



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

**Perlindungan Ekonomi dan Rakyat
Malaysia (PERMAI) Assistance Package**

**Reprioritisation of Initiatives to Cope
with MCO 2.0**

PERMAI Assistance Package to soften the impact of MCO 2.0

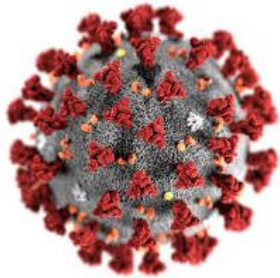
- In 2020, the Government has implemented four economic stimulus packages (PRIHATIN, including Economic Stimulus Package announced on 27 Feb 2020; PRIHATIN SME+; PENJANA; KITA PRIHATIN) worth RM305.0 billion or 21.1% of GDP, of which RM55.0 billion was direct fiscal injection. These packages were aimed to ease the financial burden on vulnerable households; to buoy cash-strapped SMEs, to provide liquidity to financial markets and to aid millions of people who lost their jobs.
- On 15 Dec 2021, the Parliament has approved the largest ever fiscal spending Budget totaling RM322.5 billion or 20.6% of GDP for 2021 to revitalize the healing economy.
- Following the rapid rise in infection cases breaching the 2,000 mark in recent weeks since the outbreak of the third wave of COVID-19 in late September, the Government has re-implemented Movement Control Order (MCO 2.0) in several states/territories for a two-week period (13-26 Jan 2021), which has now extended to almost all states with exception of Sarawak.
- On concerning MCO 2.0's dampening impact on the already slowing recovery pace in 4Q 2020, the **Perlindungan Ekonomi dan Rakyat Malaysia (PERMAI) Assistance Package totalling RM15.0 billion, of which direct fiscal injection of RM6.6 billion was rolled on 18 Jan 2021** to improve existing initiatives as well as accelerate the implementation of related initiatives as announced in previous stimulus packages and in the Budget 2021.

Perlindungan Ekonomi Dan Rakyat Malaysia (PERMAI)

PERMAI has outlined a total of 22 initiatives, focussing on three main objectives:

Three Main Objectives

Combating the
COVID-19 Outbreak



Safeguarding the
Welfare of the
People



Supporting the
Business
Continuity



PERMAI initiatives

List of initiatives	RM million	Remarks
1. Combating the COVID-19 Outbreak		
<ul style="list-style-type: none"> Additional allocation for Ministry of Health (MOH), National Security Council (NSC) and other relevant agencies 	1,000	
<ul style="list-style-type: none"> COVID-19 Vaccination Programme 	3,000	Existing initiative, vaccine allocation announced in 2021 Budget
<ul style="list-style-type: none"> Recruitment of an additional 3,500 healthcare personnel 	150	
<ul style="list-style-type: none"> Enhancing cooperation with private hospitals 	100	
<ul style="list-style-type: none"> Cost of screening will be borne fully by SOCSO in red zones 	-	Existing initiative, which was announced previously
<ul style="list-style-type: none"> Tax relief for full health screening expenses to cover COVID-19 screening 	-	Expansion of scope
2. Safeguarding the Welfare of the People		
<ul style="list-style-type: none"> Accelerating the final payment of Bantuan Prihatin Nasional (BPN 2.0) 	-	Expedite the disbursement of cash payment of existing initiative, which was announced in KITA PRIHATIN
<ul style="list-style-type: none"> Food Basket Program 	50	
<ul style="list-style-type: none"> GLIC/GLC Disaster Relief Network Program (matching grant) 	25	
<ul style="list-style-type: none"> Continuing targeted moratorium and loan instalment reduction 	-	Existing initiative, which is applicable until 30 Jun 2021
<ul style="list-style-type: none"> Enhancing the EPF i-Sinar Program 	-	Enhancement of existing initiative

PERMAI initiatives (cont.)

