



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

**Ministry of Finance Economic Report and  
National Budget 2021**

**- Timely and Targeted Fiscal Booster Dose -**

**B U D G E T**

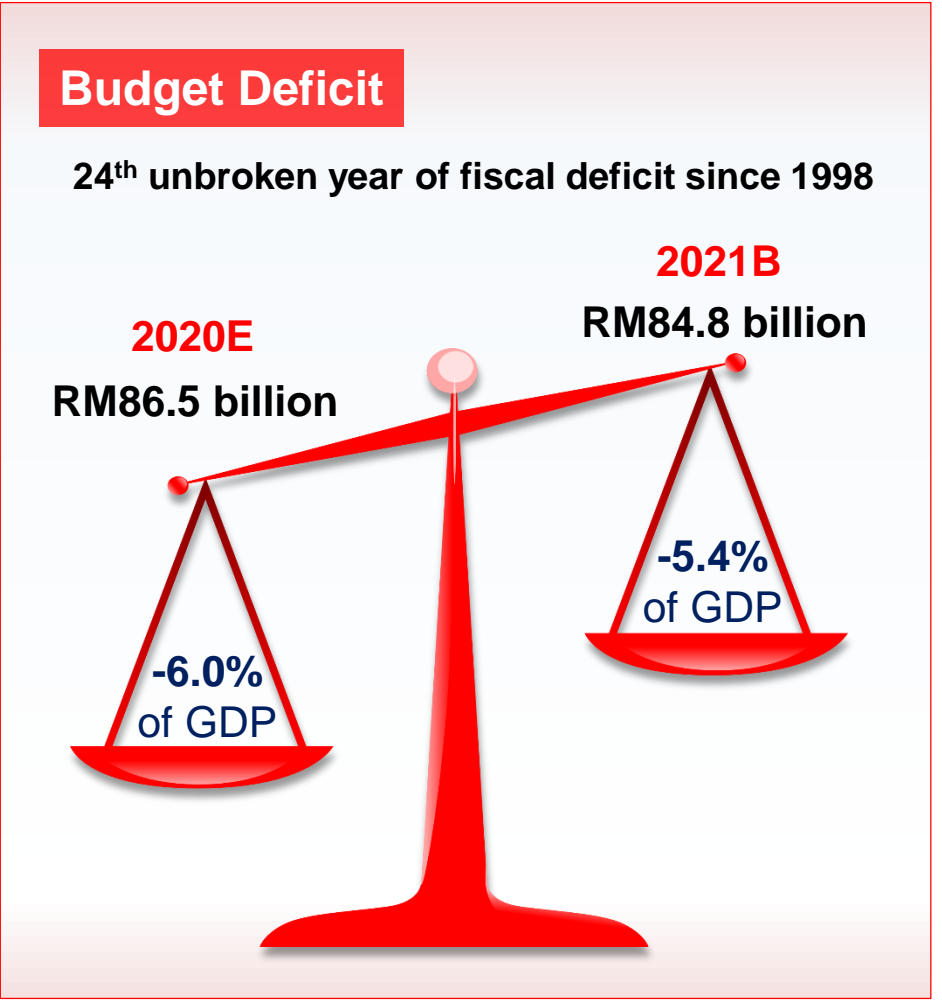
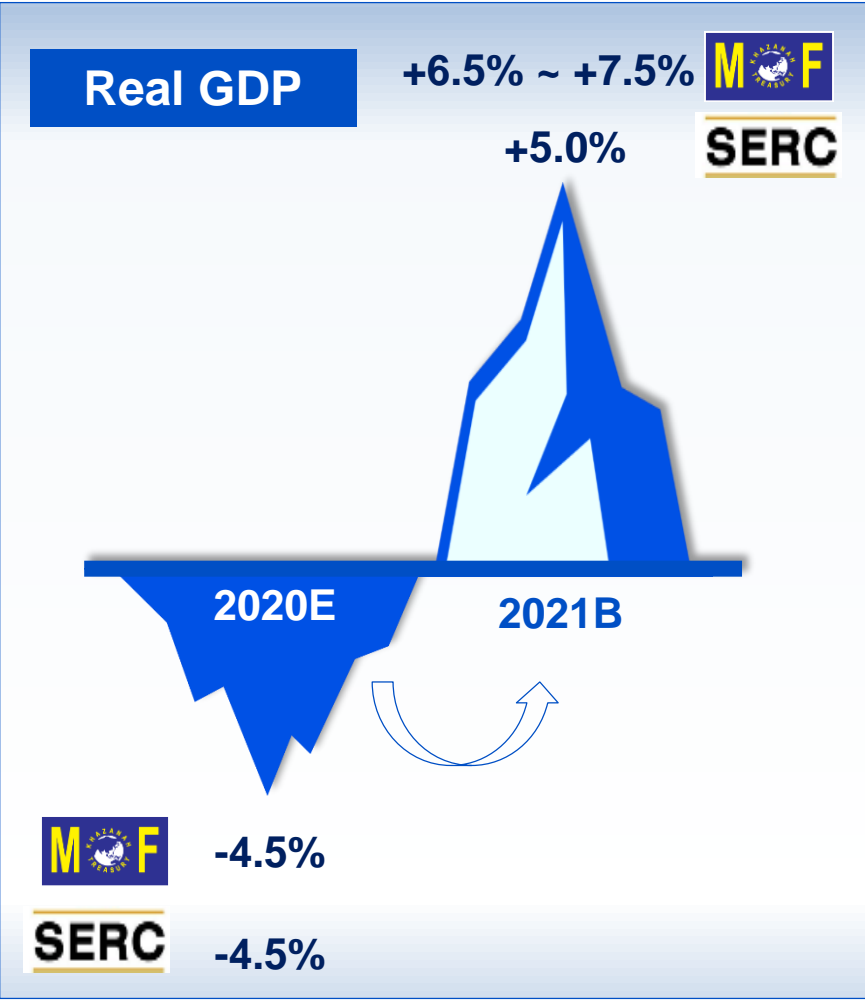


# Part 1: 2021 Budget and Economic Prospects

- The Budget seeks to protect public health and revitalize the economy while reforming for better economic resilience.
- The economy is poised to recover firmly in 2021. However, the outlook hinges on two major factors:
  - i. *The successful containment of the pandemic; and*
  - ii. *A sustained recovery in external demand*

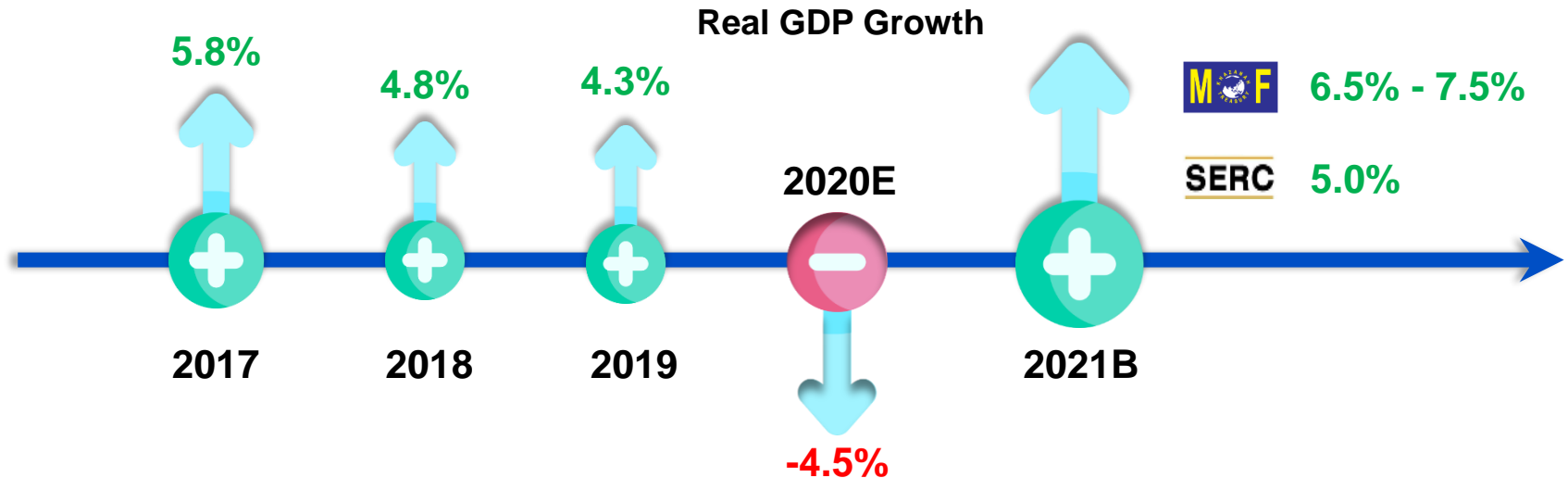


## Revitalizing and Reforming for Future-Proofing Malaysia



MOF=Ministry of Finance

# The Malaysian economy is poised for a strong rebound in 2021

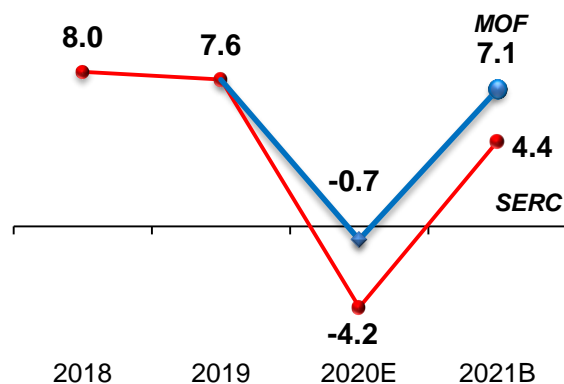


- After contracting sharply by 8.3% in 1H 2020, Ministry of Finance (MOF) expects the economy to improve gradually in 2H 2020 to **record a smaller contraction of 4.5% in 2020**. The estimate lies between Bank Negara Malaysia's estimated between -3.5% and -5.5% in 2020.
- **In 2021**, the economy is projected to **rebound strongly to grow between 6.5% and 7.5%** (BNM: 5.5% to 8.0%), supported by the anticipated improvement in global trade, consumer sentiments and business confidence.
- SERC has resisted the temptation of presenting a robust GDP estimate, **putting it at 5.0% (baseline) and 6.5% (best case) for 2021**.
- We remain wary about the virus development and the strength of recovery in advanced economies as well as the effectiveness of the Budget's capital spending in 2021 amid domestic political development.
- It is better to have a conservative assumption, and be pleasantly surprised on the upside.

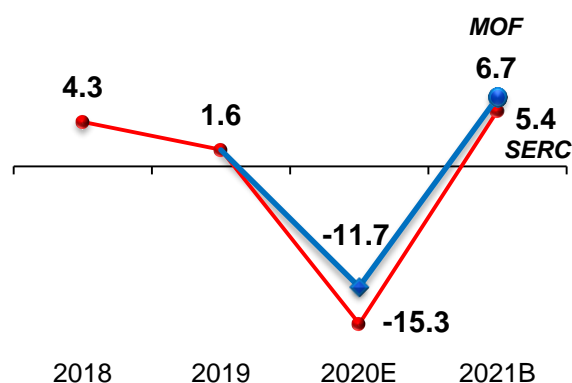
Source: DOSM; MOF

# Domestic demand spearheading the recovery

Private Consumption Growth %



Private Investment Growth %



Source: DOSM; MOF

## Private Consumption (61.2% share of GDP in 2021B)

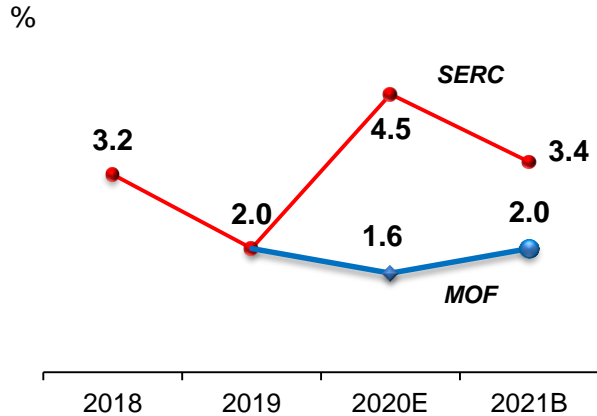
- Cash transfers, loan moratorium, EPF's i-Lestari monthly withdrawal, etc. are expected to cushion consumer spending.
- Private consumption which contracted by 6.0% in 1H 2020 will improve gradually in 2H to decline marginally by 0.7% in 2020.
- **In 2021, a strong rebound in private consumption (+7.1%),** supported by higher disposable income, improved export earnings, low interest rate and extension of financial relief.
- **Risks: Slow and uneven job recovery, households rebuild savings.**

## Private Investment (15.5% share of GDP in 2021B)

- After slumping by 11.7% in 2020 (1H 2020: -15.2%), **private investment is expected to turnaround by 6.7% in 2021,** lifted by various investment supportive and tax incentives to facilitate business operations and revive private investment activities. The spill-over effects from the Budget's capital investment also helps to support investment.
- **SERC cautions about the timely implementation of public projects; quick disbursement of funds as well as ensuring stable political environment to boost investors' confidence.**

# Domestic demand spearheading the recovery (cont.)

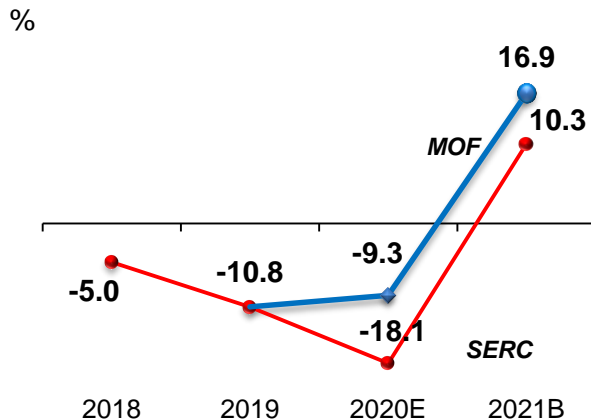
## Public Consumption Growth



## Public Consumption (12.4% share of GDP in 2021B)

- Public consumption is expected to **expand by 2.0% in 2021**, slightly higher than 1.6% growth in 2020.
- This reflects the continued improvement in public delivery services and optimising spending.
- **Emoluments**, the largest component of operating expenditure (35.7% share) **is estimated to increase by 2.3% to RM84.5 billion in 2021**, mainly for the provision of annual salary increments for civil servants.

## Public Investment Growth



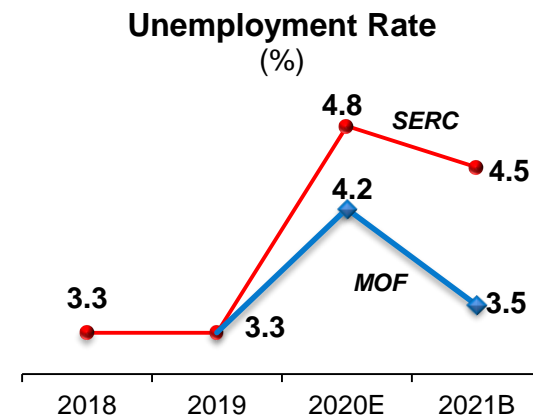
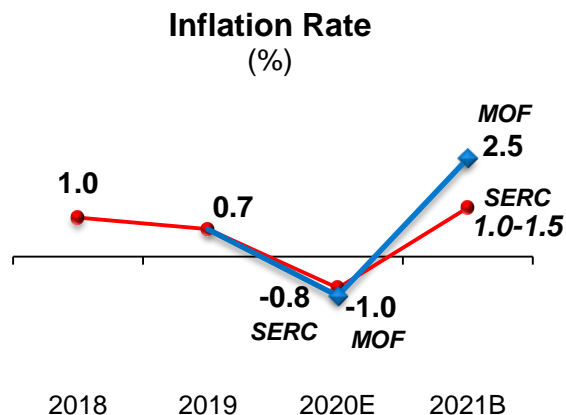
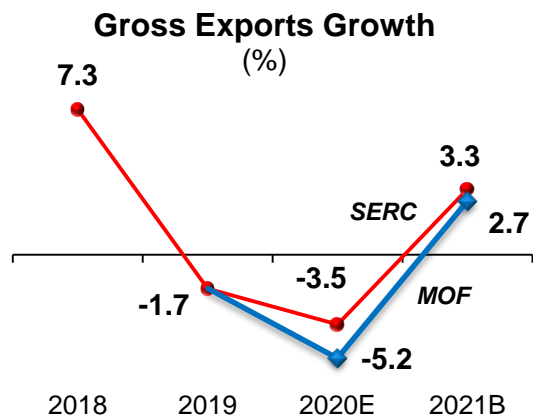
## Public Investment (6.5% share of GDP in 2021B)

- **Public investment is projected to expand by a double-digit growth of 16.9% in 2021** (estimated -9.3% in 2020).
- Factors underpinning the robust public investment are higher development averaging around RM59 billion in 2020-2021; the implementation of small-scale projects, infrastructure, the National Fiberalisation and Connectivity Plan (NDCP). Major projects: Airport expansion, construction of hospitals, MRT2, LRT3, RTS, Pan Borneo Highway, Klang Valley Double Track Phase 1, and capital spending by public corporations.
- **SERC warns the risk of projects' implementation delay.**

Source: DOSM; MOF

# Exports, prices and labour market condition

Source: DOSM; MOF



## Export



**2021B: 2.7%**

**2020E: -5.2%**

- **Gross exports** are expected to rebound by 2.7% in 2021, benefitting from the recovery in global trade and supply chains.
- The gathering pace of economic recovery of Malaysia's major trading partners in 2H 2020 and 2021 would help to lift export growth and support the economy.

