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HIGHLIGHTS OF THE PROPOSED BUDGET 2021 IN RELATION TO THE INDUSTRY**FIRST GOAL: RAKYAT'S WELL-BEING****Strategy: Generating and Retaining Jobs****Measure 1: PenjanaKerjaya Incentive (Hiring Incentive)**

The Government will continue the hiring incentive programme – PenjanaKerjaya - under the Social Security Organisation (SOCSO) with several enhancements as below:

1. Incentive for employees earning RM1,500 and above will be enhanced from a flat rate of RM800 per month to 40% of monthly income, subject to a maximum incentive of RM4,000.
2. To encourage employment for the disabled, long-term unemployed, and retrenched workers, employers will be given an additional incentive equivalent to 20% of the employee's monthly income making the total incentive to employers' amount to 60%.
3. For those employed under the PenjanaKerjaya, the maximum training rate which can be claimed by employers will be increased from RM4,000 to RM7,000 to enable workers to take up high skilled training and professional certifications.

Measure 2: Reskilling and Upskilling

- i. RM100 million to the Human Resources Development Fund (HRDF) to implement trainings in collaboration with private-sector employers.
- ii. RM100 million to MDEC to transition existing workforce to fill the growing needs in the ICT industry.

To encourage Malaysians to upskill and venture into a new area of employment, **the scope of relief for tuition fee be expanded to cover expenditures incurred for attending up-skilling** courses provided by certified bodies limited to RM1,000 for each year of assessment.

Measure 5: Youth and Sports Development

To provide employment exposure to youths, the Government will provide an incentive of RM1,000 per month for up to three months to private employers for each new graduate who participates in the apprenticeship programme. In addition, employers can also claim a grant of up to **RM4,000 for training programmes for the apprentices**. The programme is expected to benefit up to 50,000 new graduates with an allocation of RM250 million.

Measure 6: Access to Quality Education

1. To encourage more industry involvement in implementing TVET-based programmes, the Government will hereby **increase the National Dual Training System Plus allowance from RM625 to RM1,000**. This initiative involves a total allocation of RM60 million and benefits 10,000 trainees.

SECOND GOAL: BUSINESS CONTINUITY

Strategy 1: Driving Investments

Measure 1: Investment in Key Sectors

1. To facilitate this, **RM1 billion will be provided as a special incentive package** for high value-added technology. Among others, this fund aims to support R&D investment in aerospace as well as electronic clusters such as in Batu Kawan, Penang and Kulim, Kedah industrial parks.
2. In addition, a **High Technology Fund** worth RM500 million will be provided by Bank Negara Malaysia (BNM) to support high technology and innovative companies. The fund will enable Malaysia to remain competitive in the global supply chain and main the supply chain ecosystem and protect high skilled jobs.
3. The Government is committed to **making Malaysia as a destination for high-value service activities**. In relation to this, the following initiatives will be implemented:
 - i. Relaxation of tax incentive conditions for Principal Hub and the incentive will be extended until 31 December 2022.
 - ii. New tax incentive for the establishment of Global Trading Centre at a concessionary rate of 10% for a period of five years and renewable for a period of another five years.
 - iii. Limit on the sales value for value-added and additional activities carried out in the Free Industrial Zone (FTZ) and Licensed Manufacturing Warehouse (LMW) be increased from 10% to 40% from the total annual sales value.
 - iv. Special income tax treatment at a flat rate of 15% for a period of five years to non-resident individuals holding key positions for strategic new investment by companies relocating their operations to Malaysia under the Pelan Jana Semula Ekonomi Negara (PENJANA) incentive package.
4. Through PENJANA, the Government has offered special tax rates to selected manufacturing companies which relocated their businesses to Malaysia and bring in new investments. The **application for the incentive will be extended for another one year until 31 December 2022 and the scope of tax incentives will also be extended** to companies in the selected services sector which have significant multiplier effect by **providing an income tax rate of 0 to 10% for a period of 10 years**.
5. A **National Development Scheme (NDS) valued at RM1.4 billion** by Bank Pembangunan Malaysia will be introduced to support the implementation and development of domestic supply chain and increase the production of local products such as medical devices.
6. To further assist affected SMEs, the Targeted Assistance and Rehabilitation facility worth RM2 billion under Bank Negara Malaysia will be introduced through loans from banking institutions.

