MINISTRY OF FINANCE
MALAYSIA

BUDGET
2020

BUDGET 2020

Ministry of Finance Malaysia

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Prime Minister

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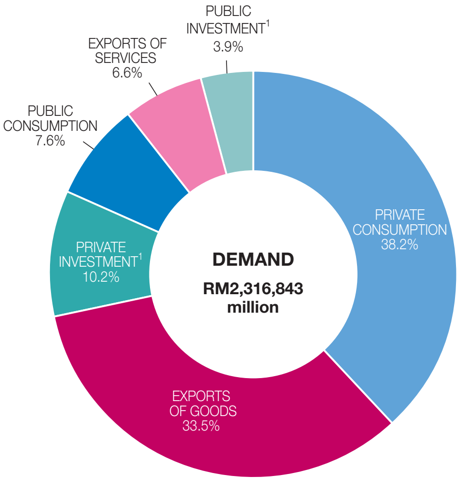
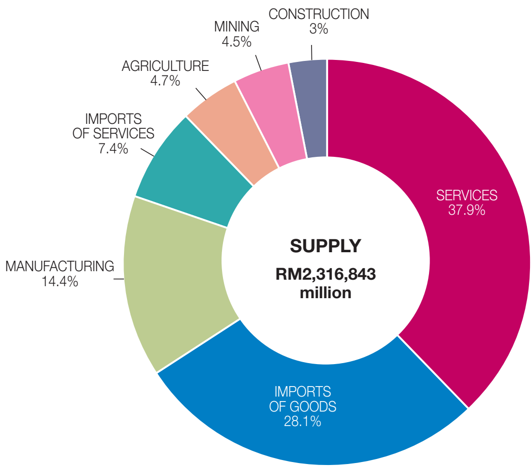
YB Tuan Lim Guan Eng
Minister of Finance Malaysia

"A Malaysia that belongs to everyone regardless of age, race, religion, background or geography. We are entrusted with this new hope as our duty."

THE ECONOMY 2020
AT CONSTANT 2015 PRICES

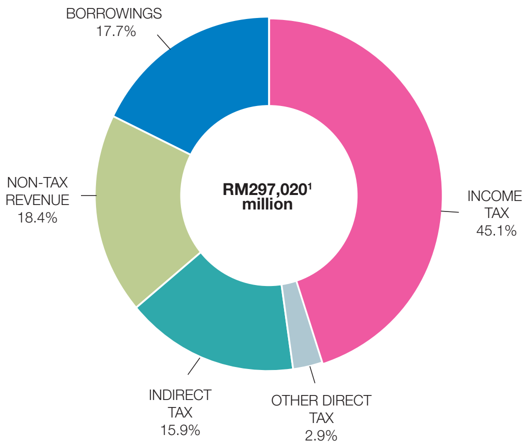




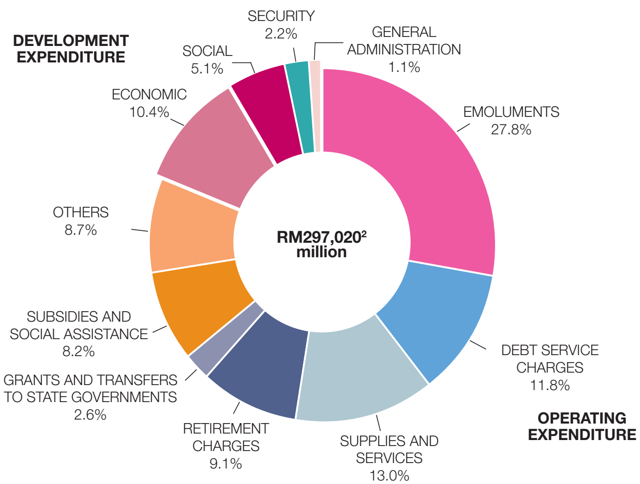
[1] Includes change in stocks.
Source: Ministry of Finance, Malaysia.

THE 2020 FEDERAL GOVERNMENT BUDGET

WHERE IT COMES FROM



WHERE IT GOES



[1] Consists of revenue and borrowings.
[2] Excludes contingency reserves.

Source: Ministry of Finance, Malaysia.

2020 BUDGET SPEECH

BY

YB TUAN LIM GUAN ENG
MINISTER OF FINANCE

INTRODUCING
THE SUPPLY BILL (2020)

IN DEWAN RAKYAT
FRIDAY, 11 OCTOBER 2019

"DRIVING GROWTH AND EQUITABLE OUTCOMES TOWARDS SHARED PROSPERITY"

Tan Sri Speaker Sir,

1. I beg to move the Bill intituled **"An Act to apply a sum from the Consolidated Fund for the service of the year 2020 and to appropriate that sum for the service of that year"** be read a second time.

INTRODUCTION

2. Greetings, Salam Harapan and Salam Sayangi Malaysiaku, I bid to the Honourable Speaker, Honourable Members of Parliament of both the Government and the Opposition, and to all Malaysians. We are grateful that by God's grace, Malaysia continues to be a peaceful, stable and prosperous nation.

3. First and foremost, allow me to convey my undivided loyalty and my congratulations on the coronation of Kebawah Duli Yang Maha Mulia Seri Paduka Baginda Yang Dipertuan Agong Ke-16, Al-Sultan Abdullah Ri'ayatuddin Al-Mustafa Billah Shah Ibni Almarhum Sultan Haji Ahmad Shah Al-Musta'in Billah.

4. I am humbled to stand before you to table the 2020 Budget. This is the second budget to be tabled under the Pakatan Harapan Government. Indeed, 2020 is a special year given that Wawasan 2020 was envisioned by our YAB Prime Minister Tun Dr Mahathir bin Mohamad nearly three decades ago in 1991, to celebrate Malaysia joining the ranks of developed nations. Vision 2020 would have succeeded, if not for the massive financial scandals, corruption and mismanagement of the previous Government.

5. The first Pakatan Harapan Budget tabled in 2018 focused on fiscal consolidation and rationalisation, institutional reforms and people-centric policies to right the many wrongs of the previous administration. For this Budget, the theme is on "**Driving Growth And Equitable Outcomes Towards Shared Prosperity**". The Government is committed to bringing stability to the Government's finances and achieving the goal of Vision 2020 with a new growth trajectory under the foundation of "Shared Prosperity Vision 2030" as initiated by YAB Prime Minister, Tun Dr Mahathir bin Mohamad.

ECONOMIC PERFORMANCE AND CHALLENGES

Tan Sri Speaker Sir,

6. The global economy has been thrown into a state of uncertainty caused by the trade war between the United States and other nations, especially the People's Republic of China. The International Monetary Fund (IMF) has revised downwards the global economic growth forecast for the year 2019 from 3.9% in July 2018 to 3.2% in July 2019. The World Trade Organisation (WTO) has also reduced the forecast for world merchandise trade growth for 2019 from 2.6% in April 2019 to 1.2% in October 2019, the lowest since 2009.

7. As a trading nation, Malaysia cannot avoid being affected by these external headwinds. However, with economic policies and reforms implemented by the Pakatan Harapan government, our economy will remain resilient. In the first half of 2019, GDP growth was 4.7%, with a growth rate of 4.9% in the 2^{nd} quarter. Indeed, Malaysia is one of the few economies in the world that experienced faster growth in the second quarter compared to the previous quarter.

8. The Government has also been very successful in taming inflation, with 0.2% recorded in the first half of 2019 compared to 1.0% and 3.7% for the whole of 2018 and 2017 respectively. Clearly the Goods and Services Tax (GST) implemented under the previous regime had contributed significantly to higher prices. By abolishing the GST of 6% in June 2018 and replacing it with the Sales and Services Tax (SST) regime in September 2018, the country's inflation rate has been reduced to its lowest levels since 2007. For the full year of 2019, the inflation rate is expected to be at 0.9%. To respect the mandate given by the Rakyat in last year's General Elections, the Government does not intend to bring back GST.

9. Despite the global trade war, Malaysian exports only shrank marginally for the first 8 months of 2019 by 0.4% from a year ago. Malaysian exports are still expected to record positive growth for 2019. During the same period, Malaysia recorded RM92.5 billion worth of trade surplus, which is 28.7% larger than the RM71.9 billion recorded during the same period in 2018.

10. This healthy trade balance will keep the country's current account in surplus for the year. Overall, Malaysia's balance of payments continues to be firmly positive, with the current account surplus for 2019 is expected at RM43.4 billion or 2.9% of Gross National Income (GNI). Meanwhile, as at 30 September 2019 our international reserves remain healthy at RM431.3 billion or USD103 billion, which is sufficient to finance 7.6 months of retained imports and is 1.1 times of our external short-term debts.

11. The Malaysian financial system also remains sound and stable, despite a challenging global environment and high degree of volatility in the international financial markets throughout the year.

2020 BUDGET THEME - DRIVING GROWTH AND EQUITABLE OUTCOMES TOWARDS SHARED PROSPERITY

Tan Sri Speaker Sir,

12. We as Malaysians have a shared responsibility to rebuild the nation. Therefore, extensive consultations for Budget 2020 with stakeholders were undertaken. On top of the Budget Consultation hosted at the Ministry of Finance, we had a total of 12 Focus Group sessions held together with other Ministries and state governments all around the country involving over 2,500 people representing over 1,200 organisations.

13. The four thrusts anchoring the 2020 Budget are:

FIRST : Driving Economic Growth in the New Economy and Digital Era

SECOND : Investing in Malaysians: Levelling Up Human Capital

THIRD : Creating a United, Inclusive and Equitable Society

FOURTH : Revitalisation of Public Institutions and Finances

FIRST THRUST: DRIVING ECONOMIC GROWTH IN THE NEW ECONOMY AND DIGITAL ERA

Strategy 1: Making Malaysia the Preferred Destination for Investment

Tan Sri Speaker Sir,

14. During YAB Tun Dr Mahathir's first stint as the Prime Minister, he led Malaysia to its fastest decade of economic growth from 1988 to 1997 at an average annual GDP growth rate of 9.3%, marking the country's ascent to be an Asian Economic Tiger. The influx of Foreign Direct Investments (FDIs) had not only brought in new jobs with better wages, new businesses into the market and new economic opportunities, it also structurally upgraded Malaysia from being an agriculture-based domestic-centric economy into an industrialised export-oriented nation.

15. However, at the turn of the century, Malaysia's economic growth tapered off to an average of 5.1% since 2000. The premature deindustrialisation of the Malaysian economy resulted in the shift of our economy to one that is more reliant on labour intensive, low-skill, and low-cost structure. As a result, we remain trapped as a middle-income nation that has been hindered from becoming a truly developed economy based on productivity, innovation and shared prosperity.

Trade War Opportunities

16. The protracted trade war creates a unique opportunity for Malaysia to again be the preferred destination for high value-added Foreign Direct Investments (FDI). The shift in the global supply chain investments has witnessed approved FDI increasing by 47% to RM80.1 billion in 2018 from RM54.4 billion in 2017.

17. For the first half of this year, approved FDI increased by 97% to RM49.5 billion from RM25.1 billion in the same period last year. The approved manufacturing FDI from the United States of America (US) was the highest at RM11.7 billion, followed by the People's Republic of China at RM4.8 billion. As China is our

largest trading partner, FDI from China should be comparable with the US. As such, a ‘Special Channel’ to attract investments from China shall be established under InvestKL.

18. To overcome delays in approving foreign and domestic investments, we have established the National Committee on Investment (NCI), jointly chaired by the Minister of Finance and the Minister of International Trade and Industry. In our inaugural meeting on 28 August this year, three investments worth RM2.2 billion were approved.

19. This year, the Government has embarked on a comprehensive review and revamp of the existing incentive framework, comprising the Promotion of Investments Act 1986, special incentive package and incentives under the Income Tax Act 1967. This new framework is expected to be ready by 1 January 2021.

20. The Government will make available up to RM1 billion worth of customised packaged investment incentives annually over five years, as part of the strategic push to attract targeted Fortune 500 companies and global unicorns in high technology, manufacturing, creative and new economic sectors. To qualify, these companies must invest at least RM5 billion each in Malaysia which will generate additional economic activities that will support our Small Medium Enterprises (SMEs), create 150,000 high quality jobs over the next five years and strengthen our manufacturing and service ecosystems.

21. To transform Malaysia’s best and most promising businesses into the most competitive enterprises in global export markets, the Government will also make available up to RM1 billion in customised packaged investment incentives annually over five years. These incentives are strictly conditional upon these companies proving their ability to grow and export their products and services globally. We expect this measure to significantly strengthen our local supply chain ecosystem and create additional 100,000 high quality jobs for Malaysians over the next five years.

22. In addition to expediting approval of investments, the Ministry of International Trade and Industry (MITI) will give

additional focus on post-approval investment monitoring and realisation. For this purpose, the Government will allocate RM10 million.

23. The Government will also provide tax incentives to further promote high-value added activities in the Electrical and Electronics (E&E) industry to transition into 5G digital economy and Industry 4.0. These incentives include:

First : Income tax exemption up to 10 years to E&E companies investing in qualifying knowledge-based services; and

Second : Special Investment Tax Allowance to encourage companies in E&E sector that have exhausted the Reinvestment Allowance to further reinvest in Malaysia.

24. In addition, to encourage automation and to increase company's productivity, it is proposed:

First : Accelerated capital allowance and automation equipment capital allowance for manufacturing sector on the first RM2 million and RM4 million incurred on qualifying capital expenditure is extended to the year of assessment 2023; and

Second : The incentive is also expanded to include services sector on the first RM2 million incurred on qualifying capital expenditure from the year of assessment 2020 to the year of assessment 2023.

Improving Competitiveness

Tan Sri Speaker Sir,

25. The Pakatan Harapan Government is committed to continuously improve the business climate in Malaysia. One of the key reforms to be implemented is to improve the ease of doing business in Malaysia by reducing the number of steps to register a business.

26. It goes without saying that well-functioning ports and logistics system is crucial for a trading nation like ours. The World Economic Forum (WEF) 2018 Global Competitiveness Report ranks Malaysia's sea transport infrastructures is one of the best in the world.

27. Port Klang is currently the 12th busiest container port in the world and is expected to reach full capacity in the next five years. For the next phase of growth, the Government is undertaking an in-depth feasibility study on the development of Pulau Carey. This is to make Port Klang as a regional maritime centre and cargo logistics hub combining manufacturing, distribution, cargo consolidation, bunkering and ship repairs.

28. The Government will allocate RM50 million for the repair and maintenance of roads leading to Port Klang. The Ministry of Transport will commence feasibility studies on the Serendah-Port Klang Rail Bypass for cargo shipments and the Klang Logistics Corridor, a dedicated privatised highway connecting Northport and Westport for commercial vehicles, with both projects estimated to cost RM8.3 billion.

29. To better facilitate trade movement through our ports, the Royal Malaysian Customs Department (RMCD) will introduce a deferred payment facility to expedite the clearance process of cross border transactions. This will reduce the time and cost for cross border trade significantly.

30. Beyond our sea ports, the Government intends to strengthen trade with Thailand via our 100-acre logistics hub, Kota Perdana Special Border Economic Zone (SBEZ) at Bukit Kayu Hitam. Further to the development of a Truck Depot as announced in Budget 2019, the Government will allocate an additional RM50 million to stimulate public-private partnerships for the project. The Government would provide support for the construction of primary infrastructure, while the private sector will invest in critical business assets to catalyse potential domestic investment worth RM800 million which would provide job opportunities to more than 600 people.

31. RM1.1 billion is allocated in 2020 to support projects for corridor development activities including:

First : RM50 million for the development of Chuping Valley Industrial Area in Perlis by NCIA;

Second : RM69.5 million for Kuantan Port related projects by ECERDC;

Third : RM42 million for the construction of Sungai Segget Centralised Sewerage Treatment Plant in Johor by IRDA;

Fourth : RM55 million for infrastructure in the Samalaju Industrial Park in Sarawak by RECODA; and

Fifth : RM20 million for the Sabah Agro-Industrial Precinct by SEDIA

Strategy 2: Accelerating the Digital Economy

Tan Sri Speaker Sir,

Building Digital Infrastructure

32. YAB Prime Minister launched Malaysia into the Information and Communications Technology (ICT) era with the establishment of the Multimedia Super Corridor (MSC) in 1996. We are now entering the digital era. This Government is committed towards digital transformation.

