

THE 2014 BUDGET SPEECH

By

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PRIME MINISTER AND MINISTER OF FINANCE**

INTRODUCING THE SUPPLY BILL (2014)

**IN THE DEWAN RAKYAT
FRIDAY, 25 OCTOBER 2013**

***“STRENGTHENING ECONOMIC RESILIENCE, ACCELERATING
TRANSFORMATION AND FULFILLING PROMISES”***

Mr. Speaker Sir,

I beg to move the Bill intituled ***“An Act to apply a sum from the Consolidated Fund for the service of the year 2014 and to appropriate that sum for the service of that year”*** be read a second time.

INTRODUCTION

Mr. Speaker Sir,

I begin the 2014 Budget Speech by reciting the holy *kalimah Bismillahirrahmanirrahim*. Surah al-Qasas from the holy Quran, verse 77 says,

“But seek, through that which Allah has given you, the home of the Hereafter; and [yet], do not forget your share of the world. And do good as Allah has done good to you...”

Philosophers often say:

“Unity is the beginning, staying united reflects progress while working together is the recipe for success.”

1. Let us begin by expressing our gratitude to Allah Subhanahu Wa Taala for with His Blessings, my colleagues and I are able to gather in this august House, a symbol of our vibrant democracy in our sovereign and independent nation.
2. On behalf of the Government, I would like to record our highest appreciation and thank the rakyat for supporting and giving the mandate to Barisan Nasional in the 13th General Election to continue to lead the country.
3. This proves that though faced with various obstacles and challenges as well as allegations hurled at us, with God’s grace and the transformative leadership of Barisan Nasional, we prevailed and continue to be resilient and strong as the party chosen by the rakyat for the next five years.
4. Indeed, we went through a challenging General Election. We take pride that we observed all the rules and regulations in the true spirit of democracy as provided

for under the Federal Constitution. This election has been acknowledged by friend and foe alike as the mother of all elections.

5. The Government is certainly aware that in an environment of global political and economic uncertainties, and if we are not vigilant, we will be adversely affected. Hence, we are most grateful that our nation has not been dragged into civil unrest which can destroy the country.

6. We are also grateful that our nation remains blessed, as we are free from natural calamities unlike in other countries. We pray that we are always protected by Him.

7. We have implemented 10 Malaysia Plans and 3 Outline Perspective Plans, since 1965 to 2010.

8. The National Development Policy was implemented from 1991 to 2000. Next came the National Vision Policy which spanned the period from 2001 to 2010. When tabling the 2010 Budget, I launched the National Transformation Policy, the bedrock and catalyst towards achieving Vision 2020.

9. I must stress explicitly that all these plans would not have been realised without careful planning and clear strategies by the Government. In fact, for decades the Barisan Nasional Government has taken relentless efforts to develop the nation from an agriculture-base to a modern industrial economy and further grow to upper middle-income status. We are now poised to become a high-income and developed nation.

10. On 14 September 2013, I presented the Agenda on Bumiputera Economic Empowerment at the Dewan Agong Tuanku Cancellor in the main campus of UiTM. In my speech, I explained the demographics of the nation, particularly in relation to the Malays and Bumiputeras.

11. Currently, the demographics beginning from Arau, Perlis to Kudat and Tawau in Sabah, through Bintulu and Batang Ai, Sarawak, indicate that Malays comprise 41 subgroups within nine major groups, Chinese 10 subgroups, Indians 8 subgroups, Orang Asli 18 categories, Bumiputera Sabah more than 60 ethnic groups and in Sarawak, more than 40 subgroups.

12. The truth is, irrespective of whether we are Malays, Chinese, Indians, Kadazans, Murut, Dusun, Iban, Bidayuh, Orang Ulu, Orang Asli, Sikhs, Eurasians, Siamese, Baba Nyonya and Chitty, we are all Malaysians. Every ethnic or subgroup irrespective of numbers is important in our journey towards success.

13. According to the 2010 Population and Housing Census, estimates for 2013 indicate that there are 18.6 million Malays and Bumiputera (67.9% of total population) including Muslims and non-Muslims, Chinese, 6.6 million (24%) Indians, 2 million (7.2%), while there are 259,000 (0.9%) people of other ethnic groups (0.9%). This means there are about 27.4 million Malaysian citizens.

14. However, this does not include the 40,000 Bangladeshis who were brought in as phantom voters in the recent 13th General Election as alleged by the Opposition. Till today no one has even seen them or their shadow. Enough of lies. Ask for forgiveness from Him.

15. Indeed, for more than five decades, there has been an agreement forged by our former leaders in full wisdom and knowledge, supported by statistical evidence and our multiracial society. Therefore based on the solid premise, we present you this important document.

16. As in previous years, the tabling of this document of national importance falls on a Friday afternoon, a blessed day. This is the first Budget to be presented by the Barisan Nasional Government, after gaining the trust and confidence of the rakyat, once again. This is also my fifth budget as the Minister of Finance since 2009.

2014 BUDGET THRUSTS

17. The 2014 Budget is formulated to ensure that the economy continues to expand at a strong pace, and to reduce the fiscal deficit, with the overall objective of prospering the nation and promoting the well-being of the rakyat. Towards this, the 2014 Budget is formulating based on the theme “***Strengthening Economic Resilience, Accelerating Transformation And Fulfilling Promises***”, outlining five main thrusts:

First Thrust:	Invigorating Economic Activity
Second Thrust:	Strengthening Fiscal Management
Third Thrust:	Inculcating Excellence in Human Capital
Fourth Thrust:	Intensifying Urban and Rural Development
Fifth Thrust:	Ensuring Well-Being of the Rakyat

2013 ECONOMIC PERFORMANCE AND 2014 PROSPECTS

18. Allow me to highlight the current global and domestic economic prospects. The global economy is expected to grow at a slower pace of 2.9% in 2013. As a highly open economy, Malaysia is not spared from the modest growth. Nevertheless, the country’s strong economic fundamentals and accommodative monetary policy will enable us to grow at a sustainable pace. In fact, the economy grew 4.2% in the first half of 2013.

19. Economic indicators reflect trends that support growth. For example, the FBMKLCI reached 1,818 points on 24 October 2013, with market capitalisation of RM1.66 trillion, a new record high in terms of level and value. This underscores the increasing local and foreign investors' confidence in the economy.

20. Net foreign direct investment was higher at RM18.2 billion in the first half of 2013 compared with RM15.9 billion during the same period in 2012. International

reserves remained strong at RM444.9 billion at 14 October 2013, sufficient to finance 9.7 months of retained imports and is 3.9 times the short-term external debt.

21. For the whole of 2013, the domestic economy is expected to expand between 4.5% and 5%. Growth is supported by private investment, increasing 16.2% to an estimated RM165 billion. In addition, private and public consumption are expected to grow 7.4% and 7.3%, respectively mainly supported by strong domestic economic activity.

