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BUDGET 2017



Prime Minister Datuk Seri Najib Razak's Budget 2017 is one that attempts to cover broad strokes amid a constrained environment of uneven global economic growth, low oil prices and ongoing fiscal consolidation.

Budget 2017's total allocation of RM260.8 billion is a slight 3.4% higher than the total stipulated under the 2016 Budget Recalibration.

However, the prime minister adopted a cautious tone to underscore prudence and discipline that the federal government needs in order to meet its targeted 3% deficit of GDP next year.

To illustrate his point, Najib likened the government to a "sensible father or head of family" who has to manage the finances to meet the household's needs.

Although Najib had earlier maintained that this was not an "election budget", he still had something for almost everyone: civil servants, low to middle income households, small and medium enterprises, capital markets, healthcare, education, sports, agriculture, rural communities and even taxi drivers.

"It is engineered to be inclusive for the well-being of the rakyat," he said.

Here are the key points of Budget 2017, titled "Ensuring unity and economic growth, inclusive prudent spending, well-being of the rakyat", that was tabled in Parliament on Oct 21. – *By Chua Sue-Ann*

TOTAL BUDGET ALLOCATION

BUDGET 2017
RM260.8 billion

RM46 billion Development expenditure (17.64%)
RM214.8 billion Operating expenditure (82.36%)

3.4% HIGHER THAN REVISED BUDGET 2016

BUDGET 2016 REVISED
RM252.1 billion

RM45 billion Development expenditure (17.85%)
RM207.1 billion Operating expenditure (82.15%)

FOR BUSINESSES

EXPORTERS

- RM130 million via through the National Export Promotion Fund for export promotion programmes
- RM286 million provided to increase exports of palm oil, rubber, cocoa and pepper
- RM50 million allocated for scientific research to enhance the quality of palm oil products
- RM30 million grant provided through Malaysian Palm Oil Board to smallholders for palm oil replanting

SMES

- RM75 million for programmes under the SME Master Plan to promote the development of small and medium enterprises
- Guarantee of up to RM15 billion provided under the various schemes of Syarikat Jaminan Penbiayaan Perniagaan (SJPP) to be extended until 2025
- To boost export-oriented SMEs, the government will provide a 2% rebate on interest rates charged to SME borrowers under the SJPP scheme. This rebate is limited to a total accumulated funding of RM1 billion, which involves an allocation of RM100 million for a period of five years.
- Exim Bank to provide SMEs with loan financing totalling RM200 million and insurance credit facilities with coverage valued at up to RM1 billion
- SME and micro-financing agency:
 - RM50 million for SME loans via Koperasi Jayadiri Malaysia Bhd (Kojadi)
 - RM20 million in microcredit loans under the supervision of the Malaysian Chinese

BUMIPUTERA

- RM100 million for SME Bank to increase bumiputera entrepreneurs' opportunities
- RM100 million to AIM for its various entrepreneurship programmes
- RM300 million to Tekun to assist small-scale entrepreneurs in developing their businesses, with a new scheme, Temanita, included that is especially for women micro entrepreneurs
- RM200 million to Perbadanan Usahawan Nasional Bhd to implement the Entrepreneurship and Business Premises Financing Programme
- RM120 million to Majlis Amanah Rakyat (Mara) for various entrepreneurship programmes, including halal industry enterprises, youth entrepreneur development and an integrated entrepreneurship training programme
- RM500 million facilitation fund for Unit Peneraju Agenda Bumiputera (Teraju) to assist bumiputera companies in expanding or starting new businesses
- RM100 million for the export fund under Teraju for bumiputera companies to penetrate into international markets
- RM100 million through Yayasan Peneraju Pendidikan Bumiputera for Peneraju Skill dan Iltizam, Peneraju Professional as well as Peneraju Tunas programmes

START-UPS

- RM200 million from the Working Capital Guarantee Scheme fund will be specifically allocated to start-ups
- A new pass category, namely Foreign Knowledge Tech Entrepreneurs, will be introduced to encourage investment in high technology start-ups

