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11 OCTOBER 2019**

**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.

## **RAHSIA BESAR**

### **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

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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

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was 4.7%, with a growth rate of 4.9% in the 2<sup>nd</sup> 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

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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:

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**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

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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

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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 5 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 5 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 5 years.

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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 5 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 selected 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:

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**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 be 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) 2019 Global Competitiveness Report ranks Malaysia's sea transport infrastructures is one of the best in the world.

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27. Port Klang is currently the 12<sup>th</sup> 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

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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 the 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 3 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** (NFCCP) over the next 5 years which will provide comprehensive coverage of high speed and quality digital connectivity nationwide including rural areas. The NFCCP will adopt a public private partnership approach involving a

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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.**

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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 5 years, limited to the first 100,000 SMEs applying to upgrade their systems.

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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 3 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 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.

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Tan Sri Speaker Sir,

47. 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 Pinjaman 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:** a RM200 million fund specifically for women entrepreneurs, offering loans of up to RM1 million per SME; and

**Second:** a 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.

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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

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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 SME Corporation (SMEECorp) for capacity building and export focus for Bumiputera SMEs,

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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; and

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

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

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

**Second:** the RM1 billion **Maritime & Logistics Fund**; and

**Third:** the 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

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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.

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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;

**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 3 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.

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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, particular 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 4 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;

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**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;

**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;

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**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,

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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; and

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

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**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

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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 collected 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, approved international sports recreational competitions, and 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 5 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;

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**Fourth:** Accelerated Capital Allowance for expenditure incurred on the purchase of new locally assembled excursion bus to be fully claimed within 2 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 2 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

## **RAHSIA BESAR**

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 SPRM. 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 2 years, while employers receive a **hiring incentive** up to RM300 per month for each new hire, for 2 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**

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**incentive for employers** up to RM300 per month for 2 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 4 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 2 years, and corresponding **hiring incentive for employers up** to RM250 per month for 2 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

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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, and will be 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

## **RAHSIA BESAR**

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;

## **RAHSIA BESAR**

**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

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(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 voluntarily elect to contribute 2% from his 11% EPF employee contribution to his wife's EPF Account.

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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 RM 50 million

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- National-type Tamil Schools RM 50 million
- Boarding Schools RM 50 million
- MARA Junior Science Colleges RM 50 million
- Government Aided Religious Schools RM 50 million
- Missionary Schools RM 50 million
- Tahfiz Schools RM 50 million
- People's Religious Schools & Private Religious Schools RM 25 million
- Registered Religious Pondok Schools RM 25 million
- National-type Secondary Schools RM 20 million
- Independent Chinese Secondary Schools RM 15 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.

## **RAHSIA BESAR**

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 (SSDCs)**. 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

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- 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

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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

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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. The first set of measures under 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.

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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

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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 5 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.

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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.

Tan Sri Speaker Sir,

### ***Subsidies Increased to RM24.2 billion***

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

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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;

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**Fourth:** An allocation of RM20 million for 5 new Independent Learning Centres, Down Syndrome training and a disabled TASKA. In addition, all training and coaching services provided by training service provider to the disabled persons will be exempted from services 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 in 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

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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 tax payer who are 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 administering wakaf;

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**Second:** Cash wakaf contribution to public universities allowed 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

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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.

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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.

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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.

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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 Sungai 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

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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.

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 5 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,

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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 2<sup>nd</sup> 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***

Tan Sri Speaker Sir,

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

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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.

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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 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 2 cars and 2 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 7 years old.

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

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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 4 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 when purchasing RON95 at the petrol station. 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 cost the Government millions of ringgit. The fuel subsidy will kick-in whenever the RON95 market price determined by the Automatic Pricing Mechanism (APM) is above RM2.08 per

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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 8 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 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.

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165. To reduce supply overhang of condominiums and apartments amounting to RM8.3 billion in the second quarter of 2019, the Government will 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 after 5 years onwards, the Government will enhance 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 Public 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

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housing, to ensure lifts, electrical wiring, sanitary pipes and roofing are safe and in good working order.

169. 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

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**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, Pandelega 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.

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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.

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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

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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 of in 2019 and RM2.7 billion in 2020 for 1Malaysia Development Berhad (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

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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 for their complicity in the 1MDB scandal.

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 MRT 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 megaprojects, such as the Light Rapid Transit 3 (LRT3), Mass Rapid Transit (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

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Bonds early next year where the issuance size will be determined after further discussions with the 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

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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 Vietnam, South Korea, Poland and Chile collect 19.0%, 15.4%, 16.8% and 17.4% respectively.

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

194. The SME income tax rate for 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%

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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. We are also pleased to announce that as at end-September 2019, the Government has managed to repay GST refunds amounting to RM15.9 billion have been returned 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 5 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 to be operation in 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, but not limited to downloaded software, music, video or digital advertising. Foreign service providers can commence

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registration with the Royal Malaysian Customs Department (RMCD) as of 1 October 2019.

198. Beginning January 2021, Malaysians above the age of 18 and corporate entities will be assigned a **Tax Identification Number or TIN**. In order to implement this initiative, engagement sessions with all stakeholders will commence next year.

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 8 times a year.

201. The Government will dispose assets which were approved previously via competitive bidding process in order to realise the full

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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

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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 contractor Bumiputera Gred 1 (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 all Ministers and Members of Parliament.

208. The Government will further increase the resources made available to the Malaysian Anti-Corruption Commission (MACC), by adding an additional 100 personnel in 2020 and allocate RM10 million to undertake Risk Assessment Tests at 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

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**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 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 beginning 2020 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

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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 **free personal accident insurance** (up to RM100,000 coverage) for two years to new Government housing loan borrowers.

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. I would like to take this opportunity to personally thank all personnel of **Jabatan Perkhidmatan Bomba dan Penyelamat Malaysia** for answering emergency calls from all over the country

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day and night. In recognition of their service who received the grace of Kebawah Duli Yang Maha Mulia Seri Paduka Yang Di Pertuan Agong, all personnel will receive a special allowance of RM200 a month, amounting to RM35 million. This will benefit 14,400 personnel of the Fire and Rescue Department of Malaysia.

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 Ministers Department to **repair and maintain the public service quarters**. In addition, RM150 million and RM250 million is allocated for the repair and refurbishment 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 tirelessly striving to make Malaysia better. For your effort and dedication, the Government would like to announce a special payment of RM500 for civil servants Grade 56 and below.

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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 an 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.

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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

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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 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.