List of initiatives (cont.)	RM million	Remarks
2. Safeguarding the Welfare of the People (cont.)		
<ul style="list-style-type: none"> Extending special tax relief on the purchase of mobile phones, computers and tablets 	-	Extension of existing initiative
<ul style="list-style-type: none"> Extending the provision of free internet access 	-	Extension was announced previously
<ul style="list-style-type: none"> Special subscription package extended to all students of higher learning institutions 	-	Expansion of scope
<ul style="list-style-type: none"> Extending sales tax exemption on passenger vehicles 	-	Extension was announced previously
<ul style="list-style-type: none"> Extending moratorium period for PTPTN borrowers 	-	Extension was announced previously
3. Supporting the Business Continuity		
<ul style="list-style-type: none"> Improving the Wage Subsidy Program 	1,000	Existing: Tourism and retail sectors to receive 3-month subsidy with conditions Expansion of scope: All other sectors to receive 1-month subsidy with conditions
<ul style="list-style-type: none"> Relax the conditions for Employment Insurance System Program or SIP PRIHATIN 	-	
<ul style="list-style-type: none"> Expand Prihatin Special Grant Plus assistance 	650	Expansion of scope
<ul style="list-style-type: none"> One-off financial assistance to taxi and bus drivers 	66	
<ul style="list-style-type: none"> Ownership conditions for excise duty and sales tax exemption for the purpose of transfer, disposal and for private use of taxis reduced to five years 	-	
<ul style="list-style-type: none"> Accelerating the implementation of microcredit schemes 	-	Acceleration of existing initiative, which was announced in 2021 Budget

PERMAI initiatives (cont.)

List of initiatives (cont.)	RM million	Remarks
3. Supporting the Business Continuity (cont.)		
<ul style="list-style-type: none"> Accelerate the implementation of the SME and Micro SME e-Commerce Campaign and Shop Malaysia Online campaign 	-	Acceleration of existing initiative, which was announced in 2021 Budget
<ul style="list-style-type: none"> Enhancing Danajamin PRIHATIN Guarantee Scheme 	-	Enhancement of existing initiative, which was announced in PRIHATIN
<ul style="list-style-type: none"> Rescheduling and extending moratorium period for MARA loans and MARA premises rental discount 	-	Extension of existing initiative; rental discount was announced previously
<ul style="list-style-type: none"> Expansion and extension of rental reduction 	-	Expansion of scope and extension of existing initiative
<ul style="list-style-type: none"> Exemption of HRDF levy for companies unable to operate during MCO and CMCO 	-	Existing initiative given to tourism sector and companies affected by COVID-19 crisis
<ul style="list-style-type: none"> Special electricity bill discounts to six business sectors 	-	10% discount in Jan-Mar 2021, mirrored 15% discount given in Apr-Sep 2020
<ul style="list-style-type: none"> Bus and Taxi Hire Purchase Rehabilitation Scheme 	1,000 (Guarantee)	50% guarantee scheme
<ul style="list-style-type: none"> Extending Temporary Measures for reducing the Impact of COVID-19 Act 2020 	-	Extension of existing initiative
4. Flood Assistance		
<ul style="list-style-type: none"> Repairing infrastructure damaged by floods and repairing homes 	200	
<ul style="list-style-type: none"> Allocation to NADMA for operating expenses for disaster relief 	50	

Snap points of PERMAI Assistance Package

Combating the COVID-19 Outbreak



- RM1bn (RM800m for MOH; RM200m for the National Security Council and other relevant agencies)



Implementing the COVID-19 Vaccination Programme

- Vaccination programme is on-track [*Allocation of RM3bn was announced in Budget 2021*]
- Three agreements signed with vaccine producers, expected to receive the first batch by end-February; target of vaccinating more than 80% of population (about 27 million people) by 1Q 2022



Strengthening the National Healthcare Sector

- RM150m for recruitment of additional 3,500 healthcare personnel



Enhancing Cooperation with Private Hospitals

- RM100m for cooperation with private hospitals to receive and treat both COVID-19 and non-COVID-19 patients



Stepping up Testing of Employees

- Cost of screening will be borne fully by SOCSO in red zones to identify possible COVID-19 clusters at workplace [*Extension was announced previously*]
- Scope for tax relief relating to full health screening expenses [*Budget 2021: Increase from RM500 to RM1,000*] expanded to cover COVID-19 screening

Flood Assistance



- RM200m on repairing infrastructure damaged by floods across the nation and to alleviate the rakyat's burden or repairing their homes
- RM50m to National Disaster Relief Trust Fund under NADMA for operating expenses for disaster relief during current Northeast Monsoon season

Safeguarding the Welfare of the People



Accelerating the Bantuan Prihatin Rakyat Assistance

- Final payment of Bantuan Prihatin Nasional (BPN 2.0) [*Announced in KITA PRIHATIN*] will be brought forward from 21 Jan 2021 onwards