33. For the past year, the regulatory reforms implemented by the Malaysian Communications and Multimedia Commission (MCMC) on the Mandatory Standard on Access Pricing (MSAP) has successfully lowered broadband prices by 49% and triggered a shift in consumer demand for faster internet connections. The World Bank has praised the Government for accelerating average broadband speed by three times in just one year.

34. Now, the Government will create the necessary infrastructure to construct a Digital Malaysia by implementing the National Fiberisation & Connectivity Plan (NFCP) over the next five years which will provide comprehensive coverage of high speed and quality digital connectivity nationwide including rural areas. The NFCP will adopt a public private partnership approach involving a total investment of RM21.6 billion. The Government, through MCMC, will finance at least half of the required investment with corresponding investments by the private sector telecommunications players via a matching grant mechanism.

35. As part of NFCP, we will improve connectivity in remote areas of Malaysia, especially in Sabah and Sarawak, to ensure that no one is left behind in our digital drive. MCMC will allocate RM250 million to leverage on various technologies, including via satellite broadband connectivity.

36. In addition, the Government will allocate RM210 million to accelerate the deployment of new digital infrastructure for public buildings particularly schools and also high impact areas such as industrial parks. Priority will be given to locations within states that are able to facilitate and expedite the implementation of the NFCP.

Building Digital Applications

37. The vigorous rollout of the NFCP will be key to bringing 5G technology and services to the Malaysian public. To seed technological developments by Malaysian companies to ride the global 5G wave, which is 100 times faster than 4G, the Government will introduce a 5G Ecosystem Development Grant worth RM50 million.

38. In addition, an allocation of RM25 million will be given to set up a contestable matching grant fund to spur more pilot projects on digital applications such as drone delivery, autonomous vehicle, blockchain technology, and other products and services that leverage on our investments in fibre optics and 5G infrastructure.

39. Digital content creates economic value. For instance, the global video gaming industry today has revenue upward of USD150 billion, higher than both the music and movie industries combined. Therefore, we will allocate RM20 million to Malaysian Digital Economy Corporation (MDEC) to grow local champions in creating digital content, especially in e-Games, animation and digital arts.

Building Digital Companies

40. To build a Digital Malaysia, the private sector must come onboard. More Malaysian Small Medium Enterprise (SMEs) need to adopt digitalisation measures for their business operations, including electronic Point Of Sale systems (e-POS), Enterprise Resource Planning (ERP) and electronic payroll system. The Government will provide a 50% matching grant of up to RM5,000 per company for the subscription of the above services. This matching grant will be worth RM500 million over five years, limited to the first 100,000 SMEs applying to upgrade their systems.

41. The Government will also allocate RM550 million to provide Smart Automation matching grants to 1,000 manufacturing and 1,000 services companies to automate their business processes. This grant will be given on a matching basis up to RM2 million per company.

42. The Government plans to build up to 14 one-stop Digital Enhancement Centres in all states to facilitate access to financing and capacity building of our businesses, especially SMEs in line with the Fourth Industrial Revolution (IR4.0). A budget of RM70 million will be allocated to MDEC to set up these centres as an extension of the '100 Go Digital' programme. To also promote knowledge sharing and education through digital enabled content, the Government proposes to establish three new digital libraries in Kedah, Perak and Johor.

43. Programmes such as the Coach and Grow Programme (CGP) by Cradle Fund for high impact technology entrepreneurs involving 469 companies to date have generated RM2.3 billion in revenues, including RM300 million in exports. As part of the Government's continued commitment to promote early

stage innovations, the Government will provide RM20 million to Cradle Fund for the provision of training and grants to seed companies.

Building Digital Malaysians

44. To ensure gains arising from successful digital companies are shared with the Rakyat, the Government will introduce the concept of Digital Social Responsibility (DSR). DSR is the commitment by businesses, to contribute to digital economic development while improving the digital skills of the future workforce with initiatives such as technology scholarships, training and upskilling for digital skills for communities in need. Contributions towards DSR activities by the companies will be given tax deduction.

45. We will continue providing funds of RM10 million to MDEC to train micro-digital entrepreneurs and technologists to leverage on e-Marketplaces and social media platforms to sell their products. 100 of these micro-digital entrepreneurs, a majority of whom are women and youth, were able to generate RM23 million in revenues over just 6 months, unleashing life changing experiences.

46. The Pakatan Harapan government recognises the growing potential of eSports and will provide an increased allocation of RM20 million for 2020. We wish our Malaysian team the very best of luck to bring home many gold medals from the Southeast Asian Games in Manila in December 2019.

Tan Sri Speaker Sir,

47. Malaysia's transformation into a digital economy will only realised with the Rakyat's adoption of digital culture and participation in digital transactions towards a cashless society. According to Bank Negara Malaysia's Financial Sector Blueprint for 2011 to 2020, Malaysia stands to gain about 1% in cost savings to our GDP annually by switching fully to e-payments processes and becoming a cashless society. This is at a time where mobile payment transaction volume had increased twenty-fold to over 34 million transactions in 2018 from just below

2 million transactions in 2017. However, the overall adoption of e-wallet remains low at only 8%, based on a survey report by Nielsen in January this year.

48. To significantly increase the number of Malaysians, participating merchants and SMEs to use e-wallets, the Government will offer a one-time RM30 digital stimulus to qualified Malaysians aged 18 and above with annual income less than RM100,000. All you need is to own an identity-verified e-wallet account with selected service providers. The one-time digital stimulus per person can be redeemed and used for a two-month period commencing 1 January 2020 and expiring on 29 February 2020. The Government will allocate up to RM450 million to Khazanah Nasional to implement this digital stimulus, which will benefit up to 15 million Malaysians.

Strategy 3: Strengthening Access to Financing for Businesses

Tan Sri Speaker Sir,

49. To better facilitate access to financing for SMEs in priority segments, the Government will implement enhancements to the Skim Jaminan Pembiayaan Perniagaan (SJPP). For Bumiputera SMEs, export-oriented SMEs and SMEs investing in automation and digitalisation, the Government guarantee will be increased from 70% to 80% and in addition, will reduce the guarantee fee to only 0.75%. A new SJPP allocation of RM500 million in guarantee facility will also be launched, earmarked for women entrepreneurs.

50. To further support our up and coming entrepreneurs, SME Bank will introduce two new funds where the Government will provide an annual interest subsidy of 2% to reduce borrowing costs as follows:

First : RM200 million fund specifically for women entrepreneurs, offering loans of up to RM1 million per SME; and

Second : RM300 million fund to support Bumiputera SMEs with the potential to become regional champions, with priority given to producers of halal products and manufacturers with high local content.

51. The Government will allocate RM10 million to the Ministry of Entrepreneur Development to focus on advocacy and awareness for halal certification, halal product development and providing platforms for local players to tap on the USD3 trillion global halal market.

52. For SMEs to remain competitive, they must continually expand their exports. The Pakatan Harapan Government will increase the ceiling per company for the Market Development Grant (MDG) initiative by Malaysia External Trade Development Corporation (MATRADE) from the current RM200,000 to RM300,000 yearly. At the same time, the ceiling for the participation in each export fair will also be revised upwards from RM15,000 to RM25,000. The Government will also allocate RM50 million to encourage SMEs to engage in more export promotion activities.

53. In the era of fintech, Bank Negara Malaysia (BNM) is finalising the licensing framework for digital banks to be issued by year end for public consultation. The final framework will be issued by the first half of 2020 to invite applications.

54. The Government will support and encourage new digital financial innovations such as Equity CrowdFunding (ECF) and Peer-to-Peer (P2P) platforms. Collectively, more than RM430 million was raised as at June 2019, benefitting more than 1,200 SMEs. Building on this early success, the Government will further allocate an additional RM50 million to My Co-Investment Fund (MyCIF) under the Securities Commission Malaysia to leverage such platforms to help finance the underserved SMEs.

55. To further encourage alternative sources of funding for start-ups companies and to attract more foreign investment to Malaysia, tax incentives given to venture capital and angel investors will be extended until the year 2023.

56. To catalyse and promote financing to construction consortiums bidding for projects and concessions overseas, the Government will provide a RM1 billion 1:5 matching guarantee for dedicated private equity funds to invest in Malaysian consortiums.

57. To support Bumiputera entrepreneurial development, grants amounting to RM445 million will be provided in terms of access to financing, provision of business premises and entrepreneur training. This includes:

First : RM150 million for overall entrepreneurship development and upskilling by Perbadanan Usahawan Nasional Berhad (PUNB);

Second : RM75 million by SMECorp for capacity building and export focus for Bumiputera SMEs, which includes enhancing marketing, packaging, and financial literacy;

Third : RM170 million in total for access of financing via TEKUN, SME Bank and Pelaburan Hartanah Berhad (PHB); and

Fourth : RM50 million for entrepreneurship under Unit Peneraju Agenda Bumiputera (TERAJU), Ministry of Economic Affairs.

58. The Government will continue to support strategic projects through financing programmes under Bank Pembangunan Malaysia Berhad (BPMB), offering a 2% interest subsidy per annum via:

First : Sustainable Development Financing Fund size increased from RM1 billion to RM2 billion;

Second : RM1 billion Maritime & Logistics Fund; and

Third : RM2 billion Industry Digitalisation Transformation Fund which will now also support the implementation of connectivity projects.

59. Unlike the previous administration, which handed out small business loans to their politically-linked co-operatives the Pakatan Harapan administration has separated politics and public funding, by providing RM100 million for Small Business Loans (Program Pembiayaan Usahawan Perusahaan Kecil Komuniti Cina) for the Chinese community via Bank Simpanan Nasional with more than 380 branches throughout the country, at an interest rate of 4%.

60. For Indian entrepreneurs, the Government will provide RM20 million under TEKUN Nasional's Skim Pembangunan Usahawan Masyarakat India (SPUMI) which is expected to benefit 1,300 entrepreneurs at an interest rate of 4%.

Restructuring Development Financial Institutions (DFIs)

61. Development Financial Institutions (DFIs) play an important role as public institutions that support the nation's development goals and serve the needs and requirements of the new economy. To strengthen the development finance ecosystem, Bank Negara Malaysia is proposing a 2-phase restructuring plan for our DFIs to form a new financial institution through the merger of Bank Pembangunan Malaysia, Danajamin Nasional, SME Bank, and the Export-Import Bank of Malaysia.

Growing Islamic Finance

62. This year, the Ministry of Finance established the Special Committee on Islamic Finance (JKKI) chaired by the Yang Berhormat Deputy Minister of Finance, with the main objective of further promoting and developing the Islamic Finance ecosystem. To position Malaysia as the centre of excellence for Islamic finance, this special committee will:

First : Formulate the Islamic Economic Blueprint, with all relevant agencies; and

Second : Organise outreach initiatives and professional courses to promote deeper understanding of Islamic Finance nationwide.

63. The current tax deductions on the cost of issuance and additional deductions on sukuk issuance costs under the principle of Wakalah will be extended for 5 years until year of assessment 2025.

64. To further promote Islamic fund and Sustainable and Responsible Investment (SRI) fund management activity, the tax exemption for fund management companies managing Shariah compliant funds and SRI funds, and the tax deduction on the cost of issuing SRI Sukuk will be extended for another three years until year of assessment 2023.

Strategy 4: Strengthening Economic Diversity

Tan Sri Speaker Sir,

65. In order to achieve economic diversity to expand growth, there will be specific measures on four areas: green economy, agriculture, Research and Development (R&D), and tourism.

Green Growth and Energy for the Future

66. As part of the liberalisation of the electricity market, the Government has decided to migrate the current power purchase system towards a wholesale market in the future. Renewable energy suppliers will also be able to compete directly in the retail market. The more transparent and competitive electricity market will ensure a lower cost of electricity for Malaysian consumers.

67. The Government intends to attain Malaysia's goal to generate 20% of our energy consumption from renewable sources by 2025. Last year, we had significantly expanded the qualifying list of green assets for Green Investment Tax Allowance (GITA) under the MyHijau directory. For Budget 2020, we are happy to announce that the GITA and Green Income Tax Exemption (GITE) incentives will be extended to 2023. A 70% income tax exemption of up to 10 years will be given to companies undertaking solar leasing activities.

68. Through Energy Performance Contracting (EPC), the upfront capital investment into energy saving equipment for Government buildings will be repaid through the savings in utility costs achieved. In 2020, the Government will accelerate EPC implementation for Government buildings, prioritising hospitals and education institutions.

Commodity Development

69. The Government is concerned by the impact of low commodity prices on the livelihoods of Malaysians in this sector, particularly the smallholders. At the same time we are disappointed and unhappy with the staged efforts aimed at curtailing market access for our palm oil exports by the European

Union (EU) and the United States. For the palm oil sector, this Government intends to support this industry with the following measures:

First : RM550 million palm oil replanting loan fund for smallholders collateral-free at an interest rate of 2% per annum, with a tenure of 12 years including a four year moratorium on repayment. The replanting will be undertaken using the latest seedlings and also in compliance with Malaysian Sustainable Palm Oil (MSPO) standards to ensure better productivity and marketability;

Second : An allocation of RM27 million to support Malaysian Palm Oil Board's (MPOB) efforts to market palm oil internationally and counter anti-palm oil campaigns; and

Third : Enhance implementation of biodiesel, with the B20 biodiesel for the transport sector to be implemented by the end of 2020. This is expected to increase palm oil demand by 500,000 tonnes per annum.

70. The Government recognises the hardships caused by low rubber prices and low yield during the rainy seasons. Hence we will allocate RM200 million for Bantuan Musim Tengkujuh to eligible rubber smallholders under RISDA and Lembaga Industri Getah Sabah (LIGS). The Government will provide RM100 million for Rubber Production Incentive in 2020 to enhance the income of smallholders faced with low rubber prices.

71. The Government will allocate RM810 million for the welfare of FELDA community, as follows:

First : RM250 million for an income enhancement program benefiting 11,600 settlers;

Second : RM300 million to write-off the interest of the settlers' debts;

Third : RM100 million for the FELDA water supply projects;

Fourth : RM70 million for housing the new generation of FELDA settlers; and

Fifth : RM90 million for the upgrading of FELDA roads and basic infrastructure.

72. Separately, we will provide RM738 million for RISDA and Federal Land Consolidation and Rehabilitation Authority (FELCRA) to implement various income-generating programmes to benefit the more than 300,000 RISDA and 100,000 FELCRA smallholders.

Increasing the Incomes of Farmers

73. The Government has increased the allocation to the Ministry of Agriculture from RM4.4 billion in 2019 to RM4.9 billion in 2020, with a special focus towards enhancing incomes of farmers.

74. For 2020, the Government proposes to increase the fishermen allowance from RM200 to RM250 per month, with a total allocation of RM152 million for 2020.

Tan Sri Speaker Sir,

75. To help our farmers, fishermen and smallholders diversify their income, the Government is allocating a sum of RM150 million to facilitate crop integration to help supplement their income such as through chili, pineapple, coconut, watermelon and bamboo.

76. Government also intends to make the glutinous rice a signature product of Langkawi Island and provide farmers with a higher income. To support this initiative, the Government will allocate RM30 million for the production of glutinous rice in Langkawi Island which is expected to benefit 1,200 farmers.

77. To raise the padi yield, the Government will increase the allocation for padi inputs from RM796 million in 2019 to RM855 million in 2020 under the Skim Baja Padi Kerajaan Persekutuan (SBPKP) and Skim Insentif Pengeluaran Padi (SIPP).

In addition, the Government will continue the subsidy for Padi Bukit and Padi Huma.

78. Finally, we will allocate RM43 million for Agriculture Industry 4.0 to develop new crop varieties with higher productivity and quality.

