



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

National Economic Recovery Plan (PENJANA)

Building the Economy Together

5 June 2020

National Economic Recovery Plan (PENJANA)

- As we move into the fourth phase (Recovery) of 6Rs (Resolve, Resilience, Restart, Recovery, Revitalise and Reform) in navigating through an unprecedented pandemic triggered economic crisis, the **Short-Term Economic Recovery Plan (PENJANA)** was unveiled on 5 June 2020 to stabilise and revitalise domestic economic and business conditions.
- Three months after the implementation of PRIHATIN Economic Stimulus Package, **2.4 million jobs have been saved** via Wage Subsidy Programme (WSP); **nearly 11 million individuals' cash flow burden was eased** via Bantuan Prihatin Nasional (BPN), loans moratorium and EPF's i-Lestari; and various financial assistance and loans moratorium have **supported more than 300,000 businesses**.
- Many businesses, especially SMEs and micro enterprises are **still struggling not only coping with immediate challenges** (slow demand, supply disruptions, cash flow problem and operating costs) but also **structural challenges** (due to consumer protocols, social distancing, standard operating procedures (SOP), intense competition in online business / e-commerce) that threaten their survival.
- **Businesses are concerned about 3Cs (cash flow, costs and credit)** and staying afloat. **Some of our workers will lose their jobs**, with up to 2 million jobs (~8% of the workforce) estimated to be at risk by end-2020. **Some of these jobs will not come back. Will we see more gig and freelancer jobs and remote work? Work for future will be looking different in a new normal.**

National Economic Recovery Plan (PENJANA)

- BUILDING THE ECONOMY TOGETHER -

Three Key Thrusts

Empower People



Propel Businesses



Stimulate Economy



National Economic Recovery Plan (PENJANA) (cont.)

- **PENJANA**, the **Short-Term Economic Recovery Plan** focuses on three thrusts: (i) **Empower People**, (ii) **Propel Businesses**; and (iii) **Stimulate the Economy**.
- As we emerge from this pandemic, the recovery plan will be an important first step in supporting the reconstruction of our economy to ensure that jobs, livelihoods and businesses are protected.
- The initiatives and measures are **fairly broad-based and well targeted** to help stabilize domestic economic and business conditions as well as enable the economy to recover sustainably over the medium-term.
- The plan has taken some of our views and suggestions in stimulating the economy. We call for continued medium- and long-term measures and initiatives in the **National Economic Recovery Plan, which will be unveiled in third quarter of 2020; the tabling of National Budget 2021 in November, and 12th Malaysia Plan (2021-2025) in January 2021** to levelling up the economy in new normal.
- **The plan outlines 40 initiatives** categorised under the three thrusts, **covering saving jobs, reskilling and upskilling, supporting businesses to transform, boosting spending, revitalising investment and addressing sector-specific needs (tourism, agriculture and food, property, auto and palm oil industry)**.

RM35.0 bn National Economic Recovery Plan (PENJANA)

List of initiatives	RM million
1. Empower People	
• Wage Subsidy Programme	5,300
• National Employment Services Job Portal Upgrade	-
• Hiring and Training Assistance for Businesses	1,500
• Reskilling and Upskilling Programmes	2,000
• Gig Economy Social Protection and Skilling	75
• Flexible Work Arrangement Incentives	800
• Child Care Subsidy	200
• MY30 Public Transport Subsidy	200
• Social Assistance Support for Vulnerable Groups	108
• PEKA B40 Healthcare Support	50
• Internet Connectivity for Education & Productivity	3,000
2. Propel Businesses	
• Micros and SMEs E-commerce Campaign	70
• “Shop Malaysia Online” for Online Consumption	70
• Technical and Digital Adoption for SMEs and MTCs	700
• MyAssist SME One Stop Shop	5
• PENJANA SME Financing (PSF)	2,000
• PENJANA Tourism Financing (PTF)	1,000
• PENJANA Microfinancing	400
• Bumiputera Relief Financing	500
• SME Go-scheme for Liquidity Support	1,600
• Accelerated Payment Terms for GLC and Large Corporates’ Supply Chain	-

RM35.0bn National Economic Recovery Plan (PENJANA) (cont.)

