

Title	Key Features of The Budget 2011 – MALAYSIA A Business Perspective
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Date	18 October 2010

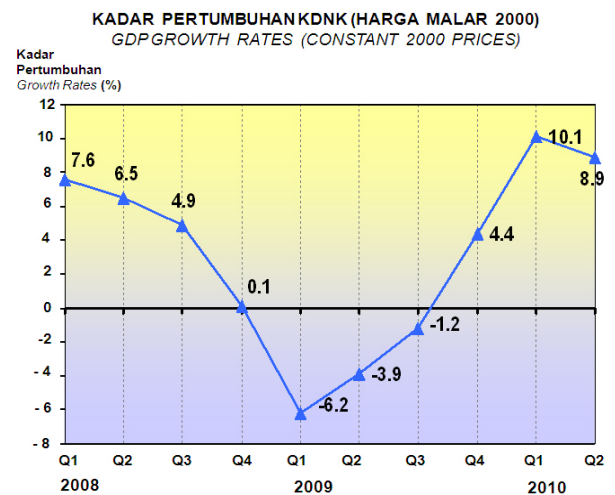
The Prime Minister cum Finance Minister of Malaysia, Datuk Seri Najib Tun Razak tabled The Budget 2011 at Malaysia's Dewan Rakyat on Friday 15 October 2010.

The Budget 2011 emphasises effort to transform the nation into a developed and high-income economy with inclusive and sustainable development, spearheaded by the private sector. The Budget 2011 has a theme "Transformation Towards a Developed and High-Income Nation" by focussing on the following four key strategies :

- 1 Reinigorating private investment ;
- 2 Intensifying human capital development ;
- 3 Enhancing quality of life of Malaysians ; and
- 4 Strengthening public service delivery.

ECONOMIC PERFORMANCE

- For 2010, the Government has revised the growth in the Gross Domestic Product (GDP) to 7% from the expected 6%, reflecting the effective proactive measures undertaken to help Malaysia recover from the global economic recession and the successful implementation of two economic stimulus packages amounting to RM67 billion.
- Growth for 2010 of 7% is significantly higher than -1.7% in 2009. The sterling performance is contributed by the expansion of the manufacturing sector at 10.8%, services 6.5% and construction 4.9%. Private investment expenditure is expected to increase 15.2%, private consumption 6.7% and exports 11.6%.
- For 2011, the Malaysian economy is expected to expand between 5% and 6%. Growth will be supported by private investment expanding 10.2%, private consumption 6.3% and exports 6.7%. The manufacturing sector will continue to spearhead growth, expanding 6.7% and the services sector 5.3%.
- Income per capita is projected to increase 6.1% to RM28,000 while income in terms of purchasing power parity to USD16,000. These estimates are based on moderate inflation of 2% to 3% and low unemployment rate of 3.5%.
- The Government expects a small drop in the budget deficit to 5.4 per cent of the Gross Domestic Product (GDP) next year 2011 from 5.6 per cent in 2010.



Source :
Malaysia Department of Statistics

BUDGET 2011 ALLOCATION

- The Government revenue collection is estimated to increase 2.3% to RM165.8 billion in 2011 compared with RM162.1 billion in 2010.
- Overall, the Government is allocating RM212 billion for the 2011 Budget, which is 2.8 per cent higher than the allocation for 2010.
- Of RM212 billion, RM162.8 billion is for Operating Expenditure and RM49.2 billion for Development Expenditure.

Under the Operating Expenditure, the allocations are as follows :	
Emoluments	RM45.6 billion
Supplies and services	RM28.2 billion
Fixed charges and grants	RM86.4 billion
Purchase of assets	RM1.4 billion
Other expenditures	RM1.2 billion
Total	RM162.8 billion

Under the Development Expenditure, the allocations are as follows :	
The economic sector for infrastructure, industrial, agricultural and rural development	RM28.3 billion
The social sector, including education and training, health, welfare, housing and community development	RM15.5 billion
The security sector	RM4.4 billion
Contingencies	RM1 billion
Total	RM49.2 billion

REINVIGORATING PRIVATE INVESTMENT

Private investment through construction activity received a serious boost from The Budget 2011 which announced a number of iconic projects earmarked in the development of Greater Kuala Lumpur.