22. In 2014, in tandem with an improved global economic outlook, the domestic economy is projected to grow at a stronger pace of 5% to 5.5%. Growth will be driven by private investment expanding 12.7%, and private consumption at 6.2%.

23. Exports of goods are expected to grow 2.5% due to improving external demand. On the supply side, the construction sector is expected to grow 9.6%, followed by the services sector at 5.7%. The unemployment rate is estimated at 3.1% while the inflation rate will remain low between 2% and 3%.

24. The per capita income for 2014 is expected to reach RM34,126 compared with RM24,879 in 2009, an increase of 37% over 6 years. In this regard, we are confident of achieving the target per capita income of RM46,500 or USD15,000 in 2020. It is even possible that we will achieve developed nation status much earlier than 2020.

2014 BUDGET ALLOCATION

25. The 2014 Budget will allocate a total of RM264.2 billion to implement programmes and projects for the well-being of the rakyat and national development. Of this amount, RM217.7 billion is for Operating Expenditure while RM46.5 billion for Development Expenditure.

26. Under Operating Expenditure, RM63.6 billion is allocated for Emoluments and RM36.6 billion for Supplies and Services. Meanwhile, RM114.5 billion is allocated for Fixed Charges and Grants, while RM1.4 billion is for the Purchase of Assets. The remaining RM1.5 billion is for Other Expenditures.

27. From the Development Expenditure of RM46.5 billion, a sum of RM29 billion is allocated to the economic sector. A sum of RM10.5 billion is allocated to the social sector for education and training, health, welfare, housing and community development. In addition, RM3.9 billion is allocated to the security sector. The balance of RM1.1 billion is for general administration and RM2 billion for contingencies.

28. In 2014, the Federal Government revenue collection is estimated at RM224.1 billion, an increase of RM4 billion from 2013. Taking into account the estimated revenue and expenditure, the Federal Government fiscal deficit will further decline from 4% of GDP in 2013 to 3.5% in 2014. This clearly indicates the Government's commitment towards fiscal consolidation to further strengthen the financial position of the nation.

29. Taking into account the current international and domestic economic environment, I will now present the five thrusts which will be the basis of the 2014 Budget.

FIRST THRUST: INVIGORATING ECONOMIC ACTIVITY

30. The Government will continue to provide a conducive environment to attract more domestic and foreign investment. The Government's efforts have led to an increase in private investment. For example, the share of private investment to GDP has grown from 12.4% in 2010 to 16.7% currently.

31. In 2014, private investment is expected to increase further to RM189 billion or 17.9% of GDP, particularly in oil and gas, textile industry, transport equipment and real estate development.

32. Public investment is estimated to reach RM106 billion. Projects to be implemented include construction of the 316-kilometre West Coast Expressway from Banting to Taiping as well as double-tracking projects from Ipoh to Padang Besar, and later from Gemas to Johor Bahru.

33. In the oil and gas sector, among projects to be undertaken by Petronas include the Sabah Ammonia Urea Project (SAMUR) in Sipitang; the integrated oil and gas production development project in Kebabangan; the regasification plant project in Lahad Datu, Sabah; and RAPID in Pengerang, Johor, which is the largest investment in Malaysia.

34. The Government will continue to encourage investments in the five regional economic corridors by providing basic infrastructure and implementing high-impact projects. As at end-2012, investments worth RM124 billion or 41% of the total committed investments were realised in the regional corridors.

35. In the first nine months of 2013, the regional corridors attracted committed investments of RM53.4 billion with almost 50% realised. Among the important projects in Iskandar Region are Pinewood Studio, Gleneagles Medini Hospital and Pegasus International School. In addition, sewerage and flood mitigation projects will be carried out.

36. In 2014, the Government will allocate RM1.6 billion for development in the five regional corridors. Among the main projects to be implemented include the agropolitan project and oil palm-based industries in the Sabah Development Corridor as well as Samalaju Industrial Park and a halal hub in the Sarawak Regional Corridor.

37. Meanwhile, in the East Coast Corridor, Kuantan Port will be expanded. An integrated petrochemical complex will be built in Gebeng and Kertih. In the Northern Corridor, the main projects include planting of commercial crops and fertigation system.

Invigorating Services Sector

38. The services sector is the key contributor to economic growth and has huge potential for further development. The sector's contribution to GDP has increased from 49.3% in 2000 to 55% in 2013. To further promote growth in the sector, the Government will launch the Services Sector Blueprint in 2014 which outlines strategies and measures as well as identifies the following potential subsectors to be developed.

Logistics Sector

39. Malaysia is currently ranked 29th in the World Bank Logistics Performance Index Report 2012. The Index benchmarks the performance of logistics activities, including shipping, infrastructure, timeliness, customs clearance and competencies. Though lagging behind developed nations, our performance can be improved.

40. To ensure a more efficient logistics sector, the Government will formulate a Logistics Sector Master Plan. The Plan will provide the strategic direction for the development of logistics infrastructure and supply chain as well as review regulations and laws. In addition, the Government will allocate RM3 billion in soft loans under the Maritime Development Fund through Bank Pembangunan Malaysia. The Fund will provide financing to encourage the development of the shipping industry, shipyard construction, oil and gas as well as maritime-related support activities.

Promoting Aviation Industry

41. Malaysia has potential to be an aviation hub in the region. The industry will have a multiplier effect on the economy in line with growing demand for passengers and air cargo. For the period January to July 2013, passenger traffic at airports nationwide increased to 43.9 million from 38.6 million passengers during the same period in 2012.

42. Total air cargo handled increased to 529,000 tonnes during the first seven months of 2013. When KLIA2 is operational, passenger traffic is expected to increase to more than 70 million. To further develop the industry, the Government will formulate a National Aviation Policy, which will outline measures to strengthen the ecosystem and services network in the aviation industry.

43. To improve operations management and air traffic control, the Government will replace the existing air traffic control management system in Subang that is almost 20 years old. A new air traffic management centre costing RM700 million will be built at KLIA. The new system will facilitate an increase in air traffic from 68 to 108 movements per hour on 3 runways. This will be among the highest capacity in handling air traffic worldwide.

44. To increase passenger comfort, the Government will upgrade several airports, such as Kota Kinabalu and Sandakan in Sabah as well as Miri, Sibul and Mukah in Sarawak. For this, the Government will allocate RM312 million. In addition, the passenger terminals in Langkawi International Airport and Kuantan Airport will be upgraded.

Promoting Tourism Sector

45. In 2013, the tourism sector is expected to generate revenue of RM65 billion and has the potential to contribute further. In 2012, Malaysia attracted 25 million tourists. In view of the encouraging performance, 2014 has been declared Visit Malaysia Year (VMY), targeting 28 million tourists.

