



THE 2013 BUDGET



Ministry of Finance Malaysia

ISBN 978-983-99978-5-9



9 789839 997859

Text:

*Ministry of Finance Malaysia
Federal Government Administrative Centre
62592 PUTRAJAYA*

Layout and Printed by:

Percetakan Nasional Malaysia Berhad

Contents



	<i>Page</i>
INTRODUCTION	2
2012 ECONOMIC PERFORMANCE AND 2013 PROSPECTS	4
2013 BUDGET ALLOCATION	5
2013 BUDGET FOCUS	6
FIRST FOCUS: BOOSTING INVESTMENT ACTIVITY	6
Promoting Domestic Investment	7
Intensifying Small and Medium Enterprises	7
Malaysia as Oil and Gas Hub	9
Intensifying Tourism	10
Enhancing Agricultural Activity	10
Sustaining Food Security	11
Safeguarding the Farmers and Fishermen	11
Stimulating the Capital and Financial Markets	13
Promoting Business Trust	14
Corporate Wakaf	16
Developing Bumiputera Entrepreneurs	17

	<i>Page</i>
SECOND FOCUS: STRENGTHENING EDUCATION AND TRAINING	18
Malaysia Education Blueprint 2013 – 2025	18
Strengthening the Role of Pre-Schools	19
Skills and Training	21
THIRD FOCUS: INCULCATING INNOVATION, INCREASING PRODUCTIVITY	22
Intellectual Property as Collateral	22
Research and Development	23
Intensifying Venture Capital Investment by Angel Investors	24
Encouraging Inclusive Innovation	24
Green Technology Development	25
FOURTH FOCUS: FISCAL CONSOLIDATION AND ENHANCING THE PUBLIC SERVICE DELIVERY	25
Fiscal Consolidation	25
Improving the Malaysian Armed Forces Scheme of Service	27
FIFTH FOCUS: ENHANCING WELL-BEING OF THE RAKYAT	30
Creating a Safe and Harmonious Neighbourhood	30

	<i>Page</i>
Malaysian Anti-Corruption Commission	32
Driving Community Transformation	33
Urban Transformation Centre	33
Rural Transformation Centre	34
Development for Rural Areas and Orang Asli Community	34
Health as the Essence to Well-Being	35
Development of Women, Family and Community	36
Youth and Sports	37
Recognising Artistes	39
Expanding Urban Public Transport Network	40
Housing for Rakyat	40
Revision of Real Property Gains Tax	42
Tax Incentive for Revival of Abandoned Housing Projects	43
Assistance and Incentives	43
Bantuan Rakyat 1Malaysia	44
Price Uniformity Scheme	46
Facilitating Hajj Pilgrimage	46
Tax Revision on Individual Income and Cooperatives	47
Easing the Burden of Bus Operators	48
Reducing Students' Cost of Learning	48
Broadband Programme for Urban Poor	50
Promoting Corporate Social Responsibilities	50
CONCLUSION	52

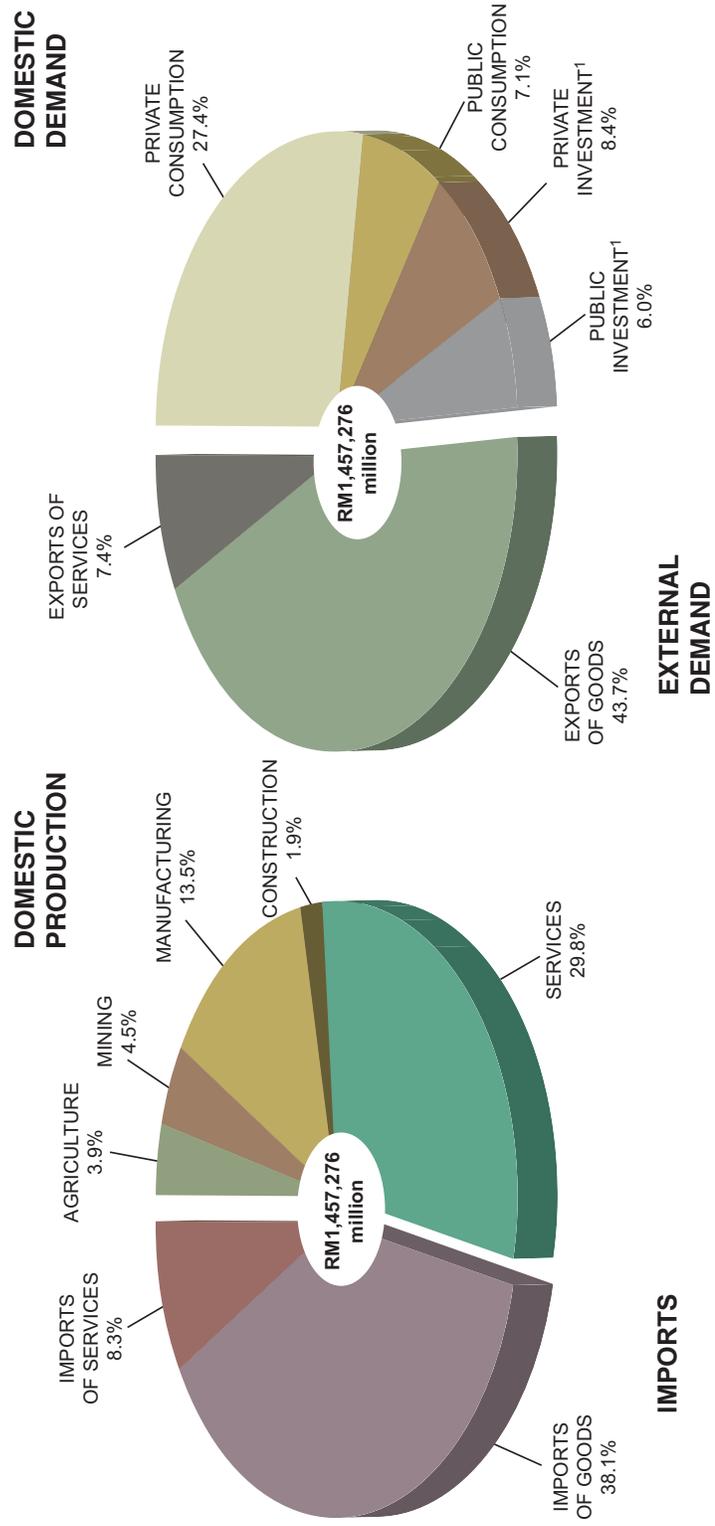
*“ **T**his is a people’s Government, from the rakyat to the rakyat. The prosperity of the nation and the well-being of the rakyat is our ultimate objective.... Truly, we want Malaysia to be well known internationally, prosperous and peaceful. With His Blessings, and the support of the rakyat, we will make it a reality. To You, Allah we submit.”*

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



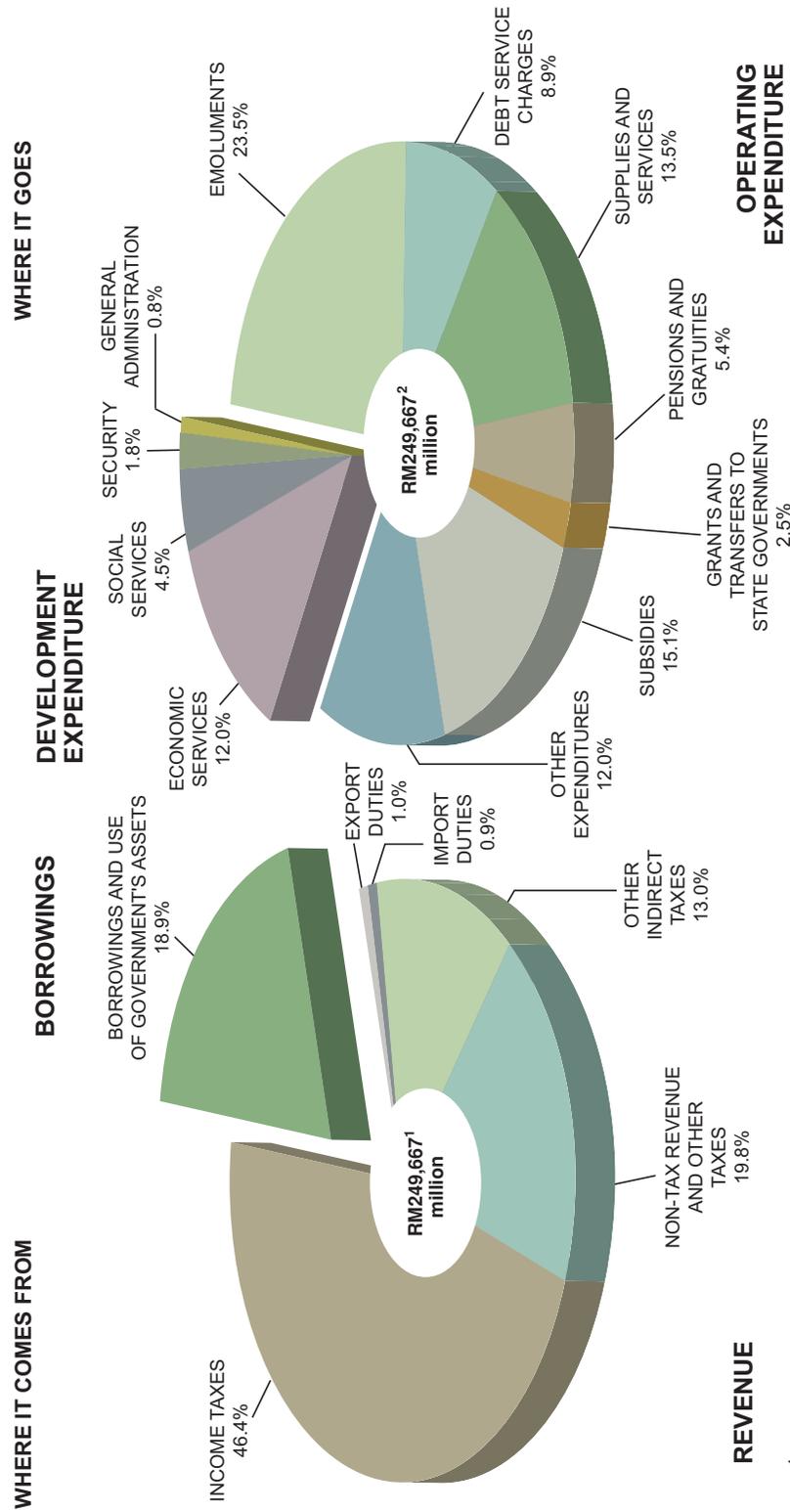
YAB Dato' Sri Mohd Najib Tun Haji Abdul Razak
Prime Minister and Minister of Finance Malaysia

THE ECONOMY 2013 AT CONSTANT 2005 PRICES



¹ Includes change in stocks.
Source: Ministry of Finance, Malaysia.

THE FEDERAL GOVERNMENT BUDGET 2013



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

² Excludes contingency reserves.

Source: Ministry of Finance, Malaysia.

THE 2013 BUDGET SPEECH

By

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

**INTRODUCING THE SUPPLY BILL (2013)
IN THE DEWAN RAKYAT**

FRIDAY, 28 SEPTEMBER 2012

***“PROSPERING THE NATION, ENHANCING WELL-
BEING OF THE RAKYAT:
A PROMISE FULFILLED”***

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

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 2013 and to appropriate that sum for the service of that year”*** be read a second time.

INTRODUCTION

I begin the 2013 Budget speech by reciting the holy kalimah Bismillahirrahmanirrahim and by reciting a verse from Surah Al-Baqarah, which was revealed in Madinah:

“And everyone has a direction to which he should turn, therefore hasten to (do) good works; wherever you are, Allah will bring you all together (for judgement); surely Allah has power over all things.”

1. I am here in this august House on a Friday evening to table the Government’s Budget, the fifth since holding office of the Minister of Finance Malaysia in 2008. Praise be to Allah SWT, for with His Blessings and through the collective efforts of my colleagues in the administration and the support of the members of Parliament, civil servants and all Malaysians, our beloved country has been successfully shielded from the adverse effects of the global financial crisis. In fact, the economy is on a sustainable growth trajectory towards transforming into a high-income and developed economy, while, the well-being of the rakyat continues to be improved.

2. Indeed, the 2013 Budget continues the excellent tradition of the Barisan Nasional in prospering the country and improving the well-being of the rakyat. This is a manifestation of a promise fulfilled. Since the last 55 years, Malaysians have placed their trust in the same government at every stage of the nation’s development. We thank you for your trust. We have never betrayed the people. Instead, we have repaid the trust given to us manifold.

