



MINISTRY OF FINANCE
MALAYSIA



2018 BUDGET



Ministry of Finance Malaysia

2018 BUDGET

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Budget Speech is an annual publication released on the same day as the Annual Budget.

The 2018 edition is released on 27 October 2017.

Perpustakaan Negara Malaysia Cataloging in Publication Data

Malaysia, Kementerian Kewangan
BUDGET SPEECH 2018 / [Kementerian Kewangan Malaysia]

ISBN 978-983-43512-8-1

1. Budget – Malaysia.
 2. Government spending policy – Malaysia.
 3. Speeches, addresses, etc.
- I. Mohd. Najib Tun Haji Abdul Razak, Dato' Sri, 1953
II. Title
III. Title : Budget 2018

339.52209595

Layout and Printed by:

Percetakan Nasional Malaysia Berhad,
Jalan Chan Sow Lin,
50554 Kuala Lumpur.
Tel.: 03-92366888/92366894
Fax: 03-92011008/92224773
E-mail: cservice@printnasional.com.my

This publication is also available for download at:
www.treasury.gov.my

Cover Design by
Fiscal and Economics Division



PRINTED BY
PERCETAKAN NASIONAL MALAYSIA BERHAD
KUALA LUMPUR, 2017
www.printnasional.com.my
email: cservice@printnasional.com.my
Tel.: 03-92366894 Fax: 03-92224773

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“Thus far no budget has been crafted so well like this, even since I took over office, as it is holistic and full of philosophies and can be marked in history, making this Budget *The Mother of All Budgets.*”

YAB Dato' Sri Mohd Najib Tun Haji Abdul Razak
Prime Minister and Minister of Finance Malaysia

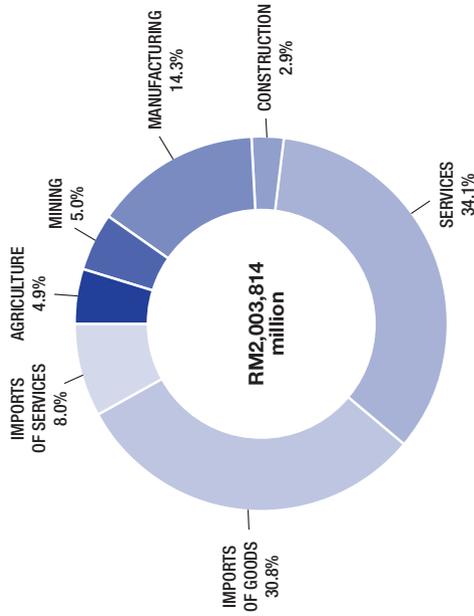


YAB Dato' Sri Mohd Najib Tun Haji Abdul Razak
Prime Minister and Minister of Finance Malaysia

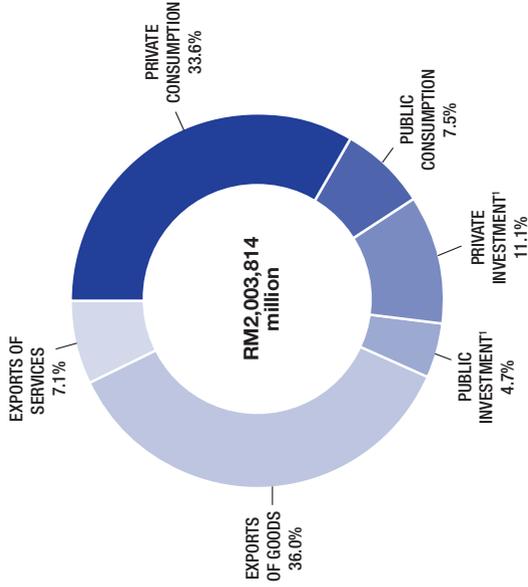
THE ECONOMY 2018

AT CONSTANT 2010 PRICES

SUPPLY



DEMAND

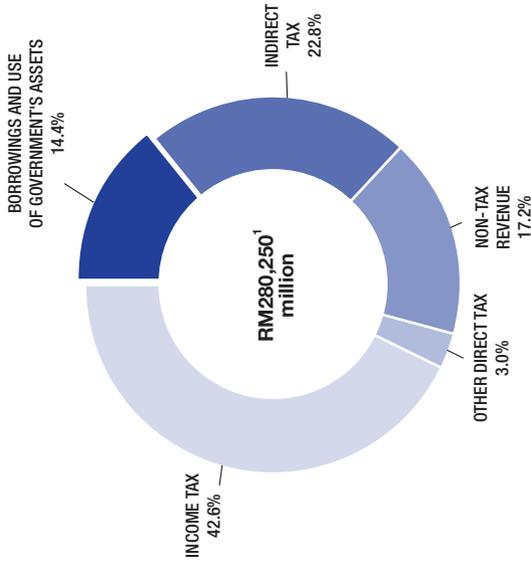


¹ Includes change in stocks.

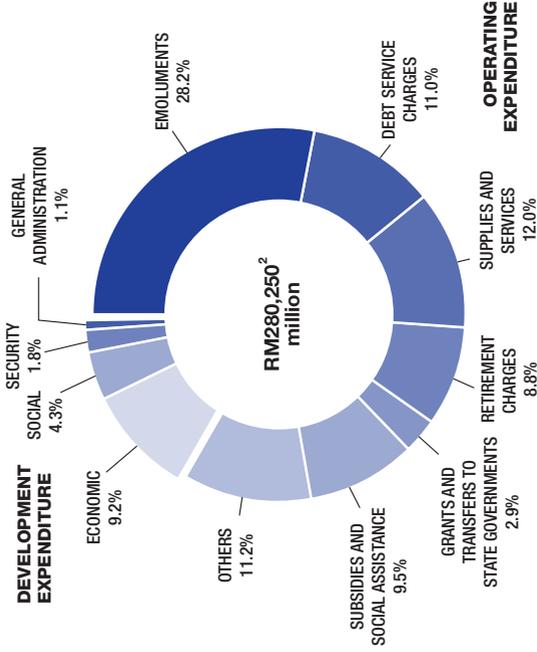
Source: Ministry of Finance, Malaysia.

THE 2018 FEDERAL GOVERNMENT BUDGET

WHERE IT COMES FROM



WHERE IT GOES



¹ Includes revenue, borrowings and use of Government's assets.

² Excludes contingency reserves.

Source: Ministry of Finance, Malaysia.

THE 2018 BUDGET SPEECH

By

**YAB DATO' SRI MOHD NAJIB TUN HAJI ABDUL RAZAK
PRIME MINISTER AND MINISTER OF FINANCE**

**INTRODUCING THE SUPPLY BILL (2018)
IN DEWAN RAKYAT**

FRIDAY, 27 OCTOBER 2017

**“PROSPERING AN INCLUSIVE ECONOMY,
BALANCING BETWEEN WORLDLY AND HEREAFTER,
FOR THE WELLBEING OF THE RAKYAT,
TOWARDS THE TN50 ASPIRATION”**

Mr 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 2018 and to appropriate that sum for the service of that year” be read a second time.

INTRODUCTION

1. There is no God but Allah, and Muhammad is the messenger of Allah. Send your blessings to our Prophet Muhammad SAW, and salute him with all respect.
2. Greetings, Salam Negaraku and Salam 1Malaysia to Mr Speaker Sir, Members of Parliament, Ladies and Gentlemen and all Malaysians from Northern Perlis to Tanjung Piai in the South as well as Sabah and Sarawak.
3. Many may have predicted that the 2017 Budget was an Election Budget.
4. This is expected as there were many initiatives and allocations announced for the rakyat and in the interest of the nation. However, their predictions were untrue.
5. Last week, our Indian friends celebrated the Festival of Lights or Deepavali. We wish Happy Deepavali to all. As Friday is an important day for Muslims, let's celebrate together.
6. As such, I would call upon the rakyat to rejoice in receiving the gifts, rewards and incentives, which will be presented in this Budget, subject to a condition. And the condition is that you follow through this presentation from the beginning to the end.
7. I am standing here, on this day, 27 October 2017 or 7 Safar 1439 Hijri, to bring good and happy news, which will put smiles on every face.
8. This good news is for all beloved Malaysians to enjoy, regardless of race and background.
9. It is clear that every segment of society will reap the benefits from this Budget.
10. Hence, on behalf of the Government, let us first immerse and analyse on what I am about to present. Otherwise, you will miss the good news.

11. In building a civilised nation, we should always be gracious. Let's forgive and forget.

ECONOMIC PERFORMANCE AND CHALLENGES

12. First, let us be grateful to Allah SWT for the continued positive expansion of our economy.

13. During the first half of 2017, the economy recorded a sterling growth of 5.7%.

14. Therefore, we should not fall for lies and non-stop propaganda on social media by irresponsible parties, stating that the World Bank has issued negative reports on the nation's economy.

15. In fact, the World Bank has revised their forecasts on the East Asia and Pacific region.

16. The World Bank has revised upwards Malaysia's GDP forecast from 4.9% to 5.2% for 2017 and commended the country's economic performance for its laudable policies.

17. In addition, the Government forecasts the Malaysian economy to record an annual growth of between 5.2% and 5.7% in 2017, higher than the March estimates ranging between 4.3% and 4.8%.

18. For the past eight years, amid economic challenges, Malaysia has made significant development in two important aspects:

First: Strengthening and deepening diplomatic and trade relations with the world's largest economic powers such as China, India, Saudi Arabia and the United States.

Furthermore, private investment has increased significantly to more than RM211 billion compared with RM81 billion in 2009.

Second: Since 2009, the country has been facing various external challenges such as plummeting global crude oil prices and international geopolitical tensions. Notwithstanding these uncertainties, we remain steadfast in managing country's finances, practising efficient governance and prudent fiscal discipline.

With systematic and organised plans and strategies, and initiatives, the nation's fiscal deficit is estimated to be reduced to 3% of GDP in 2017 from 6.7% in 2009. We are confident that it will be further improved to 2.8% in 2018.

As a result, three prestigious international credit rating agencies have maintained their ratings on Malaysia as 'A-' with a stable prospect.

19. Let us all work hard to ensure fruitful outcomes.
20. Most importantly, amid various external headwinds, we should maintain our strong economic growth momentum and dynamism.
21. Hence, the Government introduced several transformation programmes under the National Transformation Policy (NTP) in 2009. The policy emphasises on quality and efficiency of the public service delivery system, particularly in stimulating economic growth.
22. The NTP also encompasses the New Economic Model which is in line with both the 10 Malaysia Plan (10MP) and 11 Malaysia Plan (11MP).
23. Since 2009, economic initiatives have been the main focus of the Government, followed by other programmes, according to its importance, including the Political Transformation Programme.
24. Hence, all the initiatives implemented by the Government for the past eight years have been successful. These include:

- First: About 2.26 million jobs were created, which is 69% of the 3.3 million job opportunities targeted by 2020;
- Second: In August, exports peaked to one of its highest levels, exceeding RM80 billion and recorded a double-digit growth; and
- Third: Currently, the international reserves amounted to USD101.4 billion or RM428.7 billion, which is sufficient to finance 7.5 months of retained imports compared with USD21.7 billion or RM59.1 billion during the Asian Financial Crisis in 1997.

25. In addition, the 2016 Report of Household Income and Basic Amenities Survey has highlighted our achievements, which include:

- First: Income per capita has increased from RM27,819 in 2010 to RM40,713 in 2017 and is expected to increase further to RM42,777 in 2018;
- Second: Monthly median income has also increased from RM4,585 in 2014 to RM5,288 in 2016;
- Third: Meanwhile, for the B40 group, the monthly median income has increased from RM2,629 to RM3,000 between 2014 and 2016; and
- Fourth: Household income distribution in Malaysia has improved with the Gini coefficient reduced from 0.441 in 2009 to 0.399 in 2016, the lowest in the history of Malaysia. This reflects narrowing income gap as the country progresses towards an equal distribution.

2018 BUDGET ALLOCATION

26. In the interest and prosperity of the rakyat, the 2018 Budget will allocate a sum of RM280.25 billion, compared with RM260.8 billion in the 2017 Budget.

27. Of which, RM234.25 billion is allocated for Operating Expenditure (OE), while RM46 billion for Development Expenditure (DE). This allocation does not include Contingencies which amounts to RM2 billion.

28. Under the OE, a total of RM79.15 billion is for Emolument and RM33.62 billion for Supplies and Services.

29. Meanwhile, a sum of RM119.82 billion is allocated for Fixed Charges and Grants. A sum of RM1.08 billion is allocated for Other Expenditures, while RM577 million for the Purchase of Assets.

30. Under the DE, the economic sector will receive the highest share of RM26.34 billion. The social sector is allocated a sum of RM11.72 billion. Meanwhile, the security sector will be allocated a sum of RM5.22 billion and the general administration RM2.72 billion.

31. For 2018, the Federal Government's revenue collection is expected to record RM239.86 billion.

32. Of significance, the Government is committed to implement fiscal consolidation measures and to ensure that the Government's financial position continues to be resilient, and debt level remains low in the medium- and long-terms.

33. This Budget is most vital as it summarises all the initiatives that have spurred the economy since I took office in 2009.