46. To implement the VMY programmes, the Government will allocate RM1.2 billion for operating and development expenditure in 2013 and 2014, including for promotion and advertising.

47. In continuous efforts to attract more tourists, I am pleased to announce 2015 as the Year of Festivals. In this regard, we will organise and showcase a variety of cultural programmes and festivals in the country.

48. Malaysia is among the preferred tourist destinations for shopping. According to the Globe Shopper Index 2012 and CNN Travel 2013 Report, Kuala Lumpur is ranked the 4th most popular city in the world for shopping after New York, Tokyo and London.

49. To further promote Malaysia as a preferred tourist destination, the Government will continue to encourage investments particularly in new 4 and 5-star hotels. The measure will ensure adequate supply of international standard accommodation and increase tourist arrivals, especially from the luxury and high-spending category. To support this, the Government proposes the application period for Pioneer Status and Investment Tax Allowance incentives be extended for another 3 years until 31 December 2016.

50. To further promote the tourism industry, a sum of RM2 billion will be provided to the Special Tourism Infrastructure Fund under Bank Pembangunan Malaysia. The Fund will provide soft loans at low interest rates between 4% and 6%, with the

Government providing a subsidy of 2%. The Fund will be used to finance the cost of building infrastructure such as hotels, resorts and theme parks as well as purchase and replacement of equipment related to the tourism sector.

Expanding Internet Access

51. In a borderless world, information can be obtained instantaneously. Therefore the requisite infrastructure will be upgraded to meet consumer demand. Hence, the Government has implemented the High-Speed Broadband (HSBB) project under the National Broadband Initiative.

52. The collaboration with the private sector has involved investment of RM11.3 billion since the 9th Malaysia Plan. The HSBB project has been implemented with Internet access speed of 4 megabits per second (Mbps) and benefiting 2.3 million premises, particularly in urban areas.

53. To expand coverage in major towns, the Government will implement the second phase of HSBB project in collaboration with the private sector involving an investment of RM1.8 billion. The initiative is expected to provide additional coverage and facilities mainly in urban areas, benefiting 2.8 million households nationwide. The Internet speed will be increased to 10 Mbps.

54. The HSBB network will be expanded to suburban areas with an Internet access speed increasing to between 4 and 10 Mbps, which will benefit 2 million consumers at a cost of RM1.6 billion.

55. To increase Internet coverage in rural areas, 1,000 telecommunication transmission towers will be built over the next 3 years, with an investment of RM1.5 billion. To increase Internet access in Sabah and Sarawak, new underwater cables will be laid within 3 years, at a cost of RM850 million. These investments will utilise

the Universal Services Provision Fund, which is under the purview of the Malaysia Communications and Multimedia Commission.

Strengthening Financial Market

56. Currently, the domestic bond market is the largest in Southeast Asia with a value exceeding RM1 trillion, while daily transactions in the foreign exchange and money markets are more than RM30 billion. To ensure efficient operations of financial markets, a clear regulatory framework is required.

57. In this regard, amendments will be made to existing laws and Bank Negara Malaysia will lead the initiative in formulating the Netting Act to protect enforcement rights of “close-out netting” under the financial contract. This is to reduce credit risk and promote the derivatives market, thereby reducing systemic risks in the domestic financial market as well as reduce the cost of doing business.

58. Malaysia’s position as a leader in the Islamic capital market is an advantage in attracting funds and issuance of securities. To enhance global competitiveness, efforts will be intensified to promote Malaysia as a market for Social Responsible Investment (SRI).

59. Among the measures which will be implemented include introducing the Environmental, Social and Governance Index (ESG) to raise the profile of listed companies which have high socially responsible practices.

60. The Securities Commission will introduce the Framework of Socially Responsible Sukuk Instrument or SRI Sukuk to finance various sustainable and responsible investment initiatives. In addition, the Government will establish a SRI Fund to be invested in listed companies which demonstrate high accountability, transparency and sustainability, including inclusiveness in diversity encompassing gender, age and ethnicity.

61. For a start, Valuecap will allocate RM1 billion to invest in companies that score high on the ESG Index. I trust this will encourage more companies to show high commitment towards social responsibility.

Pension Scheme

62. In 2010, the Government established the 1Malaysia Pension Scheme (SP1M), for the self-employed without fixed income to contribute voluntarily to the Employees Provident Fund (EPF). To date, about 66,000 contributors have participated in the scheme with total savings exceeding RM240 million.

63. To encourage more people to participate in the scheme, I propose that the Government increases its contribution from 5% to 10%, or from a maximum of RM60 to RM120 per year. This will be effective from 1 January 2014 to end-2017 and is expected to attract 30,000 new contributors.

64. The Government recognises the importance of savings from an early age to ensure sufficient savings after retirement. To further increase savings, the Government encourages youth to undertake long-term investment through the Private Retirement Scheme (PRS).

65. Towards this, the Government proposes a one-off incentive of RM500 to contributors who participate in the PRS scheme with a minimum cumulative investment of RM1,000 within a year. The incentive, which is available for individuals aged between 20 and 30 years, is expected to attract 420,000 youth contributors nationwide. The incentive will be implemented from 1 January 2014, for a period of 5 years, involving an allocation of RM210 million.

Moving Up the Value Chain in Agriculture Sector

66. According to an old proverb, if you work on the land diligently, you will reap the harvest. As such, agriculture is always included in the annual budget.

67. An allocation of RM6 billion will be provided for the implementation of high value-added and commercially viable agriculture programmes. Among the main initiatives are as follows:

First: Establish the Food and Agro Council for Export (FACE) which will be chaired by the Minister of Agriculture and Agro-based Industry. The Council will act as a facilitator to increase exports of local agriculture produce;

Second: Strengthen FAMA to play a more strategic role, in line with the concept of “from farm to export market”. For instance, FAMA will organise an Agro Bazaar in Singapore; and

In line with the high price and demand for durians, we will increase exports to China. To ensure that agriculture produce remains fresh, the Government will provide cold room facilities in KLIA. In addition to increasing exports, this will give higher return to farmers;

Third: Ensure fair prices of food products by opening an additional 60 farmers’ markets, 50 fish markets, 50 agriculture caravans as well as 100 fresh fruit stalls nationwide. The initiative to be undertaken by FAMA and LKIM will provide facilities to traders to sell food products directly to consumers.

68. The Government will allocate a sum of RM2.4 billion for subsidies and incentives, including subsidies for fertilisers, seeds, price of paddy and rice as well

as incentives for higher production of paddy and fish landing. In addition, the Government will allocate RM243 million for the replanting programme of rubber, palm oil and cocoa as well as forest plantation programme.

