



MINISTRY OF FINANCE
MALAYSIA

BUDGET

2021

**STAND UNITED,
WE SHALL PREVAIL**

BUDGET 2021 SPEECH



Budget 2021

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Contents

02	INTRODUCTION	
03	2020 ECONOMIC PERFORMANCE AND CHALLENGES	
05	BUDGET 2021 GOALS	
06	FIRST GOAL – RAKYAT’S WELL-BEING	
06	Strategy 1 – COVID-19 Pandemic and Public Health	
10	Strategy 2 – Safeguarding the Welfare of Vulnerable Groups	
16	Strategy 3 – Generating and Retaining Jobs	
21	Strategy 4 – Prioritising the Inclusiveness Agenda	
29	Strategy 5 – Ensuring the Well Being of the Rakyat	
35	SECOND GOAL – BUSINESS CONTINUITY	
35	Strategy 1 – Driving Investments	
41	Strategy 2 – Strengthening Key Sectors	
44	Strategy 3 – Prioritising Automation and Digitalisation	
45	Strategy 4 – Enhancing Access to Financing	
47	THIRD GOAL – ECONOMIC RESILIENCE	
47	Strategy 1 – Expansionary Budget	
50	Strategy 2 – Development Agenda under the 12th Malaysia Plan	
52	Strategy 3 – Enhancing the Role of GLC and Civil Society	
53	Strategy 4 – Ensuring Resource Sustainability	
56	Strategy 5 – Civil Service	
59	CONCLUSION	
61	APPENDICES	

“Budget 2021 is the manifestation of the Caring for the People principle, which has been at the core of the Perikatan Nasional Government. The wellbeing and health of the rakyat is of utmost priority, while business continuity and economic resilience are the foundations to achieve a shared prosperity for all.”



YAB Tan Sri Haji Muhyiddin Bin Haji Mohd. Yassin
Prime Minister of Malaysia

“I believe that Malaysians are a brave and resilient people. When we work together as one, we are able to achieve the extraordinary. Business recovery and a strong economy can be realised. It is on this premise that Budget 2021 presents as its theme, “Stand United, We Shall Prevail”.

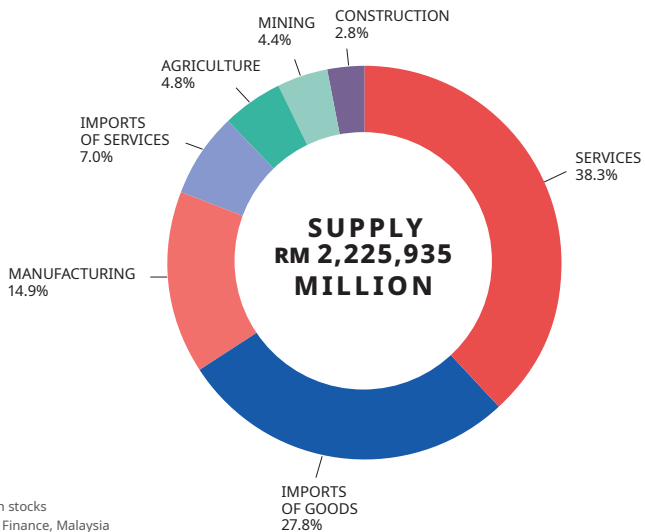
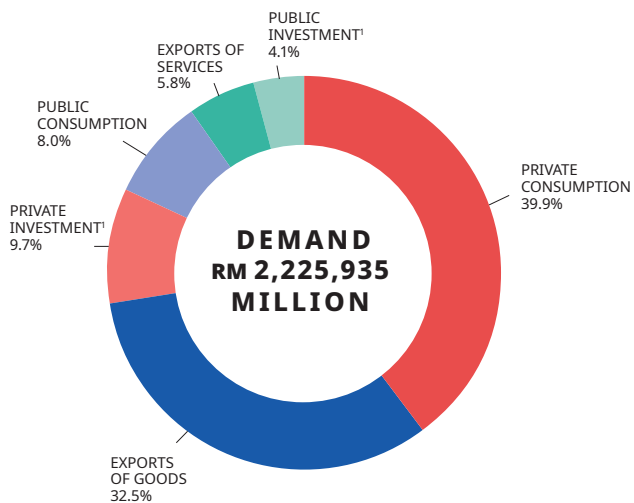


YB Senator Tengku Dato' Sri Zafrul Tengku Abdul Aziz
Minister of Finance Malaysia

THE ECONOMY 2021

in constant 2015 prices

(share to total in %)

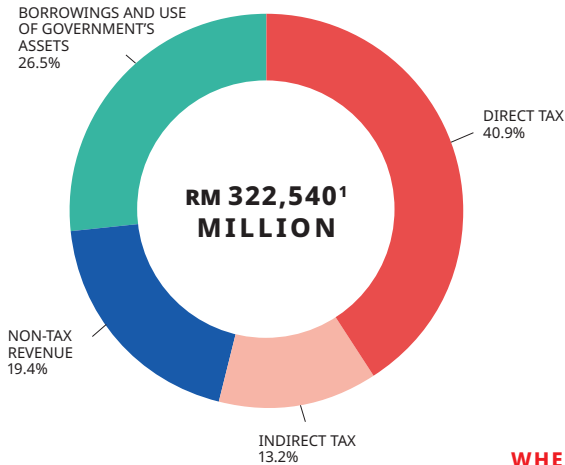


¹Includes change in stocks

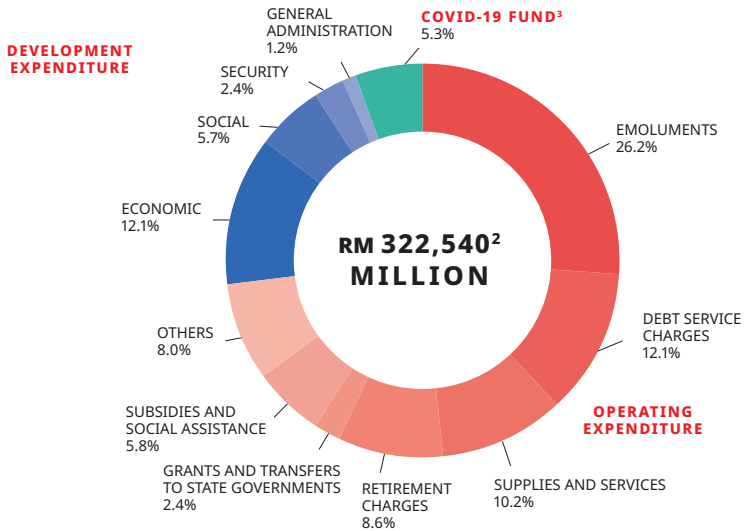
Source: Ministry of Finance, Malaysia

THE 2021 FEDERAL GOVERNMENT BUDGET

WHERE IT COMES FROM



WHERE IT GOES



¹ Consists of revenue and borrowings

² Excludes contingency reserves

³ COVID-19 Fund under the Temporary Measures for Government Financing (Coronavirus Disease 2019 (COVID-19)) Act 2020

Source: Ministry of Finance, Malaysia

2021 Budget Speech

By

YB Senator Tengku Dato' Sri Zafrul Tengku Abdul Aziz
Minister Of Finance

Introducing
The Supply Bill (2021)

In Dewan Rakyat
Friday, 6 November 2020

Theme:
Stand United, We Shall Prevail

Datuk Speaker Sir,

I beg to move the Bill intituled "An Act to apply a sum from the Consolidated Fund for the service of the year 2021 and to appropriate that sum for the service of that year" be read a second time.

Introduction

1. *Bismillahirrahmanirrahim.* In the name of Allah, the Most Gracious, the Most Merciful. Above all, to God we seek help and guidance. And His blessings upon Prophet Muhammad *Sallallahu alaihi Wassalam.* Greetings to the Honourable Speaker, Honourable Members of Parliament, and beloved fellow Malaysians.

2. *Alhamdulillah,* thank you to Allah *Subhanahu Wataala* for giving me this opportunity to **table Budget 2021**, when the country and its people are in much need of help.

3. For those who are viewing in front of your TV, listening through the radio, or browsing from the new media, regardless of where you are tuning in from, today is the day where all the good wishes will be heard, which, God's Willing will bring comfort to all.

Datuk Speaker Sir,

4. Referring to the command of His Majesty, 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, His Majesty has spoken, and imparted advice to serve as guidance for us. His Majesty has reminded all parties to **set aside their differences, and resolutely unite** to battle the COVID-19 pandemic. The Government deeply values the command and the support of His Majesty Yang di-Pertuan Agong that Budget 2021 is critical to safeguard the **well-being of the Rakyat and the nation.**

5. As such, I would like to humbly request the Honourable Members of this House to consider and evaluate Budget 2021 in the **spirit of unity and openness, and with the aspiration for the greater good.**

2020 Economic Performance And Challenges

Datuk Speaker Sir,

6. The year 2020 is a tumultuous period for Malaysia, marked by many challenging circumstances. Never before in modern history has an epidemic wrought such profound changes. The spread of COVID-19 has not only taken people's lives but stifled economies. There are no guidelines nor precedence that can be used as reference because **this is an unprecedented crisis**.
7. The crisis has shocked supply and demand, disrupted supply chains, and exerted great pressure on the business ecosystem. We also have to deal with uncertain external headwinds, falling commodity prices and limited fiscal space.
8. The International Monetary Fund or IMF has projected the global economy to contract by 4.4 percent this year. Global trade, meanwhile, is set to decline by 10.4 percent. Described as the **worst economic crisis since the 1930s' Great Depression**, the COVID-19 pandemic has upended the economies in over 150 countries.
9. From the start, **the Government has made it its utmost priority to protect the Rakyat's lives above all else**. That is why the Government has implemented the Movement Control Order (MCO) even though we know that the action, over the course of nearly 2 months, will impact the Rakyat's economic and social activities. At that time, Bank Negara Malaysia (BNM) estimated that the country will lose between 2.0 to 2.4 billion ringgit daily with the closure of the economy.
10. In balancing our responsibility to protect the lives and livelihood of the Rakyat, the Government has to act quickly. As such, a phased economic recovery plan was introduced, centred on the **6R approach** of Resolve, Resilience, Restart, Recovery, Revitalize and Reform.

11. At the initial *Resolve* stage, **the Government's priority was to flatten the curve of COVID-19**. Meanwhile, during the second stage of *Resilience*, the PRIHATIN and PRIHATIN SME PLUS packages worth 260 billion ringgit were introduced to mitigate the impact of the economic shutdown. We entered the *Restart* phase in May 2020, when economic activities gradually reopened after we had successfully flattened the curve. Subsequently, the country shifted to the *Recovery* phase, when the Government activated the 35 billion-ringgit PENJANA package and 10 billion ringgit KITA PRIHATIN package. The total value of the stimulus packages announced by the Government is 305 billion ringgit or 20.7 percent of the country's Gross Domestic Product (GDP).

12. The **LAKSANA unit** was established to ensure that these stimulus packages are implemented efficiently, with transparency, and driven by data. Based on a survey done by LAKSANA on the effectiveness of PRIHATIN, more than 80 percent of the 11 thousand respondents indicated that they were satisfied with the initiatives. I would like to thank LAKSANA and the more than 53 government agencies who have closely collaborated and shared data to ensure the successful implementation of these stimulus packages.

13. All these implemented initiatives are counter-cyclical measures, aimed to mitigate the impact of COVID-19. *Alhamdulillah*, we are seeing the **country's GDP showing signs of recovery** from negative 28.6 percent in April 2020 to negative 3.2 percent in June. Early GDP estimates for July to September also indicate an encouraging growth trend.

14. In relation to this, taking into consideration the current environment, the country's economic growth was revised for the year 2020 and is expected to contract 4.5 percent. **For 2021**, our economy is expected to recover and **expand at a rate between 6.5 to 7.5 percent**. This is in line with the proactive measures undertaken by the Government through the economic stimulus packages, the Budget 2021 initiatives and supported by the recovery of the global economy, which is forecasted to rebound by 5.2 percent.

15. One irrefutable fact that is worth reminding is, irrespective of the challenges, **we have proved to the world that Malaysia can steer our own economy**, whether in stormy seas or calm waters. Let us turn our experience in facing past economic crises into an anchor that keeps us committed, so that we remain steadfast in our endeavours, reasoned in our actions, and surefooted in mustering our collective efforts.

16. I am deeply touched by the #KitajagaKita spirit among the Malaysians, I recall Encik Rosnizam Ishak, hailing from Bertam, who started marinated lamb business using the Bantuan Prihatin Nasional assistance and created job opportunities for locals. There is also Mr. Pajan Singh s/o Kirpal Singh, who provided free accommodation for frontliners serving in Kuantan during the period of MCO till the CMCO, and Mrs. Michelle Kugan, an entrepreneur who sells crystal and pearl fashion accessories, benefitted from the microcredit loan under TEKUN to sustain her business in Tuaran, Sabah. It is in this spirit and undertaking, that Budget 2021 has been formulated for Malaysians with the theme ***“Stand United, We Shall Prevail”***.

Budget 2021 Goals

Datuk Speaker Sir,

17. In preparing Budget 2021, for **the first time ever, budget consultations** covered all 14 states, and involved more than 38 dialogues covering over 40 businesses and industries. The Ministry of Finance had engagement sessions with leaders of all Federal ministries and State governments, various captains of industry, academicians, non-governmental organisations, political party leaders, and most importantly, Malaysians across the full spectrum, from youth, women, parents to senior citizens. I would like to **express my heartfelt appreciation to all parties** who have contributed their time to share their ideas and suggestions.

18. In relation to this, as the anchor of the fifth 6R strategy of *Revitalize*, Budget 2021 was formulated based on **Three Integral Goals**:

First : Rakyat's Well-being;

Second : Business Continuity; and

Third : Economic Resilience.

19. The three goals are a continuity of the **PRIHATIN, PRIHATIN SME PLUS, PENJANA and KITA PRIHATIN stimulus packages**. Besides a more targeted approach, the Government will strike a balance between the Government's financial sustainability, reduce the urban and rural development gap and uphold the values to shape the economy that we aspire for through this Budget 2021.

First Goal: Rakyat's Well-Being

Datuk Speaker Sir,

20. The first goal of **Rakyat's Well-Being** will be manifested holistically, anchored on the fundamental understanding of the people's problems and worries. Their well-being remains our most important concern. *Seikat bak sirih, serumpun bak serai.*

Strategy 1: COVID-19 Pandemic and Public Health

21. Our first strategy is to **overcome the COVID-19 pandemic and protect public health**. Last August, Members of this August House have wholeheartedly approved two very important Acts to address the COVID-19 pandemic.

22. The first is the *Temporary Measures to Reduce the Impact of Coronavirus 2019 (COVID-19) 2020 Act*. This Act provides exemption or relief to individuals who are unable to fulfill their contractual obligations such as rent payments due to the spread of the epidemic. A COVID-19 Mediation Center was

also established to assist the B40 and M40 groups as well as micro industries resolve disputes related to their contractual obligations.

23. The second, the *Temporary Measures for Government Financing (Coronavirus Disease 2019) Act* allows the **Government's statutory debt level to be temporarily raised up to 60 percent** of GDP, from 55 percent. Under this Act, Parliament has approved an allocation ceiling of 45 billion ringgit for the COVID-19 Fund.

24. During the tabling of this Act, there were Members of Parliament who called for a higher expenditure ceiling for the COVID-19 Fund. Taking into account the current epidemic wave and requirements needed until 2022, the Government proposes to submit amendments to the Schedule of the Act to this esteemed House to **raise the ceiling of the COVID-19 Fund, by 20 billion ringgit, to 65 billion ringgit**. The main purpose is to fund the KITA PRIHATIN package, additional assistance for the people's well-being, needs of our frontliners' and expected procurement of vaccine. I hope the Members of this August House will collectively approve this proposal.

Datuk Speaker Sir,

25. This year, the Government has allocated 1.8 billion ringgit for the implementation of the movement control and public health service needs related to COVID-19 including purchase of Personal Protective Equipment (PPE), reagent and consumables.

