



Malaysian Budget 2015

"People Economy"

The Prime Minister, YAB Dato' Sri Mohd Najib Tun Abdul Razak unveiled the 2015 Budget on October 10, 2014.

The Budget focused on seven main strategies:

- Strengthening economic growth
- Enhancing fiscal governance
- Developing human capital and entrepreneurship
- Advancing Bumiputera agenda
- Upholding role of women
- Developing national youth transformation programme, and
- Prioritising well-being of the *rakyat*

Economics and Investment Highlights

- ◆ Malaysia's 2014 GDP for the first 6 months at 6.3% is the highest among ASEAN countries
- ◆ Malaysia's whole year GDP for 2014 is now revised to 5.5% - 6.0% (revision from 4.5% - 5.5% previously)
- ◆ The Federal Government is committed to lower the fiscal deficit to 3.5% by 2014 and to 3.0% by 2015.
- ◆ Allocation of RM273.9 billion with RM223.4 billion for Operating Expenditure and RM50.5 billion for Development Expenditure.
- ◆ Under the Development Expenditure, economic sector development will receive RM29.3 billion followed by social sector with RM12.6 billion (education and training, health, housing and well being of the rakyat). RM4.9 billion is allocated to the security sector.

Economic outlook

The current global economic prospect remains challenging. The International Monetary Fund (IMF) had recently cut the global economic growth to a slower pace of 3.8% for 2015 as compared to a growth of 4.0% for 2015 earlier forecasted in July 2014, citing persistent weakness in the Eurozone and a broad slowdown in several major emerging markets.

- The IMF marked down prospects in the Eurozone's three largest economy which are Germany, France and Italy.
- Disappointing output in Japan and lower growth trajectory for several major developing economies

including China, Brazil and Russia which will offset signs of strengthening recovery in the USA.

- While Malaysia being a highly open economy is not likely to be spared from the deterioration in the global modest growth, the Government is expecting a growth of 5.0% - 6.0% in 2015 which is higher than the global growth of 3.8%.
- This is based on the commitment to tighten its fiscal policy and the implementation of the projects and initiatives under the Economic Transformation Programme.

A snapshot of the economic performance of the World and Advanced Economies

Country	2011 (%)	2012 (%)	2013 (%)	2014E (%)	2015F (%)
World	4.1	3.4	3.3	3.3	3.8
USA	1.6	2.3	2.2	2.2	3.1
Euro	1.6	-0.7	-0.4	0.8	1.3

Source: IMF

A snapshot of the economic performance of Malaysia vis-à-vis other ASEAN countries

Country	2011 (%)	2012 (%)	2013 (%)	2014E (%)	2015F (%)
Malaysia	5.2	5.6	4.7	5.5-6.0	5.0-6.0
Singapore	6.1	2.5	3.9	3.0	3.0
Indonesia	6.5	6.3	5.8	5.2	5.5
Thailand	0.1	6.5	2.9	1.0	4.9

Source: IMF/ BNM

Malaysia fiscal deficit vs. other countries (% of GDP)

Country	2011	2012	2013	2014E	2015F
Malaysia	-4.8	-4.5	-3.9	-3.5	-3.0
Singapore	1.2	1.7	1.1	-0.3	na
Indonesia	-1.1	-1.9	-2.2	-2.2	-2.0
Japan	-8.8	-8.7	-9.3	-8.4	-6.7
UK	-7.9	-6.3	-5.9	-5.3	-4.1

Source: Reuters / Trading economics / Various



“The community and industry players in Iskandar Malaysia will benefit from the all-rounded 2015 Budget. I would like to thank the Government for a Budget which takes into consideration the welfare of Malaysians from all walks of life and also the industry players and entrepreneurs. This is truly a People First budget”

Datuk Ismail Ibrahim, Chief Executive of IRDA

Highlights of the 2015 Budget

Strengthening Economic Growth

Incentives and measures introduced to further develop and invigorate the services sectors including the implementation of the Services Sector Blueprint.