## Inflation Rate



**2021B: 2.5%**

**2020E: -1.0%**

- Inflation is expected to normalise at 2.5% in 2021 in tandem with better economic growth and higher crude oil prices.
- **Benign inflationary pressure allows continued monetary accommodation** to support stronger economic revival.

## Unemployment Rate

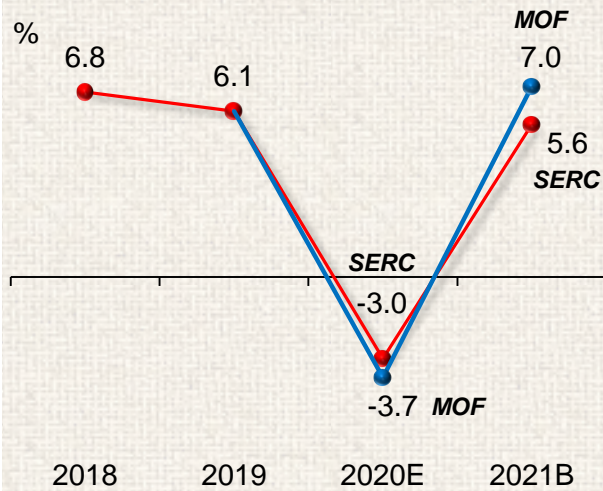


**2021B: 3.5%**

**2020E: 4.2%**

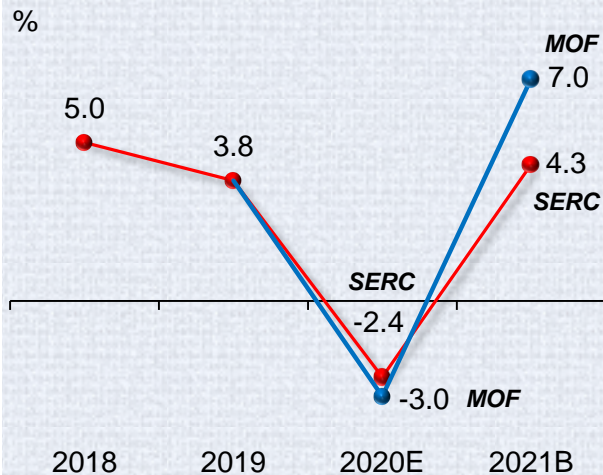
- Labour market is expected to recover gradually in 2021, in tandem with better economic growth and a turnaround in investment activities.
- SERC cautions that the unemployment is a lagging indicator and may take a longer while returning to pre-pandemic levels (3.3%-3.4%).

# All economic sectors register positive growth in 2021



## Services (58.2% share of GDP in 2021B)

- The sector is projected to contract by 3.7% in 2020 before rebounding by 7.0% in 2021.
- Higher disposable income and e-commerce will boost demand for retail and wholesale segments (food, motor vehicles).
- Information and communication subsector will be supported by the 5G spectrum network, the expansion of digitalization and e-learning.
- The finance and insurance will improve, thanks to the normalization of loan repayment and increased loan demand.



## Manufacturing (22.6% share of GDP in 2021B)

- The sector is forecast to expand by 7.0% in 2021, a marked turnaround from a decline of 3.0% in 2020.
- The E&E segment will accelerate with the digital transformation and virtual business communication, which spur demand for wireless technology, memory and micro chips.
- Demand of consumer-related products will benefit from improved disposable income. Major infrastructure and affordable housing projects will support construction related products.

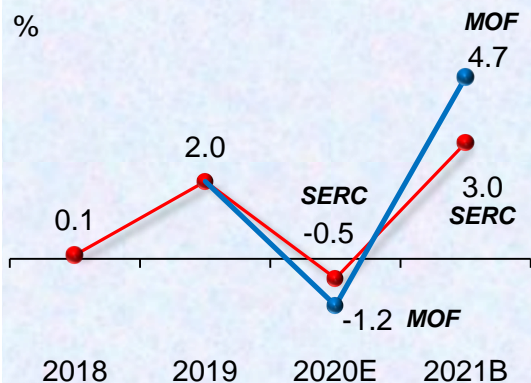
Source: DOSM; MOF



# All economic sectors register positive growth in 2021 (cont.)



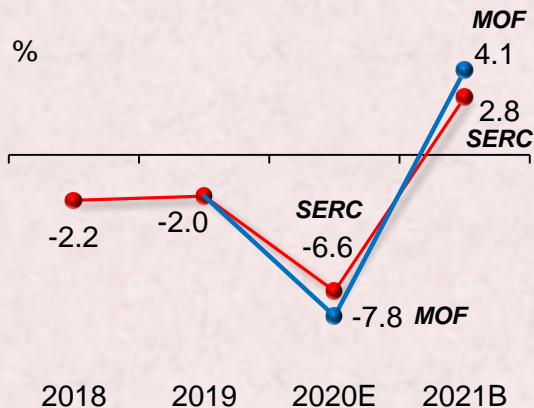
## Agriculture (7.2% share of GDP in 2021B)



- The sector is anticipated to rebound by 4.7% in 2021 (-1.2% in 2020).
- Higher production of palm oil and rubber as well as increased production of livestock and other agriculture and fishing.
- Prices estimates for CPO: RM2,550/metric tonne; rubber (SMR20): RM5.50/kg



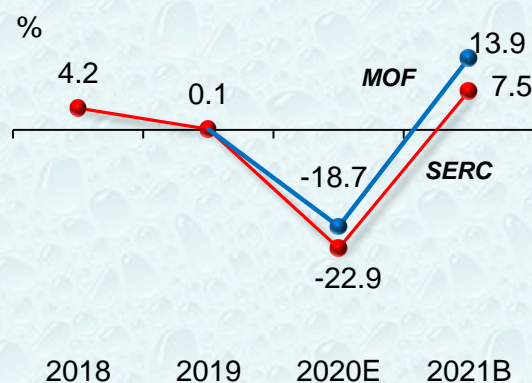
## Mining and Quarrying (6.7% share of GDP in 2021B)



- The sector, which had contracted by 7.8% in 2020, is projected to increase by 4.1% in 2021.
- Supported by a recovery in global demand for crude oil and liquefied natural gas (LNG).
- Brent crude price is expected to improve to average US\$42/bbl in 2021 (US\$40/bbl in 2020).



## Construction (4.2% share of GDP in 2021B)



- After crashing by 18.7% in 2020, the sector is set to rebound by 13.9% in 2021 on account of the acceleration and revival of major infrastructure projects and affordable housing projects.
- MRT2, LRT3, West Coast Expressway, Bayan Lepas Light Rail Transit, Pan Borneo and Coastal Highways in Sarawak. Utility projects include the Langat 2 Water Treatment Plant, Baleh Hydroelectric Dam and Sarawak Water Supply Grid Programme (Phase I).

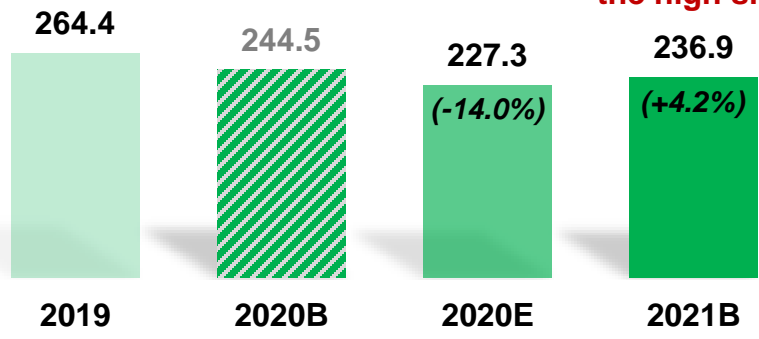
Source: DOSM; MOF



## TOTAL REVENUE

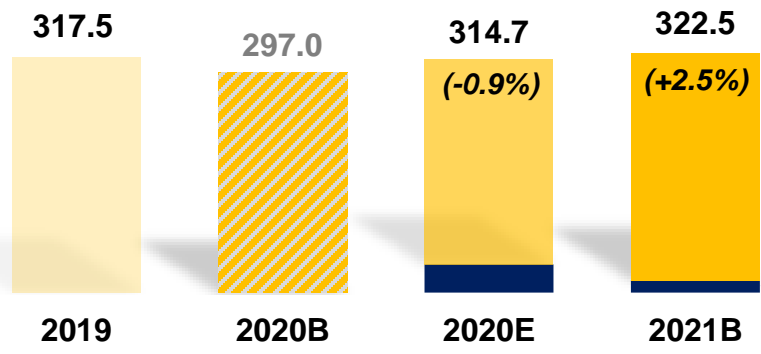
RM billion

Revenue estimates on the high side



## TOTAL EXPENDITURE\*

RM billion

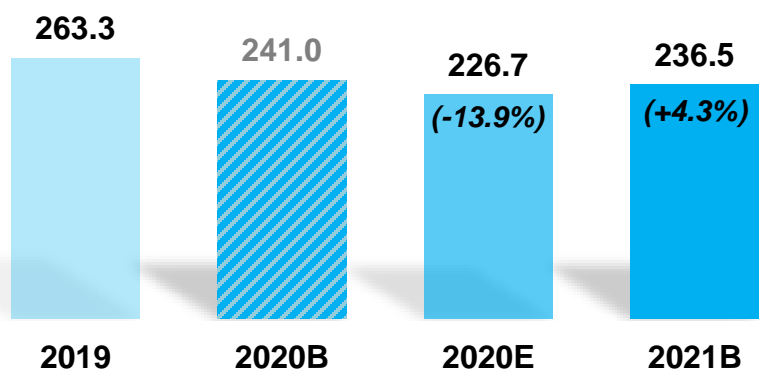


\* 2020E and 2021B consist of RM38bn and RM17bn of COVID-19 Fund respectively.



## OPERATING EXPENDITURE (73.3% of total expenditure in 2021)

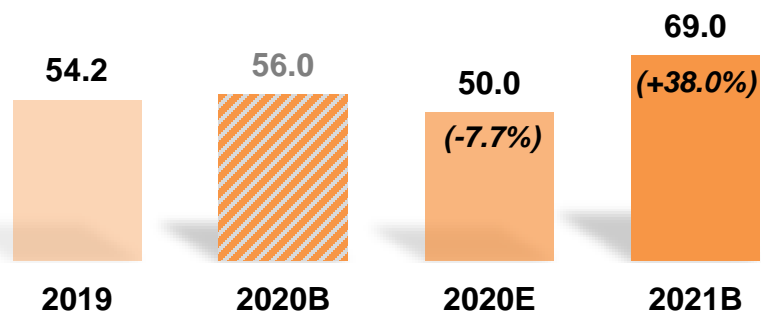
RM billion



## DEVELOPMENT EXPENDITURE (21.4% of total expenditure in 2021)

RM billion

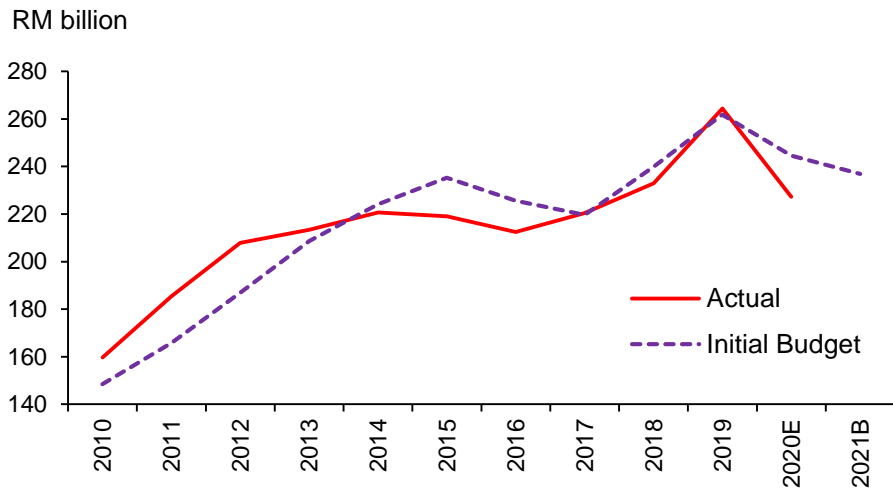
Risk of implementation capacity; Project implementation delay



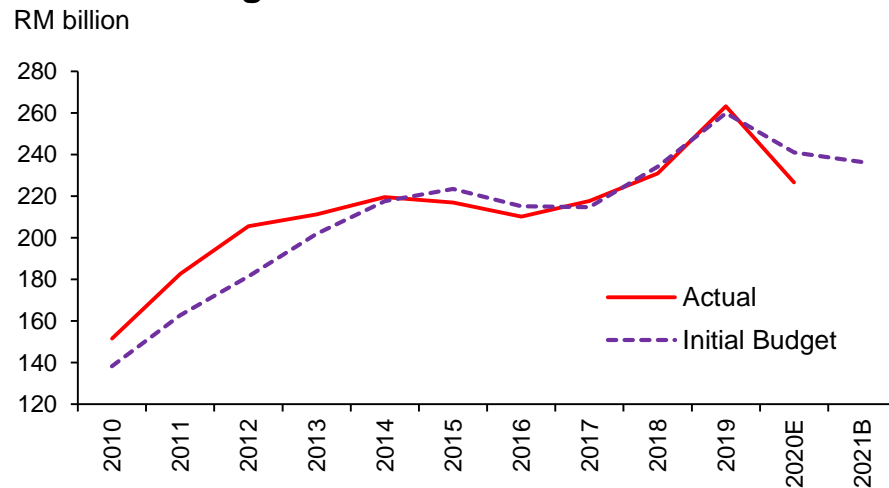
2020B refers to initial budget estimates in 2020 Budget  
2020E refers to revised estimates in 2021 Budget

# Budgetary operation trends – Actual vs. estimates

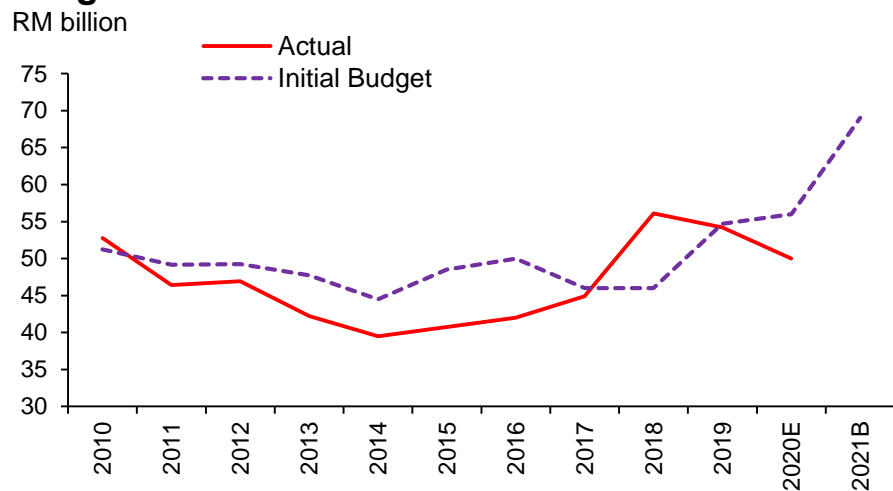
## Federal revenue broadly over-estimated



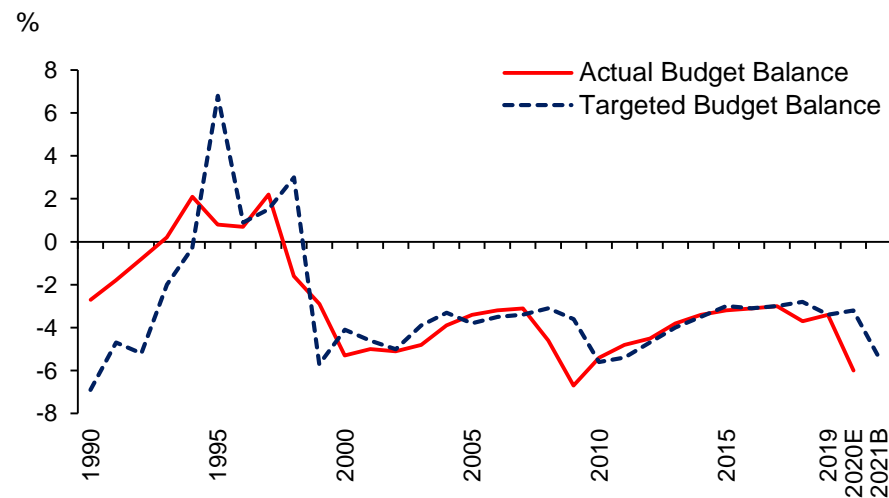
## Actual operating expenditure generally matched Budget estimate