Tan Sri Speaker Sir,

Enhancing Research & Development (R&D) Framework

79. Malaysia's global ranking has improved from 37th in the world in 2017 to 35th in the world in 2019 in the Global Innovation Index (GII) as published by the World Intellectual Property Organization (WIPO). However, we must not stop there. We will continue enhancing Malaysia's R&D framework by:

First : Intensifying R&D in the public sector with an allocation of RM524 million to Ministries and Public Agencies;

Second : The Government will also allocate RM30 million for R&D matching grants for collaborations with industry and academia to develop higher value added downstream uses of palm oil, specifically tocotrienol in pharmaceuticals and bio-jet fuel;

Third : The Government will establish a Research Management Agency, with an allocation of RM10 million to centralise and coordinate management of public research resources;

Fourth : To promote commercialisation of R&D from the public sector, research universities beginning with the University of Malaya, will establish a one-stop Innovation Office to transform intellectual property into commercially exploitable opportunities; and

Fifth : IP-generated income based on the Modified Nexus Approach (MNA) derived from patents and copyright software will be given tax exemption for a period of up to 10 years.

80. The Government will allocate RM11 million towards initiatives by the Ministry of Education in collaboration with Ministry of Environment, Science, Technology and Climate Change (MESTECC) to inculcate the Science, Technology and Innovation (STI) culture, encouraging more students into the fields of Science, Technology, Engineering and Mathematics (STEM).

Tan Sri Speaker Sir,

Visit Malaysia 2020

81. Visit Malaysia 2020 (VMY2020) is the Government's primary effort to brand Malaysia as a top destination for tourism, with a target of achieving 30 million tourist arrivals. The Government will continue to allocate 50% of tourism tax to respective State Governments to support their efforts in conjunction with VMY2020. To fulfil the aspirations of VMY2020, the Government has allocated RM1.1 billion to the Ministry of Tourism, Arts and Culture, including an allocation of RM90 million to drive awareness, promotions and programmes for the VMY2020 campaign. A substantial portion of the departure levy imposed on outbound air passengers beginning 1 September 2019 will be allocated for tourism infrastructure projects.

82. To amplify the economic benefits of VMY2020, the Government will roll out a host of tax incentives targeted at the arts and tourism sector, such as:

First : Income tax exemption be given for organisers of approved arts and cultural activities, international sports and recreational competitions as well as conferences organisers;

Second : New investments in international theme park projects will be given income tax exemption of 100% of statutory income or Investment Tax Allowance of 100% to be set off against 70% for five years;

Third : Increasing tax deductions given to companies sponsoring arts, cultural and heritage activities in Malaysia from RM700,000 to RM1,000,000 per year;

Fourth : Accelerated Capital Allowance for expenditure incurred on the purchase of new locally assembled excursion bus to be fully claimed within two years; and

Fifth : Excise duty exemption of 50% for locally assembled vehicles be given to tour operators for the purchase of qualified new tourism vehicles.

83. The funicular train service to Penang Hill will achieve more than two million passengers per year, exceeding its capacity. The Government will contribute RM100 million towards the construction of a new cable car system to Penang Hill, with any additional costs to be financed by the State Government.

84. In addition, the Government will allocate RM5 million to Cultural Economy Development Agency (CENDANA) to support Malaysian visual art galleries and exhibition organisers in holding art exhibitions. In addition, RM10 million will be allocated to Think City to preserve culture and urban heritage.

85. Among the VMY2020 programmes, we are also having Malaysia Year of Healthcare Travel 2020 to solidify Malaysia's leading position as a medical tourist destination in the region. Medical tourism is a rapidly expanding sector in Malaysia, growing 17% annually from 2015 until 2018. In 2018, it generated RM1.5 billion revenue receipts from 1.2 million healthcare travellers. The Government will allocate RM25 million to the Malaysian Healthcare Tourism Council (MHTC) to strengthen the position of Malaysia as the preferred destination for health tourism in ASEAN for oncology, cardiology and fertility treatment.

86. To date, e-visa applications are available for 10 countries, including China and India. To facilitate the visa application process, licensed travel agents under the Ministry of Tourism, Arts and Culture (MoTAC) are allowed to submit group application for up to 100 people per transaction through the eNTRI and eVISA system.

SECOND THRUST: INVESTING IN MALAYSIANS - LEVELLING UP HUMAN CAPITAL

Tan Sri Speaker Sir,

87. Growth is necessary, but not sufficient to ensure Shared Prosperity. Economic growth must see that all Malaysians can participate meaningfully, and the fruits are shared equitably. There are three interrelated challenges that we face now in our labour market that need to be addressed.

88. Firstly, we are concerned with more than half a million unemployed Malaysians in 2018, of which roughly 140,000 are graduates. Additionally out of those unemployed, about 290,000 of them were youth up to 24 years old.

89. Secondly, the gender gap in our employment remains sizeable despite making significant progress in the past few years with the appointment of the first woman Deputy Prime Minister, Chief Justice and Chief Commissioner of Malaysian Anti Corruption Commission (MACC). Female labour force participation rate continues to stagnate at around 55%, far from our target of 60%. A recent World Bank study concluded that if all barriers against Malaysian women are removed and women's participation in our economy is increased, the country's income per capita could grow by 26.2%.

90. Thirdly, Malaysia has become overly dependent on low-skilled labour, especially foreign workers. Cheap foreign labour disincentivises companies from investing in more productive capital and technology. As of end 2018, there were officially 2.2 million foreign workers, or 15% of the national labour force of 15 million people. We must reverse the addiction to low-skilled foreign labour, while recognising the many challenges industries face in securing adequate workforce for their industry.

Strategy 5: Enhancing Job Opportunities for Malaysians

Tan Sri Speaker Sir,

Malaysians@Work

91. Recognising the key challenges we face, the Government will be launching the Malaysians@Work initiative, aimed at simultaneously creating better employment opportunities for youth and women and reducing our over-dependence on low-skilled foreign workers. Very simply, Malaysians@Work is divided into four programmes directed at providing both wage incentives for workers and hiring incentives for employers as follows:

First : **Graduates@Work** is designed specifically for the hiring of graduates who have been unemployed for more than 12 months. The graduates who secures work will receive a wage incentive of RM500 per month, for a duration of two years, while employers receive a hiring incentive up to RM300 per month for each new hire, for two years;

Second : **Women@Work** seeks to create 33,000 job opportunities per year for women who have stopped working for a year or more, and are between 30-50 years-old. The wage incentive for returning women workers is RM500 per month for two years, and a corresponding hiring incentive for employers up to RM300 per month for two years. On top of the above, the current income tax exemption for women who return to work after a career break be extended for another four years until 2023;

Third : **Locals@Work** is a hiring cost equalisation programme, aimed at incentivising the shift away from low-skilled foreign workers dependency. The wage incentive for Malaysians who are hired to replace foreign workers is at either RM350 or RM500 per month, depending on the sectors, for a duration of two years, and corresponding hiring incentive for employers up to RM250 per month for two years; and

Fourth : **Apprentice@Work** is a TVET incentive programme, aimed at encouraging more youth to enter TVET courses, in the form of additional RM100 per month on existing allowance for trainees on apprenticeships. The Government will also extend double tax deduction on expenses incurred by companies participating in Skim Latihan Dual Nasional (SLDN) for another two years. In addition, the double tax deduction currently given to companies undertaking Structured Internship Programme (SIP) approved by Talent Corporation Malaysia Berhad (TalentCorp) will be expanded to include students from all academic fields rather than just engineering and technology.

92. The Government believes that Malaysians@Work programme will enable Malaysians who are unemployed to gain the necessary skill sets and capabilities with on-the-job training, to ensure continued employment with the relevant company, with the retention rate expected to exceed 90% after the incentive ends in two years. This will build human capital from the unemployed to become a self-reliant worker, able to contribute productively to the labour market.

93. Other than the Apprentice@Work programme, the Malaysians@Work initiatives will be managed by the EPF, whereby the wage incentives will be credited into their EPF account. This initiative will subsequently integrated with the Employment Insurance System (EIS) as well as other active labour market programmes. The Government anticipates that the Malaysians@Work initiative will cost RM6.5 billion over five years and create an additional 350,000 jobs for Malaysians and reduce foreign workers dependency by more than 130,000.

94. The Government will also be undertaking further measures to improve the working environment for women and parents in general. In year 2019, RM10 million was allocated for the development early childhood care facilities in government buildings. Through this, 66 new TASKAs were created in government facilities. The Government will allocate an additional RM30 million in 2020

to provide more TASKAs, focusing especially on hospitals and schools. In addition, to ease the financial burden of parents who enrol their children in registered nurseries and kindergartens, individual tax relief for fees paid will be increased from RM1,000 to RM2,000.

Strategy 6: Modernising the Labour Market

95. In addition to creating new employment opportunities, the Government will also continuously pursue efforts to modernise our labour market and enhance the employment conditions of workers.

96. In order to remain relevant with the current needs of the labour market, the Government will review the Employment Act 1955, which includes the following:

First : In order to increase maternity leave from 60 days to 90 days effective 2021,

Second : Extend the eligibility to overtime from those earning less RM2,000 to those earning less than RM4,000 per month;

Third : Improve protection and procedures for handling sexual harassment complaints, and;

Fourth : Introduce new provisions on the prohibition of discrimination on religion, ethnicity, and gender.

97. The Pakatan Harapan Government is committed to improve livelihoods, particularly for lower income groups. The Government had increased the minimum wage to RM1,100 per month effective January 2019. In balancing the needs of employees and employers, the Government takes cognisance of the higher cost of living in major urban centres, the Government proposes to increase the minimum wage rate only in major cities to RM1,200 per month effective 2020.

Tan Sri Speaker Sir,

Enhancing Social Protection

98. With the ever changing work environment, the existing mechanism for social protection for workers will also need to be enhanced. In this regard:

First : The Employees Provident Fund (EPF) will extend coverage to contract workers, for those under Contract for Services and Professionals. As a start, this will be a voluntary scheme for workers in the arts and entertainment industry via collaboration between EPF and the National Film Development Corporation Malaysia (FINAS) before extending the coverage to other sectors; and

Second : The current Self-Employment Social Security Scheme by the Social Security Organisation (SOCSO) will be expanded to enable contributions by other self-employed groups across 18 key sectors, such as fishermen, farmers, sole proprietors and partnerships.

99. SOCSO will build a new RM500 million rehabilitation centre in Perak to mirror the success of the SOCSO Rehabilitation Centre in Melaka. The new centre will be equipped with the latest technology including robotics, trauma treatment and with a centre of excellence for prevention of accidents, in collaboration with relevant agencies.

i-Suri for Spouse

100. In 2019, the i-Suri programme received an allocation of RM45 million where the Government topped-up on contribution made by husbands to their housewives. In 2020, this programme will also be expanded whereby husbands may voluntary elect to contribute 2% from his 11% EPF employee contribution to his wife's EPF Account.

101. The Government will also allocate RM20 million in 2020 to further extend the benefits under i-Suri via social safety coverage under SOCSO.

Strategy 7: Investing in Education and Talent

Tan Sri Speaker Sir,

102. The Government is committed to provide quality education at different stages of life for the rakyat. Hence, MoE continues to receive the largest allocation increasing from RM60.2 billion in 2019 to RM64.1 billion in 2020. This reflects the commitment by Government in investing in the future of our children.

Upgrading our Schools

103. The Government will continue to invest into building new schools in line with demand as the population grows. However, what has often happened in the past is the neglect of the existing schools. Hence, to ensure that our existing schools deliver a more conducive learning environment for our children, the Government will increase the allocation for school maintenance and upgrading works from RM652 million as announced in Budget 2019 to RM735 million in 2020, as follows:

• National Schools	RM300 million
• National-type Chinese Schools	RM50 million
• National-type Tamil Schools	RM50 million
• Boarding Schools	RM50 million
• MARA Junior Science Colleges	RM50 million
• Government Aided Religious Schools	RM50 million
• Missionary Schools	RM50 million
• Tahfiz Schools	RM50 million
• People's Religious Schools & Private Religious Schools	RM25 million
• Registered Religious Pondok Schools	RM25 million
• National-type Secondary Schools	RM20 million
• Independent Chinese Secondary Schools	RM15 million

104. To ensure a safe and comfortable learning environment, the Government will focus on repairing dilapidated schools by providing RM783 million in 2020, particularly for schools in Sabah and Sarawak. The Government will construct in 2020 schools such as in Langkawi, Kulai, Hulu Langat, Putrajaya, Pasir Gudang, Tumpat, Marang and Johor Bahru.

105. For National Schools, the Government will further allocate RM23 million to ensure that these school facilities are disabled friendly. This is in line with the 'zero reject' policy introduced by the Ministry of Education, whereby no disabled child shall be denied an education due to his or her disability.

106. The Government will also increase the amount of utility assistance to include sewerage services, with an additional allocation of RM12 million benefitting 2,000 government-aided schools.

Mainstreaming TVET

107. Another key focus area of the Government's human capital development policy is the mainstreaming of the Technical & Vocational Education & Training (TVET) programme. The Government is increasing the allocation from RM5.7 billion in 2019 to RM5.9 billion in 2020 on TVET, including to:

First : Further strengthen the public and private sectors' synergy on the TVET programme through increased funding of the State Skills Development Centres (SSDC). The Government will provide RM50 million through Perbadanan Tabung Pembangunan Kemahiran (PTPK) to fund TVET courses conducted by SSDCs;

Second : Promote greater industry collaboration by Public Skills Training Institutions (ILKA) by:

- Allowing ILKAs to utilise surplus revenues generated from TVET courses provided to the industry for expenditures such as upgrading equipment and hiring trainers from industry; and

- Providing matching grant fund of RM20 million to support customised TVET courses undertaken in collaboration with industries.

Third : The Government will expand pathways for TVET graduates to pursue further studies and securing jobs. The Malaysia Technical University Network (MTUN) universities will offer degree courses for trainees graduating from Vocational Colleges (Kolej Vokasional) next year; and

Fourth : The Human Resource Development Fund (HRDF) will collaborate with the industry to provide TVET training linked to employment opportunities. For this purpose, the Government will provide RM30 million to train more than 3,000 youths from low income households.

Professional Certifications

108. To encourage adult learning, the EPF will expand the scope of its education withdrawal for qualifications attained at certificate level, especially for accredited programmes that are in line with the nation's IR4.0 aspirations. The EPF is looking to expand this withdrawal to include members' parents and spouse. In addition, the Government will allocate RM20 million to be matched by another RM20 million from HRDF towards encouraging working adults to undertake professional certification examinations in fields relating to IR4.0.

MARA and Yayasan Peneraju

109. The Government will continue to emphasise learning opportunities under MARA and Yayasan Peneraju Pendidikan Bumiputera (Yayasan Peneraju). This is a targeted assistance by MARA for low-income and rural bumiputeras through education institutions such as Maktab Rendah Sains Mara, Kolej GIATMARA and Universiti Kuala Lumpur (UniKL). The total allocation for education institutions under MARA for 2020 amounts to RM1.3

billion, with a further RM2 billion allocated for student loans benefitting 50,000 students. In addition, RM192 million is also allocated for professional certification programmes under Yayasan Peneraju.

THIRD THRUST: CREATING A UNITED, INCLUSIVE AND EQUITABLE SOCIETY

Tan Sri Speaker Sir,

110. A country can only be united if our economic development is inclusive regardless of race, religion, geographical location and background. The Federal Government strives to defend and empower all inclusively and not only one group exclusively.

Strategy 8: Inclusive Development – RM10.9 Billion Allocated for Rural Development

111. Despite recent improvements in income inequality in Malaysia, the Government will continue to enhance efforts to reduce income inequality in the country, particularly between rural and urban areas. The Government will increase the allocation for rural development projects from RM9.7 billion in 2019 to RM10.9 billion in 2020.

Narrowing Inequality and the Rural-Urban Divide

112. This inclusive development strategy is to narrow the urban-rural divide by expanding coverage of basic infrastructure for rural areas, particularly for Sabah and Sarawak.

113. For 2020, approximately RM587 million will be allocated for rural water projects, out of which RM470 million for Sabah and Sarawak to meet our target of 99% access to clean water.

114. The Government will also spend RM500 million on rural electrification benefiting more than 30,000 rural households, with a majority of the beneficiaries living in Sabah and Sarawak.

115. Another major developmental priority is on rural roads with a total allocation of RM1 billion throughout Malaysia, primarily targeted at Sabah and Sarawak. Rural road projects in Sabah amount to RM326 million and Sarawak amounts to RM224 million and will benefit 145,000 rural population.