3. This Government has never promised the moon, the stars or the galaxy. We have never painted a pretty picture based on wishful thinking. As a responsible Government,

we continue to speak the truth even though it may be unpleasant. We have never misled the rakyat with tall tales. On the other hand, we have always offered solutions and provided good leadership to every problem faced by the rakyat.

4. It is proven beyond doubt that the Malaysian economy is centred on the rakyat. It is the outcome of the vision and aspiration of the rakyat. It is a testimony of the hard work of the rakyat. The economy is the contribution of the rakyat in urban and rural areas, professionals as well as blue-collar workers, farmers, labourers, smallholders, fishermen, teachers, lecturers and artistes. The economy is supported by civil servants and entrepreneurs. Above all, the economy is managed carefully and prudently by a Government which places the well-being of the rakyat as its ultimate objective. This is the formula for the success of Malaysia.

5. Managing a complex multiracial country like Malaysia is not easy. It requires sincerity and intelligence because Malaysians are a discerning lot. In fact, the rakyat has given the mandate to the same Government 12 times since 1959, indicating that this Government has done the right thing.

6. The bond that exists between the rakyat and the Government cannot be broken regardless how vile the slander is. In this regard, the Budget that I am tabling is in appreciation of all Malaysians who have placed their trust in us all this while.

2012 ECONOMIC PERFORMANCE AND 2013 PROSPECTS

7. The Government remains committed to ensuring the nation's economic growth continues to flourish despite uncertainties and challenges in the global economy. The nation's strong economic fundamentals, supported by an accommodative monetary policy have placed the economy on the right path. In the first half of 2012, the economy expanded 5.1% mainly supported by robust private investment and consumption. In tandem with improved investor confidence in Malaysia as a major investment destination, net inflows of foreign direct investment (FDI) amounted to RM13.6 billion.

8. For 2012, despite moderate global economic growth and trade, the Malaysian economy is estimated to expand strongly between 4.5% and 5%. Growth will be driven by private investment at 11.7% to reach RM127.9 billion. The performance far exceeds the total investment in 2009 at RM81 billion. The trend reflects the growing vibrancy in domestic investment, particularly with the implementation of projects under the Economic Transformation Programme (ETP). This will support the strong growth of construction sector at 15.5% in 2012 from 4.6% in 2011.

9. The strong domestic economic environment also boosted the encouraging performance of the stock market. This was reflected in the increase of the FTSE Bursa Malaysia KLCI to reach a record high of 1,654.11 points on 4 September 2012. Market capitalisation increased 44% from RM999 billion as at end-2009 to RM1.43 trillion in end-July 2012. Per capita income increased to almost RM31,000 in 2012 compared with RM25,000 in 2009. The international reserves position remains strong at RM432.2 billion on 14 September 2012, sufficient to finance 9.5

months of retained imports and is 3.9 times the short-term external debt.

10. In 2013, supported by the prospects of an improved global economy, the Malaysian economy is forecast to expand strongly between 4.5% and 5.5%. For the first time, the nation's nominal Gross Domestic Product (GDP) is expected to exceed RM1 trillion. The higher growth is supported by private investment and consumption at 13.3% and 5.7%, respectively. The construction sector is expected to increase 11.2% followed by the services sector at 5.6%.

2013 BUDGET ALLOCATION

11. The 2013 Budget will allocate RM251.6 billion for the implementation of development projects, programmes and measures, with focus on the well-being of the rakyat and national development. Of this amount, RM201.9 billion is for Operating Expenditure while RM49.7 billion for Development Expenditure.

12. Under Operating Expenditure, RM58.6 billion is allocated for Emoluments and RM33.7 billion is allocated for Supplies and Services. Meanwhile, RM107.3 billion is allocated for Fixed Charges and Grants, while RM1.1 billion is provided for the Purchase of Assets. The remaining RM1.2 billion is for Other Expenditures.

13. As for Development Expenditure, RM30 billion is allocated to the economic sector for infrastructure, industrial, agriculture and rural development. A total of RM11.1 billion is allocated to the social sector including education and training, health, welfare, housing and community development. In addition, RM4.6 billion is allocated for the development of the Security Sector, RM2 billion for General Administration and RM2 billion for Contingencies.

14. In 2013, the Federal Government revenue collection is estimated at RM208.6 billion compared with RM207.2 billion in 2012. Taking into account the estimated revenue and expenditure, the Federal Government fiscal deficit will further decline to 4% of GDP in 2013 from 4.5% in 2012. This reflects the Government's commitment to continue reducing the fiscal deficit to a lower level.

2013 BUDGET FOCUS

15. The 2013 Budget will focus on improving rakyat's quality of life, ensuring sustainable economic growth, spending prudently and reducing the fiscal deficit with the overall objective of prioritising the well-being of the rakyat. The Government will ensure that the rakyat enjoys excellent services and obtains maximum benefits from the implementation of development projects and programmes. The 2013 Budget is, therefore, designed based on the theme "**PROSPERING THE NATION, ENHANCING WELL-BEING OF THE RAKYAT: A PROMISE FULFILLED**", with focus on five key areas.

FIRST FOCUS: BOOSTING INVESTMENT ACTIVITY

16. Malaysia's economic growth will continue to be driven by foreign and domestic direct investment. In the first half of 2012, private investment rose to RM75.3 billion compared with RM59.8 billion during the same period of 2011. This trend is expected to continue in 2013 with private investment increasing to RM148.4 billion.

17. The Government will continue to accelerate the implementation of the 12 National Key Economic Areas (NKEAs). In 2013, a sum of RM3 billion is allocated

for the implementation of entry point projects (EPPs). This includes RM1.5 billion for agriculture projects such as oil palm, rubber, high-value herbs and paddy. A total of RM500 million will be allocated for the River of Life project for the beautification of the Klang River. Meanwhile, an additional RM300 million is provided for replacement of water pipelines to improve water supply and sewage system.

Promoting Domestic Investment

18. To encourage domestic investment and accelerate the participation of Malaysian companies in the global supply chain, the Government has established the Domestic Investment Strategic Fund worth RM1 billion under the Malaysian Investment Development Authority (MIDA). The fund aims to leverage outsourcing activities and acquisition of technology by Malaysian companies. Additionally, the Government has reintroduced the incentive for the acquisition of foreign companies and a special tax rate to encourage local service providers to merge into bigger entities.

Intensifying Small and Medium Enterprises

19. Small and medium enterprises (SMEs) have played an important role in supporting the nation's economic transformation. To accelerate the growth of SME and the expansion of industrial areas nationwide, a fund of RM1 billion will be provided under the SME Development Scheme to be managed by the SME Bank. The measure will facilitate SMEs' access to financing to further develop their businesses.

20. This is in line with the recently launched SME Masterplan (2012 – 2020), which will be the game-changer

in accelerating SME growth through innovation and productivity. The Masterplan outlines the implementation of 32 initiatives including six high-impact programmes (HIP) with an allocation of RM30 million.

21. To further promote the halal industry, the Government is committed to developing high-impact halal products for exports. In this regard, the SME Bank with the cooperation of the Islamic Development Bank (IDB) will provide RM200 million to the Halal Industry Fund to finance the working capital of participating SMEs.

22. Currently, there are 1.5 million hawkers and small businesses operating traditionally, and without fixed income. Recognising their constraints, particularly in the event of injury, disability and death, the Government proposes a group insurance coverage scheme for hawkers and owners of small businesses registered with the Companies Commission of Malaysia. The scheme will provide maximum coverage of up to RM5,000. For the first time, the Government will finance this scheme with an allocation of RM16 million a year.

23. In addition, Perbadanan Nasional Berhad (PNS) will introduce the Business in Transformation programme to support efforts to modernise the operations of hawkers and small businesses to higher standards and competitiveness through the licensing or franchising model. The programme will provide guidance and advisory services on new business concepts such as mobile shops, kiosks and online businesses. For this, PNS will provide soft loans to hawkers and small businesses of up to RM25,000 for licensees and RM500,000 for licensors.

Malaysia as Oil and Gas Hub

24. We are blessed with valuable mineral resources, such as oil and natural gas. The Government aims to transform Malaysia from a producer to a global integrated trading hub for oil and gas.

25. Therefore, the Government has undertaken several strategic measures to enhance the nation's capability, particularly in providing an ecosystem to support the development of the chain of refining, storage and trading. To support the participation of private operators in the development of the oil and gas industry, various special tax incentives and non-tax incentives have been provided. These include the cost of land acquisition and financial assistance as a tipping point for public-private partnership projects, 100% income tax exemption for a period of ten years, exemption of withholding tax and exemption of stamp duty.

26. For investment in the refinery activities on petroleum products, Investment Tax Allowance of 100% for the period of 10 years will be provided to qualified companies. In this regard, various investment totalling USD20 billion in oil and gas projects have been implemented in 2012. These projects include the PETRONAS Refinery and Petrochemical Integrated Development (RAPID), oil and gas storage terminal in Johor, Regasification Plant in Melaka as well as oil and gas terminal in Sipitang, Sabah.

27. The Government also launched the Global Incentive for Trading (GIFT) programme in 2011 with tax incentive at the rate of 3%. In line with the global demand for liquefied natural gas (LNG) which is expected to reach 400 million tonnes a year in 2025, the GIFT programme will be enhanced with a 100% income tax exemption on statutory income for

the first 3 years of operations for LNG trading companies. Commodity trading approved under GIFT will be extended to include other commodities such as agriculture, refined raw materials, base minerals and chemicals.

Intensifying Tourism

28. The tourism industry is one of the key economic growth sectors, contributing almost 12% to GDP. Total revenue generated from the tourism subsector is estimated to increase to RM62 billion in 2012. In conjunction with Visit Malaysia Year 2013/2014, the Government has allocated RM358 million under development expenditure, an increase of 42%, to target 26.8 million of tourist arrivals. In addition, for tour operators who bring in at least 750 foreign tourists or handle 1,500 local tourists a year, the Government proposes that the income tax exemption be extended for 3 years.

Enhancing Agricultural Activity

29. The Government continues to give priority to the agriculture sector to increase the national income and ensure food security. For this, a sum of RM5.8 billion is allocated to the Ministry of Agriculture and Agro-Based Industry.

30. The Government will also allocate RM30 million for agricultural development programmes, including high-technology applications in fruit and vegetable production, increase the supply of high-quality seedlings, price stabilisation through direct selling from farms, establishment of fish markets for the rakyat as well as improving agricultural training institutions. The Government will also allocate RM75 million to increase the output of food and health products.

31. For the plantation subsector, RM432 million is allocated under the NKEA for oil palm replanting programmes. The initiative will increase the annual oil palm yield to 26.2 tonnes per hectare in 2020 compared with 21 tonnes per hectare currently. In addition, RM127 million is allocated for the development of high-value oleo derivatives to transform the downstream industry towards higher production of derivatives.

Sustaining Food Security

32. To ensure food security, existing paddy granaries will be improved through an integrated and systematic paddy management system. Additionally, four new paddy granaries will be developed and expanded in Kota Belud, Batang Lupar, Rompin and Pekan. Currently, the 389,000 hectares of cultivated paddy granaries are able to produce up to 1.8 million tonnes. With an expenditure of RM140 million, the four new paddy granaries with acreage of 19,000 hectares and involving 12,237 farmers are expected to produce 104 tonnes.

Safeguarding the Farmers and Fishermen

33. The Government appreciates the contribution of fishermen and will ensure that their socio-economic status and income are enhanced. Currently, the Government provides a living allowance of RM200 per month, benefiting 55,000 registered fishermen. The Government also provides an incentive ranging from RM0.10 to RM0.20 per kilogramme to encourage fish landings at licensed jetties nationwide.

34. The Government has introduced the Fishermen Insurance Scheme with a maximum coverage of RM100,000.

To continue providing these benefits, the Government will allocate RM230 million in 2013 as an incentive for fish landing as well as payment of living allowances for the fishermen. In addition, the building and refurbishment of fishermen's houses, with an allocation of RM300 million as provided in the 2012 Budget, are currently underway.

35. The Government will continue to provide subsidies and incentives amounting to RM2.4 billion to assist farmers in reducing cost of production. The assistance comprises subsidies and incentives for paddy production including subsidies on paddy price (RM480 million) and paddy fertilisers (RM465 million); incentives to increase paddy yield (RM80 million) and paddy production (RM563 million); and subsidies on price of rice (RM528 million) and high-quality paddy seeds (RM85 million).

