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Budget 2022: RM332.1 bln curated to nurture shoots of recovery, sustain economic growth

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KUALA LUMPUR, Oct 29 -- In line with the spirit of Keluarga Malaysia which emphasises on inclusiveness, togetherness and gratitude, the government has announced yet another record-high budget worth RM332.1 billion for 2022 to cement the country's recovery with businesses prospering, despite the limited fiscal space, ongoing global uncertainties and COVID-19 resurgence risks.

Unveiled by Finance Minister Tengku Datuk Seri Zafrul Abdul Aziz in Parliament today, the budget supports three main pillars, strengthening recovery, building resilience, and driving innovation.

The budget's amount, equivalent to 20.3 per cent of the gross domestic product (GDP), is nearly three per cent larger than the RM322.5 billion announced for Budget 2021.

Tengku Zafrul said this, however, can be implemented based on an estimated increase in government revenue for 2022 to RM234 billion.

Of the budget allocation, the lion's share (70.3 per cent) amounting to RM233.5 billion is for operating expenditure (OE), followed by RM75.6 billion (22.8 per cent) for development expenditure (DE) and the balance of RM23 billion for the COVID-19 Fund, he said.

"There is also a provision of RM2 billion as contingency reserve," he said when tabling Budget 2022 themed "Keluarga Malaysia, Makmur Sejahtera".

The Education Ministry will continue to receive the biggest allocation at RM52.6 billion (16 per cent) of the total estimated federal expenditure, while RM32.4 billion will be channeled to the the Health Ministry (MOH) for operating and development expenditures.

"As a government which emphasises the people's well-being, the allocation for MOH is the second largest after the Education Ministry," he said.

Budget 2022 continues with three main areas of focus: the rakyat's well-being, competitive businesses, and prosperous and sustainable economy.

Touching on taxation, Tengku Zafrul said the government plans to introduce a special one-off tax, "cukai makmur" (prosperity tax), for companies that generate high taxable revenue whereby the first RM100 million will be taxed at 24 per cent and the remaining taxable revenue will be at a rate of 33 per cent for the year of assessment 2022.

He said the government, in line with international practice, is raising the stamp duty on contract notes to 0.15 per cent from 0.1 per cent and abolishing the RM200 stamp limit for each contract note while brokerage activities involving the trading of listed shares are no longer subject to service tax.

"Permanent residents in Malaysia will be taxed on income derived from foreign sources and received in Malaysia starting Jan 1, 2022, and tax identification numbers (TIN) will be introduced in 2022 to widen the income tax base," he added.

For business facility renovation to comply with the standard operating procedure (SOP) requirements such as ventilation and seating space, the government plans to extend the tax deduction of up to RM300,000 on the costs of renovating and refurbishing premises until Dec 31, 2022.

Tengku Zafrul said the government will also extend the special tax relief of up to RM2,500 for purchase of handphones, computers and tablets until Dec 31, 2022, and widen the tax relief for Employees Provident Fund (EPF) contributions of up to RM4,000 to cover voluntary contributions such as by the self-employed people in the gig sector.

To put more money in people's wallets, the EPF will extend the period of nine per cent minimum EPF contribution rate until June 2022 involving an estimated RM2 billion. The retirement fund announced in November last year that the statutory contribution rate for employees under 60 years old would be reduced to nine per cent rate from 11 per cent, effective for the whole of 2021.

The government will also continue housing projects, especially for the low-income group and those with no stable income such as gig workers, small business operators and farmers, with a total allocation of RM1.5 billion.

In order to reduce vehicle ownership cost, the government will continue the 100 per cent sales tax exemption on completely knocked-down passenger vehicles and 50 per cent exemption for completely built-up vehicles, including multi-purpose vehicles and sport utility vehicles, until June 30, 2022.

In building up the resilience of government linked companies (GLCs), the government plans to allocate at least RM30 billion for collective capital and investment expenditures for 2022.

The government will also issue ringgit-denominated Sustainability Sukuk of up to RM10 billion for eligible social and eco-friendly projects.

To intensify economic recovery efforts, Tengku Zafrul said the government will continue to implement infrastructure development projects valued at RM3.5 billion, including the construction of the Pan Borneo Highway and Central Spine Road.

"To stimulate high-impact infrastructure development activities through public private partnership, the government will provide start-up funds of RM200 million by creating the Third Infrastructure Facilitation Fund supervised by the Public Private Partnership Unit of the Prime Minister's Department," he said.

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