



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

**Ministry of Finance's Latest Economic and  
Fiscal Outlook**

**Retabling of National Budget 2023**

**Developing Malaysia MADANI**

24 February 2023



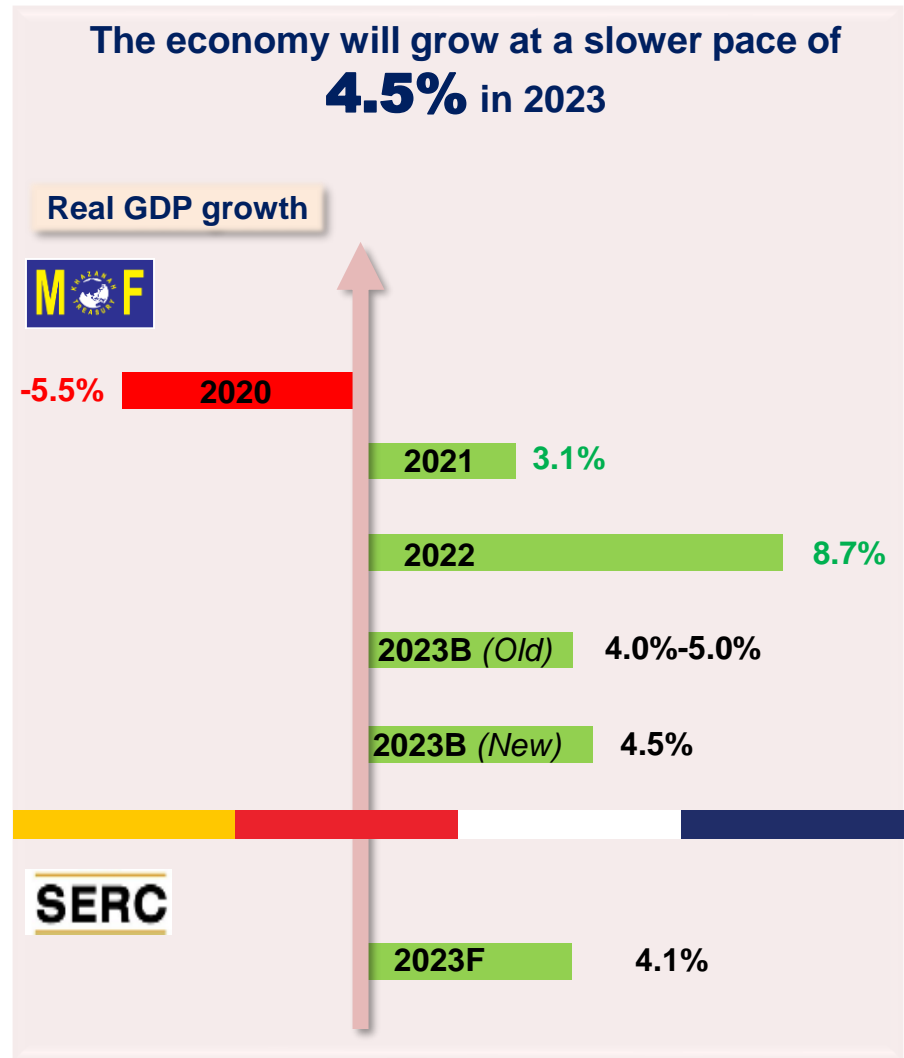
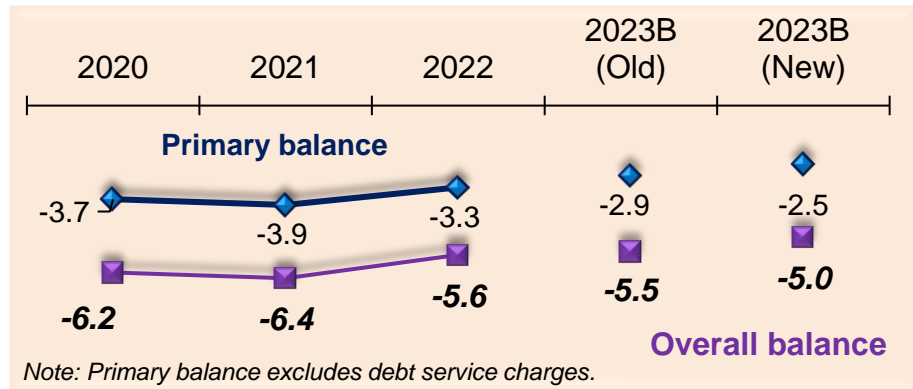
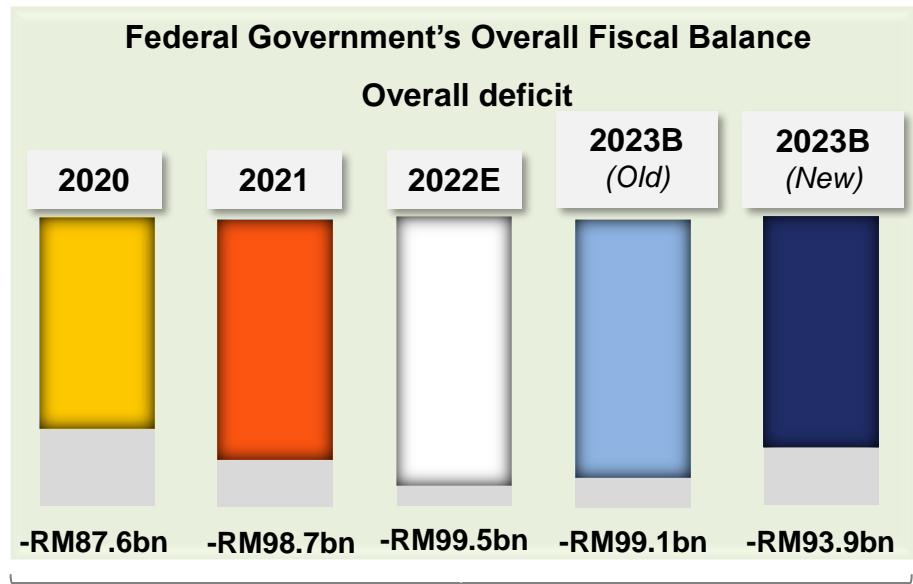
# Part 1: 2023 Budget and Economic Prospects

- The retabling of new Budget 2023 reinforces economic resilience; addressing immediate concerns about cost of living pressures; and implementing reforms for growth and business sustainability.
- Ministry of Finance (MOF) expects the economy to slow to 4.5% in 2023 (2022: 8.7%) from an estimated 4.0%-5.0% in the original Budget due to:
  - i. Slower global economy;
  - ii. Normalisation of domestic demand; and
  - iii. Decelerating exports



## The Budget and the Economy

**26<sup>th</sup>** consecutive year of budget deficit since 1998

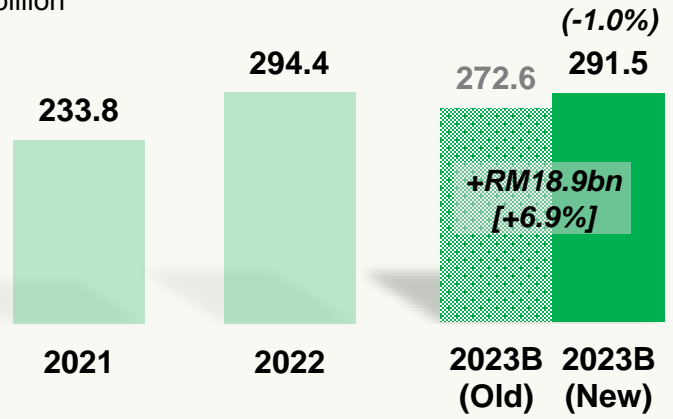


# Budgetary operations snapshot



## TOTAL REVENUE

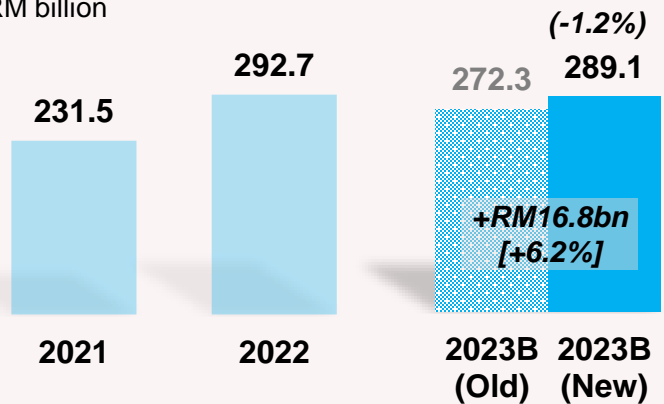
RM billion



## OPERATING EXPENDITURE (OE)

(74.9% of total expenditure in 2023)

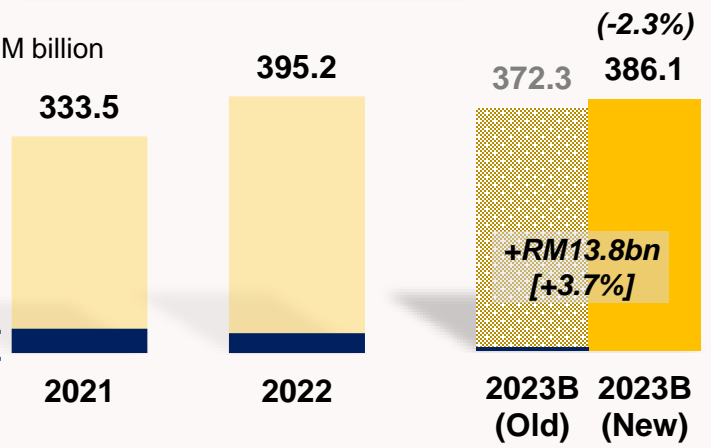
RM billion



## TOTAL EXPENDITURE\*

RM billion

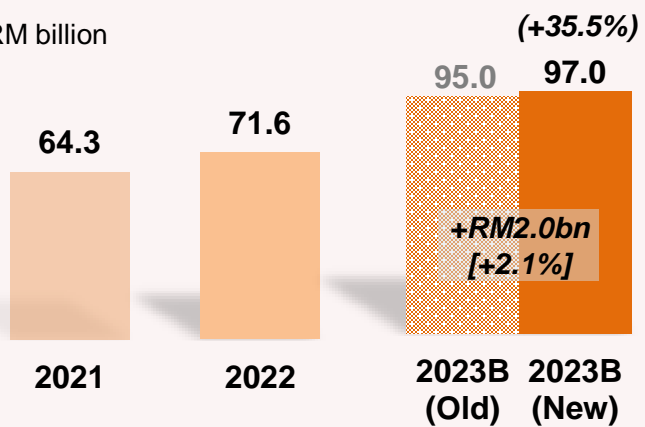
COVID-19 Fund



## DEVELOPMENT EXPENDITURE (DE)

(25.1% of total expenditure in 2023)

RM billion



Source: MOF

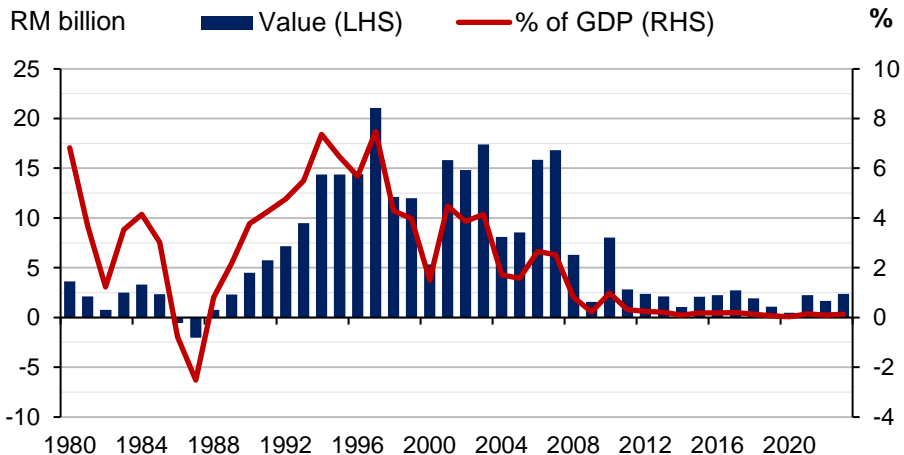
\* Includes the COVID-19 Fund: 2021 (RM37.7bn), 2022B (RM23.0bn), 2022E (RM28.8bn) and 2023B (Old) (RM5.0bn)

( ) indicates changes compared to 2022

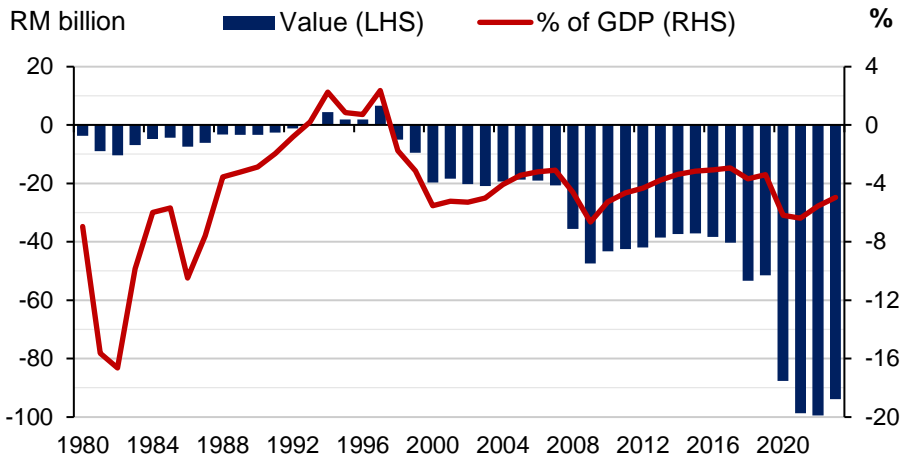
[ ] indicates changes compared to old budget

# Fiscal current balance and overall fiscal balance

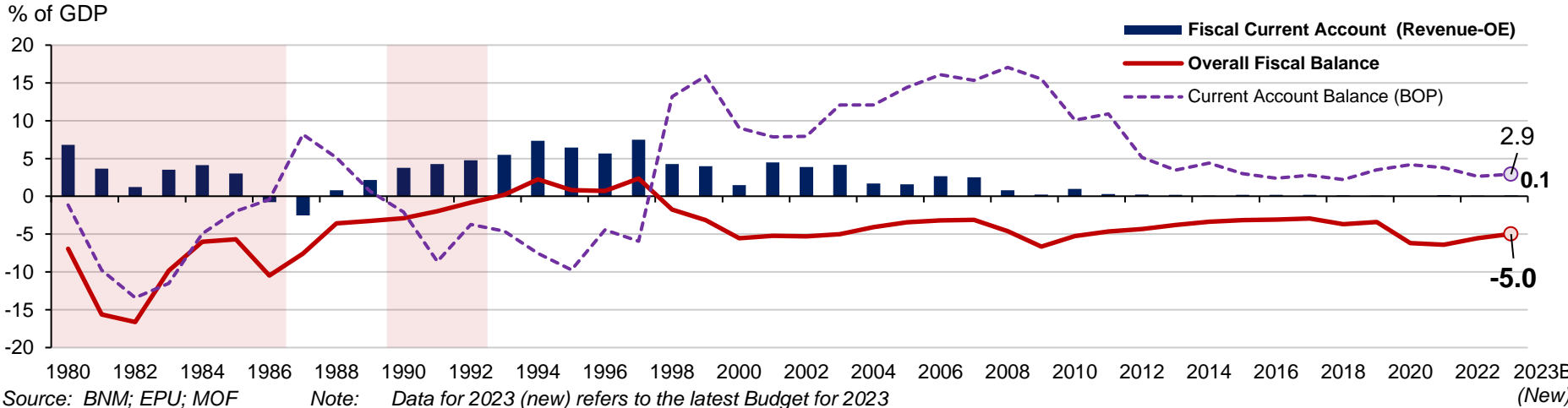
**Fiscal current account (operating surplus) remains small**



**Reducing overall fiscal deficit needs bold fiscal reforms**



**Structural adjustments are needed to avoid either (i) Twin deficits in fiscal current account and overall deficit or (ii) Twin deficits in overall fiscal balance and BOP's current account balance**

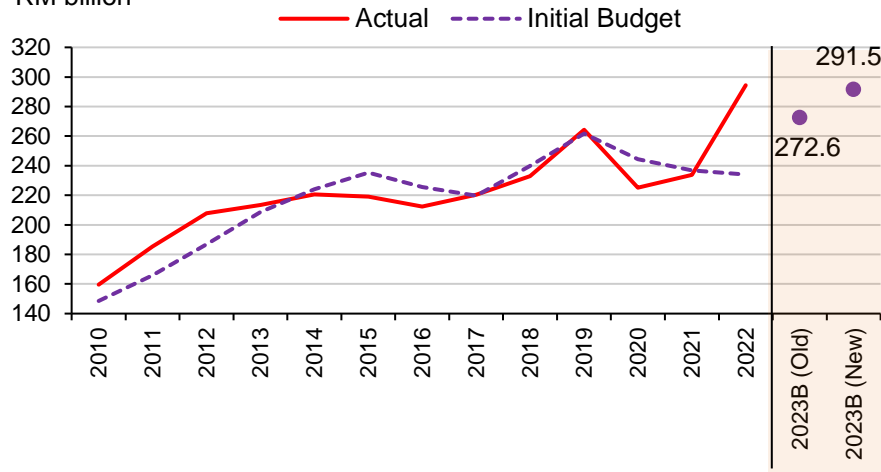


Source: BNM; EPU; MOF Note: Data for 2023 (new) refers to the latest Budget for 2023

# Budgetary operation trends – Actual vs. Budget/Estimates

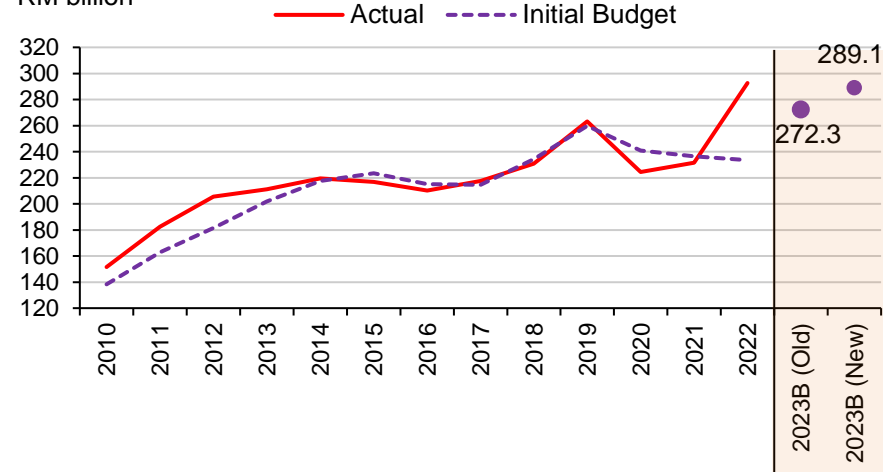
## Higher corporate income taxes & PETRONAS dividend help to meet still high subsidies

RM billion



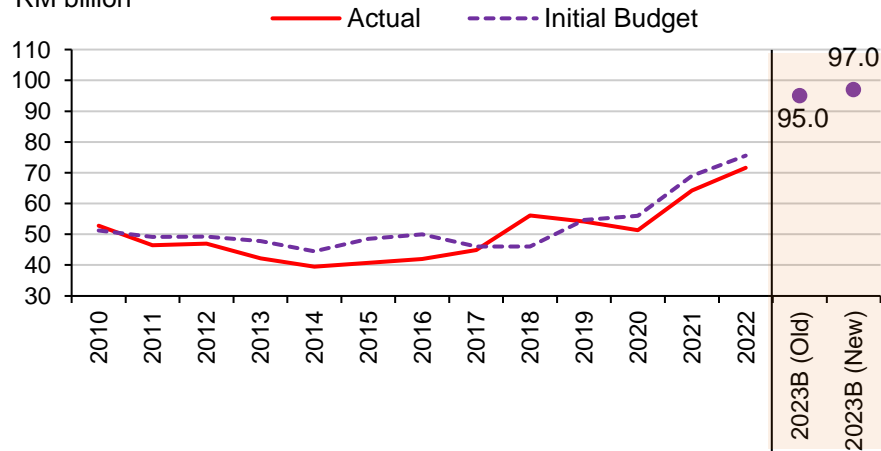
## Operating expenditures higher than budgeted, due to bloated subsidies and social assistance

RM billion



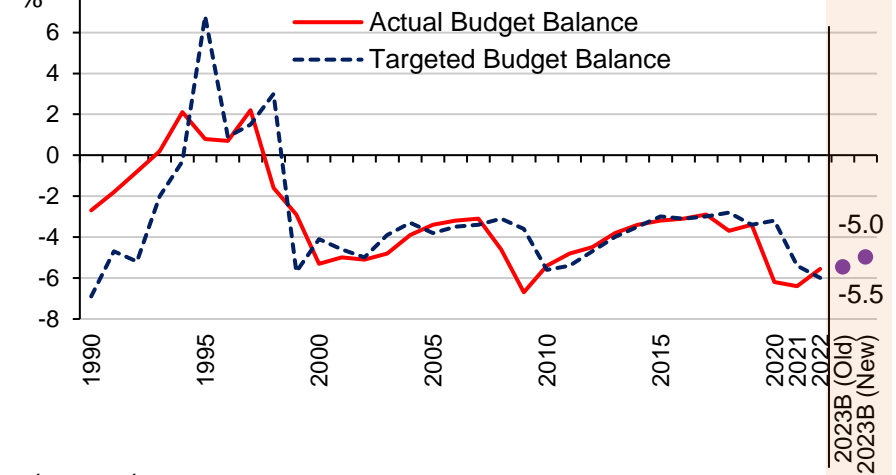
## Development expenditure mostly fell short of Budget's estimates

RM billion



## Fiscal deficit narrows marginally in terms of GDP ratio, but the level still high

%

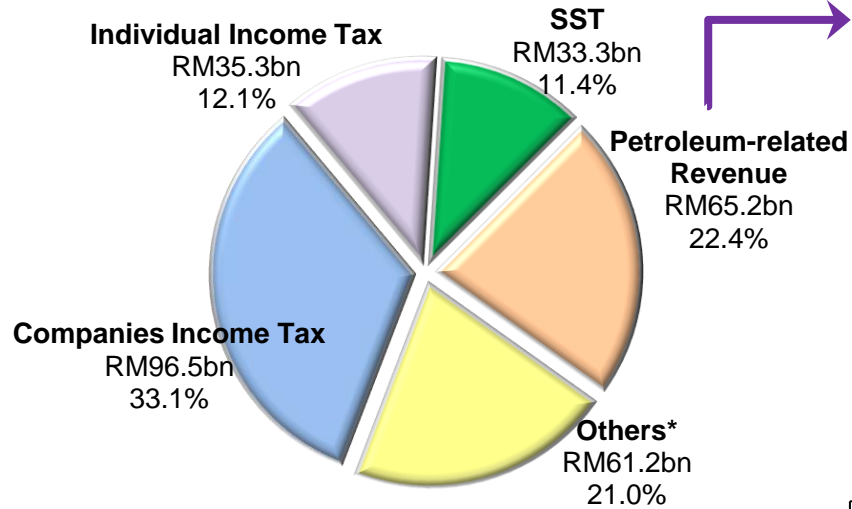


Note: Data for 2023 (new) refers to the latest Budget for 2023 and 2023 (old) for the previous version

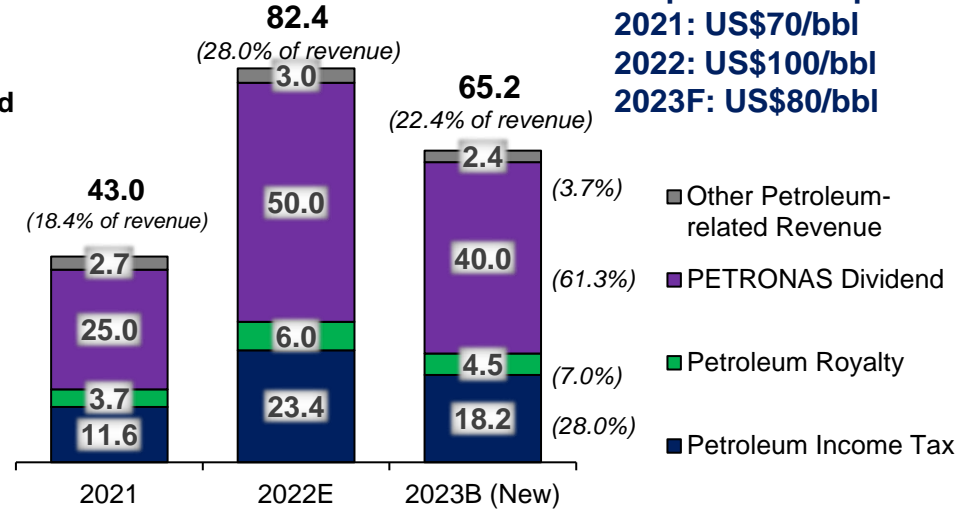
Source: MOF

# Distribution in revenue

## 2023B (New): Where the money comes from?



## Petroleum-related revenue (RM bn)



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

Figure in parenthesis indicates % share of total petroleum-related income in 2023B (New)