List of initiatives	RM million
2. Propel Businesses (cont.)	
• Tax Relief for COVID-19 Related Expenses	600
• Financial Stress Support for Businesses	2,400
• Social Enterprises Elevation	10
• Spur Set Up of New Businesses	300
3. Stimulate Economy	
• Dana PENJANA Nasional	1,200 [^]
• National Technology and Innovation Sandbox	100
• Digitalisation of Government Service Delivery	20
• National “Buy Malaysia” Campaign	20
• ePENJANA Credits in e-wallet	750
• Incentives for Property Sector	1,000
• Tax Incentives for Purchase of Passenger Cars	897
• Extended Service Hours in the New Normal	20
• Malaysia as Attractive Horizon for Businesses	50
• Tourism Sector Support	1,800
• Arts, Culture, Entertainment, Events and Exhibitions Sector Support	225
• Agriculture and Food Sector Support	400
• Commodity Sector Support	200
• Proposed COVID-19 Temporary Measures Act	-
• Sukuk Prihatin	TBD [#]
*Total =	35,000

* Amount does not add-up due to some undisclosed amounts

[^] RM600m from domestic source

[#] To be determined upon issuance

First thrust: Empower People



Mid Jun to
Sep 2020

Wage Subsidy Programme

- **Extend wage subsidy programmes** of RM600 per month per employee for another three months (Total: Six months – Apr-Sep 2020)[^]
- Allow employees in tourism sector and **businesses prohibited from operating** who are on unpaid leave to receive wage subsidy directly



Mid Jun to
Dec 2020

Reskilling and upskilling programmes

- **RM2bn** fund for reskilling and upskilling programmes for youth and the unemployed to enhance employability



Mid Jun to
Dec 2020

Hiring and training assistance

- Incentives for **employing unemployed people (40 years and above or with disability)**: RM1,000/month up to six months[^]
- Incentives for **hiring unemployed below 40 years old**: RM800/month up to six months[^]
- Incentives for **hiring school leavers and fresh graduate**: RM600/months up to six months[^]
- **Training allowance** of RM4,000 per individual to those retrenched but not covered under Employment Insurance System (EIS)

[^] Incentives for employer but supporting employment of workers



Long-term

PERKESO job portal

- Enhancement of the job portal and employment placement services
- Collaboration with private job sites for employment matching



From Aug
2020

Gig economy social protection and skilling

- Matching grant of up to RM50m for gig economy platforms who contribute for their gig workers towards PERKESO's employment injury scheme
- **RM25m** for **Global Online Workforce (GLOW)** program



From Jun
2020

Flexible work arrangement incentives

- Further tax deduction for employer on Flexible Work Arrangements [Eff. 1 Jul 2020]
- Individual **income tax exemption of up to RM5,000** to employees who receive ICT equipment from their employer [Eff. 1 Jul 2020]
- Special individual **income tax relief of up to RM2,500** on the purchase of **personal ICT equipment**
- SOCSO's coverage for workers involved in accidents while working at home

First thrust: Empower People (cont.)



Mid Jun to Dec 2020

MY30 public transport subsidy

- RM30 unlimited monthly travel pass for use on all rail services (MRT, LRT, Monorail), BRT, RapidKL buses and MRT feeder buses



From Jun 2020

Social assistance support for vulnerable groups

- One-off financial assistance of RM300 to OKUs, single mothers and volunteer Home Help Services
- Grants to related NGOs
- PENJANA GLC Community



Immediate

PEKA B40 Healthcare Support

- Additional RM50m to total RM100m for PEKA B40 Programme to finance health screening, purchase of medical equipment for recipients, cancer treatment incentives and transportation for health



From Jun 2020

Child care subsidy

- **Income tax relief** for parents on childcare services expenses increased from **RM2,000 to RM3,000** for year of assessment (YA) 2020 and YA 2021
- **e-voucher of RM800** per household for mobile childcare services [**Now till end Aug 2020**]
- **RM5,000 one-off grants for childcare centres** [**Up to 31 Dec 2020**]
- Incentive to **train new practitioners** for child nursing and early education course



Mid Jun to Dec 2020

Internet Connectivity for Education & Productivity

- Free 1GB per day between 8am and 6pm for education, news, productivity tools and free unlimited use of government's sites and COVID-19 apps