## Development expenditure mostly fell short of Budget's allocation



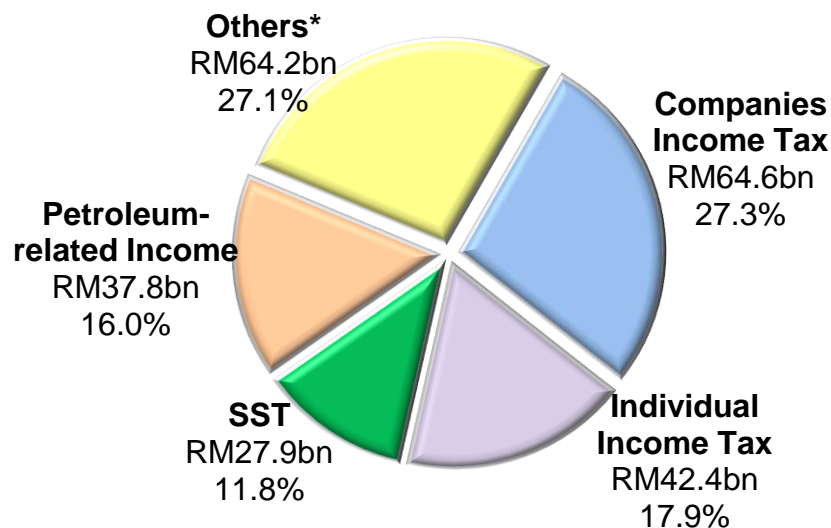
## Fiscal deficit generally met target



Source: MOF

# Distribution in revenue

## 2021B: Where the money comes from?



- **Federal revenue is projected to increase by 4.2% to RM236.9 billion** in 2021 (-14.0% in 2020), benefiting from strong economic growth. This estimate is on the high side.
- **Petroleum-related revenue is forecast to decline by 26.8% to RM37.8 billion in 2021** (RM50.0 billion in 2020). **Its share to total revenue will decline to 16.0% in 2021** (22.0% in 2020).
- **PETRONAS dividend will be lowered at RM18 billion in 2021** (RM34 billion in 2020). Bank Negara Malaysia's dividend remains at RM3.5 billion; KWAP will provide a special payment of RM5 billion; and RM1 billion from Khazanah.

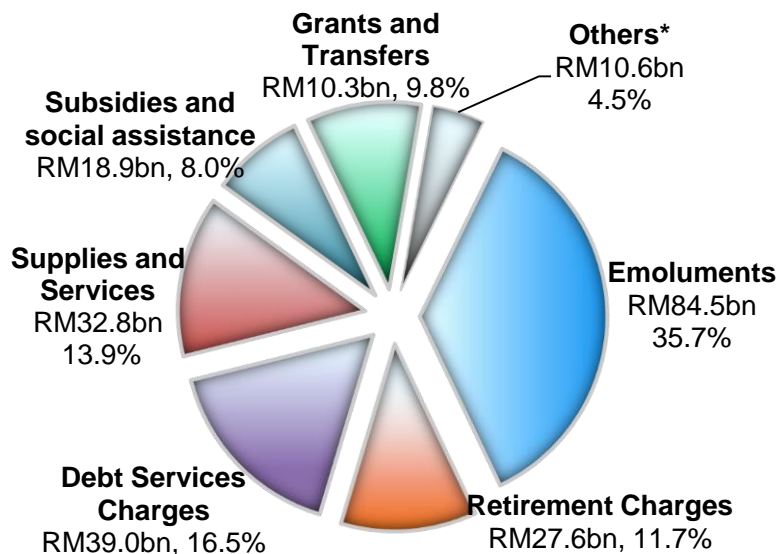
Major components of total revenue	2020E (RM billion)	Share (%)	2021B (RM billion)	Share (%)	Change (%)
<b>Direct Taxes</b>	<b>115.1</b>	<b>50.6</b>	<b>131.9</b>	<b>55.7</b>	<b>+14.6</b>
Companies Income Taxes	59.4	26.1	64.6	27.3	+8.8
Individuals Income Taxes	35.9	15.8	42.4	17.9	+18.2
<b>Indirect Taxes</b>	<b>38.2</b>	<b>16.8</b>	<b>42.5</b>	<b>17.9</b>	<b>+11.4</b>
SST	24.5	10.8	27.9	11.8	+13.7
<b>Non-tax revenue and non-revenue receipts</b>	<b>74.0</b>	<b>32.6</b>	<b>62.5</b>	<b>26.4</b>	<b>-15.5</b>
<b>Total</b>	<b>227.3</b>		<b>236.9</b>		<b>+4.2</b>

Source: MOF

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

# Distribution in operating expenditure (OE)

## 2021B: Where the money goes?



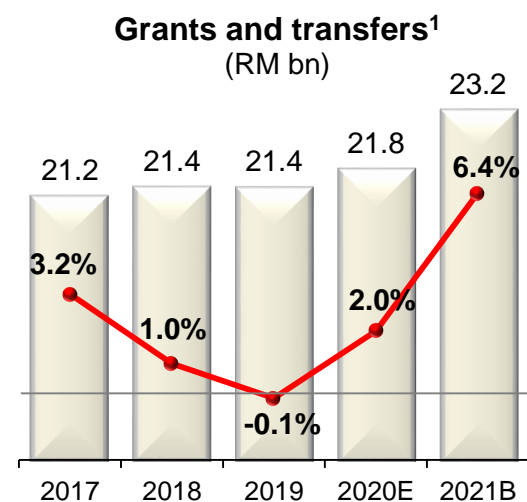
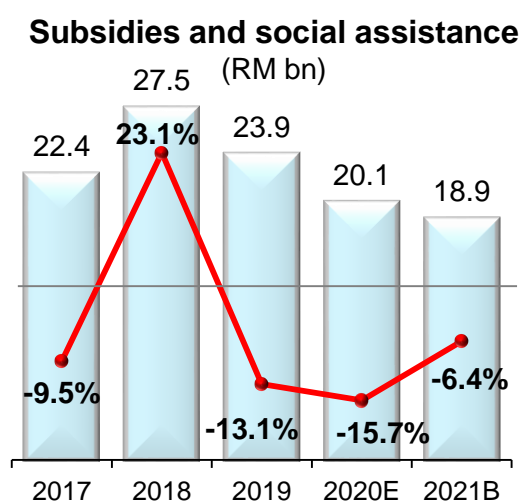
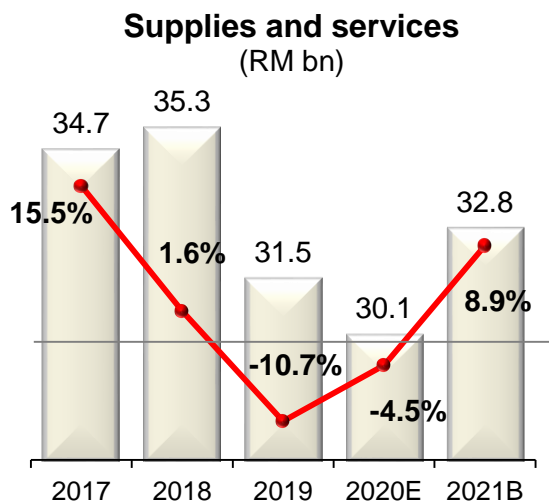
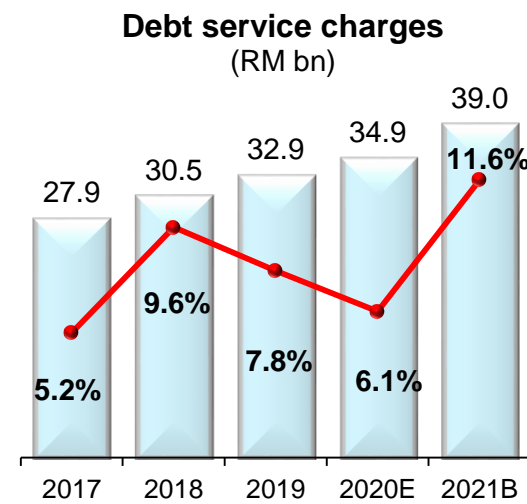
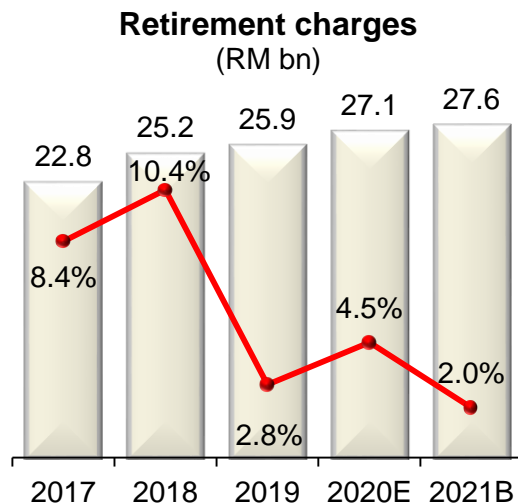
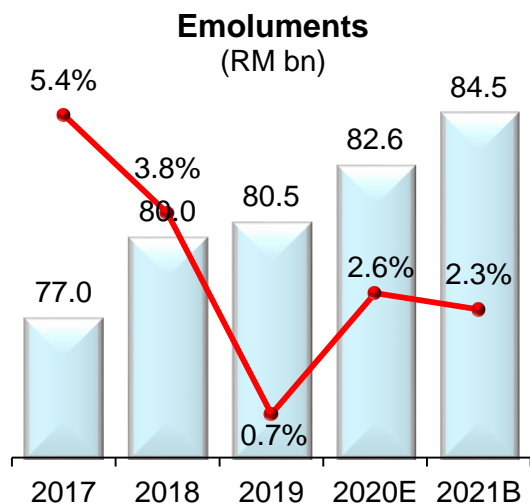
- OE is expected to increase by 4.3% to RM236.5 billion in 2021 (-13.9% in 2020).
- Emoluments remain as the largest component, constituting 35.7% (RM84.5 billion), followed by debt service charges (RM39.0 billion @ 16.5% of total OE) and supplies and services (RM32.8 billion @ 13.9%).
- Subsidies and social assistance is expected to decline by 6.4% to RM18.9 billion due to consolidation of cash assistance programmes.
- Debt service charges at 16.9% of total revenue in 2021 would exceed the fiscal rule of 15% of total revenue.

Major components of operating expenditure	2020E (RM billion)	Share (%)	2021B (RM billion)	Share (%)	Change (%)
Emoluments	82.6	36.4	84.5	35.7	+2.3
Retirement charges	27.1	11.9	27.6	11.7	+2.0
Debt service charges	34.9	15.4	39.0	16.5	+11.6
Supplies and services	30.1	13.3	32.7	13.9	+8.9
Subsidies and social assistance	20.1	8.9	18.9	8.0	-6.4
Grants and transfers	21.8	9.6	23.2	9.8	+6.4
<b>Total</b>	<b>226,720</b>		<b>236,540</b>		<b>+4.3%</b>

Source: MOF

\* Includes asset acquisition, refunds and write-offs, grants to Statutory Funds, etc.

# Distribution in operating expenditure by type



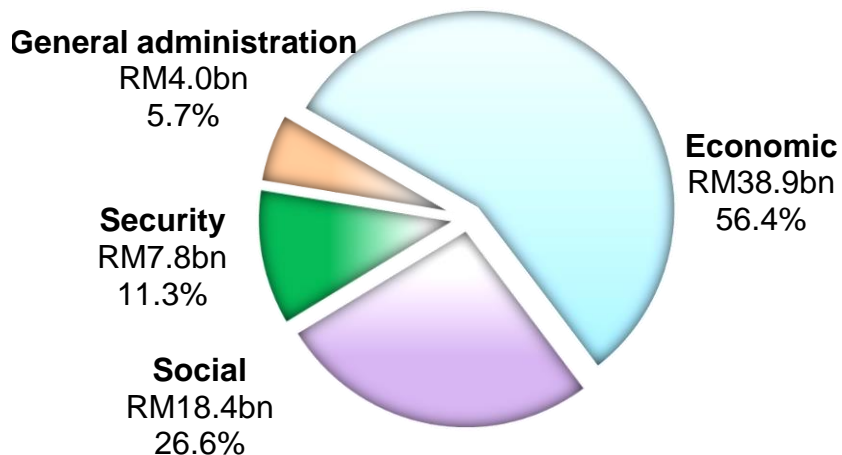
Note: Line chart indicates an annual rate of change in component of operating expenditure; straight line indicates 0%

<sup>1</sup> Includes grants and transfers to state governments and grants to statutory bodies

Source: MOF

# Distribution in development expenditure (DE)

## 2021B: Where the money goes?



- DE is expected to increase by **38.0%** to **RM69.0 billion in 2021** (-7.7% in 2020), mainly channel to programs and projects with high multiplier impact to promote economic growth and investment in areas of education, healthcare, housing, transportation and public utilities, trade and industry.
- Projects under economic sector include upgrading, expansion and maintenance of highways, roads, railways, bridges, ports and airports.

Major components of gross development expenditure	2020E (RM billion)	Share (%)	2021B (RM billion)	Share (%)	Change (%)
<b>Economic</b>	<b>28.5</b>	<b>57.1</b>	<b>38.9</b>	<b>56.4</b>	<b>+36.3</b>
Transport	10.2	20.4	15.0	21.8	+47.5
Energy & public utilities	3.6	7.2	3.3	4.8	-7.1
Trade and industry	2.4	4.9	3.1	4.5	+28.0
Agriculture & rural development	3.0	6.0	2.9	4.2	-4.0
<b>Social</b>	<b>13.1</b>	<b>26.1</b>	<b>18.4</b>	<b>26.7</b>	<b>+40.7</b>
Education and training	5.9	11.7	8.9	12.9	+51.1
Health	2.9	5.8	4.7	6.8	+63.9
<b>Total</b>	<b>50,000</b>		<b>69,000</b>		<b>+38.0</b>

Source: MOF

# Distribution in development expenditure (DE)

By Sector	2019	2020E	2021B	2019	2020E	2021B	2019	2020E	2021B
	RM million			% YoY			% Share		
<b>Economic</b>	<b>31,300</b>	<b>28,525</b>	<b>38,887</b>	<b>-13.3</b>	<b>-8.9</b>	<b>36.3</b>	<b>57.8</b>	<b>57.1</b>	<b>56.4</b>
Agriculture and rural development	2,314	3,016	2,894	8.5	30.3	↓ -4.0	4.3	6.0	4.2
Energy and public utilities	2,760	3,586	3,330	22.4	29.9	↓ -7.1	5.1	7.2	4.8
Trade and industry	3,054	2,438	3,121	21.6	-20.2	↑ 28.0	5.6	4.9	4.5
Transport	13,750	10,195	15,036	-19.1	-25.9	↑ 47.5	25.4	20.4	21.8
Communications	71	347	600	4.4	↑ 388.7	↑ 72.9	0.1	0.7	0.9
Environment	1,723	1,734	1,891	3.5	0.6	9.1	3.2	3.5	2.7
Others	7,628	7,209	12,015	-27.1	-5.5	66.7	14.1	14.4	17.5
<b>Social</b>	<b>14,484</b>	<b>13,058</b>	<b>18,369</b>	<b>12.5</b>	<b>-9.8</b>	<b>40.7</b>	<b>26.7</b>	<b>26.1</b>	<b>26.7</b>
Education and Training	7,629	5,871	8,873	17.3	-23.1	↑ 51.1	14.1	11.7	12.9
Health	1,827	2,883	4,726	3.0	↑ 57.8	↑ 63.9	3.4	5.8	6.8
Housing	2,126	1,491	1,834	65.4	-29.9	↑ 23.0	3.9	3.0	2.7
Others	2,902	2,813	2,936	-12.3	-3.1	4.4	5.3	5.6	4.3
<b>Security</b>	<b>5,614</b>	<b>5,557</b>	<b>7,780</b>	<b>13.9</b>	<b>-1.0</b>	<b>40.0</b>	<b>10.4</b>	<b>11.1</b>	<b>11.2</b>
Defence	2,931	2,665	4,860	-10.1	-9.1	↑ 82.4	5.4	5.3	7.0
Internal Security	2,683	2,892	2,920	60.9	7.8	1.0	5.0	5.8	4.2
<b>General Administration</b>	<b>2,775</b>	<b>2,860</b>	<b>3,964</b>	<b>26.8</b>	<b>3.1</b>	<b>↑ 38.6</b>	<b>5.1</b>	<b>5.7</b>	<b>5.7</b>
<b>Total</b>	<b>54,173</b>	<b>50,000</b>	<b>69,000</b>	<b>-3.4</b>	<b>-7.7</b>	<b>38.0</b>			