116. The Government remains committed to complete the Pan-Borneo Highway project, which is an important catalyst to economic growth in Sabah and Sarawak. The savings from the on-going cost rationalisation to date is RM1.2 billion, reducing the project cost to RM29 billion. What is saved now will allow us to plan for even more projects to spur economic growth, including in Sabah and Sarawak, such as the 165 kilometres Trans-Borneo Highway connecting Sabah and Sarawak to Eastern Kalimantan. An important component of this project is the package worth RM600 million for the 40 km Jalan Kalabakan-Serudong and the construction of the Customs, Immigration, Quarantine and Security Complex (CIQS) and government housing quarters.

117. In 2018, Sabah and Sarawak were the highest recipients of Federal Government financial grants to states amounting to RM1.14 billion and RM1.30 billion respectively. For 2020, Sabah and Sarawak will receive the largest portion of Development Expenditures amounting to RM5.2 billion and RM4.4 billion respectively. Overall, these allocations demonstrate that the Pakatan Harapan government prioritises the needs of Sabah and Sarawak. In the same spirit, the Federal Government intends to increase the financial grants disbursed to Sabah and Sarawak as provided for under the current Malaysia Agreement 1963.

118. Included in the federal grants is the Special Grant under Section 112D of the Federal Constitution, which has not been reviewed and remained unchanged since 1969. The rate set by the previous government was RM26.7 million for Sabah and RM16 million for Sarawak per annum. For the first time, the Government proposes to increase the rate, doubling it for 2020 to RM53.4 million for Sabah and RM32 million for Sarawak. The Government plans to double the rate again to RM106.8 million to Sabah and RM64 million for Sarawak within five years.

119. A total of RM4.85 billion is also provided under the MARRIS fund from the Federal to all state governments to maintain roads. The existing guidelines do not allow for MARRIS funds to be used for repair and upgrading works. To provide greater flexibility, state governments will be allowed to upgrade roads, slopes, bridges and drains utilising up to 15% or RM20 million from MARRIS funds allocated to each state, whichever is lower.

120. To ensure that rural communities, especially in Sabah and Sarawak are able to obtain necessities including LPG and petrol at reasonable prices, the Government is allocating RM170 million toward subsidising the cost of transportation and distribution for basic goods to rural areas.

Subsidies Increased to RM24.2 billion

Tan Sri Speaker Sir,

121. The allocation for total subsidies and social assistance will be increased from RM22.3 billion in 2019 to RM24.2 billion in 2020, including welfare assistance such as Bantuan Sara Hidup and subsidy payments such as agriculture related, fuel and interest subsidies.

Bantuan Sara Hidup

122. In 2019, the Bantuan Sara Hidup (BSH) scheme has benefitted 3.9 million households. Next year, the Government will allocate RM5 billion for BSH and expand the scheme to cover 1.1 million single individuals aged above 40 years old who are earning less than RM2,000 per month. In addition, all disabled persons aged 18 years old and above, with an income less than RM2,000 per month will also be covered. They will be entitled to receive BSH payment of RM300, and qualify automatically as a recipient of the free MySalam Takaful Scheme.

Social Enterprise and Community Development

123. The Government will continue to support welfare agencies and non-governmental organisations in their activities, including but not limited to:

First : RM575 million socio-economic assistance to senior citizens benefiting 137,000 seniors whose household income is below the poverty level. We have also allocated RM4.6 million to the Senior Citizens Activity Centre (PAWE) to cover the expenditure of 129 centres across Malaysia benefiting 37,000 senior citizens;

Second : An allocation of RM80 million towards upgrading, repair and maintenance of 67 various institutions under the Department of Social Welfare (JKM) including child care, disabled and elderly centres;

Third : An allocation of RM25 million for the management, administration and expansion of the Food Bank program throughout Malaysia, an initiative to redistribute an estimated 3,000 metric tonne of excess food that is donated daily to the needy target groups, especially B40;

Fourth : An allocation of RM20 million for five new Independent Learning Centres, Down Syndrome training and TASKA for disabled. In addition, all training and coaching services provided by training service provider to the disabled persons will be exempted from service tax;

Fifth : RM15 million allocation to the National Anti-Drugs Agency's pilot RINTIS program on drug addict rehabilitation with Non-Governmental Organisations (NGOs) and local communities; and

Sixth : An allocation of RM4.5 million to Anjung Singgah for the year 2020, which will benefit about 7,000 homeless Malaysians.

124. During the 16th Agong Coronation, our beloved Duli Yang Maha Mulia Seri Paduka Baginda Raja Permaisuri Agong, had worn the Kain Tenun Pahang DiRaja made by inmates from Penor and

Bentong Prison with pride. In view of this, the Government will allocate RM20 million to expand skills training and programmes that meet the national TVET standard for inmates in areas such as food & beverage, carpentry, laundromat and metal works.

125. To support the growth of social enterprises, which help to improve the socio-economy of local communities, the Government will provide RM10 million to Malaysian Global Innovation & Creativity Centre (MaGIC) to support such enterprises.

126. The Government will also allocate an additional RM10 million to MyCIF specifically for social enterprises to fundraise via P2P Financing platforms, where MyCIF will co-invest with private investors on a one-to-one basis, by providing financing at affordable rates for Social Enterprises.

127. To further encourage the private sector to donate as part of their corporate social responsibility, effective 5 September 2019, the Government has increased the donation reporting threshold from RM5,000 to RM10,000 under subsection 44(6) of the Income Tax Act 1967. This will subsequently be increased to RM20,000 beginning 2020.

128. To inculcate philanthropy, tax deduction on donation for charitable and sports activities and projects of national interest currently capped at 7% from the aggregate income for taxpayer other than company will be increased to 10% in line with the threshold given to companies. The tax deduction is also expanded to:

First : Cash wakaf contribution to state religious authorities or a body established by state religious authorities to administer wakaf;

Second : Cash wakaf contribution to public universities approved by the state religious authorities to receive wakaf; and

Third : Cash endowment contribution to public universities.

129. Currently, income tax exemptions is given for all income received by religious institution or organisation established for the purpose of religious worship or the advancement of religion and registered under the Registrar of Societies Malaysia. Beginning 2020, similar tax exemption will be extended to religious institution or organisation registered as a Company Limited By Guarantee with the Companies Commission of Malaysia.

130. Department of Orang Asli Development (JAKOA) will be allocated RM57 million to provide and improve the welfare and assistance of Orang Asli. In addition, another RM83 million is also allocated for overall economic development, education and infrastructure of the Orang Asli.

131. The Government remains sensitive to the difficulties and specific challenges faced by segments of the Indian community. Therefore, the Government will once again allocate a grant of RM100 million to Malaysian Indian Transformation Unit (MITRA) for Budget 2020 of which 80% will be programme-based not organisation specific to strengthen initiatives targeted at improving the socio-economic situation, skills development, health, education and women empowerment of this community.

132. To support the development and repair of basic infrastructure in new villages, the Government will continue to provide RM85 million in 2020.

Bumiputera Agenda

133. In last year's 2019 Budget, a total of RM7.6 billion was allocated to assist the Bumiputera institutions and entrepreneurs. This total has been increased in 2020 to RM8.0 billion, including the following:

First : RM6.6 billion provided for Bumiputera institutions focused on education such as Majlis Amanah Rakyat (MARA), Universiti Teknologi Mara (UiTM) and Yayasan Peneraju Pendidikan Bumiputera;

Second : RM1 billion of financing for Bumiputera SMEs such as through SJPP and SME Bank; and

Third : RM445 million provided for entrepreneurship programmes mainly under SMECorp, Pelaburan Hartanah, PUNB, TEKUN and TERAJU.

134. Year to date until August 2019, Bumiputera companies have successfully secured new projects via tender valued at more than RM3.6 billion worth of contracts awarded by the Government in 2019. In 2020, the Government will continue to ensure at least 30% of tenders of each Ministry are reserved for only Bumiputera contractors.

Upholding Islam

Tan Sri Speaker Sir,

135. The Government will continue to uphold the Federal Constitutional position of Islam as the religion of the Federation. The allocation for Islamic affairs under the Prime Minister's Department will be increased to RM1.3 billion in the 2020 Budget, from RM1.2 billion this year.

136. We will increase the allowance to Al-Quran dan Fardu Ain class (KAFA) Teachers by RM100 a month to 33,200 existing KAFA teachers with an additional cost of RM46 million.

137. In appreciation for their role in the community, the Government proposes a one-off special bonus of RM500 for each Imam, Bilal (Muezzin), Tok Siak/Noja/Merbot (mosque caretakers) and Guru Takmir.

138. The Government will allocate for Rahmatan Lil-Alamin a sum of RM10 million to the Department of Islamic Development Malaysia (JAKIM) to develop a greater understanding of Maqasid Shariah via a series of advocacy programmes and deliberations.

Strategy 9: Towards Better Health Services

Tan Sri Speaker Sir,

139. The Government remains committed to ensure access to quality healthcare for all, as part of its aspiration of creating an inclusive Malaysian society. We will allocate resources to intensify preventive measures to manage the burden on public healthcare expenses. For Budget 2020, a total of RM30.6 billion as compared to RM28.7 billion under Belanjawan 2019 will be allocated to the Ministry of Health for healthcare services, including:

First : RM1.6 billion for the construction of new hospitals as well as upgrading and expansion of existing ones. These include Tengku Ampuan Rahimah Hospital in Klang, Kampar Hospital and Labuan Hospital. The expansion includes expanding cardiology centres at existing hospitals such as Queen Elizabeth II hospital in Sabah;

Second : RM319 million for the construction and upgrading of health and dental clinics, as well as quarters facility. The new clinics will be built in Setiu, Sungai Petani and Cameron Highlands as well as Kudat and Tawau in Sabah; and Long San and Simpang Simunjan in Sarawak;

Third : In line with the principle of 3R culture, Repair – Replace – and Restore, a total of RM227 million will be provided to upgrade medical equipment while RM95 million for renovation of medical infrastructure and facilities such as at Pontian Hospital;

Fourth : An initial allocation of RM60 million will be provided to kick-start the pneumococcal vaccination for children, as promised in the Pakatan Harapan manifesto;

Fifth : RM59 million will be allocated in collaboration with NGO medical ambulance services to acquire more ambulances, to ensure a more responsive emergency and trauma services;

Sixth : RM31 million is allocated for upgrading and maintenance of ICT services which will include a pilot project for hospital electronic medical records; and

Seventh : RM5 million to provide mobile clinics in rural areas, especially Orang Asli in line with the Sustainable Development Goals of achieving universal health coverage.

Expansion of MySalam & PEKA B40

140. MySalam was a new social protection scheme introduced by the Pakatan Harapan government this year which provided 4.3 million individuals with takaful coverage in the event of a critical illness and hospitalisation. For those diagnosed this year with a critical illness, they will receive RM8,000 cash payout, while those who are warded at Government hospitals can claim RM50 income replacement each day for up to 14 days. All household recipients of Bantuan Sara Hidup (BSH) aged between 18 and 55 years old are automatically covered for free.

141. Starting 1 January 2020, the coverage will be extended to:

First : Cover 45 illnesses from the existing 36, including polio and terminal illness;

Second : Those aged up to 65 years old, compared to the current 55 years old, benefiting an additional 1.5 million individuals; and

Third : Those with gross annual income up to RM100,000. They will receive critical illness pay out of RM4,000 and RM50 daily hospitalisation income replacement for up to 14 days when diagnosed and warded at Government hospitals. This will benefit an additional up to five million Malaysians.

142. The Government has also launched the Skim Peduli Kesihatan (PeKA) B40 to provide screenings and early intervention for non-communicable diseases such as mental health and cancer for those aged between 50 and 60 years old. A total of 100,000 have benefited from this initiative and the Government will expand its coverage to those aged 40 and above.

Fertility Incentive

143. Today, the fertility rate in Malaysia has fallen alarmingly from 4.9 children per woman in the 1970s to 1.9 children per woman, which is below replacement level. Therefore, to assist couples seeking fertility treatment, EPF will introduce a new category of withdrawals, allowing for fertility treatment such as in-vitro fertilisation (IVF) procedure. Additionally, the income tax relief of up to RM6,000 given on expenses incurred for medical treatment of serious illnesses will be expanded to include expenses incurred on fertility treatment.

Private Retirement Schemes (PRS)

144. The Private Retirement Schemes (PRS) offer a complementary channel for Malaysians to save especially for those not subjected to any mandatory retirement savings scheme. Government will allow for pre-retirement withdrawals for the Private Retirement Schemes for the purposes of healthcare and housing with the same terms and conditions as that allowed by EPF and not subject to any penalty for early withdrawal.

Strategy 10: Enhancing the Transportation Ecosystem

Tan Sri Speaker Sir,

145. This Government is committed to enhance the mobility of Malaysians by reducing transport costs and improving infrastructures

Prioritising Public Transport

146. In January 2019, the government introduced My50 and My100 monthly travel passes providing unlimited travel on all rail and bus services under RapidKL. The scheme has since benefitted more than 120,000 public transport users. Subsequently, the Government launched Pas Mutiara for RM50 in Pulau Pinang, providing unlimited travel in a month on Rapid buses and Rapid Ferry.

147. To demonstrate our commitment to improve public transport as well as to nurture cleaner and greener cities, the Government intends to invests RM450 million to acquire up to 500 electric buses of various sizes for public transport in selected cities nationwide.

148. The Government will further support last-mile connectivity in rural and urban areas by subsidising the bus operators with an allocation of RM146 million in 2020.

149. The Government will be upgrading the rail tracks from Gorge Line between Halogilat Station to Tenom Station in Sabah at a cost of RM50 million. This will enhance traveling convenience for locals while providing a memorable experience for tourists.

Sultan Azlan Shah Airport, Ipoh

150. The Government plans to upgrade the Sultan Azlan Shah Airport in Ipoh including an extension of its runway. Towards this, the Government will invite proposals on public private partnership basis to realise this investment.

Easing Johor Causeway

151. Another pressing issue the Government seeks to address is improving the congestion problem at Johor Causeway, whereby over 300,000 Malaysians commute daily to Singapore. To better ease congestion at the Causeway and 2nd Link, the Government will invest RM85 million beginning 2020 towards enhancing vehicle and traffic flow through the Customs, Immigration and Quarantine Complex (CIQ). An additional 50 counters will be opened for motorcyclists and with streamlining of immigration and PLUS counters. As part of a longer term solution to address the congestion, the Government intends to proceed with the Rapid Transit System (RTS) between Johor Bahru and Singapore.

Reducing Highway Toll Burden

152. In the Pakatan Harapan Manifesto, it has been stated that negotiations will be undertaken to obtain the best price in taking over every toll concession with the end goal of abolishing toll collection gradually.

153. The Cabinet will consider all proposals, including those from Khazanah Nasional Berhad (Khazanah), to acquire or dispose all shares of PLUS Malaysia Berhad. There will be a minimum reduction of average toll charges by 18% discount across all PLUS highways. Such proposals must be fiscal positive without increasing the present debt burden or the debt services charges of the Government. At the same time, the 18% discount on Toll Charges for the North South Highway will save highway users up to RM1,130 million in 2020, and RM43 billion over the entire concession period until 2038.

154. In addition, the Cabinet has approved the proposed offer to acquire 4 Klang Valley highways – Shah Alam Expressway (KESAS), Damansara-Puchong Expressway (LDP), Sprint Expressway (SPRINT) and SMART Tunnel (SMART) to be funded via Government-guaranteed borrowings. With the introduction of congestion charges that will be lowered by up to 30% of the present toll rates during near peak and normal hours and free during off-peak hours, this will provide a savings to the highway users

nearly RM180 million a year, or RM2 billion over the respective concession periods. There will be no extension of the existing concession and will end according to the existing concession contract.

155. The acquisition of these highways will not burden the Government because the financing, operations and maintenance cost will be entirely funded by the collection of toll and congestion charges without requiring any future funding by the Government. Clearly, this Government rejects the previous Government's policy of privatising profits and socialising losses.

156. During Belanjawan 2019, the Government abolished the toll for motorcycles for the First and Second Penang Bridge. Towards aligning the toll rates between the First and Second Penang Bridge, effective 1 January 2020, the toll rates for private cars at the Second Penang Bridge will be reduced from RM8.50 to RM7.00.

Targeted Fuel Subsidy

157. The fuel Targeted Subsidy Programme (PSP) was part of the Pakatan Harapan promise. Individuals who own not more than two cars and two motorcycles are eligible to receive PSP for one vehicle.