36. In line with the Government's commitment to safeguard the rakyat's welfare, particularly paddy farmers, the Government will introduce for the first time a Paddy Takaful Coverage Scheme (SPTP). The scheme is expected to benefit 172,000 paddy farmers who own fields less than 10 hectares. Total compensation to be received by each farmer is estimated at RM13,000. The Government will initially allocate RM50 million for this scheme.

37. The Government will continue the *AZAM Tani* project which was introduced in 2011. The programme has successfully lifted 1,234 families out of poverty and increased their average income between RM200 and RM2,000 per month. Several participants of this programme have also successfully increased their income to more than RM10,000 per month. To further strengthen this initiative, RM41 million will be provided to benefit 6,730 participants.

Stimulating the Capital and Financial Markets

38. The Malaysian capital market has expanded rapidly despite uncertainties in the global economy. Malaysia also continues to dominate sukuk issuance accounting for 71% or RM171 billion of the total global sukuk issuance in the first seven months of 2012. This is proven by the single largest sukuk issuance by PLUS Berhad worth RM30.6 billion.

39. In addition, the fund management and unit trust industry registered a strong growth in the first half of 2012 with managed assets increasing to RM451.9 billion and a net asset value of RM277.8 billion.

40. In 2012, the domestic equity market registered a strong growth with Initial Public Offerings (IPOs) worth RM17.4 billion. This reflected a sharp increase of 162% compared with 2011. History was created when two out of the three largest global IPOs were raised domestically, namely Felda Global Ventures Holdings Berhad (FGVH) with an issuance of RM9.9 billion and IHH Healthcare Berhad with RM6.3 billion. In addition, ASTRO which will be listed in October 2012, is expected to be among the largest IPOs this year.

41. To further stimulate the capital and equity markets, the Securities Commission (SC) will provide a framework on the issuance of AgroSukuk for companies engaged in the agriculture sector, following the successful listing of FGVH. Through instruments such as the AgroSukuk, capital can be raised to finance agricultural companies and agro-based industries. To encourage the issuance of AgroSukuk, the Government proposes that expenses for the issuance of AgroSukuk be given a double deduction for a period of four years effective from year of assessment 2012 to 2015.

42. Apart from institutional investors, the Government also encourages retail investors to participate in the capital market. For this purpose, the SC has formulated a framework for retail bond and sukuk issuances to enable investors to acquire stakes in the bond and sukuk markets. For a start, DanaInfra Nasional Berhad will issue retail bonds worth RM300 million by end-2012 to finance MRT development projects.

43. To encourage companies to issue retail bonds and retail sukuk, the Government proposes that additional expenses incurred in the issuance of retail bonds and retail sukuk be given a double deduction for a period of four years effective from year of assessment 2012 to 2015. At the same time, individual investors are also given stamp duty exemption on instruments relating to the transactions of retail bonds and retail sukuk.

44. To ensure an effective and holistic promotion of the Malaysian capital market internationally, the SC will establish a Capital Market Promotion Centre. The centre will adopt an integrated approach across various segments in the capital market and provide consistent initiatives to position Malaysia as a centre of investment and fund raising.

45. The SC will introduce the Graduate Representative Programme to increase the supply of professionals to support growth of the capital market. The programme will be implemented in collaboration with the private sector to train 1,000 graduates to meet the needs of the securities and derivatives industry.

Promoting Business Trust

46. Business operations through trust entities have certain advantages, particularly in enhancing their ability to obtain

financial resources based on assets owned. In this regard, the Government has amended the Capital Market and Services Act 2007 to provide an option for carrying out business operations through a new structure, known as a business trust.

47. In line with this, the Government proposes a business trust be given the same tax treatment as a company. To encourage the development of business trusts, it is proposed that the transfer of any business, asset and real property to a business trust be given stamp duty exemption and real property gains tax exemption at the early stage of the establishment of a business trust.

48. The Government has established Danajamin Nasional Berhad (Danajamin) to provide guarantee facilities to viable companies to obtain funds from the bond market at a reasonable cost. Danajamin has approved guarantees totalling RM9.3 billion to 30 companies, resulting in the issuance of bonds and sukuk worth RM4.2 billion. This has enabled companies to generate economic activities in various sectors, including real estate, infrastructure, plantation, oil and gas, construction, manufacturing and aviation.

49. To provide companies with greater access to the capital market, the Government will allocate an additional RM400 million to Danajamin for the next two years. The additional fund will multiply the issuance value between RM4 billion and RM6 billion.

50. The Government has also announced the establishment of the Capital Market Foundation as a concerted effort towards increasing the competency and capability of companies to compete in a more dynamic capital market. The foundation focuses on three main areas, namely SME development; promotion and support of innovative products; and human

capital development. For this, RM100 million will be provided to the foundation through the Capital Market Development Fund under the SC.

51. As an initiative to promote Malaysia as an international financial hub and to attract FDI, the Government launched the Tun Razak Exchange (TRX) on 30 July 2012 with a gross development value of RM26 billion. TRX will provide new investment opportunities by connecting the business community with the global market. TRX is expected to attract 250 international financial services companies and offer 40,000 knowledge and skilled job opportunities.

52. To encourage major international financial institutions to make Kuala Lumpur a preferred investment centre, income tax exemption for 10 years for TRX-status companies, stamp duty exemption, industrial building allowance and accelerated capital allowance for TRX Marquee-status companies as well as tax exemption for property developers are being provided. The development of TRX is on schedule. Meanwhile, the realignment of existing utilities on the TRX site is well underway and is expected to be completed in October 2012.

Corporate Wakaf

53. The Government recognises the State Islamic Religious Council as the sole trustee for all wakaf and wakaf funds in respective states. Wakaf institutions in Malaysia not only focus on land development but also on corporate wakaf in the form of cash, shares and other financial instruments. In line with this, the Malaysian Wakaf Foundation under the Department of Awqaf, Zakat and Hajj (JAWHAR) will be responsible to formulate the Corporate Wakaf master plan, taking into consideration the State Islamic Religious Council

legislative structure. The master plan will be the platform for the development of Corporate Wakaf in Malaysia.

Developing Bumiputera Entrepreneurs

54. The Government is committed to ensuring Bumiputera companies are able to compete on a level playing field in acquiring ownership of large companies, creating high-income employment as well as investing in key economic sectors. In 2010, Bumiputera equity increased to 23% compared with 22% in 2008. One of the measures is to increase participation of Bumiputera companies in the first alignment of the MRT project. The participation of Bumiputera companies in high-impact projects such as the MRT will further enhance the capability and expertise of local Bumiputera companies. A sum of RM9 billion or 43% of the total infrastructure cost of the MRT project has been allocated to Bumiputera companies.

55. Efforts will also be undertaken to assist Bumiputera SMEs to expand and increase their equity holdings in the economic sector. In line with this, the SME Bank will provide RM1 billion to the Bumiputera Financing Fund. The fund will assist local SMEs to finance the acquisition of GLC subsidiaries engaged in non-core activities. To date, two GLCs have identified their potential subsidiaries for divestment to Bumiputera investors.

56. The Government has also introduced a fund worth RM10 billion under the Working Capital Guarantee Scheme for SMEs to facilitate access to working capital. The scheme guarantees up to a maximum of RM2.5 million to qualified companies. Currently, RM900 million is still available for Bumiputera companies under this scheme. To attract more Bumiputera companies to benefit from this scheme, the

Government will extend the duration of this scheme until 31 December 2013, expand this scheme to High-Performing Bumiputera (TERAS) companies and increase the companies' shareholders fund eligibility from RM10 million to RM20 million.

57. Small-scale entrepreneurs, particularly Bumiputera entrepreneurs lack quick and easy access to loan facilities. With the establishment of Tabung Ekonomi Kumpulan Usaha Niaga (TEKUN), these entrepreneurs are able to start and develop their businesses. To date, TEKUN has extended loans totalling RM2.24 billion to 224,175 entrepreneurs nationwide, including a total of RM34.5 million to 4,212 Malaysian Indian entrepreneurs under Skim Pembangunan Usahawan Masyarakat India. In 2013, the Government provides an allocation of RM350 million to TEKUN including RM50 million to the Malaysian Indian community.

SECOND FOCUS: STRENGTHENING EDUCATION AND TRAINING

Malaysia Education Blueprint 2013 – 2025

58. Since independence, the Government has promoted education as the main agenda of the nation. The Government is aware that investment in education and training is a pre-requisite for prosperity of the country and the well-being of the rakyat. In this respect, large allocations have been provided annually. In 2013, the allocation for education and training accounts for 21% of the total budget. However, the outcomes are not commensurate with the investment made. Thus, on 11 September 2012, the Ministry of Education launched the Malaysia Education Blueprint 2013 – 2025 Preliminary Report to ensure the national education system is capable of optimising the potential of each Malaysian child.

59. In the 2013 Budget, a sum of RM38.7 billion is allocated to the Ministry of Education (MOE) for operating and development expenditure.

60. Measures to increase the competency and quality of teachers are critical to support the success of the education system. Thus, in addition to the allocation of RM38.7 billion to MOE, the Government will allocate another RM500 million to enhance teaching skills in core subjects such as Bahasa Kebangsaan, English, Science and Mathematics through the Higher Order Thinking Skills approach. The allocation includes the establishment of the Education Delivery Unit to monitor and evaluate the effectiveness of the transformation plan.

61. In the 2012 Budget, the Government allocated RM1 billion under the Special Fund for the Building, Improvement and Maintenance of Schools, particularly to cater for immediate needs to refurbish school buildings, maintenance, purchase of school equipment and construction of additional blocks. I am pleased to announce an additional RM1 billion to this Special Fund. Of this amount, RM400 million will be channelled to national schools; RM100 million to national-type Chinese schools; RM100 million to national-type Tamil schools; RM100 million to mission schools; RM100 million to Government-assisted religious schools; RM100 million to boarding schools; and RM100 million to Maktab Rendah Sains MARA.

Strengthening the Role of Pre-Schools

62. In early childhood education, the quality of pre-school education is critical to equip children with basic education. For this, RM1.2 billion will be allocated for pre-school education to Jabatan Kemajuan Masyarakat, MOE, PERMATA and

Department of National Unity and Integration. In addition, RM380 million will be allocated to the MOE for placement of kindergarten teachers.

63. High quality pre-school and childcare services are imperative to ensure children receive proper care while nurturing positive mental development. For this the Government proposes the following incentives:

First: Launching grant of RM10,000 to assist operators of Early Childhood Care and Education (ECCE) private centres in opening new high quality pre-schools. It is estimated that 1,000 new private ECCE centres will benefit from this initiative;

Second: A double deduction on the allowance or subsidies provided to the employees and expenses for the maintenance of childcare centres be given to the employers;

Third: Income tax exemption for 5 years and industrial building allowance at the rate of 10% a year be given to operators of pre-school and private childcare centres; and

Fourth: Income tax exemption for 5 years and industrial building allowance at the rate of 10% a year be given to operators of private pre-schools.

64. Currently, there are many disabled children from low-income families who do not receive early education due to lack of pre-schools for disabled children (TASKA OKU). For this, the Government will implement a pilot project for TASKA OKU in six categories of disabled children, namely down syndrome, autism, blind or partially sighted, hearing and speaking disabilities, physical disability and learning difficulties.

Skills and Training

65. Moving on to the issue of knowledgeable, creative and innovative human capital, training programmes will be developed to hone new skills in line with future needs of industry in a high-income and developed economy. For this purpose, RM3.7 billion will be allocated in 2013 to train students in technical and vocational fields.

66. Every year about 180,000 students graduate with diplomas and degrees from institutions of higher learning. To assist unemployed graduates, the Government will launch the Graduate Employability Blueprint by end-2012. The Blueprint will focus on strengthening the employability of graduates. In this regard, the Government will establish the Graduate Employability Taskforce with an allocation of RM200 million.

67. The Government has implemented the 1Malaysia Training Scheme Programme, also known as SL1M, to increase employability of graduates through soft skills training and on-the-job-training in private companies through double deduction on expenses incurred by the companies. This incentive is effective from 1 June 2012 until 31 December 2016.

68. The Government will allocate RM440 million to the Skills Development Fund Corporation (PTPK), to provide loans for trainees to undergo skills training. This measure will benefit nearly 40,000 trainees undertaking the Malaysia Skill Certificate Level One to Five. The Government will allocate RM366 million to upgrade as well as purchase equipment for Industrial Training Institutes and National Youth Vocational Institutes (IKBN).