Tourism Sector

- * Allocation of RM316 million for Year of Festivals 2015. It is timely for Johor Tourism to showcase events and festivals to be held in Johor next year which can be showcased as part of the Year of Festivals and be allocated some of the above funding. Examples of good events/festivals are the International Kite Festival and proposed JB International Festival City (JB Arts Festival)
- * Extension of tax incentive for medical tourism for applications received by MIDA from 1 Jan 2015 to 31 Dec 2017. Incentive is in the form of exemption on income equivalent to Investment Tax Allowance of 100% of qualifying capital expenditure incurred within a period of 5 years in setting up the healthcare facilities or expansion of facilities. Previously, this incentive expires on 31 Dec 2014.

Healthcare Sector

- * Allocation of RM23.3 billion on health services and facilities for the rakyat which include additional 30 Malaysia clinics, replacement of haemodialysis machines, establishment of Senior Citizen Care Services and new Senior Citizens Activity Centres
- * Tax relief on medical expenses for serious diseases increased from RM5,000 per year to RM6,000 per year.
- * Tax relief for each disabled child increased from RM5,000 to RM6,000.
- * Tax relief for purchase of basic supporting equipment for disabled increased from RM5,000 to maximum RM6,000.

medical
Tourism



Creative Sector

- * RM100 million to set up a Digital Content Industry Fund will be set up under the Communications and Multimedia Commission to further develop the creative industries such as animation, filming, designing and cultural heritage,
- * RM10 million to set up a Research Incentive Scheme for Enterprises (RISE) to encourage companies to set up research centres in high technology, ICT and knowledge based industry
- * To improve ICT connectivity, the High Speed Broadband (HSBB) will continue to be implemented in areas of high economic impact and RM2.7 billion to be spent over the next three years to build 1,000 new telco towers and laying of undersea cables
- * Enhance entrepreneurial talent among youth through programmes under Malaysian Global Innovation & Creativity Centre (MaGIC), SME Bank and Agro Bank.
- * Further liberalization in minimum paid up capital for startups at RM75,000 and eligible expatriate startup entrepreneurs to be given Work Pass for one year.

Iskandar Malaysia Digital Centre of Excellence (MaGIC-X)

MaGIC-X's core responsibilities are in providing the necessary support (technical expertise, research, business development, publishing, marketing and training to individuals/SMEs to produce commercially viable products and ultimately, be a self-sustainable centre.

MaGIC-X's area of focus include:

- * casual games (mobile, online)
- * Serious application of games in other industries/gamification
- * Digital applications such as mobile apps
- * Collaboration/integration across different creative segments ie. Film, games, animation, VFX etc

The MaGIC-X can avail itself to funding under RISE.

The incentives to promote entrepreneurship including flexibility for expatriates to set up operations in the creative industry in Malaysia can help elevate and expand our local talents/SME capabilities, opportunities and ultimately bring about a more conducive eco-system.

With the presence of Pinewood Iskandar Malaysia Studios with the ongoing production of 'Marco Polo' as well as the presence of Astro and IMAGICA, we can expect exciting investments

and development in the Creative Sector in 2015.



First batch of graduates from the IM Creative Industry Talent Development Programme

Education and Talent Development

Education remains an important agenda in nation building and allocation under the 2015 Budget reinforced the strategy to strengthen the education sector in line with the Education Blueprint 2013-2025.