Strengthening Welfare Programmes

- RM50m for Social Welfare Department (JKM) to implement **Food Basket Program**, which will provide essential food items worth RM100 for each eligible household
- RM25m allocated under GLIC/GLC Disaster Relief Network program as a matching grant with government-linked companies for social initiatives



Continuing the Moratorium and Loan Instalment Reduction

- Moratorium facility continues, including extension of moratorium by 3 months and restructuring of loan repayment for six months [*Existing initiative offered till 30 Jun 2021*]
- 15 banks have offered loan repayment moratorium for flood-affected states



Enhancing the EPF i-Sinar Program

- Enhancement of i-Sinar facility, EPF will provide an advance of up to RM1,000
- Members need to only provide a self-declaration and submit the supporting documents online, advance payment will commence on 26 Jan 2021



Extending the Special Tax Relief on the Purchase of Mobile Phones, Computers and Tablets

- Special tax relief of up to RM2,500 on the purchase of mobile phones, computers and tablets extended for another year until end-2021



Extending the Provision of Free Internet Access

- Free 1GB data worth RM500m [*Provided by telecommunications industry*] extended until end-Apr 2021 [*Extension was announced previously*]
- A special subscription package for SPM and STPM students extended to all students of higher learning institutions until end-Apr 2021



Extending the sales tax exemption on passenger vehicles

- Extension of the sales tax exemption for locally assembled and imported passenger vehicles until 30 Jun 2021 [*Extension was announced previously*]



Extending the Moratorium Period for PTPTN Borrowers

- PTPTN borrowers affected by the COVID-19 pandemic or floods can apply for a three-month PTPTN loan repayment moratorium, application can be made until 31 Mar 2021 [*Extension was announced previously*]

Supporting the Business Continuity



Improving the Wage Subsidy Program

- RM1bn allocation for the Wage Subsidy Program 3.0, which has expanded to cover all sectors in the MCO states, for one-month [*Limited to tourism and retail sectors which eligible for 3 months previously*]
- Relax the conditions for the Employment Insurance System program or SIP PRIHATIN, whereby employees who do not meet the minimum contribution conditions, or whose contract was not extended after having been renewed for at least 3 times previously, are now eligible to apply for the SIP PRIHATIN assistance of 30% of their monthly salary for a period of 3 months



Continuing the Prihatin Special Grant

- RM650m for Prihatin Special Grant Plus assistance, which has expanded to cover 500,000 SMEs in seven MCO states with a payment of RM1,000 each, and 300,000 SMEs in other states with a payment of RM500 each [*Limited to selected individuals in Sabah previously*]



Accelerating the Implementation of Microcredit Schemes

- Expedite the implementation of RM1bn microcredit schemes (RM390m by BSN; RM350m by Agrobank; RM295m by TEKUN) [*Initiative outlined in Budget 2021*]



Providing One-Off Financial Assistance to Taxi and Bus Drivers

- RM66m as one-off financial assistance of RM500 each to 14,000 tourist guides and 118,000 drivers of taxis, school buses, tour buses, rental cars and e-hailing vehicles
- Ownership conditions for excise duty and sales tax exemption for the purpose of transfer, disposal and for private use of taxis reduced to five years from seven years, effective from 1 Jan to 31 Dec 2021



Supporting and Boosting Online Businesses

- Accelerate the implementation of SME and Micro SME e-Commerce Campaign and Shop Malaysia Online campaign [*Initiative outlined in Budget 2021*]



Enhancing the Danajamin PRIHATIN Guarantee Scheme

- Enhancement of Danajamin Guarantee Scheme (SJPD) amounting to RM50bn: (i) Increase maximum financing from RM500m to RM1bn; (ii) Expand scope of financing to cover working capital with a guarantee period of up to 10 years and; (iii) Allow foreign-owned companies operating in Malaysia to obtain the SJPD guarantee provided that Malaysian employees account for at least 75% of their workforce [*Initiative outlined in PRIHATIN*]

Supporting the Business Continuity (cont.)



