

Ministry of Finance's Economic and Fiscal Outlook and National Budget 2025

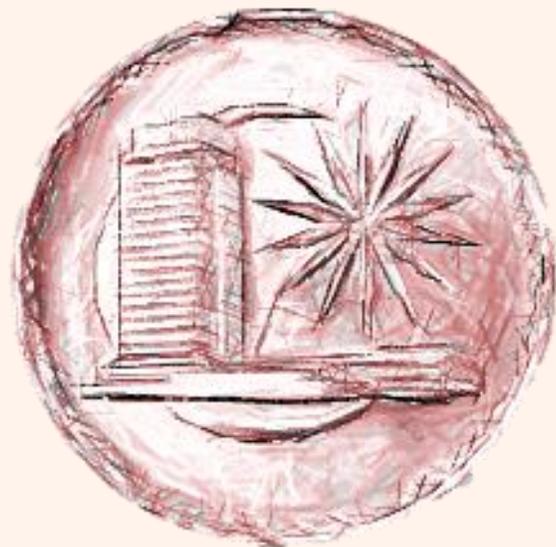
2025 Budget: Sustaining Growth with Structural Reforms

18 October 2024

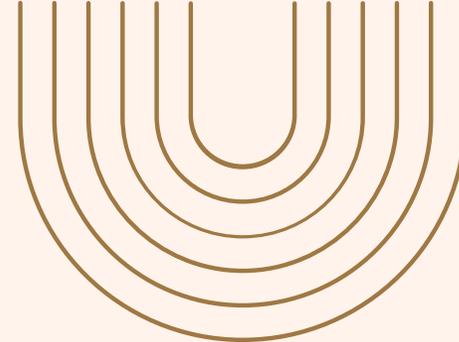
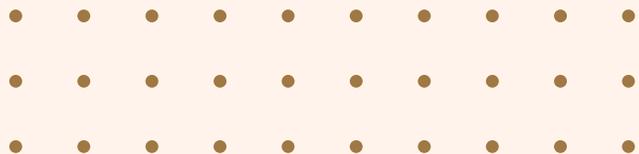




Part 1

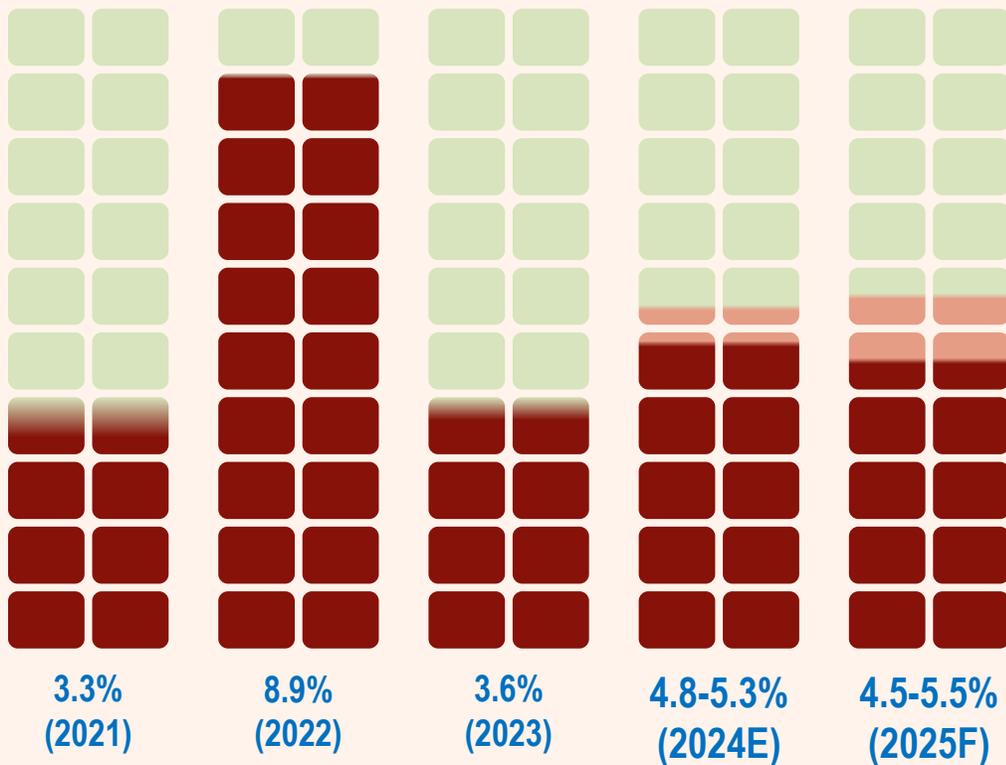


2025 Budget & Economic Prospects



Budget 2025: Economic Outlook and Fiscal Position

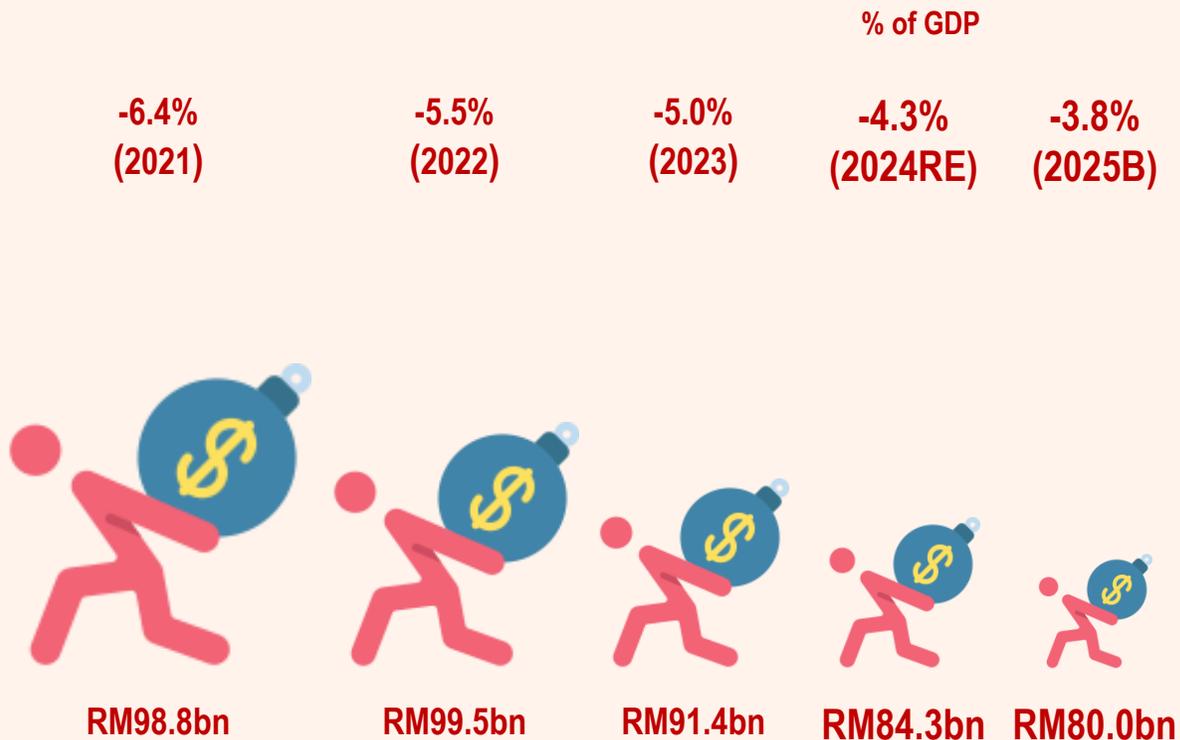
Economic Growth



MOF expects the Malaysian economy to expand by

4.5%-5.5% in 2025.

Fiscal Deficit



Gradual path to fiscal consolidation

Persistent fiscal deficits for the **28th** consecutive year in 2025

Source: MOF E=Estimate; F=Forecast; RE=Revised Estimate; B=Budget Estimate

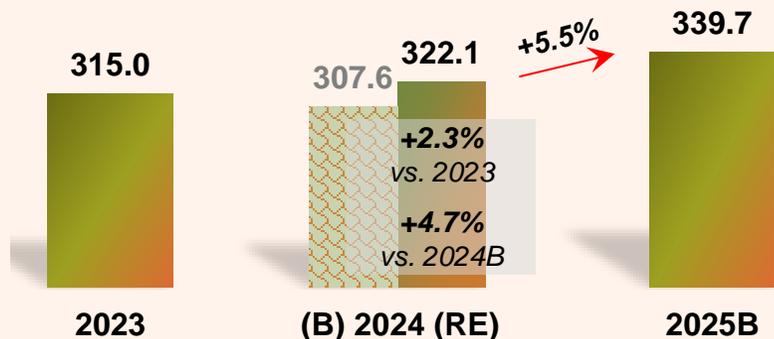
Budget 2025: Budgetary Operations



Total Revenue

16.3% of total GDP in 2025B

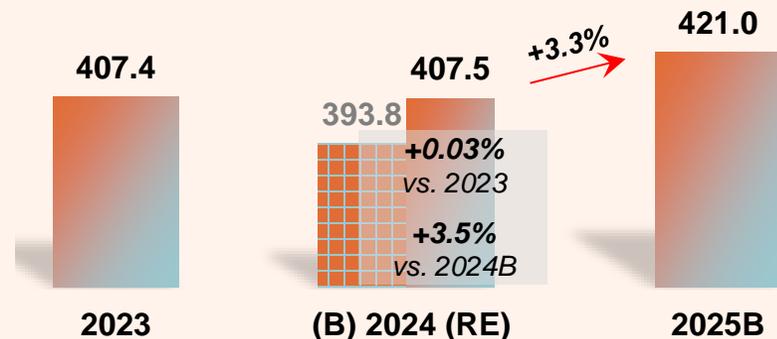
RM billion



Total Expenditure

20.2% of total GDP in 2025B
123.9% of total revenue in 2025B

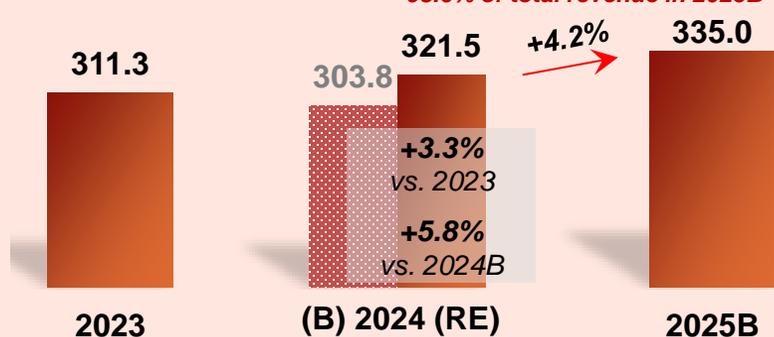
RM billion



Operating Expenditure

16.1% of total GDP in 2025B
79.6% of total expenditure in 2025B
98.6% of total revenue in 2025B

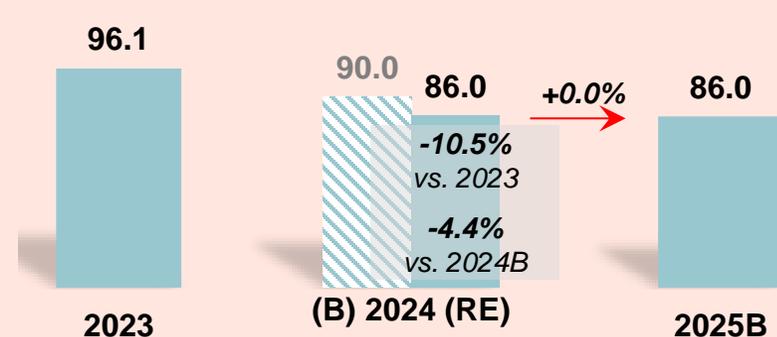
RM billion



Gross Development Expenditure

4.1% of total GDP in 2025B
20.4% of total expenditure in 2025B

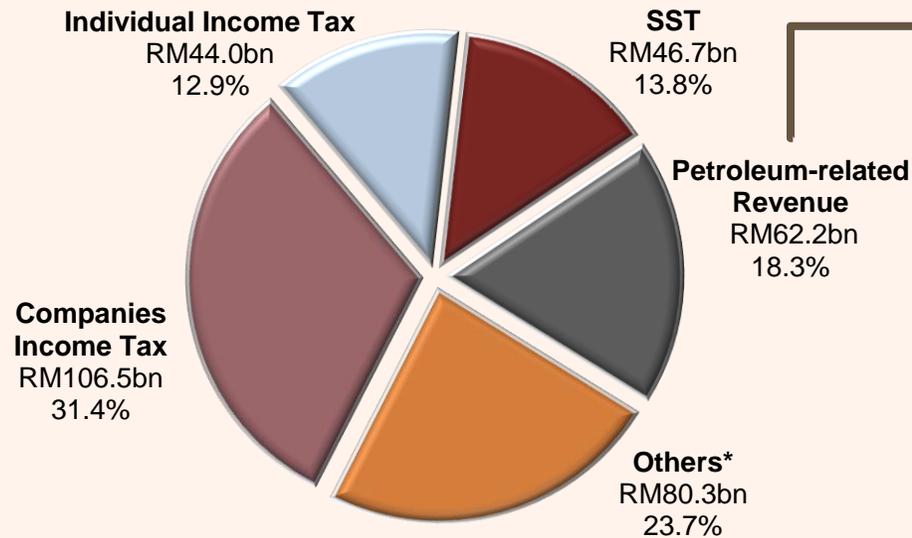
RM billion



Source: MOF (B)=Budget Estimate in Budget 2024; (RE)=Revised Estimate; B=Budget Estimate Note: Excludes 2025 Budget measures

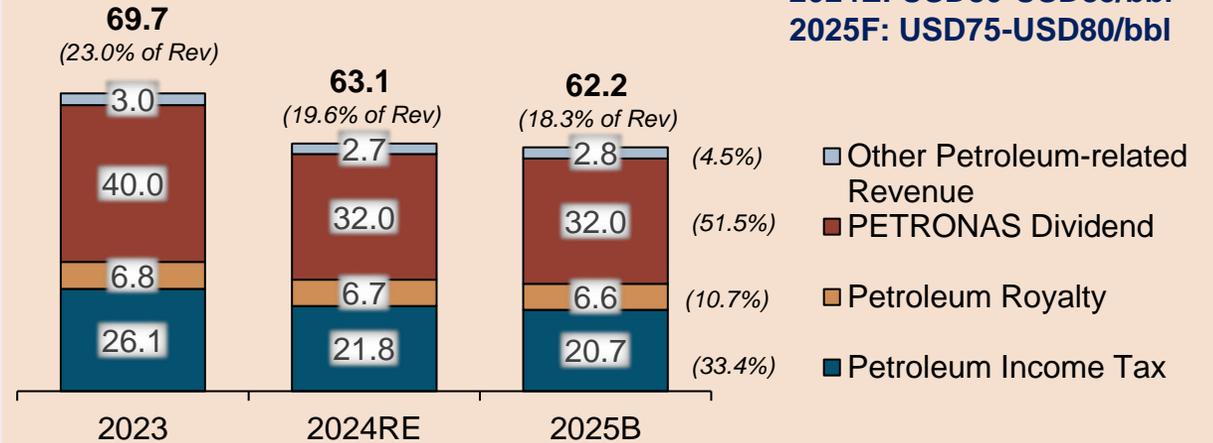
Federal Government's Revenue: Where the money comes from?

For 2025B:



* Include non-tax revenue, excise duty, stamp duty, etc.

Petroleum-related revenue (RM billion)



Oil price assumption:
2024E: USD80-USD85/bbl
2025F: USD75-USD80/bbl

Figure in parenthesis indicates % share of total petroleum-related income in 2025B

Major components	2024RE (RM billion)	Share (%)	2025B (RM billion)	Share (%)	Change (RM billion)	Change (%)
Direct taxes	177.1	54.9	188.8	55.6	11.7	6.6
Companies income taxes	98.5	30.6	106.5	31.4	7.9	8.1
Individuals income taxes	40.8	12.7	44.0	12.9	3.2	7.8
Indirect taxes	64.0	19.9	70.2	20.7	6.3	9.8
Sales and service tax (SST)	40.9	12.7	46.7	13.8	5.8	14.2
Non-tax revenue; non-revenue receipts; etc.	81.0	25.2	80.7	23.7	-0.3	-0.4
Federal Government (FG) Revenue	322.1	100.0	339.7	100.0	17.7	5.5

Source: MOF RE=Revised Estimate; B=Budget Estimate

Operating Expenditure (OE): Where does the Money Go?

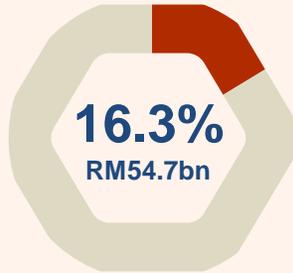
For 2025B:



Emoluments



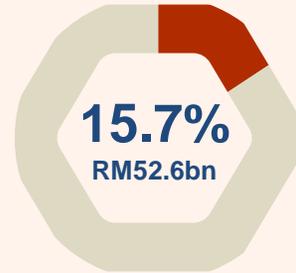
Retirement Charges



Debt Services Charges



Supplies and Services



Subsidies and Social Assistance



Grants and Transfers[^]



Others*

Major components	2024RE (RM billion)	Share (%)	2025B (RM billion)	Share (%)	Change (RM billion)	Change (%)
Emoluments	99.8	31.0	105.9	31.6	6.2	6.2
Retirement charges	34.4	10.7	40.6	12.1	6.1	17.7
Debt service charges	50.8	15.8	54.7	16.3	3.9	7.7
Supplies and services	39.2	12.2	40.7	12.1	1.4	3.7
Subsidies and social assistance	61.4	19.1	52.6	15.7	-8.8	-14.4
Grants and transfers [^]	8.7	2.7	9.3	2.8	0.5	5.9
By sectors	2024RE (RM billion)	Share (%)	2025B (RM billion)	Share (%)	Change (RM billion)	Change (%)
Economic	23.1	7.2	22.2	6.7	-0.8	-3.7
Social	122.9	38.2	133.1	39.7	10.2	8.3
Security	27.6	8.6	30.3	9.0	2.7	9.7
General administration	13.0	4.0	19.3	5.8	6.3	48.2
Others**	134.9	42.0	130.1	38.8	-4.8	-3.5
Operating Expenditure	321.5		335.0		13.5	4.2

Note: % indicates share of Operating Expenditure of Budget 2025

[^] To state governments

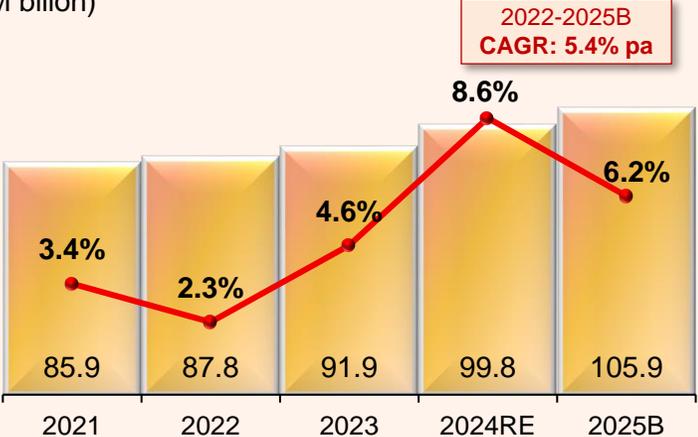
* Includes asset acquisition, refunds and write-offs, grants to statutory bodies, etc.

Source: MOF RE=Revised Estimate; B=Budget Estimate

** Includes debt service charges, retirement charges, and transfer payments.

Operating Expenditure (OE) by component

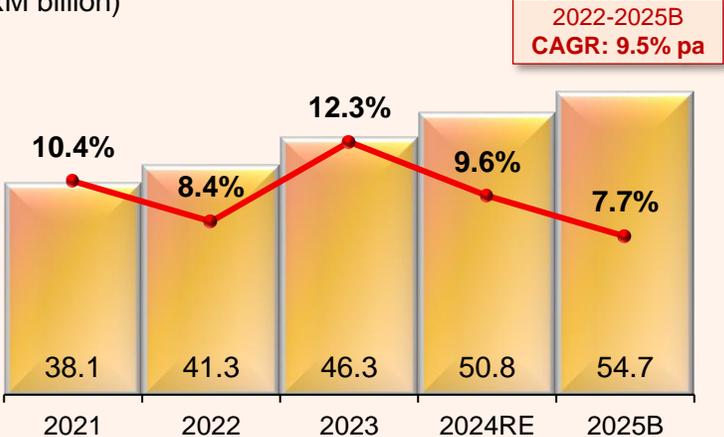
Emoluments
(RM billion)



Retirement charges
(RM billion)



Debt service charges
(RM billion)



Supplies and services
(RM billion)



Subsidies and social assistance
(RM billion)



Grants and transfers¹
(RM billion)



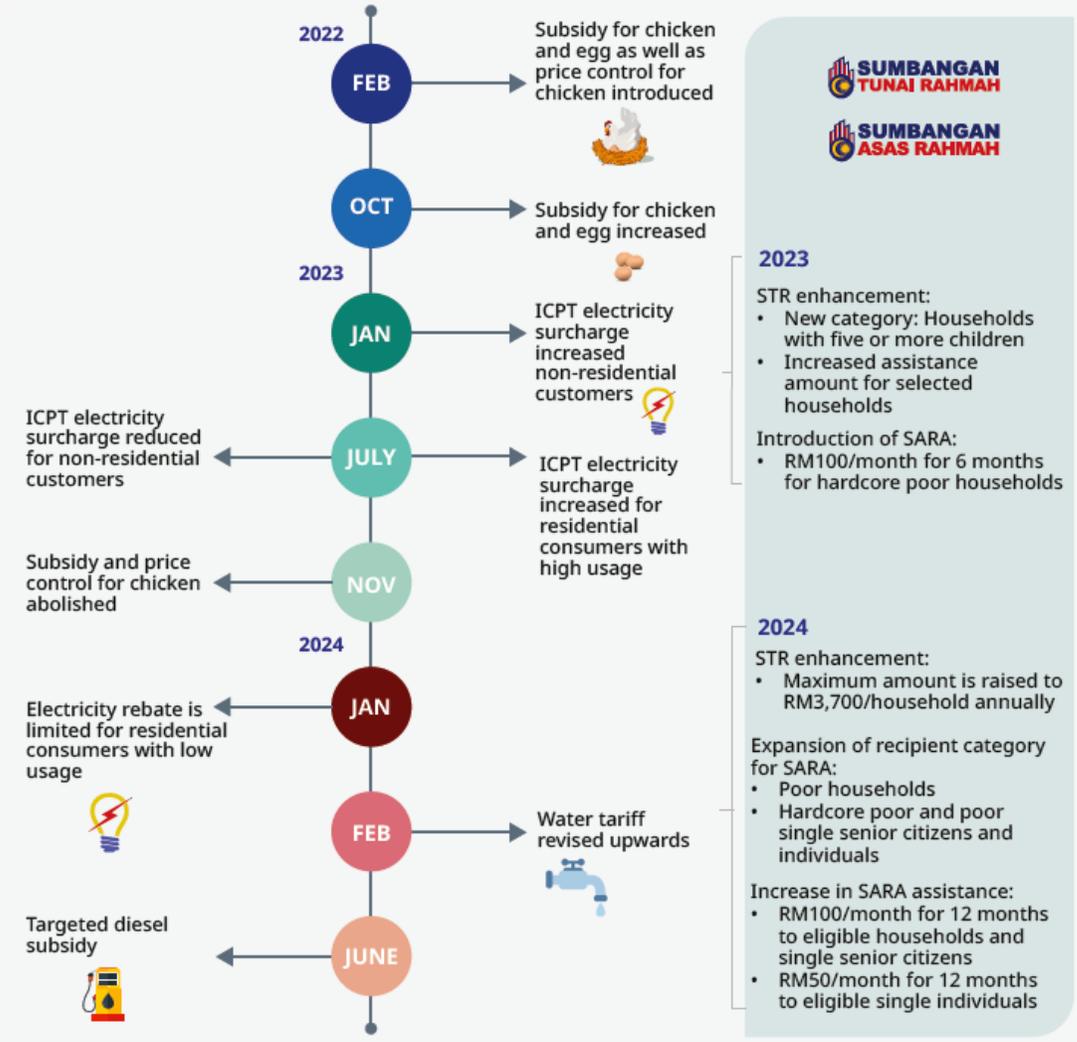
Note: Line chart indicates an annual rate of change in component of operating expenditure; straight line indicates 0%.

¹ Includes grants and transfers to state governments and grants to statutory bodies only.