Major components	2022 (RM billion)	Share (%)	Old Budget		New Budget		New Budget vs 2022	
			2023B (RM billion)	Share (%)	2023B (RM billion)	Share (%)	Change (RM billion)	Change (%)
<b>Direct taxes</b>	<b>153.5</b>	<b>52.1</b>	<b>152.4</b>	<b>55.9</b>	<b>164.1</b> ↑	<b>56.3</b>	<b>+10.7</b>	<b>+6.9</b>
<b>Companies Income Taxes</b>	<b>82.1</b>	<b>27.9</b>	<b>88.9</b>	<b>32.6</b>	<b>96.4</b> ↑	<b>33.1</b>	<b>+14.3</b>	<b>+17.4</b>
Individuals Income Taxes	33.8	11.5	33.6	12.3	35.3 ↑	12.1	+1.5	+4.5
<b>Indirect taxes</b>	<b>55.3</b>	<b>18.8</b>	<b>53.2</b>	<b>19.5</b>	<b>54.1</b> ↑	<b>18.6</b>	<b>-1.2</b>	<b>-2.1</b>
SST	31.4	10.7	32.1	11.8	33.3 ↑	11.4	+2.0	+6.3
<b>Non-tax revenue; non-revenue receipts; etc.</b>	<b>85.6</b>	<b>29.1</b>	<b>67.0</b>	<b>24.6</b>	<b>73.2</b> ↑	<b>25.1</b>	<b>-12.4</b>	<b>-14.4</b>
<b>Overall revenue</b>	<b>294.4</b>		<b>272.6</b>		<b>291.5</b> ↑		<b>-2.9</b>	<b>-1.0</b>

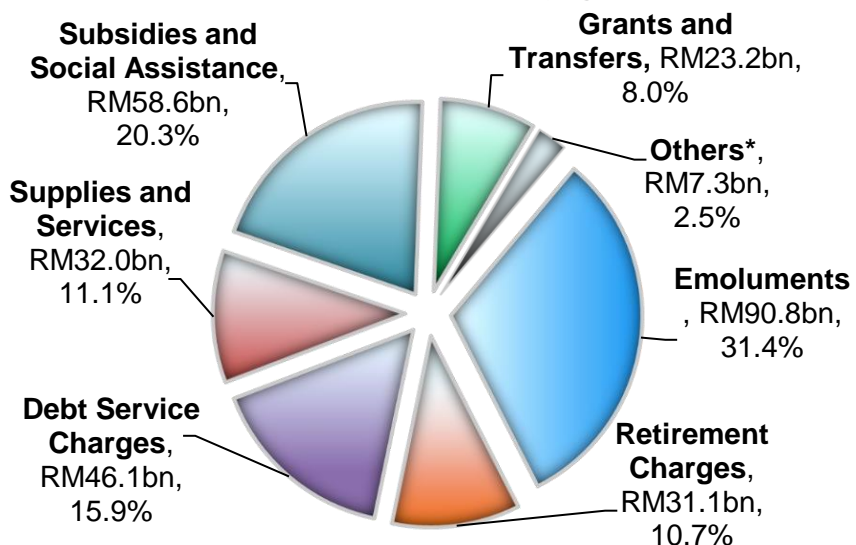
Source: MOF

Note: Data for 2023 (new) refers to the latest Budget for 2023 and 2023 (old) for the previous version

↑ indicates higher amount than 2023 (old)

# Distribution in operating expenditure (OE)

## 2023B (New): Where the money goes?



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

- OE will decline by 1.2% (or RM3.6 billion to RM289.1 billion in 2023 (+26.4% in 2022), due to a reduction of RM8.7 billion or -12.9% in subsidies and social assistance. This is attributable to the gradual implementation of the targeted subsidy scheme.
- However, **subsidies and social assistance is RM16.6 billion higher than the original Budget 2023**, making it the second-largest component expenditures of OE.
- **Debt service charges will constitute 15.8% of total revenue** (14.1% in 2022), which exceeds the 15% threshold in accordance to international best practices.

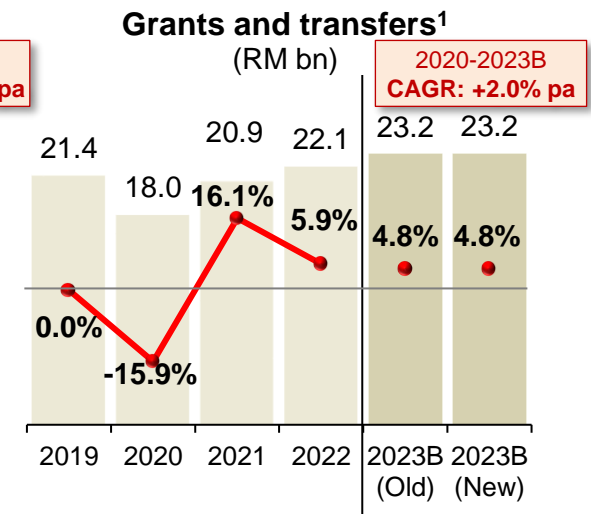
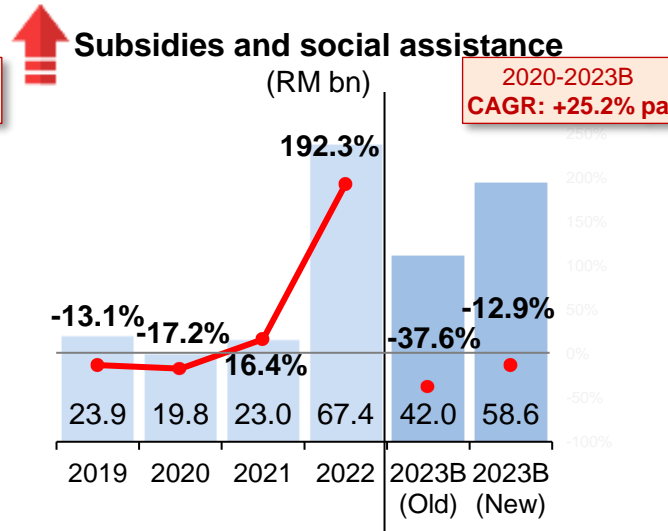
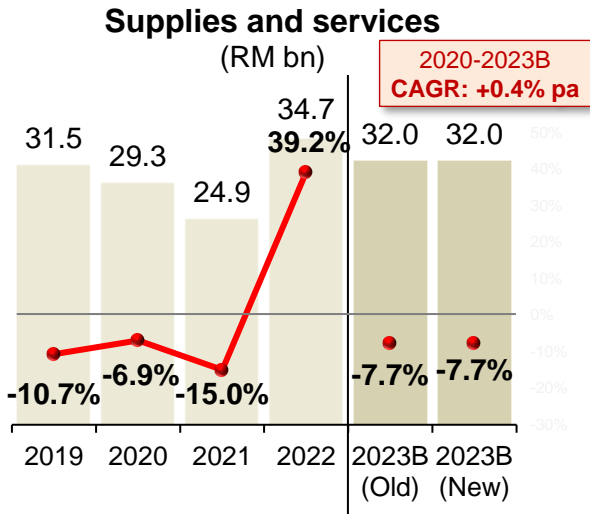
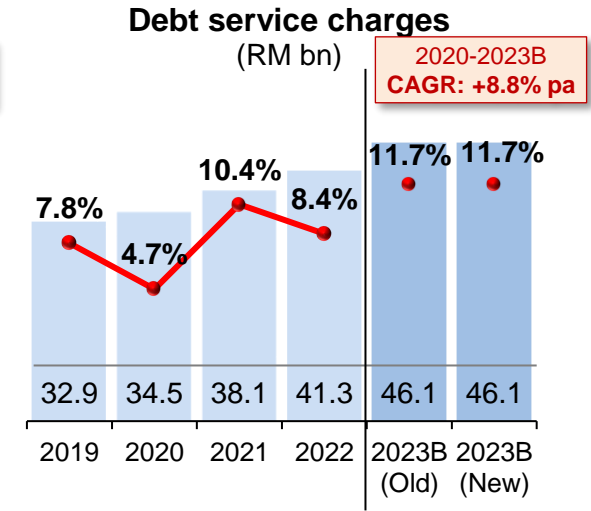
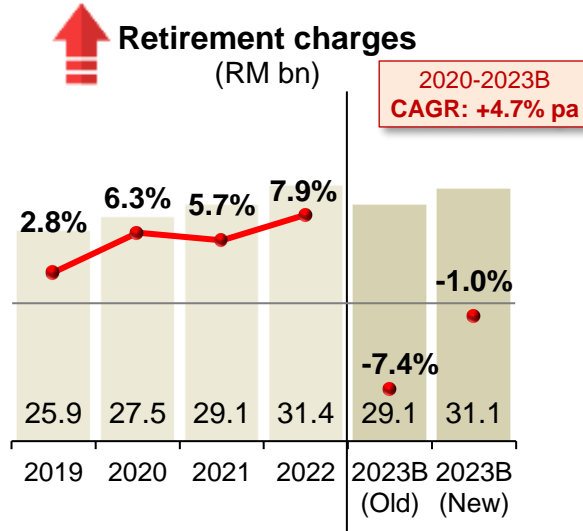
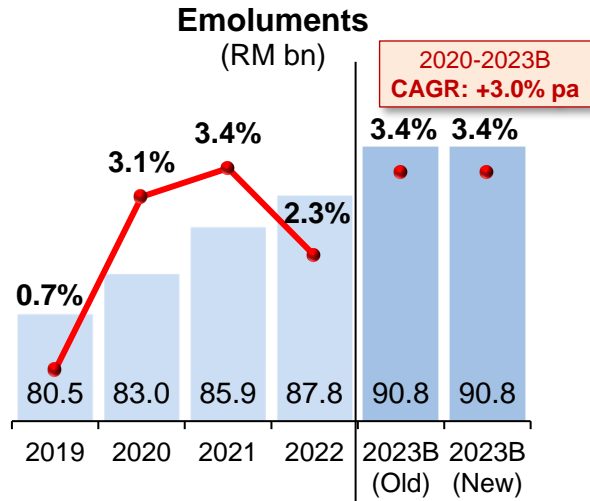
Major components	2022 (RM billion)	Share (%)	Old Budget		New Budget		New Budget vs 2022	
			2023B (RM billion)	Share (%)	2023B (RM billion)	Share (%)	Change (RM billion)	Change (%)
Emoluments	87.8	30.0	90.8	33.3	90.8	31.4	+3.0	+3.4
Retirement charges	31.4	10.7	29.1	10.7	31.1 ↑	10.7	-0.3	-1.0
Debt service charges	41.3	14.1	46.1	16.9	46.1	15.9	+4.8	+11.7
Supplies and services	34.7	11.9	32.0	11.8	32.0	11.1	-2.7	-7.7
Subsidies and social assistance	67.4	23.0	42.0	15.4	58.6 ↑	20.3	-8.7	-12.9
Grants and transfers	22.1	7.6	23.2	8.5	23.2	8.0	+1.0	+4.8
<b>Overall operating expenditure</b>	<b>292.7</b>		<b>272.3</b>		<b>289.1</b>		<b>-3.6</b>	<b>-1.2</b>

Source: MOF Note: Data for 2023 (new) refers to the latest Budget for 2023 and 2023 (old) for the previous version

↑ indicates higher amount than 2023 (old)



# Distribution in operating expenditure by component



Note: Line chart indicates an annual rate of change in component of operating expenditure; straight line indicates 0%  
Data for 2023 (new) refers to the latest Budget for 2023 and 2023 (old) for the previous version




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

Source: MOF

↑ indicates higher amount than 2023 (old)

# Bloated subsidies to mitigate inflation and rising cost of living

- **Subsidies and social assistance set a record high of RM67.4 billion in 2022.** These bloated subsidies continued to add pressure on the already-constraint fiscal balance sheet.
- As the blanket subsidies for petrol, diesel, water, and electricity also benefitting many of the M40 and T20 households, it is fiscal prudence and equitable to move towards a targeted subsidy rationalisation scheme.
- **Subsidies and social assistance are budgeted to remain substantial at RM58.6 billion (20.3% of total operating expenditure) in 2023** though it marks a decline of RM8.7 billion from RM67.4 billion in 2022.

Selected budgeted subsidy (RM million)	2022 (Est.)	2023 (Budget)
Paddy price subsidies <sup>^</sup>	570	630 
Cooking oil (1kg packet under cooking oil stabilisation scheme (COSS))*	400.0	500.0 
Electricity bill subsidies <sup>#</sup>	78.0	76.1 
Flour subsidies*	40.0	40.0



Source: *Estimated Federal Expenditure 2023*

<sup>^</sup> Under Ministry of Agriculture and Food Security

\* Under Ministry of Domestic Trade and Cost of Living

<sup>#</sup> Under Ministry of Natural Resources, Environment and Climate Change

Note: Energy Commission's media statement dated 16 Dec 2022 indicated that the government allocated electricity subsidy of RM10.76 billion for Imbalance Cost Pass Through (ICPT) mechanism implemented during Jan-Jun 2023.

# Distribution in development expenditure (DE)

## 2023B: Where the money goes?

### General administration

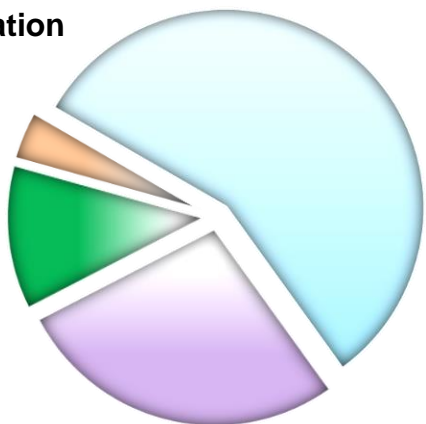
RM3.9bn  
4.0%

### Security

RM11.5bn  
11.9%

### Social

RM26.5bn  
27.4%



**Economic**  
RM55.0bn  
56.7%

- DE is expected to increase by 35.5% to RM97.0 billion in 2023 (+11.4% in 2022), reflecting increases across all the sectors.
- The DE allocation includes US\$3.0 billion for the redemption of 1MDB bond maturing on 9 Mar 2023.
- The new allocation for DE marks a record high level compared to 2022 and the original Budget 2023.

Major components	2022E (RM billion)	Share (%)	Old Budget		New Budget		New Budget vs 2022	
			2023B (RM billion)	Share (%)	2023B (RM billion)	Share (%)	Change (RM billion)	Change (%)
<b>Economic</b>	<b>39.1</b>	<b>54.6</b>	<b>54.1</b>	<b>56.9</b>	<b>55.0</b> ↑	<b>56.7</b>	<b>+15.9</b>	<b>+40.7</b>
Transport	16.6	23.1	16.5	17.3	17.6 ↑	18.1	+1.0	+6.1
Energy and public utilities	2.4	3.3	3.3	3.4	3.2 ↑	3.3	+0.9	+37.3
Agriculture	2.5	3.6	3.1	3.3	3.3 ↑	3.4	+0.7	+28.0
Trade and industry	2.3	3.2	2.7	2.8	2.7	2.8	+0.4	+19.1
<b>Social</b>	<b>21.1</b>	<b>29.5</b>	<b>25.2</b>	<b>26.5</b>	<b>26.5</b> ↑	<b>27.4</b>	<b>+5.4</b>	<b>+25.6</b>
Education and training	10.0	14.0	12.8	13.5	13.6 ↑	14.0	+3.5	+35.2
Health	4.4	6.2	4.7	5.0	4.9 ↑	5.1	+0.5	+11.4
<b>Overall development expenditure</b>	<b>71.6</b>		<b>95.0</b>		<b>97.0</b> ↑		<b>+25.4</b>	<b>+35.5</b>

Source: MOF

Note: Data for 2023 (new) refers to the latest Budget for 2023 and 2023 (old) for the previous version

↑ indicates higher amount than 2023 (old)

# Distribution in development expenditure (DE) (cont.)

By Sector	2021	2022E	2023B (New)	2021	2022E	2023B (New)	2021	2022E	2023B (New)
	RM million			% YoY			% Share		
<b>Economic</b>	<b>31,284</b>	<b>39,115</b>	<b>55,035</b>	<b>9.0</b>	<b>25.0</b>	<b>40.7</b>	<b>48.7</b>	<b>54.6</b>	<b>56.7</b>
Transport	12,988	16,560	17,565	1.6	27.5	6.1	20.2	23.1	18.1
Trade and industry	1,756	2,308	2,749	-31.8	31.4	19.1	2.7	3.2	2.8
Energy and public utilities	2,115	2,359	3,240	-8.6	11.5	↑ 37.3	3.3	3.3	3.3
Agriculture	2,463	2,548	3,261	23.0	3.5	↑ 28.0	3.8	3.6	3.4
Environment	1,310	1,736	2,673	-1.1	32.5	↑ 54.0	2.0	2.4	2.8
Communications	94	248	770	25.3	163.8	↑ 210.5	0.1	0.3	0.8
<b>Social</b>	<b>22,603</b>	<b>21,132</b>	<b>26,546</b>	<b>63.5</b>	<b>-6.5</b>	<b>25.6</b>	<b>35.2</b>	<b>29.5</b>	<b>27.4</b>
Education and training	8,230	10,029	13,557	22.2	21.9	↑ 35.2	12.8	14.0	14.0
Health	8,719	4,412	4,916	118.9	-49.4	↑ 11.4	13.6	6.2	5.1
Housing	1,360	1,653	2,114	34.0	21.5	↑ 27.9	2.1	2.3	2.2
<b>Security</b>	<b>7,498</b>	<b>8,210</b>	<b>11,518</b>	<b>29.6</b>	<b>9.5</b>	<b>↑ 40.3</b>	<b>11.7</b>	<b>11.5</b>	<b>11.9</b>
<b>General Administration</b>	<b>2,872</b>	<b>3,117</b>	<b>3,901</b>	<b>-5.4</b>	<b>8.5</b>	<b>↑ 25.2</b>	<b>4.5</b>	<b>4.4</b>	<b>4.0</b>
<b>Total</b>	<b>64,257</b>	<b>71,574</b>	<b>97,000</b>	<b>25.1</b>	<b>11.4</b>	<b>↑ 35.5</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Share to GDP (%)</b>	<b>4.2</b>	<b>4.0</b>	<b>5.1</b>						

58.2% of RM400 billion of DE allocation in 12MP

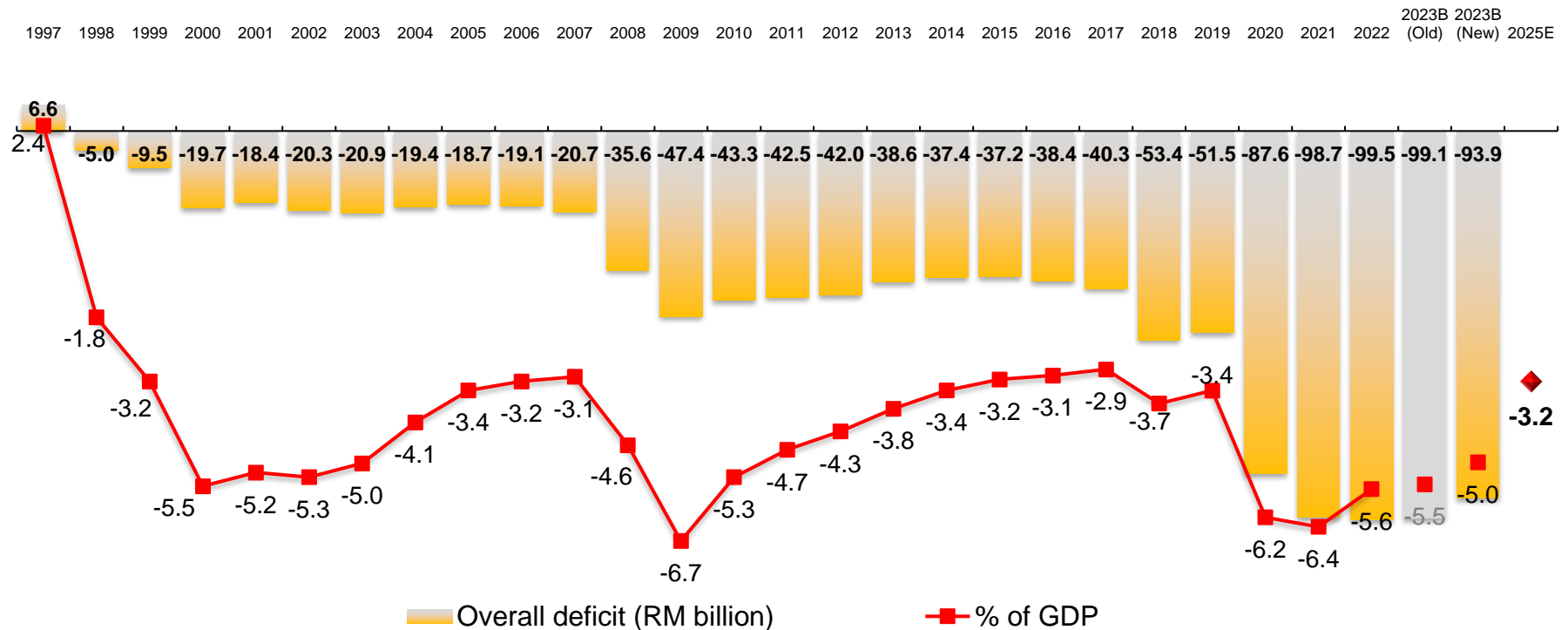
Source: MOF

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# Malaysia's fiscal balance trajectory since 1997






























- 2023 Budget deficit of **5.0% of GDP** marks the **26<sup>th</sup>** consecutive year of deficit since 1998.
- While the Government has laid out the medium-term fiscal consolidation plan, strong political will and fiscal discipline are needed to **rebuild fiscal buffers through enhancing the revenue base, rationalisation of spending and spending efficiency as well as plugging leakages.**
- The Medium-term Fiscal Framework **targets a reduction in budget deficit to 4.1% of GDP in 2023-2025, with the deficit-GDP ratio reducing to 3.2% by 2025.**

## Federal Government's Overall Fiscal Balance



Source: MOF

# Medium-Term Fiscal Framework (MTFF) 2023-2025

	MTFF 2023-2025			
	Original Budget		New Budget	
	Total (RM billion)	Share of GDP (%)	Total (RM billion)	Share of GDP (%)
 Revenue	854.3	14.7	908.5 	15.1 
 Non-petroleum	699.5	12.0	734.5 	12.2 
 Petroleum-related	154.8	2.7	174.0 	2.9 
 Operating expenditure	842.8	14.5	889.1 	14.8 
 <b>Current balance</b>	<b>11.5</b>	<b>0.2</b>	<b>19.4 </b>	<b>0.3 </b>
 Gross development expenditure	263.9	4.5	264.2 	4.4 
 Less: Loan recovery	1.9	0.0	1.9	0.0
 Net development expenditure	262.0	4.5	262.3 	4.4 
 COVID-19 Fund <sup>^</sup>	5.0	0.1	-	-
 <b>Overall balance</b>	<b>-255.5</b>	<b>-4.4</b>	<b>-242.9 </b>	<b>-4.1 </b>
 <b>Primary balance</b>	<b>-106.4</b>	<b>-1.8</b>	<b>-92.3 </b>	<b>-1.5 </b>

<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 plans

Note: MTFF estimate, excluding budget measures

Source: MOF

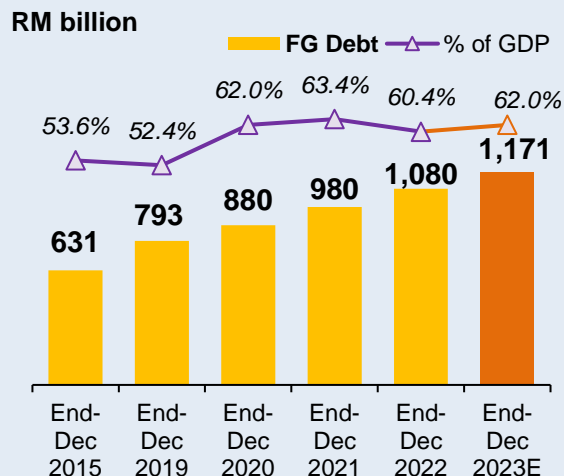
## Underlying assumptions (average)

	Real GDP growth (%)	Nominal GDP growth (%)	Crude oil price (USD per barrel)	Oil production (barrels per day)
<b>Old</b>	4.5	6.4	90	530,000
<b>New</b>	4.7	5.9	80	530,000

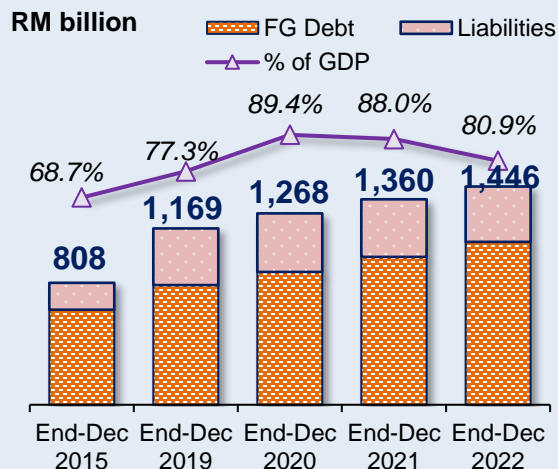


# Anchor expectations of sustainable fiscal and debt levels

## Federal Government (FG)'s debt



## Debt and liabilities



Note: Liabilities in 2015 cover government guarantee only.

