

**MITI CONSULTATIVE DIALOGUE 2024**

**PROPOSED ISSUES**

**PROPOSED BY: MALAYSIAN PLASTICS MANUFACTURERS ASSOCIATION (MPMA)**

NO.	ISSUES	DESCRIPTION OF THE ISSUES	PROPOSED RECOMMENDATIONS
1.	<b>Malaysia-European Union Free Trade Agreement (Malaysia-EU FTA)</b>	Negotiations for a Free Trade Agreement (FTA) between the EU and Malaysia were launched in 2010 and put on hold after seven rounds in 2012 at the request of Malaysia. The new government appointed in December 2022 has yet to take a position on the possible resumption of the negotiations. Regionally, Malaysia’s main competitor Vietnam has signed an FTA with EU in June 2019 and now the Vietnamese manufacturers are reaping huge benefits from the FTA.	MITI should organise a brainstorming session with the key business sectors to iron out the issues faced at the Malaysia-EU FTA negotiations and resume the negotiation as soon as possible.
3.	<b>Reinvestment Allowance (RA)</b>	<p>The initial Reinvestment Allowance (RA) has a maximum 15 years claimable period. However, many companies, particularly SMEs, have exceeded this 15 years period and are no longer eligible for RA. The RA was expired in 2018 and we are glad an Additional RA incentive is provided for a period of 5 years (i.e. from YA 2020 to YA 2024).</p> <p>Manufacturers require further extension of the RA given the need for continuous reinvestments in expansion; automation and modernisation for any manufacturing company. Investments on plant and machinery should be progressively and continuously encouraged through incentives such as the RA for Malaysian companies to remain globally competitive. In particular, many SMEs are caught in the process for the need to adopt new technology, automate and expand to the next level, but are now going to be without the needed incentive of the RA. The RA is indeed much needed as an incentive for companies to continue re-investments.</p>	<p>As RA will expire in YA 2024, It is critical that the RA be continued to be given with <b>no time limit</b>, as an incentive for expansion and investments in new machines, technologies and automation as there is a need for certainty for companies to have a structured and organised capital expenditure planning. An extension of, say, only 2 -3 years, gives rise to uncertainty over the capex planning horizon. The justification for the need to have the RA are as follows:</p> <ul style="list-style-type: none"> <li>i. Continuous investments in innovative technologies and processes are critical to ensure that products made are able to meet <b>the high and consistent quality</b> that the export markets demand. Regional countries are moving up the value chain and it is critical that Malaysian manufacturers stay ahead of the curve with <b>consistent quality</b>.</li> <li>ii. Manufacturing companies are moving forward to implement Industry 4.0 which emphasises on lean</li> </ul>

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		<p>With RA in place, it would facilitate businesses with expansion and new investments to make Malaysian manufacturers competitive in the challenging global market.</p>	<p>principles and tools to increase <b>productivity and efficiency</b>. This is critical as the global market is very <b>competitive</b>, and <b>unit cost efficiency</b> is extremely important.</p> <p>iii. RA would assist manufacturers to purchase the necessary machinery and equipment for <b>lean manufacturing and digitalisation</b>.</p> <p>Investments in innovative technologies and automation will <b>ease the dependence on labour</b>, particularly the foreign workers. This has been an issue that needs to be resolved expeditiously given that the shortage of workers have retarded the growth and development of most companies.</p>												
3.	<p><b>Multi-Tiered Levy system on Foreign Worker</b></p>	<p>Under the New Industrial Master Plan 2030, the Government planning to implement the multi-tier levy system as to reduce the dependency on foreign workers and to promote automation.</p>	<p>MPMA supports the implementation of the Multi-tiered Levy System. In view of the tight supply of local workers and the limited capability of plastics SMEs to expedite automation, MPMA would like to propose for an affordable levy system for SMEs:</p> <table border="1" data-bbox="1352 1027 2033 1214"> <thead> <tr> <th data-bbox="1352 1027 1462 1099">Type</th> <th data-bbox="1462 1027 1843 1099">Percentage of Foreign Workers Employed</th> <th data-bbox="1843 1027 2033 1099">Levy (RM/year)</th> </tr> </thead> <tbody> <tr> <td data-bbox="1352 1099 1462 1137">Tier 1</td> <td data-bbox="1462 1099 1843 1137">Less than 50%</td> <td data-bbox="1843 1099 2033 1137">RM1,850</td> </tr> <tr> <td data-bbox="1352 1137 1462 1176">Tier 2</td> <td data-bbox="1462 1137 1843 1176">Between 51% and 75%</td> <td data-bbox="1843 1137 2033 1176">RM2,100</td> </tr> <tr> <td data-bbox="1352 1176 1462 1214">Tier 3</td> <td data-bbox="1462 1176 1843 1214">Between 75% and 100%</td> <td data-bbox="1843 1176 2033 1214">RM2,400</td> </tr> </tbody> </table> <p>It is also proposed that the levy generated will be used to assist the manufacturing sector in the form of:</p> <p>(i) Reinvested in a National TVET apprenticeship fund</p>	Type	Percentage of Foreign Workers Employed	Levy (RM/year)	Tier 1	Less than 50%	RM1,850	Tier 2	Between 51% and 75%	RM2,100	Tier 3	Between 75% and 100%	RM2,400
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			(ii) Fund for Automation and Industry 4.0 technology implementation to support high technology and high value-added manufacturing activities.