Source: MOF RE=Revised Estimate; B=Budget Estimate

Gradual approach to subsidies rationalisation for fiscal sustainability

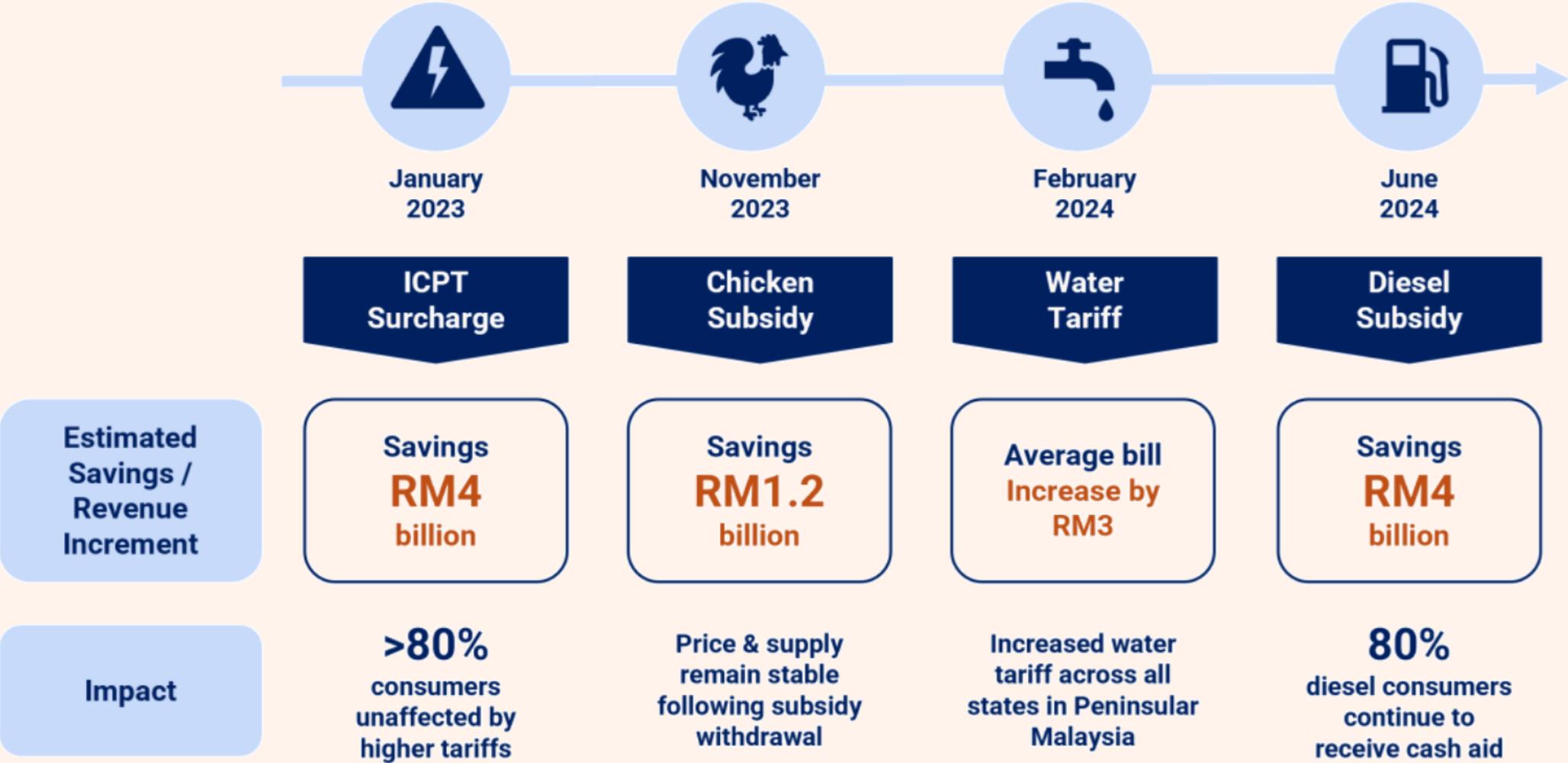
Key Milestones in Targeted Subsidy Measures Post-COVID-19 Pandemic



- In 2023, petroleum-related subsidy amounted to RM37.8 billion. Petrol subsidy totalled RM18.3 billion (48.4% of total) and RM13.5 billion for diesel subsidy.
- An estimated RM8 billion savings annually from the targeted diesel subsidy (which was effective since 10 June 2024) and retargeting of electricity tariffs subsidy. **Retargeting of RON95 petrol subsidy will be implemented in mid-2025 for foreigners and the wealthiest top 15 of Malaysians to save RM8.0 billion.** The government will continue to bear RM12 billion petrol subsidy for 85% of the rakyat.
- The Budget also stated a phased reduction in education subsidies for the top 15% income earners, which could allow the Government to reallocate the funds for improving the infrastructure of SBP and public higher education institutions (HEIs), benefiting all students.
- Overall, **subsidies and social assistances are expected to decline by 14.6% in 2024 and further decline by 14.4% to RM52.6 billion in 2025.** Of total RM52.6 billion, **54.5% (around RM28.7 billion) is allocated for various subsidies.** Total subsidies and social assistances in 2024-2025 are significantly higher than an average of RM29.6 billion per year in 2010-2021.

Source: Energy Commission; Ministry of Domestic Trade and Cost of Living; Ministry of Energy Transition and Water Transformation; Ministry of Finance

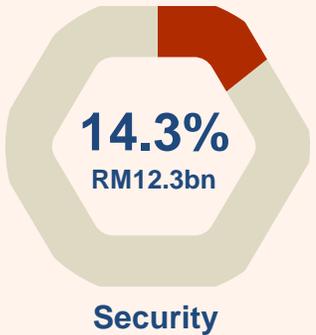
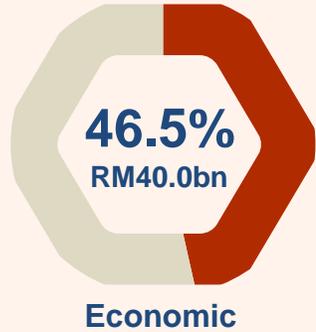
The Government has embarked on retargetting subsidies in stages



Source: MOF

Development Expenditure (DE): Where does the money go?

For 2025B:



By Sector	2024RE (RM billion)	Share (%)	2025B (RM billion)	Share (%)	Change (RM billion)	Change (%)
Economic	41.4	48.1	40.0	46.5	-1.4	-3.4
Transport	16.3	18.9	17.6	20.4	1.3	8.0
Environment	3.3	3.9	3.2	3.7	-0.1	-3.8
Trade and industry	3.6	4.2	3.1	3.6	-0.5	-13.3
Agriculture	3.1	3.6	3.1	3.6	-0.1	-1.7
Energy and public utilities	3.1	3.6	3.0	3.5	-0.03	-0.8
Social	28.2	32.8	29.9	34.8	1.7	6.0
Education and training	14.3	16.6	15.0	17.5	0.8	5.3
Health	6.1	7.1	6.9	8.0	0.7	11.6
Housing	2.0	2.3	2.3	2.7	0.3	16.0
Security	12.5	14.6	12.3	14.3	-0.2	-1.4
General administration	4.0	4.5	3.8	4.4	-0.1	-2.7
Gross DE	86.0		86.0		0.0	0.0

Note: % indicates share of development expenditure of Budget 2025
 RE=Revised Estimate; B=Budget Estimate
 Source: MOF

List of selected projects under development expenditure in 2025

Transport



- Construction of bridge and road from Ng Belawai to Song-Kapit in Sarawak.
- Additional lane for Lebuhraya Utara Selatan (PLUS) from Yong Peng to Senai Utara (Phase 3: Simpang Renggam-Machap) in Johor.
- Pan Borneo Highway Sabah.
- Sabah-Sarawak Ring Roads.

Environment



- Two newly-approved flood mitigation projects for Sungai Langat, Selangor and Sungai Samagagah, Perak.
- Six river conservation projects:
 - ❖ Sabah: Sungai Mengkabong, Sungai Bongawan, and Sungai Lakutan.
 - ❖ Sarawak: Sungai Batang Sadong, and Sungai Baram.
 - ❖ Kelantan: Sungai Pengkalan Datu.

Housing



- Development of Perumahan Inklusif MADANI; PR1MA Mini Township, Perak; PPR in Pulau Pinang, and Kampung Linggi, Port Dickson, Negeri Sembilan.

Trade and Industry



- NIMP 2030: RM200 million.
- NETR: RM306 million.
- JS-SEZ Infrastructure Facilitation Fund.
- Development of Silver Valley Technology Park 1 at Kinta, Perak.

Education and Training



- Upgrade of Local Area Network (LAN) infrastructure for 1,528 agencies and institutions under MOE along with the implementations of smart classroom in 400 selected institutions.
- 46 new schools and 122 projects to refurbish dilapidated schools, mostly in Sabah and Sarawak.

Health



- Building of new clinics in rural areas as well as repairing and upgrading dilapidated clinics (estimated total cost of RM800 million).

Security

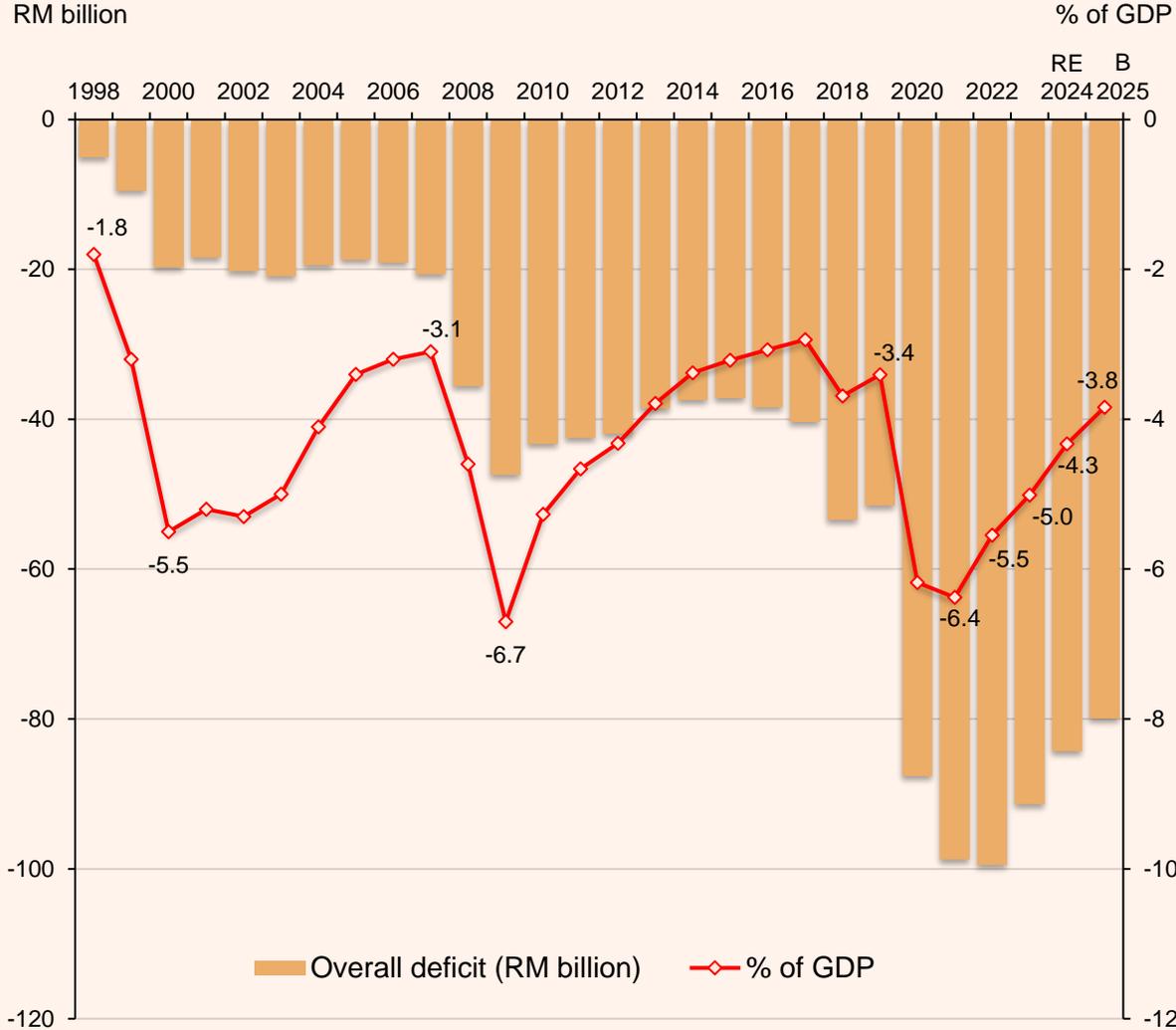


- Refurbishment of training centres to support the reintroduction of the National Service Training Programme (PLKN).

Source: MOF

Fiscal deficit to GDP ratio has been reduced for four successive years since 2021

Federal Government's overall fiscal balance



RE=Revised Estimate; B=Budget Estimate

Note: MTFF estimate, excluding 2025 budget measures

Source: MOF

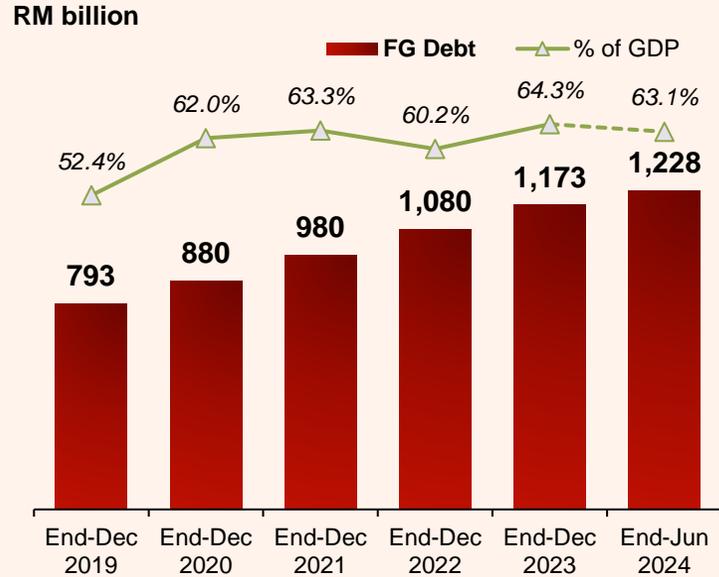
Medium-Term Fiscal Framework (MTFF)	2025-2027	
	Total (RM billion)	% of GDP
Revenue	1,055.0	15.7
Non-petroleum	901.3	13.4
Petroleum-related	153.7	2.3
Operating expenditure	1,043.3	15.6
Current balance	11.7	0.1
Gross development expenditure	246.0	3.7
Less: Loan recovery	3.7	0.1
Net development expenditure	242.3	3.6
Overall balance	-230.6	-3.5
Primary balance	-53.7	-0.8

Underlying assumptions (average)

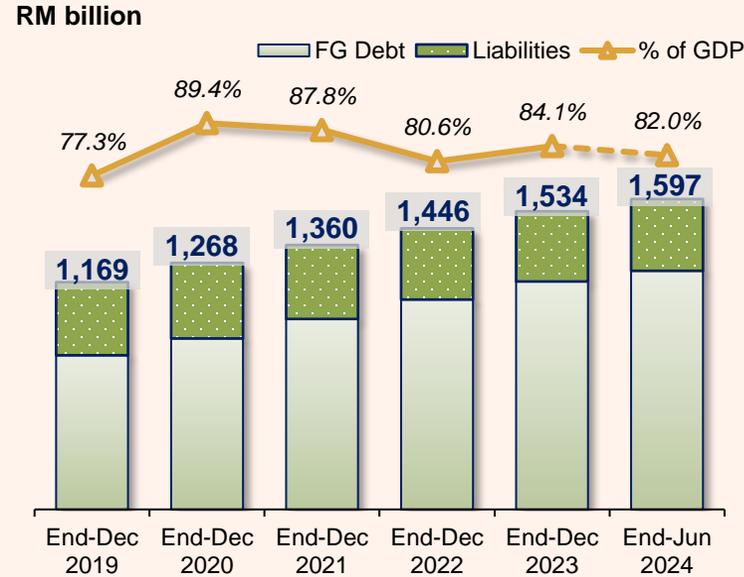
Real GDP growth (%)	4.9	Crude oil price (USD per barrel)	80
Nominal GDP growth (%)	7.2	Oil production (barrels per day)	500,000

The Federal Government's debt and liabilities position

Federal Government (FG)'s debt



Debt and liabilities



Debt legislative guidelines

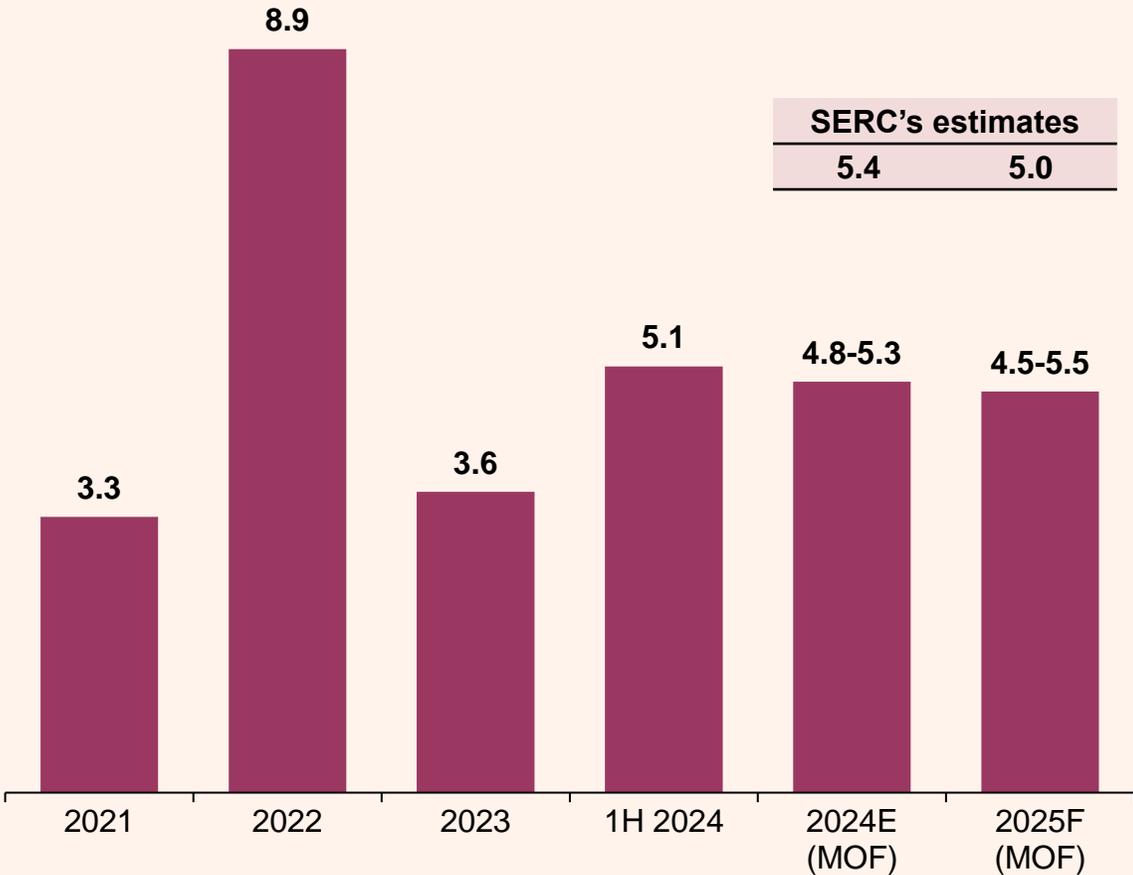
Act	Statutory Limit	End-Jun 2024
Loan (Local) Act 1959 [Act 637] & Government Funding Act 1983 [Act 275]	Outstanding MGS, MGII and MTIB not exceeding 65% of GDP	61.2% of GDP (RM1,191 billion)
External Loans Act 1963 [Act 403]	Offshore borrowings not exceeding RM35 billion	RM29.3 billion
Treasury Bills (Local) Act 1946 [Act 188]	MTB not exceeding RM10 billion	RM6 billion
Public Finance and Fiscal Responsibility Act 2023 (Act 850)	Overall debt should not exceed 60% of GDP in the medium term	63.1% of GDP

Source: BNM; MOF

- The Federal Government (FG)'s direct debt increased progressively to **RM1.23 trillion (or 63.1% of GDP) as at June 2024**, an increase of 4.7% from RM1.17 trillion as at end-Dec 2023.
- Added with the committed government guarantees (GG) and other liabilities, **overall debt and liabilities amounted to RM1.60 trillion or 82.0% of GDP**.
- With the targeted lower net borrowing of RM85 billion in 2024 (RM99.8 billion in 2022 and RM92.9 billion in 2023), **the FG debt is estimated to rise to RM1.26 trillion by end-Dec 2024 (64.6% of GDP)**, slightly higher than 64.3% as at end-Dec 2023. It has exceeded the threshold (60%) outlined in Public Finance and Fiscal Responsibility Act 2023 (Act 850).
- In tandem with the rising FG debt amid continued reduction in fiscal deficit, **debt service charges as a percentage of total operating expenditure is expected to climb higher to 15.8% in 2024 and further to 16.1% in 2025 (14.1% in 2022)**.

MOF projects Malaysia economy to grow by 4.5%-5.5% in 2025 (4.8%-5.3% in 2024)

Malaysia's real GDP growth (% YoY)



E=Estimate; F=Forecast
Source: DOSM; MOF

Supporting drivers

- **Supply side:** Almost all economic sectors to expand in 2025. The services and manufacturing sectors will lead the growth while the construction sector's buoyancy continues.
- **Demand side:** Strong private sector expenditure, underpinned by firm labour market conditions and income growth as well as manageable inflation despite cost of living pressures still bite. Realisation of higher approved investments in 2021-2023, initiatives to boost domestic investment and the acceleration of strategic projects will public strategic projects will sustain higher investment.

Risks

- Escalation of geopolitical tensions.
- Supply chain disruptions.
- Volatility in financial market conditions.
- Varying growth prospects across economies.

Sectoral outlook: Most sectors will continue to expand in 2025

Real GDP growth by sector (% YoY)

Services

59.8% of GDP in 2025F

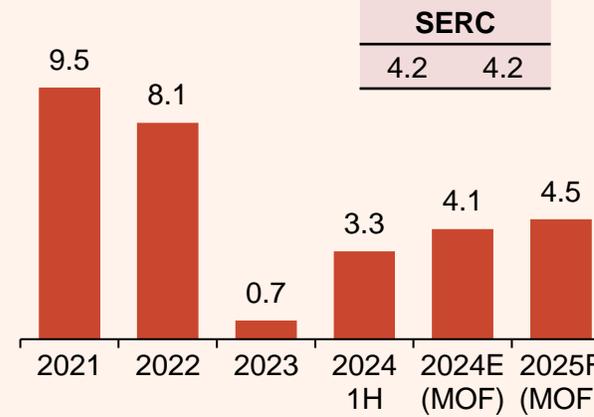


Tourist arrivals and receipts

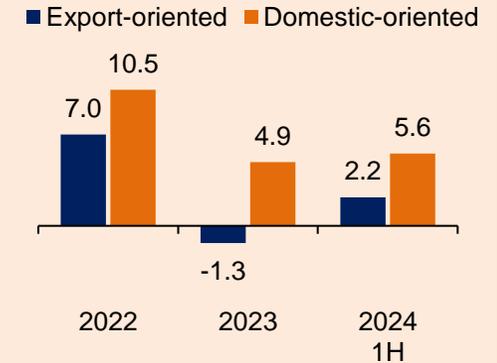


Manufacturing

23.1% of GDP in 2025F



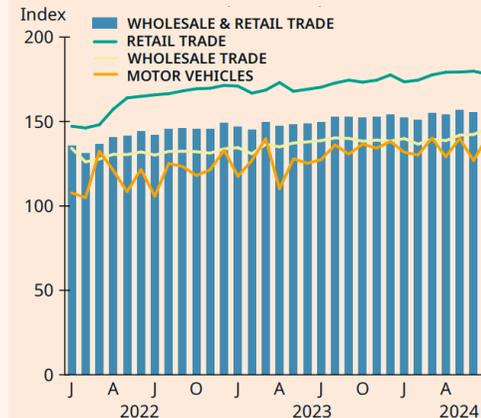
Growth (% YOY) by segment



Factors:

- Expansion in all sub-sectors; continuous consumer spending and robust business- and tourism-related activities.
- Driven by retail and motor vehicle segments – higher adoption of technologies by traders; introduction of new models, specifically in EVs and hybrid vehicles.
- Surge in investment in digital infrastructure.
- Robust growth in transportation and storage subsector.
- Sustained demand for professional services.

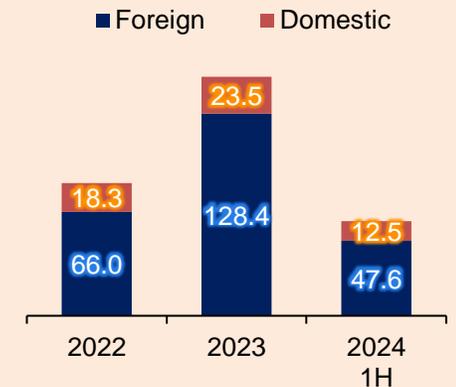
Volume index of wholesale and retail trade (2015=100)



Factors:

- Implementation of major policies (e.g. NIMP 2030, NSS).
- Sustained production in household and consumer goods, supported by stimulus consumer spending policy measures.
- Increasing approved and realised investment propel growth in manufacturing of construction materials.
- Higher demand in electronic components.
- Rising realisation of approved investment in the semiconductor industry.

Approved manufacturing investment (RM billion)



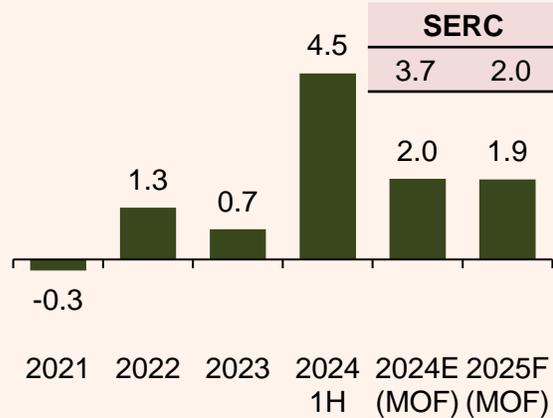
Source: DOSM; MOF; MIDA

(cont.)

Real GDP growth by sector (% YoY)

Agriculture

6.1% of GDP in 2025F



Factors:

- Supported by all sectors, except forestry and logging.
- CPO: Higher FFB production and yield.
- Increase in natural rubber output and stable prices.
- Other agriculture, livestock and fishing subsectors supported by National Agrofood Policy 2021-2030.

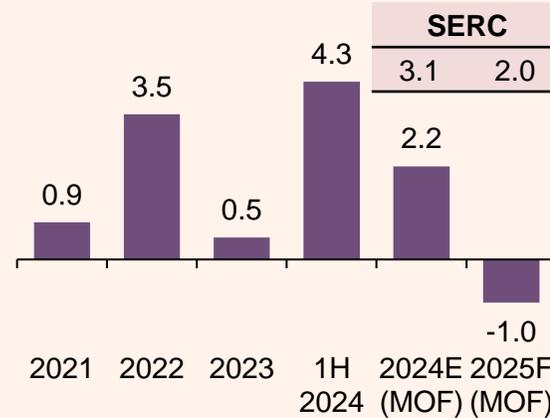
CPO prices:

2025F: RM3,500-RM4,000/tonne
2024E: RM3,800-RM4,300/tonne

Source: DOSM; MOF

Mining and Quarrying

5.7% of GDP in 2025F



Factors:

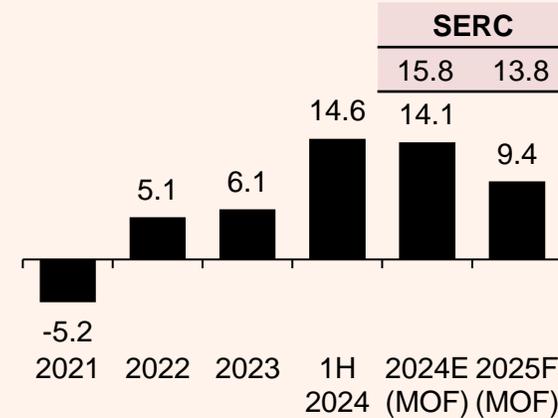
- Sluggish performance in key subsectors.
- Natural gas: Planned shutdown of two facilities in Sarawak; moderating demand from major importing countries.
- Crude oil and condensate: Lower production in Peninsular Malaysia; scheduled maintenance in 2H 2025.