Rescheduling and Extending the Moratorium Period for MARA Loans and MARA Premises Rental

- MARA PRIHATIN Peace of Mind 2.0 program continues, where borrowers can apply to reschedule the repayment of MARA education loan facilities, or for business loan moratorium until 31 Mar 2021
- MARA entrepreneurs affected by COVID-19, MCO and floods can apply for MARA business financing rescheduling programme
- 30% rental discount on business premises for a period of 6 months (Nov 2020-Apr 2021) *[Extension was announced previously]*
- Special tax deduction for providing a reduction of rental at least 30% on business premises from the original rental rate extended to 30 Jun 2021 and expand to cover non-SMEs *[Extension was given till 30 Mar 2021 and limited to SME tenants previously]*
- Human Resources Development Fund (HRDF) levy exemption for companies that are unable to operate during the MCO and CMCO period *[Existing initiative given to tourism sector and companies affected by COVID-19 crisis for six months effective Jan 2021, announced in Budget 2021]*



Continuing Electricity Bill Discounts

- 10% discount on electricity bills for six business sectors nationwide, comprising hotel operators, theme parks, convention centres, shopping malls, local airline offices as well as travel and tour agencies, from Jan-Mar 2021 *[Mirrored 15% discount given in Apr-Sep 2020]*
- Electricity rebates to both **domestic and non-domestic TNB users at a rate of 2 sen per kilowatt-hour (kWh) in Jan-Jun 2021** *[Semi-annual rebate or surcharge under ordinary ICPT mechanism]*



Introducing a Bus and Taxi Hire Purchase Rehabilitation Scheme

- Bus and Taxi Hire Purchase Rehabilitation Scheme by Syarikat Jaminan Pembiayaan Perniagaan (SJPP): (i) 50% guarantee on financing from hire purchase and leasing companies for selected buses such as sightseeing buses, and taxis; (ii) Bus and taxi operators can restructure their financing and enjoy a 12-month moratorium and lower monthly repayments; and (iii) A guarantee of RM1bn will be provided



Extending the Temporary Measures for Reducing the Impact of COVID-19 Act 2020

- COVID-19 Act 2020 (Act 829), which covers the inability to perform contractual obligations (includes hiring purchase or lease contracts and credit sales contracts), extended to 31 Mar 2021 *[Expired on 31 Dec 2020 previously]*

Commentary

- The re-implementation of MCO 2.0 in almost all states, with the exception of Sarawak came after an alarming rise in infections, which has been spreading fast since the outbreak of the third wave of COVID-19 in late September. Since then, the resurgence of infection cases and resumption of Conditional MCO (CMCO) and Enhanced MCO (EMCO) has already tempered the economic recovery pace in 4Q 2020.
- The chances are that we will cope, but at a short-term cost, depending on the duration of MCO/CMCO. The cost will be even larger and a long-lasting impact for not doing good enough to balance the health risk prevention and supporting the economy.
- We recognize that the shape of Malaysia's economic growth in 2021 is dependent on the development of infection cases and vaccination program, the effective implementation of Budget 2021's spending programs and cash assistance, consumer and business confidence as well as the economic performance of Malaysia's major trading partners.
- Although MCO 2.0 is less restrictive compared to MCO 1.0 in terms of economic activities allowable to operate, it would result in some loss in output and demand. SERC estimates that two weeks MCO and CMCO will reduce GDP growth by 0.5 percentage points. If we assume one-month MCO/CMCO, it will reduce our baseline estimate of GDP growth to 4.0% from 5.0% previously in 2021 (estimated between -5.5% and -6.0% in 2020). We remain wary of the Budget 2021's implementation capacity risk as well as lingering policy and political risks.

Commentary (cont.)

- The PERMAI Assistance Package, which is an improvement of the initiatives announced in Budget 2021 as well as ongoing initiatives in the Rakyat Prihatin Economic Stimulus Package (PRIHATIN) and National Economic Recovery Plan (PENJANA), is expected to provide some respite to particularly vulnerable households, self-employed, micro businesses and retailers.
- The travel, tourism, aviation and retail sectors would have to endure a harder challenge this time round due to the restricted inter-state travel and reduced footfall in the shopping malls as well as no dine-in restaurants.
- The RM15.0 billion, of which RM6.6 billion direct fiscal injection is not a new allocation. It is a reprioritization of the 2021 Budget's allocation, including RM17.0 billion Special COVID-19 Fund based on current priorities. Hence, the Treasury maintains the targeted fiscal deficit of 5.4% of GDP in 2021 (estimated -6.0% of GDP in 2020) based on a higher GDP growth estimate of between +6.5% and +7.5% for 2021.



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

THANK YOU

Address : 6th Floor, Wisma Chinese Chamber,
258, Jalan Ampang, 50450 Kuala Lumpur, Malaysia.
Tel : 603 - 4260 3116 / 3119
Fax : 603 - 4260 3118
Email : serc@accimserc.com
Website : <http://www.accimserc.com>