## Debt legislative guidelines

Act	Statutory Limit	End-Dec 2022
<ul style="list-style-type: none"> <li>Loan (Local) Act 1959 [Act 637]</li> <li>Government Funding Act 1983 [Act 275]</li> <li>Temporary Measures for Government Financing (Coronavirus Disease 2019 (COVID-19)) (Amendment) Act 2021 [Act A1635]</li> </ul>	<b>Outstanding MGS, MGII and MTIB not exceeding 65% of GDP</b>	57.7% of GDP (RM1,032 million)
External Loans Act 1963 [Act 403]	<b>Offshore borrowings not exceeding RM35 billion</b>	RM29.5 billion
Treasury Bills (Local) Act 1946 [Act 188]	<b>MTB not exceeding RM10 billion</b>	RM9 billion

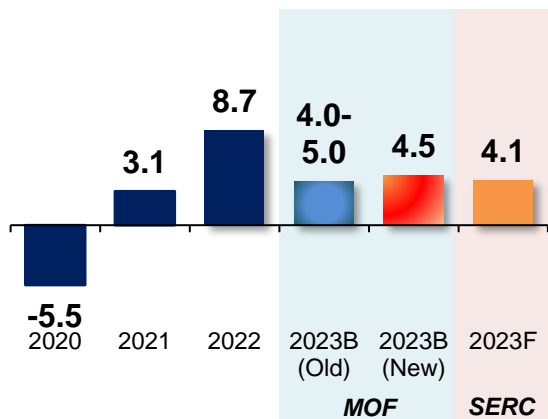
Source: BNM; MOF

- The Federal Government's direct debt continued to increase over the years to **RM1.08 trillion (60.4% of GDP) at end-Dec 2022**. It marks a record high level though the debt to GDP ratio was lower from 63.4% of GDP (RM980 billion) at end-2021.
- The overall debt is projected to be around **62% of GDP by end-2023**. Despite a decline in statutory debt to 57.7% as of end-Dec 2022, the Government has set the statutory debt limit at 65% of GDP.
- Compared to selected A-rated peers and regional economies, Malaysia ranked the sixth highest (worst) in 2021.
- In terms of debt service charges (DSC) to revenue ratio, Malaysia ranked the second highest at 16.3% in 2021. **In the Budget 2023, it is expected to rise to 15.8% of revenue in 2023 from 14.0% in 2022, which exceeds the 15% threshold in accordance with international best practices.**

# Domestic demand will drive the economy in 2023

Real GDP growth will slow in 2023

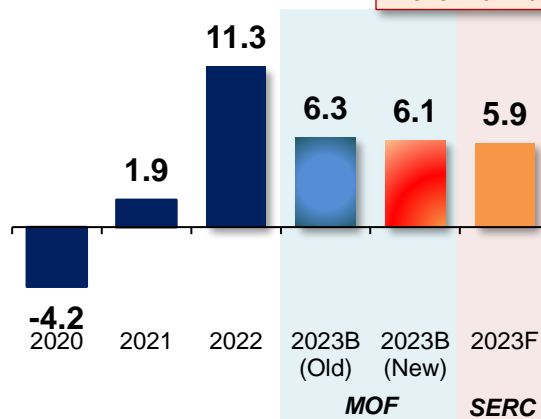
Real GDP



... supported by income and job growth ...

Private Consumption

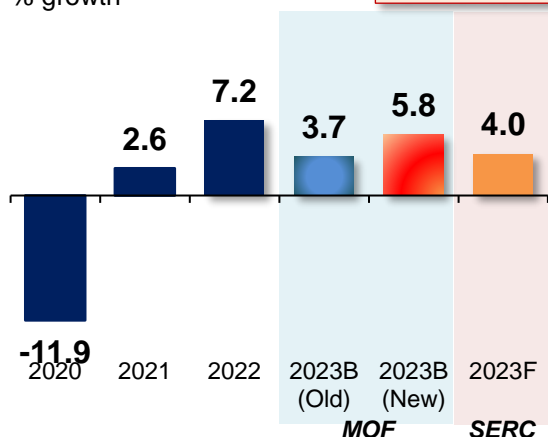
Share of GDP in 2023B: 61.2%



... and moderate growth in private investment and public investment

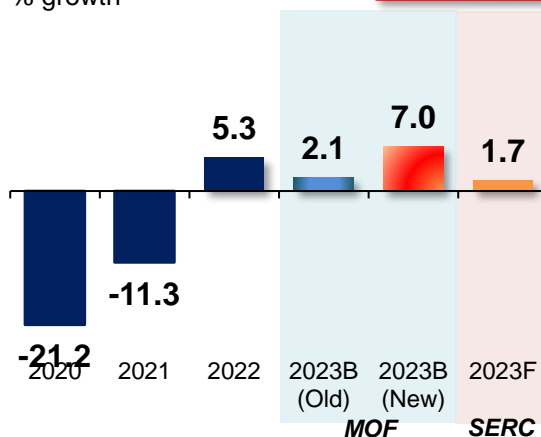
Private Investment % growth

Share of GDP in 2023B: 15.6%



Public Investment % growth

Share of GDP in 2023B: 4.5%



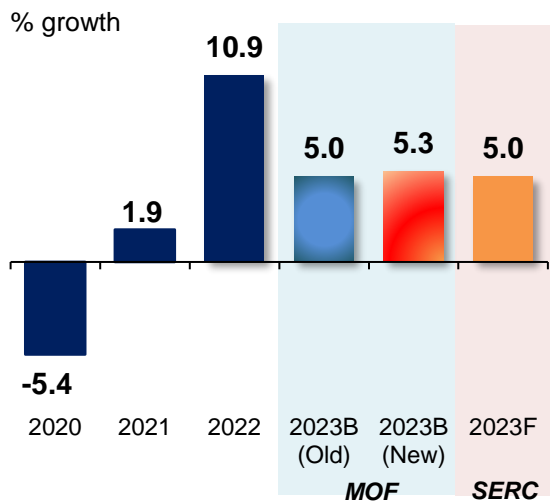
Source: DOSM; MOF

- The economy is expected to normalise to an **approximately 4.5% growth in 2023** (2022:8.7%). This is supported by domestic demand while exports will slow markedly. Risks to growth remain (Prolonged geopolitical conflict, climate-related disasters, rising cost of living and the lag impact of higher interest rates).
- Stable labour market conditions and sustained economic and social activities, particularly in tourism-related sectors following the reopening of China's international border is expected to support **private consumption growth**, albeit at a **moderate pace of 6.1% in 2023** (11.3% in 2022).
- **Private investment is anticipated to increase by 5.8% in 2023**, mainly in the manufacturing and services sectors following the Government's efforts to enhance good governance, reduce business costs, and facilitate faster investment approvals.

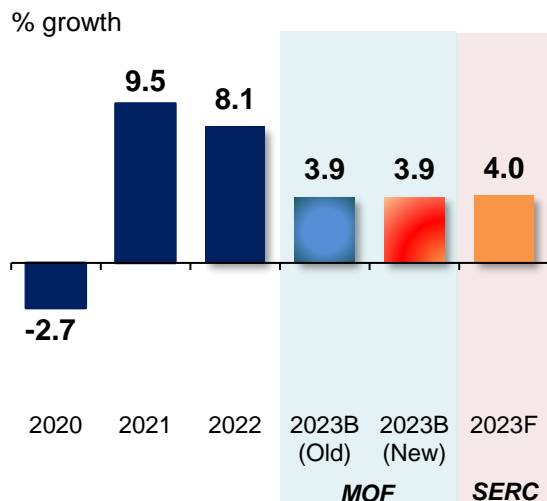


# Almost all sectors will slow in 2023 (cont.)

## Services sector (58.7% of total GDP)

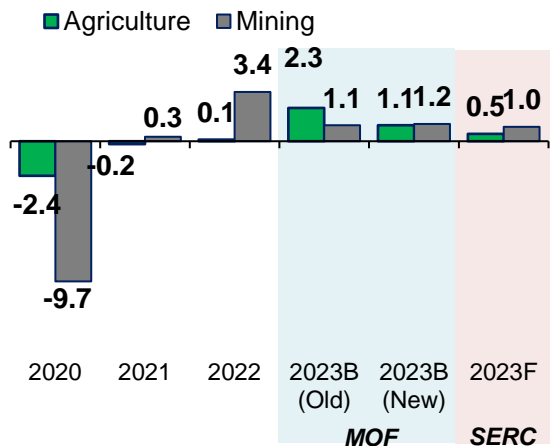


## Manufacturing (24.1%)

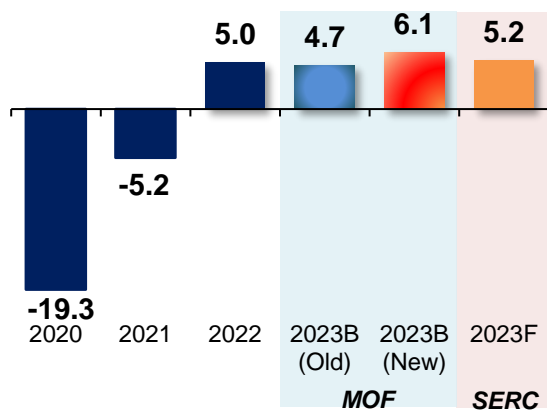


## Agriculture (6.4%); Mining (6.2%); and Construction (3.6%)

### Agriculture and Mining, % growth



### Construction, % growth



Source: DOSM; MOF

Note: % in parenthesis refers to share of GDP in 2023B (New)

## Services

- Driven by the **wholesale and retail trade** (wider usage of e-commerce and rapid transition to digitalization); **real estate and business services** (higher demand for professional services, particularly engineering, legal and accounting); **information and communication** (wider digital adoption)

## Manufacturing

- Supported by expansion in all subsectors across both export- and domestic oriented industries despite moderating economic activities.

## Agriculture

- Improvement in oil palm (higher CPO output due to improved labour supply), livestock and fishing (concerted efforts to strengthen food security) subsectors.

## Mining

- Higher natural gas output (completion of new pipeline projects in Sarawak); higher demand from major trading partners; new demand from domestic industrial and petrochemical segment.

## Construction

- The implementation of new projects such as upgrading the Klang Valley Double Track (KVDT) Phase 2 and the acceleration of ongoing infrastructure projects, which include East Coast Rail Link (ECRL) and Light Rail Transit Line 3 (LRT3) and fifth-generation cellular network (5G) rollout.

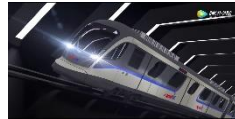
# List of major new projects under development expenditure

## Transport sector RM17.6bn

### Upgrading, expansion and maintenance of infrastructure



*Mass Rapid Transit (MRT)*



*Light Rail Transit Line 3 (LRT3)*



*Klang Valley Double Track (KVDT) Phase 2*



*Upgrade of airports*

## Energy and public utilities RM3.2bn

- *Upgrade rural public amenities*
- *Provision of clean water*
- *Affordable clean energy*



## Health and Housing sector RM4.9bn and RM2.1bn

### To build, upgrade and repair health facilities and affordable housing



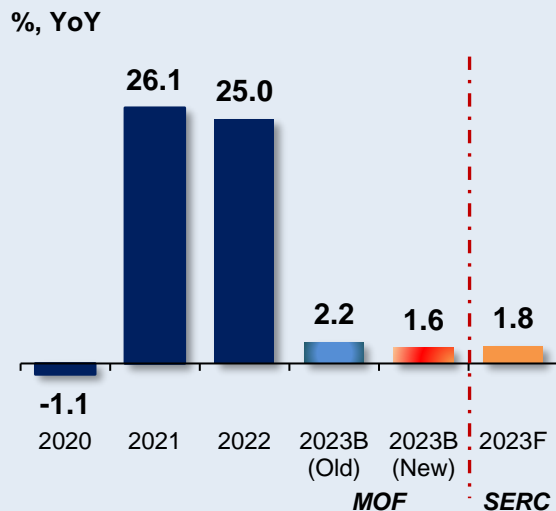
### **Construction of:**

- *Women and children's block in Melaka General Hospital*
- *People's Housing Project (PPR) in Arau, Perlis; Marang, Terengganu; and Machang, Kelantan*

Source: MOF

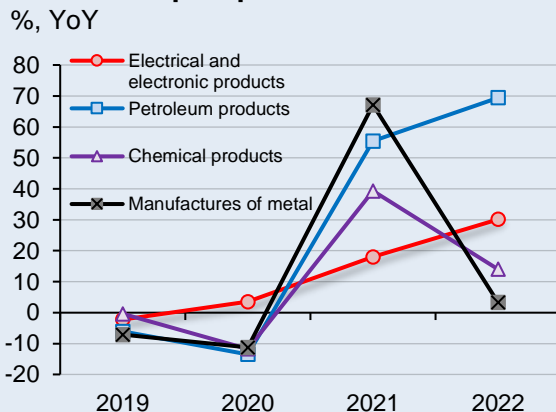
# Exports are expected to slow markedly in 2023

## Export performance

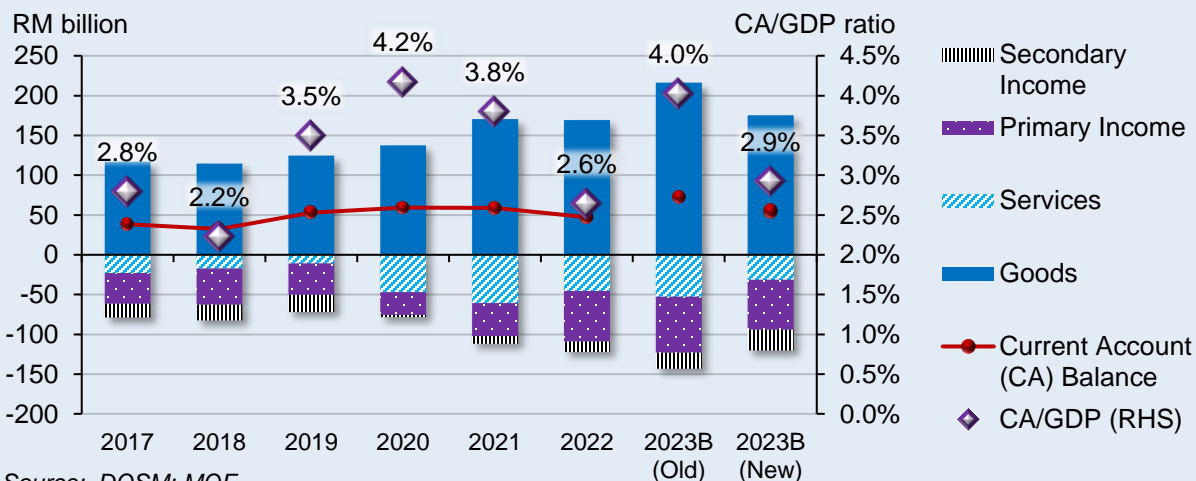


## Major export products

### Selected export products



## Current account surplus improve a little in 2023 due to slowing external demand amid better tourism prospect



## Gross Exports

- The Treasury expects **modest export growth (1.6% in 2023 vs. +25.0% in 2022)** weighed down by slowing global demand and softening commodity prices as well as high base effects.

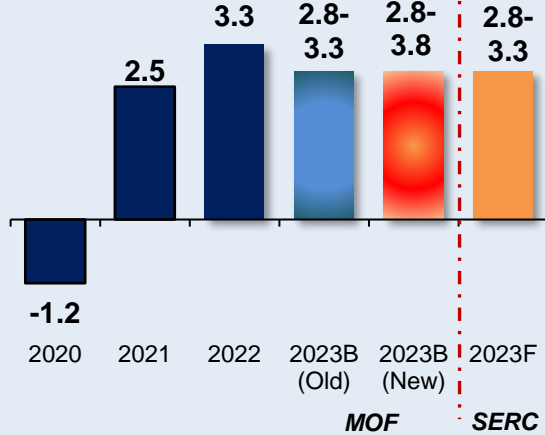
## Gross Imports

- High demand for **intermediate** (expansion in domestic manufacturing and construction sectors), **capital** (resumption of infrastructure projects) and **consumption goods** (private spending continues to rise; increase in consumers' confidence), indicating improved domestic demand and investment activities

# Inflation and labour market condition

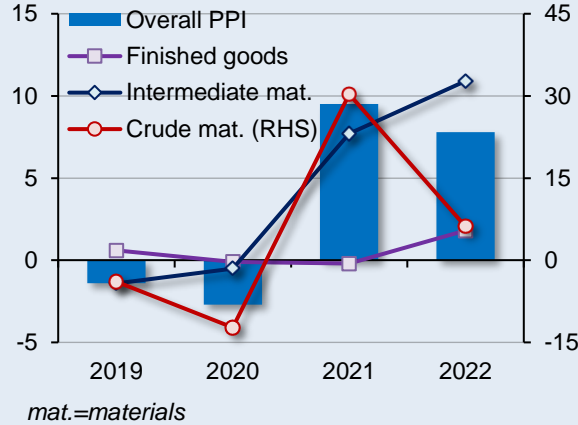
## Inflation

Consumer prices  
%, YoY



## Producer Price Index (PPI)

Producer prices  
%, YoY



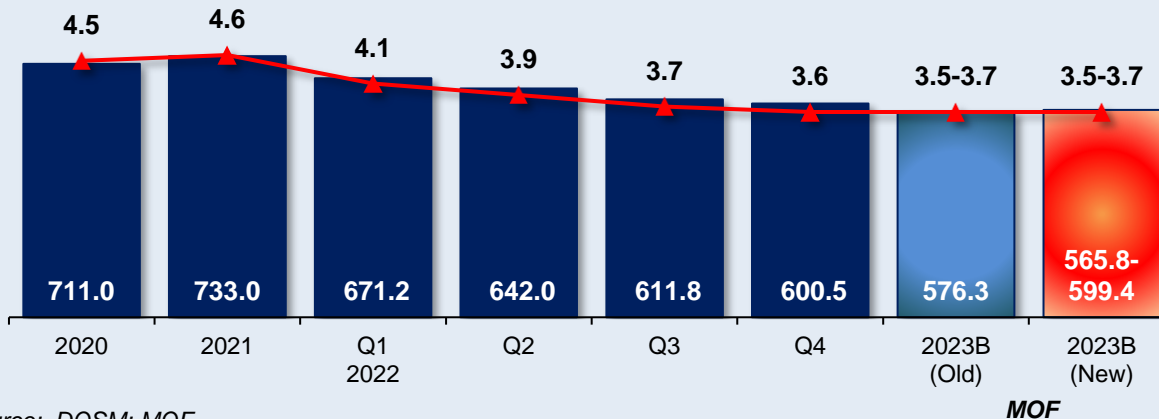
## Price level

- **Headline inflation** is forecast to increase between **2.8% and 3.8% in 2023** (2022: 3.3%) in tandem with slower economic prospects as well as stable commodity prices.
- **Downside risks:** Fluctuations in exchange rates and prolonged supply disruptions.
- **Producer prices** are expected to moderate on account of stable global input costs.

## Labour market condition

Unemployed person ('000)

Unemployment rate (%)



## Labour market

- In tandem with the continued economic expansion, albeit slower in 2023, the labour market is also expected to **sustain the recovery momentum**.
- **Unemployment rate** is projected to remain stable between **3.5% and 3.7% in 2023 (2022:3.6%)**.
- Continuous efforts to attract quality investments and expedite the digitalisation adoption will create more high-paying and high-productivity jobs in the economy.

Source: DOSM; MOF

# Upside and Downside risks to Malaysia's growth prospects in 2023

## UPSIDE RISKS

Fiscal support for **inflation** and **cost of living**

Efforts in **mitigating the downside risks**

**Strong improvement in tourism sector**

Continued **improvement in the labour market**

## DOWNSIDE RISKS

**Inflationary pressure**

**Climate-related disasters**

**Prolonged geopolitical conflict**

**Rising recessionary risk**

# SERC's commentaries on 2023 Budget and Economy

## 2023 Budget – Juggling Between Expansionary Spending and Fiscal Discipline

- Prime Minister cum Finance Minister Dato' Seri Anwar Ibrahim delivered a **total expenditure of RM386.1 billion or 20.4% GDP in 2023**, which is even higher than the original Budget of RM372.3 billion. That said, 2023 Budget allocation marks a decline of 2.3% from 2022's RM395.2 billion, due to the expiry of the special trust COVID-19 Fund.
- **Development expenditure allocation will increase by 35.5% to set a new record high of RM97.0 billion in 2023** (RM71.6 billion in 2022), of which US\$3 billion (RM13.3 billion) is for the redemption of 1MDB bond maturing on 9 March 2023 and hence, does not add value to the economy.
- With still strong federal revenue collection, **the overall Budget deficit is projected to be lower at RM93.9 billion or 5.0% of GDP in 2023** from -5.6% of GDP or RM99.5 billion in 2022. This new Budget deficit marks an improvement of 0.5% pt from the original Budget (-5.5% of GDP) tabled in October 2022.
- Broadly, new Budget 2023 implements measures and initiatives to strengthen economic resilience to mitigate against global economic slowdown and slumping exports; coping with rising cost of living pressures, increasing income and employment opportunities, improving business investment and competitiveness, restoring the tourism industry, and driving digitisation and automation as well as ESG.
- Higher allocation for education and training, public healthcare, flood mitigation and climate change related projects, public urban and rural infrastructure (transport, energy and utilities) and telecommunications. Agriculture and food security will be given continued emphasis and facilitation support through financing facilities, tax incentives as well as various subsidies and incentives for farmers and fishermen.
- **How realistic is this set of budgetary estimates?** Federal revenue collection calls the shot. Despite a high revenue base in 2022 and weaker economic growth in 2023, the Treasury estimates revenue to decline moderately by 1.0% to RM291.5 billion (2022: +25.9% to RM294.4 billion), largely due to a strong double-digit growth of +17.4% or +RM14.3 billion increase in corporate income taxes. PETRONAS dividend remains substantial at RM40 billion (RM50 billion in 2022) with lower Brent crude oil price assumption (US\$80 per barrel in 2023 vs. US\$100 per barrel in 2022). The tax measures introduced in the Budget will result in net revenue loss of RM753.2 million in 2023.