69. To increase productivity as well as to promote agriculture produce with high demand, the Government will allocate RM634 million under the National Key Economic Area. Among the projects include paddy and fish cage farming, seaweed and birds' nest, high-value herbs, vegetables and fruits for the export market.

70. The Government will also implement a lobster rearing project at Semporna, Sabah in collaboration with a multinational company to produce 18,000 metric tonnes yearly which will create 20,000 jobs. The project is expected to benefit more than 6,000 local entrepreneurs and increase their monthly income up to RM4,000 over the long term.

71. To increase competitiveness and the contribution of Bioeconomy to economic growth, the Government will implement the Bioeconomy Community Development programme. Under the programme, idle lands will be developed through the application of biotechnology as well as for contract farming to increase the value-added of the agro-based industry and income of farmers.

72. Recognising the importance of research and development (R&D) for the development of Bioeconomy, the Government will provide the following R&D incentives for viable projects which will be assessed by BiotechCorp:

First: Tax deduction for companies that invest to acquire technology platform in bio-based industry;

Second: Exemption on import duty on R&D equipment for companies that invest in pilot plants for the purpose of pre-commercialisation in Malaysia; and

Third: Special incentive to companies to partially cover the operational cost for human capital development for Centre of Excellence for R&D.

The incentives are for applications received by Biotech Corp from 1 January 2014 to 31 December 2018.

Entrepreneur Development

73. According to *Hadith*, out of ten parts, nine parts of one's sustenance is in business. In this respect, we will train and nurture more young entrepreneurs so that they will become successful businessmen. Thus, the Government is committed to ensuring that entrepreneur development remains a key element in generating economic growth.

74. An entrepreneur development plan will be formulated to provide a conducive ecosystem which emphasises the generation of ideas which can be commercialised, infrastructure for training and incubators, entrepreneurship modules, financing facilities as well as marketing. To formulate the entrepreneur development plan, an entity called the National Entrepreneur Development Office will be established under the National Strategy Unit, Ministry of Finance which will plan and coordinate all activities related to entrepreneurship.

75. During the recent 4th Global Entrepreneurship Summit, I had announced the establishment of the Malaysian Global Innovation and Creativity Centre (MaGIC), a one-stop centre to empower entrepreneurs. MaGIC will monitor the performance of entrepreneurs; house an integrated database; provide incubators; registration and patenting of intellectual property; funding facilities; business matching process; and guidance, counselling and training. For this purpose, the Government will provide an allocation of RM50 million.

76. To make Malaysia an Entrepreneurial Nation, the 1Malaysia Entrepreneurs (1MeT) programme was implemented to expose entrepreneurship to youth who are interested to venture into business. Through the 1MeT Programme, a database of participants has been created.

77. The Government targets 5,000 young entrepreneurs to be trained yearly. In this regard, committed 1MeT entrepreneurs will be given further guidance at MaGIC. In addition, Malaysia will host the 5th Global Social Business Summit from 7 to 9 November 2013, which will provide a platform for social entrepreneur development, especially among youth in the country.

78. To reduce graduate unemployment, the Government encourages graduates to venture into entrepreneurship upon graduation. For this, I am pleased to announce that the Government will allocate RM50 million under the Graduate Entrepreneurship Fund which will be managed by SME Bank. The Fund will provide soft loans of up to RM500,000 at an interest rate of 4%.

Strengthening Small and Medium Enterprises

79. Currently, while SMEs account for 97.3% of the total registered businesses, their contribution to GDP is 32.4%. Following the new SME definition, the percentage of registered SMEs will increase to 98.5%. The Government is committed to ensuring that SMEs contribute 40% to GDP by 2020.

80. The Government proposes an allocation of RM120 million for an integrated package to increase innovation and productivity of SMEs. The package will provide financing for mechanisation and automation as well as upgrading capacity of SMEs. In addition, the Government provides various assistance and incentives under the Green Lane Policy programme for financing, tax incentives and procurement including:

- First: Subsidy on interest rate of 2% or a maximum of RM200,000 per year;
- Second: Stamp duty exemption for loan agreements under the soft loan incentive scheme;
- Third: Tax deduction on expenses incurred for obtaining 1-InnoCERT certification;
- Fourth: Government procurement incentives encompassing approved manufacturers status company registration without site visit as well as bonus marks given in technical evaluation; and
- Fifth: Priority incentives to participate in procurement exercise by Minister of Finance Incorporated Companies.

The Government plans to extend these incentives until 31 December 2017.

81. The Government has implemented the Minimum Wage Policy on 1 January 2013. The monthly minimum wage is RM900 in Peninsular Malaysia, and RM800 in Sabah, Sarawak and Labuan. To encourage compliance with this new policy, and to reduce the financial impact to SME employers, co-operatives, societies and associations, the Government proposes that the difference in the wages paid by employers for the period of 1 January 2014 to 31 December 2014 be given further tax deduction.

82. To help the night market traders, the Government will create a Night Market Traders Entrepreneur Scheme with an allocation of RM100 million under Bank Simpanan Nasional. The soft loans will carry a 4% interest rate, with maximum loans of up to RM30,000. The facility is to cover business costs such as revolving capital, site rental, raw materials and business equipment.

SECOND THRUST: STRENGTHENING FISCAL MANAGEMENT

Transformation of Civil Service

83. To achieve this objective, we first need to transform the civil service. To improve the service delivery system, the Government will implement the transformation plan in every ministry. This is important to strengthen and restructure the organisation to remain relevant in line with current developments.

84. The Government views seriously the issues highlighted in the 2012 Auditor General's Report. To enhance confidence of the rakyat as well as uphold the image and credibility of the civil service, a special committee has been established, chaired by the Chief Secretary to the Government, to investigate and take stern action against errant civil servants.

85. The Public Service Department (JPA) is investigating and taking action on more than 100 cases for non-compliance with financial procedures including procurement procedures. Meanwhile, 15 cases are under the investigation of the Malaysia Anti-Corruption Commission (MACC) for prosecution.

86. To enhance integrity, the Government will establish an Integrity Management Unit in each ministry to increase compliance and adherence with established procedures. MACC officers will be represented in the Unit.

Improving Budget Management

87. To improve budget management, the Outcome-Based Budgeting (OBB) was introduced to ensure that allocation is based on outcomes; improve the efficiency of implementation; reduce redundancy as well as systematically evaluate performance of all Government programmes and projects. In 2014, three ministries, namely

Ministry of Health, Ministry of International Trade and Industry as well as Ministry of Finance will undergo performance evaluation based on the OBB.

88. Last June, the Government established the Fiscal Policy Committee (FPC). The role of the FPC is to strengthen the Government's financial position, ensure fiscal sustainability and long-term macroeconomic stability. The Government is committed to reducing the fiscal deficit gradually, with the aim of achieving a balanced budget by 2020. The Government will also ensure that Federal debt level will remain low and not exceed 55% of GDP.