The high-impact strategic development projects include :

- The Mass Rapid Transit project will be implemented beginning 2011 with private investment of RM40 billion and to be completed by 2020.
- 1Malaysia Development Berhad (1MDB) will develop the Kuala Lumpur International Financial District (KLIFD) valued at RM26 billion, commencing in 2011.
- The Employees Provident Fund to undertake mixed development at the identified Malaysian Rubber Board land in Sungai Buloh with an estimated cost of RM10 billion and to be completed by 2025.
- A landmark project "Warisan Merdeka" which includes a 100-storey tower, the tallest in Malaysia will be constructed at a cost of RM5 billion and to be completed by 2015.
- An integrated eco-nature resort at Nexus Karambunai resort in Sabah will be developed at a cost of RM3 billion.



The Government will further intensify the Public-Private Partnership (PPP) initiative to enhance private sector involvement in economic activities. Several PPP projects identified under the 10MP will be implemented in 2011 through private investment of RM12.5 billion whilst the Government will allocate RM1 billion from the Facilitation Fund.

The PPP projects include :

- Construction of highways such as The Ampang-Cheras-Pandan Elevated Highway.
- Construction of a 300-megawatt Combined-Cycle Gas Power Plant in Kimanis, Sabah.
- Development of The International Islamic University Malaysia Teaching Hospital in Kuantan.
- Construction of The Women and Children's Hospital as well as the Integrated Health Research Institute Complex in Kuala Lumpur.
- Construction of The Academic Medical Centre which involves private investment of RM2 billion.

The estimated growths of 10.2% and 6.3% for private sector investments and private consumption respectively are aligned with the Economic Transformation Programme's (ETP) strategy for a private sector-led and a more private consumption-driven economic expansion.

Some of the allocations include :

- RM857 million for local electrical and electronics sector.
- RM146 million for the oil, gas and energy industry.
- RM85 million for infrastructure facilities to facilitate construction of hotels and resorts in remote areas.
- RM100 million to further support the tourism industry.
- RM3.8 billion to increase productivity and generate higher returns in the agriculture sector.
- RM135 million for basic infrastructure to encourage farmers' participation in high value agriculture activities including swiftlet nests.
- RM297 million to support palm oil replanting activities.
- RM127 million to support domestic oleo derivatives companies.
- RM23.3 million to expand downstream palm oil industries.
- RM411 million for the research, development and commercialisation activities
- RM71 million for Special Innovation Unit (UNIK).
- RM850 million for infrastructure support for corridor and regional development as follows :
 - Iskandar Malaysia - RM339 million
 - Northern Corridor Economic Region - RM133 million
 - East Coast Economic Region - RM178 million
 - Sarawak Corridor of Renewable Energy - RM93 million
 - Sabah Development Corridor - RM110 million

REVITALISING THE CAPITAL MARKET

To support financial liberalisation policy, the Government will implement measures to revitalise the domestic capital market particularly diversifying investment products, liberalising equity holding requirements and investment limits, providing incentives as well as enhancing cooperation with foreign bourses.

- Government-Linked Investment Companies (GLIC) to divest shareholdings in major companies listed on Bursa Malaysia to increase liquidity and trading velocity in the market.
- Government-Linked Investment Companies (GLIC) are allowed to increase investment in overseas markets.
- Bursa Malaysia to launch Sukuk and conventional bonds to meet retail investors' demand for fixed income instruments.
- The Securities Commission to offer three new stockbroking licences to eligible local, foreign or joint-venture companies.
- The Securities Commission will increase the number of Proprietary Day Traders operating in the market.
- The Securities Commission will facilitate process and procedures for the listing of companies and products, particularly Exchange Traded Funds.
- Bursa Malaysia to develop an international board to enable foreign securities to be listed including syariah-compliant products.
- The Government will set up a Private Pension Fund (PPF) next year to benefit private sector employees and the self-employed. Existing income tax relief of up to RM6,000 for employees contributions to EPF will extend to Private Pension Fund contributions.