- It was observed that the Government has generally missed the revenue target during the period 2014-2021. Hence, there are risks to the Budget deficit from a weaker-than-expected economic growth, weaker consumption due to inflation and rising cost of living pressures as well as softer commodity prices, which could affect the tax revenue collection.
- **Why still high allocation for both operating and development expenditure?** Does this counter-cyclical stance is necessary given that the Government does not forecast a recession? The Treasury still projecting a 4.5% economic growth in 2023 as the economy normalizes from a robust growth of 8.7% in 2022. SERC has a lower estimate of 4.1% real GDP growth in 2023. Moderating exports, the dampening impact of inflation and higher cost of living, as well as higher interest rate will weigh on domestic demand.
- After expanding strongly by 26.1% in 2021 and 25.0% in 2022, gross exports have slowed markedly to 1.6% yoy in January 2023 (11.8% in 4Q 2022), and the Treasury expects it to slow sharply to 1.6% in 2023 (SERC's estimate: 1.8%). We caution the risk of exports contraction ahead, taking cue from the exports of some countries, which have already contracted.
- **Can private consumption (61.2% of GDP in 2023) hold the fort in 2023?** Private consumption, which has expanded by 11.3% in 2022 and 1.9% in 2021, will normalize to a more sustainable pace of 6.1% in 2023 (SERC's estimate: 5.9%). This is attributable to the waning effects of pent-up demand and EPF withdrawals, cost of living pressures as well as the lag impact of higher interest rate. However, stable unemployment rate (2023E: 3.5%-3.7%; 3.6% in 2022) and improved wages as well as the anticipated boost from a revival of China tourist arrivals will partially underpin retail spending. The continuation of cash assistance for the targeted households and individuals, special payment and salary increment for civil servants as well as a 2pt reduction in personal income tax rate for chargeable income exceeding RM35,000 and RM100,000 also help to support consumption.
- The Treasury has revised its inflation estimate higher to between 2.8% and 3.8% in 2023 (2022:3.3%) from 2.8%-3.3% previously (SERC's estimate:2.5%-3.3%). We see risks to inflation are skewed to the upside due to the underlying price pressures from cost and demand; the gradual implementation of targeted subsidy mechanism and the likely floating of eggs' and chickens' prices in June 2023. CPI increased 3.7% yoy while core inflation up 3.9% in January 2023.
- **Subsidies and social assistances are budgeted to remain substantial at RM58.6 billion in 2023** despite a decline of 12.9% from RM67.4 billion in 2022 due to a gradual implementation of targeted subsidy mechanism and softer commodity prices. However, it is RM16.6 billion higher than RM42.0 billion in the original Budget.

- The Government confronts difficult trade-offs in subsidies rationalization amid rising cost of living pressures as well as increases in food and services prices. Currently, the bulk of Government's subsidies goes to essential items such as egg, chicken, cooking oil and fuel, as well as utilities (water, electricity, and gas).
- We have been raising our reservations about the budgeting of high development allocation given the implementation capacity constraints of the Ministries and agencies, and the effectiveness of projects/projects implementation as well as the leakages and misappropriation of public funds.
- The Auditor-General's (AG) Report has been flagging poor oversight, inconsistent disbursement of grants, and irregularities among litany of issues in the yearly audit reports. The Government must give serious attention on the irregularities and the Ministers be made accountable to the AG audit. The real multiplier impact of the projects would depend on how fast the allocation is disbursed and spent wisely as well as effectively carry out the planned projects and programs.
- **Malaysia needs fiscal discipline and reforms to rebuild fiscal space.** Fiscal reforms initiatives such as the Fiscal Responsibility Act (FRA) is scheduled to be tabled in 2023; explore options such as defined contribution to efficiently manage future pension contributions and reviewing of public expenditure will be implemented to deliver better fiscal outcomes, enhance governance, accountability and transparency in financial management as well as ensuring debt sustainability.
- **Reducing persistently high levels of government debt and liabilities (RM1.45 trillion or 80.9% at end-2022) remains a key policy priority.** Policy convergence towards sound fiscal balance sheet and sustainable debt levels are paramount to regain fiscal buffers and increase economic resilience.
- **The Government must not succumb to fiscal fatigue, which is more likely to set in at very high debt ratio.** In the absence of credible fiscal action, the fiscal space and downward debt adjustment would be much more constrained not only by higher committed expenditure but also to meet mounting ageing-related spending pressures, environmental change and higher future costs of public debt.
- On the tax revenue reforms, **the Budget did not commit a wholesale tax reform to broaden the tax base as current narrow tax base is unsustainable.** Malaysia's tax revenue to GDP ratio of 11.6% in 2023 is low compared to the Asia-Pacific region (19.1%).
- In times of meeting revenue shortfall, the Government has implemented a piecemeal revenue enhancement approach or turned to PETRONAS as its last resort of banker, thanks to soaring crude oil prices. But once the high crude oil prices fizzle out, the challenges for having a sustainable revenue stream to meet high committed obligations and expenditure remain.



- The Budget has increased the marginal tax rate of higher income bracket and also study the implementation of Capital Gains Tax (CGT) starting at a low rate on the disposal of non-listed corporate shares in 2024.
- We are concerned that higher marginal tax rate can dampen work efforts, affect productivity and hinder talent retention. Malaysians may seek career opportunities elsewhere that offers more attractive remuneration package and competitive income tax rate coupled with conducive working environment as well as strong purchasing power.
- The proposed implementation of CGT should be studied comprehensively in terms of cost-benefit analysis impact to the economy, including capital flight as well as the impact on domestic capital market. There are concerned that the CGT would eventually to cover other asset classes such as real estate; shares of listed companies; and other suitable assets.
- **The Government has not decided to implement GST.** While the current weakening economic conditions, inflationary and rising cost of living do not warrant a re-introduction of a broad-based consumption tax, a gradual implementation of subsidy rationalization and consumption tax (starting with a lower rate of 4%) can be partially mitigated by higher cash assistance for the targeted groups as well as the exemption of necessities from the consumption tax. The current worldwide trend is a shift from direct tax to indirect tax by decreasing direct tax rates and increasing Value Added Tax (VAT)/Goods and Services Tax (GST) rates.



# Part 2: 2023 Budget – Measures and Initiatives

- The fiscal policy remains expansionary and continues focusing on improving the inequality and sustainability agenda
- **FOR RAKYAT:** Financial assistance and subsidies as well as equality measures (personal tax adjustment, shift of wealth, social protection, etc.) aim for a more targeted and fairer economy
- **FOR BUSINESSES AND INVESTMENT:** Incentives, financing and loan facilities, assistance for SMEs, agriculture and tourism remain supportive
- **FOR SUSTAINABILITY:** Green initiatives and Environmental, Social and Governance (ESG); financing for sustainable Development; and 5G infrastructure



## **THREE** Agendas & 12 Initiatives



**Driving a Comprehensive & Sustainable Economy**



**Institutional Reforms and Good Governance to Restore Confidence**



**Social Justice for Reducing Inequality**



**SELECTED MEASURES  
IN FOCUS**



# 1. Targeted cash relief and tax breaks

- **RM7.6bn for Sumbangan Tunai Rahmah (STR) for 8.7 million recipients**
- **e-Tunai Belia Rahmah** for 2 million youth: RM200 each (RM400m)
- **2% points reduction in individual income tax rate for chargeable income band between RM35,000 and RM100,000; and an increase of 0.5%-2.0% points for chargeable income band between RM100,000 and RM1 million**

Chargeable Income (RM)	Existing		Proposal		(Savings)/Additional	
	Tax rate	Max. tax payable	Tax rate	Max. tax payable	RM	%
1-5,000	0	0	0	0	-	-
5,001-20,000*	1	0	1	0	-	-
20,001-35,000*	3	200	3	200	-	-
35,001-50,000	8	1,800	6↓	1,500	(300)	(16.7)
50,001-70,000	13	4,400	11↓	3,700	(700)	(15.9)
70,001-100,000	21	10,700	19↓	9,400	(1,300)	(12.1)
100,001-250,000	24	46,700	25↑	46,900	200	0.4
250,001-400,000	24.5	83,450	25↑	84,400	950	1.1
400,001-600,000	25	133,450	26↑	136,400	2,950	2.2
600,001-1,000,000	26	237,450	28↑	248,400	10,950	4.6
1,000,001-2,000,000	28	517,450	28	528,400	10,950	2.1
Exceeding 2,000,000	30		30		10,950	

\* Special income tax rebate of RM400 for chargeable income less than RM35,000

- The renamed cash aid program “Sumbangan Tunai Rahmah (STR)” to provide cash and vouchers to B40 households is continued with some refinement, depending on the number of children and some other criteria.
- The cash aid is now more targeted for the **deserving poor and hardcore poverty**. The proposed provision of food basket and food voucher could be challenging. We must have an **effective monitoring mechanism to minimise inclusion and exclusion errors as well as ensuring effective implementation**.
- The proposed **cut in personal income tax rate for M40 tax payers would result in income tax savings up to RM1,300** (increased from RM1,000 in previous announcement), benefiting 2.4 million tax payers.
- Higher marginal tax rate on high wage earners (<150,000 persons) will have to pay higher tax amount, up to RM10,950. Overall, the personal income tax adjustment is expected to **reduce the tax revenue by RM900 million**.

## 2. Ease cost of doing business and cash flow conditions

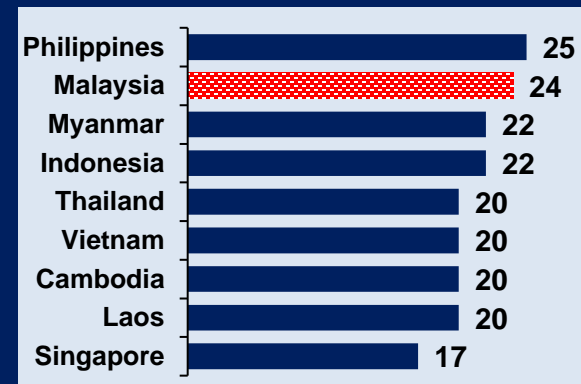
- **Preferential tax rate on chargeable income for the first RM150,000 will be reduced from 17% to 15%, starting YA 2023**

Corporate income tax rate	Existing	Proposal
Company with paid up capital more than RM2.5 million	24	24
Company with paid up capital not more than RM2.5 million		
On first RM150,000	17	15 ↓
Next RM450,000	17	17
Subsequent balance	24	24

- **Various loan facilities and financing guarantees worth RM40 billion**
- **100% stamp duty exemption on restructuring or rescheduling loans or financing agreements extended until 2024**

- **A cut in preferential tax rate would result in income tax savings of up to RM3,000 for estimated 150,000 SMEs, particularly microenterprises. The threshold of RM150,000 is higher than previous level (RM100,000) in the original Budget, resulting in an additional savings of up to RM1,000. We think a higher threshold is more appropriate (RM1 million) to allow more tax savings to mitigate against increased costs.**
- The previous proposal of providing direct one-off grant of RM1,000 to all registered MSMEs and registered taxi drivers was removed in this new Budget.
- Overall, Malaysia's headline corporate income tax rate of 24% has remained unchanged over past seven years since 2016. It is one of the highest corporate income tax rate in the region.

### Corporate tax rate in regional countries



Source: PwC (Headline corporate income tax rate, accessed on 25 Feb 2023)

### 3. Financing facilities

**RM40bn for MSMEs Financing Fund, including direct loans, financing alternatives and guarantees**

**Microcredit Scheme (RM1.7bn):**

- RM950m **BSN microcredit loan**, including RM350m for Skim Penjaja Kecil Keluarga Malaysia
- RM300m **loan under TEKUN** and RM204m **loan under BNM**

**Bank Negara Malaysia Fund for MSMEs (RM9.7bn):**

- RM500m for **Targeted Relief and Rehabilitation Facility (TRRF)**
- RM1bn for **Low Carbon Transition Facility (LCTF)**
- RM1bn for **Business Recapitalisation Facility (BRF)**
- RM1bn for **Agrofood Facility (AF)**
- RM1bn for **SME Automation and Digitalisation Facility (ADF)**
- RM500m for **PENJANA Tourism Financing (PTF)**
- RM3.2bn for **All Economic Sectors Facility (AES)**
- RM1bn for **High Tech & Green Facility (HTG)**
- RM300m for **Disaster Relief Facility (DRF)**

- Various financing and credit facilities will be rolled out in tandem with the technology and sustainability agenda. These initiatives are expected to ease distressed borrowers' cash flows and continues driving businesses' sustainability growth, especially under the pressure of higher Overnight Policy Rate (OPR) and external uncertainties.
- In 2H 2022, loan applications and approvals for SMEs had increased substantially by 22.3% and 30.6%, respectively. This indicates a continued recovery trajectory of business financing to support their recovery post the COVID-19 pandemic.

**Loan indicators, Jul - Dec 2021 and 2022**

SMEs	RM bn		% Change	RM bn
	2H 2021	2H 2022		2022
Loan applications	125.1	153.0	22.3	291.2
Loan approvals	65.5	85.5	30.6	154.9
Loan disbursement	211.0	257.5	22.0	505.1
Loans repayment	205.6	253.1	23.1	495.6
Loans outstanding	348.4	366.0	5.0	366.0

*Source: Bank Negara Malaysia*

- As domestic economic growth is projected to moderate amid the signs of weakening global economy, domestic industries and businesses, especially MSMEs have to strengthen their resilience through sustainable business practices, innovation, digital and technology adoption.

### 3. Financing facilities (cont.)

#### Business Financing Guarantee Scheme (RM23 bn):

- RM3bn for **Green Technology Financing Guarantee Scheme (GTFS 4.0)** with a guarantee of up to 60% for the EV sector and 80% for the waste sector
- RM20bn for Guarantee **Government Scheme (SJPP)** to be extended to non-financing banking institutions:

SJPP Guarantee	All Sectors	Focus Sector*
Guarantee of Protection	Up to 80%	Up to 90%
Funding Limits	Up to RM20m	Up to RM30m
Guarantee Fee	Up to 1% per year	0.5%-0.75% per year
Period	Up to 10 years	Up to 10 years

*\*Refers to manufacturing, agriculture, tourism and technology sector*

#### BPMB Strategic Financing (RM6 bn)

- **Loan Subsidy (with an interest subsidy of 1.5% per year):**
  - RM1bn for **Tourism Infrastructure Scheme** to strengthen the recovery of the tourism sector
  - RM800m for **Maritime and Logistics Scheme** to support oil and gas, shipbuilding and ship repair
  - RM1bn for **Skim Pembangunan Negara**
  - RM1bn for **Sustainable Development Financing Scheme** to facilitate the effort to achieve 17 sustainable development goals
  - RM1bn for **Skim Transformasi Pendigitalan Industri**
- **Loan/Equity Financing:**
  - RM1bn for **Rehabilitation and Support through Equity Facility (RESET)** and **Skim Modal Kerja** through BPMB to provide equity injection and working capital
  - RM100m for **Platform Pembiayaan Sepadan**



# 3. Financing facilities (cont.)

## SMEs Soft Loan (RM3.5bn)

- RM550m for **Dana Pembiayaan Agromakanan** to provide working capital for financing agricultural facilities
- RM60m for **Program Modernisasi Rantai Nilai Agromakanan**
- RM250m for an **Agrovest investment program** to provide start-up funds to an agricultural start-up company and seeks an e-commerce platform
- RM1.4bn from SMEs Bank to fund various activities at an interest rate between 4% and 6%

## Other Business Financing and Alternative Financing

- RM235m for **Women's Business Financing Scheme** under BSN, TEKUN, MARA and Bank Rakyat
- RM20m for **Second Chance Financing**
- RM16.5m for the **Sustainability and Green Business Financing Scheme (SGBF)**
- RM40m for **Malaysia Co-investment Fund (MyCIF)** to support start-up companies in the sustainability and social enterprise agenda

## Financing Facilitation:

- Extend **100% stamp duty exemption on restricting or rescheduling loans or financing agreements** until 2024



## 4. Attracting investment

- RM230m under **Khazanah Nasional Impact Fund** for investments in the field of **digitization and high technology**, with a special focus on supporting start-up companies and local human capital
- RM15m under **Innovation Technology Fund for Globalization (TIG)**
- The **New Industrial Master Plan 2030** will be announced in the third quarter of 2023, to outline the direction of industrial development, focusing on high-quality activities and the recruitment of local talent while **investment incentives will be restructured towards tiered tax rates** based on outcomes
- **Invest Malaysia Council and National Committee on Investment (NCI)** will lead efforts to accelerate approval of high potential investment projects
- **Investment in major sectors:**
  - **Extending the relocation tax incentives for electrical and electronic (E&E) sector** and a **15% flat tax rate for C-Suite** until 2024
  - Income tax incentives and investment tax allowances for **aerospace companies** will be extended until 31 Dec 2025
  - **Tun Razak Exchange (TRX)** was mandated as Malaysia's international financial hub
  - **Strengthen development of Iskandar Malaysia in Johor** through creation of a special financial zone to attract international investors
  - **Malaysia Development Bank (BPMB)** to provide up to RM6bn in strategic funding to accelerate the sustainability agenda and automation

- Private investment growth has rebounded by 7.2% in 2022 and **is expected to continue growing by 5.8% in 2023.**
- After the prolonged COVID-19 pandemic and unstable political environment, the unity government must accord priority on implementing institutional and economic reforms as well as enhance investment climate to rebuild investors' confidence and sustain steady economic growth.
- It is commendable that the Budget has proposed an array of investment and tax incentives as well as streamline various investment promotion agencies to attract and accelerate approval of high potential investment projects.
- The commitment and initiatives to accelerate and reduce bureaucracy for incentive application and processing is a step in the right direction to enhance a conducive investment climate.
- We hope that the Federal, State, local authorities, and relevant stakeholders to coordinate and streamline their approval process.

## 4. Attracting investment (cont.)

- Tax deduction of up to RM1.5m for firms that list on Bursa Malaysia's ACE and LEAP Markets until assessment year 2025; tax rebate also extended to tech companies that list on the Main Market
- Enhancement of **Accelerated Capital Allowance (ACA) for automation equipment** in manufacturing, services and agriculture sector
  - Scope of tax incentive expanded to include agriculture sector
  - Scope of automation to include adaptation of Industry 4.0 elements
  - The claim of capital expenditure threshold to be aligned and increased to RM10 million
  - Applicable for applications received by MIDA and Ministry of Agriculture and Food Security (MAFS) from 1 Jan 2023 until 31 Dec 2027
- Government to promote private sector investment into large-scale agriculture by providing incentives, land, funds and technology grants.
- **RM7bn for Expansion and improvement of airport capacity** in Penang and Subang to encourage entry of investors, businesses and tourists; to benefit economic growth at a much lower cost than building a new airport in Kulim

- Prior engagement with the business chamber and industry associations for inputs is necessary for the formulation of the new Industrial Master Plan. The master plan must focus on how to deepen the industrial linkages between domestic SMEs and FDI as well as design a development program to help SMEs towards IR4.0.



## 5. Sustainability agenda

- **RM2bn allocation by Bank Negara Malaysia (BNM) to support green technology start-ups and help SMEs implement low-carbon practices:**

- RM1bn under the **High and Green Technology Financing Fund (HTG)**

- RM1bn under the **Low Carbon Transition Financing Fund (LCTF)**

- **RM16.5m Sustainability and Green Business Financing Scheme (SGBF)**

- **RM150m under the Khazanah Nasional Impact Fund for the development of environmentally friendly projects includes supporting the carbon markets and reforestation**

- **RM1bn under the Sustainable Development Scheme** by Malaysia Development Bank (BPMB)

- Enhance the **Green Technology Financing Scheme (GTFS)** by increasing the financing guarantee to **RM3bn** until 2025, in addition to expanding the scope of financing, especially to the electric vehicles (EV) sector with a guarantee limit of up to 60% and the waste management sector's financing guarantee will be increased up to 80%

- The Budget continues to focus on sustainability agenda, including green investment, renewable energy, and electric vehicles. It proposes new tax incentives to encourage green investments for companies undertaking carbon capture and storage activities as well as manufacturing of electric vehicle charging equipment.
- The feasibility study on carbon tax implementation as well as green procurement initiative, which was proposed in the original Budget was removed.
- Currently, Malaysia is embarking on an early stage of the ESG journey. The government should put efforts to increase businesses' awareness of the environmental and sustainability issues.
- Going forward, the introduction of a carbon tax framework in Malaysia must provide a clear, transparent and stable mechanism of price incentives and non-price regulations. This is to provide a firm economic signal to drive sufficient technology and sustainability development through a diverse portfolio of low-carbon options.
- The Government needs to expedite the installation of public EV charging stations. The number of charging stations is still low, with less than 1,000 recorded nationwide. Under the National Electric Mobility Blueprint, Malaysia aspires to have 125,000 EV charging stations by 2030.
- Malaysia still lacks clear milestones for its EV ambitions as compared to its ASEAN neighbours. Thailand, Indonesia, and Singapore are formulating their EV roadmaps to attract mega projects, investments, and infrastructure.

## 5. Sustainability agenda (cont.)

- Review the **Green Investment Tax Allowance (GITA)** and **Green Income Tax Exemption (GITE)** incentives; improving the incentive period from 3 to 5 years for eligible green activities, including solar activities and Battery Energy Storage System (BESS); Extend the incentive application period for **GITA and GITE from 1 Jan 2024 to 31 Dec 2025**
- GENTARI to **install solar panels at Government and commercial facilities by 2024** and **provide 500 units of EV charging stations nationwide**
- RM150m **Ecological Fiscal Transfer (EFT)** for Biodiversity Conservation
- Incentives from Tenaga Nasional Berhad (TNB): Install **solar rooftops** for Government buildings in Putrajaya (RM75m) and **EV charging stations** (RM90m)
- Tax incentives to support **EV adoption**:
  - **Import duty exemption on components for locally assembled EVs** be extended until 31 December 2027
  - **Import duty exemption and excise duty on CBU EV** be extended until 31 December 2025
  - **Excise duty and sales tax exemption on CKD locally assembled EVs** be extended until 31 December 2027
  - **Manufacturer of EV charging equipment**: Income tax exemption of 100% on statutory income from 2023 to 2032 and Investment Tax Allowance of 100% for 5 years
  - **Tax deductions for companies that rent EVs** with a maximum amount of the eligible rental amount limited to no more than 300,000
- **Tax incentives for carbon capture and storage (Please refer to appendix for details)**

## 6. Public infrastructure

- Government to **review MRT3 project cost to below RM45 billion**
- **RM6.5bn of development expenditure (DE)** allocation for **Sabah**; RM5.6bn for **Sarawak**
- **Digital Nasional Berhad (DNB)** will expand the **5G network nationwide** to cover 80% of highly populated areas by end-2023
- **RM7bn for the expansion and improvement of airport capacity in Penang and Subang**
- **To relieve road congestion at tourist hotspots:**
  - RM480m to build a new road from Habu to Tanah Rata, Cameron Highlands, Pahang
  - RM300m to upgrade Jalan Tun Hamzah up to the intersection of Semabok Lebu AMJ Daerah Melaka Tengah
  - RM160m to build a road and a bridge over Sungai Sepang to connect Bukit Pelandok, Port Dickson and Sungai Pelek, Sepang
  - RM525m to build an overtaking lane on Senai Desaru Expressway and upgrade Lebuhraya Utara Selatan from Yong Peng Utara to Senai Utara — Phase 1, Johor from four to six lanes, in phases
- Support the development of main port in Carey Island by private sector
- RM20bn for accelerating the implementation of the Pan Borneo Sabah highway and the Sarawak-Sabah Link Road
- RM5.2bn allocate for the Malaysian Road Records Information (MARRIS) to maintain state roads

### Rural infrastructure

- RM1.5bn for rural and inter-village road projects
- RM1.2bn to expedite repairs of 400 clinics and 380 schools that are dilapidated

- These planned projects and infrastructure spending will continue to help in closing the development gaps between the developed and less developed areas amid supporting both the construction and manufacturing sectors' growth
- The Government must continually review the planned project cost to ensure these projects are effectively carried out and allocations are quickly disbursed as well as to ensure no cost overrun and leakages.