Second thrust: Propel Businesses



Mid Jun to Sep 2020

Wage Subsidy Programme

- Extend wage subsidy programmes of RM600 per month per employee for another three months (Total: Six months – Apr-Sep 2020)



Mid Jun to Dec 2020

Hiring and training assistance

- Incentives for **employing unemployed people (40 years and above or with disability)**: RM1,000/month up to six months
- Incentives for **hiring unemployed below 40 years old**: RM800/month up to six months
- Incentives for **hiring school leavers and fresh graduate**: RM600/months up to six months



Immediate

Tax relief for COVID-19 related expenses

- Extend the period and expand scope of expenses allowed as tax deduction/capital allowance for COVID-19 prevention, including screening and purchase of personal protective equipment (PPE) & thermal scanners



From Jun 2020

MyAssist SME One Stop Shop*

- Provide guidance and facilitate the recovery process for micro-enterprises and SMEs

* Not specified in speech



Aug to Sep 2020

“Shop Malaysia Online”

- Provide promotional codes and discount vouchers through e-commerce platforms to encourage online spending



Jun to Sep 2020

Micros and SMEs E-Commerce Campaign

- Encourage the adoption of e-commerce by micro-enterprises and SMEs to widen market reach



From Jul 2020

Spur setting up of new SMEs

- **Income tax rebates** of up to RM20,000 per year for three years of assessment for newly established SME between 1 July 2020 and 31 December 2021
- **Stamp duty exemption** for SMEs on any instruments executed for mergers and acquisitions (M&As), for period between 1 July 2020 to 30 June 2021



From Jul 2020

Accelerated payment terms

- Encourage GLCs and large corporations to accelerate payments to help SMEs in their supply chain

Second thrust: Propel Businesses (cont.)



Social enterprises elevation

- RM10m **matching grant** through Malaysian Global Innovation & Creativity Centre (MaGIC) for those who are able to crowdsource contributions and donations to undertake social projects

From Aug
2020



Financial facilities

- RM700m for SMEs and mid-tier companies (MTCs) to subscribe or adopt digitalisation services, of which:
 - RM100m for **SME Digitalisation Matching Grant** [From Jun 2020]
 - RM500m for **SME Technology Transformation Fund** [From Jul 2020]
 - RM100m for **Smart Automation Grants**, capped at RM1m per company [From Jun 2020]
- RM2bn **PENJANA SME Financing (PSF)** at maximum RM500,000 per company with interest rate of 3.5% [From mid Jun 2020]
- RM400m **PENJANA Microfinancing** at maximum RM50,000 per enterprise with interest rate of 3.5%, of which RM50m is earmarked to women entrepreneurs [From Jun 2020]
- RM1bn **PENJANA Tourism Financing (PTF)** for the tourism sector to support operations in the new normal [From Jul 2020]
- RM500m **Bumiputera Relief Financing** at maximum RM1m per company with interest rate of 3.5% [From Jun 2020]
- RM1.6bn **SME-GO Scheme** provide liquidity for 16,000 G2 and G3 contractors who have been awarded government projects under the Economic Stimulus Package (ESP) [From Jul 2020]



Ease financial stress

- **50% remission of penalty** for late payment of sales tax & service tax due and payable from 1 July 2020 to 30 September 2020
- **Extension of special tax deduction** for renovation and refurbishment of business premises to 31 December 2021
- Extension of **Accelerated Capital Allowance (ACA)** on eligible capital expenses including ICT equipment to 31 December 2021*
- Extension of **special deduction equivalent to 30% reduction in rental** for SMEs to 30 September 2020

* The extension of ACA on ICT equipment has been announced during Economic Stimulus Package on 27 Feb 2020

From Mar
2020

Third thrust: Stimulate Economy



Dana PENJANA Nasional

- Channel funding from international investors into local venture capital space

From Jul 2020



ePENJANA credits in e-wallet

- RM50 e-wallet credit
- Additional RM50 in value through vouchers, cashback and discounts

Jul to Sep 2020



Tax incentives for purchasing passenger cars

- 100% sales tax exemption for locally assembled (CKD) passenger car
- 50% sales tax exemption for imported (CBU) passenger car