DIGITAL ECONOMY

- RM162 million allocated via the Malaysia Digital Economy Corporation (MDeC) to implement programmes such as an e-commerce ecosystem and Digital Maker Movement as well as the introduction of a new location category – Malaysia Digital Hub
- The government will introduce the first digital free zone in the world that will merge physical and virtual zones, with additional online and digital services to facilitate international e-commerce and internet-based innovation
- Effective January 2017, fixed-line broadband service providers will offer services at a higher speed for the same price. Within the next two years, the speed will be doubled with a 50% reduction in prices.
- Malaysian Communications and Multimedia Commission will provide RM1 billion to ensure the coverage and quality of broadband nationwide reaches up to 20 Mbps

CAPITAL MARKETS

- Small and Mid-Cap PLC Research Scheme to be introduced to conduct research on 300 companies to invigorate the domestic capital market
- Government-linked investment companies

will allocate a special fund of up to RM3 billion for fund managers licensed by the Securities Commission Malaysia to invest in potential small and mid-cap companies

- Establishment of the Capital Market Research Institute established with initial funding of RM75 million, provided through the Capital Market Development Fund
- Period of income tax exemption to entities carrying out Islamic banking and takaful business through the International Currency Business Unit in foreign currencies as well as stamp duty exemption on instruments of such activities will be extended to the year of assessment 2020

TO STIMULATE PRIVATE INVESTMENT

- The major infrastructure projects to be implemented include:
 - upgrading Jalan Lok Kawi-Pengalat-Papar in Sabah
 - upgrading Jalan Kampung Keruak-Gua Musang-Kuala Berang
 - construction of Batang Lupar Bridge in Sri Aman
 - reconstruction of the Sandakan Power Station Project
- The five economic corridors – Iskandar Malaysia, Northern Corridor Economic Region, East Coast Economic Region, Sabah Development Corridor and Sarawak Corridor of Renewable Energy – will be allocated a sum of RM2.1 billion
- The Malaysian Investment Development Authority will get a RM522 million fund with a special emphasis on industries such as chemicals, electric and electronics as well as research and development activities

TAX MEASURES

INDIVIDUAL INCOME TAX

- New lifestyle tax relief to combine existing tax relief, namely the purchase of reading materials, computers and sports equipment
- Lifestyle tax relief to include purchase of printed newspapers, smartphones and tablets, internet subscriptions and gymnasium membership fees. The relief is given up to RM2,500 per year and will be effective from year of assessment 2017.
- New tax relief of up to RM1,000 for purchase of breastfeeding equipment, claimable biennially effective year of assessment 2017
- Relief of up to RM1,000 for individuals who enrol their children, aged six and below, in registered nurseries and preschools, from the year of assessment 2017

COMPANY INCOME TAX

- Double tax deduction given on expenses incurred by private companies to provide structured internship programmes to students pursuing undergraduate degree, diploma and Malaysian Skills Certificate Level 3 and above under the TVET Programme. This incentive is extended for a period of three

years from the year of assessment 2017 until year of assessment 2019.

- New tax scheme for companies that have successfully increased their revenue, specifically for the year of assessment 2017 and 2018. This scheme will provide a reduction by stages as follows:
 - One percentage point reduction for increase in chargeable income of 5% to below 10%;
 - Two percentage points reduction for increase in chargeable income of 10% to below 15%;
 - Three percentage points reduction for increase in chargeable income of 15% to below 20%; and
 - Four percentage points reduction for 20% increase in chargeable income.
- For all SMEs, the tax rate on chargeable income up to the first RM500,000 is reduced from 19% to 18% effective from year of assessment 2017
- To boost the local vendor development programme in the manufacturing and services sectors, double deduction on expenses incurred by the anchor company will be extended until Dec 31, 2020
- Pioneer Status promotion and Investment Tax Allowance for new four and five-star hotels will be extended to Dec 31, 2018

HOUSING MEASURES

MYBEAUTIFUL NEW HOME

- New initiative, MyBeautiful New Home, to build an initial 5,000 housing units priced between RM40,000 and RM50,000 per unit. This is especially for the B40 households nationwide. The government will finance RM20,000 of the purchase price while the remainder will be paid in instalments by the unit owners.