34. Indeed, it is one of my main report cards to the rakyat and the Government under my leadership during my two-term administration.

35. Hence, this document will chart the course in building a Malaysian Nation for the next 30 years crafted on a new canvas based on Shariah Requirement Framework.

36. Since we declared Independence, we have been fortunate as our forefathers have governed and administered this country embedded with shariah requirements. This framework emphasises on five aspects, namely religion, life, intellectual, lineage and wealth in each of Government's plan and policy.

37. This was clearly mentioned in *Surah Al-Mumtahanah* verse 12, of the importance to provide basic necessities for the rakyat (*Dho'ruriyat*).

38. Meanwhile, through interpretation of *Surah Al-Hajj* and *Hadith Riwayat Ahmad*, *Haajiyat* refers to matters relating to easing the burden of the rakyat and providing a comfortable life. Third, *Tahsiniyat* means luxurious needs.

39. Therefore, for the past six decades, all Barisan Nasional's efforts have been inspired by Allah SWT to ensure that leaders are guided by the Shariah Requirement Framework.

This framework is further solidified with Federal Constitution; Rukunegara; principle of moderation; 1Malaysia People's First, Performance Now philosophy; and the latest TN50 aspiration. These reflect the continuity of Government's administration, practising moderation and rejecting extremism.

40. Hence, the alternating leadership of this Party has structured its entire policies and strategies based on the Shariah Requirement Framework.

41. While this framework has not been written in any Government documents, but its practices are reflected in all inter-related national philosophies and policies.

42. In a nutshell, the Shariah Requirement Framework adopted by the Government is targeted to benefit the rakyat as a whole, taking into account of Government's capabilities, following the three priorities namely *Dho'ruriyat*, *Haajiyat* and *Tahsiniyat*.

43. It is then proven that the Barisan Nasional Government has the wisdom and experiences of 60 years, which are fundamental in developing and building a proud nation-state.

44. Therefore, based on these principles and philosophies, and with the blessings of Allah, I present you the 2018 Budget, aims to continue to safeguard the welfare of rakyat and enhance the nation's prosperity.

45. The 2018 Budget was formulated in line with the 11MP and this is the third Budget under the Plan. In order to ensure the nation's wealth and prosperity to be enjoyed equitably and inclusively through strong economic growth and competitiveness, this Budget with the theme **"PROSPERING AN INCLUSIVE ECONOMY, BALANCING BETWEEN WORLDLY AND HEREAFTER, FOR THE WELLBEING OF THE RAKYAT, TOWARDS TN50 ASPIRATION"**, which is based on Eight Main Thrusts.

FIRST THRUST: INVIGORATING INVESTMENT, TRADE, AND INDUSTRIES

46. In 2018, the total investment in the country is expected to increase by 6.7%, accounting for 25.5% of GDP.

47. In this regard, the Government will continue to emphasise on high-impact investment, such as petroleum, logistics, rail, robotics and automation as well as export-oriented industries.

48. Private investment has continued to outpace public investment with a ratio of 70:30. Private investment is estimated to reach RM260 billion in 2018 compared with only RM81 billion in 2009.

49. Meanwhile, public investment is estimated to record RM109 billion compared with RM75 billion in 2009. This is in line with the objective of Economic Transformation Programme (ETP) to propel the private sector as an engine of growth.

50. A sum of RM1 billion is allocated for the development of Five Main Corridors. The Government will develop the South Perak Region comprising Proton City, Educuity and Youth City in Tanjung Malim as well as Bukit Kayu Hitam Duty-Free Zone; construction of port and industrial park in Tok Bali, Kelantan; and access road to Baleh Dam, Sarawak.

51. At the same time, to place Malaysia as a preferred investment destination, the Principal Hub tax incentive will be extended until 31 December 2020. The Government will allocate RM200 million to the high-impact strategic fund under MIDA.

52. Malaysia is committed to economic information sharing introduced by the OECD. These include implementation of the Base Erosion and Profit Shifting Plan of Action as well as the Automatic Exchange of Information commencing September 2018.

Strengthening Small and Medium Enterprises

53. Malaysia will progress further through the inclusive participation of small and medium enterprises (SMEs). Currently, we have Jeruk Pak Ali, Sydney Cake House, Satay Haji Samuri and Telekung Siti Khadijah which have established their brands, with some having presence in international markets.

54. We welcome them to Parliament and congratulate them for their hard work and achievements.

55. It is targeted that SMEs will contribute 41% of GDP by 2020. In this regard, the following measures will be implemented:

First: A total of RM7 billion is allocated under the Skim Jaminan Pembiayaan Perniagaan (SJPP), of which, RM5 billion for working capital and RM2 billion for loans with 70% guaranteed by the Government for services sector, including Industrial Revolution (IR 4.0);

Second: To enable SMEs to automate production processes and reduce employment of foreign workers, an unprecedented amount of RM1 billion is provided as loans to companies under SJPP with 70% guaranteed by the Government;

Third: An additional RM1 billion is provided to the Shariah-compliant SME Financing Scheme, increasing the fund size to RM2.5 billion. A subsidy of 2% on profit earned;

Fourth: A sum of RM200 million is allocated to SMEs for training programmes, grants and soft loans under the SME Corp; and

Fifth: About RM82 million is allocated under various agencies for the development of halal industries and products.

Strengthening Microfinancing

56. The Government also includes micro-entrepreneurs such as the popular coconut shake seller in Klebang, Melaka in this Budget.

57. The Government provides the highest allocation to Tabung Ekonomi Kumpulan Usaha Niaga (TEKUN), amounting to half a billion ringgit.

58. In addition, to appreciate Amanah Ikhtiar Malaysia's (AIM) borrowers of which the majority are women and good paymasters, the Government will allocate an additional RM200 million to the fund. With this, total fund size will be RM2.7 billion, benefitting nearly 400,000 borrowers.

59. One success story is on Kak Wan Azizah Wan Salleh who started her business in 1993 with a working capital of RM500 from AIM and became a successful millionaire in poultry farming.

60. Furthermore, a sum of RM80 million is allocated under the Rural Economic Financing Scheme (SPED) through Bank Rakyat and SME Bank to provide financing facilities to rural Bumiputera entrepreneurs.

Accelerating Exports

61. The country's exports will be further accelerated by focusing on high-impact export sectors, through the following measures:

First: A sum of RM150 million is provided to MATRADE, MIDA and SME Corp to implement promotional programmes, and expand export markets including Market Development Grant;

Second: A sum of RM1 billion is provided by EXIM Bank for insurance coverage credit facilities and RM200 million for credit financing facilities to SME exporters; and

Third: A sum of RM100 million is provided as a loan with 70% guaranteed by the Government to automate production of local furniture for exports.

Boosting Agricultural Sector

62. The Government cares for paddy farmers, farmers, smallholders, fishermen and others in the agriculture sector.

63. As such, for the first time in the history of the nation's Budget, the largest allocation of RM6.5 billion is provided to assist farmers, fishermen, smallholders and rubber tappers. Among the various programmes to be implemented are:

First: A sum of RM2.3 billion is allocated to provide assistance and incentive such as fertilisers and input to paddy farmers, rubber smallholders and fishermen;

Second: About RM500 million is allocated to improve irrigation infrastructure and upgrade plantation roads;

Third: About RM200 million is allocated for rubber replanting programme and provide infrastructure to increase production of latex instead of cup lump as this will raise the income of smallholders;

Fourth: About RM140 million is allocated to developing and replanting of oil palm as well as enhance marketing programmes;

Fifth: A sum of RM200 million is allocated for the agricultural programme as new sources of income, particularly the planting of corn, coconut, durian and culinary industry. Others include the development of dairy industry through the establishment of Lembaga Tenusu dan Ruminan.

For example, in Hong Kong it is said that the price of a Mawsang King durian is sold at RM800.

Sixth: For the first time, a special scheme will be implemented to increase the production of coconuts through replanting of new varieties, namely Careca and Matag. This scheme will be implemented with an allocation of RM50 million, benefitting 10,000 smallholders.

Meanwhile, the management of coconut, pineapple and fruits industries will be placed under one Board; and

Seventh: For the first time, I would like to announce a monthly assistance of RM200 for three months to paddy farmers while waiting for the harvest season with an allocation of about RM150 million.

Boosting Tourism Industry

64. The tourism sector is one of the key sources of income for the nation's economy.

65. According to the World Tourism Organisation Report, in 2016 Malaysia was ranked at 12th position in terms of tourist arrivals.

66. In 2018, it is estimated that there will be 28 million tourist arrivals. As such:

First: I am pleased to announce that 2020 is declared as the Visit Malaysia Year, of which Malaysia will also host series of international meetings, namely APEC, WCIT and CHOGM;

Second: A sum of RM2 billion is allocated to SME Tourism Fund to provide soft loans to tour operators with an interest subsidy of 2%;

Third: An additional RM1 billion is provided to the Tourism Infrastructure Development Fund as soft loans;

- Fourth: A sum of RM500 million is provided to develop and promote tourism through upgrading infrastructure facilities as well as promoting homestay and eco-tourism programmes;
- Fifth: Expand eVisa regional hub by facilitating visa application worldwide, especially for expatriates, foreign students, and Malaysia My Second Home Programme (MM2H);
- Sixth: Extend tax incentive for investment in new 4-and 5-star hotels until 31 December 2020; and
- Seventh: Extend tax incentive for tour operators to the year of assessment 2020.

67. The health-tourism industry will be strengthened as one of the country's sources of income. This includes providing end-to-end service for medical tourists coming to Malaysia.

68. In this respect, the Government is allocating RM30 million to Malaysian Healthcare Travel Council (MHTC) to implement the following initiatives:

- First: Promote Malaysia as the Asian Hub for Fertility Treatment, including IVF and Cardiology which will be expanded through the eVisa facility and high-value healthcare packages;
- Second: Introduce Flagship Medical Tourism Hospital Programme, which offers special incentive to private hospitals to attract medical tourists;
- Third: Extend the investment tax allowance (ITA) of 100% for medical tourism until 31 December 2020;
- Fourth: Provide double tax deduction on expenses incurred in obtaining certification from healthcare services accreditation bodies for dental and ambulatory services registered with MHTC; and

Fifth: Increase the special tourism healthcare incentive from 50% to 100% of the incremental value of exports, for private healthcare services, beginning the year of assessment 2018 to 2020.

Driving Logistics Sector

69. In order to ensure a more balanced economic spillover between urban and rural areas, the Government will improve logistics and transport infrastructure. Among others:

First: East Coast Rail Link (ECRL) Project which connects Port Klang to Pengkalan Kubor, Kelantan can transport cargo and passengers within four hours. The construction work of this project will begin in January 2018;

A sum of RM110 million is also allocated to provide an alternative road to Port Klang to enhance connectivity;

Second: MRT2 Line from Sungai Buloh – Serdang – Putrajaya Project, spanning 52 kilometres, covering 37 stations with an estimated construction cost of RM32 billion.

Meanwhile, the Government will expedite the construction of MRT3 or Circle Line to be completed by 2025, earlier than the initial target by 2027.

Furthermore, the construction of the LRT3 project which will connect Bandar Utama to Johan Setia, Klang is expected to be completed by February 2021.

Third: High-Speed Rail Project connects Kuala Lumpur – Singapore with a distance of 350 kilometres in 90 minutes, is expected to benefit rakyat by 2026;

Fourth: West Coast Highway from Banting, Selangor to Taiping, Perak is under construction with an estimated cost of RM5 billion.

- Fifth:** For the Central Spine Road, a sum of RM230 million is allocated in 2018 to continue the construction work, among others, road from Raub to Bentong and Gua Musang, Kelantan to Kampung Relong, Pahang;
- Sixth:** Declare Pulau Pangkor in Perak as Duty-Free Island. However, the duty-free status excludes products such as alcoholic beverages, tobacco and motor vehicles; and
- Seventh:** To stimulate the economic growth in the northern area, a Special Border Economic Zone in Bukit Kayu Hitam will be developed.

This development includes Free Industrial Zone (FIZ) which will be a new attraction for both domestic and foreign investors.

70. Furthermore, the Government will take a holistic approach to meet the basic needs of the rakyat by providing efficient and safe public transportation system through the following measures:

- First:** A sum of RM3 billion is allocated to Transportation Development Fund to procure vessels as well as develop aerospace technology industry and rail;
- A sum of RM1 billion is also allocated to Public Transportation Fund for working capital and procurement of assets such as buses and taxis;
- Second:** A sum of RM95 million is allocated to upgrade and construct jetties as well as dredge river estuaries;
- Third:** Following many express bus accidents, a sum of RM45 million is allocated to develop a biometric control system to monitor the bus drivers; and
- Fourth:** A sum of RM55 million is provided to subsidise train services in rural areas from Tumpat to Gua Musang;

71. The Government will implement various initiatives to safeguard the welfare of rakyat irrespective of political differences and geographical locations to enhance countries's economic growth, as a whole. These include:

First: Upgrade Pulau Pinang and Langkawi International Airports;

Second: Construction of a new airport in Mukah as well as expansion of airports in Kota Bharu and Sandakan;

Third: A study is being undertaken by the Government on a new airport in Pulau Tioman; and

Fourth: To stimulate development in Labuan, the Government will conduct a feasibility study for the construction of a bridge connecting Labuan with the mainland Sabah.