26. Next year, an additional **1 billion ringgit will be allocated to stem the third wave of COVID-19**. This allocation will, among others, cover:

First : 475 million ringgit for the purchase of reagent, test kits, and consumables for Ministry of Health's (MOH) usage;

Second : 318 million ringgit to provide PPE and hand sanitisers to MOH frontliners;

Third : 150 million ringgit to the National Disaster Management Agency to coordinate efforts to fight COVID-19;

Fourth : 50 million ringgit for the purchase of equipment, laboratory test supplies and medicine for university teaching hospitals; and

Fifth : Procure equipment required to resume dental services, virtual clinical services and preparation of preliminary zone facilities and thermometers at health facilities to meet the Standard Operating Procedures (SOP).

27. The Government values the toil and sacrifices of the frontliners in managing this COVID-19 pandemic. Since March this year, the Government has accorded them with a COVID-19 Special Allowance of 600 ringgit per month, and this will be continued until this pandemic is successfully addressed. In addition, the Government has agreed to provide a **one-off payment of 500 ringgit** in appreciation of the contribution by the MOH frontliners, which is expected to benefit 100 thousand medical staff.

Datuk Speaker Sir,

28. The war is not over until and unless an affordable and accessible vaccine is available. The **Government is committed to acquire COVID-19 vaccine supplies**, including through participation in the COVID-19 Vaccine Global Access (COVAX) programme. These COVID-19 vaccine supplies are expected to cost more than 3 billion ringgit to meet the needs of Malaysians.

29. In addition, to encourage the Rakyat to seek vaccination as a preventive measure against diseases, the Government has agreed to expand the **scope of the tax relief for medical treatment expenses covering vaccination expenses** such as pneumococcal, influenza and COVID-19. This tax relief, given on vaccination expenses is for the taxpayer, spouse and child limited up to 1,000 ringgit.

30. The Government will also **increase the tax relief limit on medical expenses for self, spouse and child** for serious diseases from 6,000 ringgit to 8,000 ringgit and tax relief limit for expenses on full medical check-up from 500 ringgit to 1,000 ringgit.

31. In addition, the **limit of tax relief on expenses for medical treatment, special needs and parental care is also increased** from 5,000 ringgit to 8,000 ringgit.

32. During this pandemic, the Government has received feedback that mental health problems is one of the serious issues faced by the community. The MOH's Psychosocial Helpline has received more than 35 thousand phone calls since March until October 2020 on, among others, problems related to emotional stress, anxiety and depression. As such, an allocation of 24 million ringgit will be provided to address this issue, including strengthening the **Mental Health, Violence and Injury Prevention and Substance Abuse Programmes**.

Datuk Speaker Sir,

33. Up till 31 October 2020, mySalam has paid claims relating to hospitalisation and critical illnesses worth 64 million ringgit to 56 thousand patients. At the same time, 19 thousand individuals have received claims of 11 million ringgit relating to COVID-19. To enhance this programme, the Government will **broaden the mySalam's coverage** to medical devices such as heart stent or prosthesis.

34. In addition to health protection, the Government plans to expand the social protection for the B40 group through the **Perlindungan Tenang Voucher Programme**. Under this programme, all B40 aid recipients will be given a 50 ringgit voucher as financial aid to purchase Perlindungan Tenang products such as life *takaful* and personal accident. At the same time, the Government will also extend the stamp duty exemption period on all Perlindungan Tenang products with an annual premium or contribution value not exceeding 100 ringgit for another 5 years until year of assessment 2025.

Datuk Speaker Sir,

35. Attention will also be given to other public health segments. The Government will continue the **pneumococcal vaccine programme** for children with an allocation of 90 million ringgit that is expected to benefit 500 thousand children annually. In addition, 6 million ringgit will be allocated for the **procurement of biologic medicine for various rheumatology illnesses such as Rheumatoid Arthritis.**

36. The Government has also allocated 25 million ringgit for home-based **Peritoneal Dialysis treatment programme** to enhance the quality of life for kidney patients as well as reduce the waiting time and overcrowding at hospitals.

Strategy 2: Safeguarding the Welfare of Vulnerable Groups

Datuk Speaker sir,

37. **The second strategy focuses on safeguarding the welfare of vulnerable groups.** Based on the Household Income and Basic Amenities Survey 2019 by the Department of Statistics Malaysia, the national Poverty Line Income (PLI) has increased to 2,208 ringgit per month for each household. This means, more than 400 thousand households earning less than the PLI now fall under the poor category.

Measure 1: Improving Financial Assistance

38. In relation to this, to enhance the welfare of vulnerable groups, the Government has agreed to **increase the monthly rate of financial assistance** as follows:

First : The rate for Financial Assistance for Person With Disabilities (OKU) who are Incapable of Work is increased from 250 to 300 ringgit;

Second : The rate for Financial Assistance for Older Persons, Carers of Bed-ridden Disabled Person (OKU) and Chronically Ill Patient is increased from 350 to 500 ringgit;

Third : The rate for Incentive Allowance for Disabled Workers is increased from 400 to 450 ringgit; and

Fourth : The rate for Financial Assistance for Children is increased from 100 ringgit per child with a maximum of 450 ringgit per family, to 150 ringgit per child aged 7 years to 18 years, or 200 ringgit per child aged 6 years and below with a maximum of 1,000 ringgit per family. It is hoped this increase will help with childcare and nutritious food.

For example, if Puan Safiah has 3 children, with 2 of them below the age of 6 years, and a disabled husband who works, her family will receive monthly assistance of 1,000 ringgit per month.

39. The rate increase involves an allocation of 2.2 billion ringgit, i.e. **an additional 700 million ringgit and will benefit more than 400 thousand beneficiaries.**

Datuk Speaker Sir,

40. Bantuan Prihatin Nasional (BPN) was introduced to alleviate the cash flow burden of the rakyat affected by COVID-19. For the year 2020, the BPN and Bantuan Sara Hidup (BSH) have paid out 21 billion ringgit to 10.6 million beneficiaries. In January 2021, a BPN 2.0 payment of 2.2 billion ringgit will be paid out.

41. Under Budget 2021, the Government will continue to implement and improve the cash assistance in a more targeted manner. For the year 2021, the Government will replace the BSH with the **Bantuan Prihatin Rakyat (BPR)**, with higher rates of assistance and income category as follows:

First : Families with monthly household income of less than 2,500 ringgit and has up to 1 child will receive assistance of 1,200 ringgit, while households with 2 or more children will receive assistance of 1,800 ringgit;

Second : Families with monthly household income between 2,501 ringgit to 4,000 ringgit and has up to 1 child, will receive BPR assistance of 800 ringgit, while households with 2 or more children will receive assistance of 1,200 ringgit;

Third : The Government will also assist families with monthly household income between 4,001 ringgit to 5,000 ringgit. This category will receive 500 ringgit for those with up to 1 child, and assistance of 750 ringgit for households with 2 or more children; and

Fourth : Single individuals earning 2,500 ringgit and below will receive assistance of 350 ringgit. Not only that, the age limit eligibility for this group has been lowered to 21 years, compared to the condition before this of 40 years.

Overall, the BPR cash assistance is expected to benefit 8.1 million individuals with an allocation of 6.5 billion ringgit, compared to 4.3 million beneficiaries with an allocation of 5 billion ringgit prior to this under the BSH.

42. Additionally, the Government will allocate **1.5 billion ringgit** to implement the **Jaringan Prihatin Programme** to alleviate the financial burden of the B40 group in accessing internet services. During the first quarter of 2021, an estimated 8 million individuals in the B40 category will each be eligible to receive a telecommunication credit worth 180 ringgit. This credit can be used for internet subscription, or defray part of the cost to buy new mobile phones. At the same time, telecommunication companies will match by providing benefits valued at 1.5 billion ringgit such as free data.

Measure 2: Alleviating the Rakyat's Cost of Living

Datuk Speaker Sir,

43. The Government is pleased to announce **various key initiatives** to alleviate the financial burden of the rakyat during this health crisis.

44. The first initiative is the **income tax reduction** for resident individuals which will be reduced by 1 percentage point for the chargeable income band of 50,001 to 70,000 ringgit. This is estimated to benefit 1.4 million taxpayers.

45. The government is cognisant of the difficulties faced by the rakyat especially those with loans and affected by COVID-19. Since April till September 2020, Malaysia was the first country in the world to provide loan moratoriums automatically to aid borrowers. With the transition to the **Targeted Loan Repayment Assistance (TRA)** beginning 1 October 2020, banks have continued to offer extended moratorium and other forms of repayment assistance. To date, more than 650 thousand applications for repayment assistance have been received with a high approval rate of 98 percent. Assistance in the form of extending the moratorium or flexibility in repayments has been provided to those who have lost their jobs in addition to individuals and SMEs whose incomes have been severely affected by the COVID-19 pandemic. At the same time, banks have reported that 85 percent of borrowers have resumed repayment of their loans without seeking assistance since the end of the automatic moratorium period.

46. As the second initiative, I am pleased to announce that banks will **enhance the TRA to B40 borrowers** who are BSH recipients or BPR, and to micro enterprises with loans of up to 150 thousand ringgit. Borrowers in this category will be given the following options:

Option 1 : A moratorium on their instalments for a period of 3 months; or

Option 2 : Reduce their monthly repayment by 50 percent for a period of 6 months.

Eligible borrowers will only need to contact their banks to choose the options and complete the documentation.

- 47.** For the M40 borrowers, the application process for the repayment assistance will be simplified. Borrowers would only need to make a self-declaration of the reduction in income in order to secure the repayment assistance. The facility for the B40 and M40 will commence in December 2020.
- 48.** As a caring Government, prior to making a decision, we must be careful to balance the immediate short-term needs of the rakyat against their future welfare.
- 49.** As the third initiative, the **minimum employee EPF contribution rate is reduced from 11 to 9 percent** beginning January 2021 for a period of 12 months to increase take-home pay. This will benefit EPF contributors with a potential cash flow of up to 9.3 billion ringgit.
- 50.** EPF had introduced in April 2020 the i-Lestari withdrawal facility which allowed members to withdraw 500 ringgit a month for 12 months with a total of up to 6,000 ringgit. This facility has benefitted 4.7 million members with a total value of 11.6 billion ringgit.
- 51.** As the fourth initiative, which I understand is much awaited, the Government is pleased to announce **the facility to withdraw EPF savings from Account 1 on a targeted basis. The amount allowed will be 500 ringgit a month with a total of up to 6,000 ringgit over 12 months.** This withdrawal will assist members who have lost their jobs and is expected to lighten the financial burden of approximately 600 thousand affected contributors. Taking into account both i-Lestari and this Account 1 withdrawal facility, the total allowed withdrawal will be up to 12 thousand ringgit. It is projected that total withdrawals from Account 1 will involve 4 billion ringgit. Eligible contributors can apply beginning January 2021.
- 52.** The fifth initiative is the **Enhancement of the Employment Insurance Scheme.** The Job Search Allowance for those covered under the SOCSO's Employment Insurance System is currently for 6 months starting at a rate of 80 percent of the employee's monthly salary and gradually decreases to the rate of

30 percent of the employee's monthly salary. **For the year 2021, the Job Search Allowance will be extended by 3 months** and the rate will be 80 percent in the first month, 50 percent for the second till the 6 month and subsequently 30 percent for the last 3 months. For this purpose, an allocation of 150 million ringgit will be provided and is expected to benefit up to 130 thousand job seekers.

53. Lastly, to assist taxpayers who have lost their jobs due to the current economic condition arising from the COVID-19 pandemic, it is proposed that for years of assessment 2020 and 2021, the income tax exemption limit for compensation for loss of employment be **increased from 10 thousand to 20 thousand ringgit** for each full year of service.

Datuk Speaker Sir,

54. For the year 2021, the Government will allocate nearly 28 billion ringgit specifically for subsidies, aids and incentives. Among others, these include aid for the community in the form of transportation and welfare, and subsidies to control the price increase of goods and services.

55. The Government will increase the allocation from 150 million to 200 million ringgit for the **Basic Goods, LPG and Community Drumming Programme** which will enable the programme to be broadened to cover 34 new areas such as Pulau Sakar in Sabah and Ulu Mujok in Sarawak. Through this initiative, more than 1.1 million rakyat will have access to basic goods such as rice, sugar, flour, cooking oil, LPG gas, RON95 petrol and diesel at regulated prices.

Measure 3: Assistance to Farmers and Fishermen

56. To assist rubber smallholders during the low rubber prices condition, the allocation for the **Rubber Production Incentive will be doubled** from 150 million to 300 million ringgit. This increase will help stabilise the income of 150 thousand rubber smallholders.

57. In addition, an allocation of 1.7 billion ringgit will be provided in the form of **subsidy, aid and incentive to farmers and fishermen**. This includes paddy price subsidy of 570 million ringgit, subsidy and incentive for paddy crop of 960 million ringgit, including subsidy for Padi Bukit fertilizers of 40 million ringgit. These assistances will benefit more than 300 thousand paddy farmers nationwide including Padi Bukit farmers in Nabawan, Sabah and Kanowit, Sarawak.

58. In line with the announcement by YAB Prime Minister, **allowance for fishermen will be increased from 250 to 300 ringgit per month** commencing in the year 2021. More than 40 thousand fishermen will benefit from this assistance involving an allocation of 151 million ringgit.

59. To assist FELDA settlers, the Government will allocate 400 million ringgit to **write-off the interest on the settlers' debt** as well as development programmes for settlers to generate additional income.

Strategy 3: Generating and Retaining Jobs

Datuk Speaker Sir,

60. The third strategy is to generate and retain jobs.

The average unemployment rate over the last ten years was 3.2 percent or around 500 thousand unemployed. As a result of COVID-19, this has increased to 5.3 percent or 820 thousand unemployed in the month of May 2020, which is the highest since 1989. As a result of the implementation of the PRIHATIN and PENJANA initiatives, the unemployment rate has reduced to 4.7 percent in August 2020.

61. Next year, the Government will implement the **Skim Jaminan Penajaan Pekerjaan (JanaKerja)** which will provide 500 thousand new job opportunities including skills development and retraining programmes worth 3.7 billion ringgit.

Measure 1: PenjanaKerjaya Incentive (Hiring Incentive)

62. The Government will also continue the hiring incentive programme under PERKESO, which is now known as **PenjanaKerjaya** with several enhancements as below:

First : Incentive for employees earning 1,500 ringgit and above will be enhanced from a flat rate of 800 ringgit per month to 40 percent of monthly income, subject to a maximum incentive of 4,000 ringgit;

Second : To encourage employment for the disabled, long-term unemployed and retrenched workers, employers will be given an additional incentive equivalent to 20 percent of the employee's monthly income making the total incentive to employers' amount to 60 percent;

Third : For sectors with a high reliance on foreign workers such as construction and plantations, a special incentive of 60 percent of monthly wages will be provided whereby 40 percent will be channelled to the employer while 20 percent will be channelled as a wage top up to the local worker replacing the foreign worker;

The above three incentives will be given for a period of six months; and

Fourth : For those employed under the PenjanaKerjaya, the maximum training rate which can be claimed by employers will be increased from 4,000 to 7,000 ringgit to enable workers to take up high skilled training and professional certifications.

63. To ensure the success of these 4 PenjanaKerjaya initiatives, a total of 2 billion ringgit will be allocated, which is expected to increase the employment opportunities for 250 thousand job-seekers.

64. I would like to take this opportunity to announce **the formation of a National Jobs Council** which will be chaired by YAB Prime Minister. This council will coordinate various

initiatives cutting across ministries and agencies which create job opportunities, skills enhancement and training for employees. The LAKSANA unit will be responsible to monitor the effectiveness of all these initiatives to ensure the rakyat continues to receive employment opportunities.