Crude oil prices:

2025F: USD75-USD80/bbl
2024E: USD80-USD85/bbl

Construction

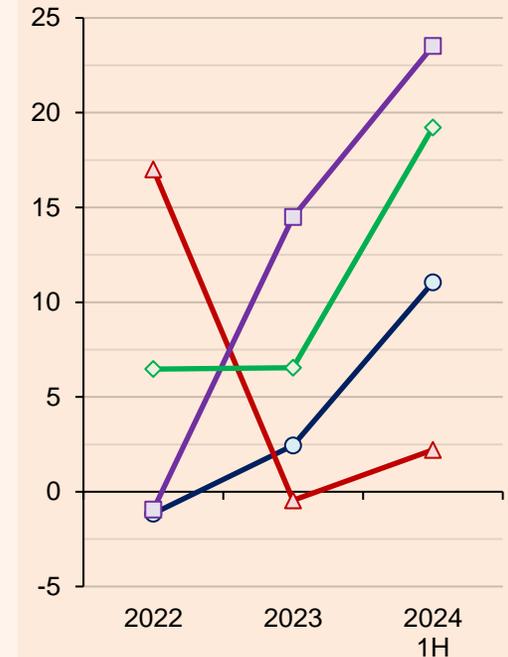
4.1% of GDP 2025F



Factors:

- Acceleration of strategic infrastructure projects, particularly from civil engineering activities.
- Strong demand for industrial facilities from realisation of approved investments and development of new industrial areas.
- Sustained demand for affordable housing and private new development projects.

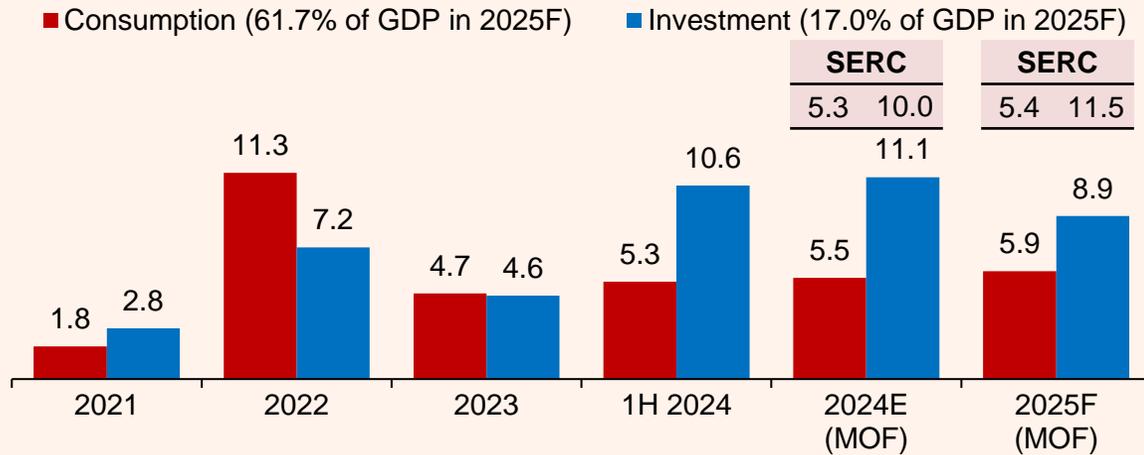
Growth (% YOY) by segment



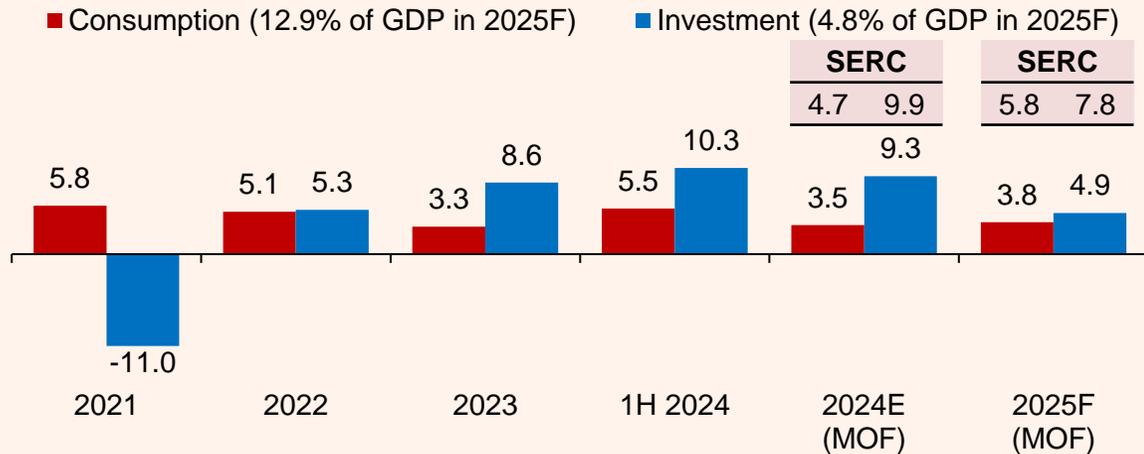
- Residential buildings
- △ Non-residential buildings
- Civil engineering
- ◇ Specialised construction activities

Domestic demand outlook: Private sector remains the key driver of growth in 2025

Private Consumption and Investment (% YoY)



Public Consumption and Investment (% YoY)



Factors:

Private consumption

- Improvement in disposable income, supported by sustained domestic economic activities and robust labour market conditions, as well as the implementation of Public Service Remuneration System (SSPA).
- Continued targeted cash assistance programmes.

Private investment

- New and ongoing multi-year projects.
- Government's effort in strengthening the investment ecosystem.
- Realisation of projects, especially related to semiconductors and data centres.
- RM120 billion GEAR-uP initiative over 5 years.
- Establishment of Johor-Singapore Special Economic Zone (JS-SEZ).

Factors:

Public consumption

- Increased spending on emoluments following the implementation of Public Service Remuneration System (SSPA).

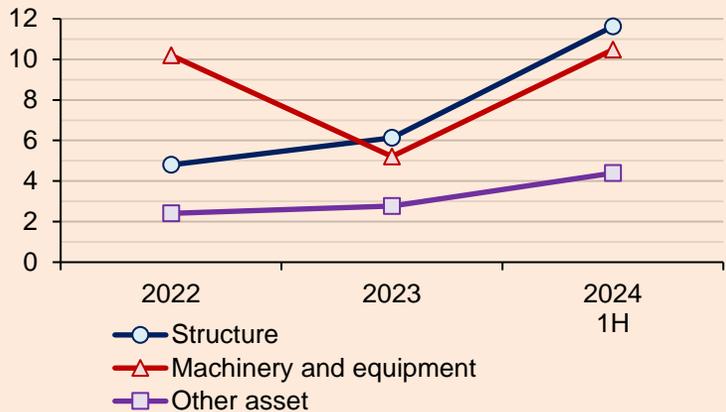
Public investment

- Higher spending on capital outlays by non-financial public corporations (NFPCs).
- Acceleration of key projects in the final year of Twelfth Malaysia Plan.
- GEAR-uP initiative.

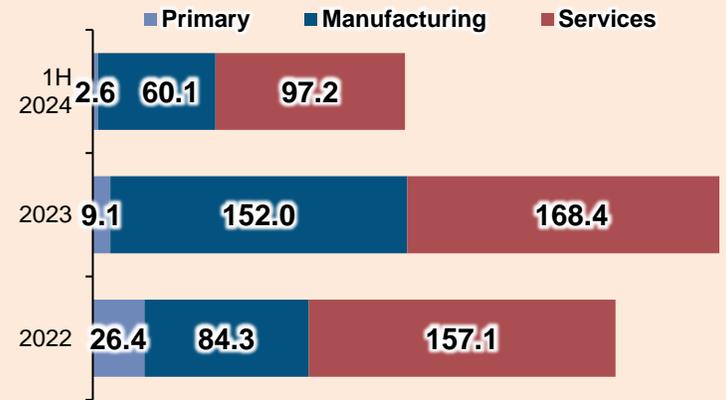
Source: DOSM; MOF; MIDA

Strong private investment drives Malaysia's future economic growth

Gross fixed capital formation by type of assets (Growth, % YoY)



MIDA's approved Investment by major sector (RM billion)



Source: DOSM; MIDA

Selected approved investment by subsector (RM million)	2023	1H 2024
Information & Communications	63,698.1	45,853.9
Electrical & Electronics	85,427.3	36,946.3
Real Estate	60,950.1	30,999.5
Transport Services	1,344.3	4,850.7
Transport Equipment	7,066.8	4,734.5
Utilities	11,143.9	4,010.2
Global Establishments	878.2	3,630.6
Non-Metallic Mineral Products	8,753.6	3,555.4
Chemicals & Chemical Products	8,906.1	3,104.3
Machinery & Equipment	22,558.2	2,823.7
Fabricated Metal Products	4,083.5	2,781.0
Financial Services	6,313.9	2,743.9
Mining	8,768.5	2,361.8
Distributive Trade	11,129.8	1,896.3
Support Services	10,457.6	1,641.1
Food Manufacturing	3,174.4	1,225.6
Basic Metal Products	2,371.5	1,195.7

■ Services sector
■ Manufacturing sector
■ Primary sector

Progress for selected key public projects

Transport

Highway

Pan Borneo Sarawak **99%**
 Pan Borneo Sabah Phase 1A **79%**

Train transit

LRT3 **96%**
 RTS Link **83%**
 ECRL **73%**

Renewable energy

Solar energy

Cypark Solar Plant **100%**
 Batang Ai Floating Solar Farm **35%**

Hydroelectricity

Baleh Dam **43%**
 Nenggiri Hydro **41%**

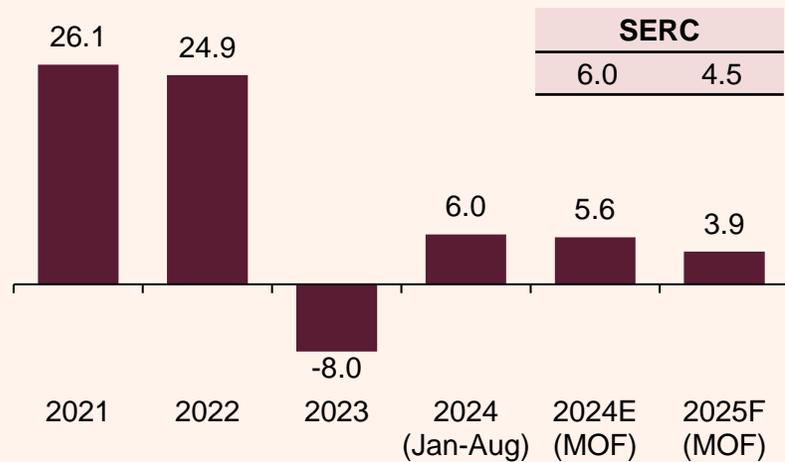
Network

MyDIGITAL 5G 82% coverage

Source: Various

Exports recovery continues amid external risks ahead

Gross Export Growth (%)

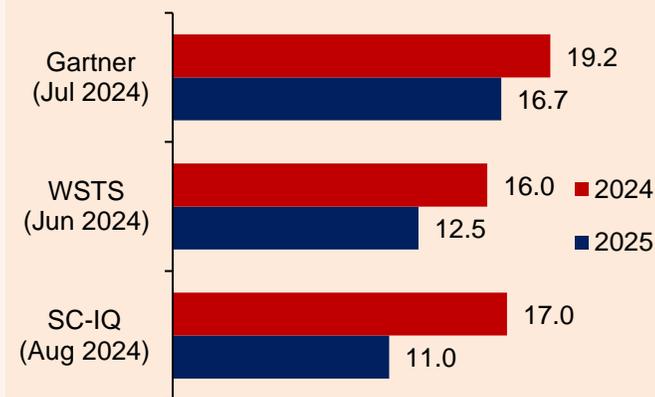


- Improved performance in global trade as well as acceleration in the demand of E&E products driven by global technology upcycle.
- Steady demand for semiconductors.
- Higher demand for non-E&E products, particularly for petroleum products, other manufactures, chemicals and chemical products, as well as machinery, equipment and parts.
- Steady global demand for palm oil and palm oil based agriculture products.
- Softer demand for LNG and crude petroleum from major markets.

WTO's merchandise trade volume growth (%) (Oct 2024)



Selected semiconductor market forecast:



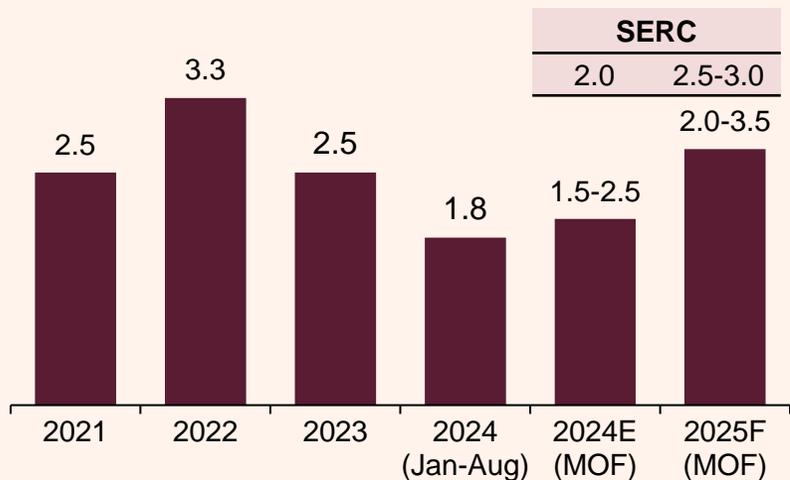
Approved export-oriented manufacturing investment (RM million)	2023	1H 2024
Electrical & Electronics	85,427.3	36,946.3
Chemicals & Chemical Products	8,906.1	3,104.3
Machinery & Equipment	22,558.2	2,823.7
Plastic Products	4,137.8	787.6
Textiles & Textile Products	241.8	778.3
Petroleum Products (Inc. Petrochemicals)	939.5	669.4
Furniture & Fixtures	420.3	338.9
Wood & Wood Products	392.9	279.9
Scientific & Measuring Equipment	1,307.0	106.2
Rubber Products	27.2	54.4

Source: DOSM; MOF; MIDA

Inflation rate is manageable amid a resilient labour market



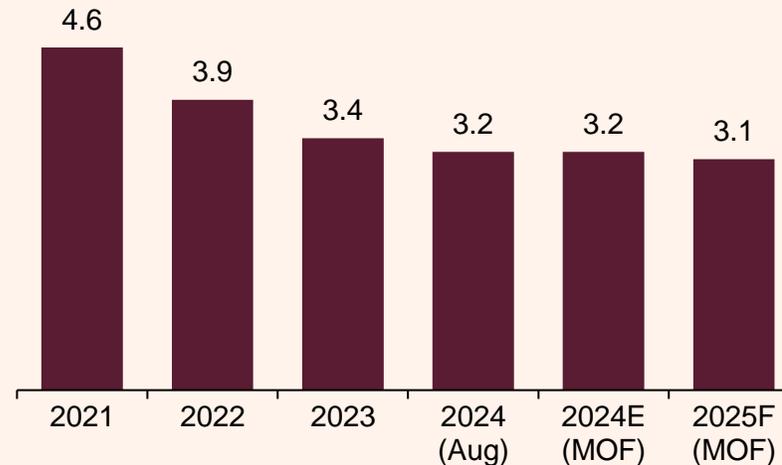
Inflation (%)



- Easing supply constraint.
- Moderation of global commodity prices.
- Upward inflation pressures could emerge from anticipated domestic policy measures, such as anticipated petrol subsidy rationalisation in mid-2025.



Unemployment Rate (%)



- Remain stable in tandem with better economic growth prospects anticipated in domestic and external fronts.
- Low-skilled foreign workers is expected to hover around 2.5 million persons to accommodate the needs of economic activities, particularly in labour-intensive industries.
- Expatriates hiring is expected to increase marginally to fit the demand of skilled talent in critical jobs.

Source: DOSM; MOF

SERC's Commentaries on 2025 Budget and Economy

Budget 2025: A Message of Fiscal Stability, Growth Continuity

- The Government has struck a tough balancing act in delivering a Budget package that will keep the economy on an upward growth trajectory without derailing its medium-term fiscal stability pact.
- The 2025 Budget addresses: (1) **Continued fiscal repairs and policy reforms** to build stronger foundation for growth, business and investment opportunities; (2) **Cost of living pressures**; (3) **Enhancing investment climate** for sustaining Domestic Direct Investment (DDI) and FDI; (4) **Strengthening domestic enterprises' capabilities and manpower skills development**; and (5) **Building long-term sustainability goals**.
- Development expenditure allocation and the Budget deficits are largely in line with our predictions. **What's still missing is a clear plan to ensure sustainable revenue stream.** Instead, the Treasury relies on incremental revenue measures such as enhance the scope of Sales and Services Tax (SST) to include higher sales on pricey imported non-essential items, commercial service transactions between businesses (B2B), and imposes income tax on share dividend. The Budget measures are expected to generate net revenue gain of RM4.4 billion in 2025.
- We have been supporting that Goods and Services Tax (GST) is a more effective, efficient, transparent regime given its broad consumption tax base. We are concerned that the income tax on share dividend would dampen investors' sentiment in the equity market. There are lingering concerns that more capital income will be taxed as investors could perceive it as an extension of the Capital Gains Tax on unlisted shares.
- The Budget has delivered the task of **tightening the structural deficit through continued subsidies rationalisation, overlapping expenditure cuts and combatting wasteful spending** amid lower development expenditure.
- The **fiscal deficit will reduce further to 3.8% of GDP (-RM80.0 billion) in 2025 from estimated 4.3% in 2024 (-RM84.3 billion)**. We expect the Government to remain on track meeting its medium-term fiscal deficit target of below 3.0% of GDP in the next three to five years as mandated by Public Finance and Fiscal Responsibility Act 2023 (Act 850).
- **Federal revenue is projected to increase by 5.5% to RM339.7 billion in 2025** in tandem with better economic outlook. With a narrowed tax revenue base (12.4% of GDP in 2024), the government needs to expand the tax base through a consumption tax, reviewing tax incentive leakages, tackling incidences of evasion and avoidance through e-invoicing and simplifying filing processes.
- **Total expenditure marks a new record high of RM421.0 billion in 2025**, an increase of 3.3% from RM407.5 billion in 2024. This is **solely due to higher Operating Expenditure (OE) (+4.2% to RM335.0 billion)** while **Development Expenditure (DE) is maintained unchanged at RM86.0 billion**. This expansionary spending stance is via OE (through pay hikes) to support domestic demand.

- **Operating expenditure (OE) is budgeted to increase by 4.2% or +RM13.5 billion to RM335.0 billion in 2025** (OE to revenue ratio will reduce to 98.6% vs. an average of 99.1% in 2010-2023). The increase is mainly due to higher **emoluments (+RM6.2 billion to RM105.9 billion)** for the implementation of Public Service Remuneration System (SSPA) with salary adjustments between 7% and 15.0%, **higher retirement charges for 950,000 pensioners (+RM6.1 billion to RM40.5 billion)** and **debts service charges (+RM3.9 billion to RM54.7 billion)**.
- As expected, **subsidies and social assistance will be slashed further by 14.4% or RM8.8 billion to RM52.6 billion for two successive years (-14.6% to RM61.4 billion in 2024)**, for the implementation of electricity subsidy rationalisation and targeted fuel subsidy. **The RON95 subsidy rationalisation will be implemented in June 2025 for foreigners and the wealthiest top 15% of Malaysians to save RM8.0 billion.** In 2024, the Government has embarked on price controls reform and subsidies rationalisation, including the electricity tariff retargeting, the floating of chicken prices, and diesel subsidy rationalisation.
- It is an opportune time to rationalise RON95 fuel subsidies given softening global crude oil prices (2025 Budget:USD75-USD80/bbl vs. USD80-USD85/bbl in 2024) and improved Ringgit exchange rate. We estimate that fuel subsidy for RON95 is about RM0.65 per litre.
- As the subsidies removal will have transitory effects on the economy, businesses and consumers through an increase in the cost of production, impact on output and consumption, and a rise in inflation. Small price increases are easier to bite and make it possible for the people to adapt to the new price situation over time.
- Nevertheless, the dampening effects on macroeconomic indicators will be partially offset by the reallocation of subsidies savings to the productive sectors, and also through mitigating measures such as cash transfers to the targeted households.
- It is a step in the right direction to rationalise the roles and functions of Federal statutory bodies, thereby reducing wastage, improving government service delivery and allowing some fiscal space to consolidate its resources.
- **Development expenditure (DE) for 2025 is budgeted at RM86.0 billion (20.4% of total expenditure; 4.1% of GDP)**, the same level of estimated RM86.0 billion in 2024. This brings total DE allocation to RM403.9 billion, which makes up 97.3% of the 12th Malaysia Plan (2021-2025) revised target of RM415.0 billion.
- We are not overly concerned about lower 2025 Budget's DE allocation as what matters most are the expenditure priorities and composition of DE as well as good governance of the spending to achieve better outcomes. Approximately 2,000 new projects and programs have been approved with an estimated cost of RM58.6 billion.

- The **economic and social sectors have a lion share of total DE allocation (RM69.9 billion or 81.3%) in 2025** (RM69.6 billion in 2024). They are mainly for transportation, environment, focusing on construction of bridge and road, the widening of high way lanes, and on-going projects such as Pan Borneo Highway Sabah and Sabah-Sarawak Ring Roads as well as climate change and floods mitigation projects. Allocation for trade and industry amongst others include an allocation of RM200 million for the New Industry Master Plan (NIMP) 2030, RM306 million for the National Energy Transition Roadmap (NETR), for Johor-Singapore Special Economic Zone (JS-SEZ) Infrastructure Facilitation Fund and the development of Silver Valley Technology Park 1 at Kinta, Perak.
- **The Federal Government (FG) debt stood at RM1.23 trillion (or 63.1% of GDP) as at June 2024, an increase of 4.7% from RM1.17 trillion as at end-Dec 2023.** The FG debt is estimated to rise to RM1.26 trillion by end-Dec 2024, with FG debt to GDP ratio at 64.6%. Added with the committed government guarantees (GG) and other liabilities, overall debt and liabilities amounted to RM1.60 trillion or 82.0% of GDP as at end-June 2024. Debt service charges as % of total operating expenditure is expected to climb higher to 15.8% in 2024 and further to 16.1% in 2025 (14.1% in 2022).
- Under the Public Finance and Fiscal Responsibility Act 2023 (Act 850), overall debt level should not exceed 60% of GDP in the medium-term. Hence, the Government needs to further intensify its efforts in rebuilding strong operating surplus, reducing the overall fiscal deficit to help reducing net borrowing while growing the economy. These include continuation of revenue enhancement, expenditure rationalisation and retargeting of expenditure to minimise wastages and leakages of public resources.

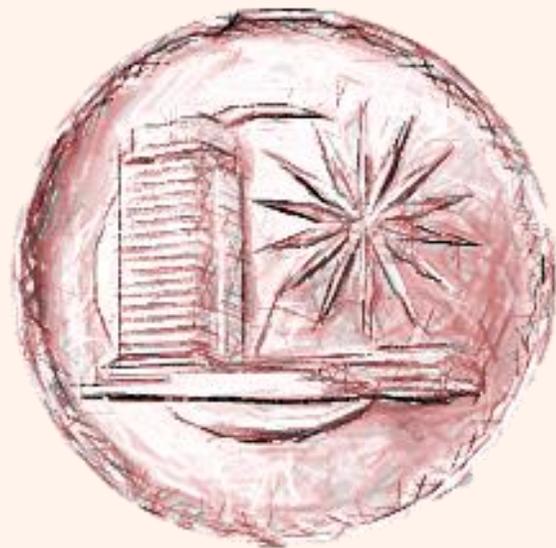
The Economy

- **How is the economy?** The Ministry Finance maintains positive optimism about the economy on continued expansion in domestic demand and exports. **It revises 2024's real GDP growth to 4.8%-5.3% (mid-point at 4.9%) from 4.0%-5.0% while projecting a firm growth of 4.5%-5.5% (mid-point at 4.8%) in 2025.** SERC's estimate for 2024 is 5.4% and 5.0% for 2025. We caution that there remain downside risks to our estimates given lingering external risks and the impact of domestic policy measures.
- With domestic demand still holding the fort, **private consumption (61.1% of total GDP in 2024) is projected to grow by 5.9% in 2025** (estimated 5.5% in 2024) while **private investment (16.4% of GDP) will expand strongly by 8.9% in 2025** compared to estimated 11.1% in 2024.
- Consumer spending will be supported by (a) **Stable employment conditions** (estimated unemployment rate at 3.1% in 2025 and 3.2% in 2024) and increases in real wage growth; (b) **Higher cash handouts through RM13.0 billion Sumbangan Tunai Rahmah (STR);** (c) **Average salary increment between 7.0% and 15.0% for 1.7 million civil servants** (10.2% of total employment); (d) **Continued tapping on the EPF Flexible Account 3;** (e) **An increase of 13.3% in minimum wage to RM1,700 per month from RM1,500;** and the Progressive Wage Policy (PWP). The anticipated implementation of subsidies rationalisation for RON95 in mid-2025 is expected to temper spending somewhat amid inflationary risk.

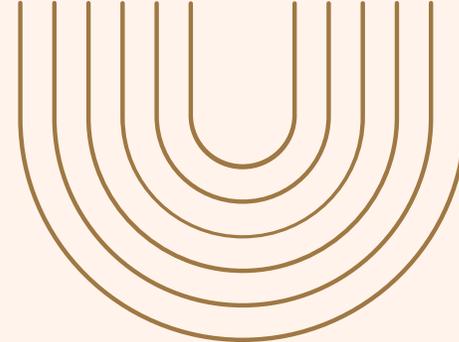
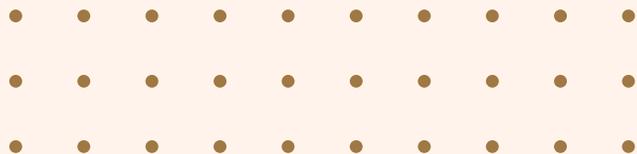
- **We strongly believe that private investment remains firmly on an upturn cycle estimated between 10.0% and 13.5% in 2024-2026**, underpinned by (a) **On-going implementation of multi-year infrastructure projects**; (b) **Realisation of some approved investments in 2021-2023 and in 2024**. For the period 2021-2023, on average, more than 85% of approved manufacturing projects have been implemented. **Total approved investment amounted to RM906.6 billion in 2021-2023 and RM160.0 billion in 1H 2024**; (c) **RM120 billion GEAR-uP programs** by six leading Government-Linked Investment Companies (GLICs) to spur domestic direct investments in high-growth high-value (HGHV) industries such as the energy transition sector, semiconductor, start-ups, and venture capital to mid-tier companies; and (d) **The finalisation of Johor-Singapore Special Economic Zone (JS-SEZ) agreement in December 2024** will be game changer to support investment growth going forward.
- **The projected GDP expansion in 2025 is broad-based with almost all economic sectors registering positive growth**. The construction sector will register the highest growth rate (9.4% in 2025 vs. 14.1% in 2024), followed by the services (5.5% in 2025 vs. 5.3% in 2024), manufacturing (4.5% in 2025 vs. 4.1% in 2025), agriculture (1.9% in 2024 vs. 2.0% in 2025). The mining sector will decline by 1.0% in 2025 vs. +2.2% in 2024.
- With exports already growing by 5.2% in the first nine months of 2024, the **Treasury expects exports to grow by 5.6% in 2024 and will further grow by 3.9% in 2025 (SERC: 6.0% in 2024 and 4.5% in 2025)**. Underpinning exports are higher external demand, global tech upcycle and firmer commodity and energy prices.
- **Headline inflation**, which registered an average increase of 1.8% in January-August 2024, **will increase by 1.5%-2.5% in 2024 and 2.0%-3.5% in 2025 (SERC's estimate of 2.0% in 2024 and 2.5%-3.0% in 2025)**. The balance of risk to inflation outlook in 2025 are spillovers from subsidies rationalisation and price controls, volatile global commodity prices and higher inputs cost amid the on-going geopolitical risks, weather disruptions and policy changes post the US Presidential Election.
- **We expect Bank Negara Malaysia to keep its overnight policy rate steady at 3% in 2024 and in 1H 2025**, keeping a close watch on any signs of inflation risk, which could come from the public sector employees' salary revision and higher minimum wage.
- While our baseline remains positive, we have to be mindful of downside risks to the global economy and its spillover effects on domestic economy. We see the following inter-related risks and issues: 1) **Geopolitical conflicts in the Ukraine and Middle-East**, which could escalate into wider regional conflicts; 2) **Trade tariffs amongst the advanced economies**; 3) **Recessionary fears in the US economy and bumps on China's recovery**; and 4) **Persistent inflation** amid volatile commodity prices and weather disruptions as well as supply chain disruptions.