Strengthening Financial Market

72. Malaysia is renowned as the leader in Islamic finance. As such, to strengthen Malaysia's position as a comprehensive and competitive financial centre, the Government will continue with the following measures:

First: A sum of RM1.5 billion is allocated under SJPP, using intellectual property as an instrument of financial collateral with up to 80% financing guarantee; and

Second: Provide exemption on stamp duties on contract notes for trading of Exchange-Traded Fund and Structured Warrants, for 3 years, effective January 2018.

73. To stimulate capital market and provide access to investment, the Alternative Trading System will be introduced subject to compliance with all requirements and regulatory standards. This will enable a more efficient and significant transactions.

74. The Government understands the constraints of small companies such as start-ups in obtaining financing to expand their market.

75. Therefore, the Government encourages venture capital activities through the following measures:

- First: A sum of RM1 billion is provided by major institutional investors for investment in venture capital in main selected sectors, coordinated by Securities Commission (SC);
- Second: Expand income tax exemption to include management and performance fees received by venture capital management company, effective from the year of assessment 2018 to 2022;
- Third: To facilitate venture capital companies to invest in venture companies, it is proposed that the minimum investment in venture companies be reduced from 70% to 50%, effective year of assessment 2018 to 2022;
- Fourth: Companies or individuals investing in venture capital companies is provided tax deduction equivalent to the amount of the investment up to a maximum of RM20 million per annum; and
- Fifth: Extend the income tax exemption equivalent to the amount of investment made by an angel investor in venture companies to 31 December 2020.

76. The Government will continue to invigorate the sustainable and responsible investment (SRI) through the following measures:

- First: Provide income tax exemption for recipients of the special Green SRI Sukuk grant totalling RM6 million; and
- Second: Provide income tax exemption on income from management fee to be expanded to approved conventional SRI fund managers from the year of assessment 2018 to 2020.

77. The Government will promote a cashless society economy through effective employment of foreign workers. Beginning 2018, Bank Negara Malaysia will monitor salary payment through local bank accounts for foreign workers, excluding domestic helpers.

SECOND THRUST: TOWARDS TN50 ASPIRATION

78. I have announced National Transformation 2050 (TN50) in the 2017 Budget. TN50 will chart a proud nation-state, to be in the top 20 countries in the world.

79. Using the bottom-up approach, I have held a series of TN50 engagements and dialogues with various segments of society such as youth, graduates, civil servants, artists, educators and private sector to obtain aspirations, views and ideas.

To date, more than 80,000 aspirations have been received, involving 1.8 million rakyat representing various segments of the society, nationwide.

Improving Childcare and People with Disabilities Welfare Centres

80. Moving towards TN50, in achieving work-life balance, the local authorities are required to ensure that childcare facilities are provided in all new office buildings, starting with Kuala Lumpur.

81. In addition, the TN50 vision emphasises the aspects of safeguarding all groups, including the welfare of People with Disabilities (PWDs).

Hence, additional tax deductions are extended to cover employers hiring workers affected by accidents or critical illnesses and certified by Social Security Organisation's (SOCSO) Medical Board that they are still fit to work.

Inculcating the Culture of Savings in TN50 Generation

82. In order to ensure the bright future of the TN50 generation, the Government together with Permodalan Nasional Berhad (PNB)

has agreed that every Malaysian baby born from 1 January 2018 to 2022, be provided with an Initial Savings Fund of RM200 through PNB's Unit Trust Scheme.

83. This new scheme will be named as Amanah Dana Anak Malaysia (ADAM50).

Providing Education for TN50 Generation

84. With regard to education for TN50 generation, a total of RM250 million is allocated for the following:

First: Set up a Science, Technology, Engineering and Mathematics (STEM) centre to develop the latest learning methods to train STEM specialist teachers, utilising existing facilities at teachers training institute in collaboration with Academy of Science Malaysia;

Second: Enhance Computer Science module including Coding programme in primary and secondary school curriculums, which currently exist in Form One and Form Three;

Third: Allocate a sum of RM190 million to upgrade 2,000 classes into a 21st Century Smart Classrooms in order to enhance creative-based learning and innovative thinking;

Fourth: Towards TN50, the Government acknowledges the role of artists to increase the quality of culture to a higher level. For this, about RM20 million is allocated to Cultural Economy Development Agency (CENDANA).

Upholding Higher Education

85. The Government is proud of our recent achievements in higher education, which include:

First: According to 2017/2018 QS University Ranking Report, all five local Research Universities in the country have been listed as top 300 best universities in the world, which is the top 1% in the world;

Second: In fact, Universiti Malaya ranking has improved by 19 places to 114, closing its rank with the 100 best universities in the world;

Third: In terms of world's higher education system, Universitas 21 ranked Malaysia as 25th best in the world, improving by 11 positions over the past six years; and

Fourth: With 134,000 foreign students in local institutions of higher learning (IHL), we are progressing in becoming the Regional Higher Education Hub.

86. Since 2009, the cumulative scholarship provided by the Government amounts to RM44 billion. For 2018:

First: A sum of RM2.2 billion is allocated for scholarships provided by Public Service Department, Ministry of Higher Education and Ministry of Health;

Second: A sum of RM400 million for research and development grants is provided to Public IHLs, compared with RM235 million allocated in the previous Budget, including a special allocation for Universiti Malaya to achieve the status of Top 100 Universities in the World in the near future; and

Third: A sum of RM90 million is allocated for MyBrain Programme for 10,600 individuals to further their studies in Masters and PhD; and

Fourth: Students in IHLs and Form Six will be provided with Book Voucher Assistance of RM250 each, benefitting 1.2 million students.

I would like to take this opportunity to congratulate the new line of leadership of the Student Representative Council at all IPTAs with a majority of them undergraduates from the Pro-Aspirasi group.

Upholding Talent and Careers of TN50

87. Malaysians need to be ready, alert and swift through training and retraining in meeting the job market requirements. To address this issue, the Government will:

88. Continue Skim Latihan 1Malaysia (SL1M) Apprenticeship Programme which have trained 138,000 graduates with an additional 5,000 graduates to a total of 25,000 graduates next year. Meanwhile, open interview programme by the SL1M will be continued with an allocation of RM40 million.

89. To expand SL1M, private companies awarded with Government contracts are mandated to allocate 1% of their total project value to SL1M.

90. In addition, the Government will create a one-stop centre incorporating agencies such as JobsMalaysia, SL1M, SOCSO, Human Resources Development Fund (HRDF) and Unit Peneraju Agenda Bumiputera (TERAJU) in Urban Transformation Centre (UTC) to provide professional advisory services in seeking employment and training.

91. To identify best talents, the Government through TalentCorp will create talent profiles under the National Leaders Circle programme. This programme will identify and shortlist suitable and credible candidates to fill critical and senior posts.

92. The Government is very concerned on the social ills in the society. To address this, a matching grant of RM50 million will be provided to social enterprises and NGOs to resolve daily social issues and challenges in innovative ways.

Sports Development

93. Last August and September, Malaysia was declared as the Overall Champion at the 29th SEA Games and ranked second in the 9th ASEAN Para Games.

94. Hence, on behalf of the Government, let's give the most roaring applause to all our heroes and heroines.

95. To continue the momentum towards becoming sports powerhouse, the Government allocates RM1 billion to implement various initiatives including FitMalaysia, National Sports Day, training for athletes, grassroots programme and national football development programme.

96. The Government also announces the construction of 14 new sports complexes nationwide with a cost of RM112 million.

97. In addition, the Government allocates RM20 million to Bukit Jalil Sports School to upgrade its facilities as the premier sports school.

THIRD THRUST: EMPOWERING EDUCATION, SKILLS, TRAINING AND TALENT DEVELOPMENT

98. On average, the Malaysian education expenditure is double that of other ASEAN countries. For 2018, a sum of RM61.6 billion is provided for this sector.

Of which, RM654 million is allocated for construction of four pre-schools, nine PERMATA centres, including two new centres for autistic children; 48 primary, secondary schools and vocational colleges as well as one matriculation centre.

Upgrading and Maintaining Schools

99. Every year, priority is given to the Special Fund for School Upgrading and Maintenance. A total of RM550 million is allocated for this purpose, including:

- National Schools - RM250 million;
- National-type Chinese Schools - RM50 million;
- National-type Tamil Schools - RM50 million;
- Missionary Schools - RM50 million;
- Boarding Schools - RM50 million;

- MARA Junior Science Colleges - RM50 million; and
- Government-aided Religious Schools - RM50 million.

100. The Government realises there are 2,000 dilapidated schools nationwide that need upgrading and refurbishing.

101. For these repair works through Industrial Building System, the Government provides the largest allocation of RM2.5 billion for two years, of which RM500 million to schools in Peninsular Malaysia, RM1 billion in Sabah and RM1 billion in Sarawak.

Providing Schooling Assistance

102. A total of RM2.9 billion is also allocated for food assistance, textbooks, per capita grants and Federal Scholarships for schools.

103. Meanwhile, Schooling Assistance worth RM100 per student from the low-income households will be continued with an allocation of RM328 million, benefitting 3.2 million students.

104. The Government recognises the role of teachers in strengthening education and moulding the future generation.

105. We would like to take this opportunity to thank all teachers nationwide who have strived in building our future generation.

Funding for Higher Education

106. As we are aware, the National Higher Education Fund Corporation (PTPTN) was established to manage funding for Malaysian students pursuing tertiary education.

107. Concerning PTPTN, we need to understand as stated in hadith, debt remains as debt and must be paid.

108. The borrowers of PTPTN loans must be responsible for paying back for future generation to continue to benefit.

109. To all PTPTN borrowers, the Government agrees to extend the discount for repayment of PTPTN loans until 31 December 2018 as follows:

20% of the outstanding debt for full settlement;

10% for repayment of at least 50% of the outstanding debt made in a single payment; and

10% for repayment through salary deductions or scheduled direct debit.

110. In addition, I would like to announce additional flexibility for PTPTN loans as follows:

First: For students from B40 households undergoing highly marketable courses, an additional RM200 million is provided to increase the maximum loan amount; and

Second: The grace period for loan repayment is extended to 12 months upon completion of the study compared with six months currently.

111. In addition, for borrowers intending to pursue their studies to a higher level, for example from diploma to undergraduate, they may combine both loans into a single loan and to repay upon completion of their studies.

112. Clearly, the Government has provided various means to assist students in repaying their loans.

Providing Skim Simpanan Pendidikan 1Malaysia

113. Furthermore, to inculcate the culture of savings for education, a sum of RM250 million is provided to 500,000 contributors aged 7 to 12 years under National Education Savings Scheme (SSPN-i Plus) which is rebranded as Skim Simpanan Pendidikan 1Malaysia (SSP1M) managed by PTPTN.

A matching grant of RM500 will be provided to contributors with a total contribution of at least RM500 and only can be withdrawn upon attaining the age of 18 years.

114. In addition, individual income tax relief for net savings in the SSP1M up to RM6,000 be extended for another 3 years, effective from the year of assessment 2018.

Enhancing Technical and Vocational Education Training

115. The Government is aware of the importance of transformation in the Technical and Vocational Education Training (TVET) in producing highly skilled and competitive workforce. In this regard, all TVET institutions under seven ministries have been merged and known as “TVET Malaysia” under the purview of the Ministry of Human Resources.

116. In addition, a sum of RM4.9 billion is allocated to implement TVET Malaysia Masterplan.

117. To encourage TVET graduates to pursue their studies, the Government will also provide 100 TVET Outstanding Student Scholarships with an allocation of RM4.5 million.

118. To support the development of skilled workers in the rail sector, the Government will establish the National Rail Centre of Excellence (NRCOE) to oversee and coordinate quality assurance as well as accreditation of national rail education and training. In addition, Malaysia Rail Link Sdn. Bhd. in collaboration with IPTAs will train 3,000 professionals in this industry.

FOURTH THRUST: DRIVING INCLUSIVE DEVELOPMENT

Providing Quality Infra-Rakyat

119. In progressing towards a developed nation, quality infrastructure and interconnectivity will be modernised.

120. Hence, the Government will continue to focus on world-class infra-rakyat projects. For example, The MRT Line Sungai Buloh – Kajang Line was completed with a daily capacity of 400,000 commuters.

121. MRT is a success story where the project was not only completed ahead of schedule but also resulted in a cost saving of RM2 billion from the initial construction costs.

122. As for the infrastructure facilities in Sabah and Sarawak, the Government has fulfilled its promise through the construction of Pan-Borneo Highway.

123. The Pan-Borneo is expected to enhance connectivity and invigorate economic activities in Sabah and Sarawak, including rural and remote areas such as Kapit-Ulu Song.