69. In line with the objective to transform the country's key industries towards high technology, innovation and high

income, various skills training programmes will be implemented. Towards this, focus will be given to create a professional and talented workforce in selected industries, including oil and gas, shipping, ICT, creative and biotechnology. In 2013, about 5,000 trainees are expected to enrol in these programmes. Additionally, PETRONAS will utilise IKBN in Pengerang, Johor to train 300 youths for the oil and gas sector by end of 2012 to meet the needs of the RAPID project.

70. The Government is aware of the plight of poor Malaysian Indian students in the estates who do not achieve good results in examination and are unable to find jobs. In line with this, the Government will allocate RM50 million to train 3,200 Malaysian Indian students in the estates to equip them with skills to meet market demand. The training will be conducted by Industrial Training Institutes and colleges under the Dual National Training Scheme.

71. In ensuring that private sector workers remain healthy and productive to contribute to their companies and economic development, the issue of health must be given priority. In this regard, Social Security Organisation (SOCSO) will allocate RM200 million to enable its 1.4 million members to undertake free health screening in Government hospitals or SOCSO's panel clinics. The health screening is for all workers aged between 40 and 55 years to detect non-communicable diseases.

THIRD FOCUS: INCULCATING INNOVATION, INCREASING PRODUCTIVITY

Intellectual Property as Collateral

72. Efforts will also be undertaken to enable SMEs to further expand their businesses by using intellectual

property rights (IPR) as a collateral to obtain financing. For this, a valuation model will be created to enable IPR to be valued and commercialised in the market as well as utilised as collateral to obtain financing from financial institutions. For this purpose, the following initiatives will be implemented:

- First: Establish an Intellectual Property Financing Fund scheme amounting to RM200 million. The scheme will be offered through Malaysian Debt Ventures Berhad. The Government will provide a 2% interest rate subsidy and guarantee of 50% through Credit Guarantee Corporation Malaysia Berhad; and
- Second: Allocate RM19 million for training programmes for local intellectual property evaluators conducted by Intellectual Property Corporation of Malaysia (MyIPO) as well as create an intellectual property right market platform.

Research and Development

73. Research and Development (R&D) activities will continue to be emphasised. Various R&D findings and output of public research institutions have the potential to be commercialised. To support this effort, the Government will allocate RM600 million to five research universities to conduct high-impact research in strategic fields such as nanotechnology, automotive, biotechnology and aerospace.

74. To boost the commercialisation of R&D findings of public institutions, the Government proposes that the current tax incentives for the commercialisation of resource-based R&D findings be extended to commercialisation of non-

resource based findings which are products promoted under the Promotion of Investment Act 1986. The tax incentives are as follows:

First: The company which invests in its subsidiary company that undertakes the commercialisation of R&D findings be given a deduction equivalent to the total investment made in that subsidiary; and

Second: The subsidiary company that undertakes the commercialisation of R&D findings be given income tax exemption of 100% on the statutory income for a period of 10 years.

Intensifying Venture Capital Investment by Angel Investors

75. Young entrepreneurs have innovative ideas and products that can be promoted at the international level. However, they are constrained by limited financial resources. Therefore, as an alternative source of funding, it is crucial to have direct participation of an angel investor in the early stage of a business to ensure the success of the investment and the competitiveness of the venture company. In this respect, the Government proposes that a deduction equal to the amount of investment made by an angel investor in a venture company be allowed to be set off against all his income.

Encouraging Inclusive Innovation

76. To ensure inclusive development, the Government will continuously plan and implement programmes and activities centred on knowledge, creativity and innovation. Towards

becoming a high-income and developed nation by 2020, innovation will be further strengthened and made pervasive in all sectors and segments of society. Through the 2013 Budget, initiatives will be undertaken by the Ministry of Science Technology and Innovation with the collaboration of Malaysia Innovation Agency (AIM) and non-governmental organisations (NGOs).

Green Technology Development

77. In the 2010 Budget, the Government established the Green Technology Financing Scheme (GTFS) with a fund of RM1.5 billion for three years ending 31 December 2012. The Fund enables companies which are producers and users of green technology to obtain soft loans, with the Government subsidising 2% of the interest rate and providing a guarantee of 60% on the amount of financing. To date, approximately RM800 million has been approved to 50 local companies. To further boost the production and utilisation of green technology-based products, the fund for GTFS will be increased by RM2 billion and the application period extended for another three years ending 31 December 2015.

FOURTH FOCUS: FISCAL CONSOLIDATION AND ENHANCING THE PUBLIC SERVICE DELIVERY

Fiscal Consolidation

78. The Government is committed to ensuring the fiscal deficit continues to decline and achieve a balanced budget. In this respect, all ministries and agencies will ensure

that development and operating allocations are spent on priority and important items to support the implementation of national policies and programmes.

79. The Government will also ensure that the Federal Government debt will not exceed 55% of the GDP and fiscal deficit continues to decline to 3% by 2015. Among the measures taken to ensure sound public finance are enhancing revenue collection by strengthening the tax system, and ensuring all procurement and purchases by the Government are based on the value-for-money principle.

80. Apart from the transition from bulk subsidies to targeted subsidies, a review of Malaysia's taxation system will be continued to ensure the taxation system better reflects the household's financial position. The transition from income based taxation system to a more comprehensive and fair taxation system will eventually benefit the rakyat.

81. The measure will not be implemented hastily but through a thorough study and in an orderly manner. It will not affect the rakyat, particularly the medium and low-income groups as all the basic needs such as food, housing or public transport will always be protected.

82. Implementation of the new tax structure is a national imperative to ensure the Government's finances remain strong for future generation. The Government will not shirk from taking the right action although it is challenging.

83. However, the Government will give sufficient time to all parties to make necessary adjustments. Public acceptance of the new initiative will be solicited through information programmes, education and extensive consultations.

84. In providing excellent services, civil servants must adopt a culture of productivity, creativity and innovation. The working culture must be swift, accurate and with integrity. The move will trigger a new paradigm and improve the rakyat's confidence in a more effective, efficient and responsive public service.

85. The Government has not forgotten the contribution of pensioners in providing excellent services for the country. In this regard, the Government will increase the minimum pension from RM720 to RM820 for pensioners who have served for at least 25 years. The adjustment will be effective from 1 January 2012. This measure will involve an additional allocation of RM60 million a year benefiting 50,371 pensioners including derivative pension recipients.

86. In appreciation of senior citizens, the Government proposes to reduce the processing fee of a 5-year passport by 50%, from RM300 to RM150. Meanwhile, processing fee for the 2-year passport will be reduced from RM100 to RM80. These reductions will also be extended to children aged 12 and below. The new rates will be effective from January 2013.

Improving the Malaysian Armed Forces Scheme of Service

87. To ensure that the Malaysian Armed Forces (ATM) has knowledgeable and highly skilled human capital, as well as to realise the vision and strategic direction of ATM in line with the current demand, the Government will improve the ATM service scheme. In this regard, recruitment to the armed forces has been improved, where the entry requirement for officers has been raised to Bachelor's

Degree with Honours. For servicemen, the minimum entry is raised to Sijil Pelajaran Malaysia and Diploma, based on the scope of tasks.

88. Taking into account the uniqueness of the armed forces, the Government will improve career advancement opportunities through time-based promotion for Privates to Lance Corporals, and for Lance Corporals to Corporals within a period of eight years for those who fulfil the necessary requirements. This will increase opportunities for career advancement as well as motivate the members of the armed forces. The improvement in scheme of service and career advancement in the armed forces involves an allocation of RM107 million benefiting 78,123 members.

89. In addition, the Government will provide a special incentive of RM200 per month to all military personnel totalling 125,708, effective from 1 January 2013. The measure will involve an allocation of RM301 million.

90. The Government appreciates the role of the military reserve force to complement and support ATM personnel. In appreciation of their contribution, the Government will revise the services allowance from RM4.00 per hour to RM6.00 for ordinary members, and from RM5.80 to RM7.80 for officers. This will involve 65,000 members of the military reserve force comprising Territorial Army Regiment (WATANIAH) as well as reserves in the navy and air force. This rate has already been in effect for Malaysia People's Volunteer Corp. (RELA), Malaysia Civil Defence Department (JPAM) and Police Volunteer Reserves (PVR).

91. The Government has not forgotten the commitment and dedication of our national heroes. The Government will provide a one-off cash payment RM1,000 to assist former members of the armed forces who have opted for early

retirement; served less than 21 years; and did not receive any pension. However, this cash payment excludes those who were terminated due to disciplinary problems. The allocation of RM224 million will be equally shared by the Government and Armed Forces Fund Board which involves 224,000 former members of the armed forces.

92. The Government will introduce a Group Insurance Coverage Scheme to serving armed forces and police personnel involving an allocation of RM12 million. The scheme will provide a maximum insurance coverage of up to RM15,000 to almost 242,000 armed forces and police personnel.

93. To date, the Government borrows RM6 billion annually to finance housing loans for civil servants which is managed by the Housing Loan Division (BPP), Ministry of Finance. As part of efforts to consolidate the fiscal deficit and to ease the Government's financial burden, BPP will be restructured. The Government will appoint panels from commercial banks to manage new housing loans, effective from January 2013. Civil servants will continue to enjoy the existing benefits and assistance, which will be further enhanced. Civil servants will still pay the 4% interest rate on housing loan repayment.

94. Currently, the processing fee for each housing loan application by civil servants is RM1 for every RM1,000 for first submission and RM2 for second submission. To ease the financial burden and facilitate loan approvals, the Government agrees to fix the processing fee at RM100 for each application regardless of the loan amount.

95. The Government will reduce the cost of living of trainees undergoing the pre-service courses at the first degree, diploma and certificate level. In this regard, the Government will increase the pre-service allowance for 31,135

trainees. The schemes of service involved are Graduate Education Services Officer, Environmental Health Assistant Officer, Medical Assistant Officer, Assistant Pharmacist, Radiographer, Nurse, Dental Nurse, Medical Therapist, Medical Laboratory Technologist, Dental Technologist, Community Nurse, General Medical Assistant and Dental Surgery Assistant. For this RM84.2 million is allocated.

FIFTH FOCUS: ENHANCING WELL-BEING OF THE RAKYAT

96. In addition, the Government will allocate RM6 billion in 2013 under the Private Financing Initiatives (PFI 2) to implement various projects and programmes to ensure the well-being of the rakyat and spur the nation's development. Among the projects identified include refurbishment and maintenance of schools and health clinics; housing projects; water tank projects; flood mitigation plans and provision of sports facilities.

Creating a Safe and Harmonious Neighbourhood

97. The Government has introduced measures to reduce the crime rate as one of the initiatives under the NKRA. Efforts to further reduce the crime rate will continue to be enhanced. With an allocation of RM591 million in 2013 the following measures will be implemented:

- First: Increasing the number of Polis Diraja Malaysia (PDRM) personnel for patrolling and combating crime, upgrading infrastructure and providing modern equipment;
- Second: Establishing a Motorcycle Patrolling Unit to monitor housing areas. For this purpose, the

Government will allocate RM20 million to provide 1,000 motorcycles;

Third: Increasing the number of Police Volunteer Reserve (PVR) by an additional 10,000 officers involving an allocation of RM70 million to assist the police in combating crime; and

Fourth: Installing an additional 496 units of Closed Circuit Television or CCTV cameras in 25 local authorities in Peninsular, Sabah and Sarawak to prevent street crimes in urban areas.

98. The Government is aware of the duties and responsibilities of PDRM personnel. To all PDRM personnel, I hear your grievances on several anomalies that exist, particularly in the scheme of service for PDRM officers. The Government will never take these matters lightly. The Government has already directed JPA to conduct a comprehensive study to enhance the career path of PDRM personnel. The study will be inclusive, consult all stakeholders and the issues will be addressed promptly.

99. The Government is committed to ensuring that every rakyat who is accused in a court receives a fair trial in accordance with rights guaranteed by the Constitution. The Government has provided a launching grant of RM14 million to the National Legal Aid Foundation for those who cannot afford legal representation. For 2013, an additional allocation of RM20 million is provided.