## 7. Job placement and talent development

- **New Industrial Master Plan 2023** – focuses on high-quality activities and the recruitment of local talents
  - **Coordinate with industrial players where leading companies will partially or entirely takeover TVET institution operations**, including Kemahiran Belia Negara (IKBN), kolej komuniti dan Institusi Latihan Kemahiran Awam (ILA) with a target of 50 companies
  - RM50m for **Sistem Latihan Dual Nasional (SLDN)**, benefiting 8,000 trainees
  - RM5.3m for **Program Academy in Factory** to provide on-the-job training at the factory, benefiting more than 50,000 trainees a year
  - **35,000 career opportunities to youth, TVET graduates, vulnerable groups and veterans** by GLCs
  - RM1bn for **implementing skills training under HRD Corp** to increase productivity and income opportunities by employing 800,000 workers
  - RM30m for **Program Graduan Pasaran Modal** to increase the marketability of 9,000 graduates in the capital market
  - The **formation of a Gig Worker Policy** to protect the rights and welfare of gig workers
  - Impose a higher levy rate on companies with a high number of foreign workers, and the additional levy collection will be used to support employers in financing automation initiatives
- MOF expects the **jobless rate to improve gradually to 3.5%-3.7% in 2023** (3.6% in 2022). Although there was an improvement in the labour market condition as reflected in growing job vacancies by over 96.9% yoy to 508,000 positions (vs 258,000 in Jun 2021), job placements were not encouraging amid the labour shortages still remained and incentives supported by JaminKerja.
  - **Skills-related underemployment are still significant and persistent at 37.4% in the fourth quarter of 2022** (increase from 36.8% in third quarter of 2022).
  - The mismatch of skills between labour supply and demand remains an issue with the changes arising from economic and social development.
  - TVET remains a focal point in this Budget. The allocation of billions for TVET is intended to drive the performance and quality of manpower as well as to meet the supply-demand gap in various industries. Nonetheless, the outcome is deemed not meeting the industry's need.
  - The implementation of a multi-tier levy and market-based system would help to reduce dependency on foreign labour. The Government must engage with the business community to brief them on the modus operandi of the system before implementation.

## 7. Job placement and talent development (cont.)

- RM45m **SOCSO incentives for employers who employ graduates, particularly TVET**, with RM600 per month over three months in addition to the salary
- RM130m **SOCSO incentives for employers who employ vulnerable groups**, such as OKU, ex-convicts, homeless and chronically unemployed, with RM600 per month over three months
- RM40m for **covering the training fee for gig workers under the micro-credentials skill improvement program** with up to RM4,000 and RM300 allowance over three months
- RM292m **grant with a payment equivalent to 80% of the monthly salary** to encourage women to return to work
- **Rm500 and RM1,000 to job seekers** who receive a job outside of their state of residence and long-distance migration from East Malaysia to Peninsular, respectively
- Women's leadership – **special training program to improve the employability of women as Board Members Director**



Pusat Satelit MYFutureJobs



National Placement Centre  
(NPC)



## 8. Enhance the recovery of the tourism industry

- **2025** is set as **Visit Malaysia Year (VMY)**
- **RM250m allocation to promote tourism:**
  - **RM115m matching grants** – a collaboration with tourism and culture industry
  - **RM40m** – a joint venture with Malaysia Airport Holdings Bhd. and international companies to promote charter flights
- **RM1.5bn to improve traffic congestion:**
  - Build a new road Habu to Tanah Rata, Cameron Highlands, Pahang
  - Upgrade Jalan Tun Hamzah to the intersection of Semabok Lebu AMJ Daerah Melaka Tengah
  - Build a road and bridge over Sungai Sepang to connect Bukit Pelandok, Port Dickson and Sungai Pelek, Sepang
  - Improve the facilities of the highway network to Pengerang through the construction of overtaking lanes on the Senai Desaru Expressway
  - Upgrade the North-South Highway in Senai Utara-Sedenak, Johor Bahru, from 4 to 6 lanes
- **The year 2025 has been set as Visit Malaysia Year (VMY) with a target of 23.5 million tourists arrival and RM76.8 billion tourists' receipts**, compared to the targeted 15.6 million tourists and RM47.6 billion in 2023.
- Following the China's reopening of international borders, **MOTAC is targeting five million Chinese tourists arrival in 2023**. It is noteworthy that Malaysia is recognised as one of the top lists in tourist destinations for Chinese tourists.
- As such, the Government should prepare well to welcome international tourists, particularly to woo the potential influx of Chinese tourists in competing with Vietnam, Thailand and Singapore. It is recommended that to provide visa-free or at least direct visa on arrivals for tourists from both China and India to attract big China tourists' spender.
- With extensive efforts in promoting quality and affordable medical tourism, the Malaysia Healthcare Travel Council (MHTC) estimated healthcare tourism revenue to increase by 30% to more than RM1.5 billion.
- However, compared to the original Budget 2023, there was no explicit funding towards MHTC to enhance Malaysia's position despite Malaysia being one of Asia's best health tourism destinations.

## 8. Enhance the recovery of the tourism industry (cont.)

- Support and funding for tourism industry operators:
  - **RM500m for BNM Tourism Financing (PTF)**
  - **RM20bn for Guarantee Government Scheme (SJPP)** with preferential conditions
  - RM1bn for Tourism Infrastructure Scheme
- RM1.5m for **Ecotourism Program**.
- Special tax deduction for hoteliers up to RM150,000 on the expenditure of Malaysian-made handicraft products



- Medical tourism is considered one of the high-potential industries in tourism due to the growing awareness of personal health in tandem with the COVID-19 pandemic.
- High dependency on the Indonesian market to support medical tourism will pose challenges to the industry players. This requires consistent funding for reforming the status quo and improvement in the supply chains (e.g. translator).
- Besides, the ecotourism industry has a positive spillover effect on tourism activity and environment. It should be given adequate facilitation and capacity building in tandem with growing awareness of sustainability.
- It is good to see the Government has allocated the fund towards wild animal preservation and renovation in the tourism area. The effective implementation of sustainable forest management and other environmental conservation is crucial to promote the livelihood of local communities and the tourism industry, especially for ecotourism and natural-based tourism, which will be encouraged to reduce the impact on Malaysia's natural heritage.

# 9. Agriculture and food security

## Financing and Incentives:

- RM1bn for **Skim Agrofood BNM** to fund agrifood entrepreneurs at a rate of 3.75%
- **Accelerated Capital Allowance (ACA) 100% for automation equipment** that includes the adaptation of Industry 4.0 elements and **100% of income tax exemptions** on capital expenditure incurred for automation equipment, including agriculture, until the end-2027
- **Accelerated Capital Allowance (ACA) 100% and 100% of income tax exemption for chicken breeders** on the qualifying capital expenditure until the end-2025
- **100% of income tax exemption** on statutory income extended for companies with BioNexus status until the end-2024
- **Review of tax incentives for food production projects to include agricultural projects** based on Controlled Environment Agriculture (CEA) with extended 3 years of application
- RM550m for **Dana Pembiayaan Agromakanan** as working capital for SMEs
- RM250m for **Agrovest investment programs** to fund agricultural start-up companies and establish e-commerce
- RM23.4m for **Latex Production Incentives**
- RM200m **investment under Khazanah's Dana Impak** with a focus on increasing the income and productivity of smallholders

- Food security is a pressing matter globally as well as in Malaysia, especially during and after a long period of COVID-19 restrictions and lockdowns, and got worsened by the Russia-Ukraine war-inflicted supply chains disruption. Malaysia ranked 41<sup>st</sup> on the Global Security Food Index (GSFI) in 2022 (vs 34<sup>th</sup> in 2015).
- It is vital to address four areas of food security: **Affordability, availability, quality and safety, sustainability and adaptation**. The intensity of climate change, animal disease, food shortages and inflation have raised alarm bells over the food security concern in Malaysia.
- According to the latest statistics, Malaysia has 11 selected food products with a self-sufficiency ratio (SSR) of less than 80% (six types are below 50%). Imported inflation remains a big enemy due to being highly dependent on imported food.

### Food products with self-sufficiency ratio (SSR) below 50% in 2021

<b>Mutton</b>	<b>10.7%</b>	<b>Fresh milk</b>	<b>56.7%</b>
<b>Ginger</b>	<b>14.6%</b>	<b>Rice</b>	<b>65.0%</b>
<b>Mango</b>	<b>16.2%</b>	<b>Coconut</b>	<b>69.6%</b>
<b>Beef</b>	<b>18.9%</b>	<b>Sardine</b>	<b>74.9%</b>
<b>Chilli</b>	<b>29.3%</b>	<b>Sweet potato</b>	<b>78.1%</b>
<b>Round cabbage</b>	<b>40.3%</b>		

Source: Department of Statistics Malaysia (DOSM)

## 9. Agriculture and food security (cont.)

### Financing and Incentives (cont.):

- **RM5m incentives to farmers for integrated crop management (IPM) and GAP certification**
- **RM21.4m research grant for the valuable herbal product** under the Projek pemacu pertanian

### Implementation and Programs:

- **Implementation of a multi-tiered levy for foreign workers** with additional revenue channelled to employers for automation initiatives
- **Initiative for the utilisation of 800 acres of abandoned lands** owned by FELDA, FELCRA, and RISDA and agencies under MAFS for food crops
- 70 acres of LTAT land for **domestic corn grain farming**
- **RM126.8m for upgrading irrigation and drainage**
- **RM60m for Agromakan Value Chain Modernisation Program**
- **RM29m for Modernisation and Empowerment of the Pineapple Industry**
- **RM5m for pioneering a sustainable agriculture project using organic fertilisers by the Ministry of Agriculture and Food Security**
- **RM30m for implementing agro-food in collaboration with several State governments**

- The Budget proposes to utilize abandoned lands for food crops is a good initiative. However, it again raises doubts about the integrality and quality of land as they need to support fruits and vegetables in mass production through the availability of basic infrastructure.
- While developing the agriculture sector in alignment with food security, it is crucial to improve the added value of the production through substantial research and development (R&D) as well as digitalization and automation.
- As of 2017, Malaysia's agricultural productivity is 45% of the average among high-income countries. In 2022, agriculture exports increased substantially by 23.3% yoy to RM120.9 billion, mainly due to higher commodity prices. Malaysia imported RM85.4 billion worth of food and beverages in 2022, of which RM48.3 billion was for household consumption, 25.3% higher than in 2021.
- The Budget has provided various financial support and programs to support automation and digitalisation as well as expand agricultural production. RM21.4 million research grant will be provided for the valuable herbal product, which is new funding compared to the original Budget 2023.

## 9. Agriculture and food security (cont.)

### Implementation and Programs (cont.):

- RM100m for **Tabung Pusingan Koperasi for the necessities supply, cooperative supply chain empowerment and business development programs** by the Malaysian Co-operative Societies Commission
- RM9.4m for **adaptation of precision technology management and agricultural sustainability**
- RM17.3m for **crop and livestock development by Perak Agriculture Department**
- RM50m for **a new clustered rubber plantation in Sabah (Phase 2)**
- RM40m for **Program Pembangunan Semula Hasil Baharu for new income generation** through short-term crops and farming, benefitting 4,000 small farmers
- RM22.6m for **Cocoa Development Programs**
- RM20m for **the Digital ArTech program under MDEC** to train more smallholders to adopt digital technology

### Palm Oil Industry:

- RM40m for **Malaysia Sustainable Palm Oil (MSPO) Certification program for private smallholders**
- RM30m **incentives for MSPO Recognition**
- RM80m for **promoting and dealing with the global anti-palm oil campaign**

- Climate changes and diseases are gaining more attention in the agriculture sector , adding pressure on disease control and disaster risk management. It requires technological innovation in biotech or skilled experts to examine and implement the preventive approach. This has to be supported by solid research and development (R&D) and collaborations among the government and agencies, public universities and the private sector, especially since most of the players in the private sector are smallholders with limited capital and technical skills.
- However, a small number of graduates were employed as skilled workers in agricultural, forestry, livestock and fishery. To sustain economic activities in the agriculture sector, it is vital to train skilled workers to support modern farming, whereby data-driven analysis and machine control can improve quality and productivity.

Employed graduates by occupation

Year	Semi-skilled	Skilled agricultural, forestry, livestock and fishery workers	% share of total semi-skilled workers
2017	865,500	23,700	2.7%
2018	975,900	29,100	3.0%
2019	1,054,300	32,800	3.1%
2020	1,258,100	50,800	4.0%
2021	1,444,900	18,500	1.3%

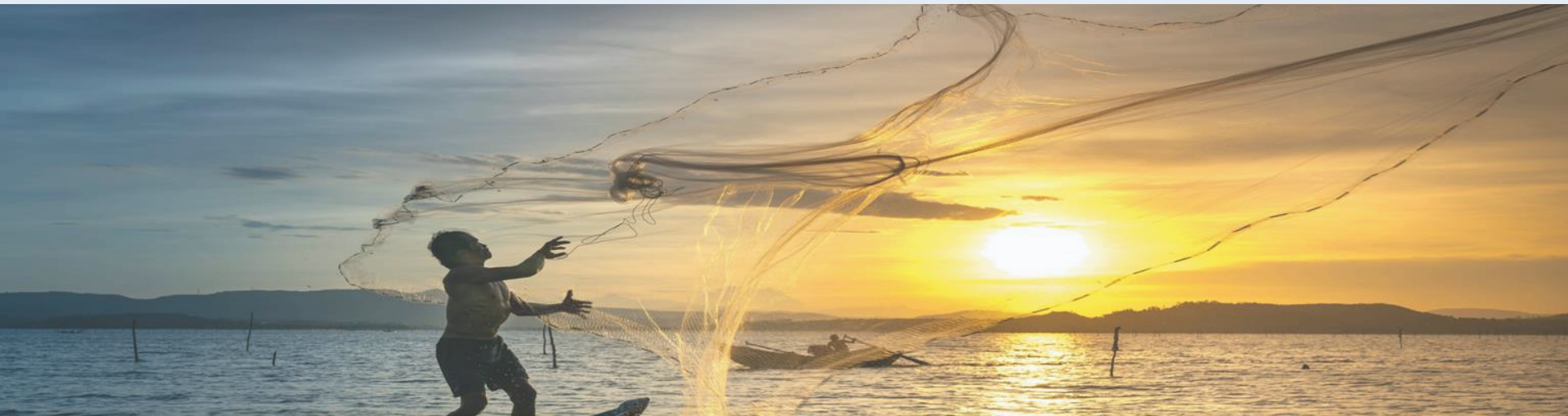
Source: Department of Statistics Malaysia (DOSM)

Note: "Skilled agricultural, forestry, livestock and fishery workers" is a semi-skilled occupation.

## 9. Agriculture and food security (cont.)

### Rice farmers and fishermen:

- RM1.6bn for **various subsidies and incentives** on rice price, fertiliser and rice production
- RM228m for **rice farmer assistance with RM200 per month over 3 months**, benefitting 240,000 rice farmers
- BERNAS – **RM60m donation to help poor rice farmers** and 30% of profit sharing from rice imports
- RM350m for **Insentif Pengeluaran Getah (IPG) to increase rubber floor price from RM2.50 to RM2.70 per kg**
- RM315.5m for Program Pembangunan Kawasan Bertanam Getah Pekebun Kecil to replant rubber trees, benefitting 380,000 smallholders
- RM256m for **Monsoon Season Assistance with RM200 per month over 4 months**, benefitting 320,000 smallholders
- RM50m for **using Cuplump Modified Bitumin for road maintenance**
- RM18.3m for **fishermen's productivity improvement program and facility projects**
- RM15m for **Projek Transformasi Perusahaan Getah (TARGET)**
- RM2.6m for **FELDA, FELCRA and RISDA**



# 10. Home ownership

- **Stamp duty exemption for first home ownership** with full exemption from stamp duty on valuable houses with RM500,00 and below, and a 75% exemption for more than RM500,000 to RM1 million
- **Full stamp duty exemption on the instrument of transfer by way of love affection for the first RM1m of property's value** and the remaining balance of property's value is subject to ad valorem duty rate and is given **50% remission from 1 April 2023**
- **RM5bn for Housing Credit Guarantee Scheme (SJGP)**, benefitting 20,000 borrowers
- RM389.5m – **Program Perumahan Rakyat (PPR) and Program Perumahan Rakyat Disewa**
- RM358m – **Program Rumah Mersa Rakyat**
- RM463m – **Malaysia's Public Housing Projects** with 23,000 units
- **Special relaxation of repayment for veterans** on housing loans under the LPPSA

- The proposed measure (75% exemption for house value between RM500,001 and RM1 million) would result in savings up to RM7,250 to total savings up to RM21,750 for a property valued at RM1 million.

House value (RM)	500,000	750,000	1,000,000
<b>Stamp duty for Instrument of transfer (RM) (0.5% fixe rate)</b>			
First RM500,000	2,500	2,500	2,500
Next RM500,000	-	1,250	2,500
<b>Stam duty for Loan agreement (RM) (1% for first RM100k; 2% for next RM400k; 3% for next RM500k, 4% subsequently)</b>			
First RM100,000	1,000	1,000	1,000
Next RM400,000	8,000	8,000	8,000
Next RM500,000	-	7,500	15,000
<b>Total (Not first home buyer)</b>	<b>11,500</b>	<b>20,250</b>	<b>29,000</b>
<b>First home buyer under current scheme (Savings)</b>	<b>0 (11,500)</b>	<b>10,125 (10,125)</b>	<b>14,500 (14,500)</b>
<b>First home buyer under proposed scheme (Savings)</b>	<b>0 (11,500)</b>	<b>5,062.50 (15,187.50)</b>	<b>7,250 (21,750)</b>

- This measure is expected to help improve sales of new properties priced between RM500,000 and RM1 million amid the impact of higher lending rates. In 1H 2022, there were 116,178 transactions worth RM45.62 billion recorded in the review period, which increased by 26.3% in volume and 32.2% in value year-on-year.

# 10. Home ownership (cont.)

- **Maintenance of public housing:**
  - **Low-cost public housing** in WPKL (RM200m)
  - **Tabung Penyelenggaraan Tabung Penyelenggaraan Perumahan Malaysia TPPM** (RM44.4m)
  - **Private Public Partnership (PPP)** (RM46m)
  - Upgrade and maintenance of **Kampung Baru Cina** (RM20m)
  - **Program Perumahan Rakyat (PPR)** elevator with quotation limit from RM500,000 to RM1.2m for the procurement of maintenance and repair (RM50m)
- **RM460.2m – renovation of houses outside the city**
  - **An increase in the ceiling rate for building new houses** by RM56,000 to RM66,000 per unit (Peninsula) and RM68,000 to RM79,000 per unit (East Malaysia).
  - **An increase in the ceiling rate of housing recovery assistance** by RM13,000 to RM15,000 (Peninsula) and RM15,000 to RM17,000 (East Malaysia)

- However, **housing affordability** remained as a concern as it directly affects people's ability to access safe and adequate housing, which is a basic human need. This can have adverse effects on their health, education, and employment opportunities, as well as their overall well-being.
- According to the median multiple approach (2019), housing affordability only prevailed in Melaka and Putrajaya, whereas Sabah and Sarawak were severely unaffordable, and four states in the Peninsular Malaysia (Kelantan, Johor, Perak and Pahang) were seriously unaffordable.
- Housing affordability can have broader economic and social implications. For example, when housing costs are high, it can make it difficult for people to relocate to areas with better job opportunities.
- High housing costs can also contribute to income inequality, as those already wealthy may have an advantage in being able to afford housing in desirable areas.



# 11. Caring society and social protection

## Employment Provident Fund (EPF):

- **Expand the scope of tax relief** for life insurance premiums or life takaful contributions by including **voluntary contributions** to EPF of up to RM3,000
- **An increase of EPF voluntary contribution limit** from RM60,000 to RM100,000 per year
- RM30m for **the I-Saraan programme** raising the matching contribution ceiling from RM250 to RM300 until 2023 to help more than 100,000 contributors
- RM1bn for **I-MADANI with an additional RM500 for EPF members aged between 40 and 54 with less than RM10,000 in account 1**, benefitting 2m members.

## Social Security Organisation (SOCSO):

- RM100m for **bearing 80% of contributions for self-employed participating in SOCSO Self-Employment Scheme.**
- RM70m **matching grant for SOCSO Health Screening Program.**
- RM50m for **TVET Apprenticeship & School Leaver Employment Program.**
- RM100m for **SPS Protection for the informal sector.**
- **Lindung+ Program** – cooperative with private insurance to provide additional social security coverage outside the SOCSO, including protection above RM5,000 income, medical treatment and cases of chronic diseases.

- As the ageing population is associated with higher demand for healthcare and limited income sources, considerable savings are vital for a comfortable retirement with at least RM600,000 in major cities.
- There were concerns over the balance of EPF savings following multiple withdrawals during the COVID-19 pandemic. The EPF funds from the B40 fell by 46% to RM7 billion in Dec 2022 (from RM13 billion in April 2020).
- In order to address the depletion of retirement savings, the Government has rejected the mounting calls for another round the EPF withdrawal. Instead, it allocates RM1bn cash injection into EPF contributors' account aged between 40 and 54 having less than RM10,000 in their EPF Account 1. This will benefit two million account holders.
- We see a moral hazard on the topping up the EPF account as it could breed a culture of entitlement and irresponsible financial prudence. The contributors would be incentivised to take up more unplanned financial risks as they believe that the Government would standby to safeguard their retirement savings.
- The Government needs to address the root cause why people have to dip into their retirement savings? Is it due to poor financial planning and over-spent on unnecessary goods and services. People must save for an emergency and a rainy day. This requires proper budget planning.

# 11. Caring society and social protection (cont.)

## Senior citizen and OKUs:

- RM900m for **Bantuan Sosioekonomi Warga Emas dan Wang Saku Institusi Warga Emas**
- RM8.7m for **implementing the Elderly Activity Centre (PAWE) and Golden Citizen Care Unit (UPWE)**
- RM21.2m **grants for the care institution operators for the elderly, children and OKU managed by NGOs**
- RM524m for **allowance for OKU workers**
- RM346m for **allowance for OKU who unable to work**
- RM170m for **assistance in Bantuan Penjagaan OKU/Pesakit Kronik Terlantar (BPKT)**
- RM0.63m for **Wang Saku Institusi Kurang Upaya**
- RM109m for **special allowance for Children Rehabilitation in the Community (PDK)**
- **Skim 1 OKU 1 Perniagaan – exemption of registration fees and SSM business license renewal**
- RM4m for **free train services for the disabled and students from Year 1 to Form 6**
- RM5m for **special incentives for the establishment of 50 new PWD nurseries**
- RM20m for **supplying teaching equipment and improving school facilities for special needs**

- A secured safety net is vital for supporting decent retirement living, given that Malaysia is approaching an ageing population by 2035. Compared to the original Budget 2023, the new Budget has provided insurance coverage within and outside the SOSCO protection.
- However, it is essential that social security provides a fundamental protection for everyone in society. It is shared responsibility of both public and private sectors to provide an adequate safety net after retirement, especially for those low- and middle-income households.
- Women are empowered in social protection through various incentives and policies implementation. It is essential for the Government to strike a balance between women's welfare and private sector, as additional costs incurred will add further pressures on business operations, especially for SMEs.
- The implementation of higher maternity benefits raise concern over social sustainability as it may lead to a trend of hiring more male workers (as indicated by 41.3% respondents in a survey).
- Therefore, it is recommended that the Government to co-sharing additional maternity benefits or allow the SOSCO to part funding the cost.

# 11. Caring society and social protection (cont.)

## Women:

- RM10m for **implementation of the Anti-Sexual Harassment Act.**
- RM5m for **Latihan dan Pensijilan Profesion Penjagaan Ibu Selepas Bersalin MamaCare**
- RM1m for **Program 2 Year Exit Policy**, benefiting 300 women entrepreneurs.
- RM292m **grant for the equivalent of 80% of the monthly salary to encourage women to return to work**
- **Women's leadership – special training to add women eligible to be appointed as Board Members and Directors.**

## Veterans and Prisoners:

- **Strategic cooperation of LTAT, MAFS & KEMENTAH** for Grain Corn Farming Pilot Projects
- RM5m for **Program Reskilling & Upskilling Veteran ATM** by the MAF Veterans Affairs Department (JHEV) in collaboration with the Department of Skills Development (JPK) and TVET Malaysia.
- **Program Kerjaya Kedua Veteran ATM** with LTAT and GLCs
- **Special relaxation of veteran housing loan repayment** under the LPPSA.
- RM10m for **Empowerment of Rehabilitation Programs in the Community as the expansion of Agroprison.**
- RM10m for **Health Inspection of Inhibited Persons (OKT) by Practitioners of Private Medicine.**

## Others:

- **Gradually mandatory SKSPS contributions** for self-employed sectors and applied to platform providers with Operating Licenses under MOT and KKD.
- **An increase in individual investment limit of ASB and ASB2** from RM200,000 to RM300,000.
- **An increase in Amanah Saham Malaysia (ASM) fund size** to RM5bn.
- RM5m for the **Empowerment of the People's Love Program (MEKAR).**

## 12. Raising of the youth

- Free driver's license test fee for **B2 class motorcycles, taxi, bus and e-hailing licenses**
- RM5m **Professional Training and Education for Growing Entrepreneur (PROTÉGÉ)**
- RM10m under **Young Bumiputera Entrepreneur Buddies (TUBE)**
- RM400m allocate for **e-Tunai Belia Rahamah** continued with an increase to RM200 for 2 million youths
- Offering **35,000 career opportunities to youth**, TVET graduates, vulnerable groups and veterans by GLC
- RM30m for **Capital Markets Graduate Program** under HRD Corp



- Cash disbursement of RM200 each would release RM400 million disposable income for youth and hence, supporting consumer spending.
- The Government has taken heed of the issues faced by the youth and job seekers through providing various targeted measures (hiring incentives and some financial relief measures).
- While there are initiatives encouraging youth to be entrepreneurs, the Government should also identify the skills gap in the job market to avoid underemployment or over-education, and match the graduates with high-skilled jobs.