158. The qualifying criteria for the vehicle are:

- A passenger car with 1,600cc engine capacity and below; or
- Any car above 1,600cc must be more than 10 years old; or
- Whereas, a qualified motorcycle must be 150cc and below; or
- Any motorcycles above 150cc must be more than seven years old.

All luxury vehicles will not be qualified to receive the targeted subsidies.

159. Starting January 2020, PSP will be launched in Peninsular Malaysia with two eligible categories as follows:

First : For eligible recipients of the BSH, the petrol subsidy receivable will be RM30 per month for car owners and RM12 per month for motorcycle owners. This subsidy will be in the form of cash transfer, deposited into the recipient's bank account every four months. The first payment will be made in April 2020 for the period January to April 2020; and

Second : For all other motorists who are not BSH recipients, they will receive a special Kad95 which allows them to enjoy the fuel subsidy at a discount of 30 sen per litre limited to 100 litres per month for cars or 40 litres per month for motorcycles. The Kad95 will be implemented progressively during the first quarter of 2020.

160. Upon commencement of the fuel subsidy scheme, RON95 and diesel retail prices will be gradually floated. This will reduce leakages and cross-border smuggling of subsidised fuel which is estimated to result in large losses to the Government. The fuel subsidy will kick-in whenever the RON95 market price determined by the Automatic Pricing Mechanism (APM) is above RM2.08 per litre but no fuel subsidy will be given when the market-determined APM price falls below RM2.08 per litre.

161. The Government will allocate RM2.2 billion for the proposed scheme which will benefit more than eight million motorists. Motorists in Sabah and Sarawak will continue to enjoy a fuel price ceiling of RM2.08 per litre for RON95 and RM2.18 per litre for diesel. Should the Sabah or Sarawak State Government would like to participate in the PSP, the Federal Government is ready to accept the request.

Strategy 11: Promoting Access to Housing

Tan Sri Speaker Sir,

Fund for Affordable Homes

162. Bank Negara Malaysia launched a Fund for Affordable Home earlier in January 2019 to help home buyers from the lower-income group to purchase their first homes, for property priced up to RM150,000 at a concessionary interest rate up to 3.5%. The qualifying criteria was expanded on 1 September 2019 to include property priced up to RM300,000 for households with maximum income of RM4,360, being the threshold income for B40. As of September 2019, 2,840 applications amounting to RM472.7 million have been received. The approval rate is 77.9%, with 982 applications amounting to RM156.2 million being approved.

163. In partnership with the private sector, the Government has launched the Home Ownership Campaign where developers providing at least a 10% discount for qualified properties will be matched with stamp duty exemptions. As many as 21,000 property units valued at RM13.44 billion under the Home Ownership Campaign have been successfully sold, exceeding the RM3 billion initial sales target. The Campaign deadline has been extended by 6 months from 30 June 2019 to 31 December 2019.

164. To address those who are unable to afford the initial 10% deposit and access to financing in purchasing their homes, the Government will collaborate with financial institution in introducing Rent To Own (RTO) financing scheme. Through this scheme, financing of up to RM10 billion will be provided by the financial institutions with the support from the Government via a 30% or RM3 billion guarantee. This RTO scheme is for purchase of first home up to RM500,000 property price. Under this scheme, the applicant will rent the property for up to 5 years and after the first year, the tenant will have the option to purchase the house based on the price fixed at the time the tenancy agreement is signed. The government will provide stamp duty exemptions on the instruments of transfer between the developer and financial institution, and between financial institutions and the buyer in this scheme.

165. To reduce supply overhang of condominiums and apartments amounting to RM8.3 billion in the second quarter of 2019, the Government proposes to lower the threshold on high rise property prices in urban areas for foreign ownership from RM1 million to RM600,000 in 2020.

166. To assist the Youth in purchasing their first home, the Government will extend the Youth Housing Scheme administered by Bank Simpanan Nasional from 1 January 2020 until 31 December 2021. The scheme also offers a 10 percent loan guarantee through Cagamas to enable borrowers of full financing and RM200 monthly instalment assistance for the first two years limited to 10,000 home units.

167. In response to the public view regarding the Real Property Gain Tax (RPGT) imposed on disposal of properties by Malaysian citizens and permanent residents after five years onwards, the Government will improve RPGT treatment by revising the base year for asset acquisition at 1 January 2013 for asset acquired before 1 January 2013 as compared to the previous base year of 1 January 2000.

Maintenance of Low and Medium Cost Strata Housing

168. The Government is concerned about the state of low and medium cost strata housing. For 2020, the Government will allocate RM100 million in 2020 for the repair and refurbishment of these housing, to ensure lifts, electrical wiring, sanitary pipes and roofing are safe and in good working order.

169. In collaboration with local authorities, the Government will allocate RM15 million to the Safe City Initiative (Bandar Selamat) to provide outdoor lighting, parking with security features for motorcycles, anti-climb fences, and safety advocacy programmes.

Strategy 12: Unity Through Sports

Tan Sri Speaker Sir,

170. Sports can unite the Rakyat. the Government will allocate the following budget for our sports agenda:

First : RM299 million to implement the Sports For All program, including rehabilitating and upgrading of overall sports facilities, Youth & Sports Complexes and Community Sports Complexes throughout the country;

Second : RM179 million for our preparation in international sporting events such as the Tokyo Olympics 2020 and Hanoi Sea Games 2021 which includes the development of paralympic athletes; and

Third : RM45 million for the National Football Development Programme, compared to the RM15 million in last year's 2019 Budget.

171. The sportswomen in our country such as Datuk Nicol Ann David, Pandelela Rinong and Farah Ann Abdul Hadi have succeeded at the highest levels and made Malaysians proud. Therefore, the Government will allocate RM10 million next year to further promote women in sports and nurture the next generation of world class sportswomen.

172. The Government will continue to intensify youth development programs with an allocation of RM138 million for the Youth Power Club (YPC), Malaysia Future Leaders School (MFLS) and volunteerism initiatives.

Strategy 13: Promoting Environmental Sustainability

Tan Sri Speaker Sir,

173. The recent incidents at Sungai Kim Kim and Pasir Gudang, as well as the spread of hazardous transboundary haze are painful reminders of the importance of protecting our environment, and the cost of greed. A total of RM30 million is allocated to raise the capability and capacity of the Department of Environment and Department of Chemistry to tackle this problem.

174. To mitigate the occurrence of flash floods and the damage they may cause, the Government will allocate RM443.9 million towards flood mitigation projects and RM150 million towards the maintenance of existing flood retention ponds.

175. Additionally, to assist farmers in their time of need, the Government will establish a RM100 million Disaster Assistance Fund to provide loans at an interest rate of 4%.

Preserve Our Forests

176. The Government will allocate RM48 million to preserve Malaysia's pristine forests and natural biodiversity. Of this allocation, RM10 million will be utilised as a matching grant against private sector contributions towards conservation and biodiversity initiatives. These efforts include supporting the Central Forest Spine and Heart of Borneo initiatives, in addition to rehabilitate and restore degraded forests.

177. There are fewer than 200 Malayan tigers left in the wild, and it is estimated there are about 11,000 orangutans in Malaysia. To support the efforts of the protecting these endangered animals, the Government will allocate RM 15 million to the Malaysian Conservation Alliance for Tigers (MyCat) and Sepilok Orangutan Rehabilitation Centre and other NGOs.

178. To protect our flora and fauna better, RM20 million will be provided to employ more forest rangers among retired soldiers and local Orang Asli communities who know their lands the best.

Sustainable Development Goals (SDG)

179. The Government will allocate RM10 million towards a joint Government-UN Sustainable Development Goals (SDG) fund to co-finance SDG initiatives in Malaysia. In addition, the Government will allocate RM5 million to support the convening of Parliamentary Select Committee meetings and also for greater engagement by Members of Parliament with civil society, including to address the Sustainable Development Goals at the local level.

Defence and Public Security

180. To safeguard national safety, the allocation to the Ministry of Home Affairs will be strengthened from RM15.6 billion in 2019 to RM16.9 billion in 2020.

181. In the defence of our nation's sovereignty, the Government will increase the allocation to the Ministry of Defence from RM13.9 billion in 2019 to RM15.6 billion in 2020. The key focus going forward will be to enhance defence readiness, such as by improving the Armed Forces mobility. Enhanced readiness includes meeting the changing nature of threats, such as having Fast Interceptor crafts for safeguarding the waters of Sabah.

FOURTH THRUST: REVITALISATION OF PUBLIC INSTITUTIONS AND FINANCES

Tan Sri Speaker Sir,

182. The YAB Prime Minister's Vision 2020 of Malaysia becoming a high-income nation was derailed due to the shameless turning of Malaysia into a global kleptocracy and involved a total of over RM150 billion.

183. The Government is committed to paying off all borrowings and obligations inherited from the previous regime. For the year 2019, the Government is paying RM2.4 billion to service the debt interest in 2019 and RM2.7 billion in 2020 for 1MDB and SRC International.

We would like to express our utmost appreciation to the people of Malaysia who have generously contributed RM203 million towards Tabung Harapan Malaysia, which is utilised for the above repayments.

184. As of July 2019, approximately RM1.45 billion has been returned by international authorities, including the proceeds from the sale of the mega-yacht Equanimity. The Malaysian government will continue to leave no stone unturned in our attempt to recover the stolen funds and assets from around the world. This includes pursuing Goldman Sachs as well as their 17 directors.

185. The Government was successful in reducing our overall debt and liabilities ratio to GDP from 79.3% in 2017 to 75.4% in 2018. However the figure is expected to rise to 77.1% as at end June 2019. To a large extent, this is due to the increase in the committed Government guarantee for the continuation of the Mass Rapid Transit 2 (MRT 2) and Pan Borneo infrastructure projects, as well as the RM20 billion bailout of Tabung Haji, or 1.3% of the GDP.

186. In fact, our total debt and liabilities would have grown bigger if not for the fact that we have rationalised various mega projects, such as the Light Rapid Transit 3 (LRT3), MRT2 and East Coast Rail Link (ECRL). The Government saved at least RM46 billion in capital expenditure.

187. We are pleased with the trust which has been built by YAB Prime Minister with the Japanese Government via the Japan Bank for International Cooperation (JBIC) has once again offered to guarantee an additional tranche of Samurai bond with an even lower interest rate of less than 0.5%, compared to the previous rate of 0.63%. The Federal Government intends to issue the Samurai Bonds early next year where the issuance size will be determined after further discussions with JBIC.

Strategy 14: Commitment to Fiscal Consolidation

Tan Sri Speaker Sir,

188. Despite the burden of servicing the nearly RM1.1 trillion of debt and liabilities inherited from the previous administration, this Government remains committed to gradual fiscal consolidation. The Government recorded a fiscal deficit of 3.7% of GDP in 2018 and is on track to achieve the targeted deficit of 3.4% in 2019.

189. In the previous Budget, we had announced a fiscal deficit target of 3.0% for 2020. However, a heightened risk of a global economic slowdown and the unanticipated expenditure needed to rescue troubled institutions inherited from the previous administration requires pre-emptive fiscal measures. To sustain economic growth, the Government will be adopting a mildly expansionary budget, with a revised target of 3.2% fiscal deficit in 2020. We expect the fiscal deficit to reduce further on average at 2.8% GDP over the medium term.

190. The 2020 Budget will allocate a total expenditure of RM297 billion, excluding contingency reserve of RM2 billion, which is an increase of RM19.5 billion compared to RM277.5 billion in 2019, after excluding the one-off allocation for outstanding GST and income tax refunds. The 2020 Budget comprises Operating Expenditure of RM241 billion and Development Expenditure of RM56 billion.

Enhancing Government Revenue

191. The Government expects to collect RM244.5 billion in revenue in 2020, an increase of RM11.2 billion from 2019, after excluding the one-off PETRONAS special dividend of RM30 billion.

192. Despite the healthy increase in tax revenue, we collect significantly lower taxes than some other countries. For 2017, Malaysia's tax revenue relative to GDP is only 13.1%, while countries such as Viet Nam, Chile, Poland and South Korea collect 19.0%, 17.4%, 16.8% and 15.4% respectively.

193. To ensure a more progressive personal income tax structure, it is proposed that a new band for chargeable income in excess of RM2 million will be introduced and taxed at 30%, which is a 2 percentage point increase from the current 28% rate. This increase will only affect approximately 2,000 high income earners in the country.

194. The SME income tax rate was reduced by 1% to 17% in 2019. To further support the growth of the SME, the chargeable income subjected to 17% rate will be increased to RM600,000, subject to the SME having paid-up capital of not more than RM2.5 million and annual sales of not more than RM50 million.

195. As at end-September 2019, the Government has managed to repay GST refunds amounting to RM15.9 billion to more than 78,000 companies and income tax refunds amounting to RM13.6 billion have been returned to 448,000 companies and 184,000 taxpayers. The Pakatan Harapan Government has fulfilled our promise to the rakyat to refund a significant portion of the RM37 billion of the taxes which were unjustly withheld from them for the past five years by the previous regime.

196. To improve efficiency of management of taxpayer appeals, the Government will merge the Special Commissioner of Income Tax and Customs Appeal Tribunal into the Tax Appeal Tribunal. Through this merger, taxpayers who are dissatisfied with the decision of the Director General of the IRB or the Director General of RMCD may submit a tax-related appeal under all applicable tax laws to the Tax Appeal Tribunal beginning 2021.

197. As announced in the previous Budget, the Digital Services Tax will be implemented with effect from 1 January 2020, to include services such as, to downloaded software, music, video or digital advertising. Foreign service providers can commence registration with the Customs beginning 1 October 2019.

198. Beginning January 2021, the Government will introduce a Tax Identification Number or TIN for business or individual income earners aged 18 and above. In order to implement this initiative, engagement sessions with all stakeholders will commence next year. This initiative will be introduced in 2021.

199. In order to strengthen enforcement and to reduce leakages from smuggling through containerised cargo and wrongful declaration for customs duties the government will allocate RM235 million to purchase 20 additional cargo scanners to be placed at all our strategic ports of entry.

200. To curb illegal gambling, the Government will propose a higher minimum mandatory penalty of RM100,000 for illegal gamblers, along with a minimum mandatory jail sentence of 6 months. For illegal operators, a higher minimum mandatory penalty of RM1 million and a 12 month minimum mandatory jail sentence will be imposed. Commencing 2020, the total number of special draws for Numbers Forecast Operator (NFO) will be reduced from 11 to eight times a year.

201. The Government will dispose assets which were approved via direct negotiation previously through competitive bidding process in order to realise the full potential of these assets. This is expected to generate revenue of more than RM3 billion in 2020.

202. The Government has decided to proceed with the Bandar Malaysia Project which involves 486 acres at Sungai Besi, Kuala Lumpur having negotiated better terms for the Government. The project will now include a People's Park, with an additional 5,000 units of affordable homes and greater Bumiputera participation throughout the project. The proceeds from the project will be valued and announced in due course, and will be utilised to reduce the debts of 1MDB.

Rationalising Government Expenditure

203. As an example of how the Government will continue to innovate to optimise expenditure, the Government will centralise and combine the tender and procurement of RM500 million worth of medicine across the Ministry of Health, Ministry of Defence and University Hospitals to generate savings from bulk purchase.

204. The previous administration had often been criticised for continuously building new infrastructure and buildings without providing sufficient funds to maintain existing assets resulting in their deplorable condition. While decades of neglect cannot be

remedied overnight, this Government will now focus on 3R (Repair, Replace, and Restore). The operating expenditure allocation for maintenance and repair of existing public assets will increase from RM6.3 billion in 2019 to RM10.5 billion in 2020.

Local Content Procurement Policy

Tan Sri Speaker Sir,

205. Buy Made in Malaysia product campaigns will be intensified. To support our local medical device industry, the Government will introduce an initiative to encourage local producers to upgrade equipment and tools used in public clinics and hospitals, based on a minimum allocation of 30%.

206. We are expanding opportunities for many more Bumiputera contractors to participate in government procurement. Hence, the Government has reopened the registration for Bumiputera Gred 1 Contractor (G1) beginning 1 September 2019. As of end-September 2019, a total of 946 applications have been received. Existing and new registered contractors will get to bid for government jobs worth RM1.3 billion, dedicated solely for Bumiputera contractors.