100. The involvement of the private sector and local communities is vital in ensuring Malaysia remains a safe nation. In this regard, the following initiatives will be implemented by the Government:

- First: Supporting the role of resident associations to promote patrolling activities in neighbourhoods. For this, the Government will provide a launching grant of RM40 million for 4,025 resident associations registered under the Registry of Societies Malaysia, with each association receiving RM10,000;
- Second: Enhancing the role of neighbourhood watch (rukun tetangga) to assist in safeguarding the neighbourhood. For this, the Government targets the establishment of 6,500 neighbourhood watch locations (kawasan rukun tetangga – KRT) by 2013. The Government will allocate RM39 million to finance KRT activities;
- Third: Providing uniforms to 300,000 active members of People’s Volunteer Corps (RELA) with an allocation of RM90 million; and
- Fourth: Total deduction on the expenses on the installation of security control equipment in the same year the equipment is purchased as compared to the current deduction of 8 years under the Accelerated Capital Allowance. The Government has agreed to extend this incentive to housing developers.

Malaysian Anti-Corruption Commission

101. The Government remains committed to combating corruption. In 2013, a sum of RM276 million is allocated to the Malaysian Anti-Corruption Commission. For this, the Government will provide an additional 150 posts annually to reach a total of 5,000 personnel. The measure is expected

to help the Government to improve Malaysia's ranking in the Corruption Perceptions Index.

Driving Community Transformation

102. The Government has launched the Rural Transformation Programme or RTP as a platform to strengthen the development of rural areas. For urban communities, I am pleased to announce the Urban Transformation Programme or UTP. A sum of RM200 million will be allocated for this purpose. To ensure strategic coordination between RTP and UTP, a National Strategic Coordination Unit will be established under the Ministry of Finance.

Urban Transformation Centre

103. The Urban Transformation Centre is the Government's initiative in the development of urban community to ensure seamless public and private services that are efficient, fast and easily accessible. The Urban Transformation Centre (UTC) is implemented by refurbishing existing vacant Government buildings or optimising utilisation of buildings with minimum cost. For example, in the UTC, the rakyat will be able to apply for a passport within one hour; pay zakat, utilities and quit rent; buy textiles and books; and to undertake recreational activities such as futsal and gym. The UTC is unique in that it operates daily from 8.30 am to 10 pm, including weekends.

104. Under the UTP, the Government has launched two Urban Transformation Centres or UTCs, namely in Melaka and Kuala Lumpur. On average, the UTC KL receives 4,000 clients per day. The implementation of the UTC will

be expanded nationwide in stages to six major locations, namely Alor Setar, Kuantan, Ipoh, Johor Bahru, Kota Kinabalu and Kuching.

Rural Transformation Centre

105. In rural areas, the Government has established the Rural Transformation Centre or RTC in Gopeng, Perak and Wakaf Che Yeh, Kelantan to provide integrated services, including the collection, processing and distribution of agricultural products; banking and insurance; business advisory services; skills and training; clinic; and commercial space. Given the benefits to the local community, the Government will expand the RTC to Melaka, Johor, Pahang and Sarawak. In addition, the Government will upgrade Medan Info Desa to Mini-RTCs nationwide.

Development for Rural Areas and Orang Asli Community

106. Rural areas will continue to be developed to reduce the disparity between urban and rural areas. In 2013, a sum of RM4.5 billion will be allocated to implement various rural infrastructure development projects including:

First: Providing RM1.2 billion to develop 441 kilometres rural roads and village link road projects to benefit 220,000 villagers;

Second: Providing RM1.6 billion for rural utility infrastructure projects which involve water supply to 24,000 house and electricity supply to 19,000 houses;

- Third: Providing RM137 million to finance *Program Desa Lestari* involving 29 villages nationwide and benefiting 38,000 villagers. Major programmes include upgrading food and marine product processing plants, construction of new jetties, marketing centres and tourism complexes as well as organising recreational and homestay activities;
- Fourth: Providing RM88 million to implement economic development programmes and water supply projects for the Orang Asli community; and
- Fifth: Providing RM100 million to supply 40,000 water tanks for rainwater harvesting, particularly in the interiors of Sabah and Sarawak.

Health as the Essence to Well-Being

107. The Government will continue to ensure the rakyat enjoys good health services. For 2013, the Government will allocate RM19.3 billion for operating expenditure and development expenditure.

108. The launching of 1Malaysia clinics has received overwhelming response and benefited local communities in reducing treatment cost and facilitating health services. The Government will allocate RM20 million for an additional 70 1Malaysia clinics in 2013. 1Malaysia clinics will now provide blood test services which include cholesterol and glucose tests as well as urine tests. In addition, RM100 million is allocated to upgrade 350 clinics nationwide as well as to provide an additional 150 dialysis machines in Government haemodialysis centres across the country.

109. To reduce the burden of employees diagnosed with a terminal illness, the Government agrees to allow these contributors to withdraw their full savings with the Employees Provident Fund (EPF) subject to certain conditions which will be determined later.

Development of Women, Family and Community

110. Women play an important role in raising happy families as well as contributing towards economic development. For this, the Government allocates RM50 million to support women's dual roles by implementing the following measures:

First: A total of 500 women will be trained as board members under the Women Directors' Programme;

Second: The Single Mothers Skills Incubator Programme (I-KIT) will be improved to provide advisory services and training for single mothers in entrepreneurship;

Third: Get Malaysian Business Online Programme (GMBO) to assist 50,000 small entrepreneurs, particularly women to promote their businesses by increasing their sales online with a grant of RM1,000. The Malaysian Communications and Multimedia Commission (MCMC) will provide an allocation of RM50 million for this purpose; and

Forth: Allocation of RM25,000 for free mammogram examination for women, which is estimated to benefit 100,000 women aged 40 and above.

111. The Government cares for the less fortunate and low-income group, and will ensure that they are not marginalised in the nation's development. Therefore, the 1Malaysia Welfare Programme (KAR1SMA) under the Ministry of Women, Family and Community Development will be allocated RM1.2 billion comprising assistance programmes for senior citizens, children and disabled workers as well as for chronic illnesses.

112. The Government has launched *1AZAM* or *Akhiri Zaman Miskin* programme to provide opportunities to generate income for the low-income group. The programmes under this initiative are *Azam Kerja*, *Azam Tani*, *Azam Niaga* and *Azam Khidmat*. For this, the Government allocates RM400 million which is expected to benefit 58,330 participants.

113. Apart from this, the Government has provided two Anjung Singgah centres for senior citizens, street children and those who need temporary shelter prior to securing a job or permanent accommodation. For this, the Government will provide six additional Anjung Singgah centres. The Government will also establish five Anjung Kasih in Sibu, Miri, Temerloh, Seremban and Ipoh hospitals to provide temporary and comfortable accommodation for poor patients or family members accompanying the patients.

Youth and Sports

114. Sports is the best catalyst for national unity as it involves all segments of society. Sports personalities such as Lee Chong Wei, Nicol Anne David, Pandelega Rinong, Azizulhasni Awang and Muhamad Ziyad are among the highly regarded heroes and heroines in sports. The

nation is proud of their success and achievements in the international arena. The Government places emphasis on continuous sports development and for this, an allocation of RM738 million is provided for youth and sports development.

115. The Government will allocate RM15 million to prepare athletes for international sporting events, including the South East Asian Games and ASEAN Para Games in 2013 as well as the Commonwealth Games and Asian Games in 2014. In addition, a sum of RM50 million is allocated for four years, specifically in preparation for the 2016 Olympic Rio under the Road to Rio programme.

116. To encourage the development of cycling and badminton, the Government will build a covered velodrome in Seremban and a Badminton Academy in Bukit Kiara with an allocation of RM80 million.

117. In efforts to produce a young generation with towering personality and integrity as well as creative, innovative and competitive attributes, the Government will launch the Y-Creative Programme involving youth societies nationwide. The Government will also organise the Putrajaya Youth Festival, which will be the largest youth gathering in Malaysia, in conjunction with 2013 as the National Volunteer Year.

118. To assist young ICT entrepreneurs, a New Entrepreneur Foundation (NEF) will be established with an initial allocation of RM50 million. The NEF will be the platform to provide training and guidance programmes.

119. In addition, a Young Entrepreneurs Fund will be established with an allocation of RM50 million by the SME

Bank. The soft loans, aimed at youths aged 30 and below, offers a 2% interest rate subsidy for loans up to RM100,000 with a 7-year repayment period.

120. The Government recognises the role of youths in aspiring Malaysia's development. In this regard, the Government will launch the 1Malaysia For Youth (1M4U) Blue Ocean Competition to enable the youth to present creative and innovative ideas through competition at local, state and national levels. The best three ideas will be awarded funds from the 1Malaysia Volunteer Fund.

121. A majority of the 22% of Malaysians who use smartphones to surf the Internet are youths. To enable the youths to access the information highway, a special package will be introduced by the Government with the cooperation between the MCMC and telecommunications companies. Through the Youth Communication Package, a one-off rebate of RM200 will be provided for the purchase of one unit of 3G smartphone from authorised dealers. The initiative is for youths aged between 21 to 30 years with a monthly income of RM3,000 and below. A sum of RM300 million is allocated benefiting 1.5 million youths.

Recognising Artistes

122. Tapping on the role of artistes in the nation's development, we acknowledge that the nation's progress is not solely measured in terms of per capita income and economic growth. It is also measured through several dimensions. The artistes play an important role in enhancing national culture. In appreciating their role, the Government will provide RM6 million for activities and administration expenses to all registered associations.

Expanding Urban Public Transport Network

123. An efficient public transport system is crucial for development of the community. Following the successful implementation of RapidKL and Rapid Penang, the Government will launch RapidKuantan on 1 December 2012 to provide high-quality bus transport services in Kuantan, which will benefit the rakyat. Additionally, Syarikat Prasarana Negara Berhad is in the process of expanding its services to other locations such as Ipoh, Seremban, Kuching and Kota Kinabalu.

124. The Government is aware of the importance of transport for the public, especially those who live and work in major towns. Currently, the disabled, retirees and students enjoy a 50% discount on KTM Komuter fares. In this regard, I am happy to announce that the Government will extend the discount to all Malaysians with a monthly income of RM3,000 and below and who travel by KTM Komuter.

Housing for Rakyat

125. The Government acknowledges that comfortable and affordable housing is the most important basic necessity for the rakyat. The Government is committed in ensuring that the rakyat has the opportunity to own a house. This is not only an economic imperative, but also a moral imperative for a responsible Government. Therefore, the Government will make affordable housing a continuous priority. I am happy to announce that the Government will allocate RM1.9 billion to build 123,000 affordable housing units in strategic locations in 2013. The initiative will be implemented by PR1MA, Syarikat Perumahan Nasional Berhad (SPNB) and National Housing Department.

126. A total of RM500 million will be spent by PR1MA to build 50,000 houses in major locations nationwide with the selling price ranging between RM100,000 and RM400,000 per unit. Among the locations are Kuala Lumpur, Shah Alam, Johor Bahru, Seremban and Kuantan.

127. In addition, PR1MA will provide the Housing Facilitation Fund totalling RM500 million to build 30,000 houses in collaboration with private housing developers. The house prices under this programme will be 20% lower than the market price and distributed through an open balloting system.

128. Meanwhile RM320 million will be allocated through SPNB to build 22,855 residential units including low and medium-cost apartments, *Rumah Mesra Rakyat* and *Rumah Mampu Milik*. SPNB's housing projects, which will be implemented immediately, include the construction of 1,855 medium-cost apartment units with a built-up area of 850 square feet in Shah Alam and Sungai Buloh. These units will be sold at about RM120,000 to RM220,000 per unit.

129. With regard to *Rumah Mesra Rakyat* programme, SPNB will build a total of 21,000 houses in 2013. Under this programme, SPNB will construct houses priced at RM65,000 per unit with a subsidy of RM20,000 as well as a 2% subsidy on interest rate.

130. In addition, a sum of RM543 million will be provided to the National Housing Department for the implementation of 45 projects under the *Rakyat Housing Programme (PPR)* involving 20,454 units which will be constructed using the *Industrialised Building System (IBS)*. These units of houses will be sold at a price between RM30,000 and RM40,000 per

unit, much lower than the market price of about RM120,000 per unit. The Government will also allocate 20% of the PPR houses to public sector employees and partly to the disabled.

131. To enable more Malaysians own their first residential property, My First Home Scheme, which was launched under the previous Budget, will be improved by increasing the income limit for individual loans from RM3,000 to RM5,000 per month or joint loans of husband and wife of up to RM10,000 per month. In addition, the requirement for a savings record equivalent to three months instalment and minimum employment of six months will be abolished.

132. In the 2009 Budget, the Government had given a 50% stamp duty exemption on the instrument of transfer agreements and loan agreements for the purchase of the first residential property of up to RM350,000. The Government proposes that the stamp duty exemption is extended to 31 December 2014 with the price limit on residential properties raised to RM400,000.