Part 2



2025 Budget: Measures & Initiatives



Budget 2025

1

DRIVING REFORMS



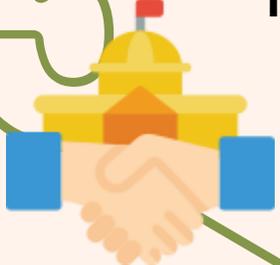
2

REINVIGORATING THE ECONOMY



3

PROSPERING THE RAKYAT



SELECTED MEASURES IN FOCUS



#1 Cost of Living and Consumption-related Measures

Key Measures

Easing living costs and supporting consumption

- RM13bn to Sumbangan Tunai Rahmah (STR) and Sumbangan Asas Rahmah (SARA)
- RM2.9bn for cash assistance under Jabatan Kebajikan Masyarakat (JKM)
- RM300m to Payung Rahmah Program
- RM700m for other cost-of-living programs to control prices of goods, including through collaborations with supermarkets and others
- Increase in minimum wage by 13.3% to RM1,700 per month from RM1,500, effective 1 Feb 2025 (1 Aug 2025 for enterprises having less than 5 employees)

A Comparison of STR and SARA Between 2024 and 2025

	2024	2025
Distribution Amount (STR)	Maximum RM2,500 for household Maximum RM600 for seniors without a spouse Maximum RM350 for single	Maximum RM2,500 for household Maximum RM600 for seniors without a spouse Maximum RM600 for single
Is the STR recipient eligible for SARA?	Yes	Yes
Distribution Amount (SARA)	RM100 per month for households and senior citizens without a spouse RM50 per month for singles	RM100 per month for households RM50 per month for senior citizens without a spouse No assistance for single
Category	Poor and hardcore poor	All STR recipients

Commentary

- Targeted cash assistance will increase by RM3.0 billion to RM13.0 billion in 2025 from RM10.0 billion in 2024 to help mitigate the cost impact arising from the implementation of RON95 and retargeting electricity tariffs subsidy. However, the Budget notably lacks specific measures to address inflation, which remains pressing concerns for the low- and middle-income households.
- There are lack of details on the mechanism of implementing RON95 subsidy retargeting in ensuring 85% of the population will not be burdened by an increase in the price of RON95. The RON95 subsidy rationalisation will target foreigners and the wealthiest top 15% of Malaysians to save RM8.0 billion. We caution that it is inevitably that it will have some pass-through fuel hikes effect on businesses and households; hence, raising prospects of inflationary pressure.
- Learning from the diesel subsidies' implementation, adequate narrative and preparation as well as the readiness of systems and distribution channels are vital to ensure a smooth implementation. A phased approach to subsidy removal is critical to facilitate a smoother transition, giving public ample time adapting to new pricing landscape. Effective communication with affected sectors is essential for ensuring a smooth transition.
- The number of recipients under STR and SARA remained at 9 million recipients, and the distribution for most categories remained unchanged. Under STR, the amount of assistance for Single category will be raised from RM350 to RM600. Additionally, the maximum rate for households will be increased to RM4,600. However, under SARA, the assistance for Seniors will be reduced from RM100 to RM50, and Singles will not be eligible for SARA. This redistribution reflects a shift in focus to have a broader inclusion of recipients.
- Higher minimum wage will improve the income of the workers currently earning RM1,500 per month and below. This will benefit estimated 2.1 million workers, of which 0.6 million foreign workers (29% of total) and 1.5 million locals (71% of total).

#1 Cost of Living and Consumption-related Measures (cont.)

Key Measures

Individual income tax relief:

- Review for medical treatment expenses for self, spouse and child
- Increase to RM4,000 from RM3,000 for education and medical insurance
- Increase to RM7,000 for disabled individual taxpayers; RM6,000 for individual taxpayers with a disabled spouse; RM8,000 for individual taxpayers with unmarried disabled children
- Extension for nursery or kindergarten fees
- Expand income tax relief for sports, activities, health and elderly care
- Housing loan interest payment for first residential home: RM7,000 for house price up to RM500,000; RM5,000 for house price between RM500,001 and RM750,000

Dampening consumption

- Increase Sales Tax rate on non-essential items such as imported premium goods
- Expand the scope of Service Tax to include new services such as commercial service transactions between businesses (B2B)
- Implement targeted RON95 subsidy in mid-2025

Commentary

- The provision of individual income tax relief will help to ease the financial burden of tax payers and households. These measures will result in net loss of RM609.3 million in income tax revenue in 2025.
- The widening scope of SST, including higher sales tax for non-essential items would increase the living expenses though it is targeting at high income households.
- Given the domestic economy is still growing and stable labour market conditions, though SMEs will experience an increase in employment cost due to higher minimum wages, multi-tiered foreign worker levy and the EPF contribution for foreign workers, they have to manage their cost more efficiently and drive higher productivity of their employees, and will pass on higher unabsorbed costs to consumers to keep their profit margin.
- The businesses could benefit because higher wages mean less labour turnover, as well as less advertising and training for new workers. In the end, their profits are not harmed significantly.
- Our tracking of the minimum wage and unemployment rate showed that the unemployment rate was stable when the minimum wage was raised in 2019 (by 10% to RM1,100 from RM1,000) and it increased to 3.9% in 2022, largely blamed on the COVID-19 pandemic crisis and improved to 3.4% in 2023 when the minimum wage raised by 25% to RM1,500 in 2022 from RM1,200 in 2021.



Source: DOSM; MOF

- The Government has implemented the Progressive Wage Policy (PWP) on a voluntarily basis to co-share the wages with the employers participating in this PWP, which is to improve the earnings of employees via training and productivity improvement.

#1 Cost of Living and Consumption-related Measures (cont.)

Key Measures

STR & SARA assistance rate for 9 million recipients

Recipient category	Monthly income	Number of recipients	No. of children	Sum of STR assistance (RM)	Sum of SARA assistance (RM)*	Total (STR + SARA) (RM)	Additional SARA**	Total (STR + SARA + Additional SARA)
Household	RM2,500 or lower	3.1 million	0	1,000	900	1,900	RM1,200 / RM600 yearly (RM100 / RM50 for 12 months)	Maximum RM4,600 Minimum RM600
			1-2	1,500	900	2,400		
			3-4	2,000	900	2,900		
			≥5	2,500	900	3,400		
	RM2,501- RM5,000	1.0 million	0	500	900	1,400		
			1-2	750	900	1,650		
			3-4	1,000	900	1,900		
			≥5	1,250	900	2,150		
Single senior citizen (≥60 years old)	RM5,000 or lower	1.3 million	0	600	450	1,050		
Single (21-59 years old)	RM2,500 or lower	3.4 million	0	^600	-	600		

Note:

^ Increase to RM600 in 2025 from RM350 in 2024.

* (New) 5.4 million STR recipients in the household and senior citizen categories will receive SARA assistance up to RM100 per month through MyKAD starting from Apr 2025.

** Additional SARA is eligible for the Poor & Hardcore Poor Categories under e-Kasih and Department of Social Welfare (JKM).

#2 Financing Facilities

Key Measures

- **RM40bn worth of loan facilities and business financing guarantees under government agencies, include:**
 - RM1.4bn of micro financing scheme by Bank Simpanan Nasional (BSN)
 - RM7.1bn of BNM Loan Fund to support MSMEs, including RM3.3bn specifically allocated for micro enterprises and low-income entrepreneurs, small contractors, the adoption of sustainability practices, and sectors related to food security
 - RM20bn by Skim Jaminan Pembiayaan Perniagaan (SJPP) to support SMEs in focus sectors such as halal, high technology, ESG, and tourism
- RM1bn of Green Technology Financing Scheme (GTFS 5.0), without profit rate subsidy
- RM300m under National Fund-of-Funds (NFOF)
- RM77.5m for start-ups
- RM305.9m for the National Energy Transition Facility Fund
- Loan or financing amount limit under the Micro Financing Scheme having stamp duty exemption will be increased to RM100,000 starting from 1 January 2025
- RM1bn for Strategic Investment Fund
- RM131.5m for Strategic Co-Investment Fund (CoSIF) and RM68.5m for NIMP Industry Development Fund (NIDF)
- RM600m by Bank Pembangunan Malaysia Berhad (BPMB) and SME Bank in offering specialised financing to halal MSMEs

Commentary

- The Government has reaffirmed its commitment to supporting SMEs through various financing facilities and guarantees to ease their financing needs, stimulating business growth, fostering innovation, and creating jobs.
- The application and approval processes and the loans disbursement must be made simpler and faster to achieve high utilisation rate.
- To enhance transparency and public accountability, the government agencies should regularly publish data on the utilisation of these financing facilities, including application and approval rates, at least quarterly. This would instil confidence in the financing process and provide insights into how effectively these programs meet the needs of businesses. Furthermore, if any applications are rejected, the reasons for rejection should be made clear to enhance transparency and help applicants improve future submissions.
- With numerous financing facilities available, some of which may have low utilisation, it is timely to streamline and consolidate these financing facilities. By rationalisation of allocations for most utilised funds/programs while reassessing or merging those that have seen limited uptake, the Government can enhance the overall effectiveness of its financing initiatives. This strategic approach would ensure that resources are optimally utilised, ultimately benefiting more enterprises that most needed the financing facilities.

#3 Investment Thrust

Key Measures

- Introduction of the New Investment Incentive Framework focusing on high-value activities in the third quarter of 2025
- Tax incentives for export growth are extended to the IC design activities
- Expenditures by multinational enterprises (MNEs) of up to RM2 million per year are given double tax deductions for a consecutive 3-year period
- MNEs or their suppliers that make joint venture investments with local suppliers are granted tax deductions on the investment amount made
- Local suppliers involved in Supply Chain Resilience Initiative will be provided with appropriate tax incentive packages based on their performance
- Economic clusters are established according to state specialties, such as renewable energy in Perlis and Sabah, and specialised chemical industries in Pahang and Terengganu
- Special income tax rate incentives are offered for investments in 21 economic sectors in states such as Perlis, Kedah, Kelantan, Terengganu, Sabah, and Sarawak, subject to the economic spillover performance
- RM1bn for Strategic Investment Fund
- Streamlining existing incentives, creating new non-tax incentives, and assessing the feasibility of the Strategic Investment Tax Credit to reduce the impact of Global Minimum Tax (GMT)
- MIDA will be the approving authority for employment passes involving non-citizen graduates from local universities to meet human capital needs in NIMP sectors
- RM5m for enhancing MYeHALAL system

Commentary

- The Government has been steadfastly attracting and boosting both Domestic Direct Investment (DDI) and FDI through strategic plans and roadmap. These are the New Investment Master Plan (NIMP) 2030, the National Energy Transition Roadmap (NETR), the National Semiconductor Strategy (NSS), the KL20 Action Plan and Bumiputera Economic Transformation Plan. A particularly promising initiative is the Johor-Singapore Special Economic Zone (JS-SEZ), with the final agreement expected by the end of December 2024. The Budget mentioned that special incentives for the JS-SEZ will be announced by end-2024.
- Positive results have been observed on the announcement of sizeable investments by major tech giants in the semiconductor sector and data centres. In 2023, total approved investment reached a record high of RM329.5 billion. In the first half of 2024, approved investments totalled RM160.0 billion, marking an impressive 18.0% increase compared to the same period last year. Of this total, foreign investment has a lion share of 46.6% of total approvals while 53.4% from domestic investment. This reflects robust confidence of both foreign and local investors have in Malaysia's favourable economic growth and investment prospects.
- There is an influx of high-quality investments, especially in sectors like electrical and electronics, information and communication technology, and new energy. The entry of major global tech companies further solidifies Malaysia's position as a regional hub for cutting-edge industries given its strategic location and neutral foreign policy appeal in an environment of heightened geoeconomic conflicts and trade fragmentation.

#3 Investment Thrust (cont.)

Key Measures

- RM131.5m for Strategic Co-Investment Fund (CoSIF) and RM68.5m for NIMP Industry Development Fund (NIDF)
- A collective pledge by Government-Linked Investment Companies (GLIC) for direct domestic investment amounting to RM120bn over the next 5 years under the first phase of the Government-linked Enterprises Activation and Reform Programme (GEAR-uP), with RM25bn investing in 2025
- Amending the Mineral Development Act 1994 and initiating the mapping of rare earth element (REE) resource potential across the country
- Expenditure for the purchase of ICT equipment, computer software packages, and consultancy fees will be granted an accelerated capital allowance, fully claimable within 2 years
- NETR project set to move into the implementation phase
- RM25m for the collaboration between the Special Agency Reform Task Force (STAR) and the Malaysian Productivity Corporation (MPC) to expand efforts to reform bureaucratic red tape
- Special JS-SEZ incentives to be announced by end-2024
- Establishment of Invest Malaysia Facilitation Centre-Johor (IMFC-J)

Commentary

- The continued allocation of funds to support NIMP 2030 and NETR reaffirms the government's commitment to drive these strategic plans forward.
- The shifting of NETR projects into the implementation stage coupled with the upcoming introduction of New Investment Incentive Framework by the third quarter of 2025, and also the mapping of rare earth elements reflect active facilitation of the development of high-impact industries.
- The introduction of incentives for integrated circuit (IC) design is another example of how Malaysia is positioning itself at the forefront of advanced technology sectors. These measures not only attract foreign direct investment but also ensure that domestic industries, especially SMEs can be integrated into the supply chains and be supported in a well-supported ecosystem.
- A noteworthy development is the decision to make the Malaysian Investment Development Authority (MIDA) the approving authority for employment passes, involving non-citizen graduates from local universities, especially in sectors aligned with NIMP. This move is a significant step in addressing the talent shortages, especially in high-skill industries. Given the intense global competition for talent, having first-hand access to these graduates gives Malaysian businesses a competitive edge in retaining and developing talent in the country.

#4 Increasing Business Costs

Key Measures

- Increase in minimum wage by 13.3% to RM1,700 per month from RM1,500, effective 1 Feb 2025 (1 Aug 2025 for enterprises having less than 5 employees)
- Implementing a multi-tiered levy mechanism early next year. Levy collection will be channelled to industries for automation and mechanisation
- Requiring all non-citizen workers to contribute to the EPF to be implemented in phases:
 - For all non-citizen employees with a new contract, the contribution rate is the same as for Malaysian citizen employees, which is 11% (employee's contribution rate), 12% or 13% (employer's contribution rate), subject to wages
 - For those who are in the current contract, the rate employer and employee contributions will start with 2% each and will be increased in phases until the contribution rate is the same as in line with the citizen employee contribution rate within 6 years

Commentary

- Business costs pressures will rise due to the employment and operating expenses. Those companies that are unable to absorb increased costs may force to pass costs onto consumers to preserve their profit margin.
- While the increase of minimum wage by 13.3% to RM1,700 per month is not excessively steep and remains within a reasonable range, it will nonetheless impact businesses, particularly SMEs.
- The government should also explore the feasibility of implementing different regional minimum wage rates, similar to our neighbouring countries like Thailand, Indonesia, and Vietnam. This approach would recognise varying economic conditions and cost of living across different regions, allowing for a more equitable and sustainable wage structure. For instance, a minimum wage of RM1,700 may be overburdening for enterprises in Kelantan but it is inadequate to meet living cost in Kuala Lumpur.
- Besides, it is recommended that a moratorium period for the multi-tiered levy implementation, say, two years be given to MSMEs, to ease some financial burden on them.
- With the implementation of multi-tiered levy, the requirement of 80:20 local-to-foreign worker ratio for manufacturing license has to be removed as it outlives its relevance. The 80% local worker quota requirement was postponed to 31 December 2024.

#5 Sustainability Agenda

Key Measures

NETR

- Additional allocation of RM305.9m to NETR for National Energy Transition Facility (NETF)
- A couple of NETR projects are underway such as:
 - Kenyir Hydro Hybrid Floating Solar Farm and green hydrogen hub in Terengganu
 - Large Scale Solar programme (LSS)
- Net Energy Metering (NEM) to be extended until the 30 June 2025
- RM1bn allocation for the implementation of the Green Technology Funding Scheme (GTFS) until 2026
- The enactment of the Energy Efficiency and Conservation Act, in efforts to improve energy efficiency through:
 - e-Rebate of up to RM70m is provided to encourage consumers and industry to buy energy efficient electrical equipment
 - Energy Performance Contracts will be introduced for use by all Government agencies to achieve electricity bill savings of up to 10%
 - 5km roof space of the long pedestrian walkway and car park in Putrajaya will be installed with solar panels

Commentary

- In terms of SDG performance, Malaysia progresses relatively better, achieving 43% of all 248 indicators for the year 2024, far above the world average's 17%. The government's ongoing commitment, supported by major roadmaps such as the Green Technology Master Plan (GTMP) and the National Energy Transition Roadmap (NETR), is a step in the right direction.
- Implementing ongoing initiatives is half the battle, the execution and holding stakeholders' accountable are equally important. Regular publications on the progress and output should be made publicly available.
- The National Sustainability Reporting Framework (NSRF) is a framework to enhance sustainability disclosures for companies adopting the IFRS Sustainability Disclosure Standards.
- The extension of NEM until June 2025 reaffirms the government's commitment of greening our environment. However, it must be emphasised that the Government should implement an automatic top-up mechanism to replenish quotes for NEM Rakyat Programme and Net Offset Virtual Aggregation (NOVA) Programme when they are nearing full utilisation, says 80%, as part of the efforts to enhance the energy transition ecosystem.

#5 Sustainability Agenda (cont.)

Key Measures

Carbon Capture, Utility and Storage (CCUS)

- Carbon-consuming activities that are expanded as downstream products will be provided tax incentives based on the New Investment Incentive Framework
- To table a bill on a Progressive Regulatory Framework on CCUS in the near future

Electric vehicles

- Has structured existing EV tax incentive framework to encourage the transition towards local CKD of EV installation
- RM10m allocation to encourage the use of CKD electric motorcycles up to RM2,400

Circle economy

- Tax deduction on donations or sponsorship of Smart Artificial Intelligence – Driven Reverse Vending Machine extended until December 31, 2026
- The scope of the tax exemption for the purchase of electric vehicle chargers is extended to include the purchase of food waste composting machines for household use until the year of assessment 2027

Carbon tax

- Government will introduce carbon tax for the iron and steel, and energy industries by 2026

Commentary

- The introduction of a carbon tax is timely to prepare and assist the Malaysian hard to abate brown industries towards achieving the nation's net zero target by 2050.
- The recent ACCCIM M-BECS (2H 2022) results indicated that most businesses in Malaysia have a poor understanding (53.0%) of carbon tax. It is crucial to note that the iron and steel, and energy industry represents key GHG emission stakeholder as they contribute the most of carbon emission. Therefore, MITI must have regular engagements with these stakeholders before a full implementation of carbon tax as there are various regulatory considerations that need to be considered such as operational costs, social and economic impact, impact on Malaysia's competitiveness in the region and the readiness of the businesses.
- There are few key considerations to be made before its implementation:
 - Provide clear guidelines and a timeline for the progressive introduction of carbon tax.
 - Offer across-the-board incentives for firms and households to reduce carbon-intensive energy use and shift to cleaner fuels by increasing the price of carbon-intensive fuels, electricity, and consumer goods produced with these inputs.
 - Provide government-funded GHG emissions-related training and courses.
 - Introduce a low carbon tax rate initially to raise awareness.
 - Put in place the Emission Trading Scheme, which is the preferred mechanism by the industry, to drive more cost-effective emission reductions.

#6 Driving Digitalisation and Automation

Key Measures

- Expenditure for the purchase of ICT equipment, computer software packages, and consultancy fees will be granted an Accelerated Capital Allowance, fully claimable within 2 years
- Implementing a multi-tier levy mechanism early next year. Levy collection will be channelled to industries for automation and mechanisation
- Launch of the InvestMalaysia one-stop investor portal
- RM50m for Digital PMKS MADANI matching grant and Digital Penjaja MADANI grant under BSN
- RM100m allocated by SKMM over a 5-year period to strengthen the functions of Pusat NADI
- RM10.5m for Rural Community Centre Initiative
- RM50m for expansion of facility upgrades and provide platforms to empower AI for research universities
- RM24m for promoting e-commerce activities under MATRADE, MARA, and MDEC
- RM10m for The National Artificial Intelligence Office (NAIO)
- Declaration of the establishment of the ASEAN AI Safety Network (ASEAN AI Safe)
- Special tax deductions are granted to private universities and private skill training institutes that develop new courses such as digital technology, AI, robotics, Internet of Things (IoT), data science, FinTech, and sustainable technology

Commentary

- Digitalisation and automation, including artificial intelligence (AI) are rapidly transforming the landscape of businesses and industries across the globe. As organisations increasingly adopt digital technologies, they are not only streamlining operations but also enhancing productivity and efficiency. This shift enables companies to respond swiftly to market changes and consumer demands, fostering a more agile business environment. The integration of advanced technologies, such as AI and machine learning, allows for data-driven decision-making, further driving innovation and growth.
- In addition to the RM50 million allocated for upgrading facilities and empowering AI at research universities, Malaysia welcomes a new multi-million venture, MaiStorage, which is set to revolutionise the nation's technological landscape and further expand the AI capabilities in generative artificial intelligence.
- However, the rise of digitalisation, automation and AI also presents significant challenges that must be addressed. The shift towards automated processes and AI-powered systems may lead to concerns about job displacement, particularly in sectors heavily reliant on manual labour. As businesses evolve, there is a pressing need to invest in workforce upskilling and reskilling to ensure that employees can adapt to new roles and technologies. Creating a workforce that is digitally literate, AI-savvy and adaptable will be crucial in harnessing the benefits of these technological advancements.
- The entire collection of foreign worker levies should be set aside to support industries' automation and mechanisation initiatives. This targeted approach will further the objective of this multi-tiered levy scheme, ultimately reducing the reliance on foreign workers in the future.
- The successful implementation of digitalisation, automation, and AI initiatives depends on a robust infrastructure and supportive regulatory environment. Policymakers must ensure that businesses, especially SMEs have access to the necessary resources and support to adopt these technologies effectively.

#7 TVET Empowerment and Talent Development

Key Measures

- RM7.5bn for overall TVET programs
- RM913m to Per Capita Grant (PCG) for TVET education
- RM50m of matching grants for 'Anak Angkat ILKA'
- Authorise employers to utilise up to 50% of HRDCorp Funds to finance skill training facilities, including equipment and facility modification costs
- RM1m to implement TVET Sukan and TVET Belia Autisme to produce skilled youth
- RM500m for PTPK Financing to develop talents in priority areas
- HRDCorp offers 3 million training opportunities and reallocates 15% of levy collection for the MADANI Training Program
- RM10m of matching grant to Program Latihan Industri Untuk Perusahaan Kecil dan Sederhana (LiKES) to offer structured industrial placement opportunities for university students, particularly in STEM fields
- RM20m to empower e-sports through talent development, e-sports TVET programs, and upgrading e-sport arenas
- RM36m to upgrade computer labs and supply new equipment for empowering STEM education
- RM500m for PTPTN education fund to give priority to students studying in the STEM field at IPTA
- Extension of individual income tax relief on net savings in the National Education Savings Scheme (SSPN) for YA2025-2027

Commentary

- ACCCIM's survey (M-BECS 1H 2024) showed that 29.8% and 28.6% of respondents indicated a lack of semi-skilled and skilled workers, respectively. The underutilisation of HRD Corp funds is another issue that hampers the workforce skills development, as 43.6% of respondents (excluding micro-enterprises not bound by the HRD levy) did not send their employees for HRD Corp training. Some employers still perceive the HRD levy as a form of tax, rather than a valuable resource for providing comprehensive training.
- It is commendable that Budget 2025 seeks to increase employer participation by allowing 50% of the HRD Corp fund (from 30% previously) to finance skill training facilities, including equipment and facility modification costs. This is important given that 53.8% of micro-enterprises and over 60% of companies of all sizes in ACCCIM's survey prefer in-house training.
- While training talent is important, it is even more challenging in attracting and retaining talent. The Department of Statistics Malaysia (DOSM) in Feb 2023 highlighted that Malaysians working in Singapore are predominantly skilled (39%) and semi-skilled (35%) workers. Furthermore, TalentCorp has also identified that the top destinations for Malaysians working abroad are Singapore, Australia, the United States, the United Kingdom, and Canada.
- The government needs to continuously enhance both economic incentives such as offering attractive salaries, benefits, and high monetary value and social incentives, including better career prospects and improved quality of life, for companies to attract and retain talents in Malaysia. Without these efforts, Malaysia risks losing its best and brightest to countries offering more favourable opportunities.