# 13. Fiscal sustainability and institutional reforms

- **Fiscal Responsibility Act** to be tabled during second parliamentary meeting in 2023
  - Introducing **Luxury Goods Tax** to expand tax scope on those who are more capable
  - Study the implementation of **Capital Gains Tax** on disposal of unlisted shares by 2024 at low rate
  - **Minimum effective tax rate at the global level** under Pillar 2 of the BEPS Action Plan 1 Tax Challenges Arising from Digitalisation and **Qualified Domestic Minimum Top-up Tax (QDMTT)** from 2024
  - JKDM and LHDN's **voluntary disclosure program** from 1 Jun 2023 to 31 Dec 2024
  - Decentralise procurement authority to ministerial and department level for effectiveness
  - Tabling of **Government Procurement Act**
  - Amendment of **Whistleblower Protection Act**
  - Setting KPI for all ministries based on MADANI framework
  - Reform and integrate government agencies with similar functions
  - Separate the retirement scheme for federal statutory bodies
- The tabling of Fiscal Responsibility Act and Government Procurement Act have been postponed several times since the announcement for the debate in Parliament in 2021 and 2019, respectively.
  - No plan for the reintroduction of Goods and Services Tax (GST) would dampen the narrow revenue base; minimise tax leakages and plugging the shadow economy.
  - The capital gains tax on disposal of unlisted shares would raise concern that the tax would eventually expand to cover other asset classes, leading to capital outflows as well as stifle entrepreneurship and wealth creation. There is also concern about whether it will affect corporate activities such as on restructuring among the subsidiary companies and general merger and acquisition (M&A) decision, especially caused by the corporate action at the group level.
  - While the gradual implementation of targeted subsidy approach is on the cards, there are lack of details on the subsidy rationalisation mechanism. Compared to the original Budget allocation, the provision for subsidies and social assistance will be increased by RM16.6 billion (or 39.5%) to RM58.6 billion for 2023, and this has further raised concern about the Government's commitment in implementing the targeted subsidy.
  - While the procurement authority is decentralized, the Government shall ensure an effective monitoring and accountability mechanism is in place to avoid the wrongdoing and misbehaviour of the officers.
  - The reform of integrating government agencies with similar functions is a commendable initiative. It is proposed that to have reform in consolidating the approvals or licenses required across different Ministries and agencies at all levels.

## AGENDA 1: DRIVING A COMPREHENSIVE AND SUSTAINABLE ECONOMY

Initiative	Key measures and initiatives
<b>1. Fiscal Sustainability</b>	<p><b>Expanding fiscal base</b></p> <ul style="list-style-type: none"> <li>Total expenditure Budget of RM388.1bn: RM289.1bn for operating expenditure; RM97bn for development expenditure; RM2bn for contingency</li> </ul> <p><b>Managing debt levels</b></p> <ul style="list-style-type: none"> <li>Reduce deficit to 5% in 2023, target for 3.2% by 2025</li> <li>Table Fiscal Responsibility Act in second parliamentary meeting in 2023</li> </ul> <p><b>Increasing national income</b></p> <ul style="list-style-type: none"> <li>Progressive approach in the context of targeted subsidy and tax structure</li> <li>Introduction of Luxury Goods Tax, starting 2023</li> <li>Study to implement Capital Gains Tax on disposal of unlisted shares by 2024 at low rate</li> <li>Introduce minimum effective tax rate at the global level under Pillar 2 of the BEPS Action Plan 1 Tax Challenges Arising from Digitalisation and Qualified Domestic Minimum Top-up Tax (QDMTT) from 2024</li> <li>Impose excise duty on liquid or gel products containing nicotine used for electronic cigarettes and vapes, with half of the proceeds will be reallocated to Ministry of Health</li> <li>Intensify efforts to curb revenue leakage and subsidized criminal syndicates of smuggling activities such as diesel, alcohol and cigarettes</li> <li>JKDM and LHDN's voluntary disclosure program (100% exemption on penalty) from 1 Jun 2023 to 31 Dec 2024</li> </ul>
<b>2. Fulfilling the Rakyat's Economic Needs</b>	<p><b>Tax cuts</b></p> <ul style="list-style-type: none"> <li>Effective from YA2023, reduce preferential tax rate for 150,000 MSMEs on first taxable income of RM150,000 to 15% from 17%</li> </ul> <p><b>Small businesses and hawkers</b></p> <ul style="list-style-type: none"> <li>Construction of MyKiosk@KPKT stalls and kiosks nationwide at RM10,000 per unit (RM50m)</li> <li>Upgrading premises and business facilities including under MARA, DBKL, Perbadanan Usahawan Nasional Berhad (PUNB) and Perbadanan Urban Development (UDA) (RM176m):             <ul style="list-style-type: none"> <li>Upgrade and increase the number and facilities of business premises at MARA (RM5m)</li> <li>Rural Entrepreneur Premises Transformation Program (TRENT) under MARA (RM5m)</li> <li>Strategic business space for SME and small vendors under Malaysia Entrepreneur Hub by Urban Development Authority (UDA) (RM30m)</li> <li>Upgrading food courts, markets and pasar tamu under the supervision of PBT throughout Malaysia (RM28.6m)</li> <li>Business premises under DBKL (RM30m)</li> <li>Bumiputera property ownership assistance in prime locations and rental strategies for Bumiputera entrepreneurs by Perbadanan Usahawan Nasional Berhad (RM50m)</li> </ul> </li> </ul>

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<b>2. Fulfilling the Rakyat's Economic Needs (cont.)</b>	<b>Loan facilities and financing guarantee</b>																																																											
	<ul style="list-style-type: none"> <li>Various loan facilities and financing guarantees for MSMEs (RM40bn)</li> <li>Loan facilities provided under agencies such as Bank Negara Malaysia, BSN and TEKUN for microenterprises and small businesses (RM1.7bn)</li> </ul>																																																											
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	<ul style="list-style-type: none"> <li>Bank Negara Malaysia Fund for MSMEs (RM9.7bn): <ul style="list-style-type: none"> <li>Including additional funds of RM300m for HTG, RM500m for AF, RM500m for ADF under Budget 2023</li> </ul> </li> </ul>																																																											
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<b>2. Fulfilling the Rakyat's Economic Needs (cont.)</b>	<p><b>Loan facilities and financing guarantee (cont.)</b></p> <ul style="list-style-type: none"> <li>• Business Financing Guarantee Scheme (RM23bn): <ul style="list-style-type: none"> <li>○ Green Technology Financing Guarantee Scheme (GTFS 4.0) with a guarantee of up to 60% for EV sector and 80% for waste sector (RM3bn)</li> <li>○ Syarikat Jaminan Pembiayaan Perniagaan (SJPP) to be extended to non-financing banking institutions (RM20bn) <ul style="list-style-type: none"> <li>▪ Credit Financing Company (RM1bn)</li> <li>▪ Cooperatives and Others (RM500m)</li> </ul> </li> </ul> </li> </ul> <table border="1" data-bbox="376 325 1420 478"> <thead> <tr> <th>SJPP Guarantee</th> <th>All Sectors</th> <th>Focus Sector*</th> </tr> </thead> <tbody> <tr> <td>Guarantee of Protection</td> <td>Up to 80%</td> <td>Up to 90%</td> </tr> <tr> <td>Funding Limits</td> <td>Up to RM20m</td> <td>Up to RM30m</td> </tr> <tr> <td>Guarantee Fee</td> <td>Up to 1% per year</td> <td>0.5%-0.75% per year</td> </tr> <tr> <td>Period</td> <td>Up to 10 years</td> <td>Up to 10 years</td> </tr> </tbody> </table> <p>*Refers to manufacturing, agriculture, tourism and technology sector</p> <ul style="list-style-type: none"> <li>• Entrepreneur Program <ul style="list-style-type: none"> <li>○ Entrepreneurship scheme under Companies Commission of Malaysia (SSM): <ul style="list-style-type: none"> <li>▪ Skim 1 OKU 1 Perniagaan: Free registration and license renewal for OKU, limited to one business</li> <li>▪ Skim Pendaftaran Perniagaan Prihatin (SPPP): Free registration for B40 entrepreneurs and full-time IPT students</li> <li>▪ Free registration under SSM Biz Trust to be extended to 31 Dec 2023</li> </ul> </li> <li>○ Entrepreneurship training and guidance program by Institut Keusahawanan Malaysia (INSKEN) (RM10m)</li> <li>○ Business Exports Program for 50 potential Bumiputera SMEs (RM4m)</li> <li>○ Business Development Program Through Cooperatives 2.0 under Malaysian Cooperative Commission (RM5m)</li> <li>○ SME Capacity and Competitiveness Improvement Program (RM5m)</li> <li>○ Professional Training and Education for Growing Entrepreneur (PROTÉGÉ) (RM5m)</li> <li>○ Various entrepreneur programs under SME Corp (RM88m) <ul style="list-style-type: none"> <li>▪ Tunas Usahawan Belia Bumiputera (TUBE) (RM10m)</li> <li>▪ Program Pembangunan Perniagaan Usahawan Mikro (RM5m)</li> <li>▪ Programme for Enhancement of Strategic Industry and High Growth Enterprise (PRESTIGE) (RM3m)</li> <li>▪ Verification and improvement project on SME Competitiveness Rating for Enhancement (RM1m)</li> <li>▪ Inclusive SME Ecosystem (I-SEE) (RM1m)</li> <li>▪ Skim Peningkatan Kapasiti dan Keupayaan PMKS (RM25m)</li> <li>▪ SME export reinforcement programme, SMEs Go Global (RM3m)</li> </ul> </li> <li>○ Various franchise entrepreneur programs (RM21.5m) <ul style="list-style-type: none"> <li>▪ Vendor Capacity Development Program 2.0 (RM5m)</li> <li>▪ Halal Entrepreneur Internationalisation Program (RM1m)</li> <li>▪ Capacity development program for halal industry entrepreneurs (RM1.5m)</li> </ul> </li> </ul> </li> </ul>	SJPP Guarantee	All Sectors	Focus Sector*	Guarantee of Protection	Up to 80%	Up to 90%	Funding Limits	Up to RM20m	Up to RM30m	Guarantee Fee	Up to 1% per year	0.5%-0.75% per year	Period	Up to 10 years	Up to 10 years
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Initiative	Key measures and initiatives
<b>3. Managing Natural Disasters</b>	<p><b>Preparing for natural disasters</b></p> <ul style="list-style-type: none"> <li>• People's awareness and high-impact projects must be executed by tender</li> <li>• Six flood mitigation projects will be re-tendered immediately latest by June 2023, including <ul style="list-style-type: none"> <li>○ Flood mitigation plan at Sungai Johor, Kota Tinggi, Johor</li> <li>○ Construction of a dual-purpose reservoir for flood mitigation and raw water supply in Sungai Rasau and Sungai Klang, Selangor</li> <li>○ Third phase of Integrated River Basin Development Sungai Golok, Kelantan</li> </ul> </li> <li>• Procurement of PDRM operational and disaster tents and procurement of post-flood equipment (RM11m)</li> <li>• Acquisition of equipment and assets under MinDef (RM10m)</li> <li>• Acquisition of disaster equipment and assets under BOMBA (RM34.5m)</li> <li>• National Disaster Fund (RM100m)</li> <li>• Strengthening the function of National Disaster Management Agency (NADMA) (RM50m)</li> <li>• Flood Hazard Control and Signaling Plan (RM93.2m)</li> <li>• Disaster Management related to Geology EFT (RM24.1m)</li> <li>• Geran Pertubuhan Prihatin Komuniti (GPPK) in empowering the role of community associations in facing disasters (RM20m)</li> <li>• Flood mitigation: <ul style="list-style-type: none"> <li>○ Nationwide flood mitigation plan (RM1bn)</li> <li>○ Upgrade the city's infrastructure and drainage (RM117.7m)</li> <li>○ Maintenance of flood reservoirs under PBT (RM100m)</li> <li>○ Drainage and sewer maintenance under PBT involves contractors G1-G4 (RM30m)</li> </ul> </li> <li>• Special Allowance of RM100 per day to search and rescue mission personnel in Turkiye (RM1m)</li> </ul> <p><b>Green Practices</b></p> <ul style="list-style-type: none"> <li>• Ecological Fiscal Transfer for Biodiversity Conservation (EFT) to State Government, taking into consideration the gazetting of new protected areas, tiger habitats and replanting of trees in degraded areas (RM150m)</li> <li>• Protection program for tigers, elephants and other wildlife species (RM38m)</li> <li>• 'Renjer Komuniti' initiative widen to nationwide for 1,500 persons with priority given to Orang Asli, military veterans and police (RM50m)</li> <li>• Environmentally Friendly Drainage River Management Plan (RM68.8m)</li> <li>• Repair, beautify, clean and treat rivers and infrastructure Manual Saliran Mesra Alam (RM140.4m)</li> <li>• Environmental regulation (RM86.9m)</li> <li>• Putrajaya Green City through waste segregation and recycling initiatives catalyse circular economy (RM30m)</li> <li>• Accurate Technology and Agricultural Sustainability (RM9.4m)</li> <li>• SDG localization: Zero waste community development among selected PPR communities (RM1.3m)</li> <li>• Green Technology Project (RM3.2m)</li> <li>• Ecotourism programme (RM1.5m)</li> <li>• BNM funding facilities: <ul style="list-style-type: none"> <li>○ High Technology and Green Facility (RM1bn)</li> <li>○ Low Carbon Transition Financing Fund (RM1bn)</li> </ul> </li> </ul>

Initiative	Key measures and initiatives
<b>3. Managing Natural Disasters (cont.)</b>	<p><b>Green practices (cont.)</b></p> <ul style="list-style-type: none"> <li>• Khazanah Nasional Impact Fund for the development of environmentally friendly projects includes supporting carbon markets and the restoration of degraded forests (RM150m)</li> <li>• Green Technology Financing Scheme (GTFS): <ul style="list-style-type: none"> <li>○ Guarantee value increase to RM3b until 2025</li> <li>○ Scope of financing to be expanded especially to EV sector with guarantee limit up to 60%</li> <li>○ Financing of waste sector will be increased to 80%</li> </ul> </li> <li>• BPMB Sustainable Development Scheme (RM1bn)</li> <li>• Review and improve Green Investment Tax Allowance (GITA) and Green Income Tax Exemption (GITE) <ul style="list-style-type: none"> <li>○ Improve incentives for solar activity to include Battery Energy Storage System (BESS) for application received from 1 Jan 2024 to 31 Dec 2025</li> </ul> </li> <li>• GENTARI initiatives: <ul style="list-style-type: none"> <li>○ Installation of solar panels at Government and commercial facilities by 2024</li> <li>○ Provision of 500 units of EV charging facilities nationwide</li> </ul> </li> <li>• TNB initiatives <ul style="list-style-type: none"> <li>○ Solar rooftop installation at Government buildings in Putrajaya (RM75m)</li> <li>○ Installation of EV charging facilities at 70 focal locations (RM90m)</li> </ul> </li> <li>• Tax incentives to support the use of EVs: <ul style="list-style-type: none"> <li>○ Import duty exemption on components for locally assembled EVs to be extended to 31 Dec 2027</li> <li>○ Excise duty and sales tax exemption on CKD locally assembled EVs, to be extended to 31 Dec 2027</li> <li>○ Import duty and excise duty exemption on CBU imported EVs to be extended to 31 Dec 2025</li> <li>○ 100% income tax exemption on statutory income of EV charging equipment manufacturers from YA2023 to YA 2032 and 100% Income Tax Allowance for 5 years</li> <li>○ Tax deductions for companies that rent non-commercial EVs up to RM300,000 of rental amount</li> </ul> </li> </ul>
<b>4. Attracting High Impact Investments</b>	<p><b>Facilitating investment</b></p> <ul style="list-style-type: none"> <li>• Invest Malaysia Council and National Committee on Investment (NCI) will lead efforts to speed up the approval of high-potential investment projects</li> <li>• PEMUDAH is empowered as a unit to facilitate the investment climate and business environment</li> <li>• Incentives to Local Authorities that facilitate the implementation of approved investments</li> <li>• New Industrial Master Plan 2023: <ul style="list-style-type: none"> <li>○ Investment promotion agencies (IPA) and tax incentives will be restructured based on outcomes - High-value jobs, supply chains with local firms, and creation of new industrial clusters</li> <li>○ Monitoring of investments that receive incentives will be strengthened to ensure that expected benefits are guaranteed</li> </ul> </li> <li>• Coordinate for international cooperation with foreign multinational companies to provide apprenticeship opportunities in the scholarship holder's country of study. These students are also allowed to complete their service bond with the company.</li> </ul>

Initiative	Key measures and initiatives																								
<b>4. Attracting High Impact Investments (cont.)</b>	<p><b>Investment in Priority Sectors</b></p> <ul style="list-style-type: none"> <li>Existing tax incentive period and 15% tax rate to C-Suite in companies with strategic new investments to be extended to 31 Dec 2024</li> <li>Pioneer Status with income tax exemption and Investment Tax Allowance for companies that carry out shipbuilding and repair activities for application received from 1 Jan 2023 to 31 Dec 2027</li> <li>Income tax exemption and Investment Tax Allowance in the aerospace field for application received from 1 Jan 2023 to 31 Dec 2025</li> <li>Strategic financing by Bank Pembangunan Malaysia Berhad to promote sustainability and automation agenda (RM6bn)</li> </ul> <table border="1" data-bbox="324 361 1831 582"> <thead> <tr> <th>Program / Scheme for subsidized loan</th> <th>Fund Size (RM million)</th> <th>Program / Scheme for loan / equity funding</th> <th>Fund Size (RM million)</th> </tr> </thead> <tbody> <tr> <td>Tourism Infrastructure Scheme</td> <td>1,000</td> <td>Rehabilitation and Support through Equity (RESET)</td> <td>500</td> </tr> <tr> <td>Maritime and Logistic Scheme</td> <td>800</td> <td>i-TEKAD</td> <td>500</td> </tr> <tr> <td>National Development Scheme</td> <td>1,000</td> <td></td> <td>100</td> </tr> <tr> <td>Sustainable Development Financing Scheme</td> <td>1,000</td> <td></td> <td></td> </tr> <tr> <td>Industry Digitalisation Transformation Scheme</td> <td>1,000</td> <td></td> <td></td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>Support the development of main port in Carey Island by private sector</li> </ul> <p><b>Economy and Islamic finance</b></p> <ul style="list-style-type: none"> <li>Increase the provision of equity-based Islamic financing with concept of risk sharing</li> <li>EPF's shariah savings assets will be fully segregated to provide competitive returns to 1.25 million members who have shariah accounts</li> <li>The establishment of National Wakaf Land Committee chaired by YAB Prime Minister with the aim of wakaf contributing 20% to Islamic social finance sector development by 2030</li> <li>Special tax deduction for hoteliers up to RM150,000 on the expenditure of Malaysian-made handicraft products from 1 Jan 2023 to 31 Dec 2025</li> <li>Exemption of stamp duty on restructuring or rescheduling loan / financing agreements from 1 Jan 2023 to 31 Dec 2024</li> <li>Tax deductions on cost of issuing SRI-linked sukuk that are approved or permitted or deposited with Securities Commission (SC) starting YA2023 to YA2027</li> <li>Extend tax deduction of up to RM1.5 million on listing expenses on ACE or LEAP Market to 2025</li> </ul>	Program / Scheme for subsidized loan	Fund Size (RM million)	Program / Scheme for loan / equity funding	Fund Size (RM million)	Tourism Infrastructure Scheme	1,000	Rehabilitation and Support through Equity (RESET)	500	Maritime and Logistic Scheme	800	i-TEKAD	500	National Development Scheme	1,000		100	Sustainable Development Financing Scheme	1,000			Industry Digitalisation Transformation Scheme	1,000		
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## AGENDA 2: INSTITUTIONAL REFORM AND GOOD GOVERNANCE TO RESTORE CONFIDENCE

Initiative	Key measures and initiatives
<b>1. Rebuilding Public Sector</b>	<p><b>Transparency in government procurement</b></p> <ul style="list-style-type: none"> <li>• Decentralise approval authority for government procurement to Controlling Officers of Ministries and Departments to increase effectiveness of procurement matters and level of accountability of Controlling Officers in line with the concept 'Let Managers Manage'</li> <li>• Table Government Procurement Act immediately</li> <li>• Amendment of Whistleblower Protection Act 2010</li> </ul> <p><b>Accelerating infrastructure project</b></p> <ul style="list-style-type: none"> <li>• School and government clinics               <ul style="list-style-type: none"> <li>○ Increase quotation limit for procurement work from RM500,000 to RM1 million and procurement by drawing lots from RM100,000 to RM200,000</li> <li>○ Procurement of supplies must be carried out entirely by the main contractor through designated panel contractor</li> <li>○ Exemption to Ministry of Education and Ministry of Health from the use of IBS model and the need to obtain the services of technical department</li> <li>○ Establishing a special team to accelerate the improvement project of 380 schools and 400 clinics which are dilapidated (RM1.2bn)                   <ul style="list-style-type: none"> <li>▪ Repair of schools in Peninsular Malaysia, Sabah and Sarawak (RM920.4m)</li> <li>▪ Repair of clinics and hospitals (RM340m)</li> </ul> </li> </ul> </li> <li>• Road safety               <ul style="list-style-type: none"> <li>○ District Engineer Services to expedite the paving of federal road damage and other urgent repairs, RM100 million for each district (RM20m)</li> <li>○ Carry out minor maintenance for federal roads by contractors G1 to G4 (RM300m)</li> <li>○ Speeding up the installation of street lights in high accident areas (RM50m)</li> <li>○ Cost of operation, maintenance of village street lights and new installation of rural street lights (RM123m)</li> <li>○ Rural road and road connected to rural project (RM1.5bn)</li> <li>○ Expand the scope of MARRIS to be allowed to repair and replace bridges and drains</li> <li>○ Increase the allocation of MARRIS to maintain state roads (RM5.2bn)</li> <li>○ Upgrade and maintenance of pavement and non-pavement federal roads (RM1bn)</li> <li>○ Repair, replace and upgrade roads and bridges (RM1.7bn)</li> <li>○ Upgrade roads and paths (RM1.56m)</li> <li>○ Repair of slopes throughout Malaysia (RM317.5m)</li> </ul> </li> </ul> <p><b>Encouraging innovative ministries and agencies</b></p> <ul style="list-style-type: none"> <li>• Public Service Pilot Initiative (PERINTIS) under Pasukan Petugas Khas Reformasi Agensi (STAR), successful ministry will be given full budget for project implementation at national level</li> <li>• Upgrade public sector cloud computing services through MyGovCloud which works in a hybrid way</li> <li>• More data centres to be established in Malaysia by providing tax incentives and reasonable security infrastructure, green energy facilities and locations to establish these centres</li> </ul>