89. In addition, the Government will continue to ensure a strong operating surplus where revenue will always exceed operating expenditure. Emphasis will be given to improving efficiency in spending, prioritising implementation of high-impact projects as well as improving auditing methods.

90. Currently, audit is only undertaken after a project or programme is completed. As a proactive measure, the Government will conduct audit on projects valued at more than RM100 million during its implementation.

Monthly Tax Deduction as Final Tax

91. Currently, tax payers with employment income and subject to monthly tax deduction (MTD) are required to submit tax returns before or on 30 April of each year. The requirement to submit tax returns has confused tax payers from whom MTD has already been made and yet they are still required to submit the tax returns to the Inland Revenue Board.

92. To facilitate tax payers with employment income whose MTD have been made, it is proposed that these tax payers are not required to submit tax returns if satisfied their MTD is a final tax. This proposal is effective from year assessment 2014.

Subsidy Rationalisation.

93. In general, subsidies impede growth if not well targeted. The Government has allocated almost RM47 billion in 2013 for various types of subsidies, incentives and assistance, including subsidies for petroleum products, food, health, agriculture and fisheries, utilities, toll as well as welfare and education.

94. Of this amount, the largest allocation of RM24.8 billion or 53% is to subsidise petroleum products that are enjoyed by all segments of society, including the high-income group, businessmen and foreigners. In addition, subsidised products are also smuggled by irresponsible people. Subsidy is rakyat's money and should be used to improve the well-being of the rakyat. However, if subsidies lead to wastage and losses, the Government will not hesitate to take appropriate action.

95. To ensure a targeted subsidy system, the Government will gradually restructure the subsidy programme. This is to ensure that only those who truly deserve will enjoy it. A portion of the savings from the restructuring of the subsidy system will be distributed in the form of direct cash assistance, while the other half will be used to finance development projects. For a start, the Government has reduced the subsidy on petroleum products by 20 sen a litre on 3 September 2013.

96. In addition, to ensure that there is no duplication in providing assistance and no deserving welfare assistance recipient is left out, the Government will establish a comprehensive database system, including integrating the databases of e-Kasih, recipients of welfare assistance; and BR1M recipients. For this, the Implementation and Coordination Unit, JPM will lead the initiative.

Goods and Services Tax (GST)

97. The Government takes cognisance that the current sales tax and service tax have certain weaknesses such as the impact of double taxation on consumers, the absence of full tax relief on exported goods and transfer pricing issue. These weaknesses ultimately will result in losses to the consumers and the Government.

98. In Budget 2013, the Government intended to take bold measures to strengthen the fiscal position of the nation. In fact a Bill in relation to the GST had been previously read in this august House. Since then we have received various views, both positive and negative.

99. The Government has taken a few years to conduct detailed and comprehensive studies, and has considered the views of all segments of society, including the chambers of commerce, investors, economists, academicians, consumer associations and NGOs.

100. Thus, based on the principal of People First, the Government has decided to expeditiously implement a fair and comprehensive tax system that benefits all Malaysians.

101. In this regard, the Government proposes that the sales tax and service tax be abolished. These two taxes will be replaced by a single tax known as the Goods and Services Tax (GST). I must stress that GST is not a new tax.

102. Currently, the inflation rate is low at 2%. The Government believes that this is the best time to implement GST as the inflation rate is low and contained.

103. With the implementation of GST, the Government will be able to address the weaknesses in the current taxation system. As an example, if we were to buy a

carbonated drink in a restaurant today, we would not notice that we are paying double taxes which are sales tax and service tax.

104. Put differently or explained in simple terms, with the GST system, consumers will only need to pay tax once and the price of goods should be cheaper.

105. We feel disheartened that certain irresponsible groups tried to take advantage by confusing the general public on the understanding of GST. They claimed that when GST is implemented, the price of goods will rise, and that the poor and low-income group will bear the burden.

106. More than 160 countries have already implemented GST. This clearly demonstrates that GST is proven to be a transparent, effective and fair tax system. The vast majority of nations in the world would not have implemented GST, if it is disadvantageous to the people and the country. Most of the developed nations have long implemented GST or Value Added Tax (VAT). Even ASEAN countries such as Indonesia, the Philippines, Laos and Cambodia, as well as countries such as Burkina Faso, Burundi, Zimbabwe, Rwanda and Kenya have implemented GST.

107. On the part of the Government, GST legislation, computerised systems, training of officers, GST infrastructure and a comprehensive communication plan have been completed.

108. The proposed GST model to be implemented in Malaysia is as follows:

First: The GST rate is fixed at 6% and to be effective from 1 April 2015, approximately 17 months from today.

This rate is the lowest among ASEAN countries compared with 10% in Indonesia, Vietnam, Cambodia, the Philippines, and Laos and 7% in Singapore and Thailand;

- Second: GST will not be imposed on basic food items such as rice, sugar, salt, flour, cooking oil, lentils, herbs and spices, salted fish, *cencalok*, *budu* and *belacan*;
- Third: GST will not be imposed on piped water supply, and the first 200 units of electricity per month for domestic consumers;
- Fourth: GST will not be imposed on services provided by the Government such as the issuance of passports, licences, health services and school education;
- Fifth: Transportation services such as bus, train, LRT, taxi, ferry, boat, highway toll as well as education and health services are exempted from GST; and
- Sixth: Sale, purchase and rental of residential properties as well as selected financial services are exempted from GST.

109. Upon the implementation of GST, the Government is committed to providing various forms of assistance to the rakyat during the GST transition period. The assistance and support are as follows:

- First: One-off cash assistance of RM300 to households who are BR1M recipients;
- Second: Individual income tax rates be reduced by 1 to 3 percentage points for all tax payers to increase their disposable income. With this measure, 300,000 persons who currently pay income tax will no longer pay tax. Generally, families with monthly income of RM4,000 will no longer have tax liability. Other existing tax payers will also enjoy tax savings; and

Third: Individual income tax structure will be reviewed to enhance the competitiveness of the nation as well as to retain and attract talent and skilled workers into the country. To ensure a more progressive tax structure, the chargeable income subject to the maximum rate will be increased from exceeding RM100,000 to exceeding RM400,000. The current maximum tax rate at 26% will be reduced to 24%, 24.5% and 25%.

These measures will be effective from 2015.