Source: MOF



# List of major projects and programs

## Transport sector RM15.0bn

### Upgrading, expansion and maintenance of infrastructure



*Mass Rapid Transit 2 (MRT2)*



*Light Rail Transit 3*



*Bayan Lepas Light Rail Transit*



*Electrified Double Track Gemas – Johor Bahru*



*West Coast Expressway (WCE)*



*Coastal Highways in Sarawak*



*Pan Borneo Highway*



*Klang Valley Double Track 1*



*Rapid Transit System (RTS)*



*Kuantan Port Expansion*



*Expansion of Airport in Sandakan*

## Energy and public utility RM3.3bn

### Construction of:

- Langat 2 Water Treatment Plant
- Baleh Hydroelectric Dam
- Sarawak Water Supply Grid Programme



## Communications sector RM600 million



### National Fiberisation and Connectivity Plan (NFCP)

## Health sector RM4.7bn

### Procurement of medical service vehicles and equipment



### Construction of:

- Serdang Hospital Cardiology Centre
- Putrajaya Hospital Endocrine Complex
- Lawas Hospital

### Upgrading of:

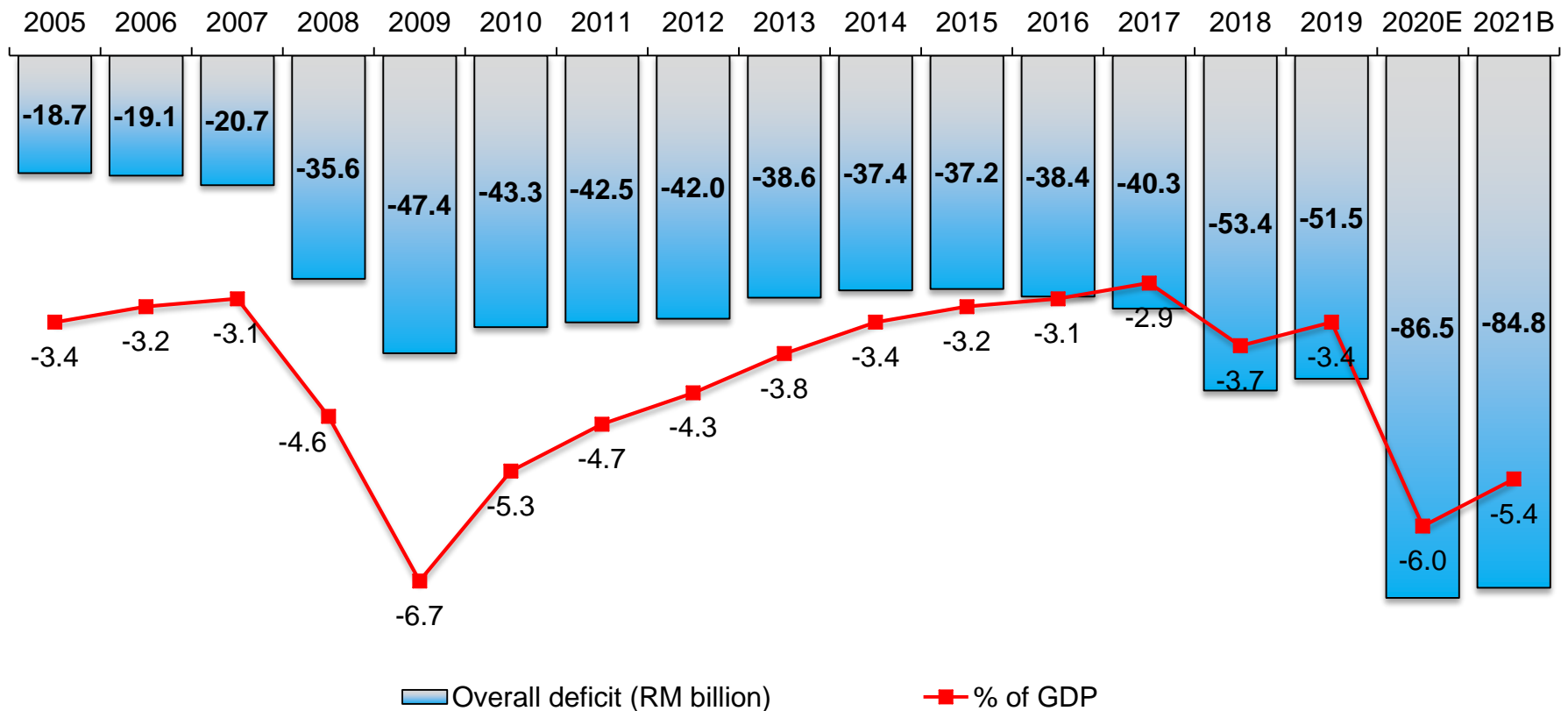
- Kajang Hospital
- Tawau Hospital

Source: MOF

# Fiscal balance trajectory
















- 2021 Budget deficit of 5.4% of GDP marks 24<sup>th</sup> consecutive year of deficit since 1998.
- The Government will embark on Medium-Term Fiscal Framework (MTFF) when the economy recovers and stabilises.

## Federal Government Overall Balance



Source: MOF

# Medium-Term Fiscal Framework (MTFF) 2021-2023

	2021-2023	
	Total (RM billion)	Share of GDP (%)
 Revenue	731.0	14.7
 Non-petroleum	609.7	12.3
 Petroleum-related	121.3	2.4
 Operating expenditure	730.3	14.7
 <b>Current balance</b>	<b>0.7</b>	<b>0.0</b>
 Gross development expenditure	212.5	4.3
 Less: Loan recovery	2.0	0.1
 Net development expenditure	210.5	4.2
 COVID-19 Fund <sup>^</sup>	17.0	0.3
 <b>Overall balance</b>	<b>-226.8</b>	<b>-4.5</b>
 <b>Primary balance</b>	<b>-102.8</b>	<b>-2.1</b>
Underlying assumptions		
 Real GDP growth (%)	4.5-5.5	
 Nominal GDP growth (%)	5.5-6.5	
 Crude oil price (USD per barrel)	45-55	
 Oil production (barrels per day)	580,000	

<sup>^</sup> A specific trust fund established under Temporary Measures for Government Financing (Coronavirus Disease 2019 (COVID-19) Act 2020) to finance economic stimulus packages and recovery plan

Source: MOF

Note: MTFF estimate, excluding budget measures

# SERC's overall commentaries on 2020-2021F Economic Report and 2021 Budget

- The uneven economic recovery from the pandemic-inflicted slump **gets a strong fiscal booster dose from the 2021 Budget.**
- It is a balancing act as fiscal stimulus support is incredibly important to support the revitalization phase of the economy while keeping the deficit and debt manageable.
- **The growth path ahead remains uncertain.** While high frequency data (exports, manufacturing production and sales as well as retail sales) and some sectors have shown uneven improvement since June, the second worldwide wave of virus and a third wave on our shore are expected to temper the pace and strength of the anticipated firmer domestic economic recovery in 4Q 2020 and in 2021.
- **It is critically dependent on the future virus path and the availability of vaccines.** Confidence is needed for a full recovery, to be supported by continued strong fiscal stimulus and low interest rate.

# SERC's overall commentaries on 2020-2021F Economic Report and 2021 Budget (cont.)

- Given the unwarranted risks and challenges ahead, **Minister of Finance has budgeted a targeted expansionary fiscal stimulus of RM322.5 billion or 20.6% of GDP in 2021, an increase of 2.5% from RM314.7 billion (21.9% of GDP in 2020).** This includes RM17.0 billion in the COVID-19 Fund (RM38.0 billion in 2020).
- **The estimated 4.2% growth in Federal revenue to RM236.9 billion in 2021 is on the high side** given the current economic and business conditions. We **flag concerns over the Budget's operating surplus, which would shrink substantially to RM550 million in 2020 and RM350 million in 2021** from an average of RM2.0 billion per year in 2015-2019. **The overall budget deficit is projected to come lower at 5.4% of GDP (RM84.8 billion) in 2021** compared to estimated -6.0% of GDP (RM86.5 billion in 2020).
- Of the total expenditure in 2021, **development expenditure (4.4% of GDP) is budgeted to increase strongly by 38.0% to RM69.0 billion, the highest level on record to make up 21.4% of total expenditure.** This is to support stronger economic recovery through the implementation of projects and programs with high multiplier impact to promote economic growth and investment in areas of education, healthcare, housing, transportation and public utilities, trade and industry. Amongst the projects earmarked are upgrading, expansion and maintenance of highways, roads, railways, bridges, ports and airports.

# SERC's overall commentaries on 2020-2021F Economic Report and 2021 Budget (cont.)

- **The key risk is implementation capacity.** Timely and critical steps need to be taken to ensure the projects and programs are implemented quickly and effectively.
- More importantly, the **Budget's allocation to the Ministries and agencies must be disbursed accountably and timely to ensure positive spill-over on domestic demand.** Any delay in the implementation of projects and funds disbursement would trigger a renewed economic contraction if the private sector has not recovered to take up the slack.
- The Government has to **tap on domestic borrowing to meet a deficit financing gap of RM84.8 billion in 2021.** The ceiling of Federal Government's statutory debt to GDP ratio has been raised temporary to 60% until end-2022, allowing some fiscal space. The establishment of the COVID-19 Fund, a dedicated trust fund has provided a leeway to "circumvent" the used of borrowed funds to implement all the measures (mainly for operating expenditure) under the stimulus and economic recovery. The fiscal rule is that the borrowed money cannot be used to finance operating expenditure.
- As at end-September 2020, the Federal Government debt stood at RM874.3 billion or 56.6% of GDP in terms of statutory limit. With the increase in borrowing needs to support growth, **the debt is projected to increase to around 58% of GDP in 2021.**

# **SERC's overall commentaries on 2020-2021F Economic Report and 2021 Budget (cont.)**

- The Government must **pursue the Medium-Term Fiscal Stability Framework (MTFSF) as a tool for medium-term fiscal planning with renewed vigour.**
- In our view, **fiscal discipline and governance must be observed when the economy stabilises and recovers.** Fiscal target should be set such that it provides ample fiscal space to meet the fiscal demands created by a future deep economic shock or financial crisis.
- **Malaysia should not wait till the market pressures us to undertake fiscal and economic reforms.**
- We should **draw up a clear and credible 5-year fiscal consolidation plan returning to sound fiscal and debt sustainability.** This helps to bolster investor confidence as well as to safeguard the country's sovereign ratings.
- The pace of fiscal adjustment should not be frontloaded, taking into consideration the state of economic and business conditions while backed by adequate social safety nets for the vulnerable groups. It is believed that the sequencing and pacing of fiscal reforms will allow the economy to adjust without creating significant distortions and disruptions on businesses and households.

# **SERC's overall commentaries on 2020-2021F Economic Report and 2021 Budget (cont.)**

- Putting the country on more stable fiscal footing **requires firm commitments to constrain the growth in spending and to broaden the narrowed revenue base.** This can be achieved through:
  - (a) **Non-critical expenditure optimisation**, including to rationalise 5.3% per annum (pa) growth in operating expenditure, which has taken almost 100% of total federal revenue in 2010-19 (such as right-sizing the bloated 1.6 million public servants or 10.6% of total employment with RM80.5 billion wage bill or 30.5% of total revenue in 2019, a progressive entitlement reform of statutory pension payment, supplies and services);
  - (b) **Continued rationalisation of subsidy and the consolidation of cash transfers/aids;**
  - (c) **Revenue enhancement initiatives**, including reintroduce the Goods and Service Tax (GST); and
  - (d) **Reduce the tax gap about 20% of GDP; plugging the shadow economy estimated at 18.2% of GDP in 2019, taxing the sharing and gig economy.**



# **SERC's overall commentaries on 2020-2021F Economic Report and 2021 Budget (cont.)**

- **On the economic growth**, Ministry of Finance estimates real GDP growth to bounce back strongly by between 6.5% and 7.5% in 2021 (estimated -4.5% in 2020), largely underpinned by a rebound in domestic demand, especially private consumption and robust public expenditure.
- **The strong rebound in real GDP growth target for 2021 is a rosy scenario**, partly aided by favorable technical “extreme low base” effect. However, **SERC has resisted the temptation of presenting a robust GDP estimate, putting it at 5.0% (baseline) for 2021**. It is better to have a conservative assumption, and be pleasantly surprised on the upside.
- We remain **wary about the virus development and the strength of economic recovery in advanced economies as well as the effectiveness of the Budget's capital spending in 2021 amid lingering concerns about domestic political development**.
- We also **caution about the timely implementation of public projects; quick disbursement of funds as well as ensuring stable political environment to boost investors' confidence**.

# Part 2: 2021 Budget – Three Integral Goals

➤ Three integral goals of revitalization strategy

- i. Rakyat's Wellbeing**
- ii. Business Continuity**
- iii. Economic Resilience**



# SERC's overall commentaries on 2021 Budget

- The Budget's measures and initiatives are **two pronged, balancing the short-term needs and long-term goals, setting the stage for medium-term growth:**
  - (a) Continued financial assistance and facilitation support to cement a sustained economic revival and business sustainability; and
  - (b) Digitalisation, innovation and technology as well as investments to building diversified economy and businesses, especially reskilling the workforce digitally and help SMEs to develop new capabilities in digital technologies.
- The 2021 Budget promptly addresses a wide range of immediate and medium-term challenges as it has set priorities in **taking care of the people's wellbeing, strengthening economic resilience, ensuring business continuity, addressing growth and investment needs of various sectors as well as enhancing public service delivery.**
- The principles of **"Timely and Targeted"** will need to be adapted for fiscal stimulus to be effective and are quick to implement and feed through to the economy, households and businesses.

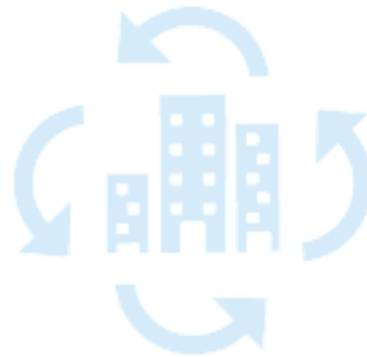
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## Three Integral Goals

Rakyat's  
Wellbeing

Business  
Continuity

Economic  
Resilience



# First Goal: Rakyat's Wellbeing – Selected initiatives



## Strategy 1: Overcoming COVID-19 Pandemic

- Increase the ceiling of the COVID-19 Fund to RM65bn
- Allocation of RM1bn to curb the third wave of COVID-19 spread
- RM3bn for allocation to participate in the COVID-19 Vaccine Global Access (COVAX) programme and commitment to provide vaccine to meet the needs of the rakyat
- Increases of healthcare related tax relief: Medical expenses for serious illnesses to RM8,000 from RM6,000, of which full medical check-up to RM1,000 from RM500; and expenses for medical treatment, special needs and parental care to RM8,000 from RM5,000
- Expand tax relief scope for medical treatment expenses covering vaccination expenses, limited to RM1,000



## Strategy 2: Safeguarding the Welfare of Vulnerable Communities

- Allocation of RM2.2bn to increase monthly rate of financial assistance to vulnerable groups
- RM1.5 bn to implement Jaringan PRIIHATIN Programme
- RM6.5bn for Bantuan Prihatin Rakyat (BPR)
  - Monthly household income <RM2,500: ( $\leq 1$  child) will receive RM1,200; ( $\geq 2$  child) will receive RM1,800
  - Monthly household income between RM2,501 to RM4,000: ( $\leq 1$  child) will receive RM800; ( $\geq 2$  child) will receive RM1,200
  - Monthly household income between RM4,001 to RM5,000: ( $\leq 1$  child) will receive RM500; ( $\geq 2$  child) will receive RM750
  - Single individuals earning <RM2,500 per month will receive assistance of RM350. The age limit for this group is 21 years, compared to the condition before this of 40 years
- Individual income tax to be reduced by 1 percentage point for chargeable income band of RM50,001 to RM70,000
- Enhance the Targeted Loan Repayment Assistance
- Employee EPF contribution rate will be reduced from 11% to 9% for a period of 12 months from January 2021
- Withdrawal from EPF Account 1 for those who have lost their jobs (RM500/month for 12 months)
- Extension of job search allowance for 3 months with the enhancement of payments
- Assistance to farmers and fishermen