Mid Jun to Dec 2020



National "Buy Malaysia" Campaign

- Promote consumption of Malaysian made products and services with dedicated channels for local products on major digital platforms

From Jun 2020



National Technology and Innovation Sandbox

- Pilot new technology solutions with relaxation of regulations related to technology

From Jun 2020



Digitalisation of Government Service Delivery

- Accelerate digitalisation of government services to reduce face-to-face transactions

From Jun 2020



Extended service hours in the new normal

- Extended service hours for government services in UTCs [From mid Jun 2020]



Incentives for property sector

- Reintroduction of Home Ownership Campaign (HOC): Stamp duty exemption for property priced between RM300,000 and RM2.5m subject to at least 10% price discount for S&P signed between 1 Jun 2020 and 31 May 2021
- RPGT exemption for disposal of residential homes, limited to three units per individual [From 1 Jun 2020 to 31 Dec 2021]
- Upliftment of 70% margin financing limit for third housing loan valued above RM600,000 during the period of HOC

Third thrust: Stimulate Economy (cont.)



Jul 2020 to
Dec 2021

Malaysia as attractive horizon for businesses

- Zero tax rate for 10 years for new capital investment (between RM300m and RM500m) in manufacturing sector; Zero tax rate for 15 years for more than RM500m capital investment
- 100% Investment Tax Allowance (ITA) for 3 years for existing company in Malaysia when relocating overseas facilities into Malaysia
- Special Reinvestment Allowance (RA) for manufacturing and selected agriculture activity for YA 2020 and YA 2021
- Establishment of Project Acceleration & Coordination Unit (PACU) in MIDA
- Enhancement of Domestic Investment Strategic Fund (DISF)
- Manufacturing license approval for non-sensitive industry within 2 working days



Sukuk PRIHATIN

- Fund selected development programmes such as connectivity of schools, financing for microenterprises and research grants for infectious disease **[Issuance in 3Q 2020]**



Commodity sector support

- 100% export duty exemption for crude palm oil, crude palm kernel oil and refined, bleached and deodorised (RBD) palm kernel oil **[Jul to Dec 2020]**



Proposed COVID-19 Temporary Measures Act

- Minimise impact of contractual breaches and insolvency actions due to COVID-19 related disruption



From Jun
2020

Agriculture and food sector support

- Microcredit financing totalled RM350m with interest rate of 3.5%
- Incentives for agrofood workforce mobility
- In-kinds benefits for urban farming



From Jun
2020

Arts, culture & entertainment sector support

- Soft loan and grants for creative, events, and exhibitions industries
- Digital Marketing and Promotions Grants
- Dana Kandungan Digital



From Jul
2020

Tourism sector support

- Tourism tax exemption from 1 July 2020 to 30 Jun 2021
- Extension of service tax exemption for hotels to 30 June 2021
- Extension of period for income tax relief RM1,000 on tourism expenses to 31 December 2021
- Extension of period for deferment of tax installment payment for tourism industry to 31 December 2020

SERC's commentary on PENJANA

- In all, the combined **RM260.0 billion PRIHATIN Economic Stimulus Package and RM35.0 billion PENJANA Short-Term Economic Recovery Plan would amount to RM295.0 billion or 21.1% of GDP. Direct fiscal injection is totalled RM45.0 billion (3.2% of GDP)**, which comprises RM35.0 billion from PRIHATIN and RM10.0 billion from PENJANA.
- **The fiscal deficit is expected to march higher to 5.8% of GDP in 2020 (3.4% in 2019). Public debt to GDP ratio is estimated to reach 55.6% at end-Dec 2020**, exceeding the statutory debt limit of 55.0%. The Government will seek the Parliament's approval to revise the Federal Government's statutory debt limit higher in the forthcoming Parliament session (13 July to 27 August 2020 for House of Representatives; 2 September to 23 September 2020 for Senate). The statutory debt limit was revised in April 2003 (40% of GDP), June 2008 (45%) and July 2009 (55%).
- **On the economy**, we expect the **large economic contraction estimated at 11.5% yoy to hit the peak in 2Q 2020 (+0.7% in 1Q)**, reflecting the full impact of Movement Control Order (MCO) in April and a gradual reopening in May amid still operating at 70%-80% workforce capacity. Exports' contraction have recorded double-digit contraction of 23.8% yoy in April. Consumer spending and businesses are slowly on the mend. A smaller magnitude of GDP decline (-3.4%) is expected in 3Q before reverting to +2.2% in 4Q. **Overall, SERC estimates 2020's GDP to decline by 3.0% (4.3% in 2019).**

SERC's commentary on PENJANA (cont.)