#8 Public Infrastructure and Housing

Key Measures

Major infrastructure development

- Kerian Integrated Green Industrial Park (KIGIP) – the first high-tech green hub
- Automotive High-Tech Valley (AHTV) – national automotive hub
- Lumut Maritime Industrial City (LuMIC) – regional maritime industry hub
- Johor-Singapore RTS Project
- Penang LRT Project
- Cypark Solar Hybrid Power Plant
- Kenyir Hybrid Hydro-Floating Solar Farm and green hydrogen hub projects

Flood mitigation

- RM3bn for issuance of Surat Setuju Terima for 12 Flood Mitigation Plan (RTB)

Home

- RM857m for 48 units of Projek Perumahan Rakyat & 14 units of Rumah Mesra Rakyat
- Income tax relief on housing loan interest payment for the first residential home – RM7,000 for house prices up to RM500,000 and RM5,000 for prices between RM500,001 and RM750,000
- RM10bn of government guarantee under Syarikat Jaminan Kredit Perumahan (SJKP) for housing financing that benefits 20,000 home buyers
- RM5bn of government guarantee, specifically for young people who wish to own their first home, with lower loan repayments for the first 5 years

School

- RM2bn is allocated for the upgrade and maintenance of schools nationwide
- Construction of 44 new schools

Commentary

- The construction sector is expected to remain strong in 2025, with its output growth estimation of 9.4% by the Ministry of Finance vs. SERC's 13.8%.
- Recent concerns raised by the Housing and Local Government Minister point to a pressing issue within People's Housing Projects (PPR): a significant number of residents, despite being financially capable, are not paying their maintenance fees.
- The average lifespan of a building is around 70 years, making regular and good maintenance essential, particularly for public housing developments built before the national independence. Unfortunately, the reluctance of some residents to pay these fees threaten the quality of living conditions and unfairly shift the financial burden to those who pay, who may end up covering costs for the entire community.
- To address this challenge without overburdening those genuinely unable to afford the fees, the government should consider adopting a soft-landing approach. This involves implementing income-based, market-based, utility-based, or cost-based models for setting maintenance fees. For example, an income-based model would allow lower-income households to contribute less, while those with higher incomes would take on a fairer share of the cost.
- Promoting a sense of community ownership is also vital. Educating residents on the importance of maintenance and how it benefits the entire community, coupled with greater transparency on how fees are used, can help build trust and encourage more consistent payments. Community engagement and open communication will be key to fostering accountability and responsibility among residents.

#9 Facilitating Export Markets

Key Measures

- RM1bn under Khazanah's Mid-Tier Companies Programme
- RM750m under Skim Insentif Pemampanan Pengeksport by EXIM Bank
- RM40m for Market Development Grant (MDG)
- RM107m for building and upgrading Pulau Indah Ring Road and Northport Klang, Selangor
- Logistics companies involved in smart logistics complex activities are granted an investment tax allowance of 60% for a period of 5 years
- Tax incentives for export growth are extended to IC design activities
- RM5m for Business Export Program by SME Bank
- RM15m for assistance for local halal entrepreneurs to transition towards sustainable and green practices to enhance the potential of halal export businesses abroad

Commentary

- We welcome the initiatives to develop SMEs exports capabilities so as to tap on the trade opportunities under the RCEP and CPTPP.
- There is lack of awareness among our exporters about how to utilise the RCEP to expand their trade. According to a survey conducted by ACCCIM in 2024, close to one-third of the respondents were not aware of RCEP and only a few of them utilised RCEP. The low utilisation of RCEP is in line with the official data and some other surveys.
- The survey findings showed that the Government and firms, especially MSMEs must work together to see an increase in utilisation rates and exports to member countries of RCEP. Businesses have ranked the following measures to help enhance the utilisation of RCEP: "Facilitation support and consultation service" (as voted by 71.4% of the respondents), followed by "Industry-specific promotion for RCEP" (70.5%) and "Engagement and experience from relevant industry stakeholders" (67.6%).
- In 2023, MIDA has approved approximately RM124.4 billion worth of export-oriented manufacturing investments, with another RM45.9 billion in the first half of 2024, signalling stronger prospects for export growth and reinforcing Malaysia's position as a key player in global trade. In this regard, market knowledge and marketing capabilities in export markets are vital to sustain the export-oriented industries' exports performance. Hence, the continued provision of reimbursement grant (i.e. Market Development Grant under MATRADE) to assist exporters in promoting Malaysia-made products and services is a right move.

#10 Boosting Tourism Industry

Key Measures

- RM550m to boost tourism promotion in preparation for the Visit Malaysia Year 2026
- RM20m allocation to promote local crafts
- RM60m allocations on museums
- RM110m for improving and equipping tourist hotspots with basic facilities, fostering ecotourism partnerships, and supporting UNESCO nominations:
 - Improving facilities at the Endau Rompin National Park, Johor; Redang Island, Terengganu; and the Tusan Bekenu Beach, Sarawak
 - Forming ecotourism partnerships with UNDP and Habitat Foundation
- RM600m by Khazanah to restore and upgrade the Sultan Abdul Samad and Carcosa Seri Negara, including constructing the bridge that links Perdana Botanical Garden to Carcosa Seri Negara
- RM31m for Malaysian Healthcare Tourism Council (MHTC) for health tourism program
- RM250m for Ecological Fiscal Transfer (EFT) fund
- Malaysia's ASEAN Chairmanship in 2025 will involve hosting over 270 meetings and activities across all states
- RM200m of PENJANA Tourism Financing (PTF)

Commentary

- The 2026 Visit Malaysia Year (VMY) sets a target of attracting 35.6 million international tourist arrivals and tourism revenue of RM147.1 billion.
- Malaysia has set an ambitious target of attracting 27.3 million tourists this year, which would generate tourism receipts of RM102.7 billion. In the first eight months of 2024, tourist arrivals increased by 29.5% to reach 16.5 million, putting the target at risk of missing it.
- The implementation of a visa-free policy since December 2023 has led to a surge in tourist arrivals from China and India. Between January and August 2024, tourist arrivals from China and India reached 2.3 million (+160.0% vs. Jan-Aug 2023 and +5.0% vs. Jan-Aug 2019) and 0.7 million (+82.4% vs. Jan-Aug 2023 and +54.1% vs. Jan-Aug 2019), respectively. To accommodate VMY 2026, the visa-free facility for these two countries should be extended from the current deadlines – end-Dec 2025 for China and end-Dec 2024 for India – until at least the end of December 2026.
- The rebranding of Malaysia My Second Home (MM2H) package is expected to help attracting tourists.
- Malaysia's ASEAN Chairmanship in 2025 and hosting meetings and activities across all states presents an opportunity to generate income for entrepreneurs, particularly those in logistics, hospitality, tourism, and the sale of handicrafts.

#11 Agriculture and Food Industry

Key Measures

Food security

- RM300m has been allocated for joint agricultural projects with the state government
- 8,800 acres of land will be utilised by the government and private entities to implement agricultural projects to increase food security
- RM10m of fund investment through Venture Fund to companies based on agriculture, biotechnology and agritech
- The RM49m sustainable agriculture agenda includes agro-food sustainability development, and soil sustainability program

Crops

- RM2.6bn increased allocation of FELDA, FELCRA and RISDA
- RM25m agriculture disaster for crops affected by natural disasters

Palm oil

- Raising the threshold value for windfall profit levy on palm oil to RM3,150 for Peninsular Malaysia, and RM3,650 for Sabah and Sarawak
- The structure of the price range and export duty rate for crude palm oil will be revised starting 1 November 2024
- RM100m for Smallholder Palm Oil Replanting Financing Incentive Scheme (TSPKS 2.0) with an allocation method of 50% grant and 50% soft loan

Commentary

- Malaysia's Global Food Security Index 2022 ranking slipped from 39 (2021) to 41 out of 113 countries. Malaysia was also ranked 56th ("moderate hunger") in the Global Hunger Index 2023. All these indicate that food security seems to be heading south amidst geopolitical-induced supply chains disruptions and climate change impact could threaten and disrupt the food supply chains.
- While it is commendable that the government provides tax incentives adapting to automation by use of AI or other form of technologies. However, there is no clear framework in the Budget to foster an enabling environment that encourages a proper transfer of knowledge, data governance, privacy and security, especially in rural areas where they are more skeptical to technologies.
- Palm oil exporters will be slapped with higher export duty rate (up to 10.0% from maximum 8.0%) so long the CPO is priced above RM3,600/tonne. For November 2024, the CPO is valued at RM3,949.73 as notified under Customs Act 1967, where the new export duty rate is 9.5% compared to 8.0% previously. Despite a slight increase in threshold by RM150 (to RM3,150 for Peninsular Malaysia and to RM3,650 for Sabah and Sarawak) as proposed in 2025 Budget, they are still required to pay a windfall profit levy of 3% at this level.

CPO Market Price (RM/tonne)	Export duty rate (Oct 2024)	Export duty rate (Nov 2024 onwards)
3,451 – 3,600	8.0%	8.0%
3,601 – 3,750	8.0%	8.5%
3,751 – 3,900	8.0%	9.0%
3,901 – 4,050	8.0%	9.5%
>4,050	8.0%	10.0%

#11 Agriculture and Food Industry (cont.)

Key Measures

Paddy industry

- RM1bn allocation to initiate the “Five-season Two-year Paddy Cultivation Project” in MADA phase 1 with a 11 thousands hectare
- RM65m allocated to develop the irrigation and drainage of rice paddies

Welfare of fishermen and farmers

- RM2.78bn allocated as subsidies, aids and incentives for farmers and fishermen:
 - RM45m Agrofood Takaful Protection Scheme: Padi Crop Takaful Scheme (STTP)
 - RM825m Rice Price Subsidy Scheme
 - RM57.2m allocation for padi huma or padi bukit
 - RM144.2m allocation for monthly allowance for fishermen
 - RM15m allocation for incentives for fishermen’ catch
- RM84k and RM90k increase in ceiling rate of aid for new construction or resettlement of fishermen’s houses in Peninsula and; Sabah and Sarawak respectively

Rubber

- RM60m for the implementation of The Small Farmers Latex Production Incentive Programme under RISDA
- RM20m allocation for the abandoned private rubber farms to be reworked

Commentary

- The allocations have seen either increased, or reduced or unchanged (see table below). The allocation for Agriculture Disaster Fund (ADF) has decreased from RM50 million (Budget 2024) to RM25 million, which is unreasonable considering the increase in natural disasters exacerbated by the climate change.
- There is a decline in allocation for the Padi Crop Takaful scheme though not as dramatic as the ADF. Natural disasters (floods mostly) have become increasingly repetitious exacerbated by climate change, especially up north where most of the rice production hails from.
- Further analysis is required for the pick-up rates, hence raising overall awareness for both these funds as allocations should be increasing, instead of the opposite.

	2024		2025B
Floor price of paddy purchase	RM1,300	≡	RM1,300
Agriculture Disaster Fund	RM50m	↓	RM25m
Allocation for padi huma or padi bukit	RM50m	↑	RM57.2m
Padi Crop Takaful Scheme	RM50m	↓	RM45m
Rubber Production Incentive	RM3/kg	≡	RM3/kg
Monsoon Season Aid	RM800	≡	RM800

#12 Caring Society and Social Protection

Key Measures

Children

- RM262m to build 34 preschools
- RM125.4m to build 11 PERMATA Kurnia centres.
- Extension of personal income tax relief for nursery or kindergarten fees

Special needs

- RM300m to build two special needs school in Sabah and Johor Bahru
- RM200m allocation for a monthly allowance of RM150 given to more 110,000 special needs students
- RM33m in financial support to parents with autistic children
- RM6,000 allocation increase (from RM4,000) in tax relief threshold for treatment and rehabilitation expenses of autistic children will be increased

Senior citizens

- RM1.3bn allocated for senior citizens welfare
- JKM's increased allocation to RM2.9bn which reflects an increase in monthly senior citizens allowance to RM600

Social protection

- RM100m allocation to cover 70% of employees' contribution in the Self-employed Social Security Scheme
- Perlindungan Tenang scheme will be continued with the collaboration of Bank Negara Malaysia and takaful insurance industries to benefit 2 million Sumbangan Tunai Rahmah (STR) recipients

Commentary

- Malaysia is expected to become an “aging society” by 2030, “aged society” by 2044 and a “super-aged society” by 2056. The Department of Statistics (DOSM) estimates a significant rise in the percentage of citizens aged 65 and above from 8.1% in 2024 to 14.5% by 2040.
- Ageing population will place undue burden on the government's finance and impact on the economy if Malaysia does not make early preparation. While cash assistance provides a short-term relief for those vulnerable elderly, the implementation of an integrated approach to support ageing society is vital. The 2025 Budget did not provide an update on the status or timeline of the implementation of the National Action Plan for Senior Citizens or the Senior Citizens Bill.
- While the tax incentives for women returning to the workforce is a good initiative, however a close observation and analysis of the efficacy of this policy needs to be monitored as to the percentage of women returning to the workforce as a result of this policy. It is proposed to gather data on women re-entering the workforce a year after the implementation of the policy is necessary to review any improvements that can be made. A similar analysis needs to be conducted for the Returnship Programme, focusing not only on the numbers but also on the suitability and job satisfaction of participants.
- However, this Budget does not address the existing gender pay gap that fails to value a woman's contribution as equal to her male counterparts. The Cabinet has conducted a study on the Equal Pay Act.

#12 Caring Society and Social Protection (cont.)

Key Measures

Differently-abled people (OKU):

- RM1.3nm of JKM's OKU aid allocation
- Increase in salary eligibility criteria to RM1,700 to qualify for the OKU Employee Allowance Aid
- Tax relief of up RM7,000 and RM8,000 to an OKU tax paying citizen, and tax paying parents to OKU dependents respectively

Women

- RM650m allocation to encourage women to venture into business
- RM250m allocation for a financing Women Micro Scheme for those in the nano, micro and small enterprises for up to 5 years
- RM100m allocation for MySMELady 2.0 financing scheme for small and medium enterprises (SMEs) for business women for up to 5-7 years
- RM5m allocation for the Returnship Programme, specifically catered to the return of women to the financial sector
- Additional tax rebate of 50% on wages paid over 12 months to employers to employs women back to work



#13 Youth Development and Healthy Lifestyle

Key Measures

- Extend MyLesen to 15,000 secondary/university students and B40 youth looking for jobs requiring Malaysian Driving License (LMM) Class B2 (Motorcycle) from Special License Plates (NPK) sale proceeds
- RM50m for Program Latihan Khidmat Negara 3.0
- RM650m to encourage women and youth to venture into business
- RM200m to Khazanah Youth Development Programme (K-Youth) to support 11,000 local talents in key sectors
- RM25m to continue Rakan Muda Program
- RM600m to build a Rehabilitation Centre to offer comprehensive recovery treatment and return-to-work programs
- RM10,000 for medical treatment expenses for self, spouse and child
- RM4,000 for education and medical insurance
- Expand tax relief for sports, activities, health and elderly care to include other family members in specific categories
- Increase excise duty for sugary drinks by 40 sen per litre (to 90 sen)
- Expand mySalam scheme to include rare diseases

Commentary

- The National Health and Morbidity Survey 2019 revealed that 1 in 3 adults have low health literacy. The 2023 survey indicated that over half a million, or 2.5% of adults in Malaysia, live with four non-communicable diseases (NCDs). It is commendable that the government is committed to addressing obesity through initiatives like the increased sugar tax and campaigns to reduce sugar intake.
- Additionally, mental wellness among youth is a growing concern. Survey indicated that 4.6% of individuals aged 16 and above experienced depression, with younger age groups being particularly vulnerable. The government should implement comprehensive mental health education programs in schools, promote accessible counselling services, and integrate mental health awareness into the national health curriculum.
- Rising healthcare costs pose a significant financial burden on individuals, with medical cost inflation reaching 12.6% in 2023. This increase, along with soaring medical insurance premiums, is particularly impacting low- and middle-income households.
- To address these challenges, it is essential to manage healthcare costs effectively. Potential solutions include the establishment of a Universal Healthcare Insurance Fund, the introduction of hospital fee benchmarks for 21 common surgical procedures and 8 common medical conditions to enhance transparency, and the regulation of prices paid by commercial insurers for hospitals and physicians' services to reduce and cap these costs. This would not only help make healthcare more affordable but also ensure that essential treatments are accessible to all, particularly to the youth who are the future of our nation.

#14 Fiscal Sustainability and Institutional Reforms

Key Measures

- Sales tax will be increased on non-essential items such as imported premium goods
- Scope of service tax will be expanded to include new services such as commercial service transactions between businesses (B2B)
- Imposition of dividend tax on individual shareholders with a rate of 2% to dividend income exceeding RM100,000 started in 2025
- Targeted RON95 subsidy rationalisation will be implemented in mid-2025
- Targeted subsidy for education and health
- Excise duty on sugar sweetened beverages be increased in phases starting from 1 January 2025 at 40 sen per litre with effective from 1 Jan 2025
- Review of export duty exemption on crude palm oil with effective from 1 Nov 2024
- Table Freedom of Information Bill and Government Procurement Bill to strengthen governance and public service efficiency
- RM200m for National Audit Department to initiate audits on nearly 2,000 companies and entities that receive government allocations and guarantees
- RM180m for Parliament to strengthen the role of the Public Accounts Committee, the Special Select Committee of the Senate, and the House of Representatives
- Merging government entities with similar functions to ensure efficiency
- Formation of a Legislative Reform Team to lead efforts in updating over 3,000 outdated laws

Commentary

- **What's still missing is a clear plan to ensure sustainable revenue stream.** Instead, the Treasury relies on incremental revenue measures such as enhance the scope of Sales and Services Tax (SST) to include higher sales on pricey imported non-essential items, commercial service transactions between businesses (B2B), and imposes income tax on share dividend. The Budget measures are expected to generate net revenue gain of RM4.4 billion in 2025. *[Please refer to the next slides for the details of changes in the Federal Government's revenue after budget measures.]*
- We have been supporting that **Goods and Services Tax (GST) is a more effective, efficient, transparent regime given its broad consumption tax base.**
- The proposed higher sales tax rate on non-essential items appears to subsume the postponed High-Value Goods Tax. Additionally, the expanding scope of service tax in recent years brings its coverage closer to that of the GST. The widening scope of the Sales and Service Tax (SST) is expected to generate a revenue gain of RM5.0 billion in 2025.
- We are concerned that the income tax on share dividend would dampen investors' sentiment in the equity market. There are lingering concerns that more capital income will be taxed as investors could perceive it as an extension of the Capital Gains Tax on unlisted shares. Hong Kong and Singapore do not have dividend tax, making them a compelling investment destination.

#14 Fiscal Sustainability and Institutional Reforms (cont.)

Commentary

- Despite dividend tax is implemented in countries like Thailand, Indonesia and Vietnam, it must be noted that Malaysia's corporate tax rate (24%) is higher than that in Singapore (17%), Hong Kong (16.5%), Vietnam (20%), Thailand (20%) and Indonesia (22%). With an additional 2%, investors may be incentivised to invest in foreign companies relative to the Malaysian companies.
- The majority shareholders may review their dividend payment strategies to minimise the dividend tax impact, and hence impacting on minority shareholders with lower net dividend payment. Additionally, it would result in the administrative burden to the Malaysian companies of keeping track the dividends payment.
- It is commendable that the Government is considering more institutional reforms, particularly the merging of government entities with similar functions and also updating the outdated laws. The merging of government entities with overlapping functions will definitely reduce the bureaucracy issues and time-saving for businesses to deal with the duplicative government departments. A number of Acts dated back to the 1940s have not been revised or amended for decades, it is a welcome move to review these Acts to ensure their relevancy.

Total Federal Government Revenue After Budget Measures

	RM million
TOTAL FEDERAL GOVERNMENT REVENUE Before taking into account budget measures proposed in the Budget 2025	339,705.6
<u>Budget measures:</u>	
Direct Tax	-633.1
Income Tax	-609.3
Other Direct Tax	-24.3
Indirect Tax	5,021.2
Export Duty	204.0
Excise Duty on Local Goods	23.5
Sales Tax - Local	923.6
Sales Tax - Import	1,297.7
Service Tax	2,777.9
Levy	-242.0
Excise Duty on Imported Goods	36.5
Net Revenue Gain	4,387.6
TOTAL FEDERAL GOVERNMENT REVENUE After taking into account budget measures proposed in the Budget 2025	344,093.2

FOCUS AREA 1: DRIVING REFORMS

Initiative	Key measures and initiatives
1. Fiscal Responsibility & Debt Management	<ul style="list-style-type: none"> • 4.5%-5.5% of gross domestic product (GDP) growth in 2025 • 3.8% of fiscal deficit
2. Revenue Collection	<ul style="list-style-type: none"> • Total revenue collection of RM339.7bn
3. Tax Revenue Expansion	<ul style="list-style-type: none"> • Review of the rates of sales tax and the expansion of service tax started on 1 May 2025 <ul style="list-style-type: none"> ○ Sales tax will be increased on non-essential items such as imported premium goods ○ Scope of service tax will be expanded to include new services such as commercial service transactions between businesses (B2B) • Imposition of dividend tax on individual shareholders with a rate of 2% to dividend income exceeding RM100,000 started in 2025
4. Targeted Subsidies	<ul style="list-style-type: none"> • Total allocation for subsidies, assistance, and incentives of RM58.2bn • RM4bn of annual savings from targeted electricity subsidies; RM1.2bn of annual savings from chicken price floating; > RM4bn of annual savings from targeted diesel subsidy; • RM60m of allocation to KPDN and JKDN to eradicate leakage; RM27m for the Malaysian Competition Commission (MyCC) to curb cartels, price fixing and monopolies • Targeted RON95 subsidy rationalisation will be implemented in mid-2025 • Targeted subsidy for education and health
5. Budget 2025 Estimates	<ul style="list-style-type: none"> • RM421bn of total expenditure of; RM335bn of operating expenditure; RM86bn of development expenditure; RM2bn of contingency savings • RM9bn for Private Finance Initiative (PFI); RM25bn for Government-Linked Investment Companies (GLIC) • Total public investments of RM120bn
6. Inclusive Development	<ul style="list-style-type: none"> • Perak <ul style="list-style-type: none"> ○ Kerian Integrated Green Industry Park (KIGIP) – the first high-tech green hub ○ Raw Water Transfer project from Sungai Perak ○ Automotive High-Tech Valley (AHTV) – national automotive hub ○ Lumut Maritime Industrial City (LuMIC) – regional maritime industry hub • Pahang <ul style="list-style-type: none"> ○ High-Priority Flood Mitigation Projects ○ Construction of bypass road from Bulatan McDonaldsPersimpangan Brinchang • Johor <ul style="list-style-type: none"> ○ Third phase of the North-South Expressway (PLUS) ○ Johor-Singapore RTS Project ○ Construction of the riverside barrage and reservoir

Initiative	Key measures and initiatives
6.Inclusive Development (cont.)	<ul style="list-style-type: none"> • Kelantan <ul style="list-style-type: none"> ○ Construction of Machang Water Treatment Plant. ○ Sultan Ismail Petra Airport, Kota Bharu runway extension project • Melaka <ul style="list-style-type: none"> ○ Construction of Elevated and Direct U-Turns at Pulau Gadong-Taman Cheng Perdana crossroads ○ Construction of Melaka central market (pasar besar) • Perlis <ul style="list-style-type: none"> ○ Roads and bridges connecting Jalan Pesisir Pantai Kuala Perlis-Sanglang ○ Upgrade Control Post and construct a new block at Immigration, Customs, Quarantine, and Security (ICQS) Wang Kelian Complex • Selangor <ul style="list-style-type: none"> ○ Sungai Langat 2 Flood Mitigation Project ○ Construct and upgrade Pulau Indah Ring Road and Northport Klang • Kedah <ul style="list-style-type: none"> ○ Kulim Hi-Tech Park development ○ Construct auxiliary building at Kulim Hospital • Kuala Lumpur <ul style="list-style-type: none"> ○ Restore and revitalise Bangunan Sultan Abdul Samad Complex, Bangunan Stesen Kereta Api Kuala Lumpur and Carcosa Seri Negara ○ Lebuhraya Laluan Istana-Kiara (LIKE) Jalan Duta-Jalan Istana • Negeri Sembilan <ul style="list-style-type: none"> ○ Upgrade Jalan Bahau-Keratong, Jempol ○ Upgrade sewage treatment plant at Serantau Kuala Sawah • Pulau Pinang <ul style="list-style-type: none"> ○ Penang LRT Project ○ Penang International Airport expansion project ○ Batu Kawan Industrial Park 3 (BKIP3) project • Terengganu <ul style="list-style-type: none"> ○ Sungai Tepoh and Banggol Air Lilih, Kuala Nerus Flood Mitigation Projects ○ Cypark Solar Hybrid Power Plant, Merchang ○ Kenyir Hybrid Hydro-Floating Solar Farm and green hydrogen hub projects • Sabah and Sarawak <ul style="list-style-type: none"> ○ RM6.7bn for Sabah development; RM5.9bn for Sarawak development ○ RM1.2bn of special grants to Sabah and Sarawak ○ RM9.7bn of 17 work packages under Phase 1B Pan Borneo Sabah ○ RM7.4bn of 4 work packages under the Sabah Sarawak Link Road (SSLR) Phase 2 ○ RM253m of expansion project for Tawau Airport, Sabah, and Miri Airport, Sarawak ○ RM1bn for the development of the Sarawak Cancer Centre in Kota Samarahan

Initiative	Key measures and initiatives
7. Public-Private Partnership	<ul style="list-style-type: none"> • The Public-Private Partnership Master Plan (PIKAS) aims to increase private investment by RM78bn and generate 900,000 job opportunities by 2030. <ul style="list-style-type: none"> ○ Hospital Sultanah Aminah 2 in Johor; ○ Juru-Sungai Dua, Penang Elevated Highway; ○ West Ipoh Span Expressway (WISE) Gopeng-Kuala Kangsar, Perak; ○ Five Seasons in Two Years Paddy Cultivation initiative across Muda Agricultural Development Authority (MADA) areas in Kedah dan Perlis; and ○ West Coast Expressway (WCE) for Banting-Gelang Patah stretch
8. Combating Corruption	<ul style="list-style-type: none"> • RM360m for the Malaysian Anti-Corruption Commission (MACC) • Table Freedom of Information Bill and Government Procurement Bill to strengthen governance and public service efficiency • Amendments to the Audit Act to empower the Auditor General to review and audit the management of public funds • RM200m for National Audit Department to initiate audits on nearly 2,000 companies and entities that receive government allocations and guarantees
9. Parliamentary Institution	<ul style="list-style-type: none"> • RM180m for Parliament Malaysia to strengthen the role of the Public Accounts Committee, the Special Select Committee of the Dewan Negara, and the Dewan Rakyat • RM20m to support the efforts of the All-Party Parliamentary Group Malaysia (APPGM) on Sustainable Development Goals
10. Legislative Reforms	<ul style="list-style-type: none"> • RM209m for the Legal Affairs Division to intensify legislative and institutional reforms • Formation of a Legislative Reform Team to lead efforts in updating over 3,000 outdated laws • Establishment of a Credit Oversight Board to regulate non-bank credit providers and credit service providers • The Consumer Credit Act (CCA) provides a framework to regulate the credit industry • Provide a regulatory framework through Akta Kredit Pengguna (CCA) for the credit industry to ensure responsible and transparent credit practices • RM61m to upgrade judicial infrastructure • Replace the Legal Aid Act 1971 with a new, more inclusive Act • RM137m for the development of the Malaysian Syariah Judicial Academy in Bandar Enstek, Negeri Sembilan
11. Government Institutional Reforms	<ul style="list-style-type: none"> • Merging government entities with similar functions to ensure efficiency: <ul style="list-style-type: none"> ○ Malaysian Aviation Commission (MAVCOM) and Civil Aviation Authority of Malaysia (CAAM) ○ InvestKL and Malaysian Investment Development Authority (MIDA) ○ Razak School of Government (RSOG) and National Institute of Public Administration (INTAN) ○ Halal Development Corporation (HDC) and Malaysia External Trade Development Corporation (MATRADE) • Provide Guidelines on Management and Governance of Federal Statutory Bodies (FSB) to ensure statutory bodies achieve their founding goals • Establish Coordinating Office for FSB Rationalisation to review strategic direction, financial capabilities and overlapping roles of approximately 544 FSB entities
12. Commitment to Administrative Efficiency	<ul style="list-style-type: none"> • Draft the Public Administration Efficiency Commitment Bill • Public Service Reform Agenda focuses on five outcomes: Value and Governance, Human Capital Development, Organisational Development, Service Delivery, and Strategic Synergy between Public and Private Sectors • RM25m for the collaboration between the Special Task Force on Agency Reform (STAR) and the Malaysian Productivity Corporation (MPC) to Reformasi Kerenah Birokrasi (RKB) Initiative across all agencies • Establish centralised channel at Urban Transformation Centres (UTCs) to assist rakyat in requesting for assistance across various agencies • Trace the registration of companies that can be consolidated