- * RM56 billion to the Ministry of Education towards strengthening schools which require guidance and special assistance
- * RM250 million allocated for **School Improvement Specialist Coaches and School Improvement Partners Programme**
- * RM10 million on the expansion of the **Trust Schools** programme from the current 30 Trust Schools to another 20 more to be set up in Johor, Sarawak, Selangor, Perak, Negeri Sembilan and Kuala Lumpur.
- * RM100 million to increase intake in technical and vocational private colleges to complement Government’s **Technical and Vocational Training (TEVT)** programmes
- * RM50 million allocation to MARA to implement/enhance TEVT programmes.
- * **Incentives to promote TEVT**
 - double deduction for scholarships awarded to students in vocational and technical courses at certificate levels
 - double deduction for expenses incurred to implement a structure internship programme for students at diploma and vocational level, and
 - further deduction on training expenses incurred by employer for employees to obtain certificate qualifications from accredited vocational and professional bodies
- * RM3 billion allocation for **sponsoring education** (scholarships) through the Public Services Department (RM1.9 billion), Ministry of Education (RM759 million) and the Ministry of Health (RM258 million)
- * RM30 million to Talentcorp for Industry Academia Collaboration programmes
- * RM300 million in matching grants under a new programme, the Globally Recognised Industry and Professional Certification Programme or 1MalaysiaGRIP to train 30,000 workers.

Incentives for Training

The extension of double deduction incentives and the structured internship programmes to qualified students in the technical and vocational sector recognizes the importance of technical and vocational education within the education eco-system and the incentives will encourage more students to choose the vocational pathway.

In Malaysia, the education eco-system is placed under several Ministries, each tasked to look at different needs of the nation, While the Ministry of Education has the overall responsibility for quality education (primary and tertiary), the vocational segment is under the Ministry of Education (community colleges, polytechnics, vocational schools), the Ministry of Human Resources (Skills Malaysia, JPK accredited courses) as well as the Ministry of Youth and Sports.

We hope that the Government can also extend the duration of the incentive from the current proposed year of assessment 2015 to 2016 to a longer period as the TEVT institutions play an important role in educating the *Rakyat*.

BizWatch

Social

Youth Housing

Special consideration for youths to enable them to own their first house

- * Special funding for first home not exceeding RM500,000 for married youth aged between 25-40 years old with household income not exceeding RM10,000 which include RM200 monthly financial assistance for the first two years and a 50% stamp duty exemption on the instrument of transfer (sale and purchase agreements etc). A 10% loan guarantee to enable borrowers to obtain full financing will also be provided.

Affordable Housing

- * Construction of 26,000 units under People Housing Programme (Program Perumahan Rakyat)
- * PR1MA to provide 80,000 units and household income ceiling for eligible applicants increased from RM8,000 to RM10,000. Rent-to-Own scheme will also be introduced
- * 37,000 units of affordable houses(20,000 Rumah Aspirasi Rakyat, 5,000 units Rumah Idaman Rakyat and 12,000 Rumah Mesra Rakyat
- * 5,380 units under PPA1M for civil servants

The People Housing Programme (PPR) will address the housing needs of the bottom 40% income group. There is effectively an increase of 10,000 units from 2014 allocation. With the strong commitment from Government to provide more affordable housing, the Johor State government would need to work closely with Federal agencies to ensure that these units are built in Johor Bahru and Iskandar Malaysia especially near growing population areas such as Pasir Gudang and Nusajaya.

In Iskandar Malaysia, the Johor State Government has launched a new affordable housing policy in April 2012 replacing the earlier policy introduced in 1997.

DASAR BARU (Bermula 1 April 2012)				
	Jenis	Keluasan Harga	Agihan	Kelayakan maksima
Perumahan Komuniti Johor	PKJ jenis A	720kp (RM42,000.00)	5%	RM3,000 ke bawah
	PKJ jenisB	850kp (RM80,000.00)	10%	RM4,500
Rumah Mampu Milik Johor	RMMJ - Rumah Teres Bertaman - Strata (Dalam Zon Flagship Sahaja)	1100 kp RM120,000.00- RM150,000.00	20%	RM6,000
Kedai Kos Sederhana	Kedai Kos Sederhana	1200 kp (RM200,000.00)	5%	RM7,000

We also have the Rumah Iskandar Malaysia (RIM) comprising 1,500 units of public housing based on a new and innovative concept. RIM units are larger in size (900 sq ft and above) with limited larger units with 1,200 sq ft for large Malaysian family. Located in Gelang Patah, criteria for eligibility include household income of less than RM4,500 and working within 20 km radius from RIM