Revision of Real Property Gains Tax

133. The limited supply of real property especially in urban areas has provided opportunities for speculative activities. Therefore, the Government proposes the real property gains tax (RPGT) from the disposal of properties made within a period not exceeding 2 years from the date of purchase will be taxed at the rate of between 15% and 10% of disposal of property within a period of 2 to 5 years. For property disposed after 5 years from the date of acquisition, RPGT is not applicable. In addition, gains from the disposal of one residential property once in a lifetime and disposal of

properties based on love and affection between husband and wife, parents and children, grandparents and grandchildren are exempted from RPGT.

Tax Incentive for Revival of Abandoned Housing Projects

134. Furthermore, in 2013 the Government will allocate RM100 million to the Ministry of Housing and Local Government to revive 30 abandoned housing projects. In addition, to encourage the involvement of the private sector, the Government will provide tax incentives as follows:

- First: Banking institutions be given tax exemption on interest income received from the rescuing developer;
- Second: Rescuing developer be given a double deduction on interest paid and all direct costs incurred in obtaining loans;
- Third: Rescuing developer be given stamp duty exemption on all instruments executed for the purpose of transfer of land or houses and loan agreements to finance the cost of revival; and
- Fourth: Original house buyer in the abandoned project be given stamp duty exemption on all instruments executed for the purpose of obtaining additional finance and the transfer of the house.

Assistance and Incentives

135. This is a people's Government, from the rakyat to the rakyat. The prosperity of the nation and the well-being of

the rakyat is our ultimate objective. The Government will not take any action that will jeopardise the future of the people. Others make empty promises; offer free goods and debts that need not be repaid; and promise the moon and the heavens just to gain power. However, this Government will not hide the truth though it may be painful. In short, this Government will not mislead the rakyat.

136. In this respect, the Government is currently undertaking a subsidy rationalisation initiative and gradually shift the provision of the bulk of subsidies that lead to leakages, and benefit the high-income group, to targeted subsidies. In reality, subsidies continue to be given to groups that truly need the subsidies. If the Government continues to provide the bulk of subsidies, it will adversely affect the financial position of the country, causing the rakyat to bear the consequences, as has been in some countries. As a responsible Government, we will never allow this to happen.

Bantuan Rakyat 1Malaysia (BR1M)

137. In line with the move towards targeted subsidies, the Government is committed in ensuring every segment of the society is able to enjoy the wealth of the nation. This can only occur if the economy continues to record sustainable growth and the nation is able to generate income. I am glad to announce the distribution of Bantuan Rakyat 1Malaysia (BR1M 2.0). The criteria remains the same, where the head of the household earning less than RM3,000 is eligible for the assistance. In addition, I am pleased to announce that this assistance will be extended to single unmarried individuals aged 21 and above and earning not more than RM2,000 a month. The assistance amounts to RM250.

138. In fact, the assistance to households and single unmarried individuals is not a populist move, but the reflection of a Government that is responsible and capable of managing the nation's finance prudently. BR1M 2.0 will benefit 4.3 million households and 2.7 million single unmarried individuals and involve an allocation of RM3 billion. It will be paid effective from January 2013. To facilitate implementation, existing BR1M recipients are not required to register for the second time, while new applicants may register commencing November 2012 via online or at the counters of State Development Offices, District Offices and Inland Revenue Board (LHDN) offices nationwide.

139. Moderate intake of sugar is acceptable. However, if taken excessively, it may be harmful. To date, about 2.6 million Malaysians suffer from diabetes. In this regard, the Government proposes to reduce the subsidy on sugar by RM0.20 per kilogramme, effective from 29 September 2012. The Government urges the business community not to burden the rakyat by increasing the price of sugar but instead reduce the sugar content in food and beverage.

140. I want to stress that the Government is still subsidising RM0.34 per kilogramme on sugar involving an expenditure of RM278 million. The subsidy reduction is supported by consumer associations and health practitioners.

141. Furthermore, to maintain the increasing price differential and consumption quota on cooking oil, the Government will provide an allocation of RM1.5 billion to stabilise the prices of cooking oil in the market.

Price Uniformity Scheme

142. Generally, prices of essential goods in Sabah and Sarawak are higher compared with Peninsular Malaysia due to the high cost of delivery and distribution. To reduce the costs and prices of goods, the Government has introduced various initiatives, including the price uniformity programme, provision of transport subsidy as well as opening *Kedai Rakyat 1Malaysia* (KR1M). For this, the Government will allocate RM386 million to ensure the prices of essential goods in Sabah and Sarawak as well as in Labuan are sold at lower prices through the opening of 57 KR1M; and to bear the cost of delivering products from Peninsular Malaysia to Sabah, Sarawak and Labuan including the interior areas. For example, in Ba'kalalan, Sarawak, the price of a 14-kg cooking gas cylinder is sold at RM70. With the price uniformity programme, the cooking gas can be purchased at only RM26.60 per cylinder.

143. In addition, to reduce the burden of the rakyat who commute daily by ferry from Labuan to Sabah and Sarawak, the Government will provide a 50% discount on ferry charges to all passengers. Furthermore, a 50% discount will also be provided on ferry charges for commercial vehicles that transport basic essential goods and construction materials to Labuan.

Facilitating Hajj Pilgrimage

144. It is once again the season for Muslims to head towards Baitullah. In the 2012 Budget, I announced that EPF contributors can register early to fulfil the 5th principle (Rukun Islam) through ring-fencing the Account 2 amounting to RM1,300. Praise be to the Almighty, as to date, a total of

51,528 contributors have used this initiative. As an additional measure to assist the potential hajj pilgrims, I would like to announce that potential hajj pilgrims who contribute to the EPF, will now be allowed to withdraw their savings from Account 2 to meet the hajj cost. The initiative is limited to *jemaah muassasah* with a maximum withdrawal of up to RM3,000.

Tax Revision on Individual Income and Cooperatives

145. The Government is concerned about the rising cost of living on the rakyat as well as their income tax liabilities. The Government has provided 20 individual tax reliefs and two tax rebates. With these tax reliefs and rebates, only 1.7 million persons pay tax compared to the overall workforce of 12 million.

146. In the transition process from the current tax system based on income to a tax system that is fairer, the Government proposes that individual income tax rate be reduced by 1 percentage point for each grouped annual income tax exceeding RM2,500 to RM50,000. The measure will remove 170,000 taxpayers from paying tax as well as provide savings on their tax payment. As an example, an unmarried young professional with a monthly income of RM5,000 will enjoy income tax savings of up to RM425 per person.

147. Meanwhile, to continue spearheading the transformation of the cooperative movement, the Government proposes that cooperative income tax rate be reduced between 1 to 7 percentage points on income tax groups. With this, 7 million cooperative members will enjoy this benefit as an encouragement to increase entrepreneurial participation in business.

Easing the Burden of Bus Operators

148. The Government is concerned about the safety of children travelling by school buses, particularly buses in poor condition. These buses are in poor condition because the operators are unable to bear the rising cost of maintenance as most of the buses have exceeded their economic life span. For this, the Government proposes school bus operators to be given, firstly, assistance of RM10,000 cash rebate and a 2% interest rate subsidy on full loans for the purchase of new buses to replace buses that have exceeded 25 years with new 12 to 18-seater buses. This loan scheme, managed by BSN, will be offered for a period of two years commencing 1 January 2013.

149. Secondly, provide insurance coverage in the event of accidents, total and permanent disability, and death for all school children who travel by school buses with permits. This will benefit two million students with maximum coverage of RM100,000 and premium cost of RM40 million per year for a period of two years that will be regulated by the Land Public Transport Commission (SPAD).

Reducing Students' Cost of Learning

150. The Government is very concerned about students' welfare, particularly those from low-income families. The Government continues to provide special allocations to primary and secondary school students which include per capita grant, hostel meal assistance programme, Food Supplement Programme (RMT), purchase of text books and assistance for payment of additional school fees. For this, RM2.6 billion will be allocated for 2013.

151. In the 2012 Budget, I announced a Schooling Assistance of RM100 to all primary and secondary students. Towards easing the burden of the low and medium-income families, the Government will once again provide the Schooling Assistance of RM100 to all primary and secondary students. This assistance is expected to benefit 5.4 million students involving an allocation of RM540 million and will commence January 2013.

152. The Government will continue the 1Malaysia Book Voucher programme for all students in institutions of higher learning (IPT) and at pre-university level. I am pleased to announce that the value of the voucher will be increased from RM200 to RM250. The measure will involve an allocation of RM325 million and benefit 1.3 million students nationwide.

153. The Government is very concerned about the cost of higher education. To ease financial burden of parents, the Government proposes that the existing tax relief on the children's higher education amounting to RM4,000 per person be increased to RM6,000, commencing from year of assessment 2013. The measure reflects the Government's commitment and focus on investment to enhance the level of education of the young generation that will benefit the country in the future.

154. To encourage the savings habit for education, I am pleased to announce that the current relief of RM3,000 for savings in the National Education Savings Scheme (SSPN) will be increased to RM6,000.

155. According to the law, debts must be repaid. The PTPTN loan is a privilege, not a right. If the loan is not repaid, it denies the rights of future students to access financing. Therefore, to facilitate loan repayment process,

the Government will introduce several incentives. First, full repayment of loans, within a year upon this announcement effective from 1 October 2012 until 30 September 2013, will be given a discount of 20%.

156. Meanwhile, for those with consistent repayment of PTPTN loan in accordance to their repayment schedule, a 10% discount per annum on their repayment will be given effective from 1 October 2012. As we are aware, there are parties who propose to abolish the overall PTPTN debt. This action is deemed irresponsible. If abolished, who shall bear the outstanding debt of PTPTN amounting to RM30 billion? Would it not be the rakyat who will be burdened?

Broadband Programme for Urban Poor

157. The Government will establish 100 1Malaysia Internet Centres from 2013 to 2015 in suitable areas in the city such as PPR locations. The centres will be equipped with computer facilities and broadband services for daily usage and will enhance socio-economic activities. For this, the MCMC will provide an allocation of RM150 million.

Promoting Corporate Social Responsibilities

158. The Government hopes that the private sector, corporate bodies as well as Government-Linked Companies (GLCs) will play a bigger role in the development and the well-being of the rakyat through Corporate Social Responsibility (CSR). To support the Government's effort to intensify CSR activities, the following programmes will be implemented by GLCs and various agencies:

- First: FELDA will implement and complete new generation housing projects amounting to 20,000 units for a period of five years on 5,000 acres of land in FELDA areas. The project will cost a sum of RM1.5 billion. In addition, FELDA will allocate RM60 million to revive traditional village houses in the FELDA areas. FELDA will also spend RM100 million a year for education and skills training programme as well as scholarships for 5,000 new generation children from which 2,000 people are children outside the Felda scheme;
- Second: The 1Malaysian Development Berhad Trust will allocate RM300 million to provide education grants and financial assistance to build *rumah arau* for pre-school students in the interiors of Sarawak, 1Malaysia Mobile Clinics and repair houses for the poor and needy; and
- Third: Government-Linked Investment Companies (GLICs) and GLCs will allocate about RM500 million for CSR in community development, scholarships, education, sports and environment.

159. No matter how good a policy is enacted by the Government, it will be meaningless without efficient and effective implementation. The Government is grateful to all civil servants who are a part of the Government administrative machinery in implementing policy regardless of whether they are in districts, local authorities, states or Federal Agencies.

160. The Government also takes this opportunity to acknowledge the role played by the Ministry of Finance as the implementer of the national fiscal policy, Bank Negara

Malaysia, which is responsible for monetary policy and the Securities Commission which oversees the integrity of the domestic capital market.

161. Hence, as a token of the Government's appreciation, I am pleased to announce a bonus of one and a half months salary. Of this total, a half month bonus was paid during the past Aidilfitri, another half month bonus will be given in December 2012, and January 2013, respectively. It is hoped that this bonus will reduce the burden on civil servants, especially families with children at the beginning of school year. In addition, Government pensioners will be given an assistance of RM500.

CONCLUSION

162. The new budget that I have tabled for 2013 is the last budget before the 13th General Election. This is among the series of budgets that will propel this beloved nation towards achieving the national vision.

163. With the permission of the Almighty, and the support of the rakyat, God willing, we will witness six more budgets to be tabled by the Barisan Nasional Government before transforming Malaysia from a middle to a high-income and developed country.