- It is reasonable to **expect domestic consumption and business capital spending to mend gradually, accompanied by a restoration of consumer confidence and business sentiment**. A significance rebound (V-shaped) in domestic stock market from the lows could well serve as a barometer that investors are feeling somewhat sanguine about the prospect of domestic economic recovery. The jury is still out.
- The three main challenges¹ faced by businesses were (i) **salary payment (76.6%)**; (ii) **no customer (65.5%)**; and (iii) **rental payment (61.4%)**. This does not include many petty traders, especially at night market having zero income during the MCO. Since the gradual and careful restart of the economy from 4 May 2020, over 12.7 million people (~83.5%) have returned to work.
- While external environment still matters, **restoring domestic consumer and investor confidence will be the key to uplift domestic economic recovery**. This must be anchored on **keeping clear and consistent communication flows of the government's economic stabilisation and stimulation policies, backed by macro-economic and political stability**.
- With the number of unemployment expecting to hit at least 1.0 million workers, the short-term economic recovery plan continues to focus on **saving jobs directed at protecting the livelihoods of workers; promoting employment through apprenticeship; upskilling and reskilling; and helping them to adapt to new ways of working**.

¹ DOSM's Survey on "Effects of COVID-19 on the Economy and Companies/Business Firms"

SERC's commentary on PENJANA – Employment

- Based on the EIS data, 34,773 workers have lost employment as at 4 June 2020. **Manufacturing sector recorded the highest number of cases (22%),** followed by wholesale and retail trade (17%). **Professionals, managers, executive and technicians showed the highest occupation category who were retrenched (62%).** By wage category, **92.2% of total employment loss comprises B40 and M40 wage earners having monthly wages between RM1,000 and RM8,000.**
- While the extension of wage subsidy by another three months (a standardised rate of RM600 per month per employee), hiring financial assistance for the unemployed between RM600 and RM1,000 per month up to six months and other training support programs help to ease the unemployment pressure; **these schemes must be well implemented.**
- As of 4 June 2020, **307,790 employers have applied for wage subsidy program (WSP) involving 2.479 million employees.** 97% comes from small enterprises (less than 75 workers), 2% from medium-size (76-200 workers) and 1% from large companies (200 workers). To enhance the WSP, **it is proposed that to review the conditions to cover monthly salary of more than RM4,000 and increase the number of workers for large companies to 300-400 from 200 currently.**
- It is commendable that the Government will establish a **Special Committee for National Employment** to coordinate and monitor the implementation of initiatives in jobs creation and skills development for our workforce. The committee should also address the management of foreign workers during this economic downturn. Currently, Malaysia has about 2 million documented foreign workers and estimated 4-5 million undocumented foreign workers.

SERC's commentary on PENJANA – Businesses

- Besides supporting businesses on 3Cs (cash flow, costs, and credit), the plan introduces initiatives to **enable businesses to adapt and transform as well as seize opportunities through e-commerce and digital adoption**. It was reported that 25% of businesses are still lacking e-commerce infrastructure to take advantage of the exponential growth in online market.
- **Innovation, new business and start-up** will be supported to secure opportunities in new normal. SMEs business transformation and innovation are a must to further gain market share, increase revenue and customer satisfaction or reduce inefficient expenditure. Initiatives such as **“Shop Malaysia Online” campaign** would boost online traffic, coupled with “Buy Malaysia” campaign would help to promote local brands.
- PENJANA continues to **address cash flow challenges faced by micro-enterprises and SMEs**. PENJANA SME Financing (PSF) is a mirror of Special Financing Relief (SRF) but at a lower maximum loanable amount. It is now more targeted as PENJANA Tourism Financing (PTF) and PENJANA Microfinancing would assist more vulnerable groups.
- The **extension of special rental deduction for SMEs to 30 September 2020** is a welcome relief to ease the rental cost. However, **it is proposed that such rental deduction should be extended to all businesses as well as households as rental payment is one of the large components of operating expenses for both businesses and households**.

