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Govt revenue rises 4.6 pct to RM106.4 bln in H1 2021 – MoF

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KUALA LUMPUR, Sept 23 – Government revenue increased 4.6 per cent year-on-year to RM106.4 billion in the first half (H1) of 2021, which fell below the Budget 2021 estimate.

Deputy Finance Minister I Mohd Shahar Abdullah said the Federal Government's revenue for the entire year is projected to rise 4.2 per cent to RM236.9 billion or 15.1 per cent of the Gross Domestic Product (GDP) based on the forecast for economic growth and business prospects.

Of the H1 total, tax revenue comprised RM80.2 billion while non-tax revenue contributed RM26.2 billion.

"Of the tax revenue, RM58.3 billion came from direct taxes while indirect taxes made up RM21.9 billion," he disclosed in the Dewan Rakyat today.

He was replying to an oral question from Fong Kui Lun (DAP-Bukit Bintang) on the country's financial position in terms of revenue and expenditure as the COVID-19 pandemic entered its second year.

On H1 2021 expenditure, he said the government spent RM164.2 billion, up 5.7 per cent from last year's

corresponding period.

“Of that, RM117.4 billion or 71.5 per cent was for administrative expenses, RM28.4 billion or 17.3 per cent was for development spending and the remaining RM18.4 billion or 11.2 per cent was spent under the COVID-19 Fund (KWC-19),” Mohd Shahar said.

He said the bulk of the administrative expenditure -- 65.5 per cent -- was for emolument expenses (RM43.2 billion), debt servicing (RM18.4 billion) and retirement payments (RM15.3 billion).

On the development expenditure, he said 82.5 per cent went to the economic and social sectors.

“Part of the spending under KWC-19 was to fund programmes such as the Bantuan Prihatin Nasional (RM8.9 billion), wage subsidies (RM3.7 billion), Special Prihatin Grant (RM2 billion) and COVID-19-related expenses (RM1.6 billion),” he said.

Mohd Shahar said the government understands the people’s anxiety on the revenue collection not achieving the target announced during the tabling of Budget 2021.

In Budget 2021, fiscal deficit for the year was projected to be 5.4 per cent of GDP based on an estimated economic growth of 6.5 to 7.5 per cent.

He said that following the third wave of the pandemic and the implementation of the nationwide Movement Control Order, the 2021 fiscal deficit level was reviewed and was expected to rise to about 6.5-7.0 per cent after taking into account a forecast drop in GDP growth to three to four per cent.

Due to this, the Finance Ministry announced forward measures via the pre-budget statement that gives measures to explore new revenue streams, he said.

“This includes introducing the Tax Identification Number (TIN) to ensure that all people who should pay to the government do pay, as well as tighter controls on the licensing and importation of tobacco products and imposition of excise duty on electronic cigarettes or vapes,” he said.

He said the government also has a medium-term revenue strategy to reevaluate strategies based on current needs.

Meanwhile, touching on whether Malaysia had recorded a current account deficit, Mohd Shahar said the country’s legislation does not allow for the government to have such a deficit in any given financial year as a whole.

“Nonetheless, during H1 2021, the financial position showed the government incurred a current deficit based on a mismatch between revenue and expenditure. This is nothing new, as such a mismatch has been recorded since 2016.

“However, revenue is expected to grow significantly in the second half of 2021, whereby the additional revenue collection would be based on companies’ tax filings which were finalised only at the end of June,” he added.

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