124. To provide basic infrastructure in the rural areas, a sum of RM6.5 billion is allocated, among others:

First: A sum of RM2 billion is allocated for Pan-Borneo Highway. For Sarawak, all the 11 construction packages have been tendered, while five out of 35 packages in the First Phase in Sabah have been awarded and the remaining 12 is under tender process;

Second: A sum of RM1.1 billion is allocated for Rakyat-centric projects including building and upgrading of bridges, village street lights, *musolla*, and markets;

Third: A sum of RM1 billion is allocated through Malaysia Communications and Multimedia Commission (MCMC) to develop communication infrastructures and broadband facilities in Sabah and Sarawak;

Fourth: A sum of RM934 million is allocated for the construction of rural roads, including almost RM500 million for Sabah and Sarawak;

Fifth: An allocation of RM672 million for electricity supply in rural areas, including RM620 million for Sabah and Sarawak, benefitting 10,000 rural homes.

As a whole, since 2009, subsidies worth more than RM100 billion have been allocated, including gas to generate cheap, quality and reliable electricity supply for the rakyat.

- Sixth:** A sum of RM420 million, including almost RM300 million for Sabah and Sarawak is allocated to provide clean water supply, benefiting 3,000 homes;
- Seventh:** A sum of RM500 million for the Public Infrastructure Maintenance Programme and Basic Infrastructure Project to meet the needs and wish list of the rakyat at the grassroots level; and
- Eighth:** A sum of RM50 million is allocated for surveying and mapping of customary lands, of which RM30 million for Sarawak and RM20 million for Sabah.

A part of the rakyat-centric projects will be implemented through private financing initiatives.

Implementing National Blue Ocean Shift

125. National Blue Ocean Shift (NBOS) will continue to be implemented swiftly and in an integrated manner at a low-cost with high impact.

126. For 2018, a sum RM300 million is allocated to implement NBOS programmes, including construction of new UTCs, Blue Ocean Entrepreneur Township, Mobile CTC, entrepreneurship programme, Global Entrepreneurship Community as well as inclusive and vibrant Social Entrepreneurs.

Safeguarding the Welfare of FELDA Settlers

127. The Government continues to safeguard the welfare of FELDA settlers. More than 112,000 settlers received six main incentives, including Settlers Special Incentive of RM5,000.

128. The Government will reimburse the cess money that had been paid by settlers for replanting scheme from rubber to oil palm from 2010 to 2016. This will benefit 8,925 FELDA settlers with an allocation of RM43 million. In addition, a sum of RM60 million will be provided for oil palm replanting programme.

129. Furthermore, a sum of RM164 million is allocated to build 5,000 Second Generation FELDA Homes in collaboration with Syarikat Perumahan Negara Berhad (SPNB).

130. In addition, nearly RM200 million is provided for FELDA to supply water as well as upgrade road and street lights.

More importantly, the Government will always safeguard the welfare of FELDA settlers.

Enhancing Safety and Security

131. To counter terrorism and extremism such as IS and DAESH, the Government has established a Regional Digital Counter-Messaging Communications Centre.

132. In addition, the Government will increase security at the borders and enhance safety with an allocation of RM14 billion for Malaysian Armed Forces (ATM), almost RM9 billion for Royal Malaysia Police (PDRM) and more than RM900 million to Malaysian Maritime Enforcement Agency (APMM).

133. Among the main programmes are:

First: A sum of RM3 billion is allocated for procuring and maintaining defence assets;

Second: A sum of RM720 million to build 11 headquarters and six police stations as well as the purchase of firearm fittings and operations vehicle. Meanwhile, an allocation of RM170 million is provided to upgrade ICT equipment, including 1PDRMnet system as well as RM100 million to upgrade communication systems;

In addition, to safeguard the welfare of police personnel, I would like to announce the construction of 10,000 units of houses under 1Malaysia Civil Servants Housing-PDRM (PPA1M-PDRM) at affordable prices according to police salary scheme.

- Third: A sum of RM490 million is allocated to APMM for repairing and maintaining ships and boats, upgrading jetties as well as procuring three patrol boats;
- Fourth: A sum of RM250 million is allocated to Eastern Sabah Security Command (ESSCOM) to enhance security controls at Sabah and Sarawak borders, including RM50 million for coastal surveillance radar;
- Fifth: A sum of RM50 million is allocated to upgrade the capability of firearm assets of the special taskforce to combat anti-terrorism activities; and
- Sixth: In addition, in appreciation the role of People's Volunteer Corps (RELA) in assisting rakyat, the Government will provide the highest allocation of almost RM250 million for necessary equipment, including uniforms.

134. In safeguarding the welfare of armed forces, the Government will:

- First: Prepare the Armed Forces Family Housing (RKAT) blueprint to construct more than 40,000 units in phases by 2030. In 2018, almost 6,000 units will be built; and
- Second: A sum of RM40 million is allocated to upgrade five hospitals, build four polyclinics and hospital for ATM veterans.

135. Let us extend our heartiest appreciation to our security forces including police, armed forces and APMM who have sacrificed for the country's peace and sovereignty.

Introducing the Bumiputera Wellbeing Transformation Policy

136. As we are aware, the Bumiputera community accounts for almost 70% of the total 32 million population.

137. Therefore, the Government, through the Bumiputera Wellbeing Transformation (TKB) Policy will continue to uphold Bumiputera empowerment as a national agenda.

138. Since 2009, various major initiatives to empower Bumiputera economy has and is currently being implemented.

139. In this regard, the Carve-Out and Compete initiative for Bumiputera has reached a total contract value of more than RM61 billion. In addition, a sum of RM1.7 billion is approved for 515 projects under the Facilitation Fund which provides more than 44,000 employment opportunities.

140. This reflects that the Bumiputera contractors are more resilient and capable to complete projects earlier than scheduled without compromising the quality.

141. Furthermore, the Yayasan Peneraju Pendidikan Bumiputera has successfully trained nearly 17,000 Bumiputera professionals nationwide, in the accounting and engineering fields.

142. In addition, a sum of RM2.4 billion is allocated to UiTM. At the same time, the Government has increased the number of student intakes in UiTM to more than 165,000 with a target to attain 250,000 students by 2020.

143. Notably, UiTM has succeeded in producing over 700,000 Malay and Bumiputera graduates.

144. Furthermore, in 2018, the Government will allocate more than RM3.5 billion for the following initiatives:

First: A sum of RM2.5 billion, the highest allocation ever, is provided for higher education scholarship and training programmes under the Council of Trust for the People (MARA). This will benefit nearly 90,000 students including 1,500 in the critical fields such as artificial intelligence, signalling and rail;

Second: A total of RM90 million is allocated for programmes namely Peneraju Profesional, Skil and Tunas, benefitting almost 8,000 individuals;

Third: A sum of RM200 million is allocated for the MARA Graduate Employability Training Scheme (GETS);

Fourth: A sum of RM555 million is allocated for Bumiputera entrepreneurship enhancement programme, comprising:

- A sum of RM200 million for Program Keusahawanan dan Premis Perniagaan Perbadanan Usahawan Nasional Berhad (PUNB);
- A sum of RM200 million is allocated for Program Keusahawanan MARA;
- A sum of RM155 million for programmes such as vendor capacity development, Tunas Usahawan Belia Bumiputera (TUBE), Skim Usahawan Permulaan Bumiputera (SUPERB), and Skim Anjakan Usahawan; and

Fifth: To increase equity and investment in strategic sectors, a sum of RM150 million is provided to Pelaburan Hartanah Berhad (PHB) and RM150 million to Ekuiti Nasional Berhad (EKUINAS).

Safeguarding the Wellbeing of Chinese and Indian Communities

145. As an inclusive Budget, for the Chinese community, the Government will provide a sum of RM50 million as loans for SMEs through Koperasi Jayadiri Malaysia Berhad (KOJADI).

146. In addition, a sum of RM30 million will be channelled to the 1Malaysia Hawkers and Petty Traders Foundation to provide loans to Chinese hawkers.

147. Furthermore, to develop Chinese New Villages, a total of RM65 million is provided, while another RM10 million for housing refurbishment programme.

148. With regard to the Indian community, the average monthly household income of the Indian community increased significantly by 6.8% per annum. Furthermore recently, I have launched the Malaysian Indian Blueprint (MIB).

149. For this, through TEKUN, the Government allocates RM50 million for Indian Community Entrepreneur Development Scheme (SPUMI), benefitting more than 35,000 entrepreneurs. In addition, a sum of RM50 million is allocated for the Indian community socioeconomic development programme.

150. At the same time, through MIB, the new intake of Indians to public higher learning institutions and public service will be increased to a targeted 7%.

151. Under the Socioeconomic Development of Indian Community (SEDIC), more than RM230 million has been distributed since 2014, benefitting more than 500,000 Indian participants.

152. The 2018 budget also introduces a new initiative for the Indian community. I am pleased to announce that PNB will make a special distribution amounting to 1.5 billion additional units of Amanah Saham 1Malaysia for the Indian community, up to 30,000 units for each investor.

153. To support this initiative, a fund amounting to RM500 million is allocated for five years. This special investment loan scheme will be offered to 100,000 households from the B40 Indian community, limited to 5,000 units per participant.

154. MIB has proven to the Indian community that in the national development no one is left behind... *'indeed, the future belongs to us.'*

Safeguarding the Welfare of Orang Asli

155. To raise the standard of living and economic development of Orang Asli community, a total of RM50 million is provided, comprising community food assistance programmes, benefitting almost 5,000 Orang Asli students.

156. In addition, as an incentive to successful Orang Asli students, the Government will provide an assistance of RM3,000 for parents to prepare their children's enrolment in IHLs.

157. Furthermore, Orang Asli Settlement Integrated Development Programme will be continued with an allocation of RM60 million.

Safeguarding the Women and Family Wellbeing

158. Women play a very important role in the wellbeing of family and national development. Therefore, in recognising women's contribution, the Government is pleased to announce 2018 as the Women Empowerment Year.

159. In this respect, several initiatives will be implemented as follows:

First: Require at least 30% participation of women as board of directors in Government-linked companies (GLCs) and Government-linked investment companies (GLICs) as well as statutory bodies by end-2018;

Second: Propose maternity leave for the private sector to be increased from 60 days to 90 days as implemented by the public sector;

Third: A sum RM20 million is allocated to conduct women training and entrepreneurship programmes, which include Performance Empowerment Acceleration Knowledge (PEAK) Entrepreneur Programme under MyWin Academy; and

Fourth: To encourage women who have been on a career break for at least two years to return to the workforce, the Government proposes that their earnings on a maximum of 12 months consecutive salary received be given personal income tax exemption. The incentive is available for women who return to the workforce between the year of assessment 2018 to 2020.

FIFTH THRUST: PRIORITISING THE WELLBEING OF THE RAKYAT AND PROVIDE OPPORTUNITIES TO GENERATE INCOME

160. Prioritising the wellbeing of the rakyat and provide opportunities to generate income.

Generating Rakyat's Income

161. The Government is committed and continues to strive to provide job opportunities and generate income, through the following measures:

First: A sum of RM100 million to expand eRezeki, eUsahawan and eLadang Programmes under Malaysia Digital Economic Corporation (MDEC);

Second: A sum of RM120 million is allocated to provide easy loans to 1,000 1Malaysia Food Truck (FT1M) and 1Malaysia Mobile Food Kiosk entrepreneurs through Bank Rakyat and Bank Simpanan Nasional. The Government will provide a subsidy of 4% on the interest rates;

Third: Providing a total of RM60 million to implement 1AZAM Programme, including RM10 million for Sabah and RM10 million for Sarawak; and

Fourth: Providing a sum of RM25 million for Three-Wheel Motorcycle Programme under FAMA, GiatMara mobilepreneur and MyAGROSIS programmes.

162. In line with IR 4.0, all registered taxi drivers who wish to shift to an ehailing application, a grant amounting to RM5,000 will be provided for the purchase of a new car.

Increasing Disposable Income

163. BR1M is a form of targeted subsidy for those in need and has proven to be effective.

164. BR1M is an efficient form of cash transfer to assist the B40 households.

165. In 2017, BR1M has benefitted 7 million recipients with an allocation of RM6.8 billion. Likewise, in 2018, those recipients will continue to benefit from the BR1M cash transfer of up to RM1,200.

166. The Government will continue to increase household disposable income as well as narrow the income gap in the country.

167. I would like to bring another good news to the 2.3 million tax payers, especially those in the M40 group or specifically mid-income range households with income of less than RM9,000.

168. I would like to announce an individual income tax rates reduction of two percentage points for chargeable income tax band between RM20,000 to RM70,000, as follows:

First: Income tax band from RM20,001 to RM35,000, the rate is reduced from 5% to 3%;

Second: Income tax band from RM35,001 to RM50,000, the rate is reduced from 10% to 8%; and

Third: Income tax band from RM50,001 to RM70,000, the rate is reduced from 16% to 14%;

This measure will increase the disposable income of the rakyat between RM300 to RM1,000. It is estimated that additional disposable income of RM1.5 billion can be spent by the rakyat. With this measure more than 261,000 individuals are no longer subject to income tax.

169. The Government allocates a sum of RM3.9 billion for goods and transport subsidies including cooking gas, flour, cooking oil, electricity and toll.