110. In this regard, to ensure smooth implementation of GST by businesses, the Government proposes the following additional packages:

First: Corporate income tax rate be reduced by 1 percentage point from 25% to 24%. Whereas income tax rate for small and medium companies will be reduced by 1 percentage point from 20% to 19% from the year of assessment 2016;

Second: Cooperative income tax rate be reduced by 1 to 2 percentage points from the year of assessment 2015;

Third: Secretarial fee and tax filing fee are allowed as tax deductions from the year of assessment 2015;

Fourth: Cost of purchasing ICT equipment and software is given Accelerated Capital Allowance until year of assessment 2016;

Fifth: Expenses incurred for training in accounting and ICT relating to GST be given further tax deduction for years of assessment 2014 and 2015; and

Sixth: Training grant of RM100 million will be provided to businesses that send their employees for GST training in 2013 and 2014. In addition, financial assistance amounting to RM150 million will be provided to SMEs for the purchase of accounting software in 2014 and 2015.

111. With the various special packages provided by the Government, certainly no parties should take opportunity to increase prices of goods and services unscrupulously. Prices of goods will be constantly monitored. The Government will publish prices of goods and services as a guide for consumers to compare prices.

112. Consumers are urged to make rational choices, spend prudently and report unethical traders to the authorities. In this regard, the Ministry of Domestic Trade, Cooperatives and Consumerism will intensify enforcement efforts through the Price Control and Anti-Profiteering Act 2011.

113. In addition, to ensure the smooth implementation of GST, a GST Monitoring Committee will be established and chaired by the Honourable Second Minister of Finance with members from Government agencies as well as representatives from industries and NGOs.

THIRD THRUST: INCULCATING EXCELLENCE IN HUMAN CAPITAL

114. The biggest challenge for Malaysia is holistic human capital. Holistic human capital development includes intellectual capital, artistic skills, communication skills, interpersonal skills, thinking, innovation and creativity. In essence, physical and technological developments must be balanced with noble values. Otherwise, there will be a vacuum and material success will not be rooted in universal human values.

115. The Government will continue to provide quality and advanced skills training to meet the demands of the job market. In addition, the physical, spiritual and

intellectual aspects will be honed from young to tertiary level. The workforce will also be infused with noble values so that society lives in peace and harmony.

Enhancing Educational Excellence

116. In achieving the third thrust, the first initiative is enhancing educational excellence. Indeed, every Budget has provided the largest allocation to the education sector. Education is important. Since ancient times, a civilisation will not last if not imbued with knowledge and wisdom.

117. The Government is committed to accelerating academic achievement, competencies and skills. Towards this, the Government will allocate a sum of RM54.6 billion or 21% of the total allocation in 2014. In addition, the Government will ensure that the implementation of the Malaysia Education Blueprint achieves the objective of ranking Malaysia in the top one third category of the world's best education, within a span of 15 years.

118. To continue upholding excellence in education beginning from preschool to the secondary level, programmes to be implemented include:

First: The Government recognises that early education is critical for physical and mental development. In this regard, we allocate RM530 million for preschool programmes as well as set up 93 preschools in national-type primary school;

Second: Implementing programmes to enhance the teaching profession with emphasis on teaching, improving teaching methods and proficiency in Bahasa Malaysia and English. For this, a sum of RM209 million is provided;

Third: Expanding internet access in schools especially in rural areas with an allocation of RM168 million; and

Fourth: Build 33 new schools and upgrading existing ones, including dilapidated schools with an allocation of RM831 million.

119. In the 2012 and 2013 Budget, respectively the Government provided RM1 billion under the Special Fund for Building, Upgrading and Maintenance of Schools specifically for urgent repairs and maintenance of school buildings; purchase of equipment and construction of additional blocks.

120. To follow up on the Government's commitment, I am pleased to announce an additional RM450 million for this Special Fund. Of this, RM100 million will be channelled to national schools and RM50 million each to national-type Chinese schools, RM50 million to national-type Tamil schools; mission schools; Government-assisted religious schools; boarding schools; and Maktab Rendah Sains MARA as well as People's Religious Schools (SAR).

Tertiary Education

121. The Government will focus on strengthening public and private higher learning institutions towards producing quality graduates who meet the demands of the job market.

Among programmes to be implemented include:

First: Improving the status of research universities by increasing research and the number of articles for publications in international journals. For this, the Government will provide an allocation of RM600 million in research grants for public institutions of higher learning; and

Second: The Government will continue the MyBrain15 programme which finances tuition fees at post-graduate level, especially for executives in the private sector. For this, a sum of RM110 million is allocated.

122. Publishing articles in international academic journals is an important aspect in promoting the works of local academicians. Recognising the importance of establishing a world-class scholarly centre, the Government will establish a Malaysian Citation Centre to increase publication of local scholarly works and assist researchers publish articles in renowned international journals.

Strengthening Skills Training

123. Continuous efforts will be made to improve the quality of training in order to produce a highly skilled workforce. The Government will therefore implement the following measures:

First: Implement a single tier for the Malaysian Skills Certificate course Levels 1 to Level 3 for 6 months in all Industrial Training Institutes under the purview of Manpower Department (JTM);

Second: Upgrade and replace equipment at JTM training institutes with the latest technology involving an allocation of RM178 million; and

Third: Allocate a sum of RM330 million to Skills Development Fund under the Ministry of Human Resource. The fund will provide loans for SPM leavers to enrol in skills training courses.

124. Youth are the nation's hope, asset and heir for the future. According to religious scholars, good behaviour of youth today will reflect the future of the nation.

125. A sum of RM200 million is allocated to upgrade and implement a two-shift approach at the National Youth Skills (IKBN). Among the areas that have been identified include automotive, marine maintenance, welding and electrical wiring which will benefit more than 15,000 IKBN trainees nationwide.

126. At present, there are 13,000 registered employers who contribute a levy of 1% of the monthly wages of workers to the Human Resource Development Fund (HRDF). The levy is used to train and upgrade the skills of workers.

127. HRDF will provide RM400 million for registered companies to give opportunities to employees to enrol in upskilling and reskilling programmes. The allocation can also be used by these companies to train apprentices and future workers.

128. To ensure employees are able to balance between career and family commitments, a flexible work environment is important. Therefore, it is proposed that employers implement the Flexible Work Arrangement (FWA) to give flexibility in terms of duration, place and working hours at the workplace.

129. The FWA may be implemented through compressed work week, flexi hours and weekend work. To encourage more Malaysian companies to adopt FWA as the norm, the Government proposes that training expenses and consultancy fees incurred by employers in implementing FWA be given further tax deduction.

Schooling Assistance

130. The Government will continue giving RM100 to all primary and secondary school students to ease the burden of schooling expenses. For this, the Government will allocate RM540 million which will benefit about 5.4 million students. I understand some parents have donated the sum to the Parent-Teachers Association (PIBG). The Government appreciates the kind gesture.

1Malaysia Book Voucher

131. A reading culture among the rakyat should be enhanced. Make the book your friend, your torch in the dark and a lifelong mind stimulant.