Initiative	Key measures and initiatives
12. Commitment to Administrative Efficiency (cont.)	<ul style="list-style-type: none"> • Improve quality of counter services across: <ul style="list-style-type: none"> ○ Road Transport Department (RTD) counter operating hours extended by an hour ○ RM4m to develop UTC in Seberang Perai, Penang and provide Queue Management System (QMS) to allow rakyat to obtain queue numbers online ○ Implement Kiosk Sentuhan MADANI initiative by gathering various Government service kiosks in crowded areas to enable dealing with Government outside office hours ○ Use of iPayment at all Government counters beginning 2025 as a cashless payment platform ○ RM6m for upgrading health clinics at UTCs • RM100m for the empowerment of mobile services: <ul style="list-style-type: none"> ○ RM2m for the expansion of Mobile Community Services in Sabah and Sarawak ○ RM13m for the expansion of mobile clinic treatment services ○ RM63.4m for Mobile Health and Dental Clinics, including nine additional mobile dental clinics ○ Instil financial literacy among communities through Financial Education Network (FEN) roadshows nationwide by Bank Negara Malaysia (BNM) ○ RM5m for Science on Wheels by the National Science Centre as a mobile mini science centre ○ RM1m to empower Perkhidmatan Menyemai Kasih Rakyat (MEKAR) JPN through 4WD MEKAR ○ RM5m for Mobile Court and Legal Aid (Justice on Wheels) ○ RM10m for Mobile BSN Bank
13. SejaTi MADANI	<ul style="list-style-type: none"> • Allocation between RM50,000 and RM100,000 to community committee economic activities • RM1bn to enhance the Intensify SejaTi MADANI initiatives: <ul style="list-style-type: none"> ○ RM600m to stimulate community economies in villages, towns, rural areas, and Orang Asli settlements ○ RM200m to expand Kampung Angkat MADANI Programme benefits ○ RM100m for public universities to implement the Kampung Angkat MADANI and TVET institutions to provide community and TVET services ○ RM100m to empower Program Perumahan Rakyat (PPR) communities • Facilitate procurement process for rakyat-critical projects: <ul style="list-style-type: none"> ○ RM200,000 for gotong-royong (community work) ○ RM1.2m for quotation value for lift maintenance and replacement works in public housing and quarters ○ RM200,000 and RM1m for direct appointments and quotations for all maintenance and minor repair works
14. Optimal Use of Resources	<ul style="list-style-type: none"> • Relocate foreign offices not operating under one roof to the Chancellor Office or merge with the nearest offices to optimise operating costs and resources • Special Task Force on Agency Reform (STAR) will review vacant spaces and buildings owned by Government agencies, GLICs and Government-linked Companies (GLCs) to be used as preschools, childcare centres and skills training centres • Centralise Government agency applications such as Pangkalan Data Utama (PADU), Road Transport Department (RTD) and Inland Revenue Board of Malaysia (IRBM) under the MyDigital ID Single Application in line with digital transformation • Extend MyLesen to 15,000 secondary/university students and B40 youth looking for jobs requiring Malaysian Driving License (LMM) Class B2 (Motorcycle) from Special License Plates (NPK) sale proceeds • Finance existing rakyat-centric initiatives such as Free Helmet Replacement to 67,000 B40 families, MyLesen and Self-Employment Social Security Scheme (SKSPS-SOCSO) Contributions through bulk sales of Special Registration Numbers (NPIs) to automotive companies • Improve governance of Outcome Based Budgeting system to ensure allocations provided achieve objectives and meet the expectations and needs of rakyat

Initiative	Key measures and initiatives
15. Cybersecurity	<ul style="list-style-type: none"> • RM20m to enhance the role of the National Scam Response Centre (NSRC) • Launching the National Fraud Portal to combat online fraud • Amendments to the Penal Code [Act 574] and the Criminal Procedure Code [Act 593] to enable more effective actions • Enactment of Online Safety Bill to ensure service providers are responsible for enhancing safety of users • RM10m to increase 100 positions at the National Cyber Security Agency (NACSA) to strengthen the nation's cybersecurity • RM53m for CyberSecurity Malaysia <ul style="list-style-type: none"> ○ RM8m for development of advanced cyber technology security assessment and testing capacities (CENTREACT) ○ RM8m to strengthen cyber threat monitoring, detection and reporting ○ RM7m for digital security and privacy certification ○ RM6m to strengthen cyber forensic capabilities ○ RM6m to Malaysia cyber security empowerment promotion program for SMEs ○ RM2m to enhance cyber ethics on nation's human capital towards cyber security professionalism • RM2.5m to ensure that artificial intelligence is harnessed to detect, prevent and combat cyber crimes • reinforce regulatory oversight via Special Task Force to Combat Cyber Crimes, involving various ministries
16. Catastrophe & Disaster	<ul style="list-style-type: none"> • RM150m for cleaning and upgrading drains and ditches to reduce flooding in several hotspot areas under local authorities (PBT) • RM582m for National Disaster Management Agency (NADMA) • RM20m of matching grants provided to GLIC and GLC foundations to intensify response and distribution of aid to victims in flood-affected areas • RM3bn for Issue Letters of Acceptance (SST) for 12 Flood Mitigation Projects (RTB): <ul style="list-style-type: none"> ○ RTB Sungai Damansara, Selangor ○ RTB Sungai Likas, Kota Kinabalu, Sabah ○ RTB Sungai Triang, Bera, Pahang ○ RTB Sungai Tepoh and Banggol Air Lilih, Kuala Nerus, Terengganu ○ Development of Lembangan Sungai Bersepadu Sungai Kelantan Fasa 2, Kota Bharu, Kelantan • RM251m for Landslide and Slope Mitigation and Repair Programmes • RM21m for a Programme to curb issue of soil slips (Program Pemulihan Tanah Jerlus) in Kerian Laut, Perak; Kedah dan Perlis • RM10m for implementing Geotechnical Survey of Soil Layer Structure on major roads around Kuala Lumpur Golden Triangle • RM3m to repair damage to Volunteer Fire Brigade (PBS) stations nationwide • RM20m for enhancing capacity of consular assistance to Malaysian diaspora, including during emergencies, evacuations and other urgent needs

FOCUS AREA 2: REINVIGORATING THE ECONOMY

Initiative	Key measures and initiatives																		
17. New Investment Incentive Framework	<ul style="list-style-type: none"> • Introduction of the New Investment Incentive Framework focusing on high-value activities in the third quarter of 2025 • Tax incentives for export growth are extended to IC design activities • Special tax deductions are granted to private universities and private skill training institutes that develop new courses such as digital technology, AI, robotics, Internet of Things (IoT), data science, FinTech, and sustainable technology. • Expenditures by multinational enterprises (MNEs) of up to RM2 million per year are given double tax deductions for a consecutive 3-year period • MNEs or their suppliers that make joint venture investments with other local suppliers are granted tax deductions on the total amount of the investment made • Local suppliers involved in Supply Chain Resilience Initiative will be provided with appropriate tax incentive packages based on their performance • Economic clusters are established according to state specialties, such as renewable energy in Perlis and Sabah, and specialised chemical industries in Pahang and Terengganu • Special income tax rate incentives are offered for investments in 21 economic sectors in states such as Perlis, Kedah, Kelantan, Terengganu, Sabah, and Sarawak, subject to the economic spillover performance • Investment tax allowances or income tax exemptions are granted for CCUS activities • RM1bn for a strategic investment fund • Streamlining existing incentives, creating new non-tax incentives, and assessing the feasibility of the Strategic Investment Tax Credit to reduce the impact of Global Minimum Tax (GMT) • MIDA will be the approving authority for employment passes involving non-citizen graduates from local universities to meet human capital needs in NIMP sectors 																		
18. Strategic Investments	<ul style="list-style-type: none"> • RM131.5m for Strategic Co-Investment Fund (CoSIF) and RM68.5m for NIMP Industry Development Fund (NIDF) • A collective pledge by Government-Linked Investment Companies (GLIC) for direct domestic investment amounting to RM120bn over the next 5 years under the first phase of the Government-linked Enterprises Activation and Reform Programme (GEAR-uP). RM25bn will be invested in 2025 <table border="1" data-bbox="382 763 1617 1006"> <thead> <tr> <th>Program / Fund</th> <th>Program size (RM billion)</th> <th>Duration</th> </tr> </thead> <tbody> <tr> <td>Dana Pemacu (KWAP)</td> <td>6.0</td> <td>2024-2028</td> </tr> <tr> <td>Dana Perintis (KWAP)</td> <td>1.0</td> <td>2024-2028</td> </tr> <tr> <td>National Fund-of-Funds (Khazanah)</td> <td>1.0</td> <td>2024-2028</td> </tr> <tr> <td>Mid-Tier Companies Programme (Khazanah)</td> <td>1.0</td> <td>2024-2028</td> </tr> <tr> <td>Semiconductor (Khazanah)</td> <td>1.0</td> <td>2024-2028</td> </tr> </tbody> </table> <ul style="list-style-type: none"> • Amending the Mineral Development Act 1994 and initiating the mapping of rare earth element (REE) resource potential across the country 	Program / Fund	Program size (RM billion)	Duration	Dana Pemacu (KWAP)	6.0	2024-2028	Dana Perintis (KWAP)	1.0	2024-2028	National Fund-of-Funds (Khazanah)	1.0	2024-2028	Mid-Tier Companies Programme (Khazanah)	1.0	2024-2028	Semiconductor (Khazanah)	1.0	2024-2028
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19. Venture Capital & Startup Ecosystem	<ul style="list-style-type: none"> • RM300m under National Fund-of-Funds (NFOF) • RM200m under Dana Perintis • RM50m under Cradle Fund • RM15m for matching grants under the Corporate Innovation Accelerator Programme managed by the Cradle Fund • Approval process for cross-border fund flows under the Foreign Exchange Administration Policy will be streamlined based on the fund mandate size • RM5m for provision of conducive facilities to attract start-up companies to begin operations in Kuala Lumpur 																		

Initiative	Key measures and initiatives
19. Venture Capital & Startup Ecosystem (cont.)	<ul style="list-style-type: none"> • RM2m for various entrepreneurship training programs for SMEs under Centre for Entrepreneur Development and Research (CEDAR) • RM5m for Business Export Programme by SME Bank • RM5m for Dana Mudahcara MySTI • RM77.5m for start-ups: <ul style="list-style-type: none"> ○ Cradle Fund (RM24.5m) ○ Malaysia Debt Venture (MDV) (Technology Acquisition and Commercialisation Scheme – TACT 2.0) (RM30m) ○ MDV (Financing Microfund Guarantee Scheme – Tech FMG) (RM18m) ○ Malaysian Research Accelerator for Technology & Innovation (MRANTI) (RM5m)
20. Digitalisation & Automation	<ul style="list-style-type: none"> • RM10m for The National Artificial Intelligence Office (NAIO) • Declaration of the establishment of the ASEAN AI Safety Network (ASEAN AI Safe) • Expenditure for the purchase of ICT equipment, computer software packages, and consultancy fees will be granted an accelerated capital allowance, fully claimable within 2 years • Implementing a multi-tiered levy mechanism early next year, levy collection will be channelled to industries for automation and mechanisation • RM50m for Digital PMKS MADANI matching grant and Digital Penjaja MADANI grant under BSN • RM100m allocated by SKMM over a 5-year period to empower National Information Dissemination Centre (NADI) • RM10.5m for Rural Community Centre Initiative • RM20m for matching grants for R&D and training expenditures: Domestic Investment Accelerator Fund (DIAF) for domestic companies (RM5m); Foreign Investment Accelerator Fund (FIAF) for MNCs (RM15m) • RM24m for promoting e-commerce activities under MATRADE, MARA, and MDEC • RM15m for projects to upgrade the basic infrastructure of existing integrated industrial areas • Launch of the InvestMalaysia one-stop investor portal
21. Johor-Singapore Special Economic Zone	<ul style="list-style-type: none"> • Securities Commission will be the approving authority for applications for entry passes for capital market investors, subject to specific conditions • Special JS-SEZ incentives to be announced by end-2024 • Establishment of Invest Malaysia Facilitation Centre-Johor (IMFC-J)
22. Facilitating Export Markets	<ul style="list-style-type: none"> • RM1bn under Khazanah's Mid-Tier Companies Programme • RM750m under Skim Insentif Pemampanan Pengeksport by EXIM Bank • RM40m for Market Development Grant (MDG) • RM107m for building and upgrading Pulau Indah Ring Road and Northport Klang, Selangor • Logistics companies involved in smart logistics complex activities are granted an investment tax allowance of 60% for a period of 5 years
23. Visit Malaysia 2026	<ul style="list-style-type: none"> • About RM550m for intensifying tourism promotion and activities: <ul style="list-style-type: none"> ○ RM400m for 2026 Visit Malaysia (VM) Campaign ○ RM50m for Tourism Sector Support Grant (GSSP) ○ RM30m for Cultural Sector Matching Grant (GSSK)

Initiative	Key measures and initiatives
23. Visit Malaysia 2026 (cont.)	<ul style="list-style-type: none"> • About RM550m for intensifying tourism promotion and activities: (cont.) <ul style="list-style-type: none"> ○ RM30m for International and Charter Flights Matching Grant (GSPC) ○ RM20m for Galakan Melancong (GAMELAN) ○ RM5m for encouraging arts, culture, and heritage activities ○ RM5m for promoting culture and the arts through heritage cuisine ○ RM5m for encouraging the development of craft and batik communities ○ RM5m for activities and programs under the Digitalisation of Visual Artworks ○ RM15m for digitalisation of national heritage materials • RM110m for improving and equipping tourist hotspots with basic facilities, fostering ecotourism partnerships, and supporting UNESCO nominations, including: <ul style="list-style-type: none"> ○ Upgrading facilities at Endau Rompin National Park, Johor, Redang Island, Terengganu and Tusan Berkenu Beach, Sarawak ○ Establishing ecotourism partnerships with UNDP and Habitat Foundation ○ UNESCO nominations such as the Sungai Lembing Tin Mine Site, Pahang; Chingay Culture parade, and lion dance • RM600m by Khazanah for restoring and enhancing the value of Sultan Abdul Samad Building and Carcosa Seri Negara, including the construction of an elevated bridge connecting Perdana Botanical Garden with Carcosa Seri Negara • RM15m for conserving the Putrajaya Monorail Suspension Bridge as a tourism landmark • RM4m to support for incentives to organise tourism programs, including international sporting events • RM31m for the Malaysia Healthcare Tourism Council (MHTC) • RM8.2m for Malaysia Convention & Exhibition Bureau (MyCEB) • RM60m for Museum
24. ASEAN-Malaysia 2025 Chairmanship	<ul style="list-style-type: none"> • Requirement for all Ministries and departments involved in organizing meetings and activities to source handicrafts from local artisans to support craftsmen in conjunction with the ASEAN-Malaysia 2025 Chairmanship • Facilitating the procurement of souvenirs up to a value of RM100,000 and quotations up to RM1 million to support artisans in conjunction with ASEAN-Malaysia 2025 Chairmanship
25. Energy Transition	<ul style="list-style-type: none"> • RM305.9m for National Energy Transition Facility Fund • NETR project set to move into the implementation phase: <ul style="list-style-type: none"> ○ Kenyir Hybrid Hydro-Floating Solar Farm and green hydrogen hub in Terengganu with a capacity to produce 1,000 MW ○ Implementation of the Large Scale Solar (LSS) Program to develop utility-scale solar power plants with a quota offer of 2,000 MW • Net Energy Metering (NEM) Program is extended until 30 June 2025: (i) Additional quota of 50 MW for domestic users under NEM Rakyat program; and (ii) Additional quota of 300 MW for commercial and industrial users under NEM NOVA program • RM1bn financing amount to continue the implementation of the Green Technology Financing Scheme (GTFS) until 2026 • RM16bn of investments by UEM Lestara and Tenaga Nasional Berhad to enhance transmission and distribution network capacity and decarbonise industrial areas • Corporate Renewable Energy Scheme (CRESS) program as an open grid access initiative • Specialised program focusing on the design of dual-function renewable energy generation structures, such as the agrivoltaic concept • Up to RM70m of e-rebate by the Energy Commission under the Nikmat Untuk Rakyat PETRA (NUR@PETRA) Program • Introducing Energy Performance Contracting (EPC) for use by all government agencies • Providing pedestrian walkways and roofed car parks equipped with solar panels in Putrajaya

Initiative	Key measures and initiatives
25. Energy Transition (cont.)	<ul style="list-style-type: none"> • Carbon utilisation activities will be expanded as downstream products, and tax incentives will be provided based on the New Investment Incentive Framework; access to sustainable financing, particularly hybrid financing, will be streamlined • Tabling of the Progressive Regulatory Framework Bill on CCUS • RM10m to continue the Electric Motorcycle Usage Promotion Scheme for individuals with an annual income of RM120,000 and below, offering a cash rebate of RM2,400 for the purchase of CKD electric motorcycles • RM24m for Conditional Energy Audit and Energy Management Grant Programme • Developing a more holistic rooftop solar program that considers system capabilities and grid connectivity • Tax deductions on contributions or sponsorship of Smart Artificial Intelligence-Driven Reverse Vending Machines are extended until 31 December 2026 • Scope of tax relief for the purchase of electric vehicle chargers is expanded to include the purchase of food waste composting machines for household use until YA2027 • Introducing carbon tax on the iron and steel industry, as well as the energy sector in Malaysia by 2026, the revenue from this tax will be utilised to fund research and green technology programs
26. Preserving Natural Treasures	<ul style="list-style-type: none"> • RM250m for Ecological Fiscal Transfer (EFT), with 50% of the allocated amount distributed subject to the performance of implementation and expenditure by the states • RM80m for increasing the number of community rangers to 2,500 through the Biodiversity Protection and Patrolling Program (BP3) and Smart Patrol in the Permanent Reserved Forest (PRF) in the Central Forest Spine (CFS): (i) Veterans of Malaysian Armed Forces and RMP (RM27m); (ii) Orang Asli (RM20m); and (iii) Local communities, community rangers in Sabah & Sarawak (RM33m) • RM10m on Program Pembersihan Sungai Bersama Komuniti under National River Trail (DSK) Program • RM693m for upgrading existing regional sewage treatment plants and constructing a sewage pipeline network in Sungai Kim Kim, Johor • Amendments to the National Trust Fund Act 1988 to expand the sources of contributions to the National Trust Fund (KWAN) and tighten governance controls over fund disbursement • RM3.9m for strengthening enforcement programs by the Department of Environment (DOE) and improving the Environmental Quality Act (AKAS) 1974 • RM3.3m for enhancing the management efficiency of Marine Protected Areas (MPA), including planning, monitoring, and enforcement • RM98m Forest Restoration Programme
27. Food Security	<ul style="list-style-type: none"> • RM300m to establish collaborative agricultural projects with the state government under Land Use Optimisation Program: <ul style="list-style-type: none"> ○ Prisma 1: Conservation of Nogori Rice Fields in Negeri Sembilan ○ Perak Onion Project SADC ○ Commercial Red Tilapia Livestock Project in Pahang ○ Smart Agriculture & IoT Rice Field in Pulau Pinang ○ Fishermen's Jetty Repair & Seed Release Programme in Pulau Pinang • Utilising nearly 8,800 acres of idle land under regional development authorities and network agencies to implement agricultural projects such as clustered planting, paddy field redevelopment, and organic poultry and cattle farming • RM200m loan facilities by Agrobank to agri-food entrepreneurs who support food security and sustainable agriculture • RM6m for Onion Industry Development Program for farmers in Perak, Kelantan, Selangor, Johor, Kedah, and Pulau Pinang • RM12m of incentives for small ruminant farmers with a livestock birth rate of at least 100% • RM8.8m of incentives for beef cattle farmers with a livestock birth rate of at least 60% • RM784m for Phase 1 of Five Seasons in Two Years Paddy Cultivation in the MADA area, covering an area of 11,000 hectares • Pilot project for precise fertilisation, including the use of organic fertilisers according to paddy planting areas • RM10m for expanding FELCRA rice estates in Sarawak and Sabah

Initiative	Key measures and initiatives
27. Food Security (cont.)	<ul style="list-style-type: none"> • RM55m for Water Resource and Irrigation Infrastructure Development and Maintenance Project in paddy cultivation and non-cultivation areas • RM2.78bn of subsidies, assistance, and specific incentives for rice farmers and fishermen: <ul style="list-style-type: none"> ○ RM45m for Skim Takaful Tanaman Padi Perlindungan Pertanian ○ RM825m for Paddy Price Subsidy Scheme ○ RM57.2m for Padi Huma or Padi Bukit ○ RM144.2m as monthly subsistence allowance for fishermen ○ RM15m for Incentives for fish landings • RM10m in setting ceiling rate for new construction or resettlement assistance for fishermen's houses at RM84,000 for Peninsular Malaysia and RM90,000 for Sabah and Sarawak • RM10m Fishermen Housing Assistance • RM10m for investment funds through the Venture Fund for companies based in agriculture, biotechnology, and agritech • RM10m for continuing and expanding the Program Kebun Komuniti (Kebuniti) MADANI by the All-Party Parliamentary Group Malaysia (APPGM) to several identified locations • RM112.6m for continuing the Program Pembangunan Semula Hasil Baharu Pekebun Kecil for generating new income through short-term crops and livestock farming • RM49m for sustainable agriculture agenda, including the development of agri-food sustainability and land sustainability programmes • RM25m for Agricultural Disaster Fund (TBP) • RM5.5m for Good Agricultural Practices (GAP) promotion programme • RM10m for implementing Regulatory Impact Assessment (RIA) to strengthen the enforcement of national agri-food regulations in an effort to combat middlemen
28. Plantation & Commodities	<ul style="list-style-type: none"> • Raising the threshold value for windfall profit levy on palm oil to RM3,150 for Peninsular Malaysia, and RM3,650 for Sabah and Sarawak • The structure of the price range and export duty rate for crude palm oil will be revised starting 1 November 2024 • RM2.6bn for plantation and commodity agencies, namely FELDA, FELCRA, and RISDA • RM100m for Smallholder Palm Oil Replanting Financing Incentive Scheme (TSPKS 2.0) with an allocation method of 50% grant and 50% soft loan • PETRONAS will collaborate with SD Guthrie and FGV Holdings Berhad to produce sustainable aviation fuel (SAF) from palm oil mill waste • RM65m for empowering the sustainability of the palm oil industry and the campaign against anti-palm oil <ul style="list-style-type: none"> ○ RM50m for Malaysian Sustainable Palm Oil (MSPO) Certification Programme ○ RM15m for campaign against anti-palm oil • RM60m for matching grant for the Smallholders' Latex Productivity Enhancement (PROTEKS) for smallholders under RISDA • RM20m to encourage smallholders to re-cultivate abandoned and untapped rubber plantations • RM10m for disaster fund for the treatment and control of diseases and pests in the agri-commodity sector • RM19m for upgrading and maintenance of Smallholder Farm Roads (JLPK) across Malaysia
29. Islamic Financial Innovation	<ul style="list-style-type: none"> • RM100m for matching fund for new Islamic finance based on Islamic values from Islamic banking institutions and private investors • RM20m additional allocation as a matching grant to support more micro-entrepreneurs and encourage greater involvement of financial institutions in the i-TEKAD initiative, with RM5m specifically for contributions to insurance or takaful premiums and RM1m for mobile devices in collaboration with digital banks • RM40m to MyCIF for matching investments through the ECF and P2P platforms, with incentives to promote Islamic finance risk-sharing models based on the concepts of Musharakah and Mudharabah • RM10m for supporting the collaboration between the International Islamic University Malaysia and INCEIF University to further enhance the understanding and application of universal Islamic economic values