170. As announced earlier, Kedai Rakyat 1Malaysia will be restructured as KR1M 2.0. As a start, in 2018, 50 outlets will be transformed to KR1M 2.0 and will be expanded further to 3,000 outlets within three years.

171. KR1M 2.0 will provide five basic necessities at low prices such as rice, sugar, cooking oil, flour and cooking gas. In addition, 50 branded consumer goods will be sold at a lower than the market price.

172. The Government will continue the Standardisation of Prices for Basic Necessities Programme in Sabah and Sarawak with a total allocation of RM80 million.

173. In addition, the Government will develop the Agrobazaar Malaysia with a total allocation of RM20 million to provide market space and agrofood sales centre at a lower price, beginning in Putrajaya.

174. Ministry of Agriculture and Agro-Based Industry will implement programmes through FAMA and Lembaga Kemajuan Ikan Malaysia (LKIM) with an allocation of RM50 million. These programmes enable consumers to purchase food products such as fish, vegetables, chickens and eggs at affordable prices.

175. Effective 1 January 2018, following measures, will be implemented:

First: Abolish toll collections at Batu Tiga and Sungai Rasau, Selangor;

Second: Abolish toll collections at Bukit Kayu Hitam, Kedah; and

Third: Abolish toll collections at Eastern Dispersal Link, Johor.

Enhancing 1Malaysia Retirement Scheme

176. For those who are self-employed and without fixed income, the Government will increase its contribution to 15% subject to a maximum of RM250 annually under the 1Malaysia Retirement Scheme (SP1M) managed by Employees Provident Fund (EPF). The contribution begins from 2018 to 2022.

Hiring Foreign Domestic Helpers

177. The Government is aware of the high cost incurred in hiring foreign domestic helpers. Currently, the hiring cost of a foreign domestic helper could reach as high as RM12,000 to RM18,000.

178. To address this issue, the Government will review the cost of hiring foreign domestic helpers, with a view of reducing it in the future.

179. For a start, the Government will allow employers to hire foreign domestic helpers from nine selected countries directly without any agents.

180. Subsequently, employers may apply for foreign domestic helpers' visa via online from the Immigration Department of Malaysia with the current levy and processing fees.

Housing

181. The Government will continue to intensify efforts to increase home-ownership for the rakyat with an allocation of RM2.2 billion as follows:

First: 17,300 units of People's Housing Programme;

Second: 3,000 units of People's Friendly Home under SPNB;

Third: 210,000 units of houses under Perumahan Rakyat 1Malaysia (PR1MA) with prices RM250,000 and below. For this, RM1.5 billion is allocation for two years;

Fourth: 25,000 units of 1Malaysia Civil Servants Housing Programme (PPA1M) will be completed in 2018 while another 128,000 units are at various stages of construction;

Fifth: 600 units of MyBeautiful New Homes (MyBNHomes) scheme for B40 households in Terengganu, Pahang, Melaka, Johor, Sabah and Sarawak as well as Orang Asli settlements;

Sixth: 2,000 units under MyDeposit programme to assist down payments as well as MyHomes programme to enable developers to provide more affordable homes; and

Seventh: A sum of RM200 million is allocated for maintenance and refurbishment of houses, including the 1Malaysia Maintenance Fund.

182. To encourage the construction of more affordable homes, the step-up financing scheme introduced by PR1MA will be extended to private housing developers subject to certain criteria.

183. With regard to abandoned housing projects, stamp duty exemption for loan agreements and letter of consent to transfer, are given to rescuing contractors and original owners of abandoned projects, effective 1 January 2018 to 31 December 2020.

184. To promote rental of residential homes, for the first time in 60 years, the Government proposes a 50% tax exemption on rental income received by resident individuals not exceeding RM2,000 per month for resident individuals.

185. This exemption is effective from the year of assessment of 2018 to 2020. The Government will also formulate the Residential Rental Act to protect the landlord and tenant.

Improving Quality Healthcare

186. To provide quality healthcare services, the Government allocates about RM27 billion, encompassing:

First: A sum of RM2.5 billion is allocated for medical supplies, while RM1.6 billion for consumable and medical support items;

Second: A sum of RM1.4 billion is allocated for upgrading and maintaining healthcare facilities, medical equipment and ambulances. This includes, the construction of operation hall using a modular approach in three hospitals in Muar, Banting and Balik Pulau;

Third: Upgrade cardiology and cardiothoracic services at Sultanah Nur Zahirah Hospital in Kuala Terengganu and Sultanah Bahiyah Hospital in Alor Setar;

Fourth: A sum of RM100 million is allocated to upgrade hospitals and clinics, including wiring systems;

Fifth: A total of RM50 million is allocated for haemodialysis assistance with a subsidy of RM100 from the overall treatment cost of RM110 per session. Beginning 2018 registered patients will only have to pay RM10 per session.

An additional of RM40 million is allocated for the Medical Aid Fund. Both incentives are for the underprivileged;

Sixth: A sum of RM10 million is allocated for the treatment of increasing cases of rare diseases and RM30 million is provided for Healthy Community Empowers the Nation programme to create awareness about non-communicable diseases in 10,000 locations nationwide; and

Seventh: A sum of RM50 million is allocated for Voluntary Health Insurance Scheme to enhance the health sector.

187. Furthermore, the Government will build new hospitals and wards, including:

First: Two blocks of women and children wards at Tengku Ampuan Afzan Hospital and Putrajaya Hospital with a capacity of 300 beds each, with a cost of RM1 billion;

Second: Cancer centre at Sungai Petani at the cost of RM500 million with a capacity of 200 beds;

Third: A block dedicated for a specialist clinic as well as a new ward at Pulau Pinang Hospital with a capacity of 300 beds with a cost of RM500 million; and

Fourth: Construction of international forensic medical service centre at Kuala Lumpur Hospital with a cost of RM380 million.

Goods and Services Tax

188. The Government will further improve the implementation of Goods and Services Tax (GST), through the following measures:

First: Services provided by local authorities will not be subjected to GST, effective 1 April 2018 or 1 October 2018, according to the choice of local authorities;

Second: Reading materials comprising all types of magazines, comics, journals and periodicals will be zero-rated, effective 1 January 2018, to streamline the GST treatment;

Third: Cruise operators are given relief from paying GST on handling services provided by port operators in Malaysia. This relief will be effective from 1 January 2018 to 31 December 2020; and

Fourth: Construction of school buildings and houses of worship, funded through donations are given GST relief. It applies to construction contracts signed on or after 1 April 2017.

189. The GST should not be politicised. In fact, the GST saved the economy this year, where without the RM41 billion collected we cannot imagine how the nation can cater for the needs of the rakyat.

190. Until today, the opposition seems to be divided with regard to their views on GST system with some accepting GST based on zero-rate and the latest there are some who want to return back to the sales and services tax (SST).

191. Futhermore,...

Fifth: Imports of oil and gas-related equipment under a lease agreement, supplied to customers in Malaysia by companies in Designated Areas, namely, Labuan, Langkawi and Tioman are given GST relief effective from 1 January 2018;

Sixth: Imports of big-ticket items such as aircraft and ships by airline and shipping companies registered in Malaysia are given GST relief;

GST relief is also given to companies in the oil and gas industry, importing oil rigs or floating structures, effective from 1 January 2018; and

Seventh: The management and maintenance services of stratified residential buildings supplied by the Joint Management Body (JMB) and management corporations are not subjected to GST. This treatment is expanded to cover the management and maintenance services provided by housing developers, effective from 1 January 2018.

SIXTH THRUST: FORTIFYING THE FOURTH INDUSTRIAL REVOLUTION AND DIGITAL ECONOMY

Industrial Revolution 4.0

192. In line with the emerging IR 4.0 and the era of the digital economy, the Government will implement the Malaysia Digital Policy.

193. As such, in order to support the IR 4.0 business and investment activities, the Government will provide a matching grant worth RM245 million under the Domestic Investment Strategic Fund (DISF) to upgrade the Smart Manufacturing facilities.

194. Furthermore, the Futurise Centre in Cyberjaya will be strengthened as a one-stop centre for corporate companies and universities to develop prototype products and elevate innovation.

195. The Government will provide tax incentives as follows:

First: Extend the incentive period for Accelerated Capital Allowance of 200% on automation equipment from year of assessment 2018 to year of assessment 2020;

Second: Extend the incentive period for Accelerated Capital Allowance of 200% for manufacturing and manufacturing-related services sectors; and

Third: Capital Allowance for ICT equipment, which includes spending on computer software development, is claimable beginning the year of assessment 2018 to 2020.

Promoting Sustainable Development

196. While we are progressing towards modernisation, we must preserve the sustainability of our environment for future generation.

197. My deepest condolences for the loss of lives in the Tanjung Bungah Pulau Pinang landslide tragedy, which has claimed 11 lives.

198. Our friend, the Honourable DAP Member of Parliament, wrote a poignant piece on his Twitter account.

199. What a touching piece by our Honourable Kepong Member of Parliament himself.

200. To ensure sustainable development, the following measures will be implemented:

First: Provide a sum of RM5 billion under the Green Technology Financing Scheme to promote investment in green technology industry;

Second: Implement the Non-Revenue Water Programme with a cost of RM1.4 billion to reduce the average loss of water;

Third: Construct Off-River Storage with a cost of RM1.3 billion as an alternative water resource; and

Fourth: Provide a total of RM517 million for flood mitigation programmes.

Establishing Digital Free Trade Zone

201. Malaysia will be the first in the world outside China to establish a Digital Free Trade Zone (DFTZ) which comprises e-Fulfilment Hub, Satellite Services Hub and e-Service Platform to stimulate growth in electronic trade. DFTZ will transform KLIA as the regional gateway.

202. The first phase of DFTZ aims for 1,500 SMEs to participate in the digital economy and is expected to attract RM700 million worth of investment and create 2,500 job opportunities. For this, the Government:

First: Provides a sum of RM83.5 million to construct infrastructure for the first phase of DFTZ in Aeropolis, KLIA; and

Second: Increases the *de minimis* or minimum value for imports from RM500 to RM800 to establish Malaysia as the regional e-commerce hub.

Expanding Regulatory Sandbox

203. The Government will create a conducive ecosystem to gain benefits from innovation, particularly ideas from local start-ups.

204. The Government will expand regulatory sandbox approach to facilitate companies to test their new innovative ideas and business model which will be implemented by all related regulators.

SEVENTH THRUST: ENHANCING EFFICIENCY AND DELIVERY OF GOVERNMENT-LINKED COMPANIES AND PUBLIC SERVICE

205. Enhance efficiency and delivery of Government-linked Companies (GLCs) and public service.

Benefitting Employees in Government-Linked Companies

206. In line with the philosophy of growth with equity, it is Malaysia's desire to achieve strong economic growth and wealth be equally distributed among the rakyat.

207. In this regard, the GLCs will lead and be an example to the corporate sector. As such, every GLCs will be given Key Performance Indicator (KPI) to increase employees' compensation in line with productivity growth. This includes:

- First: GLCs will increase their profit sharing with their employees through gradual payment of salaries and allowances;
- Second: Introducing flexible benefits to increase disposable income by substituting annual and medical leaves for cash;
- Third: Improving further flexible working arrangements to promote work-life balance through compressed work week, flexible and part-time working hours;
- Fourth: Introduce leaves for *umrah*;
- Fifth: Provide childcare centre in GLC's main offices as well as introduce shorter working hours for pregnant working women; and
- Sixth: Increase investment in training, particularly conduct courses on digital skills to workers as well as provide children's education assistance.

Prioritising the Welfare of Senior Citizens, People with Disabilities and Children

208. The Government will provide an allocation of RM1.7 billion for the welfare of senior citizens, PWDs and children. This includes:

First: Increasing allowance for senior citizens by RM50 to RM350 per month with an allocation of RM603 million. This will benefit almost 144,000 senior citizens; and

Second: Increasing allowance for working and unemployed PWDs as well as care takers of PWDs by RM50 per month with an allocation of RM100 million. This will benefit more than 163,000 individuals.

209. Furthermore, to protect children, particularly from sexual crimes, the Government has established the Special Criminal Court on Sexual Crimes against Children, the first in Southeast Asia. An additional three courts will be established in 2018.

Improving Public Sector Home Financing Board

210. From 1 January 2018, the Public Sector Home Financing Board (LPPSA) will implement measures to enable public servants to own their dream homes. Among the measures include:

First: Allow financing by LPPSA to construct property on *waqf* land;

Second: Include legal fee-related to sales and purchase agreement as part of financing by LPPSA;

Third: Allow LPPSA joint-loan for husband and wife or children with a condition that all applicants must be public servants; and

Fourth: Allow joint-home financing between husband and wife or children, with a condition at least one of the applicants is a public servant.

The non-public servant needs to secure loans from financial institutions or agencies that provide financing facilities which agree to be the second mortgage holder.

EIGHTH THRUST: BALANCING BETWEEN THE PAR EXCELLENCE OF WORLDLY AND HEREAFTER

211. The future is uncertain.

212. Nevertheless, Allah SWT favours those who continuously work hard, plan their future for the benefit of country and society as a whole.