Strategy 15: Strengthening Institutions, Governance & Integrity

Tan Sri Speaker Sir,

207. The Government has launched National Anti-Corruption Plan (NACP) on 29 January 2019. To date, a total of 115 initiatives have been introduced of which 15% of the NACP initiatives have been completed, with another 78% of measures in progress. Notable achievements include disclosure of assets by the YAB Prime Minister, all Ministers, Deputy Ministers and Members of Parliament.

208. The Government is committed to increase the level of governance and service delivery in line with Competency, Accountability and Transparency (CAT). In this regard, additional 100 personnel will be made available to MACC in 2020. In addition, the Government will strengthen the integrity unit in

all ministries with an allocation of RM10 million to undertake Risk Assessment Tests in all ministries, departments and agencies.

209. The Government will implement much needed reforms, which includes establishing laws and institutions such as:

First : The Independent Police Complaints and Misconduct Commission (IPCMC) to raise public confidence in our Royal Malaysian Police Force (PDRM); and

Second : Establish the Malaysian Ombudsman to replace the Bureau of Public Complaints to enhance governance and delivery systems of the Government.

210. This Government is duly concerned with custodial deaths and alleged mistreatment of suspects. Hence, the Government will allocate RM50 million through National Centre for Governance, Integrity and Anti-Corruption (GIACC) to enhance detention procedures and facilities, in particular the installation of 11,500 units of Closed-Circuit Televisions (CCTV) in police detention centres and immigration entry points.

Uplifting the Public Service

211. The civil service represents the backbone to the Government. There are 1.6 million people dedicating their career in delivering public service to the rakyat. Hence, we intend to improve some of the terms of their remuneration as follows:

First : The Cost of Living Allowance (COLA) will be increased by RM50 per month for support group, with an additional allocation of RM350 million annually; and

Second : Civil servants will be allowed early redemption of Accumulated Leaves (*Gantian Cuti Rehat*) for up to 75 days as replacement pay, for those who have at least 15 years of service; and

Third : The Public Sector Home Financing Board (LPPSA) will offer new borrowers free Group Personal Accident Insurance coverage worth of RM100,000 for two years.

212. In addition, to help relieve the burden of dependants to civil servants who have died in service, the Government will improve the current benefits as follows:

First : Introduce an Ex-Gratia Death Benefit of up to RM150,000 payable to dependants of the deceased; and

Second : The Annual Salary Movement (PGT) is brought forward for civil servants who have died in service before the Salary Movement Date (TPG).

213. The People's Volunteer Corps or RELA will enjoy higher allowance of RM2 per hour beginning from 1 January 2020, resulting in an additional allocation of RM26 million.

214. In recognition of the service that received the grace of Kebawah Duli Yang Maha Mulia Seri Paduka Yang Di Pertuan Agong, all personnel of the Fire and Rescue Department of Malaysia will receive a special allowance of RM200 a month, with an allocation of RM35 million. This will benefit 14,400 personnel.

215. The Government values the sacrifice and heroism of our armed forces, particularly holders of the Pingat Jasa Malaysia. Hence, the Government will accord a one-off payment of RM500 to the 70,000 holders of the Pingat Jasa Malaysia, with an allocation of RM35 million.

216. In line with the Repair, Replace, and Restore (3R) philosophy, the Government will allocate RM330 million to Property and Land Management Division under the Prime Minister's Department to repair and maintain the public service quarters. In addition, RM150 million and RM250 million will be allocated for the repair and maintenance of Malaysian Armed Forces family housing units (RKAT) and PDRM quarters respectively.

217. The country records its appreciation to the Malaysian Armed Forces, Royal Malaysian Police, Fire Rescue Department, Royal Malaysian Customs Department, doctors, nurses, teachers and all civil servants for their services. For your effort and dedication, the Government would like to announce a special

payment of RM500 for civil servants Grade 56 and below. For government retirees, a special payment of RM250 will be paid and this will be extended to non-pensionable veterans. All will be paid before end of this year.

CONCLUSION

Tan Sri Speaker and Members of this August House,

218. There is a need for constructive engagement and open dialogue. Multilateralism is still the best formula to resolve any disputes. Disruption of the present global economic order and global trading system will only result in growth to spiral downwards where there are no winners, only losers.

219. It is against this backdrop that this Government crafted the Budget tabled before you today. To boost our growth sustainably, we need a more comprehensive industrial policy. Selective state interventions are required to improve national competitiveness, raise productivity, prioritize investment in strategic sectors, re-energise export-led industrialisation and encouraging entrepreneurship. Make no mistake – this Budget is growth-centric, with precisely designed measures to optimise the impact on economic growth, job creation and structural change, without compromising our commitment to restore our fiscal health in the medium term.

220. As a result of the budgetary measures the Malaysian economy will remain resilient going forward - with GDP expected to grow by 4.7% this year and improving to 4.8% in 2020, while inflation is expected to remain well anchored at 2% in 2020. In the event of continued worse-than-expected external environment, the Government stands ready to step in with contingency measures to provide further support or stimulus to growth.

221. This Budget builds its foundation on institutional reforms that began last year. The hard work is paying off. Our country Malaysia is among the best performers in the World Bank's 2019 Worldwide Governance Indicators (WGI). This is concrete proof of a kleptocracy before and a democracy now.

222. With the hosting of Asia-Pacific Economic Cooperation (APEC) 2020 by Malaysia, Malaysia is given a unique chance to reintroduce our beloved country to the world. This is our opportunity to prove that we are on the right track, a country that is proud because we are clean, green, safe and prosperous. Now we are filled with one purpose and one hope under the leadership of YAB Prime Minister who has inspired various initiatives in this Budget.

223. A vision of Shared Prosperity continues the tradition of Vision 2020, infused with ideas, idealism, innovation, institutional reforms and integrity to forge a new Malaysia. A New Malaysia that offers as the birth right of all Malaysians, adequate medical care; a good education; useful and remunerative job; decent home; freedom from unfair competition and monopolies; human dignity filled with rights and respect; and a society devoted to religious tolerance and racial harmony, where our children grow up free from fear but full of promise and opportunity.

224. A New Malaysia that belongs to everyone regardless of age, race, religion, background or geography. From Perlis to Sabah, let us unite to strive together so that the fruits of our efforts can be shared equitably with care and respect for each other. We are entrusted with this new hope as our duty; Let's strengthen national unity and integration towards building a better life and brighter future for our children.

225. Tan Sri Speaker Sir, I beg to propose.

ADDITIONAL INFORMATION

DEBT AND LIABILITIES EXPOSURE
(END-JUNE 2019)

	RM billion		Share of GDP (%)	
	2018	2019	2018	2019
Federal Government Debt	741.0	799.1	51.2	52.6
Committed Guarantees	132.7	157.3	9.2	10.4
1Malaysia Development Berhad	32.2	32.2	2.2	2.1
Other Liabilities (PPP, PFI & PBLT)	184.9	181.7	12.8	12.0
Total	**1,090.8**	**1,170.3**	**75.4**	**77.1**

APPENDICES

LIST OF APPENDICES

REVIEW OF INCOME TAX TREATMENT FOR SMALL AND MEDIUM ENTERPRISES

Current Position

A company with paid-up capital of up to RM2.5 million or a Limited Liability Partnership (LLP) with total contribution of capital of up to RM2.5 million is categorised as Small Medium Enterprises (SME) and subjected to income tax rate of 17% on chargeable income up to RM500,000. The remaining chargeable income is taxed at 24%.

Proposal

To further support the growth of SME and to ensure the lower income tax rate benefits only the eligible SME, it is proposed that:

i. the chargeable income limit which is subject to 17% tax rate be increased from up to RM500,000 to up to RM600,000; and

ii. only companies with paid-up capital or LLP with capital contribution of up to RM2.5 million and having an annual sales of not more than RM50 million are eligible for this tax treatment.

Effective Date

From year of assessment 2020.

APPENDIX 2

REVIEW OF CAPITAL ALLOWANCE FOR SMALL VALUE ASSETS

Current Position

Capital allowance on Small Value Assets (SVA) of value not exceeding RM1,300 each is eligible to be fully claimed with a limit of up to RM13,000 for each year of assessment. Small and Medium Enterprises (SME) are eligible to fully claim capital allowance on SVA without any limit.

Proposal

To improve the tax treatment on SVA, it is proposed that:

i. the value of each asset be increased from RM1,300 to RM2,000 for the purpose of claiming capital allowance by SME and non-SME; and

ii. the limit of qualifying capital allowance eligible to be claimed by non-SME be increased from RM13,000 to RM20,000 for each year of assessment.

Effective Date

From year of assessment 2020.

APPENDIX 3

REVIEW OF TAX TREATMENT FOR EXPENSES INCURRED ON SECRETARIAL FEE AND TAX FILING FEE

Current Position

From the year of assessment 2015, expenses incurred on secretarial and tax filing fees by taxpayers are allowed tax deduction as follows:

i. secretarial fee up to RM5,000; and

ii. tax filing fee up to RM10,000.

Proposal

To enhance tax compliance and to ensure good governance while providing flexibility to taxpayers, it is proposed that tax deduction limit on expenses incurred on secretarial fee and tax filing fee be combined and allowed up to RM15,000 each year of assessment.

Effective Date

From year of assessment 2020.

APPENDIX 4

TAX DEDUCTION ON COST OF LISTING IN BURSA MALAYSIA

Current Position

Expenses incurred for listing of a company in Primary Market (Main Board), Access, Certainty, Efficiency (ACE) Market and Leading Entrepreneur Accelerator Platform (LEAP) Market in Bursa Malaysia is not eligible for tax deduction.

Proposal

In assisting technology-based companies and Small and Medium Enterprises to grow their businesses by raising additional capital through listing in ACE Market or LEAP Market, it is proposed that tax deduction of up to RM1.5 million be given on the following listing costs:

i. fees to authorities;

ii. professional fees; and

iii. underwriting, placement and brokerage fees.

Effective Date

From year of assessment 2020 until year of assessment 2022.

APPENDIX 5

INCOME TAX EXEMPTION TO RELIGIOUS INSTITUTION OR ORGANISATION REGISTERED AS A COMPANY LIMITED BY GUARANTEE

Current Position

Income tax exemption is given on all income received by religious institution or organisation established for the purpose of religious worship and advancement of religion and registered under the Registrar of Societies Malaysia or under any written law governing the institution or organisation. The exemption does not apply to institution or organisation registered under the Companies Commission of Malaysia [Suruhanjaya Syarikat Malaysia (SSM)].

Proposal

To provide similar treatment, it is proposed that this income tax exemption be extended to religious institution or organisation registered as Company Limited By Guarantee (CLBG) with SSM. This exemption is subject to the income and profit received, and real property acquired is used solely in achieving the objective of the establishment for the purpose of religious worship and advancement of religion and not being operated primarily for the purpose of profit.

For the purpose of this exemption, the CLBG is required to submit tax return annually to the Inland Revenue Board of Malaysia (IRBM) and comply with other requirements set by IRBM.

Effective Date

For CLBG approved by IRBM from year of assessment 2020.

APPENDIX 6

REVIEW OF INCOME TAX RATE FOR RESIDENT INDIVIDUAL

Current Position

The income tax structure for resident individual is based on progressive rates ranging from 0% to 28% on chargeable income. Effective from the year of assessment 2018, the rates are as follows:

Chargeable Income (RM)	Current Tax Rate (%)
0 - 5,000	0
5,001 - 20,000	1
20,001 - 35,000	3
35,001 - 50,000	8
50,001 - 70,000	14
70,001 - 100,000	21
100,001 - 250,000	24
250,001 - 400,000	24.5
400,001 - 600,000	25
600,001 - 1,000,000	26
Exceeding 1,000,000	28

Non-resident individual is subject to income tax at a fixed rate of 28%.

Proposal

To ensure a more progressive individual income tax structure, it is proposed that chargeable income band exceeding RM2,000,000 be introduced and income tax rate for resident individual with chargeable income of more than RM2,000,000 be increased by 2 percentage points as follows:

Chargeable Income (RM)	New Tax Rate (%)
0 - 5,000	0
5,001 - 20,000	1
20,001 - 35,000	3
35,001 - 50,000	8
50,001 - 70,000	14
70,001 - 100,000	21
100,001 - 250,000	24
250,001 - 400,000	24.5
400,001 - 600,000	25
600,001 - 1,000,000	26
1,000,001 - 2,000,000	28
Exceeding 2,000,000	30

The fixed income tax rate for non-resident individual be increased by 2 percentage points from 28% to 30%.

Effective Date

From year of assessment 2020.

APPENDIX 7

EXPANSION OF THE SCOPE OF INCOME TAX RELIEF FOR MEDICAL EXPENSES

Current Position

Income tax relief of up to RM6,000 is given to taxpayers on medical expenses for serious diseases for self, spouse and child. This tax relief is entitled to be claimed with proof of receipts and certification issued by medical practitioners registered with the Malaysian Medical Council. This tax relief includes expenses of up to RM500 for full medical check-up.

Proposal

To reduce the financial burden of married couples in seeking fertility treatment, it is proposed that the scope of income tax relief on medical treatment expenses be expanded to cover the cost of fertility treatment.

Effective Date

From year of assessment 2020.

APPENDIX 8

INCREASE IN THE LIMIT OF TAX RELIEF FOR FEES PAID TO CHILDCARE CENTRES AND KINDERGARTENS

Current Position

Effective from the year of assessment 2017, tax relief of up to RM1,000 is given to individual taxpayers who enrol their children aged up to 6 years in childcare centres or kindergartens registered with the Department of Social Welfare or the Ministry of Education. This relief can only be claimed by either parent of the child.

Proposal

To reduce the financial burden of parents in providing childcare and early childhood education, it is proposed that the individual tax relief be increased from RM1,000 to RM2,000.

Effective Date

From year of assessment 2020.

APPENDIX 9

INCOME TAX REBATE FOR DEPARTURE LEVY IMPOSED ON OUTBOUND AIR PASSENGER PERFORMING *UMRAH* AND PILGRIMAGE TO HOLY PLACES

Current Position

Departure levy is imposed on outbound air passengers beginning 1 September 2019 as follows:

Flight Class	Destination / Rate	
	ASEAN (RM)	Other than ASEAN (RM)
Economy	8	20
Other than Economy	50	150

Departure levy for outbound air passengers performing Hajj is borne by Lembaga Tabung Haji. However, departure levy for outbound air passengers performing *umrah* and pilgrimage to holy places is borne by themselves.

Proposal

Taking into consideration that *umrah* and pilgrimage to holy places are performed for religious purposes, it is proposed that the individual income tax rebate equivalent to the amount of levy paid be given and can be claimed twice in a lifetime. The rebate is to be claimed with proof of boarding pass and subject to either one of the following:

i. *umrah* visa; or

ii. confirmation letter on pilgrimage to holy place from religious body recognised by the Committee for the Promotion of Inter Religious Understanding and Harmony Among Adherents, Department of National Unity and Integration, Prime Minister's Department.

Effective Date

From year of assessment 2019.

APPENDIX 10

REVIEW OF TAX TREATMENT ON DONATION FOR CHARITABLE AND SPORTS ACTIVITIES AND PROJECTS OF NATIONAL INTEREST

Current Position

Tax deduction of up to 7% of aggregate income for taxpayers other than company and up to 10% of aggregate income for company is given on cash donation or cost of contribution in kind, where applicable, made to:

i. institutions or organisations approved under subsection 44(6), Income Tax Act (ITA) 1967;

ii. sports activity approved under subsection 44(11B), ITA 1967; and/or

iii. projects of national interest approved under subsection 44(11C), ITA 1967.

There is no specific tax treatment on cash *wakaf* and endowment contributions under the ITA 1967.

Proposal

To further inculcate the philanthropic culture among Malaysians, it is proposed that the tax deduction on contribution for charitable and sports activities as well as projects of national interest currently capped at 7% of aggregate income for taxpayers other than company be increased and streamlined to 10%.

The tax deduction is also expanded to include contribution as follows:

i. cash *wakaf* contribution to state religious authority or body established by the state religious authority to administer *wakaf*;

ii. cash *wakaf* contribution to public university approved by the state religious authority to receive *wakaf*; and

iii. cash endowment contribution to public university.