Measure 2: Reskilling and Upskilling

Datuk Speaker Sir,

65. In addition, **reskilling and upskilling programmes** will continue to be implemented. For the year 2021, a total of 1 billion ringgit will be allocated benefitting 200 thousand trainees as follows:

First : 150 million ringgit will be allocated for the Ministry of Higher Education professional certification (KPT-PACE) whereby fresh graduates will each be eligible for a voucher worth 3,000 ringgit to pursue a professional certification course at public or private universities. It is expected that 50 thousand graduates will benefit from this programme;

Second : 100 million ringgit to the Human Resources Development Fund (HRDF) to implement trainings in collaboration with private-sector employers;

Third : 100 million ringgit to MDEC to transition existing workforce to fill the growing needs in the ICT industry;

Fourth : 100 million ringgit to regional corridor authorities, mainly IRDA and SEDIA to provide new skills training to workers badly affected by the closure of borders to foreign tourists, in order to assist them in securing new employment or source of income; and

Fifth : 30 million ringgit to PERHEBAT for entrepreneurship training programmes that will benefit 12 thousand veterans of the Malaysian Armed Forces.

66. To encourage Malaysians to upskill and venture into a new area of employment, **the scope of relief for tuition fee be expanded to cover expenditures incurred for attending upskilling** courses provided by certified bodies limited to 1,000 ringgit for each year of assessment.

Measure 3: MySTEP

Datuk Speaker Sir,

67. The Government will introduce MySTEP or **Short-term Employment Programme** with an allocation of more than 700 million ringgit. This initiative will offer 50 thousand job opportunities on a contract basis in the public sector and Government Linked Companies (GLC) starting January 2021.

68. Under this initiative, 35 thousand job opportunities will be offered in the public sector with priority to fill up positions such as nurses, medical attendants, social welfare officers and temporary teachers. Meanwhile, GLCs will offer 15 thousand job opportunities that prioritise technical and financial fields as well as extending this opportunities for new graduates to participate in apprenticeship programmes.

Measure 4: Targeted Wage Subsidy

69. Through the stimulus packages, the wage subsidy was provided for up to 9 months with an allocation of more than 15 billion ringgit. As at 31 October 2020, the Government has channelled 12.5 billion ringgit to fund SOCSO Wage Subsidy Programme which has helped 2.7 million workers and more than 330 thousand employers.

70. However, many employees are still affected especially in the tourism sector. Therefore, the Government will **extend the implementation of the Wage Subsidy Program for another three months with a more targeted approach**, specifically for the tourism sector, which includes the retail sector at a rate of 600 ringgit per month for workers earning 4,000 ringgit and

below. In addition, the limit of 200 employees per application will be increased to 500 employees. A total of 1.5 billion ringgit is allocated for this purpose and is expected to help about 70 thousand employers and 900 thousand employees.

Measure 5: Social Protection

Datuk Speaker Sir,

71. Insurance has a low penetration rate in Malaysia and it is among factors that undermine financial security for individuals and families. Hence, EPF will allow members to withdraw from EPF Account 2 to purchase insurance and takaful products which are approved by EPF relating to life and critical illnesses coverage for themselves and their family.

72. To further encourage old-age savings through Private Retirement Scheme (PRS), **individual income tax relief of up to 3,000 ringgit on the PRS contributions will be extended** until the year of assessment 2025.

73. Subsequently, the Government provided 24 million ringgit for full contributions under the SOCSO Employment Injury Scheme benefitting 100 thousand employees from the following groups:

First : Members of the Malaysian Armed Forces Volunteers, Police Reserve Volunteers, Malaysian Civil Defense Volunteers and Malaysian Maritime Volunteers;

Second : Guru Takmir, Imam, Bilal, Tok Siak, Noja and Marbut;

Third : Contract for Service public sector workers; and

Fourth : To appreciate the contribution of delivery riders who were in the frontline during the movement control period, this initiative is also extended to 40 thousand delivery riders.

Strategy 4: Prioritising the Inclusiveness Agenda

Datuk Speaker Sir,

74. Strategy four is to prioritise the inclusiveness agenda.

In light with the Shared Prosperity Vision 2030, the inclusiveness agenda will be a priority towards a more holistic development.

Measure 1: Empowering the Bumiputera

75. The Government will continue to pursue efforts to support the Bumiputera development agenda in order to reduce the disparity between races. For the year 2021, a total of 11.1 billion ringgit will be provided, an additional 3.1 billion ringgit compared to the year before this.

76. Among others, a total of **6.5 billion ringgit will be allocated to provide access to quality education** to Bumiputera institutions such as Majlis Amanah Rakyat (MARA) and Universiti Teknologi MARA (UiTM) to offer specific programmes such as digitalization of TVET learning methods, and upgrading from certificate level programmes to diploma.

77. Meanwhile, to boost and **empower Bumiputera entrepreneurs, a total of 4.6 billion ringgit will be provided** for the following purposes:

First : 510 million ringgit for the purpose of financing Bumiputera SMEs and micro SMEs through TEKUN and PUNB;

Second : 800 million ringgit for capacity building programmes by Bank Pembangunan Malaysia and SME Bank;

Third : 2 billion ringgit allocated to assist the financing of Bumiputera SMEs through Syarikat Jaminan Pembiayaan Perniagaan (SJPP); and

Fourth : 1.3 billion ringgit for various capacity building programmes, including professional development, Dana Kemakmuran Bumiputera as well as specific programmes or projects specifically for Bumiputeras.

78. Pelaburan Hartanah Berhad or PHB has successfully developed a private hospital worth 300 million ringgit on a Malay reserve land in Sungai Penchala. As such, the Government intends to **optimize the value of Malay reserve land in strategic locations**. For this purpose, a total of 750 million ringgit will be provided to PHB under the Twelfth Malaysia Plan (RMKe-12) to increase the value of Bumiputera holdings in real estate especially for commercial developments on Malay reserve land.

Measure 2: Upholding Islam Tenets

Datuk Speaker Sir,

79. Development of Islam will continue to be strengthened. 2021 Budget will allocate 1.4 billion ringgit for Islamic affairs and development under the Prime Minister's Department.

80. The Government will also **enhance the management of endowment (wakaf)** through collaboration between Yayasan Waqaf Malaysia with Federal Government agencies, GLCs and Government Linked Investment Companies (GLIC). A National Wakaf Masterplan will be created to ensure a more efficient endowment management to maximise the mobilization of future endowment assets.

81. In addition, Permodalan Nasional Berhad (PNB) through Amanah Saham Nasional Berhad or ASNB will **introduce wakaf services to all ASNB unit trust holders**. Under this service, unit holders can endow some of their units into ASNB wakaf fund and be eligible for an income tax deduction. Returns from the wakaf fund will be channelled to the wakaf projects of national interest that will be identified by PNB.

82. In appreciation of the contribution of 4,000 Guru Takmir who galvanise the community at the *kariah* level, the Government has agreed to increase the allowance rate of Guru Takmir from 800 to 900 ringgit per month.

83. In addition, I'm pleased to announce a one-off special payment of 500 ringgit to the Imam, Bilal, Tok Siak, Noja, Marbut, Guru Takmir and Guru Kafa. This special assistance is expected to benefit almost 70 thousand people.

Measure 3: Enhancing the Role of Women

Datuk Speaker Sir,

84. The Government values the contribution of women to nation building. To empower women entrepreneurs, **95 million ringgit will be provided for special micro credit financing** through TEKUN, MARA and Agrobank. In addition, 50 million ringgit will be provided to the Islamic Economic Development Foundation (YaPEIM) to support Islamic pawnbroking through Ar-Rahnu BizNita.

85. Training programmes especially in the aspect of marketing, labelling and packaging in addition to business technical guidance will be given to more than 2,000 women entrepreneurs under the **Micro Entrepreneurs Business Development Programmes, BizMe**. The Government will provide specific programme for Bumiputera women's contractor to enhance their involvement in government contract.

86. The Government recognises the importance of addressing the issue of domestic violence. To this end, the Government will provide 21 million ringgit **to establish a One-Stop Social Support Centre**. This centre in collaboration with NGOs will provide social protection and moral support to women facing domestic problems, divorce and abuse.

87. I understand that many frontliners face difficulties in securing childcare services. In this respect, in order to enhance the support system for frontliners and working women, 30 million ringgit will be provided for the establishment of

childcare centres or TASKA in Government buildings, especially in hospitals. At the same time, for the private sector a matching grant of up to 20 million ringgit will be provided to encourage the private sector employers to provide childcare centres for their employees.

88. In addition, 10 million ringgit will be provided for cervical cancer screening and subsidy incentives for mammograms to women who are of high risk of breast cancer.

Measure 4: Community-based Initiatives

Datuk Speaker Sir,

89. The Government will also focus on community development programmes covering all levels of society. **For the Chinese community, a total of 177 million ringgit** will be provided for programmes to improve educational facilities, housing and the development of kampung baru, as well as financing facilities through Bank Simpanan Nasional (BSN). **For the Indian community, a total of 100 million ringgit is allocated** to the Malaysian Indian Transformation Unit (MITRA) to elevate the socio-economy status of the Indian community.

90. In addition, TEKUN will provide 20 million ringgit specifically for the Skim Pembangunan Usahawan Masyarakat India, SPUMI and 5 million ringgit for entrepreneurship development for other minority communities.

91. To promote the culture of volunteerism at the community level, the Government will **increase the grants to Rukun Tetangga Areas** from 4,800 ringgit to 6,000 ringgit each, with an allocation of almost 50 million ringgit. These grants will benefit more than 8,000 Rukun Tetangga Areas.

92. The Government will also allocate 50 million ringgit for **repairs, maintenance and small development projects for places of worship** in areas under the Local Authority. This allocation also includes the implementation of unity programmes in collaboration with the management of the places of worship and the local community.

Datuk Speaker Sir,

93. For 2021, the Malaysian Prisons Department will be allocated 20 million ringgit to implement Human Development Program among others to provide skills training to prisoners. Through this programme, inmates have produced various products under the MyPRIDE brand. The songket I'm wearing today is a Royal Pahang "tenun" woven by the inmates of the Penor Prison in Pahang.

94. To encourage employers to provide employment opportunities for ex-convicts and former drug addicts and integrate them into the society, further tax deduction on remuneration given to employers who employ ex-convicts, parolees, supervised persons and ex-drug dependants is extended until year of assessment 2025.

Datuk Speaker Sir,

95. The Malaysian Government is cognisant of the plight of the artists including the production crew who are also impacted by this COVID-19 pandemic. In this regard, a total of 15 million ringgit will be allocated to the Cultural Arts Economic Development Agency or CENDANA to implement various arts and culture programs that will benefit more than 5,000 artists and the production crew.

96. The Government will continue its emphasis into the **well-being of the Orang Asli community**. An allocation of 158 million ringgit will be provided. This allocation include the implementation of social assistance programmes and the Integrated Development Programme for Orang Asli Villages. The Government will also upgrade and construct 14 new kindergartens at Pos Slim Sungai Kinta, Perak and Pos Sungai Kelai Jempol, Negeri Sembilan.

97. The Government is very concerned about the issue of land boundary delineation and land gazettement which has long been voiced by the Orang Asli community. The Government is pleased **to provide 5 million ringgit to carry out land survey**

work for demarcation of borders in 21 Orang Asli villages. In addition, a total of 41 million ringgit is allocated for the Native Customary Rights programme in Sabah and Sarawak.

Datuk Speaker Sir,

98. The Government will continue to look after the welfare of the elderly and the disabled through the **Home Help Services Programme**. In relation to this, the honorarium value for volunteers under this programme will be increased from 150 ringgit to a maximum of 400 ringgit. Meanwhile, the assistance value to the vulnerable group of the programme will also be increased from 30 to 80 ringgit. The increase is expected to benefit more than 2,000 volunteers and more than 8,000 senior citizens and the disabled.

99. Further, to assist individual taxpayers with disabled spouse, additional tax relief limit for disabled spouse will be increased from 3,500 to 5,000 ringgit.

100. Currently, the monthly payment rate received by supervisors and officers under the Community Rehabilitation Organization or PDK has not been reviewed since 2008. Therefore, reflecting the Government's concern, for next year, the staff rate will be increased from 800 to 1,200 ringgit per month, while the rate of supervisors will be increased from 1,200 to 1,500 ringgit per month. This increase will benefit 3,500 PDK staff and supervisors nationwide, with an allocation of 100 million ringgit.

101. In addition, the Government will also increase the annual financial aid to operate the **Senior Citizens Activity Centre** (PAWE) managed by NGOs from 33 to 50 thousand ringgit. This increase is expected to benefit 150 PAWEs nationwide in the future.

102. To encourage employment opportunities for senior citizens, further tax deduction on remuneration given to employers who employ senior citizens is extended until year of assessment 2025.

103. The government will also allocate 170 million ringgit for **early childhood education programmes** by the Community Development Department or KEMAS. This allocation among others is to fund Supplementary Food Assistance, Per Capita Assistance as well as maintenance and repair for both TABIKA and TASKA.

104. To alleviate the cost of living for the urban B40 groups especially working parents, the Government will establish **Community Centers as transit centres for children to attend after school**. With an allocation of 20 million ringgit, the Community Centre in collaboration with NGOs will be equipped with self-care facilities, tuition classes, mini libraries and mentor guidance programmes.

Measure 5: Enhancing Rural Infrastructure

Datuk Speaker Sir,

105. The Government will continue to focus on reducing the urban and rural development gap. For this purpose, 2.7 billion ringgit will be channelled to implement various rural **infrastructure improvement** programmes and projects as follows:

First : 1.3 billion ringgit to implement rural and inter-village road projects spanning 920 kilometres that benefits more than 290 thousand people;

Second : 632 million ringgit allocated for rural and alternative water supply with a target of 4,800 houses;

Third : 250 million ringgit provided for rural electricity supply with a target of 1,100 houses;

Fourth : 355 million ringgit for the Home Assistance Programme to the poor which is building new houses and repairing homes with a target of 15 thousand houses; and

Fifth : 121 million ringgit to install 27 thousand units of lamps as well as to cover operational and maintenance costs of 500 thousand units of street lights in villages.

106. In addition, the Government will broaden **mobile banking services** in Sabah and Sarawak, modelling after the initiative by the Sarawak State Government. This measure can help communities that have difficulties to access basic banking services such as fund transfer, bill payments and facilities to withdraw Government financial assistances such as BPR.

107. The Government is committed to ensuring that road facilities in all states are optimally maintained. Accordingly, **the eligibility limit for the use of funds under the Malaysian Road Records Information System or MARRIS** has been increased to 20 per cent or 50 million ringgit, whichever is lower to finance road maintenance work that is beyond the usual scope of MARRIS.

Measure 6: Youth and Sports Development

Datuk Speaker Sir,

108. Youth are the catalyst for the future of the country. To provide employment exposure to youths, the Government will **provide an incentive of 1,000 ringgit per month for up to 3 months to private employers** for each new graduate who participates in the apprenticeship program. In addition, **employers can also claim a grant of up to 4,000 ringgit for training programs for the apprentices.** The programme is expected to benefit up to 50 thousand new graduates with an allocation of 250 million ringgit.

109. Youths play an important role as pioneers and consumers in adopting the latest technology. Towards embracing a cashless society, the Government will credit a one-off 50 ringgit into e-wallet accounts for those aged 18 to 20 years via the **eBelia Programme**. With an allocation of 75 million ringgit, this initiative is expected to benefit more than 1.5 million youths.

110. The Government will allocate 19 million ringgit to implement the **Malaysia National Healthy Agenda** aimed at strengthening healthy lifestyle to reduce the risk of diabetes, hypertension and obesity. A total of 28 million ringgit is also provided to implement the MyFit Programme, National Sports Day and Inspire Programme for the disabled community.

111. The Government will also provide **103 million ringgit to build, upgrade and maintain sports facilities** nationwide. For the development of high-performance sports, the Government will provide 55 million ringgit for the development of hockey, rugby, badminton, cycling, development of women athletes, including 15 million ringgit allocation to e-Sports development.

112. To assist sports industry operators, 20 million ringgit is provided as a soft loan through the TEKUN Sports scheme to ensure continuity of sports facility operators.

113. In addition, the tax relief limit for lifestyle is increased from 2,500 to 3,000 ringgit where the additional 500 ringgit is specifically provided for expenditure related to sports including participating fee for sports competitions. The scope of relief is also expanded to include subscription of electronic newspapers.