132. To ease the burden of students in pre-university and institutions of higher learning in purchasing books and reference materials, the Government will continue to provide the 1Malaysia Book Voucher Programme valued at RM250 to each student. The initiative is expected to benefit 1.3 million students involving an allocation of RM325 million.

FOURTH THRUST: INTENSIFYING URBAN AND RURAL DEVELOPMENT

National Blue Ocean Strategy (NBOS)

133. The National Blue Ocean Strategy (NBOS) is an integrated approach by the Government in formulating policies and initiatives through smart partnership between the ministries and agencies.

134. The strategy complements the National Transformation Policy. To date, 56 initiatives have been implemented using the NBOS approach of low cost, speedy implementation and high impact programmes. In 2014, the Government will allocate RM278 million to implement various programmes including:

First: Launching of the Urban Transformation Centre (UTC) in Sabah at the end of the year and 4 more UTCs with one each in Sarawak, Johor, Terengganu and Perlis, in addition to the existing 5 UTCs;

Second: Launching an additional three Rural Transformation Centres (RTCs) with one each in Sabah, Sarawak and Negeri Sembilan, bringing the total to 8 RTCs; and

Third: Implementing Mobile Community Transformation Centre or Mobile CTC by increasing the number of modified buses and vans. The main services to be provided include MyKad registration, driving licence renewal, health screening and business advisory services.

Strengthening the Public Transport Network

135. An efficient public transport system facilitates mobility, saves time and travel costs. The Government is therefore committed to improving public transport, including providing quality and comfortable facilities. Among the initiatives taken are:

First: Constructing the Ipoh-Padang Besar double-tracking project and later extending to Johor Bahru as well as upgrading rail tracks nationwide with an allocation of RM2.9 billion;

Second: Providing 'park and ride' facilities at LRT stations, KTM commuter stations and ERL stations with an allocation of RM62 million;

Third: Introducing a Centralised Taxi Service System with an allocation of RM15.3 million to ensure efficient mobilisation of taxi services;

Fourth: Building 'last city terminals' and upgrading bus stops as well as providing 'drop-and-ride' facilities involving an allocation of RM28 million; and

Fifth: Refurbishing Electric Multiple Units (EMUs) trains at a cost of RM28 million to ensure frequency and efficiency of services.

136. To ensure a seamless network between urban and rural areas, the Government will allocate RM130 million to subsidise rural air transport, especially for rural population in Sabah and Sarawak. Holding firm to the principle of People First,

the Government will also continue to subsidise uneconomical train routes in East Coast, namely Pahang and Kelantan. The move will benefit about 600,000 commuters involving an allocation of RM52.9 million.

Enhancing Urban Well-being

137. Currently, there are various local community groups such as Residents' Associations, *Jawatankuasa Kemajuan dan Keselamatan Kampung*, as well as Neighbourhood Watch, which focus on administration as well as promote unity and harmony among local residents.

138. To enhance coordination and community well-being, particularly in urban areas the Government proposes the establishment of *Jawatankuasa Perwakilan Penduduk* (JPP) in local authorities (PBT). JPP will be represented by members of the local community to support community development programmes, apart from addressing issues in their areas. For this, the Government will establish 24 JPP zones in each local authority with an allocation of RM63 million.

139. Currently, treated water supply reserves nationwide have not met the 20% target with water supply disruptions, particularly during peak periods. Therefore, to increase the coverage of water supply to 100%, especially in urban areas, the Government will build and upgrade dams and water treatment plants involving an allocation of RM1.2 billion.

Rural Development

140. To further strengthen and improve basic infrastructure as well as improve the living standards of people in rural areas, a sum of RM4.1 billion is provided for rural development programmes for basic infrastructure projects such as:

- First: A sum of RM980 million is allocated for the refurbishment and upgrading of 437 kilometers of rural road networks nationwide. In addition, a total of RM500 million is provided for the Pan-Borneo Highway project;
- Second: A sum of RM457 million is allocated for the provision of potable water to 8,000 houses in rural areas. In addition, RM75 million is allocated for the supply of water tanks in Sarawak;
- Third: A sum of RM865 million is allocated for the provision of uninterrupted 24-hour electricity supply to more than 16,000 homes nationwide. In addition, to address the frequent electricity supply disruption in Sabah, a sum of RM265 million is allocated to strengthen the generation and transmission system such as upgrading of the Tenom Pangi Hydro Power Station, construction of Kimanis electricity transmission lines and construction of main switch station in Sandakan;
- Fourth: A sum of RM179 million is allocated to build and refurbish 20,000 houses for poor people in rural areas;
- Fifth: To encourage entrepreneurship among the rural populace and increase their incomes, a sum of RM20 million is allocated for Rural Business Challenge programme which includes food production, fish farming, auto repair and agro-tourism; and
- Sixth: A sum of RM109 million is provided for the economic development as well as to upgrade the infrastructure, facilities and living standard for the Orang Asli community.

141. The Government will continue with the flood mitigation programme (RTB) in Sungai Muda in Kedah, RTB Lembangan Sungai Muar in Johor, RTB Sungai Bonus in Kuala Lumpur and RTB Pekan in Pahang. For this, the Government will allocate

RM659 million. In addition, the Government will provide an allocation of RM79 million for dredging and deepening river estuaries.

142. The Government is aware that the Bumiputera minority particularly in Sabah and Sarawak face challenges in owning customary land. For this, the Government will allocate RM50 million for land surveying and customary land ownership verification.

FIFTH THRUST: ENSURING THE WELL-BEING OF THE RAKYAT

Malaysia Happiness Index

143. The nation's prosperity does not only depend on economic progress, but also the quality of life and the well-being of the rakyat. In this regard, the Malaysian Well-being Index (MWI 2012) was developed. The Government will continue to formulate policies and strategies to improve the quality of life and well-being of the rakyat.

Enhance Security and Public Order

144. The Government appreciates the contribution of the security forces. Priority is also given to security and public order. The Government is committed to combatting crime and averting foreign threat which may disrupt national security and harmony.

145. For this, the Government will allocate a sum of RM8.8 billion to the Royal Malaysia Police (PDRM) and RM13.2 billion to the Malaysian Armed Forces (ATM) to reduce crime and enhance military preparedness.

146. To further strengthen the police force, the Government will build and upgrade the Police Headquarters, District Police Headquarters (IPD) and staff quarters involving an allocation of RM128 million. The sum includes the construction of a new IPD in Pasir Mas, Kota Setar, Johor Bahru Selatan, Sipitang and Nusajaya as well

as building a new Police Station in Pengerang, Tongod and Country Homes Rawang.

147. In the fight against serious crime, the Government has allocated RM200 million to equip PDRM with the latest tools and equipment such as firearms, ammunition, bulletproof vests, narcotic detectors, biometric systems and forensic vehicles. The Government also will provide 496 closed-circuit cameras (CCTV) in 25 local authorities involving an allocation of RM20 million.