Social (cont'd)

Social Economic Mobility

- * RM300 million to TEKUN
- * Amanah Ikhtiar Malaysia RM1.8 bil
- * RM60 million to diversify sources of income for fishermen
- * RM352 million for economic development and to upgrade infrastructure and living standards of Orang Asli community

Women Development (Enhancement of Role of Women)

- * Support for Women Directors Programme
- * Women Career Comeback Programme under Talentcorp
- * Single Mother Skill Incubator Programme, Women Entrepreneurship Incubator Programme and Women Core Development Programme

Small and Medium Enterprises (SMEs)

- * RM5 billion for SMEs under the Services Sector Guarantee Scheme, with a maximum financing of RM5 million together with a 70% Government Guarantee. This will benefit 4,000 SMEs
- * RM10 million to set up a Research Incentive Scheme for Enterprises (RISE) to encourage companies to set up research centres in high technology, ICT and knowledge-based industries
- * RM300 million in the Services Export Fund (SEF) to encourage SMEs to conduct market feasibility studies and undertake export promotion to penetrate new markets
- * RM20 million to strengthen the Franchise Development Scheme under the Ministry of Domestic Trade, Cooperatives and Consumerism
- * RM70 million to set up a Sustainable Mobility Fund under the SME Bank to develop the electric vehicle manufacturing industry.
- * SME Investment Partner initiative with joint funding from SME Bank and private investors to increase and accelerate SMEs' participation in the economic activities.
- * RM80 million for the Soft Loan Scheme under the Malaysian Industrial Development Finance Berhad (MIDF) for automation and modernization of SMEs
- * Additional RM500 million to TEKUN which will be allocated for Bumiputera entrepreneurs (RM350 mil), Indian entrepreneurs (RM50 mil), Young Professional Women Entrepreneurs Development Programme (RM50 mil), Armed Forces Veteran Entrepreneur Development Programme (RM50 mil)
- * RM50 million in soft loan to assist SME entrepreneurs from the Chinese community



Women plays an important part of the economic ecosystem. In Iskandar Malaysia, women represented 47% of the population of which 435,000 are housewives and are not economically productive. The various programmes will help bring more women back to the workforce and this is very important to bring diversity and depth into the talent pool of Iskandar Malaysia.

We can also tap onto the RM60 million allocation to align our Kawan Iskandar Malaysia initiative which focuses on creating alternative income source to fishing. We have KIM programmes in Kampung Sungai Melayu and Kampung Kong Kong Laut.

We are excited to know of the funding and initiatives for SMEs as the SMEs constitute 97% of Johor's business enterprise. The initiatives will help bring up the capability of SMEs through product innovation and expansion of market and opportunities. With the advent of the ASEAN Economic Community in 2015, there is an urgent need for SMEs to upgrade their facilities to be able to compete with other manufacturers/producers in ASEAN.

The allocation to SME Bank and MIDF will increase access to funding and help SMEs to tap on additional resources to upgrade and expand market.

What is needed is more clarity on the above initiatives and programmes so that SMEs are aware of the available incentives and funds to transform their businesses and avail themselves to these programmes/funds.

Calling the Youth of Iskandar Malaysia!!

The 2015 Budget has a special focus on youth and youth development with allocation and programmes such as Youth Leadership Academy, Unity Camp programme amongst others, The IMalaysia Youth City will be allocated RM100 million to fund three pilot projects in Peninsula Malaysia, Sabah and Sarawak.

In Iskandar Malaysia, we have launched our very own Youth Hab initiative which will consist a series of spaces, both indoor and outdoor for youth activities.



The HAB will be a place for the youth to build up their skills and passion through healthy leisure activities and urban sports.

We would like to position our Youth HAB as part of the IMalaysia Youth City.

Editorial

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For full details of the Budget Commentary, please see the attached Budget 2014: Impact to Iskandar Malaysia.