PEOPLE'S HOUSING PROGRAMME

- The Ministry of Urban Wellbeing, Housing and Local Government to build 9,850 houses under the People's Housing Programme (PPR) in 2017 (RM134 million allocation)
- A total of 11,250 PPR houses are being built to be sold below cost at between RM35,000 and RM42,000 (RM576 million allocation)

RENTAL INITIATIVE

- Around 10,000 houses in urban areas to be built and made available for rent for eligible youths with a permanent job



FIRST HOMEBUYERS' INITIATIVES

- Vacant government land in strategic locations to be given to government-linked companies and Perumahan Rakyat 1Malaysia (PR1MA) to build over 30,000 houses, priced between RM150,000 and RM300,000
- Syarikat Perumahan Negara Bhd to be allocated RM200 million to build 5,000 units of People's Friendly Home. The government to subsidise up to RM20,000 per unit.
- New special "step-up" end-financing scheme for the PR1MA programme to make financing easier and more accessible from Jan 1, 2017. Total loan of up to 90% to 100%, with loan rejection rates to be reduced drastically. This scheme is a collaboration between the government, Bank Negara Malaysia, the Employees Provident Fund and four local banks, namely Maybank, CIMB, RHB and AmBank.
- Stamp duty exemption to be increased to 100% on instruments of transfer and housing loan instruments, to help reduce the cost of first-home ownership, compared to 50% at present. This exemption is limited to houses with a value of up to RM300,000 for buyers of first homes and is only for the period between Jan 1, 2017, and Dec 31, 2018.
- Rate of stamp duty on instruments of transfer of

real estate worth more than RM1 million will be increased from 3% to 4% effective Jan 1, 2018

FOR THE PEOPLE

TO EASE COST OF LIVING

- Government will provide nearly RM10 billion for subsidy allocation for fuel subsidies, including cooking gas, toll charges and public transport
- Bantuan Rakyat 1Malaysia (BR1M) payments to be increased across the board in 2017
 1. BR1M increased to RM1,200 from RM1,000 and RM1,050 for households in the e-Kasih database with a monthly income below RM3,000
 2. BR1M increased to RM900 from RM800 for households earning between RM3,000 and RM4,000
 3. BR1M increased to RM450 from RM400 for single individuals earning below RM2,000
- Bereavement Scheme will be continued with the RM1,000 compensation given to the next of kin of BR1M recipients for households and the elderly category

TO BOOST INCOME

- RM275 million allocation to improve rakyat's income opportunities, especially the B40 group:
 1. Expand the MySuria Programme where solar panels will be installed in over 1,600 housing units, with each participant receiving RM250 a month (RM45 million allocation)
 2. Expand Giatmara's Mobilepreneur Programme targeting 3,000 participants using motorcycles (RM30 million allocation)
 3. Implement Agropreneur Programme to produce 3,000 young entrepreneurs involved in high-value agricultural products (RM100 million allocation)
 4. Revitalise MDeC's eUsahawan and eRezeki programmes (RM100 million allocation)
- The government will encourage the B40 group, especially BR1M recipients, to work as ride-sharing drivers to generate additional income. Those without their own vehicles can purchase a Proton Iriz using BR1M as downpayment and receive a RM4,000 rebate.

FOR RURAL FOLK

- A total of 616km of village roads and bridges will be built and upgraded (RM1.2 billion allocation)
- Maintenance of state roads (RM4.6 billion allocation)
- Construction and refurbishment of 17,000 units of dilapidated houses in remote villages and Orang Asli settlements (RM350 million allocation)
- Improving clean water supply, targeting 5,200 houses, including the upgrading of the FELDA water supply system (RM732 million allocation)
- About 10,000 houses in rural areas to get electricity supply (RM460 million allocation)
- Public transport infrastructure upgrades:
 - A 600km East Coast rail line project to connect townships such as Port Klang, Bentong, Kuantan, Kemaman, Kerteh, Kuala Terengganu, Kota Baru, ending in Tumpat (RM55 billion allocation)
 - Accelerating the implementation of the Pan Borneo Highway in Sabah and Sarawak
 - Restore the East Coast railway line along Gua Musang-Tumpat that was destroyed during floods (RM100 million allocation)
 - Increase the trip frequency of the electric train service (ETS) for the Johor Baru-Padang Besar route, involving procurement of nine train sets until 2019

FOR URBAN FOLK

- 1Malaysia Maintenance Fund (TPIM) to repair facilities at flats and 113 PPR in urban and suburban areas (RM300 million allocation)
- People-Friendly Projects to upgrade and build surau, small bridges, drainage, community halls, markets and kiosks (RM800 million allocation)
- Reintroduce grants of up to RM10,000 to registered residents associations to pay for security equipment and neighbourhood maintenance (RM40 million allocation)