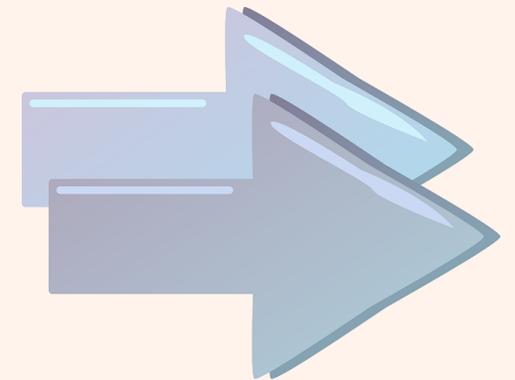
Initiative	Key measures and initiatives
30. Halal Industry Development	<ul style="list-style-type: none"> • RM5m for adding 100 more new officers as halal auditors under JAKIM • RM5m for enhancing MYeHALAL system to reduce the processing time for issuing halal certificates to between 15 and 23 days, compared to the current 30 days. The system will also be improved to centralise 20 government agencies and 100 foreign halal certification bodies under one platform • RM20m for Halal Industry Development, including the Halal Go Global initiative • RM15m for assistance for local halal entrepreneurs to transition towards sustainable and green practices to enhance the potential of halal export businesses abroad • RM600m by Bank Pembangunan Malaysia Berhad (BPMB) and SME Bank in offering specialised financing to halal MSMEs • Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPP) guarantee up to 80% of halal SME financing with a guarantee value of up to RM1bn • RM20m for MATRADE to drive the capacity development of more halal enterprises to become more competitive
31. Waqf Land Development	<ul style="list-style-type: none"> • RM300m of funds by KWAP to boost waqf land development for building self-sustaining retirement homes for low-income retirees • RM200m of funds by UDA for the development of affordable housing for the people on waqf lands • Public Sector Home Financing Board (LPPSA) will provide funds for the benefit of civil servants purchasing homes on waqf land • Government guarantee through Syarikat Jaminan Kredit Perumahan (SJKP) for programs under financial institutions offering financing for first home purchases valued up to RM500,000 developed on waqf land • PNB, through Wakaf ASNB, is further strengthened as a channel for unit holders to endow their ASNB unit trust investments through a combination of investment and waqf. The dividends from unit holders will be channelled to waqf projects for the benefit of the community • Wakaf MARA MADANI aims to attract waqf contributions from corporate sector, including figures who have previously benefited from MARA, to achieve a funding target of RM1bn
32. Business Assistance and Financing	<ul style="list-style-type: none"> • RM40bn as overall loan facilities and business financing guarantees under government agencies, include: <ul style="list-style-type: none"> ○ RM1.4bn of micro financing scheme by Bank Simpanan Nasional (BSN) ○ RM330m of Skim Pembiayaan Inklusif under TEKUN Nasional, including RM30m for specific business financing for the Indian community ○ RM650m of special allocation to encourage women and youth to enter the business sector ○ RM7.1bn of BNM Loan Fund to support MSMEs, including RM3.3bn specifically allocated for micro enterprises and low-income entrepreneurs, small contractors, the adoption of sustainability practices, and sectors related to food security ○ RM20bn by Skim Jaminan Pembiayaan Perniagaan (SJPP), continue supporting SMEs in focus sectors such as halal, high technology, ESG, and tourism ○ RM100m for Dana Tabung Modal Pusingan under Suruhanjaya Koperasi Malaysia (SKM) ○ RM200m for Skim CAKNA 1 dan CAKNA 2 • RM100m for Indian Community Programme – Empowering socio-economy of the community (MITRA) • RM30m for Skim Pembiayaan Untuk Masyarakat India (SPUMI) under TEKUN • RM10m for Buy Malaysian Goods Campaign • RM8.7m for Franchise Entrepreneur Development Programme <ul style="list-style-type: none"> ○ RM2.7m for Enhanced Franchise Development Programme (EFDP) ○ RM6m for Be Your Own Boss (BYOB) Project • RM9m for vendor development through research and commercialisation grants <ul style="list-style-type: none"> ○ RM7m for Vendor Capacity Development Programme ○ RM2m for Vendor Research and Commercialisation Programme • Loan or financing amount limit under the Micro Financing Scheme for stamp duty exemption will be increased to RM100,000 starting from 1 January 2025 • Full stamp duty exemption on loan or financing agreement executed by MSMEs with investors through the Initial Exchange Offering (IEO) platform from 1 January 2025 to 31 December 2026

Initiative	Key measures and initiatives			
32. Business Assistance and Financing (cont.)	• Micro credit scheme:			
	Financial institution	Program / Scheme	Available fund (RM million)	
	Bank Negara Malaysia (BNM)	Micro Enterprises Facility (MEF)	700	
		i-TEKAD	80	
	Bank Simpanan Nasional (BSN)	Skim Mikro Umum	520	
		Skim Mikro Wanita	250	
		Skim Mikro Belia	150	
		Skim MulaNiaga	50	
		Skim Mikro Industri Desa	40	
		Skim Mikro Bakti	20	
		Skim Mikro GIG	20	
		Skim Mikro Penjaja	100	
		Skim Mikro Sinar	50	
		Pembiayaan Perkampungan Baru Cina	150	
		Skim Pembiayaan Usahawan Perusahaan Kecil Komuniti Cina	90	
		Skim Penjaja Kecil Cina	5	
	TEKUN Nasional	Tabung Ekonomi Kumpulan Usaha Niaga - Bumiputera 2.0	300	
		Skim Pembangunan Usahawan Masyarakat India	30	
	• More than RM7bn is available under the BNM Fund, which will be disbursed through the involved financial institutions (PFI). Selected BNM's facilities for SMEs:			
	Scheme	Available fund (RM million)	Segments for special allocation	Allocation (RM million)
All Economic Sectors Facility	2,100	Micro enterprises and low-income entrepreneurs	200	
Agrofood Facility (AF)	1,300	Small contractors (G1-G4)	200	
High Tech & Green Facility (HTG)	1,300	Food security	100	
Low Carbon Transition Facility (LCTF)	600	Sustainable and low-carbon practices	100	
SME Automation and Digitalisation Facility (ADF)	600			
PENJANA Tourism Financing (PTF)	200			
Disaster Relief Facility (DRF)	300			

Initiative	Key measures and initiatives			
32. Business Assistance and Financing (cont.)	<ul style="list-style-type: none"> SME soft loan: 	Financial institution	Program / Scheme	Available fund (RM million)
		Agrobank	Dana Pembiayaan Agromakanan	200
			Program Modenisasi Rantainya Nilai Agromakanan	30
			Program Tanam Semula Pekebun Kecil Sawit (TSPKS) 2.0	100
		Bank Rakyat Malaysia	BR Plus - i BizLady	30
			Financing for MSMEs	750
			Financing for Cooperatives	250
		EXIM Bank	Skim Insentif Pemampunan Pengeksport (SIP2)	750
		Majlis Amanah Rakyat (MARA)	SPiKE and SPiKE GLC Entrepreneurship Development Programme	320
			Youth Entrepreneurship Development Programme	30
			MARA Integrated Smart Auto Financing Scheme	20
			Professional Entrepreneur Development Financing Scheme	40
			Special Business Financing Scheme for Women	90
		Malaysian Industrial Development Finance (MIDF)	Skim Pembiayaan Mudah bagi Automasi dan Pemodenan	180
			Aerospace and Electrical & Electronic Investment Fund (AEEIF)	50
			Second Chance Financing (2CF)	29
			Matching Grant For Bumiputera Aerospace SMEs (MGBAS)	10
			Green and Sustainable Business Financing	39
			Sustainable Mobility Biz Financing (SMBF)	10
		Perbadanan Usahawan Nasional Berhad (PUNB)	PROSPER Financing	300
Suruhanjaya Koperasi Malaysia (SKM)	Tabung Modal Pusingan (TMP)	100		

Initiative	Key measures and initiatives																																					
32. Business Assistance and Financing (cont.)	• SME soft loan: (cont.)																																					
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	• RM20bn of Guarantee Scheme by Syarikat Jaminan Pembiayaan Perniagaan (SJPP), with focus sectors as follows:																																					
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Initiative	Key measures and initiatives
33. Hawkers and Small Traders Facilities	<ul style="list-style-type: none"> • RM100m for: <ul style="list-style-type: none"> ○ Constructing stalls and repairing public market infrastructure in all local authorities across the country ○ Providing business space for small hawkers in Tamu Desa Sabah and Sarawak ○ Upgrading business facilities under DBKL and MARA • RM1.2m for SHIFT@Wilayah Programme to facilitate business registration and licensing process for 2,000 informal entrepreneurs
34. Bumiputera Economic Transformation	<ul style="list-style-type: none"> • RM800 million loan under MARA and PUNB is available for more Bumiputera entrepreneurs, including to support local artisans [<i>may overlap with initiatives below</i>] • Strengthening the support chain for Bumiputera companies throughout the business cycle: <ul style="list-style-type: none"> ○ Early stage: MARA assists Bumiputera start-up companies ○ Mid stage: Ekuinas focuses on investments to prepare Bumiputera companies for public listing ○ Next stage: PNB acts as a strategic investor in the development phase • RM1.3bn to empower G1-G4 contractors, specifically Bumiputera contractors to undertake small and medium projects such as road construction and the repair and maintenance of public infrastructure • 50 acres of the Bandar Malaysia strategic project development is allocated as Malay Reserve Land • PNB and PHB are enhancing cooperation to develop Malay Reserve Land in affordable housing projects, rental homes, student accommodation, and elderly care facilities • RM100m for initiatives under the Bumiputera Economic Transformation Plan (PuTERA35) to uplift the status and dignity of Bumiputera • RM500m for empowerment of Bumiputera entrepreneurship development programmes under MARA • RM185.5m of loan facilities for Bumiputera entrepreneurs: <ul style="list-style-type: none"> ○ RM29.5m for Assessment and Counselling ○ RM140m for Islamic Loans/Financing ○ RM16m for Rural Economic Development • RM200m for CAKNA 2 Scheme to support the cash flow of G1-G4 contractors in completing government small-scale projects valued up to RM1.5 million



FOCUS AREA 3: PROSPERING THE RAKYAT

Initiative	Key measures and initiatives
35. Cost of Living of the Rakyat	<ul style="list-style-type: none"> • Sumbangan Tunai Rahmah (STR) and Sumbangan Asas Rahmah (RM13bn) <ul style="list-style-type: none"> ○ 5.4 million STR recipients comprising of household and senior citizens will receive monthly allowance of RM100 through Sumbangan Asas Rahmah (SARA), to be distributed through MyKAD starting from Apr 2025 ○ Allowance rate for STR youths will be increased to RM600 ○ Maximum rate received by STR household recipients has been increased to RM4,600 • Cash handouts by Department of Social Welfare (JKM) (RM2.9bn) <ul style="list-style-type: none"> ○ Senior citizens aid increased to RM600 monthly ○ Child assistance rate for low-income families: <ul style="list-style-type: none"> ❖ Increased to RM250 for a child age 6 and below ❖ Increased to RM200 for a child aged between 7-18 years old ❖ Maximum of RM 1,000 for each family ○ Federal Territories: general assistance increased to RM150 from a minimum rate of RM100 to a maximum of RM500 per family • Payung RAHMAH initiative (RM300m) • Price control programme of goods, including through cooperations with supermarkets, wholesale markets, retail stores, farmers' markets, cooperatives, etc. (RM700m) • Continued allocation of Expansion of Essential Goods Distribution Programme to several zones including new distribution areas at Magandai, Marudu Town, and Nanga Pelawan, Bintulu to distribute basic necessities (RM250m) • Continuation of the Electricity Bill Rebate Program up to RM40 per month to the poorest households (RM55m) • Price Uniformity Program in Sabah, Sarawak, and Labuan (RM40m) • Increase individual income tax exemption on the payment of education insurance and medical insurance premiums to RM4,000 • Expand individual income tax exemption for medical expenses up to RM10,000 to cover the part of medical payments made by taxpayers under insurance products and medical and health takaful with co-payment features • Extend income tax exemption on income arising from overseas sources until 31 Dec 2036
36. Income of the Rakyat	<ul style="list-style-type: none"> • Minimum wage increase to RM1,700 from RM1,500 effective 1 Feb 2025 (effective 1 Aug 2025 for employers who are hiring less than 5 employees) • Progressive Wage Policy (RM200m) • People's Income Initiative (IPR) (RM250m) • Ekonomi MADANI in army camps (RM10m) • Malaysia Short-term Employment Programme (MySTEP) initiative to continue until 2025 • 2 years Empowerment Program (2YEP) of the Department of Social Welfare (JKM) (RM2m)
37. Social Protection	<ul style="list-style-type: none"> • Increase in the Government matching incentive rate for i-Saraan programme from 15% to 20% of the total annual individual contribution, subject to a maximum annual matching incentive of RM500 or RM5,000 for life (RM150m) • Continuing the matching incentive of the i-Suri EPF Program with a Government contribution of 50% of the annual contribution (RM20m) • Continuation of the Self-Employed Social Security Scheme (SKSPS) subsidy program under SOCSO (RM100m) • Perlindungan Tenang scheme was continued in collaboration with Bank Negara, the insurance industry and takaful for the benefit of 2 million STR beneficiaries

Initiative	Key measures and initiatives
37. Social Protection (cont.)	<ul style="list-style-type: none"> • EPF is reviewing its scheme to strengthen its intergenerational transfer approach whereby a portion of the EPF member's savings can be transferred directly into the EPF account of the immediate family member in line with the concept of hibah in Islam • Extend the individual income tax relief on contributions to the Skim Persaraan Swasta (PRS) and deferred annuity premium payments until YA2030 • All non-citizen employees are obliged to contribute to EPF with the following details: <ul style="list-style-type: none"> ○ For all non-citizen employees with new contracts, the contribution rate is 11% (employee contribution), 12% or 13% (employer contribution), subject to wage ○ For those on current contracts, the employer and employee contribution rate will start at 2% each and will be increased in phases until the contribution rate is equal to the contribution rate of a citizen employee over a period of 6 years • In order to reduce the cost of surrender and to encourage insurance coverage and takaful grants to family members, the surrender of life insurance policies and family takaful certificates by charity or through a trustee will be subject to stamp duty at a graduated rate ranging from RM10 to RM1,000 based on the transfer value of the property. • MYInsentif Programme KESUMA (RM30m)
38. Mainstream Education	<ul style="list-style-type: none"> • Ministry of Education allocation (RM64.1bn) • Maintenance, improvement and upgrading of school buildings and facilities across the country (RM2bn) <ul style="list-style-type: none"> ○ Maintenance of facilities, including canteens for all types of schools: national schools, Chinese schools, Tamil schools, religious schools, schools in military camps, and special education schools for persons with disabilities (RM1bn) ○ Upgrade of dilapidated infrastructure in 543 schools, particularly in Sabah and Sarawak (RM1bn) • Construction of 44 new schools • Fixed-Line Broadband Infrastructure Connectivity Programme to 4,323 rural schools in Peninsular Malaysia, Sabah and Sarawak for internet access facilities (RM100m) • Continued funding for Point of Presence (PoP) projects under JENDELA (RM830m) • Repair of musolla and canteen facilities in schools especially sinks, lamps, fans, dining tables and decrepit environments (RM100m) • Encouraging donations from private bodies, government companies, alumni and philanthropists to improve facilities such as school halls • Overall allocation for 17 types of educational assistance such as meal programmes for dormitories and pre-schools (RM5.3bn) • Boarding School Food Assistance (BMA) (RM2bn) • Rancangan Makanan Tambahan (RMT) to 867,000 students to ensure that children of poor families are also supplied with nutritious meals (RM870m) • Early Schooling Assistance (BAP) of RM150 to students from year 1 to grade 5 regardless of parental income limit (RM791m) • Increase Poor Students' Trust Fund (Kumpulan Wang Amanah Pelajar Miskin) (RM180m) • To improve access to education for students from disadvantaged families, the Government agrees to pay salaries or wages to the teaching staff by institutions and organisations with the objective that education approved under subsection 44 (6) of the Income Tax Act 1967 is allowed as welfare expenditure. • Increase in the per capita grant rate for TVET Education to 15% (RM913m) • Additional Rural School Assistance for 687 rural schools (RM10m) • Increase the living allowance for trainer teachers under the Bachelor of Education Programme in Institut Pendidikan Guru (IPG) to RM530 per month • STI 1003 program involving 100 local scientists targeting 100 schools in 100 days (RM1m) • Empower STEM education in KPM schools by upgrading computer labs and providing new equipment (RM36m) • Preschool Food Assistance (BMP) (RM137m)

Initiative	Key measures and initiatives
39. Higher Education	<ul style="list-style-type: none"> • Ministry of Higher Education allocation (KPT) (RM18bn) • Allocation for scholarships, loans and education grants covers various ministries to benefit all young people to continue their education to higher education (RM4bn) • GLIC and GLC commitment to ensure at least 50% of scholarships are reserved for children of low- and middle-income families • The government suggested that the corporate sector be more generous and more proactive in providing scholarships up to university level, especially to the low- and middle-income groups. The government will allow such expenses as are eligible for tax deduction • PTPTN education funding fund to give priority to students pursuing STEM studies at HEI (RM500m) • Extend individual tax relief on net savings in the National Education Savings Scheme (SSPN) to YA2027 • Geran Padanan Ihsan (GAPAI) initiative, extend the criteria for granting a matching grant of up to RM5,000 to be deposited in the SSPN savings account of students continuing their studies at HEI to families with incomes up to RM6,000 (RM5m) • Implementation of the Celik MADANI Program by PNB is the opening of an ASB account worth RM50 per 100,000 new students pursuing higher education (RM5m) • Replacement, upgrading and rehabilitation of IPTA's obsolete infrastructure and equipment to create a higher education ecosystem in line with industrial needs (RM501.6m) • Digitisation of higher education through DIGITAL FIRST Higher Education initiative involves digitisation of PdP in public universities, public computing, upgrading and expansion of infrastructure of campus network LAN and Wi-Fi that are already depleted (RM135.6m) • Provision is made for UITM to produce more E&E engineers (RM20m) • Construction of the Terengganu Matriculation College (RM27m) • Upgrade Advanced Medical and Dental Institute, Universiti Sains Malaysia (IPPT USM) to the Clinical and Cancer Research Specialist Centre, Universiti Sains Malaysia (PPKPKUSM) (RM2m) • Developing talent with knowledge and skills in line with E&E industry needs (RM3.1m) • Increasing the capacity and development of targeted communities by leveraging IPT research results through the Komuniti@UniMADANI Programme (RM15m) • Malaysia Research and Education Network (MYREN) project at public HEIs, polytechnics, and community colleges will continue to upgrade broadband capacity (RM80.7m)
40. Artificial intelligence (AI)	<ul style="list-style-type: none"> • Expansion of upgrading facilities and providing platform to empower the field of AI to Research Universities (RM50m) • R&D funds under Ministry of Higher Education (KPT) and Ministry of Science Technology and Innovation (MOSTI) with breakdown as follows (RM595m): <ul style="list-style-type: none"> ○ MoHE (RM400m) ○ MOSTI (RM195m) • Malaysia Science Endowment (MSE) Trust Fund to drive R&D initiatives in the field of science and technology with the involvement of private and industrial parties through the provision of matching funds (RM170m) • Cultivate of Science, Technology and Innovation (STI) through the Malaysia Techlympics Programme which encompasses competitions, exhibitions, focused training and conventions (RM10m)
41. TVET Empowerment	<ul style="list-style-type: none"> • The overall allocation of the TVET Programme, with priority given to (RM7.5bn): <ul style="list-style-type: none"> ○ Increase cooperation with industry; ○ Provide training opportunities for vulnerable youth including from urban poor, marginalised, rural and Indigenous groups; and ○ Bring TVET services to the benefit of the community • Matching grant funding for the 'Anak Angkat ILKA' program by industry (RM50m) • GLC will lead the development of new skills training for their respective industries such as TNB (energy transition) and SD Guthrie (plantation mechanisation and automation) • Companies will be given tax deductions on new equipment and machinery donated to ILKA, polytechnic or registered vocational college from the YA2025-2027 • Employers are authorised to use up to 50% of HRD Corp. funds to fund skills training facilities including equipment costs and modification of training facilities • Incentive to employers who hire vulnerable groups such as OKU, ex-prisoners, of RM600 per month for 3 months under SOCSO supervision (RM20m)

Initiative	Key measures and initiatives
41. TVET Empowerment	<ul style="list-style-type: none"> • Vocational colleges and technical high schools will continue to provide training to 77,000 students (RM1.2bn) • Funding by PTPK to benefit over 20,000 trainees including RM100 million dedicated to NIMP priority areas such as MRO, EV, aerospace and AI(RM500m) • HRDCorp will offer 3 million training opportunities and reallocate a special fund of 15% of the total levy quotation to the MADANI Training Program for vulnerable groups (RM3bn) • Khazanah Youth Development Programme (K-Youth) under Khazanah to supply 11,000 local talents to key sectors such as semiconductors (RM200m) • Tahfiz's TVET Empowerment Program for Bumiputera children in an effort to produce more skilled huffaz professionals (RM55m) • Short-term training by GiatMARA to over 3,000 gig workers (RM10m) • Double the deduction on the expenditure of companies implementing the Structured Training Program (MySIP) under Talent Corp, extend to students undergoing structured training conducted by industry regulatory bodies and extended until the YA2030 • SOCSO will build a rehabilitation center in Terengganu offering comprehensive services including rehabilitation treatment and re-employment programs (RM600m) • Increasing the engagement of focused communities with TVET, entrepreneurship and digital technology skills through Lifelong Learning Programmes in community colleges to improve socio-economic (RM5m) • Establishment of the Malaysia-China Institute (MCI) in Bagan Datuk, Perak for High Impact TVET (RM20m) • Implementation of TVET Sport and TVET Youth Autism to produce skilled youth (RM1m) • Empowerment of TVET Aerospace Talent under the MyAEROCentre of Excellence (RM15m) • Collaborative Research in Engineering, Science and Technology (CREST) in collaboration with Qualcomm will develop certification modules for Bluetooth and wifi radio frequency testing for the automotive sector (RM10m)
42. Healthcare	<ul style="list-style-type: none"> • Ministry of Health (MOH) allocation (RM45.3bn) • Supplies of drugs, reagents, vaccines and consumables (RM6bn) • RM1.3bn for maintenance of health infrastructure includes RM300m allocation to upgrade the poor clinics across the country • Additional excise duty (40 cents a litre) on sugary drinks, will be used for the following initiatives: <ul style="list-style-type: none"> ○ Strengthening the treatment of Diabetes Mellitus using SGLT-2 in hospitals and health clinics across the country ○ Expansion of Peritoneal Dialysis (PD) treatment for End Stage Kidney Disease (ESKD) patients to more MSM patients nationwide in addition to FELDA which according to improve the dialysis centre in FELDA area ○ Strengthening the treatment of cancer patients with Targeted Therapy Method in MSM hospitals • Healthy Malaysia 2.0 national agenda (RM51m) • Increasing people's accessibility to sports and leisure activities (Sports for All) through increasing access to the use of sports facilities and programs for specific target groups (RM23.9m) • Organisation of National Sports Day (RM3m) • Expand the scope of individual income tax exemptions on medical expenses to include the payment of disease detection tests, the purchase of health screening equipment and disease detection test kits as a step towards autonomous health care practices • Rakan KKM Initiative in collaboration with GLIC for a pilot phase to empower public health services along with the provision of affordable paid service options. Implementation will begin in five selected SME hospitals with high demand and appropriate infrastructure such as Cyberjaya Hospital (RM25m) • Provision of outpatient services to military, university and private hospitals (RM144m) • Public-private partnership with 91 private hospital service providers in outreach to MSM patients for specific treatments and services such as cardiology, radiology and nephrology • Specialised procurement with appropriate mechanisms for critical pharmaceutical and medical device products from local companies to provide opportunities for local suppliers to increase their business and further feed the national pharmaceutical and medical device industry

Initiative	Key measures and initiatives
42. Healthcare (cont.)	<ul style="list-style-type: none"> • Encourage investment to establish the production of halal vaccines • Allocation to the best-known MoH specialist hospitals identified for procurement of state-of-the-art equipment (RM100m) • Establishment of Cancer Specialist Hospital in Kuching and Heart Specialist Hospital in Kota Kinabalu • Acquisition of new medical equipment in line with the current state-of-the-art health discipline (RM520.3m) • Construction of 15 new health facilities including Health Clinics in Mersing, Johor; Keningau, Sabah; Betong, Sarawak; Pasir Putih, Kelantan and Chemor, Perak (RM1bn) • Medical costs associated with the treatment of rare diseases are increasing (RM25m) • Extension of MySalam scheme to cover rare diseases • Donations to the Rare Diseases Fund are also eligible for a tax deduction equal to the amount of the actual donation. • Improvement and replacement of equipment for physiotherapy services in KKM health clinics (RM5m) • Acquisition of new ambulances to ensure full readiness for any emergency call (RM195m) • Provision for a cloud-based clinical management system (CCMS) (RM19.8m) • Mental Health Initiatives (RM24.6m) • Dental health initiatives (RM119.4m) • Allocation of the MADANI Healthcare Scheme (RM100m) • Initiatives for Infants and Children (RM380m) • Peduli Sihat Kumpulan B40 (PeKA B40) Scheme (RM80m) • Basic health screening program under SOCSO for self-employed and gig workers to promote healthy lifestyles • Haemodialysis and peritoneal dialysis services to vulnerable groups in collaboration with the Yayasan Hasanah (RM5m)
43. Rakyat Residential Homes	<ul style="list-style-type: none"> • 48 Projek Perumahan Rakyat (PPR) (RM405m) • 14 Rumah Mesra Rakyat (RMR) projects continued involving the construction of 5,410 new housing units (RM452m) • Government guarantee under the SJKP for housing financing for the benefit of 20,000 home buyers (RM10bn) • Standardise and increase the assistance for building new houses for people including residents of PPRT, fishermen, Kampung Baru Cina, to a maximum of RM90,000. The ceiling rate for renovating people's houses was also increased to a maximum of RM20,000 • Maintenance of low and medium cost strata houses, public and private (RM97m) • Maintenance and replacement of elevators under the Penyelenggaraan Perumahan Mampu Milik Berstrata (LIF) (RM88.1m) • Upgrading 48 MADANI Public Park projects and landscapes for the enjoyment of local communities both in cities and small towns (RM96m) • Upgrading basic and social facilities for community use in Kampung Baru Cina (RM84m) • Coordination of needs among village areas for the Indian community (RM10m) • Empowering the Anak Kita programme under the Yayasan Hasanah to address the issue of educational deprivation for 80,000 children (RM30m) • A Government pilot project jointly funded with UNICEF to address malnutrition issues in Klang Valley People's Housing Programme (PPR) (RM5m) • Dapur Digital platform by Pepper Labs and Yayasan Hasanah to stimulate citizen economic activities such as food enterprises (RM5m) • Installation of 180 closed circuit cameras (CCTV) in high definition and 45 panic buttons to strengthen the level of public security in Putrajaya and Labuan (RM11m) • A community empowerment framework to strengthen the role of residents' associations as community-level facilitators with leadership training for residents' associations provided by the Sime Darby Foundation, NGOs and relevant Government agencies (RM10m)

