music, dances and theatres including cultural and artistic performance by local and international artists held at any venue in the Federal Territory of Kuala Lumpur, Labuan and Putrajaya subject to approval by the relevant local authorities

Measures described in Appendix but not announced in Budget speech (cont.)

APPENDIX 30: Extension of Period of Income Tax Deduction on Perbadanan Tabung Pendidikan Tinggi Nasional Loan Amount Paid by Employers on behalf of Employees

- Existing tax incentive be extended for a period of 2 years, for repayment made from 1 Jan 2020 until 31 Dec 2021

APPENDIX 32: Extension of Tax Treatment for Real Estate Investment Trusts

- Existing tax treatment be extended for a period of 6 years till YA2025

APPENDIX 37: Review of Export Duty Rate on Crude Palm Oil

- Export duty rate on CPO after taking into consideration of partial export duty exemption be reviewed as follows, starting 1 Jan 2020:

CPO Market Price (FOB RM/tonne)	New Export Duty Rate (%)
<2,250	NIL
2,250-2,400	3.0
2,401-2,550	4.5
2,551-2,700	5.0
2,701-2,850	5.5
2,851-3,000	6.0
3,001-3,150	6.5
3,151-3,300	7.0
3,301-3,450	7.5
>3,450	8.0

APPENDIX 38: Introduction of Approved Major Exporter Scheme under the Sales Tax Act 2018

- Approved traders and manufacturers of exempted goods are: (i) Eligible for full sales tax exemption on importation and purchase of goods or raw materials, components and packaging materials; and (ii) Not required to determine quantity of goods to be exported at the time of importation or purchase of goods
- Sales tax shall be paid for: (i) The portion of trading goods or manufactured exempted goods that are not exported or sold in local market, based on the prescribed formula; and (ii) Waste or refuse of raw materials, components and packaging materials used for the manufacturing of exempted goods that are disposed or sold in the local market
- Traders or manufacturers of exempted goods are eligible to apply for the scheme subject to an export of not less than 80% of their annual sales, starting 1 July 2020

APPENDIX 39: Improvement on Group Relief Facility under Service Tax

- Group relief be allowed for the taxable services under professional group provided by a company to a third party who is not within the same group of company, subject to a condition that the value of services provided to the third party does not exceed 5% of the total value of services provided by that company within 12 months, starting 1 Jan 2020



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