Initiative	Key measures and initiatives
<b>1. Rebuilding Public Sector (cont.)</b>	<p><b>Encouraging innovative ministries and agencies (cont.)</b></p> <ul style="list-style-type: none"> <li>• Setting key performance indicators (KPI) for all ministries and departments based on MADANI framework</li> <li>• Research grant and equipment procurement under national vaccine development and strengthening program (RM56m)</li> <li>• Research for various ministries (RM366m)</li> <li>• Innovation program across ministries (RM68m)</li> <li>• Malaysia Research &amp; Education Network (MYREN) (RM35m)</li> </ul> <p><b>Addressing rakyat's issue</b></p> <ul style="list-style-type: none"> <li>• Strengthening the role of National Scam Response Centre (NSRC) in dealing with online fraud or scam crimes (RM10m)</li> <li>• Enforcement of "kill switch" concept implementation policy by BNM</li> <li>• Amend Insolvency Act 1967 so that bankruptcy cases can be automatically discharged in a short time and small cases with debts of less than RM50,000 will be discharged immediately from 1 March 2023, targeted to help 130,000 persons (RM2m)</li> <li>• Enacting Consumer Credit Act and establishing Consumer Credit Monitoring Board to control companies such as licensed moneylenders, pawnbrokers and 'Buy Now Pay Later' credit providers</li> <li>• Raising eligibility limit for full legal aid by Legal Aid Department (JBG) from RM30,000 to RM50,000</li> <li>• Expanding the function of the Legal Aid Department to cover both civil and shariah cases</li> <li>• Study to enact a specific Act to offer free legal aid</li> <li>• Expanding Mobile Court operations especially in the interior of Sabah and Sarawak (RM12m)</li> <li>• Strengthening the Child Sexual Crimes Court (RM3m)</li> <li>• Inmates will continue to be adequately trained through Skill for Inmate program</li> <li>• Employers who employ prisoners including former inmates of Henry Gurney School and JKM protection and rehabilitation institutions, are eligible for additional tax deductions</li> <li>• Prison Agro Program for prisoners involved in agricultural activities carried out on 70 hectares of prison land (RM10m)</li> <li>• Special team under D11 will be established specifically to combat child pornography activities</li> <li>• Department of Child Development will be established under JKM to provide more comprehensive support services to children</li> </ul> <p><b>Institutional reforms</b></p> <ul style="list-style-type: none"> <li>• Reform and integrate government institution with overlapping authority and similar functions</li> <li>• Separate retirement scheme for federal statutory bodies</li> <li>• Institutional restructuring that empowers Bumiputera investment holdings by combining Yayasan Pelaburan Bumiputra, Yayasan Amanah Hartanah Bumiputra and Yayasan Ekuiti Nasional</li> <li>• Merging Malaysian Institute of Translation &amp; Books (ITBM) and Perbadanan Kota Buku under Institute of Language and Literature (DBP)</li> <li>• Combine all the agencies that regulate and coordinate startup and innovation ecosystem</li> <li>• Proposed ban on Federal Statutory Bodies and Government-related companies to engage in activities that are not in line with the original goals of establishment</li> <li>• Review remuneration packages for chief executives and top management of companies and statutory bodies at a more reasonable rate</li> </ul>

Initiative	Key measures and initiatives
<b>2. Strengthening Public-Private Partnership</b>	<p><b>Industrial collaboration on TVET implementation</b></p> <ul style="list-style-type: none"> <li>• Allocation for TVET (RM6.7bn)</li> <li>• 50 companies to partial or fully takeover of TVET institution operations including community colleges, industrial training institute (ILP) and national youth skills institute (IKBN), and public skills training institutions (ILA)</li> <li>• National Dual Training System (SLDN) which benefits over 8,000 trainees (RM50m)</li> <li>• Academy in Factory Program with on-the-job training at the factory, targeting more than 50,000 trainees per year (RM5.3m)</li> </ul> <p><b>Encourage employment with meaningful income</b></p> <ul style="list-style-type: none"> <li>• Offering 35,000 career opportunities to youth, TVET graduates, vulnerable groups and veterans by GLC</li> <li>• Skills training under HRD Corp for 800,000 workers (RM1bn)</li> <li>• Program Graduan Pasaran Modal to increase the marketability of 9,000 graduates in capital market (RM30m)</li> <li>• Formulate Gig Workers Policy to protect the rights and welfare of gig workers</li> <li>• Provide incentives to employers who employ 17,000 graduates, specifically TVET graduates of RM600 per month for three months (RM45m)</li> <li>• Incentives for employers to employ vulnerable people such as the disabled, ex-convicts, the homeless and the chronically unemployed up to RM600 per month up to three months (RM130m)</li> <li>• A grant equivalent to 80% of monthly salary to encourage women to return to work, benefitting 130,000 female workers (RM292m)</li> <li>• Simplify guidelines for childcare centres in offices including allowing the provision of childcare centres at higher office levels, existing tax incentives will also be extended for childcare allowances as well as the cost of providing childcare centres in offices</li> <li>• Facilitate the registration process and restart the bleaching program of nationwide unregistered nurseries and child care centres and provide soft loan to operators (RM15m)</li> <li>• Nursery fee subsidy of RM180 per month for public servant in addition to raising the qualifying household monthly income threshold from RM5,000 to RM7,000</li> <li>• Continue the construction of 80 nurseries and KEMAS nurseries including 13 new projects</li> <li>• Training fee for gig workers undergoing the micro credentials skills improvement program up to RM4,000 and allowance of RM300 for three months to replace the income of active gig workers undergoing a training program by PERKESO (RM40m)</li> <li>• Training fee up to RM2,500 to 30,000 gig workers for them to undergo training in the form of microcredentials</li> <li>• RM500 to job seekers who find employment outside of their state of residence</li> <li>• RM1,000 to job seekers who find employment and involve long-distance migration from Sabah or Sarawak to Peninsular Malaysia, and vice versa</li> <li>• Promoting the automation in plantation sector through the use of robotics and artificial intelligence (AI) <ul style="list-style-type: none"> <li>○ Provide matching grants to implement pilot projects with oil palm companies (RM50m)</li> <li>○ Imposing a higher levy rate on companies with a high number of foreign workers where the additional levy revenue will be used to support employers in financing automation initiatives</li> </ul> </li> <li>• Improve the sustainability of palm industry and intensify the Anti-Palm Oil Campaign (RM80m)</li> </ul>

Initiative	Key measures and initiatives
<b>2. Strengthening Public-Private Partnership (cont.)</b>	<p><b>Stimulating tourism sector</b></p> <ul style="list-style-type: none"> <li>• 2025 is set as Visit Malaysia Year (VMY)</li> <li>• Matching grant for collaboration with tourism and cultural industry (RM115m)</li> <li>• Malaysia Airports Holdings Berhad's joint venture with international airlines to promote charter flights (RM40m)</li> <li>• Improve traffic congestion: <ul style="list-style-type: none"> <li>○ Build a new road Habu to Tanah Rata, Cameron Highlands, Pahang (RM480m)</li> <li>○ Upgrade Jalan Tun Hamzah to the intersection of Semabok Lebu AMJ Daerah Melaka Tengah (RM300m)</li> <li>○ Build a road and bridge over Sungai Sepang to connect Bukit Pelandok, Port Dickson and Sungai Pelek, Sepang (RM160m)</li> <li>○ Improve the facilities of highway network to Pengerang through the construction of overtaking lanes on Senai Desaru Expressway</li> <li>○ Upgrade the North-South Highway in Senai Utara-Sedenak, Johor Bahru, from 4 to 6 lanes (RM525m)</li> </ul> </li> </ul>
<b>3. Prioritising Digital Agenda</b>	<p><b>Internet facility for rakyat</b></p> <ul style="list-style-type: none"> <li>• Accelerating the implementation of Jalinan Digital Negara (JENDELA)</li> <li>• Rural internet project (matching grant by TNB of RM25m) (RM50m)</li> <li>• National Fiberisation &amp; Connectivity Plan (NFCP) (RM700m)</li> </ul> <p><b>Digitalising businesses</b></p> <ul style="list-style-type: none"> <li>• Empower the 1DUN 1PEDI program and the role of Digital Economy Centre (PEDI)</li> <li>• Matching grant of up to RM5,000 under SME and Small Hawker Digitization Grant Scheme (RM100m): SME (RM90m); small hawker (RM10m)</li> <li>• SME Automation and Digitalisation Facility (ADF) (RM1.1bn)</li> <li>• E-commerce: <ul style="list-style-type: none"> <li>○ eTRADE 2.0 (RM1.5m)</li> <li>○ Automation and Digitization: MARA business digitization program (RM5m)</li> <li>○ eCommerce ecosystem preparation program (RM15m)</li> <li>○ eCommerce adoption program (RM12m)</li> </ul> </li> <li>• Automation and Digitization: Digital Agriculture: DE AgTech (RM10m)</li> <li>• MSME Digitalisation: <ul style="list-style-type: none"> <li>○ e-Trans Phase II (RM6m)</li> <li>○ Pembiayaan Peluang Kedua (RM20m)</li> <li>○ Automation and Digitalisation Facility (ADF) (RM1.1bn)</li> <li>○ Industrial Digitalization Transformation Scheme (RM1bn)</li> <li>○ Sustainable and Green Business Financing Scheme (SGBF) (RM16.5m)</li> <li>○ Research Incentive Scheme for Enterprises (RISE) (RM5m)</li> <li>○ Insentif khusus MSC Malaysia (MCI) (RM20m)</li> <li>○ MSME Digital Transformation Program (RM1.2m)</li> </ul> </li> </ul>

Initiative	Key measures and initiatives
<b>3. Prioritising Digital Agenda (cont.)</b>	<b>Digitalising businesses (cont.)</b> <ul style="list-style-type: none"> <li>• Cybersecurity: <ul style="list-style-type: none"> <li>○ Development of advanced cyber technology security assessment and testing capabilities (CENTREACT) (RM15m)</li> <li>○ Malaysian cyber security empowerment program for SMEs (RM8m)</li> <li>○ Digital security and privacy certification (RM8m)</li> <li>○ Strengthening monitoring, detection and reporting of cyber threats (RM8m)</li> <li>○ PPKS public sector cyber security assessment program implementation plan (RM0.5m)</li> <li>○ Strengthening the capabilities of cyber forensic system (RM15m)</li> <li>○ Development of Malaysia as a global data center hub (RM15m)</li> <li>○ Development of National Cyber Ethics Module (ESN) at the school level and Cyber Ethics Readiness Index (CERI) Application (RM4m)</li> </ul> </li> <li>• Funds and Grants: <ul style="list-style-type: none"> <li>○ National Khazanah Impact Fund in the field of digitization and high technology, with a special focus on supporting start-up companies and local human capital (RM230m)</li> <li>○ DE Rantau - Digital Adoption Matching Grant (RM10m)</li> <li>○ Dana Teknologi Inovasi untuk Globalisasi (TIG) (RM15m)</li> <li>○ Digital Content Fund to intensify the marketing of local art products and encourage the production of more creative works (RM102m)</li> </ul> </li> <li>• Human Capital: <ul style="list-style-type: none"> <li>○ Empowering the Human Capital of Creative Industry 2.0 (RM3m)</li> <li>○ Digital Freelancer and GIG Workers Training Program (RM3m)</li> <li>○ Human Capital Development for the Digital Economy (RM15m)</li> </ul> </li> </ul>
<b>4. Strengthening the Role of Government Agencies and Companies</b>	<b>Highly innovative startup company</b> <ul style="list-style-type: none"> <li>• Investment in local start-up companies by Khazanah and EPF (RM1.5bn)</li> <li>• Investment in food security projects (RM1.3bn)</li> <li>• Extend tax deduction for listing expenses on ACE and LEAP Markets up to RM1.5 million to YA2025; widen the scope to cover the cost of listing a technology-based company on Bursa Malaysia Main Market</li> <li>• Malaysia Coinvestment Fund (MyCIF) matching fund (RM40m)</li> <li>• Facilitating more secondary markets for private market instruments</li> <li>• Allow the issuance of dual class shares to encourage the listing of high potential local technology companies</li> <li>• Venture capital funds available through MAVCAP, Kumpulan Modal Perdana dan Ekuinas (RM136m)</li> <li>• Cradle Fund (RM50m)</li> </ul>



Initiative	Key measures and initiatives
<b>4. Strengthening the Role of Government Agencies and Companies (cont.)</b>	<p><b>Corporate Social Responsibility by GLC and GLIC</b></p> <ul style="list-style-type: none"> <li>• Aid to poorest people (RM250m)</li> <li>• Kuala Lumpur Green Belt and Heritage</li> <li>• Establishment of Tabung Warisan Negara by Khazanah Nasional Berhad (RM700m)</li> <li>• Beautifying the focal location and raising the potential of historical and cultural assets by Think City as well as the project to increase liveability of public housing in Kuala Lumpur (RM30m)</li> <li>• Conservation program of world heritage sites recognized by UNESCO in Melaka and Pulau Pinang (RM50m)</li> </ul>

### AGENDA 3: SOCIAL JUSTICE FOR REDUCING INEQUALITY

Initiative	Key measures and initiatives
<b>1. Eradicating Hardcore Poverty</b>	<p><b>Cash aid and rakyat income initiatives</b></p> <ul style="list-style-type: none"> <li>• Implement the rakyat income initiatives (IPR) which will focus on empowering the poor to increase their income potential (RM750m)</li> <li>• Monthly assistance for poorest people under Department of Social Welfare (RM400m)</li> <li>• Whitening program on the list of Government monthly aid recipients between ICU and JKM</li> </ul> <p><b>Role of State Government</b></p> <ul style="list-style-type: none"> <li>• Sabah and Sarawak continue the poverty eradication program by using part of the receipt from petroleum revenue</li> <li>• Wang Ehsan Kelantan and Terengganu will be partially allocated to help the poor</li> <li>• UNDP and All Party Parliamentary Group Malaysia (APPGM) for activity related to Sustainable Development Goals (SDG) (RM30m), including community farming program at Parliament level to support the food security agenda (RM10m)</li> <li>• Rural improvement projects and poverty eradication programs (RM3.9bn)</li> <li>• Child support (RM408m)</li> <li>• General assistance (Kuala Lumpur, Putrajaya &amp; Labuan) (RM11.2m)</li> </ul>
<b>2. Reducing the Cost of Living</b>	<p><b>Payung Rahmah concept</b></p> <ul style="list-style-type: none"> <li>• Rahmah Sales involving 222 parliamentary constituencies (RM100m)</li> <li>• Community Drumming Program (RM225m) <ul style="list-style-type: none"> <li>○ Covering the cost of transportation and distribution of essential goods such as rice, cooking oil, LPG gas, petrol and diesel</li> <li>○ Expanded to new areas including Paloh and Passin, Sarawak; Pasir Raja, Terengganu and Kuala Krai, Kelantan</li> </ul> </li> <li>• Cooking Oil Stabilization Scheme Program (COSS) and upgrading eCOSS system (RM502m)</li> <li>• Price Standardization Program in Sabah, Sarawak and Labuan (RM40m)</li> <li>• Rahmah basket consists of basic items such as rice, sugar, cooking oil, flour, condensed milk, mihun and eggs with a value of RM100 per month to each head of a severely poor household</li> <li>• E-Tunai Belia Rahmah of RM200 to 2 million youths aged 18 to 20 (RM400m)</li> <li>• MADANI Medical Scheme &amp; Health Card for B40 (RM100m)</li> </ul>

Initiative	Key measures and initiatives																																																				
<b>2. Reducing the Cost of Living (cont.)</b>	<p><b>Sumbangan Tunai Rahmah (STR)</b></p> <ul style="list-style-type: none"> <li>Benefitting 8.7 million recipients (RM7.6bn)</li> <li>Improvements:               <ul style="list-style-type: none"> <li>New category involves over 5 children</li> <li>Special assistance to single senior citizen (RM600) and single (RM350)</li> <li>Additional assistance of RM600 in the form of food basket and voucher for basic food items worth RM100 for a period of 6 months</li> </ul> </li> <li>Hardcore poor are eligible to receive up to a maximum of RM3,100</li> </ul> <table border="1" data-bbox="330 361 1377 682"> <thead> <tr> <th rowspan="2">Household income</th> <th rowspan="2">Number of recipients</th> <th colspan="4">Number of child</th> </tr> <tr> <th>0</th> <th>1-2</th> <th>3-4</th> <th>≥5</th> </tr> </thead> <tbody> <tr> <td>&lt;RM2,500</td> <td>3.3 million</td> <td>RM1,000</td> <td>RM1,500</td> <td>RM2,000</td> <td>RM2,500</td> </tr> <tr> <td>RM2,501-RM5,000</td> <td>0.9 million</td> <td>RM500</td> <td>RM750</td> <td>RM1,000</td> <td>RM1,250</td> </tr> <tr> <td colspan="6"><b>Special assistance</b></td> </tr> <tr> <td>Senior citizen – Single</td> <td>1.1 million</td> <td colspan="4">RM600</td> </tr> <tr> <td>Single</td> <td>3.4 million</td> <td colspan="4">RM350</td> </tr> <tr> <td colspan="6"><b>Additional assistance</b></td> </tr> <tr> <td>Hardcore poor</td> <td>0.4 million</td> <td colspan="4">RM600</td> </tr> </tbody> </table> <p><b>Assistance for rice farmers &amp; small rubber tappers</b></p> <ul style="list-style-type: none"> <li>Price subsidies and incentives for rice, rice fertilizer, and huma rice (RM1.6bn)</li> <li>Assistance to 240,000 rice farmers amounting to RM200 per month for a period of 3 months (RM228m)</li> <li>BERNAS to share 30% of net profit from rice imports with rice farmers</li> <li>Rubber Production Incentive (IPG) - Floor price increased from RM2.50 to RM2.70 per kilogram (RM350m)</li> <li>Smallholder Rubber Cultivation Area Development Program for replanting rubber trees, benefitting 380,000 small holders (RM315.5m)</li> <li>Monsoon Season Assistance, RM200 per month for a period of 4 months for 32,000 smallholders (RM256m)</li> <li>Using Cuplump Modified Bitumin (CMB) for road maintenance (RM50m)</li> <li>Fishing productivity improvement program and fishing facilities project (RM18.3m)</li> <li>Continuing the Rubber Industry Transformation Project (TARGET) (RM15m)</li> <li>Allocation to FELDA, FELCRA and RISDA (RM2.6bn)</li> </ul> <p><b>M40 disposable income</b></p> <ul style="list-style-type: none"> <li>2% points reduction in individual income tax rate for chargeable income band between RM35,000 and RM100,000</li> <li>Increase of 0.5%-2.0% points for chargeable income band between RM100,000 and RM1 million</li> </ul>	Household income	Number of recipients	Number of child				0	1-2	3-4	≥5	<RM2,500	3.3 million	RM1,000	RM1,500	RM2,000	RM2,500	RM2,501-RM5,000	0.9 million	RM500	RM750	RM1,000	RM1,250	<b>Special assistance</b>						Senior citizen – Single	1.1 million	RM600				Single	3.4 million	RM350				<b>Additional assistance</b>						Hardcore poor	0.4 million	RM600			
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<b>2. Reducing the Cost of Living (cont.)</b>	<p><b>Food security</b></p> <ul style="list-style-type: none"> <li>• BNM's Agrofood Financing Scheme (AF) up to RM5 million at a rate of 3.75% including a guarantee fee of up to 8 years (RM1bn)</li> <li>• Digital AgTech, benefitting 100 / 264 Pertubuhan Peladang Kawasan throughout the country (RM10m / RM20m)</li> <li>• Tabung Pusingan Koperasi for the supply of basic necessities, empowerment of the cooperative supply chain, business development program by Malaysian Cooperative Commission (RM100m)</li> <li>• Accelerated Capital Allowance and income tax exemption equivalent to 100% of eligible capital expenditure for automation equipment for applications from 1 January 2023 to 31 December 2027 <ul style="list-style-type: none"> <li>○ Scope of automation covers the adaptation of industry 4.0 elements</li> <li>○ Applies to all the manufacturing, service and agricultural sectors</li> <li>○ Increase ceiling for capital expenditure to RM10 million</li> </ul> </li> <li>• Extend tax incentive for food production projects until 31 Dec 2025, expand the scope of the incentive to include modern agricultural projects based on Pertanian Persekitaran Terkawal</li> <li>• Accurate technology management and agricultural sustainability (RM9.4m)</li> <li>• Development of crops and livestock by Perak Department of Agriculture (IADA) (RM17.3m)</li> <li>• Agricultural drive project: High-value herbal product research grant scheme (RM21.4m)</li> <li>• Plant new clustered rubber (Sabah) – Phase 2 (RM50m)</li> <li>• New Revenue Redevelopment Program (RM40mj)</li> <li>• New income generation through short-term crops and animal husbandry for 4,000 small farmers</li> <li>• Palm Oil Plant <ul style="list-style-type: none"> <li>○ Malaysian Sustainable Palm Oil (MSPO) Certification Program for private smallholders (RM40m)</li> <li>○ Incentive for MSPO Recognition (RM30m)</li> <li>○ Intensify efforts to promote and deal with Anti-Palm Oil Campaign at the global level (RM80m)</li> </ul> </li> <li>• Implementation of the multi-tiered levy for foreign workers is targeted and the additional levy proceeds are channelled to employers for automation initiatives</li> <li>• Latex Production Incentives as well as the development of a more efficient latex supply business model (RM23.4m)</li> <li>• Cocoa Development Program (RM22.6m)</li> <li>• Domestic corn grain farming involves 70 acres of LTAT land</li> <li>• FELDA, FELCRA, RISDA and agencies under Ministry of Agriculture and Food Security (MAFS) provide their abandoned lands with an area of up to 800 acres for food crop projects</li> <li>• Collaborate with several state governments to implement agro-food projects (RM30m)</li> <li>• Extend 100% income tax exemption on statutory income for companies with BioNexus status to 31 Dec 2024</li> <li>• Accelerated Capital Allowance and income tax exemption for chicken farmers who adopt closed coop system in YA2023 to YA 2025</li> <li>• Upgrade irrigation and drainage (RM126.8bn)</li> <li>• Investment and financing fund by Agrobank: <ul style="list-style-type: none"> <li>○ Agrofood Financing Fund – Working capital financing facility for agricultural SMEs (RM550m)</li> <li>○ Program Modenisasi Rantaian Nilai Agromakan (RM60m)</li> <li>○ Agrovest's investment program to provide start-up funds to agricultural start-ups and enable e-commerce platforms (RM250m)</li> </ul> </li> </ul>

Initiative	Key measures and initiatives
<b>2. Reducing the Cost of Living (cont.)</b>	<p><b>Food security (cont.)</b></p> <ul style="list-style-type: none"> <li>• Impact Fund by Khazanah – Increased income and productivity of smallholders (RM200m)</li> <li>• Modernization and empowerment of pineapple industry (RM29m)</li> <li>• Incentives for farmers for integrated pest management (IPM) and GAP certification - pesticide free that does not use chemical poisons (RM5,000)</li> <li>• Pioneering a sustainable agriculture project using organic fertilizers by Ministry of Agriculture and Food Security (RM5m)</li> </ul>
<b>3. Ensuring Harmony and Unity</b>	<ul style="list-style-type: none"> <li>• Several programmes (RM50m): <ul style="list-style-type: none"> <li>○ Kembara Perpaduan Malaysia MADANI (RM10m)</li> <li>○ Ini Warisan Kita (RM10m)</li> <li>○ Nusa Citra @ Muzium (RM5m)</li> </ul> </li> <li>• Implement gotong-royong programme at all schools nationwide (RM20m)</li> <li>• Allowance for Ketua Kampung Baru (RM12.8m)</li> <li>• Geran Rukun Tetangga (RM50m)</li> <li>• Maintenance and repair of nationwide non-Muslim houses of worship (RM50m)</li> </ul> <p><b>Sabah and Sarawak Development</b></p> <ul style="list-style-type: none"> <li>• Development allocation for Sabah (RM6.5bn); development allocation for Sarawak (RM5.6bn)</li> <li>• Accelerating the implementation of Sabah Pan Borneo highway and Sarawak-Sabah Link Road (RM20bn)</li> <li>• Developing cities bordering Kalimantan, Indonesia (RM1bn)</li> <li>• Implement projects involving public infrastructure involving road and street lighting projects as well as water and electricity supply (RM2.6bn)</li> <li>• Increasing clinic, bank and mobile court facilities (RM30m)</li> <li>• Accelerate project implementation by handing over approval authority for Federal project procurement to the Technical Department in Sabah and Sarawak up to RM50 million</li> <li>• Special grant to Sabah Sarawak at least RM300 million</li> </ul> <p><b>Internal security and defence</b></p> <ul style="list-style-type: none"> <li>• Allocation for KDN (RM18.5bn); allocation for MinDef (RM17.7bn)</li> <li>• Maintenance and purchase of ATM assets (RM4.1bn)</li> <li>• Development of Sabah, Sarawak &amp; Peninsular Border Control (RM1.1m)</li> <li>• Added 36 PGA police border control posts, 3 Immigration posts and 3 ESSCOM posts</li> <li>• Acquisition of over 2,100 units of Body Worn Camera for PDRM</li> <li>• Construction of Perak Contingent Headquarters and new police quarters (RM450m)</li> <li>• Maintaining of Rumah Keluarga Angkatan Tentera (RKAT) (RM317m)</li> <li>• Build more than 7,000 affordable housing units under Program Satu Anggota Satu Rumah (SASaR) in Kuala Lumpur</li> <li>• Renovate residential quarters and institutions under PDRM (RM232m)</li> <li>• Local Community Empowerment for border control (RM20m)</li> <li>• Bantuan Pakaian Seragam Pasukan Beruniform (RM7.9m)</li> </ul>