Initiative	Key measures and initiatives
43. Rakyat Residential Homes (cont.)	<ul style="list-style-type: none"> • To encourage first home ownership, the Government proposes to provide an individual tax exemption of up to 7,000 ringgit on interest payments on housing loans as follows: <ul style="list-style-type: none"> ○ Tax exemption of up to RM7,000 is given for residential houses worth up to RM500,000 ○ Tax exemption of up to 5,000 ringgit is given for residential houses valued over RM500,000 to RM750,000 ○ This exemption can be claimed for three consecutive assessment years on PPAs finalised in the period 1 January 2025 to 31 December 2027 • The construction of crematoriums in several states involves Kedah, Johor, Selangor, Negeri Sembilan and Penang (RM20m)
44. Basic Rural Infrastructure	<ul style="list-style-type: none"> • Provision of basic infrastructure in rural, rural and remote areas (RM2.9bn): <ul style="list-style-type: none"> ○ Construction and repair of rural village roads(RM1.8bn) ○ Construction and upgrading of 142 bridges that are deemed no longer safe (RM86m) ○ Jalan Kampung Lighting project (RM270m) ○ Electricity supply connectivity (RM352m) including RM284m specifically for Sabah and Sarawak covering 1,050 homes) ○ Clean water supply (RM322m) including RM207m specifically for Sabah and Sarawak covering 4,100 households ○ Construction and repair of other basic facilities such as highways, civic halls and covered roads in villages and rural areas (RM37m) • Support will be provided for the cooperation of public universities in improving village infrastructure • Skim Pembangunan Kesejahteraan Rakyat for the rehabilitation of rural houses(RM464m)
45. Digital Connectivity	<ul style="list-style-type: none"> • The announcement of the second 5G network will be implemented in an effort to enhance the competitiveness of the ICT sector • Implementation of the 5G Use Case Pilot Project (ASEAN 5G Showcase) to fund the application of enterprise 5G pilot projects for various sectors (RM20m) • Malaysian Communications and Multimedia Commission (MCMC) agrees to improve internet access in public universities, schools, military camps and MARA institutions (RM120m)
46. Public Transport and Road Network	<ul style="list-style-type: none"> • Subsidies for Rural Air Services (RAS) to benefit rakyat of Sabah and Sarawak, including opening new routes such as from Kota Kinabalu to Layang-Layang and from Miri to Long Banga (RM209m) • Continuation of the My50 Monthly Pass (RM216m) <ul style="list-style-type: none"> ○ Benefits 180,000 residents of the Klang Valley using bus and rail infrastructure ○ Subsidies of RM150 a month or RM1,800 a year • Expand Stage Bus Service Transformation (SBST) and Interim Stage Bus Support Fund (ISBSF) to additional locations, namely Kota Setar, Kota Bharu, Kangar, Ipoh and others. Expand complimentary travel on all BAS.MY rides across the country for students at all universities, polytechnics, community and matriculation colleges under the SBST programme (RM273m) • Extension of special bus lanes to improve the efficiency of bus services in Klang Valley covering three (3) routes namely Jalan Ipoh, Jalan Cheras, and Jalan Gombak, 47km (RM10m) • Acquisition of 250 electric buses by Prasarana and acquisition of 12 wagons of KTMB passenger trains by the Ministry of Transport. While 50 more train carriages were leased to me through a government-Chinese partnership. • GLC's strategic collaboration with the private sector to improve 100 bus stops in seven (7) PBT areas in the Klang Valley • Extension of existing Demand Responsive Transit (DRT) by Prasarana in and around the school area for the convenience of students going and returning by van facility from selected train stations for a fee of 50 cents per trip • Free fare to all university, polytechnic, community college and matriculation students across the country who use BAS.MY services. • Construction of new road projects to improve access to public amenities and business activities • Maintenance of Jalan Sekunder, Jalan Felda, and Jalan Industri including upgrading works of bridges and Jalan Persekutuan which are often flooded (RM1.2bn) • RM1.6bn for upgrading Federal Road, including RM450m specifically for Bumiputera G1-G4 Small and Medium Contractors

Initiative	Key measures and initiatives
46. Public transport and Road Network (cont.)	<ul style="list-style-type: none"> Funding for the Malaysian Road Records Information System (MARRIS) to maintain state roads, including damaged drainage, slopes and bridges due to disasters, as well as procurement of temporary Bailey bridges for all State Government (RM5.5bn) Improving road user safety through the maintenance of smart street lights and signals and Federal Road infrastructure (RM178m) Enhance District Engineers' services to address minor and unexpected complaints of Federal Roads through the allocation of 115 District Engineers (RM30m) Installation of High-Speed Weight in Motion (HSWIM) through strategic partnership with the private sector to reduce the risk of accidents and overcome congestion and road damage caused by vehicles exceeding the load limit Subsidy of operating costs of less economical train services in Eastern Region (RM22m) Upgrading conventional street lights to LED lights by retrofit method in urban and rural areas to create a sustainable, safe environment and reduce maintenance costs Rural bridge upgrade (RM85.8m) Allocation of the Dana Mudah Cara Infrastruktur (RM55m)
47. Women	<ul style="list-style-type: none"> The target for the percentage of women in decision-making positions in listed companies is at least 30% Women's Empowerment Programs (RM25m) Returnship Programme is a pilot initiative launched by BNM and SC to encourage women to return to work in the financial sector after they take a career break (RM5m) Empowerment of family institutions (RM200m) Additional 50% tax deduction to employers on employment expenses for 12 months for hiring women returning to work for applications received by TalentCorp from 1 Jan 2025 until 31 Dec 2027 Financing funds have been provided by SME Bank, BSN, Bank Rakyat and MARA in supporting women SMEs in obtaining working capital, purchasing assets and further enhancing business capacity to a higher level (RM470m) Additional 50% tax deduction on the cost of capacity development and software acquisition expenses incurred by the employer in implementing flexible working arrangements for applications received by TalentCorp from 1 Jan 2025 until 31 Dec 2027 Additional 50% tax deduction for the benefit of additional caregiving leave paid by the employer for up to 12 months to employees who care for a sick or disabled child or family member for applications received by TalentCorp from 1 Jan 2025 until 31 Dec 2027 Pusat Sokongan Sosial Setempat (PSSS) offer social services that provide emotional support including guidance and counselling to target groups such as women, children, senior citizens and OKUs to alleviate psychosocial issues (RM8m) Introducing the Kesejahteraan Komuniti initiative aimed at improving the living standards of the People in the Federal Territory, while forming a competitive society (RM3m) Continue to strengthen the understanding of Gender Responsive Budgeting (GRB), across all Ministries and Agencies to ensure that the budget is prepared in an inclusive manner
48. Youth	<ul style="list-style-type: none"> National Service Training Program 3.0 will be piloted with a new concept for cadet training (RM50m) Implementation of the Rakan Muda Programme to be a platform for building the potential and identity of self-reliant youth (RM25m) Step-Up Financing Scheme introduced as a special government guarantee for young people who want to own their first home with a lower loan repayment for the first 5 years (RM5bn) Matching Grant (LiKES) for SMEs and startups catered to university students, especially those in the STEM fields, to offer structured industrial training placements (RM10m) Extending Tunas Usahawan Belia Bumiputera (TUBE) programme (TUBE) (RM20m) Anjung Sinar transit centre which is a temporary transit centre to provide social support system to children out of the institutions of the Department of Social Welfare (JKM) to empower the potential of children by providing educational opportunities and skills for preparation towards a sustainable future (RM4.5m)

Initiative	Key measures and initiatives
49. Children	<ul style="list-style-type: none"> • Implementation of the First 1,000 Days of Life Strengthening Program through the Elimination of Hepatitis B Transmission from Pregnant Mother to Child through Early Screening Program (RM5m) • Construction of 34 new preschools (RM224m) • Construction of 16 taskas and a new Tabika Kemas (RM38m) • Extend individual income tax relief on the payment to TASKA and TADIKA fees until YA2027 • Construction of 11 new Kurnia Centres (RM125.4m) • Construction of two (2) new special needs schools namely Tuaran Vocational Special Education Secondary School (SMPKV), Sabah and Johor Bahru National Special Education Secondary School, Johor (RM300m) • Special Needs Student Allowance RM150 a month to more than 110,000 OKU students (RM200m) • Allowance and support to parents and children with autism (RM33m): <ul style="list-style-type: none"> ○ Tuition assistance for 30,000 autistic children to ease the burden of eligible parents (RM15m) ○ Assistance to private autistic schools registered with KPM to complete learning facilities (RM10m) ○ Establishment of the Autistic Service Centre (RM5m) ○ Tax relief threshold for treatment and rehabilitation expenses of autistic children will be increased to RM6,000 ○ Increase in the rate of children's pocket money in JKM institutions (RM3m) • Childcare Fee Subsidy for households earning below RM8,000 enrolling their children to government-registered TASKA (RM9m); <ul style="list-style-type: none"> ○ Childcare Fee Subsidy for parents/families with per capita income below RM800 for urban and RM500 for rural at institutional nursery ○ Childcare fee subsidy for income of RM5,000 and below at Community Nursery ○ Child welfare team/ child protection team ○ Children's activities centre • Temporary management and operation of children affected by the migration process in Malaysia under the Alternative to Detention initiative (RM2m) • Early childhood education programme under the Department of Social Development (KEMAS) (RM373m)
50. Senior Citizens	<ul style="list-style-type: none"> • Provision for the welfare of the senior citizen (RM1bn) • Operating Grants of the Golden Citizen Institution, Children, OKU by NGOs (RM20m) • Individual income tax exemptions related to sports activities and health care be revised to preserve the welfare and ensure the care of senior citizens: <ul style="list-style-type: none"> ○ Tax exemption expenses of full parental medical examination expanded to cover vaccination costs; ○ Exemption from tax on equipment and sports activities expenses extended to parents; ○ Tax relief for medical care expenses for parents includes grandparents; ○ Individual income tax exemption on child care allowance extended to cover care of senior citizens i.e. parents, grandparents; and ○ Additional tax deductions for employers who pay child care allowance are also extended to cover the care of senior citizens i.e. parents, grandparents

Initiative	Key measures and initiatives
51. Persons with Disabilities (PWD)	<ul style="list-style-type: none"> • Allocation for the wellbeing of PWDs including assistance for chronic patient care, allowances for unfit PWDs and PWD Workers (RM1.3bn) • Increase the salary eligibility requirements for receiving Incentive Allowance for Disabled Workers Salary to RM1,700 • Developing and upgrading the facilities of the HEIs to be more PWD-friendly (RM20m) • Increasing the livelihood of the PWD to improve the living standards and income of the community through the Community Rehabilitation Programme (CCRP) (RM10m) • Empowerment of Government Digital Services through GovTech, a unit under the Ministry of Digital, including ensuring that all content on Government websites has PWD-friendly features, especially in terms of vision and hearing (RM10m) • PWD-Friendly Call Centre by MyGCC to meet the needs of PWD callers, such as providing video call facilities in sign language) (RM10m) • Strengthen educational equity for special needs students by improving OKU-friendly facilities and infrastructure and providing teaching and learning (PdP) equipment for special needs students (RM30m) • No more renewal fee for business registration for Skim 1 OKU 1 Perniagaan (S1O1P) • Availability of financing through Skim Sinar BSN for those PWDs who wants to venture into business (RM50m) • Critical equipment needs for autism patients (CCM) (RM2m) • Increase tax relief for PWD to RM7,000; • Increase tax relief for PWD's spouse to RM6,000 • Increase tax relief for taxpayers with PWD dependents (children) to RM8,000
52. Orang Asli	<ul style="list-style-type: none"> • Allocation for the Orang Asli community, including the Orang Asli Plantation Redevelopment Project across the country (RM376m) • Joint initiative of JAKOA and NGOs to safeguard the welfare of Orang Asli (RM10m) • Profiling and mapping of high-risk slopes in indigenous settlements (RM18m) • Community feeding for indigenous children (RM15.3m) • Sponsorship of Indigenous education in higher education institutes by MARA (RM7.5m)
53. Second Chance	<ul style="list-style-type: none"> • Improvement of the Second Chance Policy Initiative (Insolvency 2.0) – ‘Out of Box Strategy’ method to improve the efficiency of bankruptcy processing and extended to bankrupt companies • Intensify the Second Chance Program (PEKA) to return prisoners to society as positive people (RM10m) • Extension of the Baitul Mahabbah Program by the Department of Immigration in collaboration with NGOs and relevant international organisations to ensure that children of foreign nationals are sheltered in appropriate temporary places other than the immigration detention depot • Enactment of a new act to enable the punishment of house arrest as an alternative to certain offences where the offender is required to be in a place of detention deemed appropriate such as a residential home, a care home, a worker's dormitory etc. during the period of detention under the conditions prescribed and shall be monitored and supervised by the prison officer • Drug Dependants (Treatment and Rehabilitation) (Amendment) Bill 2024 approved in the Senate on August 1, 2024, and will be enforced in 2025
54. Islamic Principles	<ul style="list-style-type: none"> • Allocation to the Ministry of Women, Family and Community Development (KPWK) to handle abused children and restore faith (aqidah) following to the ongoing Ops Global (RM25m) • Overall allocation for Islamic affairs (RM2bn) • Maintaining the maintenance of religious, tahfiz and institutions that conduct the Al-Quran and Fardu Ain classes (KAFA) on premises not belonging to the Ministry of Education Malaysia (MOE) (RM150m) • Addition of 1,500 KAFA teachers aims at improving the quality and effectiveness of Teaching and Learning (PdP) of Quran and Fardu Ain (KAFA) Classes of Special Needs Students (SNN) and Pre -Tahfiz to align with mainstream education • Increasing the allowance rate to the students of the Institut Pengajian Islam dan Dakwah Sabah (IPDAS) Kampus Kudat and Keningau, Institut Kemahiran Islam Malaysia Sarawak (IKMAS) in Kuching and Darul Quran JAKIM in Kuala Kubu Bharu (RM14m)

Initiative	Key measures and initiatives
54. Islamic Principles (cont.)	<ul style="list-style-type: none"> • Launch the Quran wakaf initiative with the intention of printing one million copies of the Quran for worldwide distribution with translations in multiple languages including English, Spanish, Mandarin and Swedish • Expand scope of tax exemption for charities under Section 44 (6) of the Income Tax to include contributions to affected non-citizens amidst Palestinians who have arrived in Malaysia seeking medical treatment • A special donation of RM500 to over 70,000 KAFA teachers, Guru Takmir, Imam, Bilal, Siak, Noja and Marbut in appreciation of their great contribution (RM35m) • Develop three JAKIM school projects involving construction (RM92m) • Construction of Sekolah Menengah Agama MAIWP Labuan (SMAMAIWPL) in Kg. Sg. Bedaun (RM20m) • Construction of the Kompleks Sekolah Menengah Integrasi Sains Tahfiz (SMISTA) Kuala Lumpur (RM10m) • Grants of RM20,000 to all Sekolah Agama Rakyat registered under JAKIM • Monthly allowance to Imam, KAFA teachers and Guru Takmir (RM730m)
55. Sports Development	<ul style="list-style-type: none"> • Empowerment of high-performance sports which also includes Podium Program, Sports Special Project - Olympic Sports Development Program for eight (8) sports (squash, gymnastics, swimming, diving, badminton, archery, taekwondo and cycling) and Road to Gold Program ((RTG) as preparation for the Olympic Games (RM134m) • Special Program for the Development of Paralympians including the participation of The Malaysian Deaf Sports Association (MSDeaf) in the Summer Deaflympics 2025 in Tokyo (RM20m) • Maintenance of KBS buildings and facilities involving ILKBS and JBSN (RM50m) • Sports Matching Grant (GPS) with the scope of the grant limited to the implementation of programs involving sports competitions only and involving associations/NGOs that cannot afford their own expenses to hold the competition (RM30m) • Allocation for Harimau Malaya, Under-18 and Under-13 teams, as well as Junior Squad in collaboration with FAM to get the best coach, attend the best training sessions and be rewarded accordingly to the players (RM15m) • Allocation for cricket (RM1m) • Empowerment of e-sports through talent development, e-sports TVET and upgrading of e-sports arena (RM20m) • Income tax exemption granted on the cash prizes of sporting victories received by the individual and team athlete winners through the Sports Victory Prize Scheme granted by the Government through MSN • Allocation to the National Athletes Welfare Foundation (YAKEB) to cover medical needs and support equipment to those in need (RM2m) • Water sports development, including upgrading facilities, maintaining equipment, promoting the organisation of national and international water sports events in the Federal Territories (RM5m) • Allocation for maintenance, upgrading and construction of sports facilities (RM136m)
56. Volunteerism	<ul style="list-style-type: none"> • Implementation of the Unity, National Integration and Harmony Programme to foster the spirit of unity and identity (RM50m) • A matching grant together with GLC For the People and the Nation (GDRN) members such as Yayasan Hasanah, Sime Darby Foundation, Axiata Foundation, Maybank Foundation and UEM Foundation to expand various social service programs including flood disaster relief (RM100m) • Gotong-Royong initiative of PIBG MADANI in all schools across the country (RM20m) • Empowering the Neighbourhood Watch Areas (KRT) as a bridge builder in the community (RM20m) • Repair and maintenance of unity premises to improve public services to the people (RM10m) • Maintenance of Non-Muslim Houses of Worship (RIBI) across the country including Sabah and Sarawak to assist in the repair, renovation and maintenance works stipulated by the Government under the RIBI programme (RM50m) • Program Jiwa Murni or Civil Military Cooperation Program (CIMIC) as a platform for strengthening the relationship between the armed forces and the people through the organisation of gangs and the upgrading of community infrastructure (RM10m)

Initiative	Key measures and initiatives
57. Language and Creative works	<ul style="list-style-type: none"> • Allocation for Dewan Bahasa dan Pustaka (DBP) to work with cultural and language activists to intensify cultural, language and literary activities especially among the younger generation including preserving the languages of minorities such as ethnic Siamese (RM50m) • Digital Content grant (DKD) allocation to promote works mainly based on the spirit of nationalism (RM65m) • Film in Malaysia Incentive (FIMI) initiative through cash rebates to continue promoting high-quality creative content, attract foreign production and develop Malaysia's reputation as a creative content hub (RM38m) • Development of creative works with the local arts and creative industries through MyCreative Ventures (RM25m): <ul style="list-style-type: none"> ○ Equity injection for high potential companies (RM10m) ○ Creative industry empowerment program through the Kembara RIUH program (RM10m) ○ Funding for Creative Social Entrepreneurs (RM5m) • MADANI Community Creative Youth Programme for youth in enhancing the production of high-quality creative content, especially in the field of filmmaking (RM30m) • Transforming the Old Post Office building of Ipoh, Perak as a visual arts hub with innovation-based gallery filling and digital art technology (RM5m) • Allocation for ASWARA (RM44.3m) • The CEMI initiative is a fund or artist bidding grant aimed at bidding for foreign artists to perform concerts in Malaysia and attract visitors from foreign countries, thereby boosting economic activity and giving value back to the country (RM10m)
58. National Security & Defence	<ul style="list-style-type: none"> • Ministry of Home Affairs (KDN) allocation (RM19.5bn) • Asset allocation specific to PDRM and uniformed agencies to ensure internal security (RM2.1bn) • Construction of several new police stations (RM2.1bn) • Ministry of Defence (MINDEF) allocation (RM21.2bn) • Repair and acquisition of new military assets to ensure the full readiness of the Malaysian Armed Forces. Next year, the government will receive new assets including (RM5.8bn): <ul style="list-style-type: none"> ○ Three (3) Unmanned Aerial System (UAS) under the TUDM ○ Nine (9) Fast Interceptor Craft (FIC) to the TLDM • Special focus is given to developing the local defence industry through technology transfer from military asset suppliers and encouraging local industrial players to penetrate the export market • A new Veteran PROTEGE programme will be introduced specifically to oblige contractors to provide employment opportunities for ATM veterans, especially those with TVET qualifications • Allocation for maintaining the prison included (RM80m) • Allocation for enforcement and Search & Rescue activities involving K9, fire, KDN and JKDM dogs (RM75m)
59. National Borders	<ul style="list-style-type: none"> • Increase maritime assets, including new procurement under the Malaysian Maritime Enforcement Agency (APMM), namely (RM660m): <ul style="list-style-type: none"> ○ Six (6) vessels under the Ship Life Extension Programme Phase 2 (RM150m); ○ A Multi-Purpose Mission Ship (RM350m); and ○ Two (2) vessels of the New Generation Patrol (RM160m)

Initiative	Key measures and initiatives
59. National Borders (cont.)	<ul style="list-style-type: none"> • Projects strengthening the country's borders, including (RM1bn): <ul style="list-style-type: none"> ○ New construction and upgrading of ICQS in Rantau Panjang and Bukit Berapit ○ Construction of two (2) new border posts at Bantul and Serudung, Sabah ○ Equipping the power grid with hydron and AI technologies to increase access to the monitored area ○ Development of towns bordering Kalimantan, Indonesia and Southern Thailand is prioritised for the provision of comprehensive infrastructure including RM50m for the construction of connecting bridges of Rantau Panjang to Golok and Pengkalan Kubor to Tumpat • Projek Transformasi Bekalan Air Bersih at the Eastern Sabah Security Zone (ESSZONE) (RM5m) • Establishment of Malaysian Border Control and Protection Agency (MCBA) (RM24.9m) • Expand use of automated gate system to further countries to ease immigration clearance process • Initiatives to strengthen the country's entry controls include the use of QR code methods to check bus passengers and motorcyclists at the entrances of Bangunan Sultan Iskandar (BSI) CIQ and Kompleks Sultan Abu Bakar (KSAB) to shorten the inspection time by up to 40% (RM20m) • Provision for the maintenance and repair of United States Coast Guard Cutter (USCGC) ships (RM15m)
60. Civil Servants	<ul style="list-style-type: none"> • Ministry of Health to implement new system of work in hospitals and health clinics on a targeted basis. For health facilities that adopt this system, the on-call duty allowance is increased from RM55 to RM65 to medical officers and dental officers according to the service area and certain departments • APEL.Q program managed by INTAN whereby the Government will bear the cost of education of 50% or a maximum of RM15,000 to civil servants who have served more than 15 years to continue their higher education (RM15m) • Building, maintaining and renovating all civilian quarters including teachers, doctors, members of the military, police, firefighters, prisons and Military Family Homes (RKAT) (RM1.8bn) • Youth Housing Financing Scheme under the Public Sector Housing Financing Board (LPPSA) • The Ex-Gratia Disaster Work Scheme has been improved: <ul style="list-style-type: none"> ○ Ex-Gratia Operational Benefit (EXO) payments on a one-off basis up to a maximum of RM50,000 ○ Ex-Gratia Lump-Sum (EXP) benefit payment on a one-off basis of RM20,000 is granted in addition to the inheritors in case of death due to accidents in the line of duty from 2024 ○ Constant Service Allowance (ELA) rate increased as by 200% from RM500 per month to RM1,500 per month to eligible officers ○ Payment of Ex-Gratia Temporary Disability Benefit (EXS) will be provided for officers who have been granted Extended Sick Leave due to accidents while on duty, at a rate of RM25 per day, limited to 180 days per year ○ Expand the coverage scope of Ex-Gratia Work Disaster Scheme to provide protection to officers directed to attend health appointments in hospitals/health facilities • Living Wage Assistance rate for unretired ATM veterans is increased to RM500 per month • Extension of Special Award payments to retirees and pensioners issued from January to December 2025 • MADANI Public Service Award to encourage civil servants to provide the best service to the people including promoting a culture of creativity • Restructure the civil servants' salary scheme to the Public Service Pay Scheme (SSPA) in phases with effect from 1 Dec 2024. This reform involves salary adjustment of 15% for the Executive Group and the Management and Professional Group and 7% for the Top Management Group. With the new SSPA, civil servants will earn a minimum income of RM2,115 a month, pension adjustment will also be implemented in phases based on the percentage adjustment to the final salary of the retirees according to their respective service groups including the retired Malaysian Armed Forces (ATM) • Incentive payments to civil servants to be made by the end of February 2025 are as follows: <ul style="list-style-type: none"> ○ Special Financial Assistance of RM500 to all civil servants of grade 56 and below including contract appointments ○ Special Financial Assistance is also provided to all Government retirees including retired veterans and non-retired veterans in the amount of RM250

Initiative	Key measures and initiatives
60. Civil Servants	<ul style="list-style-type: none"> • Ministry of Health to implement new system of work in hospitals and health clinics on a targeted basis. For health facilities that adopt this system, the on-call duty allowance is increased from RM55 to RM65 to medical officers and dental officers according to the service area and certain departments • APEL.Q program managed by INTAN whereby the Government will bear the cost of education of 50% or a maximum of RM15,000 to civil servants who have served more than 15 years to continue their higher education (RM15m) • Building, maintaining and renovating all civilian quarters including teachers, doctors, members of the military, police, firefighters, prisons and Military Family Homes (RKAT) (RM1.8bn) • Youth Housing Financing Scheme under the Public Sector Housing Financing Board (LPPSA) for the benefit of young civil servants who wish to apply for housing financing for a period of up to 40 years • Improve Ex-Gratia Disaster Work Scheme: <ul style="list-style-type: none"> ○ Ex-Gratia Operational Benefit (EXO) payments on a one-off basis up to a maximum of RM50,000 ○ Ex-Gratia Lump-Sum (EXP) benefit payment on a one-off basis of RM20,000 is granted in addition to the inheritors in case of death due to accidents in the line of duty from 2024 ○ Constant Service Allowance (ELA) rate increased as by 200% from RM500 per month to RM1,500 per month to eligible officers ○ Payment of Ex-Gratia Temporary Disability Benefit (EXS) will be provided for officers who have been granted Extended Sick Leave due to accidents while on duty, at a rate of RM25 per day, limited to 180 days per year ○ The coverage scope of Ex-Gratia Work Disaster Scheme has also been expanded to provide protection to officers directed to attend health appointments in hospitals/health facilities • Increase Living Wage Assistance rate for unretired ATM veterans to RM500 per month • Extension of Special Award payments to retirees and pensioners issued from January to December 2025 • MADANI Public Service Award to encourage civil servants to provide the best service to the people including promoting a culture of creativity • Restructure the civil servants' salary scheme to the Public Service Pay Scheme (SSPA) in phases with effect from 1 Dec 2024. This reform involves salary adjustment of 15% for the Executive Group and the Management and Professional Group and 7% for the Top Management Group. With the new SSPA, civil servants will earn a minimum income of RM2,115 a month in line with the SSPA, pension adjustment will also be implemented in phases based on the percentage adjustment to the final salary of the retirees according to their respective service groups including the retired of the Malaysian Armed Forces (ATM) • Incentive payments to civil servants to be made by the end of February 2025 are as follows: <ul style="list-style-type: none"> ○ Special Financial Assistance of RM500 to all civil servants of grade 56 and below including contract appointments ○ Special Financial Assistance is also provided to all Government retirees including retired veterans and non-retired veterans in the amount of RM250

Measures described in Tax Appendix but not stated in Budget Speech / Touchpoints

Appendix 13: Expansion of income tax exemption for Islamic financial activities under Labuan International Business and Financial Centre

- Full income tax exemption given to Labuan trading entities that undertake Islamic finance activities be expanded to include qualifying Labuan takaful business activities and Labuan takaful related activities for YA2025-YA2028

Appendix 15: Review of stamp duty on loan or financing agreements based on shariah principles

- Fixed stamp duty of RM10 be imposed on loan or financing agreement for the purchase of goods based on Shariah principles, other than hire purchase, executed from 1 Jan 2025

Appendix 18: Implementation of self-assessment system for stamp duty

- Self-assessment stamp duty system (STSDS) be implemented in phase based on the types of instruments or agreements

Phase	Effective Date	Types of Instruments
Phase 1	From 1 Jan 2026	Instruments or agreements related to rental or lease, general stamping and securities
Phase 2	From 1 Jan 2027	Instruments of transfer of property ownership
Phase 3	From 1 Jan 2028	Instruments or agreements other than stated in Phase 1 and Phase 2

Appendix 28: Sales tax exemption on mastectomy bra for breast cancer patients

- Sales tax exemption given for applications received by the MOF from 1 Nov 2024 until 31 Dec 2027

THANK YOU

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