Effective Date

From year of assessment 2020.

APPENDIX 11

REVIEW OF REAL PROPERTY GAIN TAX TREATMENT

Current Position

From 1 January 2019, the Real Property Gain Tax (RPGT) rate has been increased for the disposal of real properties and shares in the real property company in the 6th and subsequent years as follows:

i. for company, non-citizen and non-permanent resident individual, the RPGT rate is increased from 5% to 10%; and

ii. for other than company and other than non-citizen and non-permanent resident individual, the RPGT rate is increased from 0% to 5%.

RPGT exemption is given to Malaysian citizens for the disposal of low-cost, medium low and affordable residential homes at the price of RM200,000 and below in the 6th and subsequent years.

For real properties acquired prior to year 2000, the market price on 1 January 2000 is used as the acquisition price for the disposal of real properties subject to tax under Part 1, Schedule 5, Real Property Gains Tax Act 1976. The tax treatment is effective from 1 January 2019.

Proposal

As a measure to improve the treatment of RPGT on disposal of real properties by Malaysian citizens and permanent residents after 5 years from the date of acquisition, it is proposed that the determination of market value as of 1 January 2000 for real properties acquired before year 2000 be amended to market value as of 1 January 2013 as the acquisition price for the disposal of real properties acquired prior to year 2013 for the purpose of RPGT computation.

Effective Date

For the disposal of real properties made from 12 October 2019.

APPENDIX 12

STAMP DUTY EXEMPTION ON RENT-TO-OWN SCHEME

Current Position

Rent-to-Own (RTO) is an alternative financing scheme to assist home ownership where financial institution will initially rent out the house and the tenant is given the option to purchase the house based on the *Shariah*-compliant principle of *Ijarah Muntahia Bi Tamlik*.

RTO scheme is implemented as follows:

Financial institution will buy the house that has been identified by the tenant from the housing developer.

↓

Financial institution will sign the Sales and Purchase Agreement (SPA) with the housing developer and execute instrument of transfer (Form KTN14A).

↓

The tenant will sign a rental agreement with the financial institution for a maximum term of 5 years.

↓

After a one-year rental period, the tenant is given the option to purchase the house based on the price set out in the rental agreement.

↓

The tenant who opts to buy the house will sign the SPA with the financial institution and execute instrument of transfer (Form KTN14A).

Stamp duty at ad valorem rate is imposed on instrument of transfer at two levels:

i. transfer of residential home from housing developer to financial institution; and

ii. transfer of residential home from financial institution to buyer.

Proposal

To assist Malaysians in obtaining financing facilities from financial institutions for the purpose of first home ownership under the RTO scheme managed by the National Housing Department (NHD), Ministry of Housing and Local Government [Kementerian Perumahan dan Kerajaan Tempatan (KPKT)], it is proposed that full stamp duty exemption be given on the instrument of transfer of first residential home priced up to RM500,000 for the following transactions:

i. transfer of residential home from housing developer to financial institution; and

ii. transfer of residential home from financial institution to buyer.

The above stamp duty exemption is subject to:

i. financial institutions regulated by Bank Negara Malaysia (BNM) that provide home financing under this RTO scheme must obtain approval from BNM; and

ii. housing developers collaborating with financial institutions that provide RTO schemes must be registered with NHD, KPKT.

Effective Date

i. **Transfer of residential home from the housing developer to financial institutions**
For SPA executed from 1 January 2020 to 31 December 2022.

ii. **Transfer of residential home from the financial institutions to the buyers**
For rental agreement executed from 1 January 2020 to 31 December 2022.

STAMP DUTY REMISSION FOR TRANSFER OF PROPERTY BY WAY OF LOVE AND AFFECTION

Current Position

Stamp duty rate on the instrument of real property transfer effective from 1 January 2019 is as follows:

Price/Market Value of Real Property Bands (whichever is higher)	Stamp Duty Rate
First RM100,000	1%
RM100,001 to RM500,000	2%
RM500,001 to RM1,000,000	3%
RM1,000,001 and above	4%

For transfer of real property from parents to children and vice versa by way of love and affection, stamp duty is remitted at 50%. This remission is given to Malaysian citizen and non-citizen.

Proposal

Stamp duty remission of 50% on the instrument of real property transfer between parents and children and vice versa by way of love and affection is restricted to Malaysian citizen only.

Effective Date

For instrument of real property transfer executed from 1 January 2020.

APPENDIX 14

REVIEW OF STAMP DUTY ON FOREIGN CURRENCY LOAN AGREEMENT

Current Position

Conventional and *Shariah*-compliant loan agreements in foreign currency are subject to stamp duty at an *ad valorem* rate of RM5 for every RM1,000 of the loan amount, however the maximum amount of stamp duty imposed on each loan agreement is RM500.

Proposal

The maximum amount of stamp duty on foreign currency loan agreements be increased from RM500 to RM2,000.

Effective Date

For loan agreements executed from 1 January 2020.

APPENDIX 15

SPECIAL INVESTMENT INCENTIVE FOR ELECTRICAL AND ELECTRONIC SECTOR

Current Position

Electrical and electronic (E&E) companies engaged in manufacturing activities are eligible for tax incentives under the Promotion of Investment Act 1986 and are entitled for Reinvestment Allowance (RA) for 15 consecutive years of assessment for qualifying capital expenditure incurred on modernisation, expansion and diversification. The special RA is given from the year of assessment 2016 until the year of assessment 2018 to companies that have exhausted the eligibility period of 15 consecutive years to claim RA.

Proposal

To encourage continuous investment in Malaysia, it is proposed that E&E companies that have exhausted the eligibility period of 15 consecutive years to claim RA be given income tax exemption equivalent to Investment Tax Allowance of 50% on qualifying capital expenditure incurred within a period of 5 years. This allowance can be set-off against 50% of statutory income for each year of assessment.

Effective Date

For applications received by Malaysian Investment Development Authority from 1 January 2020 until 31 December 2021.

APPENDIX 16

TAX INCENTIVE FOR DEVELOPMENT OF INTELLECTUAL PROPERTY

Current Position

Tax incentives provided for research and development (R&D) activities among others are as follows:

i. double deduction on in-house R&D expenditure approved by Inland Revenue Board of Malaysia;

ii. double deduction on R&D contributions to approved research institutions or expenditures for R&D services obtained from approved institutions or research companies;

iii. tax deduction for cost of acquisition of proprietary rights;

iv. income tax exemption for companies that commercialise resource based and non-resource based R&D findings; and

v. income tax exemption for R&D contract companies that provide R&D services.

Proposal

To encourage intellectual property development activities in Malaysia, it is proposed that income tax exemption of 100% up to 10 years be given on qualifying intellectual property income derived from patent and copyright software of qualifying activities.

For the purpose of computation of the income tax exemption, the Modified Nexus Approach will be adopted to ensure that only income derived from intellectual property developed in Malaysia is eligible for this tax incentive.

Effective Date

For applications received by Malaysian Investment Development Authority from 1 January 2020 until 31 December 2022.

APPENDIX 17

REVIEW OF GREEN TECHNOLOGY INCENTIVE

Current Position

Effective 2014, tax incentives for green technology are provided as follows:

i. Green Investment Tax Allowance (GITA)

Investment Tax Allowance (ITA) of 100% on capital expenditure for qualifying green activity for the period until 31 December 2020. This allowance can be set-off against up to 70% of statutory income.

ii. Green Income Tax Exemption (GITE)

Income tax exemption of 100% of statutory income for qualifying green services activity for a period until year of assessment 2020.

Proposal

To further increase investment in renewable energy, it is proposed:

i. GITA

ITA of 100% on capital expenditure be extended for a period of 3 years for qualifying green activities. This allowance can be set-off against up to 70% of statutory income.

ii. GITE

a. Income tax exemption of 70% of statutory income for qualifying green services activities be extended for a period of 3 years of assessment; and

b. New tax incentive for solar leasing activities be introduced with income tax exemption of 70% of statutory income for a period of up to 10 years of assessment for solar leasing companies certified by Sustainable Energy Development Authority (SEDA).

Effective Date

For item (i)	:	Applications received by Malaysian Investment Development Authority (MIDA) until 31 December 2023.
For item (ii)	:	Applications received by MIDA from 1 January 2020 until 31 December 2023.

APPENDIX 18

TAX INCENTIVE FOR THE PURCHASE OF TOURISM VEHICLES

Current Position

Capital expenditure incurred on the purchase of new buses is eligible for Accelerated Capital Allowance (ACA) under the Income Tax (Accelerated Capital Allowance) (Bus) Rules 2008. ACA can be claimed within one year with initial allowance of 20% and annual allowance of 80% from the year of assessment 2009 until the year of assessment 2011.

Excise duty exemption of 50% is given to tour operators on the purchase of locally assembled four wheels drive (4WD) vehicle effective from 2 September 2006.

Proposal

To support Visit Malaysia Year 2020, it is proposed that licensed tour operators be given:

i. ACA on expenses incurred on the purchase of new locally assembled excursion bus with initial allowance of 20% and annual allowance of 40% to be fully claimed within 2 years; and

ii. excise duty exemption of 50% on the purchase of new locally assembled vehicles used as tourism vehicles.

Effective Date

For item (i) : From year of assessment 2020 until year of assessment 2021.

For item (ii) : For applications received by Ministry of Finance from 1 January 2020 until 31 December 2021.

APPENDIX 19

TAX INCENTIVE FOR ORGANISING CONFERENCES IN MALAYSIA

Current Position

Companies, associations or organisations in Malaysia whose main activities are promoting and organising conferences are eligible for income tax exemption of 100% of statutory income subject to the organiser bringing in at least 500 foreign participants annually.

Proposal

To promote Malaysia as the preferred destination for hosting international conferences and in conjunction with Visit Malaysia Year 2020, it is proposed that the income tax exemption of 100% of statutory income be expanded to any entities whose main activities are other than promoting and organising conferences provided that the organiser brings in at least 500 foreign participants annually.

Effective Date

From year of assessment 2020 until year of assessment 2025.

APPENDIX 20

TAX INCENTIVE FOR ORGANISING ARTS, CULTURAL, SPORTS AND RECREATIONAL ACTIVITIES IN MALAYSIA

Current Position

The organising of arts and cultural activities approved by Ministry of Tourism, Arts and Culture as well as international sports and recreational competitions approved by Ministry of Youth and Sports are given tax incentives as follows:

i. income tax exemption of 50% of statutory income for organising the approved activities is given to the organiser; and

ii. exemption from payment of income tax is given to a foreigner participating in these activities.

These incentives are effective from the year of assessment 1999 until the year of assessment 2000.

Proposal

To encourage the organising of arts and cultural activities as well as international sports and recreational competitions, especially to attract foreign tourists in conjunction with Visit Malaysia Year 2020, it is proposed that the income tax exemption of 50% be given on statutory income of the company that organise:

i. arts and cultural activities approved by Ministry of Tourism, Arts and Culture; and

ii. international sports and recreational competitions approved by Ministry of Youth and Sports.

Effective Date

From year of assessment 2020 until year of assessment 2022.

APPENDIX 21

REVIEW OF TAX DEDUCTION LIMIT FOR SPONSORSHIP OF ARTS, CULTURAL AND HERITAGE ACTIVITIES IN MALAYSIA

Current Position

Tax deduction under subsection 34(6)(k), Income Tax Act 1967 is given to companies that sponsor local and foreign arts, cultural as well as heritage activities held in the country and approved by Ministry of Tourism, Arts and Culture. Tax deduction is given on sponsorship expenses of up to RM700,000 a year, where the tax deduction for sponsorship expenses of foreign arts, cultural and heritage activities is limited to RM300,000 a year.

Proposal

To encourage local arts, cultural and heritage activities in the country, it is proposed that the tax deduction limit for companies sponsoring arts, cultural and heritage activities be increased up to RM1,000,000 a year. The tax deduction limit for sponsoring foreign arts, cultural and heritage activities remains up to RM300,000 a year.

Effective Date

From year of assessment 2020.

APPENDIX 22

EXPANSION OF SCOPE OF TAX DEDUCTION ON CONTRIBUTION TO CHARITY AND COMMUNITY PROJECTS

Current Position

To encourage private sector involvement in contributing to charity or community projects, tax deduction under subsection 34(6)(h), Income Tax Act (ITA) 1967 is given on expenditure incurred by the company on the provision of services, public amenities, charity and community project pertaining to education, health, housing, enhancement of income of the poor, infrastructure as well as information and communication technology.

Proposal

To further encourage the involvement of private sector in the implementation of Corporate Social Responsibility, it is proposed that the tax deduction under subsection 34(6)(h), ITA 1967 be enhanced to include:

i. environmental preservation and conservation projects including forest, island, beach and national park; and

ii. maintenance and conservation projects for heritage buildings designated by National Heritage Department under the National Heritage Act 2005.

Effective Date

From year of assessment 2020.

APPENDIX 23

EXPANSION OF SCOPE OF TAX INCENTIVES FOR TOURISM PROJECTS

Current Position

A company that undertakes new investment as well as reinvestment on expansion and modernisation of tourism project including theme park, holiday camp, recreational project and convention centre is eligible for tax incentive as follows:

i. Pioneer Status with tax exemption of 70% of statutory income for a period of 5 years; or

ii. Investment Tax Allowance (ITA) of 60% on the qualifying capital expenditure incurred within 5 years. This allowance can be set-off against up to 70% of statutory income for each year of assessment.

Proposal

To further promote the growth of tourism sector, it is proposed that the scope of current tax incentives be expanded to include integrated tourism and sports tourism project.

In addition, to attract more investment in tourism projects, it is proposed that new investment for international theme park be given tax incentive as follows:

i. Pioneer Status with tax exemption of 100% of statutory income for 5 years; or

ii. ITA of 100% on the qualifying capital expenditure incurred within 5 years. This allowance can be set-off against up to 70% of statutory income.

Effective Date

For applications received by Malaysia Investment Development Authority from 1 January 2020.

APPENDIX 24

EXEMPTION OF ENTERTAINMENTS DUTY FOR STAGE PERFORMANCE

Current Position

Full exemption on entertainments duty is given for:

i. stage show and performance for charity purposes;

ii. stage show and performance by foreign artistes of international standing and certified by Ministry of Communications and Multimedia Malaysia [Kementerian Komunikasi dan Multimedia Malaysia (KKMM)];

iii. international performance, exhibition, fair and sports competition held at the National Sports Complex, Istana Budaya, Balai Seni Lukis Negara and Petronas Philharmonic Hall;

iv. performance by local artistes held at the Bukit Jalil National Sports Complex and Bukit Kiara Sports Complex;

v. stage performance by theatre groups held at the Federal Territory of Kuala Lumpur, Labuan and Putrajaya; and

vi. cultural and arts performance by local artistes held at the Federal Territory of Kuala Lumpur, Labuan and Putrajaya.

Entertainments duty at the rate of 5% is imposed on stage performance held by local and international artistes that have not been certified by KKMM. This 5% rate is given through the 20% entertainments duty exemption provided under Entertainments Duty (Exemption) (No.24) Order 2006.

Proposal

To encourage more stage performances to be held in conjunction with the Visit Malaysia Year 2020, it is proposed that full entertainments duty exemption be given on admission tickets for stage performances that include concerts, singing, music, dances and theatres including cultural and artistic performance by local and international artists held at any venue in the Federal Territory of Kuala Lumpur, Labuan and Putrajaya subject to approval by the relevant local authorities.

Effective Date

From 1 January 2020 until 31 December 2020.

APPENDIX 25

REVIEW OF TAX INCENTIVES FOR AUTOMATION

Current Position

Manufacturing company which incurs qualifying capital expenditure on automation equipment is given tax incentive as follows:

i. Category 1: Labour-intensive Industry (rubber, plastic, wood and textile products)

   Accelerated Capital Allowance (ACA) for automation equipment of 100% on the first RM4 million for qualifying capital expenditure incurred from year of assessment 2015 to year of assessment 2020 and can be utilised within 1 year.

ii. Category 2: Industries other than Category 1

   ACA for automation equipment of 100% on the first RM2 million for qualifying capital expenditure incurred from year of assessment 2015 to year of assessment 2020 and can be utilised within 1 year.