213. Based on *Surah Al-A'raf* verse 96, Allah SWT bestows His blessings and grace upon those who believe and fear Allah.

214. Therefore, the Government is targeting Malaysia:

First: To become a High-Income Advanced Economy in 2020;

Second: To record RM2 trillion of economy and trade value by 2025;

Third: To gain and benefit from IR 4.0 by 2030;

Fourth: To have a more competitive workforce with nearly zero defects by 2040; and

Fifth: To be ranked among the top 20 most advanced countries in the world.

Socioeconomic Research Institute

215. The fact remains that families are the most important institution in developing values and characters as social unity starts with harmonious and happy family.

216. For this, the Government will establish Socio-economic Research Institute (SERI) under Prime Minister's Department and enhance the UKM Institute of Ethnic Studies (KITA-UKM) as a national institution. An appropriate allocation will be provided by the Government.

217. SERI will review and evaluate the effectiveness of policies, and implementation of programmes and development projects. Meanwhile, KITA will coordinate studies on national socioeconomics education and establish the national social development index.

218. As an analogy, while the Economic Planning Unit (EPU) plays an important role in formulating economic policies and the Implementation Coordination Unit (ICU) as the implementation arm of programmes and projects, the SERI and KITA will be the main agency which covers the aspects of spiritual, ethical and universal pure values.

219. The Government always appreciate the role of NGOs and will continue to cooperate with them in addressing social challenges. Emphasis will be given to family institution, which is the smallest yet most important nucleus in the development and wellbeing of our society.

Appreciating Public Servants

220. As I mentioned in the 15th Majlis Amanat Perdana Perkhidmatan Awam (MAPPA), I have a few announcements for the 1.6 million public servants.

221. As a token of appreciation for the commendable services by the public servants, I am pleased to announce:

First: Introduce second time-based promotion to supporting staff after 13 years from the first promotion;

Second: Provide benefits to public servants who retire on medical reasons similar to those who retire at compulsory age;

Third: Allow Cash Award in lieu of Accumulated Leave (GCR) of more than 150 days to be taken during the retirement year;

Fourth: Increase special leaves for education officers from 7 to 10 days a year;

Fifth: Provide unrecorded leaves to public servants up to 7 days throughout their service for *umrah*;

- Sixth: Introduce new working hour from 9.00am to 6.00pm to provide further flexibility to public servants;
- Seventh: Provide Flexible Working Hour one day a week for Grade UD54 and above Medical Specialists who have served a minimum of four years and meet certain requirements;
- Eighth: Allow working women in their five-months onwards of pregnancy to leave work an hour earlier.
- To accompany them, husbands, who are also in the Government service, are also allowed to go home an hour earlier with a condition that the couple are working within the same location;
- Ninth: Increase total maternity leave from 300 to 360 days throughout service subject to a maximum of 90 days a year;
- Tenth: Encourage life-long learning among public servants through in-house Masters and PhD programmes;
- Eleventh: Set minimum pension of RM1,000 per month, benefitting more than 50,000 retirees with at least 25 years of service; and
- Twelfth: Extend the medical facilities to parents of retirees.

All the above measures will take effect from 1 January 2018.

Supporting Neighbourhood and Community

222. To appreciate the contribution of village heads and tok batins, the Government will provide a one-off special payment of RM1,500, benefitting 9,800 people. Of which, RM1,000 will be paid in January 2018, while the balance during Hari Raya Aidilfitri.

223. To create a safe and peaceful environment in neighbourhood areas, the Government will continue to provide 1Malaysia People Community Grant up to RM10,000 to registered resident

associations to purchase security equipment, clean and maintain neighbourhood areas with a total allocation of RM40 million.

224. In addition, RM40 million is allocated to GiatMara to implement the first phase of community training programmes, involving 50 PPR.

Upholding the Greatness and Integrity of Islam

225. My deepest condolences for the loss of 23 lives in the Darul Quran Ittifaqiyah Tahfiz Centre tragedy.

226. In this regard, the Government will allocate a total of RM50 million to GiatMara for upgrading and maintaining wiring system in all registered Tahfiz schools nationwide.

227. Furthermore, GiatMara skills training scheme will be introduced to tahfiz school students.

228. Likewise, a total of RM588 million is allocated as monthly allowance for imam, bilal, KAFA and *takmir* teachers, including tok siak. As a token of appreciation, the Government would like to announce...

A one-off payment amounting to RM1,500 will be given to them of which, RM1,000 will be paid in January 2018, while the balance during Hari Raya Aidilfitri. This will benefit more than 65,000 individuals with an allocation of almost RM100 million.

CLOSING

229. May Allah SWT bless this 2018 Budget presentation.

230. What is the point of being wealthy but weak in the soul.

231. The Government aspires, not only as a nation with physical strengths but rich in soul and character, i.e. par excellence in worldly and hereafter.

232. After months of hard work, involving ministries, agencies, the private sector, NGOs, youth and professionals, and most

importantly, all segments of the society have contributed through various platforms and channels in crafting this important document.

233. Thus, this Budget is the most inclusive that has ever been tabled.

234. This Budget encapsulates all the three important aspects *Dho'ruriyat*, *Haajiyat* and *Tahsiniyat* in safeguarding rakyat's welfare and to prosper the nation.

235. In my view, as the Prime Minister and Minister of Finance, thus far no budget has been crafted so well like this, since I took office, as it is holistic and full of philosophies and can be marked in history, making this budget 'The Mother of all Budgets'.

236. Indeed, this Budget is the collection of various premise which form the basis of a comprehensive Budget, taking into account the needs of all levels of society.

237. With this, the Budget dispels all doubts as propagated by the Opposition.

238. In fact, the Opposition is surrounded by misconceptions and is the real actor. There is no certainty in political leadership, how can they be trusted to provide a sound economic leadership.

All these while, they have been making senseless propositions including abolishing GST and reducing taxes. All these are baseless claims.

239. All praises be to Allah, for His blessings on Government's efforts.

240. This is the right time to acknowledge public servants who have been loyal and provide efficient and effective public service delivery to the rakyat, hence, I am pleased to announce that...

A special payment of RM1,500 is given to all public servants.

The payment will be made twice, of which RM1,000 will be paid in early January 2018 while the balance during Hari Raya Aidilfitri.

Meanwhile, the Government will provide a special payment of RM750 to Government retirees, of which RM500 to be paid in January 2018 while the balance during Hari Raya Aidilfitri.

241. I trust the rakyat is wise enough to differentiate between truths and lies.

242. More importantly, when the rakyat chooses wisely, it paves the path for Malaysia to flourish extensively.

243. When the rakyat and the Government are united, then the country emerges as a great nation.

244. We have to plan strategically in charting the course of the nation.

245. This can only be achieved through great teamwork and friendship. I am grateful for being blessed with a loyal friend... Deputy Prime Minister, Datuk Seri Dr Ahmad Zahid Hamidi.

246. This includes all the support from Members of the Cabinet, Leaders of Component Parties in steering the nation.

247. Come what may, we remain steadfast in our commitments.

248. Let's together we ensure a big victory for Barisan Nasional in the 14th General Election.

249. O Allah, to You, we pray and submit. God bless Malaysia.

Mr Speaker Sir,
I beg to propose.

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REDUCTION OF INDIVIDUAL INCOME TAX RATES

Current Position

Income tax structure for resident individuals is based on progressive tax rates ranging from 0% to 28% on chargeable income. Non-resident individuals are taxed at a flat rate of 28%.

Proposal

As a measure to increase the disposable income of the middle income group and to address the rising cost of living, it is proposed that individual income tax rates for resident individuals be reduced by 2 percentage points for the 3 chargeable income bands as follows:

Chargeable Income Bands (RM)	Current Tax Rates (%)	Proposed Tax Rates (%)
0 - 5,000	0	0
5,001 - 20,000	1	1
20,001 - 35,000	5	3
35,001 - 50,000	10	8
50,001 - 70,000	16	14
70,001 - 100,000	21	21
100,001 - 250,000	24	24
250,001 - 400,000	24.5	24.5
400,001 - 600,000	25	25
600,001 - 1,000,000	26	26
1,000,001 and above	28	28

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

Chargeable Income (RM)	Current Tax Rates (%)	Tax Payable (RM)	Proposed Tax Rates (%)	Tax Payable (RM)	Tax Savings (RM)	Tax Savings (%)
0 - 5,000	0	0	0	0	-	-
5,001 - 20,000	1	*0	1	*0	-	-
20,001 - 35,000	5	*500	3	*200	300	60
35,001 - 50,000	10	2,400	8	1,800	600	25
50,001 - 70,000	16	5,600	14	4,600	1,000	17.86
70,001 - 100,000	21	11,900	21	10,900	1,000	8.40
100,001 - 250,000	24	47,900	24	46,900	1,000	2.09
250,001 - 400,000	24.5	84,650	24.5	83,650	1,000	1.18
400,001 - 600,000	25	134,650	25	133,650	1,000	0.74
600,001 - 1,000,000	26	238,650	26	237,650	1,000	0.42
1,000,001 and above	28		28			

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

Effective Date

From year of assessment 2018.

TAX EXEMPTION ON RENTAL INCOME FROM RESIDENTIAL HOMES RECEIVED BY MALAYSIAN RESIDENT INDIVIDUALS

Current Position

Rental income from residential home received by a resident individual is subject to income tax under the Section 4(d) of the Income Tax Act 1967 based on progressive rate ranging from 0% to 28%.

Proposal

To encourage Malaysian resident individuals to rent out residential homes at reasonable charges, it is proposed that 50% income tax exemption be given on rental income received by Malaysian resident individuals subject to the following conditions:

- i. rental income received not exceeding RM2,000 per month for each residential home;
- ii. the residential home must be rented under a legal tenancy agreement between the owner and the tenant; and
- iii. tax exemption is given for a maximum period of 3 consecutive years of assessment.

Effective Date

From year of assessment 2018 until year of assessment 2020.

**EXTENSION OF PERIOD FOR RESIDENT INDIVIDUAL INCOME
TAX RELIEF ON NET SAVINGS IN THE NATIONAL EDUCATION
SAVINGS SCHEME**

Current Position

Tax relief on resident individual income up to RM6,000 for net savings in the National Education Savings Scheme (SSPN) is eligible to be claimed annually effective from year of assessment 2012 until year of assessment 2017.

Proposal

To further encourage savings for the purpose of financing tertiary education of children, it is proposed that the resident individual income tax relief of up to RM6,000 for net savings in the SSPN be extended for another 3 years.

Effective Date

From year of assessment 2018 until year of assessment 2020.

INCOME TAX EXEMPTION ON THE GREEN SUSTAINABLE AND RESPONSIBLE INVESTMENTS (GREEN SRI) SUKUK GRANT

Current Position

The Securities Commission of Malaysia through a statutory fund, the Capital Market Development Fund (CMDf), will provide a Green SRI sukuk grant amounting up to RM6 million. The purpose of this grant is to finance external review expenditure incurred by a Green SRI sukuk issuer up to a maximum amount of RM300,000. Each issuer of Green SRI sukuk needs to apply to the Securities Commission of Malaysia for this grant. This grant is subject to income tax as it is not provided by the Federal Government or the State Government.

Proposal

To encourage the issuance of Green SRI sukuk in Malaysia, it is proposed that income tax exemption be given to each recipient of the Green SRI sukuk grant to finance the external review expenditure in line with the guidelines as set out by the Securities Commission of Malaysia.

Effective Date

For applications received by the Securities Commission of Malaysia from 1 January 2018 to 31 December 2020.

**TAX EXEMPTION ON MANAGEMENT FEE INCOME FOR
SUSTAINABLE AND RESPONSIBLE INVESTMENT (SRI) FUNDS**

Current Position

A company that provides management services of *Shariah*-compliant funds approved by the Securities Commission of Malaysia is exempted from tax on the following:

- i. the statutory income derived from the business of providing fund management services to foreign investors in Malaysia;
- ii. the statutory income derived from the business of providing fund management services to local investors in Malaysia; and
- iii. the statutory income derived from the business of providing fund management services to business trusts or real estate investment trusts in Malaysia.

The tax incentives are given to promote management activities of local and foreign Islamic fund. These tax exemptions are effective until the year of assessment 2020.

Proposal

To further promote fund management activities globally, it is proposed that fund manager managing SRI fund approved by the Securities Commission of Malaysia be given tax exemptions on management fee income from managing conventional and *Shariah*-compliant SRI fund.

Effective Date

From year of assessment 2018 to year of assessment 2020.

**CAPITAL ALLOWANCE FOR INFORMATION AND
COMMUNICATION TECHNOLOGY (ICT) EQUIPMENT AND
SOFTWARE**

Current Position

Expenditure incurred on the purchase of ICT equipment and software package is eligible for Accelerated Capital Allowance (ACA) until year of assessment 2016.

Expenditure incurred on consultation fee, licensing fee and incidental fee for the development of customised software is not eligible for capital allowance or deduction for income tax purpose.

