

[MITI Media Release \(231015\)](#)

Comments on the 2016 Budget by YB Dato' Sri Mustapa Mohamed, Minister of International Trade and Industry

1. YAB Perdana Menteri presented a prudent, balanced, 'mesra rakyat' budget which focuses on addressing the people's concerns such as rising cost of living, enhanced competitiveness of SMEs and nurturing the well-being of the Rakyat.
2. Malaysia's economic fundamentals remain strong. Despite uncertainties in the global economy, Malaysia's economic performance registered 5.3 % growth in the first half of 2015. It is estimated that national growth will expand between 4.0 % to 5.0 % in 2016.
3. Following the momentum of the increasing inflow of foreign direct investment, the 2016 Budget continues to introduce new measures to ensure Malaysia remains attractive to investors. A total of RM 1.914 billion has been allocated to MITI to implement the programmes under this Budget. Of this, RM 539.2 million for operating expenditure and RM1.375 billion for development expenditure.

Incentives to Spur Investments

4. Among incentives to promote private investments:

Incentive for Independent Conformity Assessment Bodies (ICAB)

- The Government will make available incentives to foster establishment of independent conformity assessment services in Malaysia.

Comments

- *The incentive for ICAB is intended to strengthen the ecosystem of testing, inspection, validation and certification processes led by SIRIM in which the proposed activities are critical to the industry but may not available in Malaysia.*
- *At present, it is estimated that there are more than 600 laboratory tests in Malaysia, in which more than 80% of the labs are small and unable to provide testing services to proposed sectors.*
- *The incentive will complement Government's effort to transform manufacturing sector towards becoming more high-value, diverse and complex product.*
- *The testing and certification processes include critical sectors that are major contributors to the total exports. This includes Machinery & Equipment, Electrical & Electronics, Chemical, Food, Aerospace, and Medical Devices. Total export of these industries*

increased from RM323.5 billion in 2010 to RM354.1 billion in 2014. As of August 2015, total exports of these sectors have reached RM247.7 billion.

- These sectors were also identified as part of the catalyst sectors to realise the objectives of the 11th Malaysia Plan in attracting private investment of RM291 billion over the implementation period of 2016-2020.

Special Reinvestment Allowance

- The Government has agreed to provide a special Reinvestment Allowance for 3 years to companies in selected manufacturing and agricultural sectors, whose RA have expired.
- The special RA is equivalent to 60% of capital expenditure incurred and could be offset against 70% of the statutory income
- The incentive will be made effective for year of assessment of 2016-2018.

Comments

- Malaysia continues to receive new investments, while concurrently, existing investors also undertake **expansion and diversification** of their operations in the country. This is evident through the performance of manufacturing sector.
- During the period January-July 2015:
- A total of 453 manufacturing projects were approved with investments of RM53.5 billion, compared with 499 projects with investments of RM51.8 billion for the period January-July 2014. For the full year 2014, a total of 811 projects with investments worth RM71.9 billion were approved.
- 259 projects with investments of RM43.4 billion (81.1%) were new projects, while as many as 194 projects with investments of RM10.1 billion (18.9%) were expansion/diversification.

Rubber City

A discussion paper on Kedah Rubber City will be presented in Mesyuarat Jawatankuasa Bersama Penyelarasan Industri (JBI) Kedah on 25 October 2015. The paper will be presented by UPEN Kedah.

The development of Rubber City is expected to provide a significant economic and social impact to the Northern Corridor including the the Southern Territory of Thailand. It is expected that the gross development value of the city will amount to RM11.2 billion and will provide 20,000 jobs opportunities.

The components of the Rubber City include:

- a. R&D;
- b. Raw materials;
- c. Investors Support;
- d. Human Capital;
- e. Incentive; and
- f. Marketing.

Status of Rubber City Development

NCIA and the Kedah State Government are in the midst of appointing a land surveyor to undertake land surveying tasks for the purpose of land acquisition.

Under the 2016 Budget announcement, RM320 million has been allocated for the development of Rubber City.

Aerospace Industry (MRO)

Aerospace industry is one the new growth sectors identified under RMK-11. Inclusion of the aerospace MRO activities for GST exemption under the Approved Trader Scheme will help to further enhance the growth of Malaysia's aerospace industry.

Small and Medium Enterprises (SMEs) Assessment

5. Budget 2016 has been very positive in supporting the long- term development of SMEs. A total of RM 10.5 billion has been allocated for SMEs, including RM107 million under the SME Masterplan to continue in implementing the High Impact Programmes. The focus has been on enhancing access to financing by reducing the cost of funds through the Shariah compliant scheme; developing entrepreneurship; promoting automation and technology transformation; modernising microenterprises, formalising the agriculture sector through GST registration and internationalisation of SMEs and mid-tier companies to becoming global champions. The Budget has also emphasised on commercialisation of R&D products particularly benefiting SMEs and to encourage innovation activity among the youth and the bottom 40% of the pyramid. Besides funding allocation for SME development programmes, SMEs have also been granted various tax incentives to encourage R&D activity (double tax deduction) and to promote exports (tax exempt on 10-15% of export receipts). Overall, the initiatives under Budget 2016 are in line with the direction of the RMKe-11 and in meeting the SME Masterplan goals as well as in reducing the burden of SMEs in the current economic situation.