PROPELLING TECHNOLOGY

The Budget 2011 seeks to advance green technology to ensure sustainable development and usage of renewable energy sources as well as enhance the Information and Communication Technology.

- Pioneer Status and Investment Tax Allowance for the generation of energy from renewable sources and energy efficiency activities be extended until 31 December 2015.
- Import duty and sales tax exemption on equipment for the generation of energy from renewable sources and energy efficiency be extended until 31 December 2012.
- Tax exemption on the income derived from trading of Certified Emission Reductions certificate be extended until year of assessment 2012.
- Full import duty and 50% excise duty exemption was granted to franchise holders of hybrid cars as well as hybrid an electric motorcycles up to 31 December 2010. To further encourage ownership of hybrid cars, import duty and excise duty exemption will be extended until 31 December 2011 with excise duty to be given full exemption.
- The Government will implement the Feed in Tariff (FIT) mechanism under the Renewable Energy Act to allow electricity generated from RE by individuals and independent providers to be sold to electricity utility companies.
- The Government will implement the Programme on Blending of Biofuels with Petroleum Diesel (B5 Programme) in June 2011.
- Allocation of RM119 million for the development of local content creation, hosting local content and unlocking new channels for content.
- The Government will extend the investment allowance period for the last mile broadband service providers. In addition, import duty and sales tax exemption on broadband equipment are also extended for two years until 2012.
- Exemption of sales tax on all types of mobile phones.

INTENSIFYING HUMAN CAPITAL DEVELOPMENT

- Restructuring and strengthening of education and training with the sum of RM29.3 billion allocated for the Education Ministry, RM10.2 billion for the Higher Education Ministry and RM627 million for the Human Resource Ministry.
- For the Ministry of Education, the allocations include :
RM6.4 billion for development expenditure to build and upgrade schools, hostels, facilities and equipment.
RM213 million to reward high-performance schools as well as for the remuneration of Principals, Head Teachers and Excellent Teachers.
- For the Human Resource Ministry, the allocations include :
RM60 million to further intensify the Industrial Skill Enhancement Programme in State Skills Development Training Centres.
RM220 million to ensure graduates from other fields are able to enhance their competence and employability.
RM50 million to Multimedia Development Corporation to train graduates in ICT to enhance their employability and to meet the demand of the ICT industry.
RM474 million to enhance productivity and skills of non-graduates, including school leavers, youths and workers as there is high demand for skilled workforce in technical fields.
- Establishment of Talent Corporation under the Prime Minister's Office in early 2011 to develop an expert workforce database as well as collaborate closely with talent networks globally.

OTHER ANNOUNCEMENTS INCLUDE

- Extension of income tax deduction incentive for investors and income tax exemption for companies undertaking food production activities until 2015.
- Abolishing of import duty on 300 goods preferred by tourists and locals, at 5% to 30%, to promote Malaysia as a shopping heaven in Asia.
- Rate of service tax to be increased from 5% to 6%.
- Service tax to be imposed on paid television broadcasting services.
- In an effort to ensure every citizen owns a residential property, the Government has proposed stamp duty exemption on loan agreements for residential property priced not exceeding RM350,000.
- To encourage ownership of the first residential property, it has proposed that a stamp duty exemption of 50% be given on instruments of transfer of a residential property priced not exceeding RM350,000. This exemption is applicable for sales and purchase agreements executed from 1 January 2011 to 31 December 2012.

SOURCES

- Office of The Prime Minister of Malaysia www.pmo.gov.my
- Malaysia Ministry of Finance www.treasury.gov.my
- Malaysia Department of Statistics www.statistics.gov.my