SERC's commentary on PENJANA – Businesses (cont.)

- **The “big bang” provision of zero tax rate for a period of 10-15 years for reshoring of capital investment between RM300 million and more than RM500 million in the manufacturing sector as well as the provision of 100% Investment Tax Allowance (ITA) and Special Reinvestment Allowance (RA) would place Malaysia in a competitive position to attract the relocation of production bases to Malaysia. Lingering concerns about the US-China’s trade tension and COVID-19 inflicted supply chain disruptions have resulted many multi-national companies (MNCs) to adopt investment and business diversification risk.**
- **The establishment of Project Acceleration & Coordination Unit (PACU) at MIDA to simplify and coordinate application process across the Federal, state and local authorities; the enhancement of Domestic Investment Strategic Fund; and also fast track manufacturing license approval for non-sensitive industry within 2 working days are a welcome investment facilitation, if they are well executed.**
- **These investment initiatives are expected to help revitalize the subdued private investment growth, which had pulled back sharply to an average growth of 5.1% pa in 2015-2019 from 14.6% pa in 2010-2014. Private investment has declined by an annual rate of 2.3% in 1Q 2020 and is expected to decline by 11.4% in 2020 due to the COVID-19-induced economic downturn amid weak business sentiment and lingering political uncertainty.**

SERC's commentary on PENJANA – Sector Specific

- On **stimulating the economy**, sector specific support is given to **tourism, agriculture and food, palm oil industry, auto and property**.
- We expect the medium-term recovery plan and the National Budget 2021 will focus on investing in “new smart infrastructure” used for high-tech, digitalisation and sustainable purposes (renewable energy, climate change, eco-green). These include big data centres, 5G infrastructure, charging stations for new energy vehicles (NEVs), solar energy, healthcare, defence technology, etc.
- **It is time to revive and rebuild the tourism and hospitality** sector, which has suffered the hardest impact from the COVID-19 pandemic. PENJANA has provided financial incentives support in terms of extending the service tax exemption for hotels and tourism tax exemption, the extension of period for income tax relief of RM1,000 for tourism expenses as well as the extension of period for deferment of tax instalment payment for tourism industry. Efforts are needed to encourage local tourism and excursions via “Cuti-Cuti Malaysia” campaign. We have to optimise promoting tourism via virtual platform and ‘e- travel fair’.
- **Restoring and boosting confidence to travel** will be the key to revive industry’s recovery and this will start with the return of domestic tourism. We have to put in place or upgrade our tourism infrastructure to ensure that the highest standards of health and safety are met.

SERC's commentary on PENJANA – Sector Specific (cont.)

- Besides providing financial relief for **agriculture and food players** affected by COVID-19 and MCO, the **fundamental issue concerning the supply of land for cash crops and agricultural production** must be addressed. It is proposed that: (a) The Federal Government, in collaboration with State Governments to **open up more land for agricultural production**; (b) The Federal Government can **consider to set up KPI for State Governments to allocate 5,000 to 20,000 hectares of land each for agricultural purposes**, depending on the size of each state; (c) For **commercial viability, a 30-year period lease is the minimum period for reasonable investment return**; and (d) **Establish a land bank database for idle land through the cooperation of Ministries and state land offices**. These lands will be leased to farmers and corporation for agricultural ventures.
- **Palm oil industry (crude palm oil (CPO), crude palm kernel oil, refined bleached deodorized (RBD) palm kernel oil)** is given a financial relief through 100% export duty exemption from 1 July 2020 to 31 December 2020. Prior to this, export duty will be collected when FOB crude palm oil priced at RM2,250/tonne and beyond. The tax exemption will encourage industry players to export more palm oil to countries like India and Pakistan as our CPO export prices will have a competitive advantage over Indonesia. Palm oil exports will be dampened by reduced edible-oil demand as people cut down travelling and outside-food consumption amid still high stock level and increased supply due to good weather conditions would cap the rise in CPO prices.

SERC's commentary on PENJANA – Sector Specific (cont.)