Strategy 5: Ensuring the Well Being of the Rakyat

Datuk Speaker Sir,

114. Strategy five is to guarantee the well-being of the rakyat. The Malaysian Well-Being Index which measures the development of the rakyat's well-being from social component has increased at a slower pace compared to the economic dimension. Under the social dimension, there is still room for improvement especially under the health, family and environmental components. The Government will ensure a more balanced development and a more prosperous life for the people through the improvement of various social amenities.

Measure 1: Digital Connectivity

115. Telecommunication networks now can be categorised as a third utility. In the new norm, virtual services are becoming more common. The development of infrastructure and upgrading of basic telecommunications networks is necessary to meet the needs of a digital lifestyle.

116. Therefore, the Government will allocate 500 million ringgit to implement the **National Digital Network** initiative, **JENDELA** to ensure the connectivity of 430 schools throughout Malaysia covering all states. At the same time, Malaysian Communications and Multimedia Commission will allocate 7.4 billion ringgit for year 2021 and 2022 to build and upgrade broadband services.

117. In this new norm, online education has become a way of life. In this respect I would like to announce that the GLCs and GLICs will contribute 150 million ringgit into the Tabung CERDIK to provide laptops to 150 thousand students in 500 schools as a pilot project. This project will be supervised by Yayasan Hasanah.

Measure 2: Access to Quality Education

Datuk Speaker Sir,

118. Education is the most important investment in ensuring a better quality of life for future generations. Therefore, **the Ministry of Education continues to receive the largest allocation** of 50.4 billion ringgit or 15.6 percent of the total Government expenditure.

119. To ensure that students from low-income families get daily nutritional content for healthy physical and mental growth, the Government will improve the **Supplementary Meal Plan by providing milk supply daily compared to twice a week currently**. An allocation of 420 million ringgit will be provided and part of the procurement will be reserved for local milk producers.

120. To ensure a **conducive learning environment**, a total of 800 million ringgit will be provided for the maintenance and repair of Government Schools and Government Aided Schools. This allocation also includes the work of upgrading and building open halls or covered structures for students to assemble in a comfortable and safe place in Government Schools.

121. In addition, an additional cost of 725 million ringgit will be allocated to **upgrade buildings and infrastructure in 50 dilapidated schools**. For schools in rural Sabah and Sarawak, the Government will implement 184 construction projects and install tube well water supply with a total project cost of 120 million ringgit.

122. In addition, special needs children in schools will also be given attention by the Government. Therefore, to better provide for the **special needs stream**, 45 million ringgit will be provided for this purpose.

123. For higher education, a total of **14.4 billion ringgit will be allocated to the Ministry of Higher Education**. This includes, 50 million ringgit for infrastructure and equipment replacement in public universities.

124. To ensure internet connectivity in institutions of higher learning, the Government has allocated **50 million ringgit to upgrade the Malaysian Research & Education Network or MYREN** access line to 500Mbps to 10Gbps.

125. Furthermore, to ensure that PTPTN loan holders from institutions of higher learning are able to continue their learning online, Government, working with BSN will provide 100 million ringgit to finance the **BSN MyRinggit-i COMSIS Scheme** which is a laptop loan scheme.

126. To further encourage parents to save for financing tertiary education of their children, tax relief up to 8,000 ringgit on net annual savings in Skim Simpanan Pendidikan Nasional (SSPN) will be extended until the year of assessment 2022.

Datuk Speaker Sir,

127. The Government will continue to **strengthen TVET**. For 2021, 6 billion ringgit has been allocated for TVET.

128. To **provide loans to 24 thousand trainees** to pursue **TVET programmes** in public and private skills training institutions, 300 million ringgit is provided through the Skills Development Fund Corporation or PTPK, which is an increase of 100 million ringgit compared to previous year.

129. To encourage more industry involvement in implementing TVET-based programmes, the Government will hereby **increase the National Dual Training System Plus allowance from 625 to 1,000 ringgit**. This initiative involves a total allocation of 60 million ringgit and benefits 10 thousand trainees.

130. A total of 29 million ringgit will be allocated to implement TVET programmes under the Ministry of Higher Education including **Islamic education and lifelong learning initiatives** to 15 thousand students in tahfiz institutions and pondok schools.

Measure 3: Increasing Home Ownership

Datuk Speaker Sir,

131. To further **promote home ownership**, the Government will implement the following initiatives:

First : Full stamp duty exemption on instruments of transfer and loan agreement for first time home buyers is extended until 31 December 2025. The limit of duty stamp for first residential home is also increased up to 500 thousand ringgit. This exemption is effective for sale and purchase agreement executed from 1 January 2021 to 31 December 2025; and

Second : Stamp duty exemption on loan agreements and instruments of transfer given to rescuing contractors and the original house purchasers is extended for another

5 years. This exemption is effective for loan agreements and instruments of transfer executed from 1 January 2021 to 31 December 2025 for abandoned housing projects certified by Ministry of Housing and Local Government.

132. At the same time, the Government has a role to play in providing **comfortable and quality housing**, especially for the low-income group. To that end, a total of 1.2 billion ringgit is provided for the following purposes:

First : 500 million ringgit to build 14 thousand low cost housing units under the Program Perumahan Rakyat;

Second : 315 million ringgit for the construction of 3,000 units of Rumah Mesra Rakyat by Syarikat Perumahan Nasional Berhad;

Third : 125 million ringgit for the maintenance of low cost and medium-low stratified housing as well as assistance to repair dilapidated houses and those damaged by natural disasters; and

Fourth : 310 million ringgit for the Malaysia Civil Servants Housing Programme (PPAM).

133. In addition, the Government will collaborate with selected financial institutions to **provide a Rent-to-Own Scheme**. This programme will be implemented until 2022 involving 5,000 PR1MA houses with a total value of more than 1 billion ringgit and reserved for first-time home buyers.

Measure 4: Public Transport

Datuk Speaker Sir,

134. The **My30 unlimited travel pass initiative** will be continued and expanded to Kuantan and Penang with a total allocation of 300 million ringgit. This initiative enables users to enjoy bus and rail services operated by Kumpulan Prasarana for as low as 30 ringgit monthly.

135. In addition, an **unlimited monthly travel pass** for as low as 5 ringgit will be introduced for children in year 1 to form 6 to commute to school, and for the disabled. This pass can be utilised on the Klang Valley Komuter lines, northern sector komuter, Kuala Lipis and Tumpat inter-city train, and the Beaufort-Tenom line in Sabah. If on average, the fare now is at 5 ringgit per day, starting next year, the fare will only be 5 ringgit per month.

136. Currently, the **Stage Bus Service Transformation Programme** is being implemented in Kangar, Seremban, Ipoh and Kuala Terengganu. This programme will be expanded to Johor Bahru, Kuching, Kota Kinabalu and Kuantan with an allocation of 150 million ringgit.

137. The Government is committed to reduce the burden of bus operators. Sales tax exemption for the purchase of locally assembled bus will be extended for a period of 2 years, effective from 1 January 2021 until 31 December 2022.

Measure 5: Defending the Nation's Sovereignty and Security

Datuk Speaker Sir,

138. The Government is very concerned about issues relating to national sovereignty. The Government has carried out **Ops Benteng** to ensure that the country's border areas are always protected and not breached. This integrated operation is coordinated under the National Security Council (MKN) involving various agencies such as armed forces, police, APMM, Immigration Department and several others.

139. Next year, the Ministry of Defense and the Ministry of Home Affairs will be allocated 16 billion ringgit and 17 billion ringgit respectively.

140. To ensure the **readiness of the Malaysian Armed Forces**, the Government will increase the allocation for maintenance to 2.3 billion ringgit for the year 2021 compared to 2 billion ringgit previously.

141. Cybercrime including digital transaction fraud is one of the new forms of threats to the country. In this regard, the Government has allocated 27 million ringgit to CyberSecurity Malaysia to **increase the country's cyber security.**

142. The Government is focused on ensuring that the welfare and well-being of military personnel is not neglected. Apart from continuing to **maintain the facilities of the existing Rumah Keluarga Angkatan Tentera,** the Government has also approved the construction of 1,000 new units with a total cost of 500 million ringgit.

143. The Government appreciates the role of the Malaysian Volunteer Department, RELA which also helps in breaking the COVID-19 infection chain. A total of 153 million ringgit will be allocated for including **upgrading facilities at the training centre to strengthen the role of RELA.**

Second Goal: Business Continuity

Datuk Speaker Sir,

144. The business environment has now evolved. Hence under the **second goal which is business continuity** the focus of the Government will be to accelerate investments, strengthen strategic sectors and improve access to financing.

Strategy 1: Driving Investments

145. **The first strategy is to drive investments.** To help local companies face future challenges, the Government will act as a facilitator in providing access to investment funds including improving the business environment.

146. For each challenge faced, there will emerge opportunities. In the context of COVID-19, while many businesses are affected, there are sectors which continue to grow strongly such as medical devices, e-commerce and logistics in addition to education technology. This scenario coupled with the turmoil of

global trade provides an opportunity for Malaysia to attract new companies, new investments and new economic opportunities. This will be the focus under the second goal.

Measure 1: Investment in Key Sectors

147. To facilitate this, **1 billion ringgit will be provided as a special incentive package** for high value-added technology. Among others, this fund aims to support R&D investment in aerospace as well as electronic clusters such as in Batu Kawan, Penang and Kulim, Kedah industrial parks.

148. In addition, a **High Technology Fund** worth 500 million ringgit will be provided by Bank Negara Malaysia (BNM) to support high technology and innovative companies. The fund will enable Malaysia to remain competitive in the global supply chain and maintain the supply chain ecosystem and protect high skilled jobs.

149. The Government is committed to **making Malaysia as a destination for high-value service activities**. In relation to this, the following initiatives will be implemented:

First : Relaxation of tax incentive conditions for Principal Hub and the incentive will be extended until 31 December 2022;

Second : New tax incentive for the establishment of Global Trading Centre at a concessionary rate of 10 percent for a period of 5 years and renewable for a period of another 5 years;

Third : Limit on the sales value for value-added and additional activities carried out in the Free Industrial Zone and Licensed Manufacturing Warehouse be increased from 10 percent to 40 percent from the total annual sales value; and

Fourth : Special income tax treatment at a flat rate of 15 percent for a period of 5 years to non-resident

individuals holding key positions for strategic new investment by companies relocating their operations to Malaysia under the PENJANA incentive package.

150. Through PENJANA, the Government has offered special tax rates to selected manufacturing companies which relocated their businesses to Malaysia and bring in new investments. I am pleased to announce that **the application for the incentive will be extended for another 1 year until 31 December 2022 and the scope of tax incentives will also be extended** to companies in the selected services sector which have significant multiplier effect by **providing an income tax rate of 0 to 10 percent for a period of 10 years.**

151. A comprehensive study of the existing tax incentive structure is underway to provide a competitive, transparent and more attractive tax incentive framework. **To provide space for the study to be completed, the existing tax incentives, due to end this year, will be extended until 2022.** The extension includes tax incentives for MRO activities for aerospace, ship building and repairing, BioNexus status and economic development corridors.

Datuk Speaker Sir,

152. A **National Development Scheme (NDS) valued at 1.4 billion ringgit** by Bank Pembangunan Malaysia will be introduced to support the implementation and development of domestic supply chain and increase the production of local products such as medical devices.

153. In addition, the **Maritime Development and Logistics Scheme; Sustainable Development Financing Scheme; Tourism Infrastructure Scheme; and Public Transport Fund** will be extended until 31 December 2023 with a fund size of 3.7 billion ringgit.

154. A total of 500 million ringgit from these schemes will be designated for Bumiputera entrepreneurs to increase their involvement in the key sectors.

155. To further assist affected SMEs, the Targeted Assistance and Rehabilitation facility worth 2 billion ringgit under BNM will be introduced through loans from banking institutions.

Measure 2: Improving the Business Environment

Datuk Speaker Sir,

156. During my Budget engagement sessions to industrial areas throughout Malaysia, the main issue raised is the need to improve the infrastructure of industrial areas. To enhance the competitiveness of the industry, I am pleased to announce the following initiatives:

First : 100 million ringgit for the maintenance of the infrastructure of industrial parks;

Second : 42 million ringgit under JENDELA to improve internet connectivity in 25 industrial parks;

Third : Development of a water treatment plant in Kubang Pasu district to support the investment needs of the Kota Perdana Special Boundary Economic Zone project in Bukit Kayu Hitam, Kedah and residents in the area; and

Fourth : Allocation of 45 million ringgit to meet the water supply needs for the petrochemical sector concentrated in the Gebeng Industrial Zone.

157. The Government will implement **Authorised Economic Operator or AEO facilities** at the national level covering products that subjected to license or permit issued by more than 40 Government agencies.

158. In addition, the accreditation process of AEO will be simplified and extended to logistic service providers and warehouse operators, exporters and manufacturers.

Measure 3: Science, Technology and Innovation

Datuk Speaker Sir,

159. In an effort to **support the development of science and technology**, the Government will allocate 400 million ringgit specifically for R&D purposes involving several ministries and agencies.

160. To create a more competitive R&D ecosystem, tax incentives for non-resource-based R&D product commercialisation activities will be reintroduced and tax incentives for commercialisation of R&D product by public research institutions will be **extended to private higher education institutions**.

161. Additionally, 20 million ringgit will be provided for the **Malaysia Techlympics and Science Space programmes** to create expertise in the field of AI and robotics among youth.

Datuk Speaker Sir,

162. The Government will allocate **100 million ringgit from the proceeds of the Sukuk PRIHATIN** for the conduct of research relating to infectious diseases covering vaccine development as well as treatment research and diagnostics.

163. Further, I am pleased to inform that the four major glove companies namely Top Glove, Hartalega, Supermax and Kossan have indicated their commitment to contribute 400 million ringgit to fight against COVID-19, which includes partially covering the cost of the COVID-19 vaccine as well as expenses for health equipment. The Government appreciates the commitment of the private sector, NGOs and individuals who contribute during this difficult period.

Measure 4: Locally Manufactured Products

Datuk Speaker Sir,

164. To encourage the production and purchase of locally made products, several initiatives will be implemented as follows:

First : 25 million ringgit for the **Micro Franchise Development and Affordable Franchise programmes** as well as **Buy Made in Malaysia programme**;

Second : 150 million ringgit for **training programmes and sales assistance as well as digital equipment** for 100 thousand local entrepreneurs to encourage adoption of e-commerce under the e-Commerce SME and Micro SME Campaign;

Third : 150 million ringgit to implement the **Shop Malaysia Online** initiative together with the e-commerce platform to encourage online spending which will benefit 500 thousand local sellers including the halal products and handicrafts entrepreneurs; and

Fourth : 35 million ringgit to promote Malaysian-made products and services under the **Trade and Investment Mission**.

165. In addition, to enable Malaysia to become an investment destination especially for locally produced vaccines, medicines and medical devices, the Government will strengthen the **Ministry of Health's Off-Take Agreement Programme** to attract investment to this country and potential vaccine production in the future.

166. In addition, to encourage manufacturers of pharmaceutical products including vaccines to invest in Malaysia, the Government will provide incentive including **preferential tax rate of 0 to 10 percent for 10 years**.

Strategy 2: Strengthening Key Sectors

Datuk Speaker Sir,

167. The second strategy is to strengthen the key sectors.

Measure 1: Empowering the Agriculture Sector

168. In 2019, the agriculture sector contributed 7.1 percent of GDP. While other economic sectors contracted as a result of the COVID-19 pandemic, the agriculture sector is projected to grow at 4.7 percent of GDP next year.