Proposal

To assist companies to remain competitive in the digital era and adopt latest technology, it is proposed that companies be allowed to claim capital allowances on qualifying expenditure as follows:

Proposals	Qualifying Expenditure	Capital Allowance Rates
1	Expenditure incurred on the purchase of ICT equipment and computer software packages.	Initial allowance: 20% Annual allowance: 20%
2	Expenditure incurred on the development of customised software comprising of consultation fee, licensing fee and incidental fee related to software development.	

Effective Dates

Proposal 1: From year of assessment 2017.

Proposal 2: From year of assessment 2018.

**EXTENSION OF PERIOD FOR STAMP DUTY EXEMPTION TO
REVIVE ABANDONED HOUSING PROJECTS**

Current Position

In supporting efforts to revive abandoned housing projects, stamp duty exemption is given on the following instruments:

i. Rescuing Contractors:

- 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 above instruments executed from 1 January 2013 until 31 December 2017.

ii. Original House Purchasers in the Abandoned Projects:

- 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 until 31 December 2017.

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

Proposal

To further ease financial burden of the original house purchasers and to encourage the involvement of rescuing contractors to revive abandoned housing projects, it is proposed that the existing stamp duty exemptions be extended for another 3 years.

Effective Date

Loan agreements and memorandums of transfer executed from 1 January 2018 to 31 December 2020 for abandoned housing projects certified by the Ministry of Urban Wellbeing, Housing and Local Government .

**STAMP DUTY EXEMPTION FOR TRADING OF
EXCHANGE TRADED FUNDS (ETF) AND STRUCTURED
WARRANTS (SW)**

Current Position

Stamp duty is charged on contract notes at the rate of RM1.00 for every RM1,000 and part thereof for trading of shares of listed companies on Bursa Malaysia subject to a cap of RM200 for each contract note. The capping of RM200 was introduced in 1999 to ensure that the capital market in Malaysia remains competitive.

ETF was introduced since 2005. It is an open-ended investment fund listed and traded on a stock exchange. The ETF is based on an index that offers diversified portfolio of investments to mitigate investor's risk. Currently, there are 8 ETFs listed on the stock exchange.

SW is a security instrument listed on a stock exchange and issued by an eligible broker or financial institution. It gives investors the right to buy or sell the underlying instrument in the future for a fixed price. SW can be issued over an underlying asset such as share, ETF or index. The SW was first listed in stock exchange in 2002.

Proposal

To further promote development of the capital market and to make Malaysia's capital market more competitive at the international level, it is proposed that the stamp duty exemptions be given on contract notes for trading of ETF and SW by investors.

Effective Date

For the trading of ETF and SW executed from 1 January 2018 to 31 December 2020.

**MALAYSIA'S PARTICIPATION IN THE ORGANISATION FOR
ECONOMIC COOPERATION AND DEVELOPMENT (OECD)
TAXATION INITIATIVES**

Current Position

Malaysia is committed to adhere to internationally agreed on exchange of information for tax purposes standards to ensure the tax system is competitive, while maintaining taxing rights. Among the initiatives undertaken by Malaysia include:

- i. participation in the OECD initiatives:
 - a. Base Erosion and Profit Shifting (BEPS) Associate under the Inclusive Framework to implement BEPS Action Plan;
 - b. Member of the Forum on Harmful Tax Practices (FHTP);
 - c. Member of the Global Forum on Transparency and Exchange of Information for Tax Purposes;
 - d. Party to the Convention on Mutual Administrative Assistance on Tax Matters;
 - e. Party to the Multilateral Competent Authorities Agreement on Country-by-Country Reporting;
 - f. Party to the Multilateral Competent Authority Agreement on Common Reporting Standards; and
 - g. Ad hoc Member of the Multilateral Instrument Framework.
- ii. implementation of the Automatic Exchange of Information (AEOI) on tax matters effective September 2018; and
- iii. streamline tax incentives to be in line with FHTP criteria. Amendment to the relevant legislations will be gazetted before 1 January 2019.

Malaysia participated in the OECD initiative since 2009 to enhance compliance with international standards relating to exchange of information on tax matters to support foreign direct investment.

Proposal

It is proposed that Malaysia's commitment to fulfil the OECD BEPS Action Plan Initiative be announced in the 2018 Budget speech.

HARMONISING GST TREATMENT ON READING MATERIALS

Current Position

All types of books which are reading materials and newspaper are treated as zero-rated supply under the Goods and Services Tax (Zero-rated Supply) Order 2014. Magazines, journals, periodicals and comics have been subjected to GST standard rate of 6%.

Proposal

In order to enhance GST compliance through harmonisation and certainty of treatment to consumers, it is proposed that the GST treatment on magazines, journals, periodicals and comics be harmonised with treatment on all types of books which are reading materials and be subjected to zero-rated supply.

Effective Date

From 1 January 2018.

**GST TREATMENT ON MANAGEMENT AND MAINTENANCE
SERVICES OF STRATIFIED RESIDENTIAL BUILDINGS**

Current Position

The management and maintenance services supplied by joint management body and management corporation to owners of stratified residential buildings are categorised as GST exempt supply. This treatment also applies to cost recovery of group insurance, quit rent and assessments supplied by joint management body and management corporation. The provisions of the above services by parties other than joint management body and management corporation, such as housing developers are subjected to GST at 6%.

Proposal

In order to harmonise GST treatment on management and maintenance services including cost recovery of group insurance, quit rent and land assessments of stratified residential buildings supplied by a joint management body and management corporation to owners of houses held under strata titles, it is proposed that such services supplied by housing developers be treated as an exempt supply.

Effective Date

From 1 January 2018.

REVIEW OF THE GST TREATMENT FOR LOCAL AUTHORITIES

Current Position

Section 64, Goods and Services Tax Act 2014 stipulates that any supply made by the Federal and the State Government is not subject to GST (out of scope supply). Such treatment also applies to the supply made by Local Authorities in respect of regulatory and enforcement function. Other taxable supplies made by the Local Authorities are subject to GST.

Local Authorities which make taxable supplies have to be registered under the Goods and Services Tax Act 2014 and eligible to claim input tax credit in respect of their supplies relating to regulatory and enforcement function and other taxable supplies.

Proposal

To harmonise GST treatment between the Federal and the State Government and Local Authorities, it is proposed that all supplies made by Local Authorities are not subjected to GST (out of scope supply).

As the Local Authorities are no longer required to be registered under the Goods and Services Tax Act 2014 and not eligible to claim input tax credit, GST relief will be given to Local Authorities on the acquisition of all goods excluding petroleum, commercial buildings or land and on the importation of motor cars.

Effective Date

1 April 2018 or 1 October 2018 as opted by the Local Authorities.

GST RELIEF ON CONSTRUCTION SERVICES FOR SCHOOL BUILDINGS AND PLACES OF WORSHIP

Current Position

Government schools, Government-aided schools and Chinese independent high schools have been given 50% GST relief on construction services for the construction of school building including hall and sport facilities. The GST relief is granted only for construction projects approved by the respective authorities. The GST relief is subject to construction contracts signed before 1 April 2015. This date was extended to 31 March 2017.

There is no specific GST relief given for construction services in respect of places of worship.

Proposal

To assist construction committees of schools and places of worship in optimising funds received from donation, it is proposed that 100% GST relief be given on construction services for the construction of school buildings and places of worship financed through public donations.

The GST relief is restricted to construction services for which the invoice has not been issued and subject to the following conditions:

- i. the approval under the Subsection 44(6) of Income Tax Act 1967 for their construction fund has been obtained;
- ii. the approvals for development and constructions by Local Authorities, the Ministry of Education Malaysia or State Religious Councils (for *surau* or mosques) have been obtained;
- iii. construction of school building including hall and sport facilities are directly used for teaching and learning purposes;

- iv. the relief does not apply to the purchase of commercial buildings; and
- v. construction services contract signed on or after 1 April 2017.

Effective Date

For applications submitted to the Ministry of Finance from 27 October 2017.

GST RELIEF ON THE IMPORTATION OF BIG TICKET ITEMS

Current Position

Importations of big ticket items such as aircrafts, ships and oil rigs by companies in aviation, shipping and oil and gas industries are subjected to GST of 6%.

Proposal

To promote investment in new and modern assets and enhancing Malaysia's competitiveness in the aviation, shipping and oil and gas industries as well as to improve cash flow position of companies, it is proposed that companies carrying out activities in such industries be given relief from paying GST on the importation of big ticket items. The list of big ticket items and the terms and conditions of approvals are to be stipulated by the Minister of Finance.

Effective Date

From 1 January 2018.

**RELIEF FROM PAYMENT OF GST ON IMPORTATION OF GOODS
UNDER LEASE AGREEMENTS FROM DESIGNATED AREAS**

Current Position

Goods under lease agreements supplied by companies located in Designated Area i.e. Labuan, Langkawi and Tioman and imported into Malaysia from the Designated Areas are subjected to GST of 6%.

Proposal

To ease cash flow and facilitate GST administration in relation to the importation of goods from Designated Areas to Malaysia, especially by companies involved in the oil and gas industry, it is proposed that relief from payment of GST be given to companies involved in the oil and gas industry on the importations of goods under lease agreements into Malaysia from Designated Areas.

The list of goods and the terms and conditions of approvals are to be stipulated by the Minister of Finance.

Effective Date

From 1 January 2018.

**GST RELIEF ON HANDLING SERVICES RENDERED
TO OPERATORS OF CRUISE SHIPS****Current Position**

Handling services provided by sea port operators to ships such as stevedoring, loading, unloading and reloading and inspection of cargo are categorised as zero-rated supply. Ships that are eligible for this treatment must fulfill the definition of “ship” as stated under the Item 2, Goods and Services Tax (Zero-Rated Supply) Order 2014, where the ship must be used in sea navigation, not propelled by oars as provided under the Merchant Shipping Ordinance 1952. This includes any vessel owned or operated by the Government of a foreign state but does not include any vessel which is designed or adapted for the purpose of recreation, pleasure or other than freight transportation or passenger transportation.

Cruise ships are categorised as “ship” used for recreation and pleasure and therefore they are not eligible for zero-rated treatment for handling services provided by sea port operators.

Proposal

To attract more cruise ships to make Malaysia as a port of call or home port and further increase the number of inbound tourists especially foreigners, it is proposed that cruise ship operators are given relief from payment of GST on handling services provided by sea port operators in Malaysia.

Effective Date

From 1 January 2018 to 31 December 2020.

**THE MERGER OF CUSTOMS APPEAL TRIBUNAL AND GOODS
AND SERVICES TAX APPEAL TRIBUNAL**

Current Position

Any taxpayer or company aggrieved by the decision of the Director General of Customs on matters relating to customs and Goods and Services Tax (GST) may appeal to the Customs Appeal Tribunal (CAT) and the GST Appeal Tribunal (GSTAT) separately.

Both tribunals are independent judicial bodies to hear and decide appeals filed against the decision of the Director General of Customs. The CAT began operating on 1 June 2007 and its authority covers appeals against all the decision of the Director General of Customs under the Customs Act 1967, the Excise Act 1976, Sales Tax Act 1972 and the Service Tax Act 1975 except matters relating to compound and seizure of goods.

GSTAT began operating on 1 April 2015 and its authority covers appeals against the decision of the Director General of Customs relating to GST, except those stipulated under the Fourth Schedule, Goods and Services Tax Act 2014.

Proposal

To ensure smooth and efficient management of appeals and operations of the Tribunals, as well as optimum use of resources, it is proposed that both Tribunals be merged and all appeals relating to the decision of the Director General of Customs to be heard by a single Tribunal which is CAT. Through this merger, taxpayers or companies aggrieved by the decision of the Director General of Customs on customs and GST matters may submit their appeal to CAT.

Effective Date

From 1 January 2019.

REVIEW OF TAX INCENTIVES FOR AUTOMATION

Current Position

A manufacturing company is eligible for Accelerated Capital Allowance (ACA) and Automation Equipment Allowance (AE) on expenses incurred in the purchase of automation equipment as follows:

- i. **Category 1 : Labour-Intensive Industry (rubber, plastic, wood and textile products)**

ACA of 100% and AE of 100% on the first RM4 million for qualifying capital expenditure incurred during the basis period of year assessment 2015 to 2017.

- ii. **Category 2 : Industries Other Than Category 1**

ACA of 100% and AE of 100% on the first RM2 million for qualifying capital expenditure incurred during the basis period of year assessment 2015 to 2020.

The tax incentive is effective for applications submitted to Malaysian Investment Development Authority (MIDA) as follows:

- i. **Category 1:**
1 January 2015 to 31 December 2017
- ii. **Category 2:**
1 January 2015 to 31 December 2020

Proposal

To further promote automation in the manufacturing sector, particularly in enhancing productivity and efficiency in the labour intensive industries, it is proposed that the incentive period for Category 1 be streamlined with Category 2. Therefore, the period for the incentive be extended for another 3 years. This allowance is fully claimable within 1 year.

Effective Date

For applications received by MIDA from 1 January 2018 to 31 December 2020.