# First Goal: Rakyat's Wellbeing – Selected initiatives (cont.)



## Strategy 3: Generating and Retaining Jobs

- RM2bn for Penjana Kerjaya (Hiring incentive) – Monthly incentive for 6 months
  - Incentive for employees will be increased to 40% of monthly income (max. RM4,000)
  - Additional incentive of 20% of monthly income will be given to employers who hire OKU, single mom, unemployed and retrenched workers
  - Special incentive of 60% of monthly wages (40% to employer; 20% to employee) for replacing foreign worker
  - Maximum rate of Penjana Kerjaya Training Programme will be increased to RM7,000 for highly skilled training and professional certifications
  - Formation National Employment Council
- RM1bn for various reskilling and upskilling programmes
- RM700m for Malaysia Short Term Employment Programme (MYSTEP)
- Extension of wage subsidy for another three months with a more targeted approach, increase the limit of employees to 500 from 200



## Strategy 4: Prioritising the Inclusiveness Agenda

- RM6.5bn allocation to provide quality education access to Bumiputera institution
- RM4.6bn to empower Bumiputera entrepreneurs
- RM1.4bn for Islamic affairs under the Prime Minister's Department
- Additional tax deductions will be given to employers who employ senior citizens, deduction will be extended until 2025
- RM2.7bn allocation for programmes and projects to improve various rural infrastructure (RM2.7bn)
- RM250m for apprenticeship program (an incentive of RM1,000 per month for up to 3 months to private employers; a grant of up to RM4,000 for training programs for the apprentices)
- RM55m allocation for the development of high performance sports (RM55m)

# First Goal: Rakyat's Wellbeing – Selected initiatives (cont.)



## Strategy 5: Ensuring Rakyat Well-being

- RM300m allocation for the National Digital Network initiative (JENDELA) for 430 schools
- RM7.4bn allocation to MCMC to build and upgrade digital infrastructure
- RM50.4bn allocation for Ministry of Education
- RM14.4bn allocation for Ministry of Higher Education
- RM6bn allocation for Technical and Vocational Education and Training (TVET) program enhancement
- RM300m allocation provided through the Skills Development Fund Corporation or PTPK
- Stamp duty exemption for first residential home is extended until 31 December 2025
- Stamp duty exemption given to rescuing contractors and the original house purchasers is extended to December 2025 for abandoned housing projects certified by KPKT
- RM1.2bn allocation to provide comfortable and quality housing, especially for the low-income group
- RM1bn to implement Rent-to-Own Scheme involving 5,000 PRIMA houses
- My30 unlimited travel pass initiative for bus and train
- Unlimited monthly travel pass for as low as RM5 for children in year 1 to form 6
- RM16bn allocation for Ministry of Defence
- RM17bn allocation for Ministry of Home Affairs

# Commentary on Rakyat's Wellbeing

## Cash aids relief

- The cash transfers are expected to relieve the targeted households' and individuals' financial burden and aid consumer spending amid a slow recovery in the job market.
- Since 2012, cash aids have been given to targeted B40 and M40 households and individuals to relieve their financial burden, amounting to RM39.6 billion or an average of 2.0% of total revenue in 2012-2019. In 2020, RM23.2 billion of cash transfer or 10.2% of total revenue will be given, mainly to mitigate the financial impact from the pandemic. In 2021 Budget, RM6.5 billion or 2.7% of total revenue is budgeted to benefit 8.1 million individuals with an enhancement in a more targeted manner.
- Social protection covers a number of initiatives that affect different segments. Think cash transfers for the low income, pension for the elderly or specific skills training for the youth. It covers social assistance, social insurance and labour market policies.
- Social assistance is designed to transfer resources to right segments, especially the most vulnerable ones through tax-financed benefits (cash or in kind), which can be universal, categorical or means tested. Social protection can act as automatic stabilisers during a crisis, but it needs significant capacity, political will and coordination at all levels to deliver a positive impact.
- We must prepare a phase-out plan for the cash transfer as it is fiscally unsustainable on a long-term basis. It should be reviewed thoroughly on a more targeted approach (based on income, assets, number of dependents as well as by geographical location) or conditional cash transfer programmes give money to households on the condition that they comply with certain pre-defined requirements.



# Commentary on Rakyat's Wellbeing (cont.)

## Job creation and savings

- The unemployment rate has gradually reduce to 4.7% (741,600 persons) in August and July from a record high of 5.3% in May, helped by the reopening of the economy and Wage Subsidy Programme (WSP). In 2021 Budget, 500,000 job opportunities will be created under JanaKerja: 200,000 from hiring incentive (Penjana Kerjaya); 200,000 through reskilling and upskilling programme; 50,000 via Short-term Employment Programme (MySTEP) by public sector and GLCs. Ministry Finance expects the unemployment rate to improve to 3.5% in 2021 from 4.2% in 2020 (SERC: 4.8% in 2020; 4.5% in 2021).
- Given the uneven and moderate economic and the reimplementaion of Conditional/Enhanced Movement Control Order (CMCO/EMCO) till 6 December 2020 to contain the third wave in almost all states, the labour market conditions are expected to remain weak. It takes a longer while for the unemployment rate returning to pre-pandemic levels averaging 516,450 persons in 2018-2019.
- Penjana Kerjaya initiative is indeed a good program to create jobs. While the priority will be on the employment of retrenched local workers, not all locals match the requirements of those sectors experiencing shortages. For example, those who lost their jobs in the services industry would be reluctant to work in factories and plantation sector. Likewise, locals may opt to work in the manufacturing sector relative to plantations, given the more palatable working conditions in the former sector.
- The WSP will be extended for another three months though lower than our proposal for six months' extension. The programme is expected to help about 70,000 employers and 900,000 employees with an allocation of RM1.5 billion. The increase in the number of employees from 200 to 500 could help some large companies to retain a larger pool of workers. As at end-Oct, PERKESO has channelled RM12.5 billion to fund the WSP, which has saved 2.7 million workers and more than 330,000 employers.

# Commentary on Rakyat's Wellbeing (cont.)

## Financial relief

- A 2% reduction in EPF employees' contribution rate in 2021 is expected to free up RM9.3 billion cash flow and also an estimated RM4.0 billion from the withdrawal of EPF ACCOUNT 1. The combined measures will boost households' and individuals' disposable income by RM13.3 billion and aid consumer spending. A 1% reduction of individual tax rate provides a maximum savings of RM200 for M40 and T20 taxpayers.
- On the proposed EPF withdrawal from ACCOUNT 1, we reckon that EPF savings are meant for retirement, but given the COVID-19's severity of financial impact on the household's balance sheet and individual wage earner, allowing a temporary withdrawal from ACCOUNT 1 can be considered if the contributor is heavily impacted financially.
- For the loss of employment, PERKESO's job search allowance (JSA) will be extended for another three months with enhancement in terms of payment. This will provide a handy relief given a slow job recovery amid the impact of a third wave of COVID-19.

## Comparison between original JSA and enhanced JSA

Month	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	5 <sup>th</sup>	6 <sup>th</sup>	7 <sup>th</sup>	8 <sup>th</sup>	9 <sup>th</sup>
Original JSA	80%	50%	40%	40%	30%	30%	-	-	-
Enhanced JSA	80%	50%	50%	50%	50%	50%	30%	30%	30%

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## Three Integral Goals

Rakyat's  
Wellbeing



Business  
Continuity



Economic  
Resilience



# Second Goal: Business Continuity – Selected initiatives



## Strategy 1: Steering High Impact Investment

- RM1bn to Investment Incentives Package for high value-added technology in supporting R&D investment in aerospace as well as electronic clusters
- RM500m to High Technology Fund by Bank Negara Malaysia (BNM) to support high technology and innovative companies
- Supporting Malaysia to become a destination for high value service activities, e.g. relaxation of tax incentive conditions for Principal Hub; 10% for 5 years for the establishment of Global Trading Centre; increase the sale value limit from 10% to 40% for business activities in Free Industrial Zone (FIZ) and Licensed Manufacturing Warehouse (LMW); a flat income tax rate of 15% for 5 years to non-resident individuals holding key positions in companies for companies relocating the operations to Malaysia; and extension application period for business relocation under PENJANA
- RM1.4bn to National Development Scheme (NDS) by Bank Pembangunan Malaysia to support the implementation and development of domestic supply chain and increase the production of local products
- RM3.7bn for extension of Maritime Development and Logistics Scheme; Sustainable Development Financing Scheme; Tourism Infrastructure Scheme; and Public Transport Fund until 31 December 2023
- RM2bn Targeted Assistance and Rehabilitation facility under BNM through loans from banking institutions to further assist affected SMEs. It carries a concessionary interest rate of up to 3.5% and is guaranteed by SJPP and CGC
- Improving the infrastructure of industrial parks, e.g. RM100m to maintain the industrial park infrastructure, RM42m to improve connectivity in 25 industrial parks, a water treatment plant in Kubang Pasu district and RM45m to increase the water supply needs for the petrochemical sector concentrated in the Gabeng Industrial Zone
- Create an online platform that brings together 43 agencies that issue permits and trade licenses
- Tax incentives for non-resource-based R&D product commercialization activities will be reintroduced and tax incentives for commercialization of R&D product by both and public and private universities
- Promoting the production and purchase of locally made products: RM25m to Micro Franchise Development and Affordable Franchise programmes as well as Buy Made in Malaysia Programme; RM150m to training programmes and sales assistance under the e-commerce SME and Micro SME Campaign; RM150m to Malaysia Online Shop Initiative; and RM35m to Trade and Investment Mission

# Second Goal: Business Continuity – Selected initiatives (cont.)



## Strategy 2: Strengthening Focus Sectors

- RM30m for the expansion of Community Farming Program
- RM50m for the implementation of Organics Agriculture Project
- RM10m to implement e-Satellite Farm Program
- RM150m to finance Vessel Modernization and Capture Mechanization Programme by Agrobank
- RM60m to Agrofood Value Chain Modernization Program
- RM10m to Aquaculture Development Program
- RM100m for the implementation of impact and high value agricultural and livestock projects
- RM20m to implement Malaysian Sustainable Palm Oil (MSPO) certificate ownership program
- RM16m to latex production incentive
- Open furniture industrial park in Pagoh
- RM35m to enhance competitiveness of local health tourism industry
- Expansion of the scope of imposition of tourism tax on accommodation booked through online platform\*



## Strategy 3: Prioritising Automation and Digitalisation

- RM1bn allocation for Industrial Digitalization Transformation Scheme through BPMB
- Additional RM150m to SME Digitalization Grant Scheme and Automation Grant
- Review of Tax Incentive for Manufacturers of Industrialised Building System Components\*



## Strategy 4: Enabling Business Assessability

- RM300m of Jana Niaga Platform
- RM50m to peer-to-peer or P2P financing
- RM1.2bn to micro financing through TEKUN Nasional, Agrobank, BSN and other financial institutions
- RM230m through PUNB to finance SMEs in the implementation of COVID-19 SOP compliance
- RM35bn of SJPP Guarantee Scheme; RM3bn Danajamin Prihatin Guarantee Scheme
- Equity Crowd Funding (ECF) income tax exemption on investment amount and matching grant for ECF platforms

\* Not announced in budget speech but included in Appendix

# Commentary on Business Continuity

## Attracting quality investment

- It is a gross misperception that the Budget did not provide support to SMEs and micro-enterprises. Various financial facilities, funds and related initiatives as well as rehiring and reskilling monetary schemes were proposed to support SMEs in rehabilitation, digitalization, automation, investing in high value added sectors and upskill their workers. Sector-specific (such as agriculture, commodity and tourism) also given some form of allocation and financial assistance. The incentives to attract the relocation and reshoring of businesses from abroad to Malaysia can help to develop linkages with domestic SMEs.
- Various investment incentives package and funds are expected to attract high technology and value-added investments as well as to enhance Malaysia as a competitive high value-added services hub and global trading house. The increase of sales limit from 10% to 40% for value-added and additional activities in Free Industrial Zone (FIZ) and Licensed Manufacturing Warehouse (LMW) will help to enhance the manufacturers' competitiveness to compete in global trade dynamics.
- Project Acceleration & Coordination Unit (PACU) at MIDA has to expedite and coordinate application process across the Federal, state and local authorities, a key prerequisite to attract the relocation and reshoring of businesses from abroad to Malaysia. Likewise for domestic investors.
- Domestic investors, especially SMEs must continue to upgrade and invest in technology-driven and value added products and services with the continued facilitation support from the Government and MIDA's Domestic Investment Strategic Fund (DISF). Both MIDA and states' investment authorities should work together to provide assistances (advisory and technical support) to domestic SMEs in deepening their industrial capability.

# Commentary on Business Continuity

## Attracting quality investment (cont.)

- The extension of tax incentive for Returning Expert Programme (REP), which ends this year as well as a flat income tax rate of 15% for non-resident individuals would continue to attract quality and talented human capital, providing technology and skill transfers to the Malaysian workforce.
- It is commendable that the Government is conducting a comprehensive study to revamp the existing tax incentives structure as currently there are at least 66 types of tax incentives captured under MIDA's i-incentive portal, which are handled by different ministries and agencies.
- The improvements of infrastructure in industrial areas such as enhancement of internet connectivity under JENDELA should include waste management and water treatment in the industrial park nationwide.
- It is timely to undertake a holistic study and review of the current landscape of Malaysia's industrial parks. Based on Malaysia Industrial Park Directory<sup>1</sup>, some industrial parks are yet to have basic necessary utilities (electricity and water supply), and are located far away from the airport or seaport. According to some industry feedbacks, many designed industrial parks are not attractive for businesses due to the lacking of basic infrastructure supply, facilities and manpower as well as geographically located at remote areas. Overall, an integrated and attractive industrial park should be well-equipped with all basic infrastructures so that businesses can commence business operations immediately after moving into the industrial park.

<sup>1</sup> Published by Federation of Malaysian Manufacturers (FMM) and Malaysian Investment Development Authority (MIDA)

# Commentary on Business Continuity (cont.)

## Institutional support

- In order to facilitate cross-border trading, an online platform will be created that brings together 43 agencies that issue permits and trade licenses. The implementation of Authorised Economic Operator (AEO)<sup>2</sup> facilities at national level also help to facilitate AEO accreditation process. Similar to the MIDA's PACU, these establishments are welcomed and will facilitate investment, provided that they are well-executed and supported by all ministries and agencies with business-oriented mindset.

## Financing and easing of cash flow problems

- The various financing schemes, including loan guarantees would help to ease SMEs' operating cash flow that were severely hit by the pandemic-induced crisis. According to ACCCIM's survey, many companies have failed to apply loan moratorium extension due to no follow-up from the banks and high compliance requirement (e.g. additional supporting documents) as well as higher cost of borrowing (interest rate).
- It is observed that some of the loan schemes under PENJANA with the exception of SRF (100% utilisation rate) have low utilisation rate. We propose to ease the access to loan facilities as well as enhance the terms and conditions. The application process can be less stringent and more business friendly as well as having a quicker approval process.

<sup>2</sup> An authorised economic operator (AEO) is defined as an economic operator who is reliable/compliant in the context of their customs related operations, and therefore, is entitled to enjoy benefits provided in the AEO Programme



# Commentary on Business Continuity (cont.)

## Automation and Digitalisation

- The Government remains firmly supportive to boost up local digitalization and automation activities. Based on ACCCIM Malaysia's Business and Economic Conditions Survey (M-BECS) Report 1H 2019 and 2H 2019F, more than one-third of respondents (35.8%) were unaware of any loans or grants provided by the Government. It is disheartening to note that less than 15% of respondents were aware of the government's loans or grants for Industry4WRD related incentives, for instance, there is only 9% of respondents aware of Industrial Digitalisation Transformation Fund (IDTF), which will be extended till end-2023. The Government should improve the publicity of these funds and resolve the rationale of low take-up rate amid ensuring effectiveness of the utilisation.
- The Government has extended the tax incentives for manufacturing of industrialised building system (IBS) components, which will end in 2020. However, the tax incentive is now reviewed to only providing Investment Tax Allowance (ITA) of 60% on qualifying capital expenditure, which can offset against 70% of statutory income from 100% previously. It also removes income tax exemption of 70% and 100%. We think that previous tax incentives should be reinstated to incentivise more adoption of technology in the construction sector through the usage of IBS.

# Commentary on Business Continuity (cont.)

## Supporting locally manufactured products

- E-commerce is a mega trend, especially during the pandemic crisis. Based on iPrice@insights, monthly web traffic volume in Shopee had increased by 79.9% yoy to 38.3 million as of 1H 2020, whereas Lazada also recorded 16.1 million monthly web traffic volume as of 1H 2020.
- The Budget encourages local entrepreneurs, especially SMEs to participate in e-commerce. As DOSM data showed that only 35.2% of Malaysians will purchase goods/services via e-commerce in 2019 and most of them are from the age group of “20-44” (36.8-45.1% adoption rate), there is great potential for e-commerce market segment to grow and expand. In order to support Malaysian products/services offered via e-commerce platform as well as achieving higher adoption rate in digitalisation across all age groups, the Government should extend the RM50 e-wallet to all Malaysians instead of the age group of 18 to 20 years old, who are mostly already a digital user.