164. As a party with the mandate, we urge the rakyat to evaluate critically and rationally each and every successful record of the Barisan Nasional. Over the last 55 years, the Barisan Nasional Government and the earlier Perikatan Government have created a better quality of life for the rakyat.

165. We are aware that there are parties hoping to be given a chance to form the next Government. In a democratic country, we understand that they too have their rights. It is the rakyat who ultimately decides who will be given the mandate through the ballot box.

166. The time has arrived when every rakyat will soon make a choice in determining their future as well as that of their children. An important question to ask in making that decision is whether life today is better than yesterday, and whether tomorrow gives hope that is full of possibilities and potential. If the answer is yes, please give the mandate to the present Government to further improve what we have today, without any hesitation.

167. We recognise that the Barisan Nasional Government is not without fault, but what differentiates us from others is that they do not have the courage to accept mistakes. On the other hand, they make excuses and find fault in others.

168. Ultimately, parties that offer an alternative must also be evaluated on their merits. The rakyat knows them well. Among them, there are those who were trusted as leaders to manage the nation's wealth. Furthermore, in many states they are heading the Government.

169. If today they make promises, the rakyat must ask why this leadership, while in power, did not take any action. When they had the opportunity; and did not implement what they promised, what guarantee is there that they will fulfil promises when they are in power?

170. Wasn't it during the Asian financial crisis that the country was almost destroyed? And today, in the states that are administered by them, their manifestos contain only promises. Can they be trusted when in power?

171. This is contrary to the conduct of the Barisan Nasional Government, when we make promises, we fulfil them. In fact, even before making promises, we are responsible in ensuring that we are capable of fulfilling them. In trying to win, they are willing to do anything, but when they win, all their promises will be forgotten.

172. According to Plato, 'The measure of a man is what he does with power'. There are parties who are willing to sacrifice everything simply for the sake of power. The Barisan Nasional Government is guided by "*fastabiqul khairat*" as written in Al-Quran that I had recited earlier, which is to do good.

173. The Barisan Nasional Government fosters racial unity which is the basis for national stability. But other parties, that want to be in power are sowing seeds of conflict and hate. This Government has been accused of several wrongdoings according to their own whims and fancies.

174. Thus, I urge Malaysians to judge the Barisan Nasional Government on its merits. Please join my colleagues and I to fulfil our potential towards developing a country that we can be truly proud of. A country where the weak are protected, those in need get help, the strong protect, the young are loved, the elderly are valued, those in need assisted, and those with potentials, given opportunities.

175. Truly, we want Malaysia to be well known internationally, prosperous and peaceful. With His Blessings, and the support of the rakyat, we will make it a reality. To You, Allah we submit.

APPENDICES

REVIEW OF INDIVIDUAL INCOME TAX

Current Position

Resident individual income tax rates are progressive from between 0% to 26% on chargeable income. The income tax rates effective from year of assessment 2010 are as follows:

Chargeable Income (RM)	Tax Rates
1 – 2,500	0%
2,501 – 5,000	1%
5,001 – 20,000	3%
20,001 – 35,000	7%
35,001 – 50,000	12%
50,001 – 70,000	19%
70,001 – 100,000	24%
Exceeding 100,000	26%

Proposal

To reduce the cost of living and increase the disposable income of the rakyat, it is proposed that resident individual income tax rates be reduced by 1 percentage point for chargeable income bands from RM2,501 to RM50,000. The comparison between current and proposed individual income tax rates are as follows:

Chargeable Income (RM)	Current Tax Rates	Proposed Tax Rates
1 – 2,500	0%	0%
2,501 – 5,000	1%	0%
5,001 – 20,000	3%	2%
20,001 – 35,000	7%	6%
35,001 – 50,000	12%	11%
50,001 – 70,000	19%	19%
70,001 – 100,000	24%	24%
Exceeding 100,000	26%	26%

Income tax savings from the reduction of tax rates above are as follows:

Chargeable Income (RM)	Current			Proposed			Savings	
	Tax Rate	Tax Without Rebate (RM)	Tax Payable* (RM)	Tax Rate	Tax Without Rebate (RM)	Tax Payable* (RM)	(RM)	(%)
1 - 2,500	0%	0		0%	0			
		0	0		0	0	**	**
2,501 - 5,000	1%	25		0%	0			
		25	0		0	0	**	**
5,001 – 20,000	3%	450		2%	300			
		475	75		300	0	75	100%
20,001 – 35,000	7%	1,050		6%	900			
		1,525	1,125		1,200	800	325	29%
35,001 – 50,000	12%	1,800		11%	1,650			
		3,325	3,325		2,850	2,850	475	14%
50,001 – 70,000	19%	3,800		19%	3,800			
		7,125	7,125		6,650	6,650	475	7%
70,001 – 100,000	24%	7,200		24%	7,200			
		14,325	14,325		13,850	13,850	475	3%
Exceeding 100,000**	26%			26%				

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

** not applicable

Effective Date

From year of assessment 2013.

APPENDIX 2

REVIEW OF CO-OPERATIVE INCOME TAX

Current Position

Income tax treatment on co-operatives is as follows:

- i. Income tax rates on co-operatives are progressive from between 0% to 26% on chargeable income; and
- ii. Co-operatives are exempted from tax for the first 5 years from the date of registration. After that period, co-operatives are still exempted from income tax if Members' Fund is less than RM750,000.

Dividends received by members of co-operatives are exempted from tax.

Proposal

To ensure the continuous progress of co-operatives, it is proposed that co-operative income tax rates be reduced by 1 percentage point to 7 percentage points at all chargeable income bands. A comparison between current and proposed co-operative income tax rates are as follows:

Chargeable Income (RM)	Current Tax Rates	Proposed Tax Rates
1 – 20,000	0%	0%
20,001 – 30,000	2%	0%
30,001 – 40,000	6%	5%
40,001 – 50,000	9%	5%
50,001 – 60,000	12%	5%
60,001 – 75,000	12%	10%
75,001 – 100,000	16%	10%
100,001 – 150,000	20%	15%
150,001 – 250,000	23%	20%
250,001 – 500,000	26%	22%
500,001 – 750,000	26%	24%
Exceeding 750,000	26%	25%

Income tax savings from the reduction in tax rates above are as follows:

Chargeable Income (RM)	Current		Proposed		Savings	
	Tax Rate	Tax Payable (RM)	Tax Rate	Tax Payable (RM)	(RM)	(%)
1 – 20,000	0%	0	0%	0		
		0		0	*	*
20,001 – 30,000	2%	200	0%	0		
		200		0	200	100%
30,001 – 40,000	6%	600	5%	500		
		800		500	300	38%
40,001 – 50,000	9%	900	5%	500		
		1,700		1,000	700	41%
50,001 – 60,000	12%	1,200	5%	500		
		2,900		1,500	1,400	48%
60,001 – 75,000	12%	1,800	10%	1,500		
		4,700		3,000	1,700	36%
75,001 – 100,000	16%	4,000	10%	2,500		
		8,700		5,500	3,200	37%
100,001 – 150,000	20%	10,000	15%	7,500		
		18,700		13,000	5,700	30%
150,001 – 250,000	23%	23,000	20%	20,000		
		41,700		33,000	8,700	21%
250,001 – 500,000	26%	65,000	22%	55,000		
		106,700		88,000	18,700	18%
500,001 – 750,000	26%	65,000	24%	60,000		
		171,700		148,000	23,700	14%
Exceeding 750,000	26%		25%			

* not applicable

Effective Date

From year of assessment 2013.

APPENDIX 3

REVIEW OF REAL PROPERTY GAINS TAX RATES

Current Position

Real Property Gains Tax (RPGT) is a tax imposed on the gains from the disposal of real properties and shares in real property companies in order to curb speculative activities in the real property market. RPGT rates are progressive from between 0% and 30% depending on the holding period of real properties and shares in real property companies as follows:

Disposal Period	RPGT Rates		
	Companies	Individuals (Citizens & Permanent Residents)	Individuals (Non-Citizens)
Within 2 years	30%	30%	30%
In the 3 rd year	20%	20%	30%
In the 4 th year	15%	15%	30%
In the 5 th year	5%	5%	30%
In the 6 th year onwards	5%	0%	5%

To stimulate the property market which experienced a slowdown, RPGT was exempted from 1 April 2007 to 31 December 2009. From 1 January 2010, RPGT was re-imposed at a rate of 5% on gains from the disposal of real properties within a period of 5 years from the date of acquisition. RPGT is not imposed on disposal of real properties held for a period exceeding 5 years. From 1 January 2012, the RPGT rates were reviewed to curb speculative activities in the real property market as follows:

Disposal Period	RPGT Rates		
	Companies	Individuals (Citizens & Permanent Residents)	Individuals (Non-Citizens)
Within 2 years	10%	10%	10%
In the 3 rd to the 5 th year	5%	5%	5%
In the 6 th year onwards	0%	0%	0%

Proposal

To further curb speculative activities in the real property market, it is proposed that RPGT rates on gains from the disposal of real properties and shares in real property companies be reviewed as follows:

Disposal Period	Proposed RPGT Rates		
	Companies	Individuals (Citizens & Permanent Residents)	Individuals (Non-Citizens)
Within 2 years	15%	15%	15%
In the 3 rd to the 5 th year	10%	10%	10%
In the 6 th year onwards	0%	0%	0%

Real property owners who are not profit motivated and not involved in speculation will not be burdened by the review of RPGT rates. They are eligible for RPGT exemptions as follows:

- i. RPGT exemption on gains from the disposal of one residential property once in a life time to individuals (citizens and permanent residents);
- ii. RPGT exemption up to RM10,000 or 10% of the net gains, whichever is higher, from the disposal of real property by individuals (citizens, permanent residents and non-citizens); and
- iii. RPGT exemption on gains from disposal of real property between husband and wife, parents and children, grandparents and grandchildren.

In addition, RPGT is only imposed on net gains after deducting all costs involved such as the purchase price, renovation cost, legal fees and stamp duty.

Effective Date

For disposal of real properties and shares in real property companies from 1 January 2013.

APPENDIX 4**REVIEW OF TIME BAR FOR INCOME TAX ASSESMENT****Current Position**

Assessment or additional tax assessment may be raised if it is found that a tax payer did not submit an assessment or submitted an assessment with lower tax compared to the actual tax payable. These assessments may be raised within a period not exceeding 6 years after the expiration of the relevant year of assessment.

Proposal

To provide certainty to taxpayer and in tandem with best practices, it is proposed that the time bar for raising income tax assessment or additional assessment be reduced from 6 years to 5 years.

The time bar is not applicable for cases related to investigation, false declaration and negligence. The proposal will not change the requirement to keep records for 7 years in accordance with sections 82 and 82A of the Income Tax Act 1967.

Effective Date

From 1 January 2014.

APPENDIX 5

EXTENDING THE TAX INCENTIVES FOR COMMERCIALISATION OF PUBLIC SECTOR RESEARCH AND DEVELOPMENT (R&D) FINDINGS**Current Position**

Tax incentives for commercialisation of resource-based R&D findings of public research institutions are as follows:

A. Investor Company

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

B. Subsidiary company that undertakes commercialisation of R&D findings of public research institutions

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

The incentive is effective for applications received by the Malaysia Investment Development Authority (MIDA) from 11 September 2004.

Proposal

To ensure that the R&D findings of the public research institutions are widely commercialized, it is proposed that the commercialisation of non-resource based R&D findings be given the following incentives:

A. Investor Company

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

B. Subsidiary company that undertakes commercialisation of R&D findings of public research institutions

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

Non-resource based activities/products are subject to the list of promoted activities/products under the Promotion of Investment Act 1986.

Effective Date

The incentive is effective for applications received by the Malaysia Investment Development Authority (MIDA) from 29 September 2012 until 31 December 2017.

APPENDIX 6**REVIEW OF TAX INCENTIVE FOR ANGEL INVESTOR****Current Position**

An angel investor who invests in a venture company at seed capital financing, start-up financing and early stage financing is eligible to claim deduction on the total value of investment. The deduction is limited to business income.

Proposal

To attract more angel investors to provide funding to venture companies, it is proposed that the total investment by an angel investor in a venture company be allowed as a deduction against all income.

Among the qualifying criteria for the incentive are as follow:

A. Angel Investor

- i. An individual is not associated to the venture company prior to investing;
- ii. A tax resident with an annual income not less than RM180,000;
- iii. Holds at least 30% of the shares in the venture company for a period of at least 2 years; and
- iv. All his shares in the venture company must be paid in cash.