Companies in both categories are also eligible for income tax exemption equivalent to 100% of the ACA on automation equipment.

Applications must be submitted to Malaysian Investment Development Authority (MIDA) from 1 January 2015 until 31 December 2020.

Proposal

To further promote automation and enhance productivity and efficiency in the labour-intensive industry, it is proposed that:

i. the incentive period for Category 1 and Category 2 be extended for 3 years until year of assessment 2023; and

ii. the scope of incentive for Category 2 be expanded to services sector.

Effective Date

For item (i) : Applications received by MIDA until 31 December 2023.

For item (ii) : Applications received by MIDA from 1 January 2020 until 31 December 2023.

APPENDIX 26

EXTENSION OF PERIOD OF TAX INCENTIVE FOR ANGEL INVESTOR

Current Position

Angel investor who invests in investee company in the form of ordinary shares is eligible for tax exemption equivalent to the amount of investment made. The eligibility criteria are as follows:

i. Angel Investor:

  a. must be an individual who is a resident in Malaysia and whose source of income is not derived solely from business;

  b. must not have family relationship with investee company;

  c. whose investment shall not be more than 30% of the total paid-up share capital of the investee company; and

  d. whose investment is for the sole purpose of financing the activities of the investee company as approved by Minister of Finance (MOF).

ii. Investee Company:

  a. incorporated under the Companies Act 2016 and a resident in Malaysia;

  b. at least 51% of the company's ordinary share capital is owned by a Malaysian citizen; and

  c. carry out activities approved by Minister of Finance.

This incentive is eligible for applications received by MOF from 1 January 2018 until 31 December 2020.

Proposal

To attract more angel investors to contribute towards economic activities through capital financing in investee companies, it is proposed that the tax incentive application period for angel investors be extended for a period of 3 years.

Effective Date

For applications received by MOF until 31 December 2023.

APPENDIX 27

EXTENSION OF PERIOD OF TAX INCENTIVES FOR VENTURE CAPITAL

Current Position

The enhanced tax incentives for venture capital effective from year 2018 are as follows:

i. Venture Capital Management Corporation (VCMC)

Income tax exemption inclusive of management fees, performance fees and income from the portion of profit (profit sharing) received on investment made by Venture Capital Company.

ii. Venture Capital Company (VCC)

Income tax exemption is given on statutory income from all sources of income excluding interest income from savings or fixed deposits and profits from *Shariah*-compliant deposits.

Exemption is given for a period of 5 years of assessment from the date of the first confirmation by Securities Commission of Malaysia (SC) for investment in Venture Capital (VC). VCC must be registered with the SC and needs to invest at least 50% of its funds in the early stage, seed and start-up. The remaining 50% is allowed to be invested at other stages of investment. VCC and VC are not related companies.

iii. Investment in VCC

Companies or individuals with business income investing into VCC funds created by VCMC are given tax deduction equivalent to the amount of investment made in VCC, limited to a maximum of RM20 million a year.

iv. Investment in VC

Companies or individuals with business income investing in VC are given tax deduction equivalent to the amount of investment in VC.

This incentive is effective for applications received by SC from 1 January 2019 to 31 December 2019. The qualifying investment period is until year of assessment 2023.

Proposal

To further encourage alternative financing through venture capital, it is proposed that the existing tax incentives be extended for a period of 4 years. The qualifying investment period is extended until 31 December 2026.

Effective Date

For applications received by SC until 31 December 2023.

APPENDIX 28

EXPANSION OF TAX INCENTIVE FOR STRUCTURED INTERNSHIP PROGRAMME

Current Position

Double deduction is given on qualifying expenditure incurred by companies that implement Structured Internship Programme (SIP) approved by Talent Corporation Malaysia Berhad as follows:

Exemption Period (Year of Assessment)	Academic Level
2012 – 2016	Bachelor's Degree or equivalent
2015 – 2016	Expanded to include: • Diploma • Vocational - Diploma Kemahiran Malaysia (DKM) Level 4 and 5
2017 – 2019	Extended and expanded to include: • Vocational - Sijil Kemahiran Malaysia (SKM) Level 3
2019 – 2021	Extended and eligible for Bachelor's Degree, Diploma, and Vocational (minimum SKM Level 3) students in engineering and technology field only

Students' eligibility and companies that are eligible to claim for this tax incentive are as follows:

i. students are Malaysian citizen;

ii. students must complete the approved internship programme before the end of the final semester;

iii. minimum internship period of at least 10 weeks; and

iv. monthly allowance of at least RM500 for each student.

Proposal

To increase the employability of local graduates through an early exposure to the working environment, it is proposed that the existing tax incentive be expanded to include Bachelor's Degree, Diploma, Vocational (DKM Level 4 and 5) and SKM Level 3 students in all academic fields and be extended for a period of 2 years.

Effective Date

From year of assessment 2020 until year of assessment 2021.

EXTENSION OF PERIOD OF TAX INCENTIVE FOR COMPANY PARTICIPATING IN NATIONAL DUAL TRAINING SCHEME

Current Position

Double deduction is given on expenses incurred by companies participating in National Dual Training Scheme for Industry4WRD programmes approved by Ministry of Human Resources (MOHR). This incentive is for programmes approved from 1 January 2019 until 31 December 2019.

Proposal

To further increase Industry4WRD-ready workforce in line with industry needs, it is proposed that the existing tax incentive be extended for a period of 2 years.

Effective Date

For programmes approved by MOHR from 1 January 2020 until 31 December 2021.

APPENDIX 30

EXTENSION OF PERIOD OF INCOME TAX DEDUCTION ON PERBADANAN TABUNG PENDIDIKAN TINGGI NASIONAL LOAN AMOUNT PAID BY EMPLOYERS ON BEHALF OF EMPLOYEES

Current Position

Repayment of Perbadanan Tabung Pendidikan Tinggi Nasional (PTPTN) loan made by employers from 1 January 2019 until 31 December 2019 on behalf of their employees who are employed on full time basis are eligible for tax deduction. The loan repayment amount made by the employer is considered as part of the employee income (perquisite) and is exempted from personal income tax.

Proposal

To encourage more employers to make PTPTN loan repayment on behalf of their employees, it is proposed that the existing tax incentive be extended for a period of 2 years.

Effective Date

For repayment made from 1 January 2020 until 31 December 2021.

APPENDIX 31

EXTENSION OF PERIOD OF TAX INCENTIVE FOR WOMEN RETURNING TO WORK AFTER CAREER BREAK

Current Position

Income tax exemption is given on employment income for a maximum of 12 consecutive months to women who return to work after a career break. This income tax exemption is eligible to be claimed in the year of assessment 2018 to the year of assessment 2020.

This incentive is eligible for applications received by Talent Corporation Malaysia Berhad (TalentCorp) from 1 January 2018 to 31 December 2019.

Proposal

To encourage more women who are on a career break to return to work, it is proposed that the existing tax incentive be extended for a period of 4 years.

Effective Date

For applications received by TalentCorp from 1 January 2020 until 31 December 2023.

EXTENSION OF TAX TREATMENT FOR REAL ESTATE INVESTMENT TRUSTS

Current Position

Investors in Real Estate Investment Trusts (REITs) are subject to the following tax treatment:

i. resident corporate investors receiving profit distribution from REITs listed on Bursa Malaysia are subject to current corporate tax rate;

ii. non-resident corporate investors receiving profit distribution from REITs listed on Bursa Malaysia are subject to a final withholding tax at the current corporate tax rate;

iii. foreign institutional investors, particularly pension funds and collective investment funds receiving profit distribution from REITs listed on Bursa Malaysia are subject to a final 10% withholding tax from the year of assessment 2009 until year of assessment 2019; and

iv. non-corporate investors including resident and non-resident individuals and other local entities receiving profit distribution from REITs listed on Bursa Malaysia are subject to a final 10% withholding tax from the year of assessment 2009 until year of assessment 2019.

Proposal

To further promote the development of REITs in Malaysia, it is proposed that the existing tax treatment be extended for a period of 6 years.

Effective Date

From year of assessment 2020 until year of assessment 2025.

APPENDIX 33

EXTENSION OF PERIOD OF TAX INCENTIVE FOR ISSUANCE OF *SUKUK WAKALAH*

Current Position

Expenses incurred in issuing *Sukuk* under the principles of *Ijarah* and *Wakalah* are eligible for income tax deduction. A further deduction is also eligible to be claimed on additional costs incurred on the issuance of *Sukuk* under the principles of *Ijarah* and *Wakalah* as follows:

i. professional fees relating to due diligence, drafting and preparation of prospectus;
ii. Securities Commission of Malaysia prospectus registration fee;
iii. Bursa Malaysia processing fee and initial listing fee;
iv. Bursa Malaysia new issue crediting fee;
v. primary distribution fee;
vi. printing costs of prospectus; and
vii. advertisement cost of prospectus.

This tax incentive is effective from the year of assessment 2019 until year of assessment 2020.

Proposal

To further promote the issuance of *Sukuk* under the principle of *Wakalah*, it is proposed that the existing tax incentives be extended for a period of 5 years as follows:

i. tax deduction for issuance cost of *Sukuk* under the principle of *Wakalah*; and
ii. further deduction on additional issuance cost of *Sukuk* under the principle of *Wakalah*.

Tax deduction for issuance cost and further deduction on additional issuance cost of *Sukuk* under the principle of *Ijarah* are eligible to be claimed until year of assessment 2020.

Effective Date

From year of assessment 2021 until year of assessment 2025.

APPENDIX 34

EXTENSION OF PERIOD OF TAX INCENTIVE ON ISSUANCE OF SUSTAINABLE AND RESPONSIBLE INVESTMENTS *SUKUK*

Current Position

Tax deduction is given on the issuance cost of Sustainable and Responsible Investments (SRI) *Sukuk* either approved by, authorised by or lodged with the Securities Commission of Malaysia. SRI *Sukuk* refers to the financing of projects with the following objectives:

i. preserve and protect the environment and natural resources;

ii. conserve the use of energy;

iii. promote the use of renewable energy;

iv. reduce greenhouse gas emission; or

v. improve the quality of life of society.

This tax incentive is given from the year of assessment 2016 until year of assessment 2020.

Proposal

To further encourage the issuance of SRI *Sukuk*, it is proposed that the existing tax incentive be extended for a period of 3 years.

Effective Date

From year of assessment 2021 until year of assessment 2023.

APPENDIX 35

EXTENSION OF PERIOD OF TAX EXEMPTION ON MANAGEMENT FEE INCOME FOR SUSTAINABLE AND RESPONSIBLE INVESTMENT FUNDS

Current Position

A company that provides conventional Sustainable and Responsible Investment (SRI) and *Shariah*-compliant SRI fund management services to local investors, foreign investors and business trust investors or Real Estate Investment Trusts (REITs) in Malaysia, approved by Securities Commission of Malaysia is given tax exemption on management fee income in managing conventional SRI and *Shariah*-compliant SRI funds.

This tax incentive is effective from the year of assessment 2018 until the year of assessment 2020.

Proposal

To further promote SRI fund management services, it is proposed that the existing income tax exemption be extended for a period of 3 years.

Effective Date

From year of assessment 2021 until year of assessment 2023.

APPENDIX 36

EXTENSION OF PERIOD OF TAX EXEMPTION ON MANAGEMENT FEE INCOME FOR *SHARIAH*-COMPLIANT FUND

Current Position

A company that provides *Shariah*-compliant fund management services approved by Securities Commission of Malaysia, is given tax exemption on the following income:

i. statutory income derived from business of providing fund management services to foreign investors in Malaysia. This exemption is effective from the year of assessment 2007 until year of assessment 2020;

ii. statutory income derived from business of providing fund management services to local investors in Malaysia. This exemption is effective from the year of assessment 2008 until year of assessment 2020; and

iii. statutory income derived from business of providing fund management services to business trusts or real estate investment trusts in Malaysia. This exemption is effective from the year of assessment 2014 until year of assessment 2020.

Proposal

To further promote *Shariah*-compliant fund management services, it is proposed that the existing income tax exemption be extended for a period of 3 years.

Effective Date

From year of assessment 2021 until year of assessment 2023.

APPENDIX 37

REVIEW OF EXPORT DUTY RATE ON CRUDE PALM OIL

Current Position

Effective from 1 January 2013, export duty rate on Crude Palm Oil (CPO) after taking into consideration of partial export duty exemption are as follows:

CPO Market Price (FOB RM/tonne)	Current Export Duty Rate (%)
< 2,250	NIL
2,250 – 2,400	4.5
2,401 – 2,550	5.0
2,551 – 2,700	5.5
2,701 – 2,850	6.0
2,851 – 3,000	6.5
3,001 – 3,150	7.0
3,151 – 3,300	7.5
3,301 – 3,450	8.0
> 3,450	8.5

Proposal

Export duty rate on CPO after taking into consideration of partial export duty exemption be reviewed as follows:

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

Effective Date

From 1 January 2020.

APPENDIX 38

INTRODUCTION OF APPROVED MAJOR EXPORTER SCHEME UNDER THE SALES TAX ACT 2018

Current Position

Section 40, Sales Tax Act 2018 provides drawback facility where the Director General of Customs may refund the amount of sales tax paid on goods imported or purchased, and subsequently exported.

Item 4, Schedule B, Sales Tax (Persons Exempted from Payment of Tax) Order 2018 exempts manufacturer who purchases raw materials, components and packaging materials for the manufacturing of exempted goods for export.

To enjoy the above facilities, the traders or manufacturers of exempted goods must determine in advance the quantity of goods imported or purchased which are subsequently exported or sold in the local market, and the goods imported for the purpose of export are not sold locally or brought into the Principal Customs Area.

Proposal

To improve the existing drawback and exemption facility and to maintain the competitiveness of export-oriented companies in Malaysia, it is proposed that Approved Major Exporter Scheme be introduced under the Sales Tax Act 2018. Through this scheme, the approved traders and manufacturers of exempted goods are:

i. eligible for full sales tax exemption on the importation and purchase of goods or raw materials, components and packaging materials; and

ii. not required to determine the quantity of goods to be exported at the time of importation or purchase of goods.

Sales tax shall be paid for:

i. the portion of trading goods or manufactured exempted goods that are not exported or sold in local market, based on the prescribed formula; and

ii. waste or refuse of raw materials, components and packaging materials used for the manufacturing of exempted goods that are disposed or sold in the local market.

Traders or manufacturers of exempted goods are eligible to apply for the scheme subject to an export of not less than 80% of their annual sales.

Effective Date

From 1 July 2020.

APPENDIX 39

IMPROVEMENT ON GROUP RELIEF FACILITY UNDER SERVICE TAX

Current Position

Group relief facility is provided under the First Schedule, Service Tax Regulations 2018. Through this relief, the taxable service under professional group (except employment services and security services) that is provided by a company to another company within the same group of company is not subjected to service tax. This relief has been extended to the importation of taxable services under professional group from a company within the same group of company outside Malaysia.

The regulation also stipulates that the relief will be nullified when the company provides the taxable services to a third party who is not within the same group of company.

Proposal

Group relief be allowed for the taxable services under professional group provided by a company to a third party who is not within the same group of company. This facility is subject to a condition that the value of services provided to the third party does not exceed 5% of the total value of services provided by that company within 12 months.

Effective Date

From 1 January 2020.

APPENDIX 40

SERVICE TAX EXEMPTION ON PROVISION OF TRAINING AND COACHING SERVICES FOR DISABLED PERSON

Current Position

Effective from 1 January 2019, training and coaching services have been categorised as taxable services under Item 7, Group G, First Schedule, Service Tax Regulations 2018. The training and coaching services are subject to a 6% service tax, except for services provided by:

i. research and development company as well as contract research and development company under Section 2, Promotion of Investment Act 1986;

ii. approved research institutes under Section 34B, Income Tax Act 1967; or

iii. Federal or State Government, local authorities or statutory bodies.

Proposal

Service tax exemption be given on the training and coaching services to disabled persons with hearing, visual, physical, speech, mental, and learning disabilities provided by the service providers as follows:

i. training and coaching centres registered with Ministry of Health Malaysia or Department of Social Welfare; or

ii. training and coaching centres endorsed by any national association for disabled persons registered with Registrar of Societies Malaysia.

Effective Date

From 1 January 2020.

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