## Agriculture sector

- The Budget provides fiscal support to further cultivate agriculture modernization by giving matching grants and loans via Agrobank to procure equipment and technology based on IR4.0 (e.g. drones) as well as implement impactful and high-value farming projects. The average approved domestic investment in the agriculture sector only amounted RM115.8 million in 2015-2019 and accounted for an average share of 2.5% of total approvals in primary sector.

# Commentary on Business Continuity (cont.)

## Agriculture sector (cont.)

- Based on DOSM, production of round cabbage, mango and ginger had declined by 30.1% pa, 7.6% pa and 3.1% pa respectively in 2016-2019, whereas the self sufficiency ratio stood low at 36.2%, 32.1% and 16.2% respectively in 2019. This goes to show that Malaysia is heavily dependent on food imports to meet growing local demand. In complementing the Budget's initiatives, the Federal Government should collaborate with State Governments to open up more land for agricultural production. For commercial viability, a 30-year period lease is the minimum period for reasonable investment return.

## Tourism sector

- As the “first in, last out” industry, the tourism sector was hit hardest by the pandemic crisis. The Government has initiated several measures under PRIHATIN and PENJANA to ease the financial burden and limit the sector's impact. In 2021 Budget, most measures are targeted for post-COVID-19, except special grant for Sabah and the exemption of HRDF levy payment.
- Meanwhile, the Government continued to put focus on health tourism industry as health services exports grew by 15.3% pa in 2016-2019.
- Starting from 1 July 2021, the scope of tourism tax will be expanded to cover accommodation booked through online platform providers, resulting home sharing platforms such as Airbnb to be included in the list. The imposition of tax will help to create some level playing field for the hotel industry.

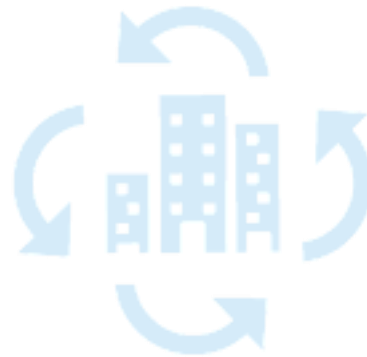
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## Three Integral Goals

Rakyat's  
Wellbeing



Business  
Continuity



Economic  
Resilience



# Third Goal: Economic Resilience – Selected initiatives



## Strategy 1: Expansionary Budget

- RM2.5bn for G1 to G4 contractors to carry out small and medium scale projects
- List of measures to tackle cigarettes and electric cigarettes



## Strategy 2: RMK-12 Development Plan

- RM15.0bn of transportation infrastructure (Pan Borneo highways, Gemas - Johor Bahru Electrified Double Tracking and Klang Valley Double Tracking Phase 1, Rapid Transit System from Johor Bahru to Woodland, Singapore and MRT3 in Klang Valley)
- Continuation of High Speed Rail (HSR) project
- Various new projects worth RM3.8bn
- Development projects in 5 Corridors (RM780m)
- Extension of existing tax incentives for the East Coast Economic Region Development Corridor, Iskandar Malaysia and Sabah Development Corridor until 2022
- Continuation of Kwasa Damansara development with gross development value (GDV) of RM50bn
- Development expenditure for Sabah and Sarawak at RM5.1bn and RM4.5bn



## Strategy 3: Strengthening GLC and Civil Society Roles

- Social enterprise development program (RM30m)



## Strategy 4: Ensuring Resource Sustainability

- Tax exemption for SRI green sukuk grant is extended to all types of sukuk and bonds and this exemption is extended until 2025
- Green Technology Financing Scheme 3.0 or GTFS3.0 guaranteed by Danajamin (RM2bn)



## Strategy 5: Civil Service

- Receipt of payment at no extra charge via e-wallet\*
- Special provision is provided as a reward to anyone who can provide information on any misconduct and violations of the law
- Special Financial Assistance 2021

\* Not announced in budget speech but included in Touchpoints

# Commentary on Economic Resilience

## Public spending and economic development

- The historic high development expenditure of RM69.0 billion in 2021 is expected to support the economy and domestic demand via spinning off multiplier effects on the construction and real estate sector and their inter-linkage with 140 sub-sectors. The key risk is implementation capacity as development expenditure have consistently below the budgeted allocation since 2011, with the exception in 2018.
- The effective implementation of public projects and programs, especially small and medium-size projects as well as the timely disbursement of funds are highly critical to yield the desired multiplier impact on the economy, businesses and households. Any delay in project/program implementation and implementation capacity risk would stifle the economic recovery.
- A list of mega development projects, including several civil engineering projects were mentioned in the Budget speech. The Government has green lighted MRT3 and will continue the High Speed Rail (HSR), subjecting to further discussion with Singapore. The Government needs to ensure that the progress of projects implementation is on track and minimise cost overrun.
- The RM15.0 billion of transport infrastructure construction could serve as a strong economic multiplier effect on regional economic development.
- The extension of tax incentives in economic corridors would incentivise investments in these areas. Nonetheless, a good investment facilitation with less hassle to invest will be the utmost important consideration to attract investments. It must be noted that the domestic direct investment has been falling in the recent years. All eyes are on the upcoming the Industrial Master Plan that will chart the direction of industrial development for the next ten years.

# Commentary on Economic Resilience (cont.)

## Tackling of cigarettes

- For the sake of health as well as to enhance revenue collection, various initiatives have been proposed, including the further imposition of excise duty on cigarettes products, including electronic cigarettes, which will contribute an additional RM1.0 billion increase in excise duty. More importantly, the enforcement agencies have to step up enforcement on smuggling activities, including a more frequent patrolling and imposition of higher penalty as well as addressing any potential corruption.

## Public service delivery

- The special provision as a reward for providing information on any misconduct and violations of the law is a commendable approach to address misconducting as well as help to weed out corruption. Along with this initiative, the protection of whistleblowing needs to be improved under the Whistle-blower Protection Act Malaysia 2010 and must be well-publicised to gain public confidence.

## Resource sustainability

- The introduction of Green Technology Financing Scheme 3.0 (GTFS3.0) of RM2 billion to finance commercialised green project will continue to help in achieving Environmental, Social, and Corporate Governance (ESG) agenda. Previous schemes have allocated RM3.5 billion in GTFS (which has ended in 2017) and RM2 billion in GTFS2.0 (downsized from RM5 billion will end in 2020). As per GTFS website, about 30 projects were listed as certified GTFS2.0 projects with 45% of the fund being utilised, raising concerns about the need of introducing a new scheme instead of extending and improving the existing scheme.

Strategy	Key measures and initiatives
<b>1. Overcoming COVID-19 Pandemic</b>	<ul style="list-style-type: none"> <li>• Raise the ceiling of the COVID-19 Fund by RM20 billion to RM65 billion</li> <li>• Increased allocation to stem the third wave of COVID-19 for next year (RM1 billion).               <ul style="list-style-type: none"> <li>○ Purchase of reagent, Viral Transport Media and consumables specifically for usage in medical laboratories (RM475 million)</li> <li>○ PPE and hand sanitisers for frontliners (RM318 million)</li> <li>○ National Security Council and National Disaster Management Agency (RM150 million)</li> <li>○ Purchase of equipment, laboratory test supplies, and medicines at university training hospitals (RM 50 Million)</li> <li>○ Increase the equipment for dental facility operation, virtual clinical services, and preparation of preliminary zone facility and thermometer at health services to meet the new norm Standard Operating Procedures (SOP)</li> </ul> </li> <li>• One-off grant of RM500 in appreciation of contribution of MOH front liners</li> <li>• Participation in the COVID-19 Vaccine Global Access (COVAX) programme and commitment to provide vaccine to meet the needs of the rakyat (RM3 billion)</li> <li>• Expand tax relief scope for medical treatment expenses covering vaccination expenses such as pneumococcal, influenza and COVID-19 limited to RM1,000</li> <li>• Increase the tax relief limit on medical care expenses for self, spouse and children for serious illnesses from RM6,000 to RM 8,000</li> <li>• Tax relief limit for the scope for full health examination and vaccination expenses to be increased from RM500 to RM1,000</li> <li>• Tax relief limit of expenses for medical treatment, special needs and parental care is increased from RM5,000 to RM8,000</li> <li>• Mental Health Programme, Violence and Injury Prevention, and Substance Abuse (RM24 million)</li> <li>• Broaden mySalam's coverage to medical device expenses claims such as heart stent or prosthesis</li> <li>• Tenang Voucher Programme for B40 group               <ul style="list-style-type: none"> <li>○ RM50 voucher as financial aid to purchase Perlindungan Tenang products such as life takaful and self-accident</li> <li>○ Duty stamp exemption on all Perlindungan Tenang products with annual contribution of not more than RM100 for a period of 5 more years until Year of Assessment 2025</li> </ul> </li> <li>• Pneumococcal vaccine programme for children (RM90 million)</li> <li>• Biologic medicine specially for rheumatoid arthritis patients (RM6 million)</li> <li>• Home-based Peritoneal Dialysis treatment programme (RM25 million)</li> </ul>



Strategy	Key measures and initiatives
<b>2. Safeguarding the Welfare of Vulnerable Communities</b>	<p><b>Improving Financial Assistance</b></p> <ul style="list-style-type: none"> <li>• Increase the monthly rate of financial assistance as follows (RM2.2 billion) <ul style="list-style-type: none"> <li>○ The rate for Financial Assistance for Person with Disabilities who are Incapable of Work is increased from RM250 to RM300 per month</li> <li>○ The rate for Financial Assistance for Senior Citizens and Financial Assistance for Carers of Bed-ridden Disabled Person (OKU) and Chronically Ill is increased from RM350 to RM500</li> <li>○ The rate for Incentive Allowance for Disabled Workers is increased from RM400 to RM450 per month</li> <li>○ The rate for Financial Assistance for Children from poor family is increased from RM100 per child with a maximum of RM450 per family, to RM150 per child aged seven years to 18 years, or RM200 per child aged six years and below with a maximum of RM1,000 per family</li> </ul> </li> <li>• Bantuan Prihatin Rakyat (BPR) with improved rate and income category as follows: (RM6.5 billion) <ul style="list-style-type: none"> <li>○ Monthly household income &lt;RM2,500: (≤1 child) will receive RM1,200; (≥2 child) will receive RM1,800</li> <li>○ Monthly household income between RM2,501 to RM4,000: (≤1 child) will receive RM800; (≥2 child) will receive RM1,200</li> <li>○ Monthly household income between RM4,001 to RM5,000: (≤1 child) will receive RM500; (≥2 child) will receive RM750</li> <li>○ Single individuals earning &lt;RM2,500 per month will receive assistance of RM350. The age limit for this group is 21 years, compared to the condition before this of 40 years</li> </ul> </li> <li>• Jaringan PRIHATIN Programme (RM1.5 billion) <ul style="list-style-type: none"> <li>○ An estimated 8 million individuals in the B40 category will receive assistance of RM180 per person in the form of telecommunication credit</li> <li>○ Telecommunication companies will match by providing benefits valued at RM1.5 billion in the form of free data</li> </ul> </li> </ul> <p><b>Alleviating the Rakyat's Cost of Living</b></p> <ul style="list-style-type: none"> <li>• Income tax reduction for resident individuals which will be reduced by 1 percentage point for the chargeable income band of RM50,001 to RM70,000 (RM262million)</li> <li>• Enhance the Targeted Loan Repayment Assistance (TRA) as follows: <ul style="list-style-type: none"> <li>○ B40 borrowers / micro loan enterprises (loans &lt; RM150,000) will be given the following options: <ul style="list-style-type: none"> <li>▪ Option 1: Moratorium on their instalments for a period of 3 months</li> <li>▪ Option 2: Reduce their monthly repayment by 50 percent for a period of 6 months</li> </ul> </li> <li>○ For the M40 borrowers, the application process for the repayment assistance will be simplified by making a self-declaration of the reduction in income in order to secure the repayment assistance</li> </ul> </li> <li>• Minimum employee EPF contribution rate is reduced from 11% to 9% from beginning January 2021 for a period of 12 months (RM9.3 billion)</li> <li>• Facility to withdraw EPF savings from Account 1 for those who have lost their jobs (RM4 billion) <ul style="list-style-type: none"> <li>○ RM500 a month with a total of up to RM6,000 over 12 month</li> </ul> </li> <li>• Enhancement of the Employment Insurance Scheme (RM150 million) <ul style="list-style-type: none"> <li>○ Job search allowance will be extended by 3 months; and</li> <li>○ Terms and condition: First month: 80% of salary; Second till the sixth month: 50% of salary; Last three months : 30% of salary</li> </ul> </li> </ul>

Strategy	Key measures and initiatives
<b>2. Safeguarding the Welfare of Vulnerable Communities (cont.)</b>	<ul style="list-style-type: none"> <li>• Income tax exemption limit for compensation for loss of employment increased from RM10,000 to RM20,000 for each full year of service</li> <li>• Allocation for subsidies, aids and incentives (RM28 billion)</li> <li>• Community Drumming Programme (RM200 million), broadened to cover 34 new areas such as Pulau Sakar in Sabah and Ulu Mujok in Sarawak. (Basic goods: rice, sugar, flour, cooking oil, LPG gas, RON95 petrol and diesel)</li> </ul> <p><b>Assistance to Farmers and Fishermen</b></p> <ul style="list-style-type: none"> <li>• Rubber Production Incentive will be doubled from RM150 million to RM300 million RM50,001 to RM70,000 (RM262million)</li> <li>• Paddy Price Subsidy (RM570 million).</li> <li>• Subsidy and incentive for paddy crop (RM960 million)</li> <li>• Subsidy for Padi Bukit fertilizers (RM40 million)</li> <li>• Allowance for fishermen will be increased from RM250 to RM300 per month</li> <li>• Write-off the interests of the FELDA settlers' debt (RM400 million)</li> </ul>
<b>3. Generating and Retaining Jobs</b>	<p><b>Hiring Incentive</b></p> <ul style="list-style-type: none"> <li>• Penjana Kerjaya (RM 2 billion) <ul style="list-style-type: none"> <li>○ Incentive for employees earning RM1,500 and above will be increased from a flat rate of RM800 per month to 40 percent of monthly income, subject to a maximum income of RM4,000 (within 6 months)</li> <li>○ Additional incentive of 20 percent of an employee's monthly income will be given to employers who hire disabled (OKU), single mom, unemployed and retrenched workers (within 6 months)</li> <li>○ High reliance of foreign workers such as construction and plantations, a special incentive of 60 percent of monthly wages will be provided whereby 40 percent will be channelled to the employer while 20 percent will be channelled as a wage top up to the local worker replacing the foreign worker (within 6 months)</li> <li>○ The maximum rate of Penjana Kerjaya Training Programme will be increased from RM4,000 to RM7,000 for highly skilled training and professional certifications</li> <li>○ Formation National Employment Council</li> </ul> </li> <li>• To coordinate various initiatives cutting across ministries and agencies which create job opportunities, skills enhancement and training for employees. The LAKSANA unit will be responsible to monitor the effectiveness of all these initiatives to ensure the rakyat continues to receive employment opportunities</li> </ul> <p><b>Reskilling &amp; Upskilling</b></p> <ul style="list-style-type: none"> <li>• Reskilling and upskilling programmes with a total of RM1 billion will be allocated benefitting 200,000 trainees as follows: <ul style="list-style-type: none"> <li>○ KPT-PACE (fresh graduates will each be eligible for a voucher worth RM3,000 to pursue a professional certification course at public or private universities) (RM150 million)</li> <li>○ HRDF to implement trainings in collaboration with private-sector employer (RM100 million)</li> <li>○ MDEC to transition existing workforce to fill the growing needs in the ICT industry (RM100 million)</li> <li>○ IRDA and SEDIA to provide new skills training to workers badly affected by the closure of borders to foreign tourists (RM100 million)</li> <li>○ PERHEBAT for entrepreneurship training programmes that will benefit 12,000 veterans of the Malaysian Armed Forces (RM30 million)</li> </ul> </li> </ul>

