

BELANJAWAN MALAYSIA 2020

"Driving Growth And Equitable Outcomes Towards Shared Prosperity"

The Malaysian Government recently revealed their financial plans for 2020 - otherwise known as the Belanjawan 2020. The budget signifies the government's pledge 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".

Belanjawan 2020 anchors on four cores with the first aiming to drive economic growth in the new economy and digital era. The second core focuses on investing in Malaysians with the purpose to develop and level up the nation's human capital. The third core provides specific attention in creating a united, inclusive and equitable society while the fourth core is working towards revitalising the nation's public institutions and finances.

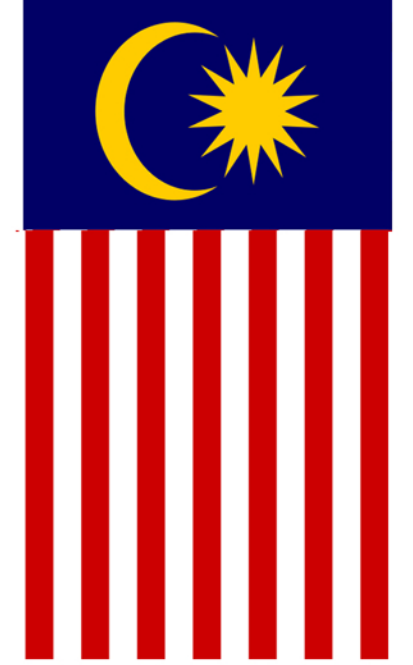
As a result of the budgetary measures the Malaysian economy will remain resilient going forward with GDP expected to grow by 4.7% this year and improving to 4.8% in 2020, while inflation is expected to remain well anchored at 2% in 2020. In the event of continued worse-than-expected external environment,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



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DIGITAL ECONOMY



Digital Companies

The Government will provide a 50% matching grant of up to RM5,000 per company for the subscription of the above services; adopt digitalisation measures for business operations, including electronic Point of Sale systems (e-POS), Enterprise Resource Planning (ERP) and electronic payroll system

RM550mil Smart Automation matching grants to 1,000 manufacturing and 1,000 services companies

RM70mil Allocated to MDEC to set up these centres as an extension of the '100 Go Digital' programme

RM20mil Cradle Fund for the provision of training and grants to seed companies

RM10mil MDEC to train micro-digital entrepreneurs and technologists

RM20mil eSports - an increased allocation from RM10mil **RM450mil** one-time RM30 digital stimulus for e-wallets

Digital Infrastructure

Government will create the necessary infrastructure to construct a Digital Malaysia by implementing the National Fibreisation & Connectivity Plan (NFCCP) over the next 5 years

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.

MCMC will allocate RM250 million to leverage on various technologies, including via satellite broadband connectivity

RM210 million to accelerate the deployment of new digital infrastructure for public buildings particularly schools and also high impact areas such as industrial parks

Digital Applications

The Government will introduce a 5G Ecosystem Development Grant worth RM50 million

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

Allocated RM20 million to Malaysian Digital Economy Corporation (MDEC) to grow local champions in creating digital content, especially in e-Games, animation and digital arts

HEALTHCARE

RM1.6bil Construction of new hospitals and upgrading of hospitals in Klang, Kampar, Labuan and Kota Kinabalu.

RM319mil Construction and upgrade of health and dental clinics.

RM59mil Acquire more ambulances, to ensure a more responsive emergency and trauma services

RM31mil Upgrading and maintenance of ICT services which will include a pilot project for hospital electronic medical records

MySalam was a new social protection scheme introduced by the 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.

AGRICULTURE



RM4.9bil Special focus towards enhancing incomes of farmers

RM855mil Allocation for padi inputs

RM810mil Welfare of FELDA community

RM738mil RISDA and Federal Land Consolidation and Rehabilitation Authority (FELCRA)

RM550mil Palm oil replanting loan fund for smallholders

RM200mil Bantuan Musim Tengkujuh to eligible rubber smallholders

RM150mil For facilitation of crop integration

RM100mil Rubber Production Incentive

RM30mil For the production of glutinous rice in Langkawi Island

RM27mil To support Malaysian Palm Oil Board's (MPOB)

FISHERY

To increase the fishermen allowance from RM200 to RM250 per month, with a total allocation of RM152 million for 2020



HUMAN CAPITAL



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.

MALYSIANS@WORK

Graduates@Work -

For graduates who have been unemployed for more than 12 months.

Graduates to receive a wage incentive of RM500 per month for 2 years.

Employers to receive a hiring incentive up to RM300 per month for each new hire, for 2 years;

Women@Work -

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 2 years.

The current income tax exemption for women who return to work after a career break be extended for another 4 years until 2023;

Locals@Work -

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 2 years, and corresponding hiring incentive for employers up to RM250 per month for 2 years;

Apprentice@Work -

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 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.

TRANSPORT

RM450 million for 500 electric buses nationwide.

Government to proceed with Rapid Transit System (RTS) between Johor Bahru and Singapore.

Government to consider takeover of PLUS Malaysia Bhd which could see a 18% discount on toll rates, saving some RM1.13 billion for users and RM43 billion until the end of concessions in 2038.

Government agrees to take over four Klang Valley tolls: Kesas, LDP, SPRINT and Smart Tunnel. Congestion charges will be introduced and toll rates reduced during off-peak hours.

The takeover of highways will not burden the government as the funding will come from the collection of congestion charges.

Government will standardise toll rates at the first and second Penang bridges, to RM7.

If Sabah and Sarawak state governments wish to participate in targeted fuel subsidies, the federal government will accept their request. As it stands, both states will continue to enjoy ceiling rates of RM2.08 for RON95 and RM2.18 for diesel.

SME

RM1bil Customised packaged investment incentives annually over 5 years, as part of the strategic push to attract targeted Fortune 500 companies and global unicorns

RM445mil provided in terms of access to financing, provision of business premises and entrepreneur training to support Bumiputera entrepreneurial development

RM300mil 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

RM200mil specifically for women entrepreneurs, offering loans of up to RM1 million per SME

RM100mil Small Business Loans (Program Pembiayaan Usahawan Perusahaan Kecil Komuniti Cina) for the Chinese community at an interest rate of 4%

RM20mil TEKUN Nasional's Skim Pembangunan Usahawan Masyarakat India (SPUMI) an interest rate of 4%

TAX

INDIVIDUAL

New band for taxable income in excess of RM2 million to be introduced and taxed at 30%, an increase from the existing 28%



CORPORATE

Chargeable Income up to the first RM500,000 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.

DIGITAL SERVICE TAX

Digital Services Tax will be implemented with effect from 1 January 2020, to include services such as, but not limited to downloaded software, music, video or digital advertising

RPGT



Real Property Gain Tax (RPGT) imposed on disposal of properties after 5 years onwards, the Government will enhance RPGT treatment by revising 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.

Starting January 2021, those over 18 and corporate entities will be assigned a tax identification number (TIN).

TAX INCENTIVES

Income tax exemption up to 10 years to E&E companies investing in selected knowledge-based services.

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

Green Investment Tax Allowance (GITA) and Green Investment Tax Exemptions (GITE) extended to 2023 in line with sustainable development. List of qualifying assets is expanded to wider scope.

Pioneer status of 70% given to solar leasing company for 10 years

Tax deduction on donation for charitable and sports activities and projects of national interest currently capped at 7% from the aggregate income for tax payer who are other than company will be increased to 10%.