169. Next year, several **key initiatives for the agriculture sector** and food industry will be implemented, including:

First : The **extension of the Community Farming Programme** to the semi-urban and rural communities with an allocation of 30 million ringgit. This programme which provide equipments such as fertigation kits and crop media up to 500 ringgit per individual or 50 thousand ringgit per community. It is expected to benefit 60 thousand participants;

Second : The **implementation of the Organic Agriculture Project** as a community project with an allocation of 50 million ringgit and is expected to benefit 1,000 communities;

Third : The **implementation of the e-Satellite Farm Programme** with an allocation of 10 million ringgit in the form of matching grants up to 30 thousand ringgit to the Pertubuhan Peladang Kawasan (PPK) for the purpose of purchasing agriculture equipment based on the Internet of Things including drones. The programme is expected to benefit more than 300 PPKs with a membership of nearly 1 million farmers and planters;

Fourth : Financing under the **Vessel Modernization and Capture Mechanization Programme** of up to 5 million ringgit at a rate of 3.5 percent for a period of 10 years

to fishermen in zones A and B to upgrade equipment, nets and boats. Agrobank will provide 150 million ringgit for this purpose;

Fifth : Funding under the **Agrofood Value Chain Modernization Programme** of up to 1 million ringgit at a rate of 3.5 percent for a period of 10 years for agricultural entrepreneurs to procure equipment and technology based on IR4.0. Agrobank will provide 60 million ringgit for this purpose;

Sixth : The **implementation of Aquaculture Development Programme** with an allocation of 10 million ringgit through matching grants of up to 20 thousand ringgit for micro entrepreneurs to purchase equipment to develop high-value aquaculture livestock such as lobster and grouper; and

Seventh : The implementation of impactful and high-value farming projects with an allocation of 100 million ringgit through collaboration with State governments such as pineapple farming in Johor and freshwater prawns in Negeri Sembilan.

Measure 2: Development of the Commodity Sector

Datuk Speaker Sir,

170. The commodity sector is a key sector that provides input to various high value-added downstream products and contribute to the country's export earnings. To further **boost longevity of the various commodity sector**, the Government will, next year, take the following steps:

First : To continue **Malaysian Sustainable Palm Oil Certification or MSPO** with an allocation of 20 million ringgit to boost growth and enhance the competitiveness of the country's palm oil industry. Matching grants of 30 million ringgit will also be introduced to encourage the industry's investment in mechanisation and automation;

Second : To provide **incentive of 16 million ringgit for latex production**. This is to encourage latex production, which requires longer working hours compared to cuplump production that will be started in Pahang, Terengganu dan Kelantan; and

Third : To open a furniture industrial park in Pagoh to further boost the timber industry and provide employment opportunities.

171. In addition, under 12th Malaysia Plan, the Government will provide a fund amounting to 500 million ringgit for the **Forest Plantation Development Loan (PPLH) programme**. The funds are dedicated for the development of forest plantations with an area of 4 hectares and above.

Measure 3: Sustainability of the Tourism Industry

Datuk Speaker Sir,

172. The Government is aware that the tourism sector is one of the most affected sectors as a result of COVID-19. In this regard, the Government will provide **training and placements for 8,000 employees of airline companies** in Malaysia with an allocation of 50 million ringgit.

173. The Government will also **provide employment opportunities for 500 people in the local and Orang Asli communities as tour guides** at all national parks to boost the ecotourism segment.

174. To **ensure the readiness of tourist hotspots**, a total of 50 million ringgit will be provided for maintenance and repair of tourism facilities throughout the country. An allocation of 20 million ringgit will be provided to improve the infrastructure and intensify the promotion of Cultural Villages in Terengganu, Melaka, Sarawak and Negeri Sembilan.

175. In addition, 10 million ringgit will be allocated to ensure that national heritage buildings such as the Sultan Abdul Samad Building and Carcosa Seri Negara will continue to be preserved and become tourism icons.

176. The health tourism industry has the potential to become the country's new investment. As such, the Government will allocate 35 million ringgit to the **Malaysia Healthcare Travel Council** to enhance the competitiveness of the local health tourism industry. The Government will also extend income tax exemption for the export of private healthcare services until the year of assessment 2022.

177. The Government listens to the concerns of traders and hawkers in Sabah who have been deeply affected by the lack of tourists. In relation to this, the Government is pleased to announce a **PRIHATIN Special Grant of 1,000 ringgit** that will be given to **traders and** hawkers in Sabah. This grant will also be given to taxi drivers, e-hailing, rental cars and tour drivers in Sabah.

178. To help reduce the cash flow burden of companies that are still affected by the COVID-19 pandemic, an exemption from the HRDF levies will be given for 6 months effective 1 January 2021. The exemption will cover the tourism sector and companies affected by the COVID-19 crisis.

Strategy 3: Prioritising Automation and Digitalisation

Datuk Speaker Sir,

179. **The third strategy is to prioritise automation and digitalisation.** Moving forward, the Government will focus on **long-term productivity** through the use of new technology to accelerate the transformation towards a high-income economy.

180. The Government through BPMB has provided the **Industrial Digitalization Transformation Scheme valued at 1 billion ringgit**, which aims to boost digitalization activities. To that end, the availability of these funds will be extended until 31 December 2023.

181. In addition, in support of automation and modernization, additional funds amounting to 150 million ringgit will be provided under the **SME Digitalization Grant Scheme and the**

Automation Grant. The eligibility condition for these grants have also been relaxed for micro SMEs and start-ups that have been operating for at least 6 months.

Strategy 4: Enhancing Access to Financing

Datuk Speaker Sir,

182. The **fourth strategy is to facilitate access to financing.** Through the PRIHATIN and PENJANA packages, 1.9 billion ringgit of soft loan funds and grants have been provided to help SMEs and microSME entrepreneurs who have difficulty accessing financing.

Measure 1: Micro Credit Financing

183. To encourage Bumiputera micro and small businesses to move up and transform to a higher category, SME Bank will provide **Lestari Bumi financing facility scheme** with funds amounting to 300 million ringgit.

184. To assist the financial position of SMEs that supply to the Government or GLCs, the Government will introduce the **National Supply Chain Finance Platform.** The platform, named as “**JanaNiaga**”, will benefit SMEs who have cash flow problems due to the long invoice payment period as well as help them to secure loans from financial institutions. The JanaNiaga platform will be led by EXIM Bank with the involvement of several financial institutions. 300 million ringgit will be provided by EXIM Bank to drive JanaNiaga. For now, JanaNiaga will be implemented together with Petronas and Telekom Malaysia. It will be extended to other GLCs, Ministries and Government agencies in the future.

185. **Peer-to-peer financing or P2P** under the supervision of the Securities Commission Malaysia (SC) is one of the alternative financial innovations that has generated financing in excess of 900 million ringgit to SMEs. To support P2P platforms, especially those based on invoice financing, 50 million ringgit will be allocated based on a matching investments basis.

186. In addition, micro credit financing worth nearly 1.2 billion ringgit will be provided through TEKUN, PUNB, Agrobank, BSN and other financial institutions. This includes 110 million ringgit to Micro Enterprises Facility under BNM to encourage entrepreneurship among gig workers and self-employed and to support the iTEKAD program.

187. The iTEKAD programme which was launched on May 2020, by combining micro and social financing to empower micro entrepreneurs from B40 segment to generate sustainable income and contribute to society. iTEKAD program will be expanded with participation of additional financial institutions and collaboration with more state religious authorities and delivery partners in 2021.

188. Through PUNB, 230 million ringgit will be allocated as financing to SMEs for working capital, upgrading of automation systems and equipment and expenditure related to the implementation of COVID-19 SOP compliance.

Measure 2: Loan Guarantees

Datuk Speaker Sir,

189. To date, a total of 25 billion ringgit has been given under the **Syarikat Jaminan Pembiayaan Perniagaan**. The Government is pleased to **increase the guarantee by up to another 10 billion ringgit**, with 2 billion reserved specifically for Bumiputera entrepreneurs.

190. For corporate companies involved in highly skilled industries such as oil & gas and aerospace, the Government has allocated guarantee of 3 billion ringgit under the **Danajamin Prihatin Guarantee Scheme** that will be extended until 2021 with improved terms and conditions.

191. To encourage standardised credit lending activities and increase consumer protection, the **Consumer Credit Act** will be formulated. The Act provides a regulatory framework for activities related to the issuance of consumer credit and

strengthens supervision of non-bank and non-supervised credit providers. Bank Negara Malaysia and Securities Commission will lead the effort to formulate consumer credit providers regulation.

Measure 3: Alternative Financing

Datuk Speaker Sir,

192. Equity Crowdfunding or ECF is one of the alternative financing methods, especially for technology start-ups. To encourage more individual investors to take part in financing through the ECF platform, income tax exemption of 50 percent of the investment amount or limited to 50 thousand ringgit will be given. 30 million ringgit will also be allocated through matching grants to be invested on ECF platforms under the supervision of the SC.

Third Goal: Economic Resilience

Datuk Speaker Sir,

193. The third goal is economic resilience. This budget will be aligned to the priorities of the Twelfth Malaysian Plan and the SPV2030. This is to ensure inclusive and meaningful socio-economic development towards a more prosperous and dignified society by 2030.

Strategy 1: Expansionary Budget

194. The Government's revenue has been affected following the spread of COVID-19. As a result, the Government's revenue this year has been revised to 227.3 billion ringgit, reducing almost 18 billion ringgit from the original projection of 244.5 billion ringgit in the previously announced 2020 Budget.

195. Despite the lower revenue scenario, the Government will not compromise in protecting lives and livelihoods in battling COVID-19. Thus, total allocation for 2020 is estimated at

314.7 billion ringgit in terms of expenditure, **an increase of 17.7 billion ringgit** compared to the original projection. The rise in expenditure is intended to finance the stimulus package and economic recovery. Therefore, the fiscal deficit for 2020 is estimated to increase to 6 percent of GDP compared to the original target of 3.2 percent.

196. The effects of the COVID-19 pandemic will continue to be felt next year. Therefore, Government revenue collection for the year 2021 is expected to increase to 236.9 billion ringgit. Nevertheless, the Government has decided that the 2021 Budget is an expansionary budget.

197. Accordingly, the **total expenditure for the year 2021 is the largest expenditure in history with a value of 322.5 billion ringgit**. The Government intends to allocate 236.5 billion ringgit for operating expenses, 69 billion ringgit for development expenditure and 17 billion ringgit under the COVID-19 Fund. Meanwhile, 2 billion ringgit is allocated for the Contingency Reserve Advance Warrant. Taking into account those estimates, the 2021 fiscal deficit is projected at 5.4 percent of GDP.

Measure 1: Expenditure with High Multiplier Effect

Datuk Speaker Sir,

198. To ensure Government's expenditure has high multiplier to the economy, a **total of 2.5 billion ringgit has been allocated for contractors in Class G1 to G4** to carry out small and medium projects across the country including additional 200 million ringgit for maintenance projects for Federal Roads and 50 million ringgit for PPR houses. In addition, the Government will extend flexibilities accorded on procurement procedures until 31 **December 2021** to expedite the implementation of developmental projects.

199. The Government through MARA will also provide 50 million ringgit as financing access to construction contractors under the **Skim Pembiayaan Kontrak Ekspres, SPIKE**. This scheme is offered to Bumiputera contractors who deal with the Government to facilitate cash flow in implementing projects.

Measure 2: Sustainability of Government's Revenue

Datuk Speaker Sir,

200. Currently, Government revenue is around 15 percent of GDP including petroleum-related revenue of around 3 percent. The government needs to ensure that the revenue source is sustainable and able to finance expenses, especially operating expenses.

201. Revenue collection strategies will be improved including addressing smuggling of high duty goods. The Multi-Agency Task Force will be strengthened with the participation of the Malaysian Anti-Corruption Commission and the National Anti-Financial Crime Centre.

202. In addition, effective from 1 January 2021, the Government will implement the following measures:

First : Freezing the issuance of new import license for cigarette;

Second : Tightening the renewal of import license for cigarette through review of license conditions including the imposition of import quota;

Third : Limiting transshipment of cigarette to dedicated ports only;

Fourth : Imposition of tax on the importation of cigarettes with drawback facilities for re-export;

Fifth : Disallow transshipment of cigarettes and re-export of cigarettes by small boats including *kumpit* and instead be allowed only in ISO containers; and

Sixth : Making cigarettes and tobacco products as taxable goods in all Duty-Free Islands and any free zones that have been permitted retail sale of duty free cigarettes.

203. The Government will impose excise duty of 10 percent on devices for all types of electronic and non-electronic cigarettes including vape effective from 1 January 2021. Meanwhile, liquid used in electronic cigarettes will be imposed an excise duty at a rate of 40 cents per millilitre.

Strategy 2: Development Agenda under the 12th Malaysia Plan

Datuk Speaker Sir,

204. The second strategy is the country's 5-year development agenda under the 12th Malaysia Plan, which is the last 6R stage of Reform. The government will focus on development expenditure that benefits the people and supports the momentum of economic growth.

Measure 1: Transport Infrastructure Development

205. The Government is committed to **implement transport infrastructure project** to increase the mobility of rakyat. In 2021, **15 billion ringgit** will be allocated to fund the Pan Borneo Highway, Gemas-Johor Bahru Electrified Double-Tracking Project and Klang Valley Double Tracking Project Phase One. In addition, several key projects will also be continued such as Rapid Transit System Link from Johor Bahru to Woodlands, Singapore and MRT3 in Klang Valley.

206. The Government will also continue the **High-Speed Rail Project or HSR** as this project is expected to generate a positive multiplier effect to the country's economy. However, it is subject to further discussion with Singapore.

207. There are also several large new projects worth approximately 3.8 billion ringgit that will be implemented as follows:

First : Construction of the Second Phase of the Klang Third Bridge in Selangor;

Second : Continuing the Central Spine Project with the new alignment from Kelantan to Pahang;

Third : Upgrading the bridge across Sungai Marang, Terengganu;

Fourth : Upgrading of Federal Road connecting Gerik, Perak to Kulim, Kedah;

Fifth : To continue building and upgrading Phase of the Pulau Indah, Klang Ringroad Phase 3, Selangor;

Sixth : Construction of the Pan Borneo Highway Sabah from Serusop to Pituru; and

Seventh : Construction of the Cameron Highlands Bypass road, Pahang with emphasis on preserving the environment.

Measure 2: Balanced Regional Development

208. For the five regional corridors of economic development, development projects will be continued with an allocation of 780 million ringgit for year 2021 including:

First : Rapid Transit Bus Transport System at 3 High Capacity Routes and construction of busway at IRDA in Johor;

Second : Construction of the Palekbang Bridge to Kota Bahru, Kelantan under ECER;

Third : Construction of infrastructure and related components of the Special Development Zone project in Yan and Baling, Kedah under NCER;

Fourth : Infrastructure Project in the Samalaju Industrial Area, Sarawak under SCORE; and

Fifth : Continuation of the Sapangar Bay Container Port Expansion Project, Sabah under SDC.

209. In addition, the existing tax incentives for the East Coast Economic Region Development Corridor, Iskandar Malaysia and Sabah Development Corridor are extended until 2022.

210. An allocation of 150 million ringgit will be allocated for the Raw Water Transfer Project from Sungai Kesang and Tasik Biru to the Jus Reservoir, Jasin, Melaka.

211. EPF will continue the **development of Kwasa Damansara** with an estimated Gross Development Value of 50 billion ringgit. It will consist of commercial, residential, infrastructure as well as innovation and medical hub. More than 100 thousand jobs are expected to be created, and more than 25 thousand houses including ten thousand affordable houses will be built.

212. Finally, for the year 2021, Sabah and Sarawak will receive Development Expenditure allocation of 5.1 billion ringgit and 4.5 billion ringgit respectively. These allocation among others are for building and upgrading water, electricity, and road infrastructure, health and education facilities.

Strategy 3: Enhancing the Role of GLC and Civil Society

213. **The third strategy is to enhance the role of GLC and civil society.** Proactive action by the GLC to fulfil their corporate social responsibility serves as a benchmark for other corporates especially during this challenging period. More programs will be implemented through GLCs, civil society and NGOs, starting with the social field and environmental conservation, in complementing the Government service delivery system.

Measure 1: Alternative Service Delivery

214. The Government intends to work with NGOs and social enterprises in the national development agenda. Through the concept of matching grants, the Government together with Yayasan Hasanah has funded initiatives such as income generation especially for those affected during COVID-19. Among the initiatives funded are sewing of face masks by the indigenous people of Sarawak under Tanoti, the Orang Asli empowerment project in Hulu Selangor by EPIC Society and the OKU entrepreneurship initiative by the Selangor Youth Community (SAY).