- The **real estate sector**, which has long been in doldrums and plagued by a massive overhang since 2015 will be given a boost through the extension of Home Ownership Campaign (HOC) and stamp duty exemption, the exemption of Real Property Gains Tax (RPGT) for disposing three units of residential properties and the uplifting of 70% loan margin financing limit for house priced above RM600,000 during the HOC.
- Nevertheless, it is noteworthy that the number of commercial property transactions between individual and individual accounted for a large portion of 50.1% (or 12,858 transactions) of total commercial property transactions¹ worth RM6.6 billion in 2019. Hence, **the RPGT exemption can be considered to include commercial properties, particularly serviced apartment and SOHO.**
- In addition, **RPGT exemption can consider to include companies owning both commercial and industrial properties.** Some companies have invested in properties as part of their business strategies for capital preservation to hedge against inflation. During this economic hardship period, many companies have to dispose their properties to raise cash and ease cash flow problem.

¹ Share of total commercial property transaction = between individual and individual + between developer and individual + between company and individual + between company and company and others

SERC's commentary on PENJANA – Sector Specific (cont.)

- We welcome the **reintroduction of HOC (between 1 June 2020 to 31 May 2021) to boost sales of residential properties priced between RM300,000 and RM2.5 million** subject to at least 10% discounts provided by the developer. The exemption on the instrument of transfer is limited to the first RM1 million of the home price while full stamp duty exemption is given on loan agreement effective for sales and purchase agreements signed during the period. It is proposed to cover the secondary housing market.
- These property initiative and measures are expected to improve buyers' sentiment. Backed by stable income and employment, those buyers whose have been looking to upgrade and buy a new house are likely to commit purchases given the historical low borrowing cost.
- The Government can consider to **review foreigners' property purchase price threshold level given the low share of foreign property ownership between 0.3% and 1.0% in 2012-2016**. In 2002-2018, there were 40,471 MM2H participants' approvals. Foreign ownership accounted for 0.73% of total residential existing stock in Malaysia as at end-2018. The weak ringgit and competitively priced property prices in the region offer a good entry point for foreign buyers intending to choose Malaysia as their second home.
- The property-related measures are expected to **ease the downward spiral of the sector and provide a much-needed economic multiplier impact on domestic economy given both the construction and real estate sectors' wide inter-linkages with 140 major sectors and sub-sectors** (e.g. building materials, transportation, banks, trading, services, etc.).

SERC's commentary on PENJANA – The COVID-19 Temporary Measures Act

- The short-term economic recovery plan also proposed to **introduce the COVID-19 Temporary Measures Act**, which is deemed critical to **provide a temporary relief for businesses and individuals who are unable to perform their contractual obligations** due to the MCO triggered by COVID-19.
- **There are wide ranging legal issues and litigation implications in all commercial sectors** and if left unaddressed by a decisive legislative intervention (COVID-19 Temporary Measures Act) will lead to **unproductive costly disputes involving complex dispute resolutions; a floodgate of litigations burdening the Courts; strain on adjudication and arbitral institutions; and lack of clarity, certainty and consistency, which are vital for business decision making.**
- With the proposed enactment of a temporary law during this COVID-19's and MCO's induced frustrating contracts, all parties concerned **can then meet to discuss the best possible ways to reach an amicable settlement/solution to deal with an unprecedented situation that are beyond their controls.**

SERC's commentary on PENJANA – The COVID-19 Temporary Measures Act (cont.)

- We hope that the proposed Act will be tabled for reading in the forthcoming Parliament sitting session (13 July to 27 August 2020 for House of Representatives; 2 September to 23 September 2020 for Senate). The speedy enactment of the Act is deemed critical to support businesses at this recovery stage.
- **A delay in the Act will disrupt the businesses' efforts in rehabilitating the recovery as their time and resources will be distracted and preoccupied by the potential legal disputes and heavy liabilities or penalties for non-performance of their contractual obligations.** It will eventually build up more unresolved arbitration and litigation cases in courts and overburden the institution and businesses.
- Hence, it is imperative that the Government to **look into this matter with urgency as no amount of economic and financial stimulus without concomitant legal instrumentality to provide a “breathing space” for businesses and individuals to recover will be an exercise in futility.**



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