Details of the Programmes

6. Implementation of the SME Masterplan, the long-term agenda of SME development for the country. For year 2016, a total of RM107 million has been allocated for implementation of the six high impact programmes under the Plan, i.e.:

- **Integrated Registration and Licensing of Businesses Establishment**, aims to creating a single registration point to start or renew a business;
- **Technology Commercialisation Platform (TCP)**, is a national network of privately managed platform to promote innovative ideas from the proof-of-concept stage to commercialisation through provision of a range of services including technical, infrastructure and financial support;
- **SME Investment Partner (SIP)** to provide early stage financing to potential SMEs in the form of debt, equity or a hybrid of both through investment firms;
- **Going Export (GoEx) Programme** to develop exporters through comprehensive support which include linkage to market expertise and buyers and compliance to standards to expedite internationalisation of services and products;
- **Catalyst Programme** to create homegrown champions through a targeted approach with support in the area of financing, market access and human capital development.
- **Inclusive Innovation**, designed to promote transformation of communities including microenterprise in the rural areas through innovation that will be supported by advisory, support facilities and financing.

7. In addition the Government has allocated:

- RM 1 billion for the Syariah compliant financing scheme;
- RM60 million for Skim Anjakan Usahawan dan Skim Peningkatan Kapasiti serta Keupayaan PKS;
- RM200 million for soft loan SME Technology Transformation Fund.
- RM18 million for Projek Transformasi Kedai Runcit (TUKAR) and Automative Workshop Modernisation (ATOM).

Export Promotion

8. For export promotion, RM235 million is allocated to MATRADE under various programmes; Program Promosi 1Malaysia, Dana Eksport Perkhidmatan and Dana Promosi Eksport.

9. Under human capital development RM350 million is allocated under HRDF training programmes.

10. For R&D, technology and innovation, SMEs undertaking R&D projects can avail to double tax deduction of up to RM50,000 per assessment year. RM50 million is allocated for the Public-Private Research Network (PPRN).

11. A total of RM235 million has been allocated to MATRADE to strengthen the country's export of products and services. The measures include an integrated export promotional approach under the One Malaysia Promotion. One Malaysia Promotion will enhance cohesiveness and coordination in Nation branding through closer Public-Private-Partnership when undertaking promotion abroad.

12. Financial support for internationalisation of SMEs will ensure the achievement of the objective to increase the contribution of SMEs to exports to 23% by 2020. SMEs export promotion initiatives will continue to be supported through the Market Development Grant (MDG).

13. Emphasis has also been given to strengthen capacity building measures to grow Malaysian SMEs and Mid-Tier companies to become regional and global champions. SMEs will be linked to Mid-Tier companies to support their supply chain and expand exports.

14. The reduction of the value added criteria for SMEs to enjoy income tax exemption on increased exports will further incentivise SMEs to grow their exports.

15. Efforts to increase the contribution of services to exports will be further driven through the Services Export Fund (SEF) to support various promotional activities and capacity building undertaken by Malaysian Service Providers.

Entrepreneurship Development

16. For entrepreneurship, a total of RM35 million is allocated for MaGIC under the Peneraju Hab Keusahawanan dan Inovasi Serantau. In addition, RM10 million is allocated for start-up fund; Corporate Entrepreneurs Responsibility Fund. A total of RM 30 million is allocated for youth entrepreneurs under the programmes Global Entrepreneurship Community, BAHTERA, GREAT, 1MET, National Innovation Competition and Projek Perintis Coding in schools. Another RM50 million is allocated to increase the youth entrepreneurship development activities.

17. To accelerate development of small contractors, a total of RM500 million is allocated under SME Bank for companies utilising the IBS system.

18. Green Technology Financing Scheme is extended until 31 December 2017 with an allocation of RM1.2 billion.

19. Under Bumiputera development, RM150 million is allocated under TERAJU for programmes Skim Usahawan Permulaan Bumiputera and Program Syarikat Bumiputera Berprestasi Tinggi. In addition RM250 million is allocated to Perbadanan Usahawan Nasional Berhad.

20. For micro financing, a total of RM600 million is allocated for Bumiputera entrepreneurs and RM100 million for Indian entrepreneurs under TEKUN. In addition RM50 million is allocated to SME Bank for small Indian entrepreneurs. Another RM200 million is allocated under micro financing for B40 by AIM. An allocation of RM100 million is provided for Program Pembangunan Sosioekonomi Masyarakat India and RM90 million for Chinese hawkers and petty traders, including from KOJADI.

Bumiputera Development

21. RM150 million channeled through TERAJU for the implementation of various programs including Skim Usahawan Permulaan Bumiputera (SUPERB) and Program Syarikat Bumiputera Berprestasi Tinggi (TERAS) will ensure smooth implementation of Bumiputera development agenda. MITI will collaborate with TERAJU to utilise the allocation to develop entrepreneurs under MITI.

22. MITI also welcomed the allocation of RM500 million for micro Bumiputera entrepreneurs channeled through TEKUN because this will further assist the micro Bumiputera entrepreneurs in terms of liquidity and to enhance their business.

23. Jawatankuasa Kemahiran Industri (JKI)

- Under the Majlis Pembangunan Modal Insan Negara (National Human Capital Development Council) led by the Economic Planning Unit, Prime Minister's Department, MITI has established the Jawatankuasa Kemahiran Industri (JKI) with the following Terms of Reference (TOR):
- Consult industry on talent/skills requirements;
- Assess the human resource requirements to meet the needs of industry so as to narrow the gap between skills supply and demand; and
- Work with training providers (educational/training institutions and Technical Education & Vocational Training [TEVT]) and accreditation providers (such as MQA and JPK) to develop training programmes that meet the demands of industry through the Single Governances Body.

24. MITI will convene its first meeting in early November 2015. The committee will comprise representatives from both public and private sectors.

Ministry of International Trade and Industry
Malaysia
23 October 2015

Last Updated 2015-10-26 07:29:05 by Azuna Hasbullah atau Abd Rahman