Measure 2: Improving the Business Environment

The main objective is the need to improve the infrastructure of industrial areas. To enhance the competitiveness of the industry, the following initiatives will be provided:

- i. RM100 million for the maintenance of the infrastructure of industrial parks.
- ii. RM42 million under JENDELA to improve internet connectivity in 25 industrial parks.
- iii. Development of a water treatment plant in Kubang Pasu district to support the investment needs of the Kota Perdana Special Boundary Economic Zone project in Bukit Kayu Hitam, Kedah and residents in the area.
- iv. Allocation of RM45 million to meet the water supply needs for the petrochemical sector concentrated in the Gebeng Industrial Zone.

Measure 3: Science, Technology and Innovation

1. In an effort to **support the development of science and technology**, the Government will allocate RM400 million specifically for R&D purposes involving several ministries and agencies.

Measure 4: Locally Manufactured Products

To encourage the production and purchase of locally made products, several initiatives will be implemented as follows:

- i. RM25 million for the **Micro Franchise Development and Affordable Franchise programmes** as well as **Buy Made in Malaysia programme**.
- ii. RM150 million for training programmes and sales assistance as well as digital equipment for 100,000 local entrepreneurs to encourage adoption of e-commerce under the e-Commerce SME and Micro SME Campaign.
- iii. RM150 million to implement the **Shop Malaysia Online** initiative together with the e-commerce platform to encourage online spending which will benefit 500,000 local sellers including the halal products and handicrafts entrepreneurs.
- iv. RM35 million to promote Malaysian-made products and services under the **Trade and Investment Mission**.

Strategy 2: Prioritising Automation and Digitalisation

This strategy is to prioritise automation and digitalisation. The Government will focus on **long-term productivity** through the use of new technology to accelerate the transformation towards a high-income economy.

The Government through Bank Pembangunan Malaysia Bhd has provided the **Industrial Digitalisation Transformation Scheme valued at RM1 billion**, which aims to boost digitalisation activities. To that end, the availability of these funds will be extended until 31 December 2023.

In addition, in support of automation and modernisation, additional funds amounting to RM150 million will be provided under the **SME Digitalisation Grant Scheme and the Automation Grant**. The eligibility condition for these Grants have also been relaxed for micro SMEs and start-ups that have been operating for at least six months.

Strategy 3: Enhancing Access to Financing

Through the PRIHATIN and PENJANA packages, RM1.9 billion of soft loan funds and grants have been provided to help SMEs and micro-SME entrepreneurs who have difficulty accessing financing.

Measure 1: Micro Credit Financing

1. To assist the financial position of SMEs that supply to the Government or GLCs, the Government will introduce the **National Supply Chain Finance Platform**. The platform, named as "**Jana Niaga**", will benefit SMEs who have cash flow problems due to the long invoice payment period as well as help them to secure loans from financial institutions. The Jana Niaga platform will be led by EXIM Bank with the involvement of several financial institutions. RM300 million will be provided by EXIM Bank to drive Jana Niaga. For now, Jana Niaga will be implemented together with Petronas and Telekom Malaysia. It will be extended to other GLCs, Ministries and Government agencies in the future.
2. **Peer-to-peer financing or P2P** under the supervision of the Securities Commission Malaysia (SC) is one of the alternative financial innovations that has generated financing in excess of RM900 million to SMEs. To support P2P platforms, especially those based on invoice financing, RM50 million will be allocated based on a matching investments basis.
3. In addition, micro credit financing worth nearly RM1.2 billion will be provided through TEKUN, Perbadanan Usahawan Nasional Bhd (PUNB), Agrobank, Bank Simpanan Nasional and other financial institutions. This includes RM110 million to Micro Enterprises Facility under BNM to encourage entrepreneurship among gig workers and self-employed.
4. Through PUNB, RM230 million will be allocated as financing to SMEs for working capital, upgrading of automation systems and equipment and expenditure related to the implementation of COVID-19 SOP compliance.

Measure 2: Loan Guarantees

To date, a total of RM25 billion ringgit has been given under the **Syarikat Jaminan Pembiayaan Perniagaan**. The Government will **increase the guarantee by up to another RM10 billion**, with RM2 billion reserved specifically for Bumiputera entrepreneurs.

Measure 3: Alternative Financing

Equity Crowd Funding (ECF) is one of the alternative financing methods, especially for technology start-ups. To encourage more individual investors to take part in financing through the ECF platform, income tax exemption of 50% of the investment amount or limited to RM50,000 will be given. RM30 million will also be allocated through matching grants to be invested on ECF platforms under the supervision of the SC.

Thank you.

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