215. The Ministry of Finance opened **2021 Budget portal** on 28 September, to collect people's suggestions and votes on community and environmental issues. Based on more than 6 thousand suggestions and more than 40 thousand votes received, the Ministry of Finance will distribute funds to NGOs as follows:

First : 50 million ringgit for income generation and employment promotion initiatives for the vulnerable;

Second : 30 million ringgit for initiatives to address social issues; and

Third : 20 million ringgit for environmental conservation initiatives.

The grant of 100 million ringgit will be matched with contributions from GLC-owned foundations.

216. Next, the Government will conduct a social enterprise development program with an allocation of **20 million ringgit to the Malaysian Global Innovation and Creativity Centre or MaGIC** and selected agencies. In addition, the pilot project for the e-Procurement registration to social enterprises that have a Government Impact e-Procurement Program Certificate from MaGIC and other selected agencies to become suppliers to the Government. With this initiative, social enterprises can supply goods and services in total up to 20 million ringgit per year.

Strategy 4: Ensuring Resource Sustainability

Datuk Speaker Sir,

217. The fourth strategy is to ensure the sustainability of resources. The basis of our economy is the environment and natural assets. Therefore, as a responsible Government, it is important for us to balance between development and preservation of environment so that the quality of life and legacy for future generations are preserved. The Government is confident that sustainable resources can be a source of new economic growth while creating employment opportunities.

218. In 2015 together with other member states of the United Nations (UN), Malaysia had agreed to accept the 2030 Agenda and 17 Sustainable Development Goals or SDGs. Now, for the first time, the annual budget is aligned with the SDG, so that our Rakyat can move towards a more prosperous, more sustainable and inclusive future.

Measure 1: Sustainable Development Agenda

219. The Government through cooperation with the UN will establish the Malaysia-SDG Trust Fund or MySDG Trust Fund with an initial allocation of 20 million ringgit. The fund will coordinate financing from various public and private sources systematically. Thus, various parties can contribute and be involved in efforts to ensure the SDG is achieved by 2030.

220. In addition, the Government also supports the SDG programs implemented by the Malaysian Parliamentary Party Cross Group with an allocation of 5 million ringgit.

Measure 2: Sustainable Finance

Datuk Speaker Sir,

221. Towards creating a Sustainable Financial Hub, and positioning Malaysia as a regional hub for a sustainable lifestyle, the Government will continue to formulate its long-term efforts for this purpose. Last August, the Government has issued its first digital sukuk online, the Sukuk Prihatin where the subscription has exceeded the target at 666 million ringgit. The Government will now issue its first **Sustainability Bond** in Malaysia for environmental and social initiatives in 2021.

222. In addition, to further encourage the issuance of Sustainable and Responsible Investment (SRI) products and bonds that achieve green, social and sustainable standards in Malaysia, the existing income tax exemption for SRI green sukuk grant is extended to all types of sukuk and bonds and this exemption is extended until 2025.

223. Furthermore, the Government will also continue the Green Technology Financing Scheme 3.0 or GTFS3.0 with a fund size of 2 billion ringgit for two years up to 2022 which will be guaranteed by Danajamin to encourage the issuance of SRI sukuk.

Measure 3: Environmental Conservation

224. In order to continue preserving the natural resources, the following initiatives will be implemented:

First : 50 million ringgit provided to address waste and solid waste trapped in rivers;

Second : 40 million ringgit provided over a period of five years to strengthen environmental quality monitoring enforcement activities including the establishment of 30 monitoring stations nationwide;

Third : 10 million ringgit provided to implement the Integrated Island Waste Management project around the islands in Johor and Terengganu to reduce the effects of coral reef destruction and marine life. This program involves the collaboration between UNDP, State Government and the private sector;

Fourth : Increase the allocation under the TAHAP to all State Governments from 350 million to 400 million ringgit. Of this amount, a total of 70 million ringgit is also allocated for the purpose of Ecological Fiscal Transfer activities as an additional incentive to the State Government to ensure the sustainability of the country's biodiversity; and

Fifth : Implement mangrove tree planting programs to preserve mangrove swamp areas and other tree species along the coast including Tanjung Piai, Johor and Kuala Sepetang, Perak.

225. Furthermore, the **SAVE 2.0 program will be introduced** which is an e-Rebate of 200 ringgit to households who buy any energy efficient locally manufactured air conditioner or refrigerator. A total of 30 million ringgit is provided for this program which is expected to benefit 140 thousand households.

226. As part of the efforts to promote energy efficiency and environmentally friendly green technology, the Government supports the initiative taken by the Sarawak State Government in using public buses that operate on hydrogen fuel cells.

227. In addition, to control the biodiversity of forest areas and poaching, the Government will strengthen the Biodiversity Protection and Patrol Program by recruiting more than 500 former military and police personnel as well as Orang Asli for patrolling activities. For this purpose, a total of 20 million ringgit is allocated.

Strategy 5: Civil Service

Datuk Speaker Sir,

228. As the backbone of the country, measures to improve the efficiency of the Government's machinery is also a priority.

Measure 1: Strengthening of the Public Service Delivery

229. Since we now live in the new norm, digitalisation should be maximized in the conduct of any day-to-day affairs.

230. For example, this year's Budget speech is distributed in softcopy through the QR Code application. I myself use a tablet to present the Budget this afternoon. I call on more Ministries and Agencies to adopt a more environmentally friendly and cost-effective paperless approach.

231. Currently, there are 23 UTCs nationwide and the latest is the Penang UTC which was opened last August. Considering the population density in the Klang Valley and the area around Petaling Jaya, the Government intends to build UTC in the Lembah Pantai in collaboration with the private sector.

232. In addition, in this era of new norms, the Government will expand the use of kiosks as an alternative channel for public delivery system. The Road Transport Department will increase the number of kiosks for some key services such as motor vehicle license renewals and that be located in 50 strategic locations nationwide for the rakyat's ease in accessing these services even outside working hours.

233. The Government will also allocate 14 million ringgit to upgrade infrastructure and information and communication technology facilities in the Ministry of Foreign Affairs as well as digitalisation of the Malaysian consular services abroad.

Measure 2: Strengthening Governance and Integrity in Malaysia

Datuk Speaker Sir,

234. The Government will continue the national development agenda based on good governance and uphold the principles of integrity. The Government will ensure that all initiatives contained in the National Anti-Corruption Plan, NACP are implemented and recruitment of additional 100 SPRM officers will be continued as well as ensuring anti-corruption education is applied at all levels.

235. As a caring Government, special provision is provided as a reward to anyone who can provide information on any misconduct and violations of the law. For example, the issue of river pollution is becoming increasingly uncontrollable, resulting in disruption of water supply in the Klang Valley.

Measure 3: Welfare of the Civil Servants

Datuk Speak Sir,

236. The government is cognisant about the welfare and well-being of civil servants, especially in a country affected by the COVID-19 pandemic. Front liners such as doctors, nurses, police, army, firefighters, RELA, JKM staff and many more who have toiled and sacrificed with all their might, to ensure the well-being of all of us, Malaysians!

237. Nowadays, many of them have been entrusted to perform their duties in Sabah. Let us pray for the people of Sabah and all front liners to be able to weather this difficult situation and be given protection by the Almighty.

238. To improve the facilities provided to the civil servants, the following initiatives will be implemented:

First : Increase the allowance rate from 6 ringgit to 8 ringgit per hour to more than 1,900 Auxiliary Bomba officers from 2021; and

Second : Introducing a free Personal Accident Protection Scheme of up to 100 thousand ringgit to new borrowers of the Public Sector Home Financing Board (LPPSA) for the years 2021 and 2022.

239. Further, in appreciation of the heroism and bravery of police retirees who received the National Hero Service Medal, the Government agrees to a one-off grant of 500 ringgit to 40 thousand recipients.

Datuk Speaker Sir,

240. Since my appointment as minister almost 8 months ago, and coming from the private sector, it has been an eye-opening experience for me to witness how committed and steadfast our civil servants are in dispensing their duties. Without giving in to fatigue they have served exceeding expectation and rose beyond the call of duty to protect the rakyat, support businesses and support the economy.

241. Therefore, in appreciation of the services and duty rendered by the civil servants, the Government is pleased to announce a Special Financial Assistance of 600 ringgit to be paid to all civil servants Grade 56 and below. For the retirees and non-pensionable veterans, a Special Financial Assistance of 300 ringgit will be paid. Both assistances will be paid in early 2021.

Conclusion

Datuk Speaker Sir,

242. Before concluding, I would like to emphasise that **this Budget is truly intended to prioritise Rakyat's well-being.** Based on the numerous initiatives announced, allow me to share few examples how this Belanjawan is able to benefit the rakyat:

First : Madam Aisyah who receive a regular wage but earns around 1,000 ringgit a month, needs to support 4 children and is thus regarded as being in poverty. Madam Aisyah will receive among others welfare payment, Bantuan Prihatin Rakyat, Bantuan Pembayaran Bersasar and Program Jaringan Prihatin. Total benefits to be received under Belanjawan 2021 amounts to 13 thousand for the year; and

Second : Mr. Kevin who has 2 children have just lost his job and was earning a household income of 3,500 ringgit will be in the B40 category. He is eligible to receive Bantuan Prihatin Rakyat, EPF withdrawal scheme, Bantuan Pembayaran Bersasar, extension of Employment Insurance Scheme and Program Jaringan Prihatin. Mr. Kevin will be receiving benefits amounting to 15,600 ringgit for the year.

243. The fact is, this is not the first time the world has been hit by a pandemic. Mankind has repeatedly fallen and risen again to build civilization. COVID-19 is indeed a disaster that makes the world think critically, find solutions, and emulate each other.

244. We need to be thankful; we are still strong in all this. The strength of this country is because its people persevere in sacrificing to fortify the country. Therefore, for the Government, the conscience of the people must be embraced, because the trust of the people is priceless.

245. I have a belief. How the Malaysian nation is a brave nation, a strong nation, that when we can agree with each other, we can do extraordinary things. That is why this 2021 Budget is raised as the theme **Stand United, We Shall Prevail**.

246. We can argue and disagree on secondary issues, but we should unite to agree on principle. If before this we once unanimously agreed with the establishment of the COVID-19 Fund, then in this August House, let this Budget be the canon of our unity for the welfare of the people.

Yang Kurik itu Kundi, yang Merah itu Saga

Yang Baik itu Budi, Yang Indah itu Bahasa

Yang Berdamai Kan Permai

Yang Sehaluan Kan Keberkatan

Yang Satu Suara Kan Mara

Yang Teguh Biarlah Kita

Teguhkan Kita...

Teguhkan Kita...

"TEGUH KITA, MENANG BERSAMA".....

247. At the end of the day, to You, O Allah, we ask for prayers, given guidance to facilitate efforts, taste the blessings as expansive as space and we are all shielded by the COVID-19 pandemic. Wabillahi Taufik Wal Hidayah Wassalamualaikum Warahmatullahi Wabarakatuh.

248. Datuk Speaker Sir, I beg to propose.

Appendices

Tax Measures

Budget 2021

List of Appendices

- 67 APPENDIX 1**
Review of Income Tax Rate for Resident Individual
-
- 69 APPENDIX 2**
Increase in Limit of Income Tax Relief on Expenditures of Medical Treatment, Special Needs and Parental Care
-
- 70 APPENDIX 3**
Review of Income Tax Relief for Medical Treatment Expenses for Self, Spouse and Child
-
- 72 APPENDIX 4**
Increase in the Limit of Income Tax Relief for Disabled Spouse
-
- 73 APPENDIX 5**
Extension of Period of Income Tax Relief on Contribution to Private Retirement Scheme
-
- 74 APPENDIX 6**
Review of Income Tax Relief for Lifestyle
-
- 75 APPENDIX 7**
Extension of Period of Individual Income Tax Relief on Net Annual Savings in the National Education Savings Scheme
-

76 APPENDIX 8

Expansion of the Scope of Income Tax Relief for Expenses on Study Fees

77 APPENDIX 9

Increase in the Limit of Income Tax Exemption on Compensation for Loss of Employment

78 APPENDIX 10

Review of Stamp Duty Exemption for the Purchase of First Residential Home

79 APPENDIX 11

Extension of Period of Stamp Duty Exemption to Revive Abandoned Housing Projects

81 APPENDIX 12

Extension of Period of Stamp Duty Exemption for Perlindungan Tenang Products

82 APPENDIX 13

Extension of Period of Stamp Duty Exemption for Exchange Traded Fund

83 APPENDIX 14

Review of Income Tax Exemption on the Green Sustainable and Responsible Investments Sukuk Grant

APPENDIX 15

Measures to Make Malaysia as a Preferred Destination for Investment and Supply Chain:

- 84** A. Review of Tax Incentives for Companies Relocating Their Operations to Malaysia and Undertaking New Investments
-
- 87** B. Tax Incentives for Companies Manufacturing Pharmaceutical Products Including Vaccines
-
- 90** C. Review and Expansion of Scope of Tax Incentive for Commercialisation of Research and Development Findings
-
- 93** D. Tax Incentive for Global Trading Centre
-
- 94** E. Increase of Sales Limit for Value-Added and Additional Activities Carried Out in the Free Industrial Zone and Licensed Manufacturing Warehouse
-
- 96** F. Special Income Tax Rate Treatment for Non-Resident Individuals Holding Key Positions in Companies Investing in New Strategic Investments
-

98 APPENDIX 16

Review of Tax Incentive for Principal Hub

100 APPENDIX 17

Tax Incentive for Investment in Equity Crowdfunding

102 APPENDIX 18

Extension of Tax Incentive for Returning Expert Programme

104 APPENDIX 19

Extension of Period of Tax Incentives for Export of Private Healthcare Services

105 APPENDIX 20

Review of Tax Incentive for Manufacturers of Industrialised Building System Components

107 APPENDIX 21

Extension of Period of Tax Deduction for Employment of Senior Citizens, Ex-Convicts, Parolees, Supervised Persons and Ex-Drug Dependants

108 APPENDIX 22

Imposition of Excise Duty on Electronic Cigarette

109 APPENDIX 23

Expansion of the Scope of Imposition of Tourism Tax on Accommodation Booked Through Online Platform

APPENDIX 1

Review of Income Tax Rate for Resident Individual

Current Position

The income tax structure for resident individuals is based on progressive rates ranging from 0% to 30% on chargeable income as follows:

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

Non-resident individuals are subject to income tax at a flat rate of 30%.

Proposal

To increase the disposable income of individual tax payer and especially to assist the tax payers in the middle income group affected by the current economic situation, it is proposed that the

income tax rate for resident individuals be reduced by 1 percentage point for the chargeable income band of RM50,001 to RM70,000.

Income tax savings for individuals resulting from the reduction of tax rate are as follows:

Chargeable Income (RM)	Current		Proposal		Tax Savings	
	Tax Rate (%)	Tax Payable (RM)	Tax Rate (%)	Tax Payable (RM)	(RM)	(%)
0 - 5,000	0	-	-	-	0	0
5,001 - 20,000	1	0*	1	0*	0	0
20,001 - 35,000	3	200*	3	200*	0	0
35,001 - 50,000	8	1,800	8	1,800	0	0
50,001 - 70,000	14	4,600	13	4,400	200	4.55
70,001 - 100,000	21	10,900	21	10,700	200	1.87
100,001 - 250,000	24	46,900	24	46,700	200	0.43
250,001 - 400,000	24.5	83,650	24.5	83,450	200	0.24
400,001 - 600,000	25	133,650	25	133,450	200	0.15
600,001 - 1,000,000	26	237,450	26	237,250	200	0.08
1,000,001 - 2,000,000	28	517,450	28	517,250	200	0.04
2,000,001 and above	30		30			

*After rebate of RM400 for chargeable income up to RM35,000

Effective Date

From the year of assessment 2021.