Strategy	Key measures and initiatives
<b>3. Generating and Retaining Jobs (cont.)</b>	<ul style="list-style-type: none"> <li>• The scope of relief for tuition fee be expanded to cover expenditures incurred for attending up-skilling courses provided by certified bodies limited to RM1,000 for each year of assessment</li> </ul> <p><b>Malaysia Short Term Employment Programme (MYSTEP) (RM700 million)</b></p> <ul style="list-style-type: none"> <li>• Offers 50,000 temporary job opportunities in the public sector and GLCs for a one-year contract starting January 2021 as follows: <ul style="list-style-type: none"> <li>○ 35,000 job opportunities will be offered in the public sector</li> <li>○ 15,000 job opportunities in technical and financial fields</li> <li>○ Apprenticeship programmes for new graduates in GLC's</li> </ul> </li> </ul> <p><b>Targeted Wage Subsidy</b></p> <ul style="list-style-type: none"> <li>• Extend the implementation of the Wage Subsidy Program for another three months with a more targeted approach specifically for the tourism sector and retail sector as follows (RM1.5 billion) <ul style="list-style-type: none"> <li>○ Wage Subsidy rate of RM600 per month for workers earning RM4,000 and below</li> <li>○ Limit of 200 employees per application will be increased to 500 employees</li> </ul> </li> </ul> <p><b>Social Protection</b></p> <ul style="list-style-type: none"> <li>• Withdrawal of Account 2 EPF to purchase conventional or takaful insurance products that are approved by EPF, including life insurance and critical illness insurance</li> <li>• Income tax relief up to RM3,000 on savings in Private Retirement Schemes (PRS) will be extended for additional 4 years until Year of Assessment 2025</li> <li>• PERKESO Occupational Disaster Scheme (RM23 million): <ul style="list-style-type: none"> <li>○ Volunteer of the Armed Forces, Police FORCE, Civil Defence, Maritime Malaysia</li> <li>○ Imams, Bilal, Siak, Noja, Merbut, Guru Takmir</li> <li>○ Public servant with the status Contract for Service</li> <li>○ Delivery Riders</li> </ul> </li> </ul>
<b>4. Prioritising the Inclusiveness Agenda</b>	<p><b>Empowering the Bumiputera</b></p> <ul style="list-style-type: none"> <li>• Provide quality education access to Bumiputera institutions such as the Majlis Amanah Rakyat (MARA), Universiti Teknologi MARA (UiTM) to offer specific programmes such as digitalization of TVET learning methods, and upgrading from certificate level programmes to diploma. (RM6.5 billion)</li> <li>• Empower Bumiputera entrepreneurs (RM4.6 billion): <ul style="list-style-type: none"> <li>○ Financing Bumiputera micro SMEs and SMEs through TEKUN Nasional, PUNB (RM510 million)</li> <li>○ Capacity building programs by Bank Pembangunan Malaysia Berhad and SME Bank (RM800 million)</li> <li>○ Financing of Bumiputera SMEs through Syarikat Jaminan Pembiayaan Perniagaan (SJPP) (RM2 billion)</li> <li>○ Bumiputera capacity building programmes, including professional development, Dana Kemakmuran Bumiputera and small projects specifically for the Bumiputera (RM1.3 billion)</li> </ul> </li> <li>• Value of Bumiputera holdings in real estate focusing on commercial development on the Malay reserve land (RM750 million)</li> </ul>

Strategy	Key measures and initiatives
<b>4. Prioritising the Inclusiveness Agenda (cont.)</b>	<p><b>Upholding Syiar Islam</b></p> <ul style="list-style-type: none"> <li>• Islamic affairs under the Prime Minister's Department (RM1.4 billion): <ul style="list-style-type: none"> <li>○ Increase the allowance rate of Guru takmir teacher from RM800 to RM900 per month</li> <li>○ Enhance the management of endowment (wakaf) through collaboration between Yayasan Wakaf Malaysia with Federal Government agencies, GLCs and Government Linked Investment Companies (GLIC). National Wakaf Masterplan will be created to ensure a more efficient endowment management to maximise the mobilization of future endowment assets</li> <li>○ PNB through Amanah Saham Nasional introduce waqf services to all ASNB unit trust holders and income tax deduction will be given on the endowed unit of ASNB</li> <li>○ Unit holders can endow some of their units into ASNB wakaf fund and eligible for an income tax deduction</li> </ul> </li> <li>• Increase the allowance rate of Guru Takmir from RM800 to RM900 per month</li> <li>• One-off special payment of RM500 to the Imam, Bilal, Tok Siak. Noja, Merbot, Guru Takmir and Guru Kafa</li> </ul> <p><b>Enhancing the Role of Women</b></p> <ul style="list-style-type: none"> <li>• Special micro credit financing through TEKUN, MARA and AgroBank (RM95 million)</li> <li>• Arrahnu BisNita Program (50 million)</li> <li>• Program Pembangunan Perniagaan Usahawan Mikro or BizMe</li> <li>• One-stop Social Support Centre in collaboration with NGO (RM21 million)</li> <li>• Establishment of childcare centres or TASKA in Government buildings especially in hospital (RM30 million)</li> <li>• Matching grant of to be provided to encourage the private sector employers to provide childcare centres for their employees (RM20 million)</li> <li>• Cervical cancer screening and subsidy incentives for mammograms to women who are of high risk of breast cancer. (RM10 million)</li> </ul> <p><b>Community-based Initiatives</b></p> <ul style="list-style-type: none"> <li>• Programmes to improve educational facilities, housing and the development of new villages, as well as financing facilities through Bank Simpanan Nasional (BSN) for the Chinese community (RM177 million)</li> <li>• For the Indian community, a total of RM100 million is allocated to MITRA</li> <li>• Skim Pembangunan Usahawan Masyarakat India, SPUMI by TEKUN Nasional (RM20 million)</li> <li>• Entrepreneurship development for other minority communities (RM5 million)</li> <li>• Increase the value of grants to Rukun Tetangga Areas (KRT) from RM4,800 to RM6,000 (RM50 million)</li> <li>• Allocation for repairs, maintenance and small development projects to houses of worship in areas under the Local Authority (RM50 million)</li> <li>• Human Development Program MyPRIDE by Malaysian Prisons Department (RM20 million)</li> <li>• Additional tax deduction provided to employers who employ ex-prisoners and former drug addicts will be extended until year of assessment 2025</li> <li>• Cultural Arts Economic Development Agency or CENDANA to implement various arts and culture programs that will benefit artiste and production crew (RM15 million)</li> <li>• Well-being of the Orang Asli community (RM158 million):</li> </ul>

Strategy	Key measures and initiatives
<b>4. Prioritising the Inclusiveness Agenda (cont.)</b>	<p><b>Community-based Initiatives (cont.)</b></p> <ul style="list-style-type: none"> <li>• Well-being of the Orang Asli community (RM158 million): <ul style="list-style-type: none"> <li>○ Implementation of social assistance programmes</li> <li>○ Integrated Development Programme for Orang Asli Villages</li> <li>○ Develop infrastructure such as rural roads</li> <li>○ Construction of 14 new kindergartens at Pos Slim Sungai Kinta, Perak and Pos Sungai Kelai Jempol, Negeri Sembilan</li> <li>○ Allocation to carry out land survey work for demarcation of borders in 21 Orang Asli villages (RM5 million)</li> </ul> </li> <li>• Native Customary Rights program in Sabah and Sarawak (RM41 million)</li> <li>• Home Help Services Programme for elderly and OKU – Honorarium value for volunteers under this programme will be increased from RM150 to a maximum of RM400; assistance value to the vulnerable group of the programme will also be increased from RM30 to RM80</li> <li>• Tax relief limit for disabled spouse will be increased from RM3,500 to RM5,000</li> <li>• Increase rate of supervisors and officers under the Community Rehabilitation Organization or PDK from RM 800 to RM1,200 per month (RM100million), rate of supervisors will be increased from RM1,200 to RM1,500</li> <li>• Increase the annual financial aid to operate the Senior Citizens Activity Centre (PAWE) managed by Non-Governmental Organisations (NGOs) from RM33,000 to RM50,000</li> <li>• To encourage employment opportunities for senior citizens, additional tax deductions will be given to employers who employ senior citizens. This deduction will be extended until 2025</li> <li>• Early childhood education programmes by the Community Development Department (KEMAS) (RM170 million): Supplementary Food Assistance; Per Capita Assistance; Repair and maintenance for TABIKA and TASKA</li> <li>• Community Centers collaboration with NGO's to set up transit centres for children to attend after school (RM20 million)</li> </ul> <p><b>Enhancing Rural Infrastructure</b></p> <ul style="list-style-type: none"> <li>• Programmes and projects to improve various rural infrastructure (RM2.7 billion): <ul style="list-style-type: none"> <li>○ Implementation of rural road and inter-village road projects spanning 920 kilometre (RM1.30 billion)</li> <li>○ Allocation for rural and alternative water supply (RM632 million)</li> <li>○ Rural electricity supply (RM250 million)</li> <li>○ Home Assistance Programme to the poor PPRT (RM355 million)</li> <li>○ Install 27,000 units of lamps as well as to cover operational and maintenance costs of 500,000 units of street lights in villages. (RM121 million)</li> </ul> </li> <li>• Broaden mobile banking services in Sabah and Sarawak</li> <li>• The eligibility limit for the use of funds under the Malaysian Road Records Information System or MARRIS has been increased to 20 percent or RM50 million, whichever is lower to finance road maintenance work that is beyond the usual scope of MARRIS</li> </ul> <p><b>Youth and Sports Development</b></p> <ul style="list-style-type: none"> <li>• Allocation of RM250 million for apprenticeship program <ul style="list-style-type: none"> <li>○ Provide an incentive of RM1,000 per month for up to 3 months to private employers</li> <li>○ A grant of up to RM4,000 for training programs for the apprentices</li> </ul> </li> <li>• eBelia Programme (RM75 million)</li> </ul>

Strategy	Key measures and initiatives
<b>4. Prioritising the Inclusiveness Agenda (cont.)</b>	<p><b>Sports Development (cont.)</b></p> <ul style="list-style-type: none"> <li>• Malaysia National Healthy Agenda (RM19 million)</li> <li>• Build, upgrade and maintain sports facilities (RM103 million)</li> <li>• Development of high performance sports: (RM55 million) <ul style="list-style-type: none"> <li>○ Hockey, rugby, badminton, cycling, development of women athlete</li> <li>○ e-Sports (RM15 million)</li> </ul> </li> <li>• Soft loan through the TEKUN Sports scheme for sport facility operators.(RM20 million)</li> <li>• Tax relief limit for lifestyle is increased from RM2,500 to RM3,000 specifically provided for expenditure related to sports including participating fee for sports competitions, scope of relief is expanded to include subscription of electronic newspapers</li> </ul>
<b>5. Ensuring Rakyat Well-being</b>	<p><b>Digital Connectivity</b></p> <ul style="list-style-type: none"> <li>• National Digital Network initiative JENDELA for 430 schools (RM500 million)</li> <li>• Build and upgrade digital infrastructure (RM7.4 billion)</li> <li>• Pilot project to provide laptops to students by GLIC and GLC through CERDIK fund (RM150 million)</li> </ul> <p><b>Access to Quality Education</b></p> <ul style="list-style-type: none"> <li>• Ministry of Education (RM50.35 billion)</li> <li>• Improve the Supplementary Meal Plan by providing milk supply daily compared to twice a week previously (RM420 million)</li> <li>• Maintenance and repair of Government Schools and Government Aided Schools (RM800 million)</li> <li>• Upgrade buildings and infrastructure in 50 dilapidated schools (RM725 million)</li> <li>• Schools in rural Sabah and Sarawak – 184 construction projects and install tube well water supply (RM120 million)</li> <li>• Upgrade special needs children in schools (RM45 million)</li> <li>• Ministry of Higher Education (RM14.4 billion)</li> <li>• Infrastructure and equipment replacement in public universities (RM50 million)</li> <li>• Upgrade the Malaysian Research &amp; Education Network or MYREN (RM50 million)</li> <li>• BSN MyRinggit-i COMSIS Scheme a laptop loan scheme (RM100 million)</li> <li>• Tax relief up to RM8,000 on net annual savings in Skim Simpanan Pendidikan Nasional (SSPN) be extended until the year of assessment 2022</li> <li>• Technical and Vocational Education and Training or TVET program enhancement (RM6 billion)</li> <li>• Allocation provided through the Skills Development Fund Corporation or PTPK (RM300 million)</li> <li>• Increase the National Dual Training System or SLDN allowance from RM625 to RM1,000 (RM60 million)</li> <li>• Islamic education and lifelong learning initiatives for tahfiz institutions and pondok schools (RM29 million)</li> </ul>

Strategy	Key measures and initiatives
<b>5. Ensuring Rakyat Well-being (cont.)</b>	<p><b>Increase Home Ownership</b></p> <ul style="list-style-type: none"> <li>• To further promote home ownership the Government will implement the following initiatives: <ul style="list-style-type: none"> <li>○ Full stamp duty exemption on instruments of transfer and loan agreement for the first residential home is extended until 31 December 2025. The limit of duty stamp for first residential home is also increased from RM300,000 to RM500,000. This exemption is effective for sale and purchase agreement executed from 1 January 2021 to 31 December 2025</li> <li>○ Stamp duty exemption on loan agreements and instruments of transfer given to rescuing contractors and the original house purchasers is extended for another 5 years. This exemption is effective for loan agreements and instruments of transfer executed from 1 January 2021 to December 2025 for abandoned housing projects certified by KPKT</li> </ul> </li> <li>• Providing comfortable and quality housing, especially for the low-income group. (RM1.2 billion): <ul style="list-style-type: none"> <li>○ Build up to 14,000 housing units under the People's Housing Programme (RM500 million)</li> <li>○ Construction of 3,000 units of Rumah Mesra Rakyat as well as subsidising the SPNB Housing Programme Bank Profit Rate (RM315 million)</li> <li>○ Maintenance of low cost and medium-low stratified housing as well as assistance to repair dilapidated houses and those damaged by natural disasters (RM125 million)</li> <li>○ Malaysia Civil Servants Housing Programme (PPAM) (RM310 million)</li> </ul> </li> <li>• Rent-to-Own Scheme involving 5,000 PRIMA houses (RM1 billion)</li> </ul> <p><b>Transportation Facilities</b></p> <ul style="list-style-type: none"> <li>• My30 unlimited travel pass initiative for bus and train (RM300 million)</li> <li>• Unlimited monthly travel pass for as low as RM5 will be introduced for children in year 1 to form 6 to commute to school, and for the disabled (Klang Valley Komuter lines, northern sector komuter, Kuala Lipis and Tumpat inter-city train, and the Beaufort-Tenom line in Sabah)</li> <li>• Stage Bus Service Transformation Programme (SBST) (RM150 million)</li> <li>• Sales tax exemption for the purchase of locally assembled bus effective from 1 January 2021 until 31 December 2022</li> </ul> <p><b>National Defence and Public Order</b></p> <ul style="list-style-type: none"> <li>• Allocation for Ministry of Defence and Ministry of Home Affairs (RM16 billion and RM17 billion)</li> <li>• Increase the allocation for maintenance of Malaysian Armed Forces' key assets (RM2.3 billion)</li> <li>• Malaysia Cyber Security Resilience Programme (MYCSR) (RM27 million)</li> <li>• Maintain the facilities of the existing Rumah Keluarga Angkatan Tentera (RM500 million)</li> <li>• Welfare of the Malaysian Armed Forces veterans (RM110 million)</li> <li>• Upgrading facilities at the training centre to strengthen the role of RELA (RM153 million)</li> </ul>

## Goal 2: Business Continuity

Strategy	Key measures and initiatives
<b>1. Steering High Impact Investment</b>	<p><b>Investment in Key Sectors</b></p> <ul style="list-style-type: none"> <li>• Investment Incentives Package (RM1 billion)</li> <li>• High Technology Fund will be provided by Bank Negara Malaysia (BNM) to support high technology and innovative companies (RM500 million)</li> <li>• Malaysia as a destination for high value services:               <ul style="list-style-type: none"> <li>○ Relaxation of tax incentive conditions for Principal Hub and the incentive will be extended until 31 December 2022</li> <li>○ New tax incentive for the establishment of Global Trading Centre at a concessionary rate of 10 percent for a period of 5 years and renewable for a period of another 5 years</li> <li>○ Increasing the sales value limit for value-added and additional activities carried out in the Free Industrial Zone (FIZ) and Licensed Manufacturing Warehouse (LMW) from 10 percent to 40 percent of the annual sales value</li> <li>○ Extend the special income tax rate treatment at a flat rate of 15 percent for a period of 5 years to non-citizen individuals holding key positions for strategic new investments by companies transferring operations to Malaysia</li> <li>○ Special tax rates to selected manufacturing companies which relocated their businesses to Malaysia and bring in new investments, application for the incentive will be extended for another 1 year until 31 December 2022 and the scope of tax incentives will also be extended to companies in the selected services sector by providing an income tax rate of 0 to 10 percent for a period of 10 years</li> <li>○ To provide space for the study to be completed, the existing tax incentives, due to end this year, will be extended until 2022. The extension includes tax incentives for MRO activities for aerospace, building and repair of ships, Bionexus status and economic corridor developments</li> </ul> </li> <li>• National Development Scheme, NDS (RM1.4 billion)</li> <li>• Extension of Maritime and Logistics Development Scheme, Sustainable Development Financing Scheme, Tourism Infrastructure Scheme and Public Transport Fund until 31 December 2023 (RM3.7 billion)</li> <li>• Designated schemes from total fund above for Bumiputera's involvement in the key sectors. (RM500 million)</li> <li>• Targeted Assistance and Rehabilitation facility (RM2 billion)</li> </ul> <p><b>Enhancing Business Environment</b></p> <ul style="list-style-type: none"> <li>• Improving the infrastructure of industrial parks               <ul style="list-style-type: none"> <li>○ Maintenance of industrial park infrastructure (RM100 million)</li> <li>○ Improved internet connectivity in 25 industrial areas under the JENDELA program (RM42 million)</li> <li>○ A water treatment plant in Kubang Pasu district to support the investment needs of Kota Perdana Special Boundary Economic Zone project in Bukit Kayu Hitam, Kedah</li> <li>○ Allocation for water supply needs for the petrochemical sector concentrated in the Gebeng Industrial Zone. (RM45 million)</li> </ul> </li> <li>• Implementation of AEO facilities and expansion of AEO accreditation to logistics service providers and warehouse operators</li> <li>• Create an online platform that brings together 43 agencies that issue permits and trade licenses</li> </ul>