Initiative	Key measures and initiatives
<b>3. Ensuring Harmony and Unity (cont.)</b>	<p><b>Internal security and defence (cont.)</b></p> <ul style="list-style-type: none"> <li>• ATM Veteran Second Career Program through LTAT collaboration</li> <li>• Department of MAF Veteran Affairs together with other government agencies will offer five courses including drone handling, cybersecurity and aircraft maintenance for three months</li> <li>• Upgrading prison facilities (RM18.5m)</li> <li>• Empowerment of Program Menyemai Kasih Sayang (MEKAR) (RM5m)</li> </ul> <p><b>Syiar Islam</b></p> <ul style="list-style-type: none"> <li>• Allocation for Islamic affairs (RM1.5bn)</li> <li>• Monthly allowance for imams, KAFA teachers and Takmir teachers (RM724.2m)</li> <li>• Increase allowance for 35,000 KAFA teachers by RM100 to RM1,100 (RM40m)</li> <li>• Special payment of RM600 / RM500 to imam, bilal, tok siak, noja, marbut, KAFA teacher and takmir teacher (RM40m / RM42m)</li> </ul> <p><b>Sports and culture</b></p> <ul style="list-style-type: none"> <li>• Sports: <ul style="list-style-type: none"> <li>○ Sports, cultural and arts programs at the school and community level by ensuring involvement of youth and all types of schools cross-culturally (RM20m)</li> <li>○ Matching Grant to encourage private sector sponsorship for sports programs, especially unity-based sports, organizing competitions at the national level and sports reality programs (RM50m)</li> <li>○ Funds to improve training programs and sports facilities (RM324m)</li> <li>○ Comprehensive sports ecosystem development from talent search to podium events</li> <li>○ Maintenance and upgrading of sports facilities throughout the country</li> <li>○ Supporting sports events for all such as Healthy Malaysia National Agenda, National Sports Day and Fit Malaysia Tour (RM25m)</li> <li>○ Organizing leisure activities and a healthy lifestyle Fit@Komuniti People's Housing Project involving various age groups (RM1.5m)</li> <li>○ Funds to National Athlete Welfare Foundation (YAKEB) starting in 2023 (RM5m)</li> <li>○ Tax deduction of up to 10% of aggregate income to individuals or companies that contribute to non-profit organizations that implement grassroots sports programs</li> </ul> </li> <li>• Cultural Arts, Creative Work and Language: <ul style="list-style-type: none"> <li>○ Digital Content Fund (RM102m)</li> <li>○ Tax deductions for contributors to Film Community and National Film Development Fund under FINAS</li> <li>○ Exemption from import duty and sales tax on studio and production filming equipment</li> <li>○ Encourage cultural and artistic activities at community level (RM25m)</li> <li>○ Translation program of masterpieces and high-quality publications by Dewan Bahasa dan Pustaka (RM20m)</li> <li>○ Printing of 1 million Al-Quran manuscripts by Yayasan Restu (RM10m)</li> </ul> </li> </ul>

Initiative	Key measures and initiatives
<b>4. Providing Quality Basic Needs</b>	<ul style="list-style-type: none"> <li>• Grants to State Governments based on levels of economic development, infrastructure and living wellbeing (TAHAP) (RM400m)</li> </ul> <p><b>Transportation</b></p> <ul style="list-style-type: none"> <li>• Unlimited Monthly Pass Incentive (My50) for the benefit of nearly 180,000 users (RM115m)</li> <li>• Introducing myBAS50 Unlimited Travel Pass for the benefit of Johor Bharu residents under Program Transformasi Perkhidmatan Bas Berhenti-henti (SBST)</li> <li>• Expand the implementation of the SBST Program to the cities of Melaka, Kuching, Kota Kinabalu and Kuala Terengganu (Phase 2) (RM150m)</li> <li>• Provide wheelchair ramp facilities at seven airports in Sabah and Sarawak for 2,300 wheelchair users who use MASWings (RM0.75m)</li> <li>• Reviewing the details and costs of the Mass Rapid Transit 3 (MRT3) Project</li> <li>• Subsidizing air transport for the benefit of the people of the interior of Sabah and Sarawak (RM209m)</li> <li>• Program Dana Bantuan dan Transformasi Perkhidmatan Bas Henti-Henti (RM230m)</li> <li>• Free driver's license test fee for B2 class motorcycles, taxi, bus and e-hailing licenses</li> <li>• Expand and review exemptions from excise duty and sales tax on the sale / transfer / private use / disposal of taxis and rental cars owned by individuals starting 1 Mar 2023</li> </ul> <p><b>Education</b></p> <ul style="list-style-type: none"> <li>• Allocation for Ministry of Education (MOE) (RM55.2bn); allocation for Ministry of Higher Education (MOHE) (RM15.3bn)</li> <li>• Conducive and safe school learning space (RM2.3bn) <ul style="list-style-type: none"> <li>○ School maintenance and repair work (RM1.1bn)</li> <li>○ Upgrade infrastructure in 380 dilapidated schools, especially in Sabah and Sarawak (RM920m)</li> <li>○ Works to maintain the facilities of all types of schools such as repairing toilets, wiring and school drainage, replace outdated dormitory and classroom furniture and equipment (RM900m) <ul style="list-style-type: none"> <li>▪ Build an open hall to provide comfort for children</li> <li>▪ Schools with students in special need will be equipped with disabled friendly facilities</li> </ul> </li> </ul> </li> <li>• Construction of 7 new schools (RM560m) <ul style="list-style-type: none"> <li>○ SMK Nabalau in Sabah</li> <li>○ SMK Dudong in Sarawak</li> <li>○ SK Paya Dusun in Terengganu</li> <li>○ SK Cyberjaya 2 in Selangor</li> <li>○ Denai Alam High School in Selangor</li> <li>○ SMK Johan Setia in Selangor</li> <li>○ SK Setia Alam 2 in Selangor</li> </ul> </li> <li>• Increase the rate of the Rancangan Makanan Tambahan from RM2.50 to RM3.50 (Peninsular Malaysia) and RM3.00 to RM4.00 (Sabah and Sarawak), benefitting 700,000 students (RM777m)</li> <li>• Increase the Bantuan Makan Prasekolah (BMP) rate from RM2.00 to RM3.00 (Peninsular Malaysia) and RM2.25 to RM3.25 (Sabah and Sarawak) (RM108m)</li> <li>• Supply 50,000 laptops to schools and educational institutions under MOE (RM38m)</li> <li>• The imposition of RM10 stamp duty is extended to cover educational loan / scholarship agreements for all levels in educational and training institutions starting 1 Jan 2023</li> <li>• Extension of tax relief up to RM3,000 for sending children to TASKA or TADIKA until YA2024</li> </ul>

Initiative	Key measures and initiatives
<b>4. Providing Quality Basic Needs (cont.)</b>	<p><b>Education (cont.)</b></p> <ul style="list-style-type: none"> <li>• Repair infrastructure and replace outdated equipment that is no longer economical at IPTA (RM436m)</li> <li>• Funds to improve internet connectivity in higher education institutions under the Malaysian Research &amp; Education Network (MYREN) program (RM35m)</li> <li>• Engage in R&amp;D activities under MOHE and MOSTI (RM428m): <ul style="list-style-type: none"> <li>○ Additional allocation to MOHE to carry out translational R&amp;D that is more beneficial to solving community and industry issues (RM50m)</li> <li>○ Specific R&amp;D grant regarding national vaccine production to MOSTI (RM15m)</li> </ul> </li> <li>• Educational facilities for Bumiputera children through Majlis Amanah Rakyat, Yayasan Peneraju dan Universiti Teknologi MARA (RM6.6bn)</li> <li>• Upgrade and maintenance of public university facilities (RM300m)</li> <li>• Coordinate for international cooperation with foreign multinational companies to provide apprenticeship opportunities in the scholarship holder's country of study</li> <li>• Up to 20% discount for PTPTN loan repayments for 3 months starting 1 Mar 2023</li> <li>• Deferral of repayment for borrowers with a monthly income of RM1,800 or below for a period of 6 months, applications starting from 1 Mar 2023.</li> <li>• Agenda to empower TVET through 7 main Ministries (RM6.7bn)</li> <li>• Skills Development Fund Corporation (RM180m)</li> </ul> <p><b>Health</b></p> <ul style="list-style-type: none"> <li>• Allocation to Ministry of Health (RM36.3bn)</li> <li>• Procurement of medicines, reagents, vaccines and consumables (RM4.9bn)</li> <li>• Permanent appointment and contract of over 1,500 medical officers, dental officers and pharmacy officers (RM3bn)</li> <li>• Acquisition of generators for 10 hospitals (RM10m)</li> <li>• Procurement procedures for public infrastructure <ul style="list-style-type: none"> <li>○ Replacement of obsolete medical equipment (RM100m)</li> <li>○ Procurement and maintenance of medical equipment at all Government clinics under the Medical Equipment Enhancement Tenure (MEET) – QMSSB (RM160m)</li> </ul> </li> <li>• Mobile Health Clinic <ul style="list-style-type: none"> <li>○ Mobile health clinic or mobile health clinic with expansion to cancer screening - Teaching Hospital (RM10m)</li> <li>○ Dental (RM10.6m)</li> </ul> </li> <li>• Civil Medical Scheme &amp; Health Card for B40 (RM100m)</li> <li>• Health Care Scheme (PEKA) for the B40 also includes diabetes screening (RM80m)</li> <li>• Mammogram and Cervical Cancer Screening Test (RM11.5m)</li> <li>• Cervical cancer screening pilot project with a new method (PCR) sponsored by the ROSE Foundation in collaboration with Universiti Malaya and Universiti Malaysia Sarawak</li> <li>• Skim Perubatan MADANI (RM120m)</li> <li>• Construction of a women's and children's block with a capacity of 476 beds to reduce congestion at Melaka Hospital (RM700m)</li> </ul>

Initiative	Key measures and initiatives
<b>4. Providing Quality Basic Needs (cont.)</b>	<p><b>Health (cont.)</b></p> <ul style="list-style-type: none"> <li>• Upgrading project for 26 hospitals including expansion: <ul style="list-style-type: none"> <li>○ Kuala Kangsar Hospital, Perak,</li> <li>○ Jelebu Hospital, Negeri Sembilan</li> <li>○ Pontian Hospital, Johor</li> </ul> </li> <li>• Relocate patients from overcrowded hospitals to other hospitals including university hospitals, military hospitals and private hospitals</li> <li>• Increase tax relief limit on medical treatment expenses to RM10,000 from YA2023, the scope expand to cover the cost of rehabilitation of neurodevelopmental disorders such as Autism, Down Syndrome and Specific Learning Disabilities, which limited to RM4,000</li> <li>• Procurement of 10 units of 3D printing machines for the production of dentures to shorten patient visits to the public dental clinic from five to only two (RM10m)</li> <li>• Implementation of diagnostic studies and clinical trials of cervical and bowel cancer through the use of artesunate to the University of Malaya towards the production of affordable medicine and treatment for all (RM5m)</li> <li>• Establishment of National Mental Health Centre of Excellence (RM34.5m)</li> <li>• MyMYNDA mental health wellbeing improvement program (RM34m)</li> <li>• Import duty and sales tax exemption on nicotine replacement therapy</li> <li>• Welfare hospitals registered as Limited Liability Companies According to Jaminan will be given an income tax exemption equal to the amount of welfare expenditure</li> <li>• Tax deduction of up to 10% of aggregate income to charitable hospital donors</li> </ul> <p><b>Housing</b></p> <ul style="list-style-type: none"> <li>• Public Housing Maintenance: <ul style="list-style-type: none"> <li>○ Maintenance for Perumahan Awam Kos Rendah WPKL (RM200m)</li> <li>○ Tabung Penyelenggaraan Tabung Penyelenggaraan Perumahan Malaysia TPPM (RM44.4m)</li> <li>○ Maintenance for Perumahan Awam Kos Rendah Negeri (PPP) (RM46m)</li> <li>○ Upgrade and maintenance of Kampung Baru Cina (RM20m)</li> <li>○ PPR elevator maintenance, with quotation limit for the procurement of elevator maintenance and repair work to increase to RM1.2 million (RM50m)</li> <li>○ Free internet at 56 selected PPRs</li> </ul> </li> <li>• Program Perumahan Rakyat dan Program Perumahan Rakyat Disewa (RM389.5m / RM367m)</li> <li>• Program Rumah Mesra Rakyat under Syarikat Perumahan Negara Berhad, building 4,250 houses (RM358m)</li> <li>• Projek Perumahan Awam Malaysia, constructing 23,000 houses (RM463m)</li> <li>• Loan guarantee up to RM500,000 under Syarikat Jaminan Kredit Perumahan (SJKP) (RM5bn)</li> <li>• Stamp duty exemption for first home ownership with full exemption from stamp duty on valuable houses with RM500,00 and below, and a 75% exemption for more than RM500,000 to RM1 million</li> </ul>



Initiative	Key measures and initiatives
<b>4. Providing Quality Basic Needs (cont.)</b>	<p><b>Housing (cont.)</b></p> <ul style="list-style-type: none"> <li>• Renovation of rural houses (RM460.2m): <ul style="list-style-type: none"> <li>○ Increase in the ceiling rate of assistance for new house construction to RM66,000 per unit (Peninsular Malaysia) and RM79,000 per unit (Sabah, Sarawak and Labuan)</li> <li>○ Increase in the ceiling rate of housing recovery assistance to RM15,000 (Peninsular Malaysia) and RM17,000 (Sabah, Sarawak and Labuan)</li> </ul> </li> <li>• Collaboration project with civil organisations / NGOs with matching grants (RM100m) <ul style="list-style-type: none"> <li>○ Projek Air Luar Bandar (RM15m)</li> <li>○ Projek Elektrik Luar Bandar (RM15m)</li> <li>○ Projek Pemeriksaan Kesihatan dan Nutrisi (RM10m)</li> <li>○ Projek Pendidikan (RM15m)</li> <li>○ Projek Penjanaan Pendapatan (RM30m)</li> <li>○ Projek Penjagaan Flora dan Fauna (RM5m)</li> <li>○ Program Pembangunan Perusahaan Sosial (RM10m)</li> </ul> </li> <li>• Stamp duty exemptions on deeds of transfer of ownership of real estate, limited to the first RM1 million of the value of the real estate and a 50% remission on stamp duty imposed on the remaining balance of the value of real estate for transfer of ownership instruments by way of love and affection executed from 1 Apr 2023</li> <li>• Support NGO's efforts to hold remedial classes for children who still drop out in learning (RM15m)</li> <li>• Intensify people's economic activities such as food enterprises using the Cloud Kitchen platform under Yayasan Hasanah (RM30m)</li> </ul> <p><b>Social protection</b></p> <ul style="list-style-type: none"> <li>• Oblige all self-employed to contribute under SKSPS in stages and will also apply to platform providers who have operating licenses under MOT and KKD</li> <li>• PERKESO: <ul style="list-style-type: none"> <li>○ 80% of PERKESO's contribution value to reduce the burden and encourage 731,000 self-employed to make contribution (RM100m)</li> <li>○ SOCSO Health Screening Program with a matching grant (RM70m)</li> <li>○ TVET Apprenticeship &amp; School Leaver Employment Program (RM50m)</li> <li>○ Career building program for informal gig workers (RM60m)</li> <li>○ SPS Protection for informal sector (RM100m)</li> <li>○ Creation of additional protection through Lindung+ program</li> </ul> </li> </ul>

Initiative	Key measures and initiatives															
<b>4. Providing Quality Basic Needs (cont.)</b>	<p><b>Social protection (cont.)</b></p> <ul style="list-style-type: none"> <li>• EPF: <ul style="list-style-type: none"> <li>○ Review of tax relief for mandatory / voluntary contributions to approved schemes / EPF and life insurance premiums or life takaful or additional voluntary contributions to EPF</li> <li>○ Increase EPF voluntary contribution limit to RM100,000 per year</li> <li>○ Extension of i-Saraan until 2023 (RM30m)</li> <li>○ Expand the scope of tax relief for life insurance premiums or life takaful contributions to cover voluntary contributions to EPF up to RM3,000</li> <li>○ i-MADANI, top-up the EPF Account 1 savings contribution with RM500 to approximately 2 million members aged between 40 to 54 years with EPF Account 1 savings less than RM10,000 (RM1bn)</li> </ul> </li> <li>• Increase the individual investment limit of ASB and ASB2 to RM300,000</li> <li>• Increase the size of Amanah Saham Malaysia (ASM) fund to as much as RM5 billion</li> <li>• Empower Program Menyemai Kasih Rakyat (MEKAR) (RM5m)</li> <li>• Women and Children: <ul style="list-style-type: none"> <li>○ Establishment of Gender Focal Teams in every Ministry and Agency to ensure that budget preparation is based on gender interests</li> <li>○ Women's leadership - A special training program by the Securities Commission in improving skills, identifying and increasing the number of women eligible to be appointed as Board Members</li> <li>○ Local Social Support Centr (PSSS) (RM8.3m)</li> <li>○ Women's Empowerment: Implementation of the Anti-Sexual Harassment Act through the Establishment of Tribunals and Advocacy Programs (RM10m)</li> <li>○ Training and Certification of the Postpartum Maternal Care Profession MamaCare (RM5m)</li> <li>○ 2 Year Exit Policy Program for 300 female entrepreneurs (RM1m)</li> <li>○ Women's Business Financing Fund (RM235m)</li> </ul> </li> </ul> <table border="1" data-bbox="376 873 1091 1065"> <thead> <tr> <th>Agency</th> <th>Program / Scheme</th> <th>Fund Size (RM million)</th> </tr> </thead> <tbody> <tr> <td>BSN</td> <td>Mikro Kasih: MikroNita</td> <td>100</td> </tr> <tr> <td>TEKUN</td> <td>Tekunita</td> <td>20</td> </tr> <tr> <td>MARA</td> <td>DanaNITA</td> <td>15</td> </tr> <tr> <td>Bank Rakyat</td> <td>BR Plus: i-Biz Lady</td> <td>100</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>○ Diversion Program: Community Rehabilitation for child offenders (RM1m)</li> <li>○ Establish a Child Development Department under JKM to provide more comprehensive support services to children</li> <li>○ Wang Saku Institusi Kanak-Kanak (RM1.8m)</li> <li>○ Rumah Tunas Harapan Operation Grant (RTH) (RM1.6m)</li> <li>○ Child Welfare Committee Operation Grant (KKKK) (RM0.6m)</li> <li>○ Child Protection Team Operation Grant (PPKK) (RM0.7m)</li> <li>○ Children's Activity Centre Operation Grant (PAKK) (RM1.8m)</li> </ul>	Agency	Program / Scheme	Fund Size (RM million)	BSN	Mikro Kasih: MikroNita	100	TEKUN	Tekunita	20	MARA	DanaNITA	15	Bank Rakyat	BR Plus: i-Biz Lady	100
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Bank Rakyat	BR Plus: i-Biz Lady	100														

Initiative	Key measures and initiatives
<b>4. Providing Quality Basic Needs (cont.)</b>	<p><b>Social protection (cont.)</b></p> <ul style="list-style-type: none"> <li>• Women and Children (cont.): <ul style="list-style-type: none"> <li>○ Community nursery subsidy (RM0.5m)</li> <li>○ Private nursery fee assistance subsidy (RM3.2m)</li> <li>○ Encourages employers to provide childcare centres in the office by simplifying the guidelines for establishing childcare centres</li> <li>○ Extension of existing tax incentives for childcare allowances as well as the cost of providing childcare centres in offices</li> <li>○ Simplify the registration process and start a whitening program for unregistered nurseries and child care centres nationwide (RM15m)</li> <li>○ Construction of 80 nurseries and KEMAS nurseries including 13 new projects</li> <li>○ Excise duty exemption on infant and children's formula milk</li> <li>○ Community Feeding Program specifically for Aboriginal children (RM3m)</li> </ul> </li> <li>• Warga Emas: <ul style="list-style-type: none"> <li>○ Bantuan Sosioekonomi Warga Emas dan Wang Saku Institusi Warga Emas (RM900m)</li> <li>○ Implementation of Pusat Aktiviti Warga Emas (PAWE) and Unit Penyayang Warga Emas (UPWE) (RM8.7m)</li> <li>○ Grants for the operation of private institutions for the care of the elderly, children and disabled persons run by NGOs (RM21.2m)</li> </ul> </li> <li>• OKU: <ul style="list-style-type: none"> <li>○ Assistance (RM1bn) <ul style="list-style-type: none"> <li>▪ Disabled Employee Allowance (RM542m)</li> <li>▪ Allowance for disabled persons unable to work (RM346m)</li> <li>▪ Aid for the Care of Disabled Persons/Abandoned Chronic Patients (BPKT) (RM170m)</li> </ul> </li> <li>○ Wang Saku Institusi Kurang Upaya (RM0.63m)</li> <li>○ Special Allowance for Children Rehabilitation in the Community (PDK) (RM109m)</li> <li>○ Exemption of registration fees and SSM business license renewal for 1 OKU 1 Perniagaan Scheme</li> <li>○ Free train services for the disabled and students from Year 1 to Form 6 (RM4m)</li> <li>○ Special incentives for the establishment of 50 new PWD nurseries (RM5m)</li> <li>○ Supplying teaching equipment and improving school facilities for special needs (RM20m)</li> </ul> </li> <li>• Veteran: <ul style="list-style-type: none"> <li>○ Strategic Cooperation of LTAT, MAFS &amp; KEMANTAN for the Grain Maize Agricultural Pilot Project</li> <li>○ ATM Veteran Reskilling &amp; Upskilling Program by the Department of MAF Veteran Affairs (JHEV) in collaboration with the Skills Development Department (JPK) &amp; Malaysia MYTVET Association (RM5m)</li> <li>○ Second Career Program for ATM Veterans with LTAT and government-related companies</li> <li>○ Special relaxation of veteran housing loan repayment under LPPSA</li> </ul> </li> <li>• Inmate: <ul style="list-style-type: none"> <li>○ Community Rehabilitation Program Empowerment - Expansion of the Agoprison initiative (RM10m)</li> <li>○ Detainee Health Examination (OCT) by private medical practitioner (RM10m)</li> </ul> </li> </ul>

Initiative	Key measures and initiatives
<b>4. Providing Quality Basic Needs (cont.)</b>	<b>Social protection (cont.)</b> <ul style="list-style-type: none"> <li>Public servants:</li> <li>Special allowance of RM100 per day for members of the national search and rescue team involved in the mission in Turkey and Syria.</li> <li>Continuing the proposal to increase the early redemption authorization of GCR up to 50% which is a maximum of 90 days</li> <li>Aidilfitri Special Financial Assistance of RM700 to all civil servants Grade 56 and below including contract appointments</li> <li>Aidilfitri Special Financial Aid of RM350 to Government pensioners</li> <li>Nursery fee subsidy of RM180 per month and eligibility limit increased to RM7,000</li> </ul>

### Measures described in Appendix but not announced in Budget Speech and Touchpoints

#### Appendix 13: Tax deduction for sponsorship of smart artificial intelligence (AI)-driven reverse vending machine

- Tax deduction to companies and other than companies (individuals, partnerships, trusts and cooperatives that have business income) that make donations or sponsorships of Artificial Intelligence (AI) - Driven Reverse Vending Machine, starting 1 Apr 2023 to 31 Dec 2024

#### Appendix 16: Tax incentives for carbon capture and storage

- Tax incentives given to recognise carbon capture and storage (CCS) activities

CCS activities	Income tax allowance (ITA)			Income tax exemption		Import duty and sales tax exemption	Tax deduction
	% of ITA	% of BSI	Period	% of BSI	Period		
Undertaking CCS in-house activity (own consumption)	100%	100%	10 years	-	-	Full import duty and sales tax exemption on equipment used for CCS technology (1 Jan 2023-31 Dec 2027)	Allowable pre-commencement expenses within 5 years from the date of commencement of operation
Undertaking CCS services (service provider)*	100%	100%	10 years	70%	10 years	Full import duty and sales tax exemption on equipment used for CCS technology (1 Jan 2023-31 Dec 2027)	-
Using CCS services (service recipient)	-	-	-	-	-	-	Fees incurred for the use of services
Effective period	25 Feb 2023 to 31 Dec 2027						YA2023-YA2027
% of BSI = % can be set-off against business statutory income							
* Either to apply ITA or income tax exemption							



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**谢谢**  
**THANK YOU**

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