APPENDIX 2

Increase in Limit of Income Tax Relief on Expenditures of Medical Treatment, Special Needs and Parental Care

Current Position

Income tax relief of up to RM5,000 is eligible to be claimed by individual taxpayer on medical expenses and parental care limited to the following expenses:

- i. treatment in clinics and hospitals;
- ii. treatment at nursing homes;
- iii. dental treatment not including cosmetics dental treatment; and
- iv. treatment and care at home, day care centres and home care centres.

Proposal

To alleviate the cost incurred on treatment and care for parents, it is proposed that income tax relief limit on expenses for medical treatment, special needs and parental care be increased from up to RM5,000 to up to RM8,000.

Effective Date

From the year of assessment 2021.

Review of Income Tax Relief for Medical Treatment Expenses for Self, Spouse and Child

Current Position

Income tax relief up to RM6,000 is eligible to be claimed by individual taxpayer on medical expenses for serious diseases for taxpayer, spouse and child and fertility treatment for taxpayer and spouse. The claim of tax relief must be proved by receipts and certification issued by medical practitioners registered with the Malaysian Medical Council confirming that the treatment is given to the taxpayer, spouse and child. The relief includes the amount of up to RM500 for full medical check-up expenses.

Proposal

To alleviate the cost of medical treatment of taxpayer, spouse and child, and to encourage more Malaysians to be vaccinated, it is proposed that:

- i. the limit of tax relief on medical expenses for serious diseases for taxpayer, spouse and child and fertility treatment for taxpayer and spouse be increased from up to RM6,000 to up to RM8,000;
- ii. the limit of tax relief for full medical check-up expenses be increased from up to RM500 to up to RM1,000; and
- iii. the scope of tax relief for medical treatment expenses be expanded to include vaccination expenses up to RM1,000 for taxpayer, spouse and child. The vaccines eligible for the tax relief are as follows:

- a. Pneumococcal;
- b. Human Papillomavirus (HPV);
- c. Influenza;
- d. Rotavirus;
- e. Varicella;
- f. Meningococcal;
- g. Combination of tetanus-diphtheria-acellular pertussis (Tdap); and
- h. COVID-19 (subject to the availability of the vaccine).

Effective Date

From the year of assessment 2021.

APPENDIX 4

Increase in The Limit of Income Tax Relief for Disabled Spouse

Current Position

An individual taxpayer with a disabled spouse is given an additional tax relief of RM3,500.

Proposal

To further assist an individual taxpayer with a disabled spouse, it is proposed that the additional tax relief limit for disabled spouse be increased from RM3,500 to RM5,000.

Effective Date

From the year of assessment 2021.

Extension of Period of Income Tax Relief on Contribution to Private Retirement Scheme

Current Position

Income tax relief of up to RM3,000 on contribution to Private Retirement Scheme (PRS) is eligible to be claimed annually by individual taxpayers from the year of assessment 2012 to the year of assessment 2021.

Proposal

Income tax relief up to RM3,000 on contribution to PRS be extended for another 4 years.

Effective Date

From the year of assessment 2022 to the year of assessment 2025.

Review of Income Tax Relief for Lifestyle

Current Position

From the year of assessment 2017, income tax relief for lifestyle of up to RM2,500 is provided to an individual taxpayer on the purchase of reading materials including e-book, printed daily newspapers, computers, smartphones/tablets, internet subscriptions, sports equipment and gymnasium membership fees.

Proposal

To enhance the current income tax relief for lifestyle, it is proposed that:

- i. the income tax relief limit for lifestyle be increased from up to RM2,500 to up to RM3,000, in which an additional of up to RM500 is allocated for the cost of purchasing sports equipment, entry/rental fees for sports facilities and participation fees in sports competitions; and
- ii. the scope of relief for printed daily newspapers be expanded to include subscription for electronic newspapers.

Effective Date

From the year of assessment 2021.

APPENDIX 7

Extension of Period of Individual Income Tax Relief on Net Annual Savings in The National Education Savings Scheme

Current Position

Income tax relief of up to RM8,000 is given to an individual taxpayer for net annual savings in the National Education Savings Scheme (*Skim Simpanan Pendidikan Nasional - SSPN*) effective from year of assessment 2019 until year of assessment 2020.

Proposal

To further encourage savings among parents for financing tertiary education of their children, it is proposed that the tax relief of up to RM8,000 on net annual savings in the SSPN be extended for another 2 years.

Effective Date

For years of assessment 2021 and 2022.

Expansion of The Scope of Income Tax Relief for Expenses on Study Fees

Current position

An individual taxpayer who pursues any course of study in selected fields of study, or Master or Doctorate in any field offered by institutions or professional bodies in Malaysia recognised by the Government of Malaysia or approved by the Minister of Finance are eligible to claim tax relief on the study fees. The relief is up to a maximum amount of RM7,000 a year and the eligible fields of study are as follows:

Level of Study	Field of Study
Certificate/Diploma/ Bachelor	Law, accounting, Islamic finance, skills or vocational, technical, industrial, scientific and technological skills
Master/Doctorate	All fields

Proposal

To encourage Malaysian citizens affected by the COVID-19 pandemic to enroll for up-skilling, re-skilling or acquiring new skill, it is proposed that the scope of relief of RM7,000 a year be expanded to cover fees for attending up-skilling and self-enhancement courses in any field of skills recognised by the Department of Skills Development, Ministry of Human Resources. The tax relief is limited to RM1,000 for each year of assessment.

Effective Date

For the years of assessment 2021 and 2022.

Increase in The Limit of Income Tax Exemption on Compensation for Loss of Employment

Current Position

Section 13(1)(e) of the Income Tax Act (ITA) 1967 provides that compensation received for loss of employment is a gross income from employment and subject to income tax. However, the employee is entitled for exemption of income tax under paragraph 15(1) of Schedule 6 of the ITA 1967 under the following circumstances:

- i. full exemption on income tax on compensation for loss of employment if the Director General of Inland Revenue is satisfied that the compensation is received due to health problems; or
- ii. exemption on income tax of RM10,000 for each full year of service with the same employer or companies within the same group.

The exemption limit in paragraph (ii) was increased from RM5,000 to RM10,000 effective from 1 July 2008.

Proposal

To assist taxpayers who lost their jobs due to the current economic condition arising from the COVID-19 pandemic, it is proposed that the income tax exemption limit for compensation for loss of employment with the same employer or companies within the same group be increased from RM10,000 to RM20,000 for each full year of service.

Effective Date

For the years of assessment 2020 and 2021.

Review of Stamp Duty Exemption for The Purchase of First Residential Home

Current Position

The Government has provided 100% stamp duty exemption on instrument of transfer and loan agreement for the purchase of first residential home priced up to RM300,000 by Malaysian citizens.

For the purchase of first home priced exceeding RM300,000 up to RM500,000, stamp duty on instrument of transfer and loan agreement is fully exempted, limited to the first RM300,000 of the value of the property. The remaining balance of the home value is subjected to the prevailing rate of stamp duty.

This exemption is effective for sale and purchase agreement executed from 1 January 2019 to 31 December 2020.

Proposal

To increase the ownership of first residential home by Malaysian citizens who are yet to own a house, it is proposed that stamp duty exemption limit for the first home be increased from RM300,000 to RM500,000. The period of stamp duty exemption of 100% that are given on the instrument of transfer and loan agreement for the purchase of first residential home be extended for another 5 years.

Effective Date

For sale and purchase agreement executed from 1 January 2021 to 31 December 2025.

Extension of Period of Stamp Duty Exemption to Revive Abandoned Housing Projects

Current Position

To support efforts in reviving abandoned housing projects, stamp duty exemption is given on the following instruments:

- i. Rescuing Contractor/Developer
 - a. loan agreements to finance the revival of the abandoned housing projects; and
 - b. instruments of transfer of title for land and houses in abandoned housing projects.

These exemptions are given on the instruments executed from 1 January 2013 to 31 December 2020.

- ii. Original House Purchaser in the Abandoned Project:
 - a. loan agreements for additional financing; and
 - b. instruments of transfer of the houses.

These exemptions are given on the above instruments executed from 1 January 2013 to 31 December 2020.

The eligible abandoned housing projects must be certified by the Ministry of Housing and Local Government.

Proposal

To further alleviate the financial burden borne by the original house purchasers and to encourage the involvement of rescuing contractors/developers to revive the abandoned housing projects, it is proposed that the existing stamp duty exemptions be extended for another 5 years.

Effective Date

Loan agreements and instruments of transfer executed from 1 January 2021 to 31 December 2025 for abandoned housing projects certified by the Ministry of Housing and Local Government.

APPENDIX 12

Extension of Period of Stamp Duty Exemption for Perlindungan Tenang Products

Current Position

Stamp duty exemption is given on the purchase of insurance policies and takaful certificates for Perlindungan Tenang products covering life, fire and flood insurance with an annual premium or contribution value not exceeding RM100. This exemption is granted for policies and certificates issued from 1 January 2019 to 31 December 2020.

Proposal

To further encourage more low-income groups to have insurance and takaful coverage, it is proposed that the stamp duty exemption period on the purchase of Perlindungan Tenang products be extended for another 5 years.

Effective Date

For insurance policies and takaful certificates issued from 1 January 2021 to 31 December 2025.

APPENDIX 13

Extension of Period of Stamp Duty Exemption for Exchange Traded Fund

Current Position

Stamp duty exemption is given on contract notes for trading of Exchange Traded Fund (ETF) from 1 January 2018 to 31 December 2020.

Proposal

It is proposed that the stamp duty exemption on contract notes for trading of ETF be extended for another 5 years.

Effective Date

For the trading of ETF executed from 1 January 2021 to 31 December 2025.

Review of Income Tax Exemption on The Sustainable and Responsible Investments Sukuk Grant

Current Position

Securities Commission Malaysia through the statutory fund of the Capital Market Development Fund has provided Green Sustainable and Responsible Investments (SRI) sukuk grant amounting up to RM6 million. Each Green SRI sukuk issuer needs to apply to Securities Commission Malaysia for this grant to finance the external review expenses, limited to RM300,000. Grant received by Green SRI sukuk issuers are exempted from income tax for applications received by the Securities Commission Malaysia from 1 January 2018 to 31 December 2020.

Proposal

To further encourage the issuance of SRI sukuk and bond that meet green, social and sustainability standards in Malaysia, it is proposed that:

- i. the existing income tax exemption on grant for Green SRI sukuk be expanded to all SRI sukuk and bond which meets the ASEAN Green, Social and Sustainability Bond Standards approved by the Securities Commission Malaysia; and
- ii. the income tax exemption on the above grant be given for a period of 5 years.

Effective Date

For applications received by the Securities Commission Malaysia from 1 January 2021 to 31 December 2025.

Measures to Make Malaysia as A Preferred Destination for Investment and Supply Chain

A. REVIEW OF TAX INCENTIVES FOR COMPANIES RELOCATING THEIR OPERATIONS TO MALAYSIA AND UNDERTAKING NEW INVESTMENTS

Current Position

New and existing companies that relocate their business or manufacturing activities from abroad to Malaysia are eligible for the following tax incentives:

INVESTMENT IN FIXED ASSET	NEW COMPANIES		EXISTING COMPANIES	
	TAX INCENTIVE	PERIOD	TAX INCENTIVE	PERIOD
RM300 million - RM500 million	Income Tax Rate 0%	10 years	Investment Tax Allowance 100%	5 years
Above RM500 million		15 years		

The incentives are made available for eligible companies in manufacturing sector except selected industries and subject to the following conditions:

- i. the company incurring its first capital expenditure within 1 year from the date of the approval of the incentive; and
- ii. the company meeting the investment in fixed asset within 3 years from the first date of the capital expenditure incurred.

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

Proposal

To spur the economic recovery through investment activities and to create multiplier effect to the economy, it is proposed that the tax incentives for companies relocating their operations to Malaysia and making new investment be reviewed as follows:

- i. application period for the tax incentives be extended for another 1 year; and
- ii. the scope of tax incentives be expanded to companies in selected services sector including companies adapting Industrial Revolution 4.0 and digitalisation technology with investment that contribute to significant multiplier effect in the following services:
 - a. provision of technology solution, or more typically technology company which develops technology and provides technology solutions based on substantial scientific or engineering challenges;
 - b. provision of infrastructure and technology for cloud computing;
 - c. research and development/design and development activities;
 - d. medical devices testing laboratory and clinical trials; and
 - e. any services or manufacturing related services as determined by the Minister of Finance.

These tax incentives are given as follows:

i. New Company

Income tax rate of 0% to 10% for a period up to 10 years.

ii. Existing Company with New Services Segment

Income tax rate of 10% for a period up to 10 years.

Effective Date

i. For manufacturing sector, applications received by the Malaysian Investment and Development Authority until 31 December 2022.

ii. For selected services sector, applications received by the Malaysian Investment and Development Authority from 7 November 2020 until 31 December 2022.

B. TAX INCENTIVES FOR COMPANIES MANUFACTURING PHARMACEUTICAL PRODUCTS INCLUDING VACCINES

Current position

- i. Tax incentives under the Promotion of Investment Act 1986 for Manufacturers of Pharmaceutical Products

Manufacturers of pharmaceutical products are given tax incentives under the Promotion of Investment Act 1986 in high technology products category. The tax incentives are given as follows:

- a. Pioneer Status

Income tax exemption of 100% from the statutory income for a period of 5 years; or

- b. Investment Tax Allowance

Investment Tax Allowance of 60% on qualifying capital expenditure incurred within a period of 5 years. This allowance can be set off against 100% of the statutory income for each year of assessment.

- ii. Tax Incentives for BioNexus Status Companies

BioNexus status companies approved by Malaysian Bioeconomy Development Corporation Sdn. Bhd. undertaking biotechnology activities related to pharmaceutical including vaccines are given tax incentives as follows:

- a. New Companies

- 1. Income tax exemption of 70% on the statutory income for a period of 10 consecutive years from the first statutory income; or

2. Income tax exemption equivalent to 100% Investment Tax Allowance on qualifying capital expenditure incurred within a period of 5 years. This allowance can be set off against 70% of the statutory income for each year of assessment.
- b. Existing companies undertaking expansion projects
 1. Income tax exemption of 70% on the statutory income for a period of 5 consecutive years from the first statutory income; or
 2. Income tax exemption equivalent to 100% Investment Tax Allowance on qualifying capital expenditure incurred within a period of 5 years. This allowance can be set off against 70% of the statutory income for each year of assessment.
 - c. Concessionary income tax rate of 20% on the statutory income received from qualifying activities for a period of 10 years upon the expiry of tax exemption period in (a) and (b);
 - d. Import duty exemption for equipment and raw materials;
 - e. Double tax deduction on expenditure incurred on research and development activities; and
 - f. Industrial Building Allowance on the building constructed or purchased for research operations;
- iii. Tax Incentives for Investor

Tax deduction equivalent to the amount of investment made in the BioNexus status company.

These tax incentives are effective for BioNexus status company and investor applications received by Malaysian Bioeconomy Development Corporation Sdn. Bhd. from 1 January 2019 until 31 December 2020.

Proposal

To encourage manufacturers of pharmaceutical products including vaccines especially COVID-19 vaccine to invest in Malaysia, it is proposed that the following tax incentives be given:

- i. income tax rate of 0% up to 10% for the first 10 years; and
- ii. income tax rate of 10% for the subsequent period of 10 years.

Apart from the above tax incentives, strategic investments by such companies may be considered for other facilities including grants, import duty and sales tax exemption for machineries and equipment as well as raw materials.

Effective Date

For applications received by Malaysian Investment and Development Authority from 7 November 2020 to 31 December 2022.

C. REVIEW AND EXPANSION OF SCOPE OF TAX INCENTIVE FOR COMMERCIALISATION OF RESEARCH AND DEVELOPMENT FINDINGS

Current Position

Tax incentives for commercialisation of research and development (R&D) findings of public research institutions including public higher learning institutions in Malaysia are as follows:

i. Resource-Based

a. For investor company

Tax deduction equivalent to the amount of investment made in the subsidiary company that undertakes commercialisation of R&D findings of public research institutions.

b. For subsidiary companies that commercialise R&D findings of public research institutions

Income tax exemption of 100% of statutory income for 10 years.