Strategy	Key measures and initiatives
<b>1. Steering High Impact Investment (cont.)</b>	<p><b>Science, Technology and Innovation Initiatives</b></p> <ul style="list-style-type: none"> <li>• R&amp;D activities to support technological developments (RM400 million)</li> <li>• Tax incentives for commercialization of R&amp;D revenue are reintroduced and extended to private universities</li> <li>• Malaysia Techlympics and Science Space Program (RM20 million)</li> <li>• Research on infectious diseases using Sukuk PRIHATIN (RM100 million)</li> <li>• Top Glove, Hartalega, Supermax and Kossan contributions to corporate social responsibility (RM400 million)</li> </ul> <p><b>Local Products</b></p> <ul style="list-style-type: none"> <li>• Promoting the production and purchase of locally made products: <ul style="list-style-type: none"> <li>○ Development of Micro Franchise and Affordable Franchise as well as the Buy Products Made in Malaysia (RM25 million)</li> <li>○ Training programmes and sales assistance as well as digital equipment under e-Commerce SME and Micro SME Campaign (RM150million)</li> <li>○ Malaysia Online Shop Initiative (RM150million)</li> <li>○ Trade and Investment Mission (RM35million)</li> </ul> </li> <li>• Empowerment of the Ministry of Health Off-Take Agreement Program</li> <li>• Incentive income tax rate incentive of 0 to 10 percent for the first 10 years and an income tax rate of 10 percent for an extended period of 10 years will be introduced to encourage pharmaceutical product</li> </ul>
<b>2. Strengthening Focus Sectors</b>	<p><b>Strengthening Agriculture Industry</b></p> <ul style="list-style-type: none"> <li>• Key initiatives for the agriculture and food industry sectors: <ul style="list-style-type: none"> <li>○ Expansion of Community Farming Program (RM30 million)</li> <li>○ Implementation of Organic Agriculture Project (RM50 million)</li> <li>○ Implementation of e-Satellite Farm Program (RM10 million)</li> <li>○ Financing under the Vessel Modernization Program and Catch Mechanization to upgrade equipment, nets and boats(RM5 million)</li> <li>○ Agrofood Value Chain Modernization Program (RM60 million)</li> <li>○ Aquaculture Development Program (RM10 million)</li> <li>○ Implementation of impact and high value agricultural and livestock projects (RM100 million)</li> </ul> </li> </ul> <p><b>Development of Commodity Sectors</b></p> <ul style="list-style-type: none"> <li>• Strengthen the sustainability of various commodity sectors: <ul style="list-style-type: none"> <li>○ Malaysian Sustainable Palm Oil certificate ownership program (RM20 million)</li> <li>○ Matching grants will also be introduced to encourage the industry's investment in mechanisation and automation (RM30 million)</li> <li>○ Latex production incentive (RM16 million)</li> <li>○ Opening the furniture industrial area in Pagoh</li> </ul> </li> <li>• Forest Plantation Development Loan Program (RM500 million)</li> </ul>

Strategy	Key measures and initiatives
<b>2. Strengthening Focus Sectors (cont.)</b>	<p><b>Continuity of Tourism Industry</b></p> <ul style="list-style-type: none"> <li>• Training and relocation program for staff from airlines in Malaysia (RM50 million)</li> <li>• Provide employment opportunities to 500 people from the local community and Orang Asli</li> <li>• Maintenance and refurbishment of tourism facilities (RM50 million)</li> <li>• Improving infrastructure and intensifying the promotion of Cultural Villages in Terengganu, Melaka, Sarawak and Negeri Sembilan (RM20 million)</li> <li>• Preservation of national heritage buildings such as Sultan Abdul Samad Building, Kuala Lumpur Railway Station Building and Carcosa Seri Negara (RM10million)</li> <li>• Malaysia Healthcare Travel Council (RM35 million)</li> <li>• Additional Special Care Grant of RM1,000 will be given to traders and hawkers in Sabah, special grant will also be given to taxi drivers, e-hailing, rental cars and tour guides in Sabah</li> <li>• Exemption for HRDF levies for 6 months effective 1 Jan 2021, cover tourism sector and companies affected by COVID-19 crisis</li> </ul>
<b>3. Prioritising Automation and Digitalisation</b>	<ul style="list-style-type: none"> <li>• Industrial Digitalisation Transformation Scheme (RM1 billion)</li> <li>• SME Digitization Grant Scheme and Automation Grant, eligibility condition relaxed for micro SMEs and start-ups that have been operating for at least six months (RM150 million)</li> </ul>
<b>4. Enabling Business Accessibility</b>	<p><b>Micro Credit Financing</b></p> <ul style="list-style-type: none"> <li>• Lestari Bumi Financing Scheme (RM300 million)</li> <li>• Jana Niaga Platform through EXIM Bank (RM300 million)</li> <li>• Peer-to-peer or P2P financing (RM50 million)</li> <li>• Microcredit financing through TEKUN Nasional, Agrobank, BSN and other financial institutions (RM1.2 billion)</li> <li>• Financing to SMEs for working capital, upgrading of automation systems and equipment and expenditure related to the implementation of COVID-19 SOP compliance (RM230 million)</li> </ul> <p><b>Loan Guarantee</b></p> <ul style="list-style-type: none"> <li>• Syarikat Jaminan Pembiayaan Perniagaan Guarantee Scheme (RM10 billion)</li> <li>• Danajamin Prihatin Guarantee Scheme (RM3 billion)</li> <li>• Consumer Credit Act will be enacted, provides a regulatory framework for activities related to consumer credit issuance and strengthens the supervision of non-bank and non-supervised credit providers</li> </ul> <p><b>Alternative Financing</b></p> <ul style="list-style-type: none"> <li>• Equity Crowd Funding - income tax exemption of 50 percent of the investment amount or limited to RM50,000 will be given</li> <li>• Matching grants to be invested on ECF platforms under the supervision of the SC (RM30 million)</li> </ul>

### Goal 3: Economic Resilience

Strategy	Key measures and initiatives
<b>1. Expansionary Budget</b>	<p><b>Expenses with High Multipliers</b></p> <ul style="list-style-type: none"> <li>• Allocation for G1 to G4 contractors to carry out small and medium scale projects (RM2.5 billion)</li> <li>• Extension of relaxation period for procurement procedures until 31 December 2021 to accelerate the implementation of development projects</li> <li>• Access to finance for construction contractors under the Skim Pembiayaan Kontrak Ekspres, SPIKE (RM50 million)</li> </ul> <p><b>Enhancing Business Environment</b></p> <ul style="list-style-type: none"> <li>• The Multi-Agency Task Force will be strengthened with the participation of the Malaysian Anti-Corruption Commission and the National Anti-Financial Crime Centre</li> <li>• List of measures:               <ul style="list-style-type: none"> <li>○ To freeze the issuance of new cigarette import licenses</li> <li>○ To tighten the renewal of cigarette import licenses through the revision of license conditions including imposing import quotas</li> <li>○ Limiting transshipment of cigarette to dedicated ports only</li> <li>○ To impose tax with drawback facility on all imported cigarettes for the purpose of transshipment and re-export</li> <li>○ To ban transshipment activities and re-export of cigarettes using composite boats</li> <li>○ To impose taxes on cigarettes and tobacco products in all Duty Free Islands</li> <li>○ To enact a new act to control the use of all types of electric cigarettes</li> </ul> </li> <li>• To impose ad valorem excise duty at a rate of 10 percent on all types of electronic and non-electronic cigarette devices</li> </ul>
<b>2. RMK-12 Development Plan</b>	<p><b>Transport Infrastructure Development</b></p> <ul style="list-style-type: none"> <li>• To implement transportation infrastructure to enhance rakyat's accessibility (RM15 billion)               <ul style="list-style-type: none"> <li>○ Pan Borneo highways, Gemas - Johor Bahru Electrified Double Tracking and Klang Valley Double Tracking Phase 1</li> <li>○ Rapid Transit System from Johor Bahru to Woodland, Singapore and MRT3 in Klang Valley</li> </ul> </li> <li>• High Speed Rail or HSR</li> <li>• New projects (RM3.8 billion)               <ul style="list-style-type: none"> <li>○ Construction of 3rd Klang bridge</li> <li>○ Central Spine Road</li> <li>○ Upgrading of bridge in Sungai Marang, Terengganu</li> <li>○ Upgrading of federal roads connecting Gerik, Perak to Kulim, Kedah</li> <li>○ Construction and upgrading of Pulau Indah circle in Klang circle (Lingkaran Pulau Indah, Klang)</li> <li>○ Construction of Pan Borneo Highway</li> <li>○ Cameron Highlands bypass in Pahang</li> </ul> </li> </ul>

Strategy	Key measures and initiatives
<b>2. RMK-12 Development Plan (cont.)</b>	<p><b>Balancing Regional Development</b></p> <ul style="list-style-type: none"> <li>• Development projects in 5 Corridors (RM780 million) <ul style="list-style-type: none"> <li>○ Bus Rapid Transit transportation system in 3 high capacity route and construction of “Busway” in IRDA, Johor</li> <li>○ Construction of Palekbang - Kota Bharu bridge in Kelantan under ECER</li> <li>○ Construction of infrastructure and related components of the Special Development Zone project in Yan and Baling, Kedah under NCER</li> <li>○ Implementation of small holders projects in Kedah Rubber City in NCER</li> <li>○ Infrastructure projects in Samalaju Industrial Area in Sarawak under SCORE</li> <li>○ Continuation of Sapangar Bay Container Port Expansion Project, Sabah under SDC</li> </ul> </li> <li>• Extension of existing tax incentives for the East Coast Economic Region Development Corridor, Iskandar Malaysia and Sabah Development Corridor until 2022</li> <li>• Raw water distribution project from Sungai Kesang and Tasik Biru to Jus Dam, Jasin, Melaka (RM150 million)</li> <li>• Continuation of Kwasa Damansara development (RM50 billion)</li> <li>• Development expenditure for Sabah and Sarawak at RM5.1 billion and RM4.5 billion</li> </ul>
<b>3. Strengthening GLC and Civil Society Roles</b>	<p><b>Alternative Service Delivery</b></p> <ul style="list-style-type: none"> <li>• Concept of matching grant from the Government together with GLC (RM100 million)</li> <li>• Income generating programs and improving the quality of life of vulnerable groups (RM50 million)</li> <li>• Social enterprise development program (RM30 million)</li> <li>• RM20 million for environmental conservation initiatives</li> </ul>
<b>4. Ensuring Resource Sustainability</b>	<p><b>Sustainable Development Agenda</b></p> <ul style="list-style-type: none"> <li>• Malaysia-SDG Trust Fund or MySDG Trust Fund (RM20 million)</li> <li>• SDG programs implemented by the Malaysian Parliamentary Party Cross Group (RM5 million)</li> </ul> <p><b>Sustainable Finance</b></p> <ul style="list-style-type: none"> <li>• Sustainability Bond in Malaysia for environmental and social initiatives</li> <li>• Tax exemption for SRI green sukuk grant is extended to all types of sukuk and bonds and this exemption is extended until 2025</li> <li>• Green Technology Financing Scheme 3.0 or GTFS3.0 guaranteed by Danajamin (RM2 billion)</li> </ul> <p><b>Environmental Conservation</b></p> <ul style="list-style-type: none"> <li>• Natural resources preservation: <ul style="list-style-type: none"> <li>○ To address issue of trapped garbage and solid waste in rivers (RM50 million)</li> <li>○ Environmental quality monitoring enforcement activities (RM40 million)</li> <li>○ Integrated Island Waste Management Project (RM10 million)</li> <li>○ Allocation under the TAHAP to all State Governments (RM400 million) and Ecological Fiscal Transfer (RM70 million) as an additional incentive</li> <li>○ Mangrove planting program to preserve mangrove swamp areas and other tree species along the coast</li> </ul> </li> <li>• SAVE 2.0 program will be introduced which is an e-Rebate of RM200 to households who buy any energy efficient locally manufactured air conditioner or refrigerator (RM30 million)</li> </ul>

Strategy	Key measures and initiatives
<b>4. Ensuring Resource Sustainability (cont.)</b>	<b>Environmental Conservation (cont.)</b> <ul style="list-style-type: none"> <li>• Food compost awareness program to be processed into organic fertilizer</li> <li>• Support the initiative using public buses that operate on Hydrogen fuel cells</li> <li>• Biodiversity Protection and Patrol Program by recruiting military and police personnel (RM20 million)</li> </ul>
<b>5. Civil Service</b>	<b>Strengthening of the Public Service Delivery</b> <ul style="list-style-type: none"> <li>• Maximize the use of digital space through a paperless approach</li> <li>• Initiative to build UTC in the Lembah Pantai in collaboration with the private sector</li> <li>• Expand the use of kiosks as an alternative channel for the public delivery system</li> <li>• Upgrading infrastructure and information and communication technology facilities in the Ministry of Foreign Affairs (RM14 million)</li> <li>• Receipt of payment at no extra charge via e-wallet*</li> </ul> <b>Strengthening Governance and Integrity in Malaysia</b> <ul style="list-style-type: none"> <li>• Recruitment 100 new MACC officers</li> <li>• Special provision is provided as a reward to anyone who can provide information on any misconduct and violations of the law</li> </ul> <b>Welfare of the Civil Servants</b> <ul style="list-style-type: none"> <li>• Improving the facilities provided to the civil servants as follows: <ul style="list-style-type: none"> <li>○ Increase in allowance rate from RM6 to RM8 per hour to more than 1,900 Auxiliary Firemen</li> <li>○ Free Personal Accident Protection Scheme up to RM100,000 to new borrowers of the Public Sector Housing Financing Board (LPPSA)</li> </ul> </li> <li>• One-off grant of RM500 to the National Hero Service Medal holders</li> <li>• Special Financial Assistance 2021: <ul style="list-style-type: none"> <li>○ RM600 to be paid to all civil servants Grade 56 and below</li> <li>○ Special Financial Assistance of RM300 to retirees and non-pensionable veterans</li> </ul> </li> </ul>

\* Not announced in budget speech but included in Touchpoints

## Measures described in Appendix but not announced in Budget speech

### **APPENDIX 13: Extension of Period of Stamp Duty Exemption for Exchange Traded Fund**

- Stamp duty exemption on contract notes for trading of ETF be extended for another 5 years (for the trading of ETF executed from 1 January 2021 to 31 December 2025)

### **APPENDIX 18: Extension of Tax Incentive for Returning Expert Programme**

- Application period for REP incentive be extended for another 3 years (from 1 January 2021 until 31 December 2023) and revised as follows:
  - Flat rate of 15% for a period of 5 consecutive years of assessment
  - Exemption on import duty and excise duty for the purchase of a CBU vehicle or excise duty exemption for the purchase of a CKD vehicle subject to the total duty exemption limited up to RM100,000

### **APPENDIX 20: Review of Tax Incentive for Manufacturers of Industrialised Building System Components**

- IBS tax incentive be extended for a period of 5 years (for applications received by Malaysian Investment Development Authority from 1 January 2021 to 31 December 2025) and Category 1 (Companies producing at least 3 basic components of IBS or IBS system that use at least 3 basic IBS components) and Category 2 (Companies producing at least 4 or more basic components of IBS or IBS system that use at least 4 basic IBS components) to be merged where companies are only required to produce at least 3 basic components of IBS or IBS system that use at least 3 basic IBS components be given Investment Tax Allowance of 60% on qualifying capital expenditure incurred within 5 years. This allowance can be set off against 70% of statutory income for each year of assessment

### **APPENDIX 23: Expansion of the Scope of Imposition of Tourism Tax on Accommodation Booked Through Online Platform**

- Imposition of tourism tax be expanded to accommodation premises reserved through online platform providers (from 1 July 2021)



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**谢谢**  
**THANK YOU**

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