TAX INCENTIVE FOR TRANSFORMATION TO INDUSTRY 4.0

Current Position

The Government has provided various tax incentives for the manufacturing sector and its related services. In order to move up the value chain and increase productivity, companies are encouraged to adopt advanced technology, commonly known as Industry 4.0, which among others includes the following technology drivers:

- i. big data analytics;
- ii. autonomous robots;
- iii. simulation;
- iv. industrial internet of things;
- v. cyber security;
- vi. horizontal and vertical system integration;
- vii. cloud computing;
- viii. additive manufacturing;
- ix. augmented reality; and
- x. artificial intelligence.

There are no specific tax incentives for the transformation to Industry 4.0.

Proposal

To encourage the transformation to Industry 4.0 which involves the adoption of those technology drivers by the manufacturing sector and its related services, it is proposed that the Accelerated Capital Allowance and Automation Equipment Allowance be provided on the first RM10 million qualifying capital expenditure incurred in the year of assessments 2018 to 2020 and is fully claimable within 2 years of assessment.

Effective Date

For applications received by Malaysian Investment Development Authority from 1 January 2018 to 31 December 2020.

EXTENSION OF TAX INCENTIVE FOR PRINCIPAL HUB

Current Position

To increase the number of global operation centres for multinational companies in Malaysia, tax incentives for the Principal Hub was introduced in 2015 by offering income tax exemption according to 3-tier preferential tax rates of 0%, 5% or 10% based on the certain criteria, among others:

- i. minimum paid-up capital of RM2.5 million;
- ii. minimum annual sales of RM300 million;
- iii. monitoring and providing services to at least 3 related companies locating and operating outside Malaysia;
- iv. carrying out qualifying services activities including strategic services such as financial and talent management services; and
- v. acquire local professionals and local financial services.

The incentive is for applications received by Malaysian Investment Development Authority (MIDA) from 1 May 2015 until 30 April 2018.

Proposal

To further strengthen Malaysia's competitive position as a global operations centre for multinational companies, particularly in strategic services activities, it is proposed that the Principal Hub incentive be extended for another 3 years and adhering to the criteria of *Forum on Harmful Tax Practices*.

Effective Date

For applications received by MIDA until 31 December 2020.

EXPANSION OF TAX INCENTIVES FOR HIRING THE DISABLED

Current Position

Employers who employ disabled persons, certified by the Department of Social Welfare (JKM), are eligible to claim a further deduction on salary paid to the disabled persons. This incentive has been made available from the year of assessment 1982. However, employers who employ workers affected by accidents/critical illnesses, and those employees are not being certified by the JKM are not entitled for further deduction on the salary paid.

Proposal

To support those who have been affected by accidents/critical illnesses and still able to secure suitable employment, it is proposed that a further deduction be given to their employers. The Medical Board of the Social Security Organisation (SOCSO) needs to certify that these employees are able to work within their capabilities.

Effective Date

From year of assessment 2018.

**EXTENSION OF PERIOD FOR APPLICATION OF INCENTIVES
FOR NEW 4 AND 5 STAR HOTELS**

Current Position

The period of applications of incentives for new 4 and 5 star hotels is until 31 December 2018. The application has to be submitted to the Malaysian Investment Development Authority (MIDA) by hotel operators undertaking new investments. The incentives are as follows:

Location	Pioneer Status	Investment Tax Allowance
Peninsular Malaysia	Exemption of 70% of statutory income for a period of 5 years	Investment Tax Allowance of 60% on the qualifying capital expenditure incurred within a period 5 years. This allowance can be set-off against up to 70% of statutory income.
Sabah & Sarawak	Exemption of 100% of statutory income for a period of 5 years	Investment Tax Allowance of 100% on the qualifying capital expenditure incurred within a period 5 years. This allowance can be set-off against up to 100% of statutory income.

Proposal

In order to further promote tourism sector and in line with the Visit Malaysia Year 2020 campaign, it is proposed that the application period for the existing tax incentives for investments in new 4 and 5 star hotels in Peninsular Malaysia, Sabah and Sarawak be extended for another 2 years until 2020.

Effective Date

For applications submitted to MIDA until 31 December 2020.

**EXTENSION OF PERIOD OF TAX INCENTIVES FOR TOUR
OPERATING COMPANIES**

Current Position

Tour operating companies are given 100% income tax exemption on their statutory income derived from the business of operating tour packages as follows:

- i. tour packages within Malaysia participated by not less than 1,500 local tourists annually; and
- ii. tour packages to Malaysia participated by not less than 750 foreign tourists annually.

This incentive is available from year of assessment 2007 until year of assessment 2018.

Proposal

To further encourage tour operating companies to boost tourism activities in conjunction with the Visit Malaysia Year 2020 campaign, it is proposed that the above tax incentives be extended for another 2 years.

Effective Date

From year of assessment 2019 until year of assessment 2020.

EXTENSION OF PERIOD FOR TAX INCENTIVE FOR MEDICAL TOURISM

Current Position

The period of applications for tax incentive for medical tourism is from 1 January 2015 to 31 December 2017. The application has to be submitted to the Malaysian Investment Development Authority (MIDA) by the companies providing private health care services which will be carrying out a new investment or which will be undertaking an expansion, modernisation or refurbishment.

The incentive for medical tourism is in the form of tax exemption on statutory income equivalent to Investment Tax Allowance of 100% of qualifying capital expenditure for a period of 5 years and can be set-off with up to 100% of statutory income.

Eligible companies must be:

- i. incorporated under the Companies Act 2016 and residing in Malaysia;
- ii. licensed with the Ministry of Health Malaysia; and
- iii. registered with Malaysian Health Tourism Council.

Eligible healthcare travellers are as follows:

- i. a non-Malaysian citizen who participates in the Malaysia My Second Home programme and his dependents;
- ii. an expatriate who is a non-Malaysian citizen holding a Malaysian work permit and his dependents; or
- iii. a non-Malaysian citizen who visits Malaysia and receives private healthcare services in Malaysia.

The tax incentive is subject to the following conditions:

- i. at least 5% of the total number of patients receiving private healthcare services are comprised of qualified healthcare travellers per year of assessment; and

- ii. at least 5% of the company's gross income is derived from qualified healthcare travellers for each year of assessment.

Proposal

It is proposed that the application period for tax incentive for new and existing companies carrying out a new investment or which will be undertaking an expansion, modernisation or refurbishment of private healthcare services be extended for another 3 years.

The tax incentive is subject to the following conditions:

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

Effective Date

For applications submitted to MIDA until 31 December 2020.

**EXPANSION OF THE SCOPE OF DOUBLE DEDUCTION
INCENTIVE FOR EXPENSES INCURRED IN OBTAINING
CERTIFICATION FOR QUALITY SYSTEM AND STANDARD**

Current Position

In 2016, the Minister of Finance under subsection 34(6) (ma) Income Tax Act 1967 has approved 5 certification bodies for the accreditation of companies providing private healthcare services. Any private healthcare company registered with the Malaysia Healthcare Travel Council (MHTC) is eligible for double deduction on expenses incurred in obtaining certification for quality systems and standards. The approved certification bodies are as follows:

- i. Malaysian Society for Quality in Health - Malaysia;
- ii. Joint Commission International – United States of America;
- iii. CHKS Accreditation Unit - United Kingdom;
- iv. The Australian Council on Health Care Standard - Australia; and
- v. Accreditation Canada – Canada.

Proposal

To build the confidence of healthcare travellers on the level of safety and quality of services offered, it is proposed that companies registered with MHTC that provide dental and ambulatory healthcare services be given double deduction for expenses incurred in obtaining certification for quality systems and standards from the 5 certification bodies above.

Effective Date

From year of assessment 2018.

**REVIEW OF TAX INCENTIVES FOR EXPORT OF
PRIVATE HEALTHCARE SERVICES**

Current Position

From the year of assessment 2002, private healthcare companies are eligible to claim for tax exemption on income derived from the export of healthcare services to foreign patients either in Malaysia or from Malaysia. The income tax exemption is equivalent to 50% of the value of increased exports of services and the exemption can be set-off against 70% of statutory income.

Proposal

To promote growth in healthcare services and establish Malaysia as a healthcare hub for foreign patients, it is proposed that the level of tax exemption on income derived from the export of healthcare services to foreign clients either in Malaysia or from Malaysia be increased from 50% to 100% of the value of increased exports of services and to be set-off against 70% of statutory income.

The tax incentive is subject to the following conditions:

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

Effective Date

From the year of assessment 2018 to year of assessment 2020.

REVIEW OF TAX INCENTIVES FOR VENTURE CAPITAL

Current Position

Tax incentives for venture capital are as follows:

i. Venture Capital Management Corporation (VCMC)

Exemption of income tax on statutory income derived from share of profits received on investment made by VCC.

ii. Venture Capital Company (VCC)

a. exemption of income tax on statutory income derived from all sources of income except interest income from savings or fixed deposits and profits from *Shariah*-compliant deposits; and

b. the exemption is given for a period of 10 years or according to the life of the fund established for investment in the Venture Company (VC), whichever is shorter. The VCC must be registered with SC, invests at least 70% of seed, start-up and early stage fund in VC OR at least 50% in the form of seed capital. The VCC and VC are not related companies.

iii. Investment in a VC

Companies or individual with business income that make an investment in a VC are given a tax deduction equivalent to the amount of investment made in the VC at the adjusted income level.

Proposal

The following tax treatment is proposed to:

i. Venture Capital Management Corporation (VCMC)

Income which is exempted from tax be expanded to include income received from management fees and performance fees in managing VCC funds.

ii. Venture Capital Company (VCC)

- a. the investment limit in VC at the seed, start-up and early stage be reduced from 70% to 50% and the 50% balance is allowed for other investments; and
- b. companies or individuals with business income investing into the VCC funds created by VCMC be given tax deduction equivalent to the amount of investment made and restricted to a maximum of RM20 million per year for each company or individual.

Tax exemption be given for the period of 5 years from the year of assessment 2018 until year of assessment 2022.

Effective Date

For applications received by the Securities Commission Malaysia from 1 January 2018 until 31 December 2018.

EXTENSION OF PERIOD FOR TAX INCENTIVES FOR ANGEL INVESTORS

Current Position

The period of applications for angel investors incentive is from 1 January 2013 until 31 December 2017. The application has to be submitted to the Ministry of Finance. Angel investors who invest in investee companies in the form of ordinary shares are entitled for tax exemption equivalent to the amount of investment made in the investee companies.

The qualifying criteria for the incentive are as follows:

i. Angel Investor:

- a. an individual who is a resident in Malaysia and whose sources of income is not derived solely from business;
- b. investors who do not have family relations with the investee company;
- c. investors whose investment is for the sole purpose of financing the activities of the investee company as approved by the Minister of Finance; and
- d. whose investment shall not be more than 30% of the total paid-up share capital of the investee company.

ii. Investee Company:

- a. incorporated under the Companies Act 2016 and a resident in Malaysia;
- b. at least 51% of the company's ordinary share capital is owned by a Malaysian citizen; and
- c. carries out activities approved by the Minister of Finance.

Proposal

To attract prospective angel investors to contribute to economic activities through capital injection in investee companies, it is proposed that the application period for tax incentive for the angel investor be extended for another 3 years.

Effective Date

For applications submitted to the Ministry of Finance from 1 January 2018 until 31 December 2020.

**TAX INCENTIVE FOR WOMEN RETURNING TO WORK
AFTER CAREER BREAK**

Current Position

Chargeable income for resident individuals is subject to a progressive personal income tax rates between 0% and 28%.

Proposal

To encourage women who have been on a career break to return to the workforce, it is proposed that their employment income up to maximum of 12 consecutive months be given individual income tax exemption. The incentive is available for women who return to the workforce after being on a career break for at least 2 years on 27 October 2017. The treatment of income tax exemption is eligible to be claimed in year of assessment 2018 to year of assessment 2020.

Effective Date

For applications submitted to Talent Corporation Malaysia Berhad from 1 January 2018 to 31 December 2019.

**IMPLEMENTATION OF EARNING STRIPPING RULES
TO REPLACE THIN CAPITALISATION RULES****Current Position**

Malaysia has been participating in various initiatives of the Organisation for Economic Cooperation and Development (OECD) to curb aggressive tax plannings between related companies, including the implementation of the Thin Capitalisation Rules (TCR). TCR was introduced during the 2009 Budget in ensuring the deduction on interest payment for loans between related companies does not exceed the threshold as specified under the TCR. The enforcement of TCR has been deferred until 31 December 2017 to provide taxpayers with adequate timeline for its implementation.

With continuous improvements on measures to prevent tax evasion and avoidance as well as profit shifting at international levels, the OECD has introduced a new method, namely the Earning Stripping Rules (ESR), in order to control excessive deductibility of interest expense on loans between related parties. Under the ESR, the interest deduction on loans between related companies within the same group will be limited to a ratio as determined by a country's tax authority, ranging from 10% to 30% of the company's profit before tax either using the Earning Before Interest and Taxes (EBIT) or the Earning Before Interest, Tax, Depreciation, and Amortisation (EBITDA).

Proposal

To address tax leakages due to excessive interest claims on loans made between related companies and to comply with the transfer pricing guidelines, it is proposed that ESR be implemented in replacement for TCR.

Effective Date

From 1 January 2019.