B. Venture Company

- i. 51% shares in the company is owned by Malaysians;
- ii. Qualifying activities of venture company are approved by the Minister of Finance; and
- iii. Accumulated profit is not more than RM5 million and has a track record of less than 3 years (based on the latest financial report at the time of application).

Effective Date

Effective for applications received by the Ministry of Finance from 1 January 2013 until 31 December 2017.

APPENDIX 7**TAX EXEMPTION ON INCOME OF THE ANNUITY FUND****Current Position**

Life insurance and family takaful companies also offer annuity products. Investment in annuity products is an alternative or additional investment for retirement. Returns from annuity products are paid periodically to the investor upon reaching the age of 55 years. Premiums paid by annuity scheme investors are consolidated in the life fund or family fund. Investment income from both funds is subject to income tax at the rate of 8%.

Investment income from retirement schemes (including annuity scheme) is given the following tax treatment:

A. Individuals

- i. Tax exemption on pension income upon mandatory retirement according to any written law;
- ii. Tax exemption on income received from annuity schemes of Malaysian insurance and takaful companies;
- iii. Tax exemption on contributions withdrawn from the Employees Provident Fund (EPF) upon mandatory retirement;
- iv. Tax exemption on gratuity received upon:
 - a. mandatory retirement upon reaching the age of 55 years;
 - b. mandatory retirement as determined under any written law;
 - c. early retirement due to ill health; and
 - d. mandatory retirement according to employment agreement or collective agreement that stipulates the retirement age upon reaching 50 years but not exceeding 55 years subject to the condition that the period of service is not less than 10 years with the same employer.

B. Retirement Scheme Fund

- i. Tax exemption on income received by EPF fund;
- ii. Tax exemption on income received by private pension fund approved under section 150 of the Income Tax Act 1967; and
- iii. Tax exemption on income received by the fund of Private Retirement Scheme approved by the Securities Commission.

Proposal

To encourage individuals to invest in annuity schemes to add savings during retirement, it is proposed that the tax treatment on annuity scheme funds be streamlined with other retirement scheme funds whereby tax exemption is given on income received by annuity funds.

The annuity funds must be approved by Bank Negara Malaysia and maintained in accounts separate from life funds or takaful family funds.

Effective Date

From year of assessment 2012.

APPENDIX 8**REVIEW OF TAX INCENTIVES FOR TOUR OPERATORS****Current Position**

Tax incentives for tour operators are as follows:

- i. 100% tax exemption on statutory income derived from the business of operating tour packages to Malaysia participated by not less than 500 inbound tourists per year; and
- ii. 100% tax exemption on statutory income derived from the business of operating tour packages within Malaysia participated by not less than 1,200 local tourists per year.

The incentive was given from year of assessment 2007 to year of assessment 2011.

Proposal

To make Malaysia as an attractive destination and a preferred choice among local and foreign tourists, it is proposed that tour operators be given the following tax incentives:

- i. 100% tax exemption on statutory income derived from the business of operating tour packages to Malaysia participated by not less than 750 inbound tourists per year; and
- ii. 100% tax exemption on statutory income derived from the business of operating tour packages within Malaysia participated by not less than 1,500 local tourists per year.

Effective Date

From year of assessment 2013 until year of assessment 2015.

APPENDIX 9**TAX INCENTIVE FOR CHILDCARE CENTRES****Current Position**

Employers who provide childcare centres to their employees are given the following tax incentives:

- i. Deduction on expenditure incurred for the provision and maintenance of childcare centres;
- ii. Deduction on childcare allowance given to employees; and
- iii. Industrial Building Allowance at an annual rate of 10% for buildings used as childcare centres.

Operators of private childcare centres are not given tax incentives.

Proposal

Quality childcare service is important to ensure that children are well nurtured during their early years while their parents are at work. To encourage more employers and the private sector to provide childcare centres, it is proposed:

- A.** Tax incentives for employers be enhanced as follows:
 - i. Double deduction on expenditure incurred for the provision and maintenance of childcare centres; and
 - ii. Double deduction on childcare allowance given to employees.
- B.** Tax incentives for operators of new and existing private childcare centers as follows:
 - i. Tax exemption at the statutory level on all income for a period of 5 years; and
 - ii. Industrial Building Allowance at an annual rate of 10% for buildings used as childcare centers.

New and existing private childcare centers must be registered with the Social Welfare Department.

Effective Date

Proposal A : From year of assessment 2013.

Proposal B : From year of assessment 2013.

APPENDIX 10**TAX INCENTIVES FOR PRE-SCHOOL EDUCATION****Current Position**

Operators running private pre-school that is integrated with private primary school are given the following tax incentives:

- A.** Income tax exemption of 70% on statutory income for 5 years; or

Income tax exemption equivalent to 100% of capital expenditure incurred within a period of 5 years. This exemption is allowed to be set-off against up to 70% of statutory income for each year of assessment.

The incentive is for applications received by Malaysian Investment Development Authority (MIDA) from 8 October 2011 until 31 December 2015.

- B.** Industrial Building Allowance with an annual allowance rate of 10% for school building.

Proposal

Private pre-school education is the main thrust in the initial stage of mental preparation and development of a child prior to entering the realm of schooling. To reduce the operational cost of maintenance and to enhance the quality of new and existing private pre-schools, it is proposed that the following tax incentives be given:

- i. Tax exemption at the statutory level on all income for a period of 5 years; and
- ii. Industrial Building Allowance with an annual rate of 10% on pre-school buildings.

New and existing private pre-schools must be registered with the State Education Department.

Effective Date

From year of assessment 2013.

APPENDIX 11**INCOME TAX TREATMENT FOR BUSINESS TRUST****Current Position**

Business Trust (BT) is established under the Capital Market and Services Act 2007 and adopts the unit trust structure as a basis for its business. BT's business operations are conducted by the trustee-manager (TM) who acts as a trustee on behalf of BT and the unit holders.

Being suitable for businesses which are capital intensive with stable cash flow, BT is able to distribute quicker returns. The introduction of BT will broaden the range of investment products and asset classes in the capital market.

Proposal

To promote the development and investment in BT, it is proposed that:

- i. BT be given income tax, stamp duty and real property gains tax treatments similar to that of a company;
- ii. BT be given stamp duty exemption on instruments of transfer of businesses, assets or real properties acquired; and
- iii. The disposer of real properties or shares in a real property company to BT be given real property gains tax exemption.

The incentives in subparagraphs (ii) and (iii) above are provided on a one-off basis at the initial stage of the establishment of BT.

Effective Date

- Proposal (i) : On the coming into operation of the Capital Markets and Services (Amendment) Act 2012.
- Proposal (ii) : For instruments executed from 1 January 2013.
- Proposal (iii) : For disposal of real properties or shares in a real property company from 1 January 2013.

APPENDIX 12

**TAX INCENTIVES FOR ISSUANCE OF AGRO-SUKUK,
RETAIL SUKUK AND RETAIL BONDS**

Current Position

A company that issue *sukuk* including retail *sukuk* is given tax deduction on the expenses incurred in the issuance of *sukuk*. Most *sukuks* are subscribed in large volume by institutional investors, large companies and high net worth individuals.

A company that issue bonds including retail bonds is not eligible for deduction on the issuance expenses.

The issuance of retail *sukuk* and retail bonds involves additional costs such as rating rationale fee, underwriting and placement fees, facility agency fee, advertising cost and cost of printing prospectus.

Instruments to subscribe *sukuk* and bonds in Bursa Malaysia are imposed stamp duty at the rate of 0.1% on the value of the *sukuk* and bonds subject to a maximum limit of RM200.

Proposal

- A. To promote the issuance of *sukuk* primarily for the agricultural sector, it is proposed that double deduction be given on the expenses for the issuance of *Agro-Sukuk* approved by the Securities Commission or the Labuan Financial Services Authority.
- B. To reduce the cost of the issuance of retail *sukuk* and retail bonds and to encourage more individual investors to participate in the capital market, it is proposed that:
 - i. Double deduction be given on additional expenses for the issuance of retail *sukuk* and retail bonds; and
 - ii. Stamp duty exemption be given on instruments relating to the subscription of retail *sukuk* and retail bonds executed by individual investors.

Effective Date

- Proposal A : From year of assessment 2013 to year of assessment 2015.
- Proposal B(i) : From year of assessment 2012 to year of assessment 2015.
- Proposal B(ii) : For instruments executed from 1 October 2012 to 31 December 2015.

APPENDIX 13**REVIEW OF STAMP DUTY EXEMPTION FOR
THE PURCHASE OF FIRST RESIDENTIAL PROPERTY****Current Position**

The purchase of first residential property is given 50% stamp duty exemption. This exemption is on the instrument of transfer and instrument of loan agreement. Stamp duty exemption is given on the purchase of first residential property not exceeding RM350,000 by Malaysians and claimed only once.

The first residential property is where an individual who does not own any residential property (or a part of a residential property jointly owned) in his name when applying for stamp duty exemption. Residential property includes a terrace house, condominium, apartment or flat.

Exemption on the first residential property is effective for sales and purchase agreement executed from 1 January 2011 to 31 December 2012.

Proposal

To further reduce the cost of owning the first residential property and taking into consideration the increase in price of residential property, it is proposed that the above stamp duty exemption be extended to 31 December 2014 and the qualifying price of the residential property be raised to not exceeding RM400,000.

Effective Date

For sales and purchase agreement executed from 1 January 2013 to 31 December 2014.

APPENDIX 14**TAX INCENTIVES TO REVIVE ABANDONED HOUSING PROJECTS****Current Position**

No tax incentives given to support efforts to revive abandoned housing projects.

Proposal

To reduce the burden borne by house purchasers in abandoned housing projects and to ensure that these projects are successfully revived, it is proposed that the parties involved in the revival of such projects be given the following:

A. Banking and financial institutions

Tax exemption on interest income received from the rescuing contractor.

B. Rescuing contractor

- i. Double deduction on interest expense and all costs involved in obtaining loans to revive the abandoned project;
- ii. Stamp duty exemption on instrument of loan agreements to finance the revival of the abandoned housing project; and
- iii. Stamp duty exemption on instruments of transfer of land or houses in the abandoned housing project.

C. Original house purchaser in the abandoned project

- i. Stamp duty exemption on instrument of loan agreements for additional financing; and
- ii. Stamp duty exemption on instruments of transfer of the house.

Abandoned housing projects eligible for the above tax incentives must be certified by the Ministry of Housing and Local Government.

Effective Date

- Proposal A : For loans approved from 1 January 2013 to 31 December 2015 and applicable for 3 consecutive years of assessment from the year the loans are approved.
- Proposal B (i) : For loans approved from 1 January 2013 to 31 December 2015 and applicable for 3 consecutive years of assessment from the year the loans are approved.
- Proposal B (ii) & (iii) : Sales and purchase agreement executed from 1 January 2013 to 31 December 2015.
- Proposal C : Sales and purchase agreement executed from 1 January 2013 to 31 December 2015.

APPENDIX 15**REVIEW OF TAX INCENTIVE FOR
SECURITY CONTROL AND SURVEILLANCE EQUIPMENT****Current Position**

Accelerated Capital Allowance (ACA) is given on expenses incurred for:

- i. Security control equipment installed in factories and all business premises; and
- ii. Global Positioning System installed in lorry containers bearing Carrier License A and cargo lorries bearing Carrier License A and C.

This allowance is eligible to be fully claimed within 1 year.

The list of security control and surveillance equipment eligible for ACA is as follows:

- i. Anti-theft alarm system;
- ii. Infra-red motion detection system;
- iii. Siren;
- iv. Access control system;
- v. Close circuit television;
- vi. Video surveillance system;
- vii. Security camera;
- viii. Wireless camera transmitter;
- ix. Time lapse recording and video motion detection equipment; and
- x. Global Positioning System (GPS).

The incentive is given from the year of assessment 2008 to year of assessment 2012.

Proposal

To further support the effort of companies and businesses to enhance their security, it is proposed that the incentive for security control and surveillance equipment be reviewed as follows:

- i. Accelerated Capital Allowance be extended for another 3 years;
- ii. This capital allowance be extended to companies that install security control and surveillance equipment in residential areas; and
- iii. The existing list of equipment to also include safety mirrors and panic buttons.

Effective Date

From year of assessment 2013 until year of assessment 2015.



PNMB

DICETAK OLEH
PERCETAKAN NASIONAL MALAYSIA BERHAD
KUALA LUMPUR, 2012
www.printnasional.com.my
email: cservice@printnasional.com.my
Tel.: 03-92366895 Faks: 03-92224773