The incentive is available for applications received by the Malaysian Investment Development Authority from 11 September 2004.

ii. Non-Resource Based

a. For investor company

Tax deduction equivalent to the amount of investment made in the subsidiary company that undertakes commercialisation of R&D findings of public research institutions.

- b. For subsidiary companies that commercialise R&D findings of public research institutions

Income tax exemption of 100% of statutory income for 10 years.

Non-resource based activities or products are subject to the list of activities or products under the Promotion of Investment Act 1986. This incentive was available for applications received by the Malaysian Investment Development Authority from 29 September 2012 to 31 December 2017.

Proposal

To create a competitive R&D ecosystem and to encourage new R&D activities by public research institutions including public higher education institutions as well as to enhance the role of private higher education institutions in producing high quality researchers and quality R&D, it is proposed that:

- i. tax incentive for the commercialisation of non-resource-based R&D findings be reintroduced; and
- ii. tax incentives for the commercialisation of R&D findings by public research institutions including public higher learning institutions be expanded to private higher learning institutions.

The tax incentives for (i) and (ii) are as follows:

- a. For investor company

Tax deduction equivalent to the amount of investment made in a subsidiary company that commercialises the R&D findings of public research institutions including public higher learning institutions and private higher learning institutions.

- b. For subsidiary companies that commercialise R&D findings of public research institutions including public higher learning institutions and private higher learning institutions

Income tax exemption of 100% of statutory income for 10 years.

Resource-based and non-resource based activities or products are subject to the list under the Promotion of Investment Act 1986.

Effective Date

For applications received by the Malaysian Investment Development Authority from 7 November 2020 until 31 December 2025.

D. TAX INCENTIVE FOR GLOBAL TRADING CENTRE

Current position

Principal Hub which carries out services and trading activities are eligible for special tax rate of 0% or 5% on statutory income on the qualifying activities for a period of up to 10 years. This incentive will expire on 31 December 2020.

Proposal

As a measure to enhance and simplify tax incentive for trading activities previously covered under the Principal Hub incentives which was subjected to higher eligibility criteria, it is proposed that a new incentive scheme to be introduced as Global Trading Centre and be given 10% income tax rate for a period of 5 years and renewable for another 5 years.

Effective Date

For applications received by Malaysian Investment Development Authority from 1 January 2021 until 31 December 2022.

E. INCREASE OF SALES LIMIT FOR VALUE-ADDED AND ADDITIONAL ACTIVITIES CARRIED OUT IN THE FREE INDUSTRIAL ZONE AND LICENSED MANUFACTURING WAREHOUSE

Current position

Starting from 1 April 2020, all applications and approval processes for value-added and additional activities in the Free Industrial Zone and Licensed Manufacturing Warehouse are processed at the Zone or State Customs Office for the following activities:

- i. Research and Development;
- ii. Product Design;
- iii. Marketing, for company with International Procurement Centre status only;
- iv. Distribution, for company with Regional Distribution Centre status only;
- v. Quality Control;
- vi. Testing and Commissioning including Calibration and Configuration;
- vii. Labelling, Packaging and Re-Packaging;
- viii. Remanufacturing, Repairing and Servicing; and
- ix. Supply Chain Management, Strategic Procurement Operation and Total Support Solutions.

Approval for the value-added and additional activities is subject to the condition of the sales value from these activities should not exceed 10% of the company's annual sales value.

Proposal

To further enhance the company's competitiveness and to meet the global trade dynamics, it is proposed that the 10% limit on the sales value from value-added and additional activities be increased to not exceed 40% of the company's annual sales value.

Effective Date

For new applications and applications to increase the sales value limit received by the Royal Malaysian Customs Department from 7 November 2020.

F. SPECIAL INCOME TAX RATE TREATMENT FOR NON-RESIDENT INDIVIDUALS HOLDING KEY POSITIONS IN COMPANIES INVESTING IN NEW STRATEGIC INVESTMENTS

Current Position

The income tax structure for resident individual is based on progressive rates ranging from 0% to 30% on chargeable income. Meanwhile, non-resident individuals are subject to income tax at a flat rate of 30%.

Income tax treatment at a flat rate of 15% is given to the following individuals:

- i. Malaysian citizens who are categorised as experts and approved under the Returning Expert Program and return to work in Malaysia;
- ii. individual knowledge workers in Iskandar Malaysia; and
- iii. individual knowledge workers in Malaysia-China Kuantan Industrial Park.

In addition, the Government through the *Pelan Jana Semula Ekonomi Negara* (PENJANA) has announced tax incentive for manufacturing companies that relocate their operations to Malaysia with income tax rate at 0% for a period of up to 15 years.

Proposal

In addition to the existing tax incentive offered to companies relocating their operations to Malaysia, it is proposed that individual income tax at a flat rate of 15% be given to non-residents holding key positions/C-Suite positions for a period of 5 consecutive years. This tax incentive is limited to 5 non-resident individuals employed in each company that has been granted relocation tax incentive under PENJANA initiative.

Individuals that are approved the flat rate of 15% shall be:

- i. receiving a monthly salary of not less than RM25,000; and
- ii. a Malaysian tax resident for each year of assessment throughout the flat rate tax treatment.

Effective Date

Applications received by the Malaysian Investment and Development Authority from 7 November 2020 until 31 December 2021.

Review of Tax Incentive for Principal Hub

Current Position

Companies incorporated in Malaysia who make Malaysia as a centre to conduct business and regional or global operations for the purpose of management, control and support function including risk management, decision making, strategic business activities, commerce, finance, management and human resource management are qualified to be considered for Principal Hub incentive with concessionary income tax rate as follows:

- i. New Company
 - a. Tier 1 : 0% income tax rate for a period of 5 years and eligible for renewal for another 5 years subject to the following criteria:
 1. employment of at least 50 high valued workers;
 2. employment of at least 5 key posts personnel; and
 3. annual operational expenditure of at least RM10 million.
 - b. Tier 2 : 5% income tax rate for a period of 5 years and eligible for renewal for another 5 years subject to the following criteria:
 1. employment of at least 30 high valued workers;
 2. employment of at least 4 key posts personnel; and
 3. annual operational expenditure of at least RM5 million.

ii. Existing company

10% income tax rate for a period of 5 years subject to the following criteria:

- a. employment of at least 30 high valued workers;
- b. employment of at least 5 key posts personnel; and
- c. annual operational expenditure of at least RM10 million.

This tax incentive is effective for applications received by Malaysia Investment Development Authority from 1 January 2019 to 31 December 2020.

Proposal

To further encourage more companies establishing their Principal Hub in Malaysia, it is proposed that:

- i. the application period for Principal Hub incentive for companies undertaking qualifying services activities be extended for another 2 years; and
- ii. minimum condition of the number of high value job, annual operating expenditure and the number of key post for renewal of the tax incentive for the second 5 years be relaxed.

Effective Date

For applications received by Malaysia Investment Development Authority from 1 January 2021 to 31 December 2022.

Tax Incentive for Investment in Equity Crowdfunding

Current Position

Tax incentives for companies and individuals that make investments in companies are as follows:

i. Investment in Venture Capital (VC)

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

ii. Investment in Venture Capital Company (VCC)

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

iii. Angel Investor

Angel investor who invests in investee companies is given tax exemption equivalent to the investment amount made.

Proposal

Alternative financing such as an investment in venture capital, investment by Angel investors and investment in equity crowdfunding is becoming increasingly important to start-up companies. This alternative financing complements bank financing as well as provides access to financing resources to start-up companies to meet their needs for capital injection at various stages of development, which may be considered non-viable or high risk for bank financing.

To encourage more individual investors to invest in equity crowdfunding, it is proposed that individual investors be given income tax exemption on aggregate income equivalent to 50% of the amount of investment made in equity crowdfunding subject to the following:

- i. the eligible amount for tax exemption is limited to RM50,000 for each year of assessment;
- ii. the deductible amount is limited to 10% of the aggregate income for that year of assessment, the excess amount will be disregarded;
- iii. the investor, investee company and amount of investment made must be verified by the Securities Commission Malaysia;
- iv. the investor must not have any family relationship with the investee company;
- v. investment must be made through equity crowdfunding platform approved by the Securities Commission Malaysia; and
- vi. the investment must not be disposed of either in full or in part within 2 years from the date the investment made.

Effective Date

For investment made from 1 January 2021 until 31 December 2023.

Extension of Tax Incentive for Returning Expert Programme

Current position

Tax incentives for the Returning Expert Programme (REP) are as follows:

Year	Tax Incentives
2001-2010	Duty/tax exemption for the purchase of 2 locally assembled vehicles (Completely Knocked-Down-CKD) or imported vehicles (Completely Built-Up-CBU).
2011-2014	<ol style="list-style-type: none">i. Flat rate of 15% on employment income for a period of 5 consecutive years of assessment; andii. Duty/tax exemption for the purchase of 2 CKD vehicles.
2014-2020	<ol style="list-style-type: none">i. Flat rate of 15% on employment income for a period of 5 consecutive years of assessment; andii. Exemption on import duty and excise duty for the purchase of a CBU vehicle or excise duty exemption for the purchase of a CKD vehicle subject to the total duty exemption limited up to RM150,000.

Proposal

To further encourage skilled Malaysian citizens working abroad to return and work in Malaysia, it is proposed that application period for REP incentive be extended for another 3 years and revised as follows:

- i. flat rate of 15% for a period of 5 consecutive years of assessment; and

- ii. exemption on import duty and excise duty for the purchase of a CBU vehicle or excise duty exemption for the purchase of a CKD vehicle subject to the total duty exemption limited up to RM100,000.

Effective date

For applications received by Talent Corporation Malaysia Berhad from 1 January 2021 until 31 December 2023.

Extension of Period of Tax Incentives for Export of Private Healthcare Services

Current Position

Companies that provide private healthcare services are eligible to claim income tax exemption equivalent to 100% of the value of the increase in exports of services and can be set-off against 70% of the statutory income derived from the export of healthcare services, to foreign patients either in Malaysia or from Malaysia subject to the following conditions:

- i. at least 10% of the total number of patients receiving private healthcare services for each year of assessment are comprised of qualified healthcare travellers; and
- ii. at least 10% of company's gross income for each year of assessment is derived from qualified healthcare travellers.

This incentive is available until the year of assessment 2020.

Proposal

To promote the export of private healthcare services in Malaysia as well as to attract high value healthcare travellers, it is proposed that tax exemption equivalent to 100% of the value of the increased in exports of services and can be set-off against 70% of the statutory income derived from the export of healthcare services be extended for another 2 years.

Effective Date

For the years of assessment 2021 and 2022.

Review of Tax Incentive for Manufacturers of Industrialised Building System Components

Current Position

Manufacturers of industrialised building system (IBS) components producing IBS basic components such as columns, beams, slabs, walls and roof trusses and producing IBS systems such as precast concrete system, formwork system, steel framing system, block work system, timber framing system, innovative system, and modular system/components are provided with the following tax incentives:

- i. Category 1: Companies producing at least 3 basic components of IBS or IBS system that use at least 3 basic IBS components
 - a. Income tax exemption of 70% of statutory income for a period of 5 years; or
 - b. Investment Tax Allowance of 60% on qualifying capital expenditure incurred within 5 years. This allowance can be set off against 70% of statutory income.
- ii. Category 2: Companies producing at least 4 or more basic components of IBS or IBS system that use at least 4 basic IBS components
 - a. Income tax exemption of 100% of statutory income for a period of 5 years; or
 - b. Investment Tax Allowance of 60% on qualifying capital expenditure incurred within 5 years. This allowance can be set off against 100% of statutory income.

This tax incentives is effective for application received by Malaysian Investment Development Authority from 10 September 2015 until 31 December 2020.

Proposal

To further improve technology adaptation in the construction sector through usage of IBS, it is proposed that the IBS tax incentive be extended for a period of 5 years and Category 1 and 2 to be merged where companies are only required to produce at least 3 basic components of IBS or IBS system that use at least 3 basic IBS components be given Investment Tax Allowance of 60% on qualifying capital expenditure incurred within 5 years. This allowance can be set off against 70% of statutory income for each year of assesment.

Effective Date

For applications received by Malaysian Investment Development Authority from 1 January 2021 to 31 December 2025.

APPENDIX 21

Extension of Period of Tax Deduction for Employment of Senior Citizens, Ex-Convicts, Parolees, Supervised Persons and Ex-Drug Dependants

Current position

Further tax deduction on remuneration is given for employers who employ senior citizens, ex-convicts, parolees, supervised persons and ex-drug dependants from year of assessment 2019 until year of assessment 2020.

Allowable tax deduction is subjected to the following conditions:

- i. the employee is employed on a full-time basis;
- ii. the monthly remuneration does not exceed RM4,000;
- iii. the employer and the employee are not the same person; and
- iv. the employer is not a relative of the employee.

Proposal

To further encourage employers to provide job opportunities for senior citizens, ex-convicts, parolees, supervised persons and ex-drug dependants, it is proposed that further tax deduction on remuneration be extended for a period of 5 years.

Effective date

From year of assessment 2021 until year of assessment 2025.

Imposition of Excise Duty on Electronic Cigarette

Current Position

Cigarette and tobacco products are subjected to excise duty as follows:

Tarif Code	Description	Excise Duty Rate
2402.10.0000	Cigars, cheroots and cigarillos, containing tobacco	RM400.00/kg
2402.20.1000	Beedies	5% and RM7.50/kg
2402.20.2000	Clove Cigarettes	RM0.40/stick
2402.20.9000	Other	RM0.40/stick
2402.90.1000	Cigars, cheroots and cigarillos of tobacco substitutes	RM400.00/kg
2402.90.2000	Cigarettes of tobacco substitutes	RM400.00/kg
2403.11.0010	Water pipe tobacco	5% and RM27.50/kg
2403.99.9000	Other	RM778.00/kg

Electronic cigarettes including vape are not subjected to excise duty as opposed to cigarettes and other tobacco products regulated under the Control of Tobacco Product Regulations 2004.

Proposal

To ensure an equal tax treatment on all types of cigarettes and other tobacco products, it is proposed:

- i. excise duty at the rate of 10% *ad valorem* for all types of electronic and non-electronic cigarette devices including vape; and
- ii. excise duty at the rate of RM0.40 per milliliter for liquid or gel used for electronic cigarette including vape.

Effective Date

From 1 January 2021.

Expansion of The Scope of Imposition of Tourism Tax on Accommodation Booked Through Online Platform

Current Position

Tourism tax is imposed on tourists staying in accommodation premises registered under the Tourism Tax Act 2017 at a flat rate of RM10/room/night. Malaysian tourists and permanent residents are exempted from imposition of tourism tax.

Operators who operate and provide accommodation premises to tourists are required to be registered under the Tourism Tax Act 2017 for the purpose of collecting tourism tax from tourists, accounting for, declaring and paying tourism tax collected to the Royal Malaysian Customs Department. However, the operators of the following accommodation premises are exempted from registering under the Tourism Tax Act 2017:

- i. Homestay operators registered with the Ministry of Tourism and Culture Malaysia;
- ii. *Kampungstay* operators registered with the Ministry of Tourism and Culture Malaysia;
- iii. accommodation premises operated by the Federal Government, State Governments or statutory bodies, local authorities or private higher education institutions;
- iv. private educational institutions that provide accommodation facilities to foreign students registered with the institution;
- v. the employer who operates the accommodation premises as a facility for his employees;

- vi. religious bodies or charitable bodies that operate accommodation premises for religious purposes and non-commercial purposes; and
- vii. operators of accommodation premises having 4 or less accommodation rooms.

To support economic recovery for tourism sector affected by COVID-19 pandemic, the imposition of tourism tax has been exempted from 1 July 2020 until 30 June 2021.

Proposal

To ensure equal treatment between tourists who make their reservation for accommodation directly with the registered accommodation premises operators and through online platform providers, it is proposed that the imposition of tourism tax be expanded to accommodation premises reserved through online platform providers.

Effective Date

From 1 July 2021.

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