148. In addition to the 1,000 motorcycles purchased this year for the Police Motorcycle Patrol Unit, the Government has agreed to procure an additional 800 motorcycles with an allocation of RM20 million this year. The Government will also procure an additional 200 motorcycles bringing it to a total of 2,000 motorcycles for 2 years.

149. The armed intrusion in Lahad Datu is a black mark for Malaysia. The sacrifices and the patriotic deeds of the armed forces in defending the nation is highly appreciated. What is important is that we will not allow even an inch of our land to be taken away by anyone. Sabah will remain with Malaysia forever.

150. To safeguard our territorial waters from foreign threat, particularly in Sabah and Sarawak, the Government established the East Coast Special Security Area (ESSCOM) early this year. To further strengthen ESSCOM operations, the Government will allocate a sum of RM75 million for 2014.

151. In addition, the Government will continue to enhance national security of our territorial waters and borders by strengthening surveillance and upgrading defence equipment. This includes the purchase of six offshore patrol vessels; four cargo aircrafts and support equipment; as well as armoured vehicles with an allocation of RM2.4 billion.

152. The Government is concerned about the welfare of armed forces personnel and veterans. In recognition of their contribution to the nation, the Government will allocate RM48 million to cater for the welfare of 20,000 ATM veterans, including health payments, ex-gratia and education.

153. In addition, a total of RM202 million will be allocated to build and refurbish ATM quarters. The Government will also provide school bus services for the children of military personnel to replace the army trucks.

Environmental Conservation and Resource Management

154. The Government is committed to providing a clean, safe and healthy environment for the present and future generations. Among the programmes to be implemented are the National Carbon Reporting Programme or MyCarbon by the corporate sector, establishment of a National Conservation Trust Fund for conservation of degraded areas and permanent forest reserves, as well as natural resource management.

155. To strengthen the development of green technology, the Government will provide investment tax allowance for the purchase of green technology equipment and income tax exemption on the use of green technology services and system.

156. To encourage a green lifestyle, Malaysian Green Foundation will be established to promote and enhance use of green technology by the corporate sector and the general public. For this, a launching grant of RM15 million will be provided to the Foundation.

157. As an immediate measure to prevent the recurrence of the recent tragedy in Cameron Highlands, the Government will approve an allocation of RM40 million to widen and deepen Sungai Bertam.

158. To improve efficiency and electricity energy conservation, the Government will undertake energy audits as well as install retrofit in ministry buildings. For 2014, the Ministry of Health; Ministry of Youth and Sports; Ministry of Human Resources; Ministry of Domestic Trade, Co-operatives and Consumerism; and the Ministry of Agriculture and Agro-based Industry have been identified for the implementation of the initiative. In addition, the Government will install solar panels on rooftops of ministry buildings as well as replace existing lights with LED lights in stages.

Quality Healthcare Services

159. The Government will continue to provide quality healthcare and medical services for the rakyat. For this, a sum of RM22.1 billion will be allocated for the health sector under operating and development expenditure. The allocation will be channelled to programmes and projects, including the construction of Hospital Tanjung Karang and additional blocks for Hospital Jeli; as well as the upgrading of Hospital Kuala Lipis and 30 rural clinics.

160. In addition, the Government will allocate RM66 million for the purchase of equipment and the construction of additional blocks in Hospital Queen Elizabeth in Kota Kinabalu. The Government has set up 234 1Malaysia clinics, and another 50 additional 1Malaysia clinics will be established in 2014. To address the shortage of parking lots at Hospital Kuala Lumpur, a total of 1,950 new parking lots will be completed in 2014. Meanwhile, hospitals in Rompin and Tampin as well as National Cancer Institute will be operational early next year.

161. To improve the quality of nursing care and reduce the nurses' workload of working continuously in two shifts, the Government will appoint 6,800 more nurses with an allocation of RM150 million. Apart from this, a total of RM3.3 billion will be allocated for the purchase of medicine and medical equipment to ensure patients receive appropriate treatment including expanding the cardiothoracic services in Hospital Ipoh, Kuala Terengganu, Kuantan and Kuching.

162. The Government recognises the difficulty of patients with kidney failure having to go to the haemodialysis centre for dialysis 3 times a week. Patients spend up to RM400 for each treatment. To facilitate patients with end state kidney failure, the Government will provide free treatment kits called Continuous Ambulatory Peritoneal Dialysis (CAPD) costing RM19,000 per unit. The initiative which is expected to benefit over 1,000 patients will allow them to be treated at home.

163. Statistics indicate that 2.6 million Malaysians under the age of 30 are diabetic. If left untreated, patients will face various complications such as heart disease, kidney failure, blindness and amputation. In relation to this, the Government proposes to abolish the sugar subsidy of 34 sen effective 26 October 2013. I urge all Malaysians to take care of their health and reduce sugar in your food and drinks.

Development of National Sports

164. Sports development requires a comprehensive ecosystem, including infrastructure, management and coaching, talent building and welfare of athletes from an early age. Therefore, a sum of RM239 million is allocated to pursue excellence in sports including upgrading sports complexes and courts, establishing Pilot Talent Identification Programme in primary schools and to implement the Future Professional Coach Programme to hone the skills of potential coaches for selected sports.

165. In addition, the Government will allocate RM150 million to the Sports Trust Fund for the development of elite sports, medical treatment and research. Furthermore, the Government will make thorough preparations to ensure the success of athletes in international sports competitions, including 2014 Asian Games in Incheon; 2014 Youth Olympics in Nanjing; and the 2015 Commonwealth Games in Glasgow.

Enhancing the Role of Women and Well-being of Families

166. Women not only play an important role in their families but also contribute significantly to nation building. Their contribution has been highly recognised. In this regard, programmes for the development of women and family institution will be continued with an allocation of RM2.2 billion to the Ministry of Women, Family and Community Development.

167. Various programmes will be implemented, including Akademi Inovasi Wanita under the purview of Institut Tadbiran Awam Negara (INTAN). The academy will draw up programmes relating to leadership, entrepreneurship, and innovation.

168. Some of the programmes include the Women Directors Programme which prepares women to be members of Board of Directors; Purple DNA Entrepreneurship Programme such as "Purple Licious", a mobile food kiosk; and an additional 23 Senior Citizens Activity Centres.

169. The Government will also double the rate of daily allowance for children in institutions under the Department of Social Welfare (JKM) from RM1.50 per day to RM3 per day for school going children and from RM0.50 to RM1.00 per day for children who have not started schooling. The scheme will benefit 4,500 children in JKM institutions nationwide. In addition, the daily allowance for senior citizens in JKM institutions will be raised from RM10 to RM30 a month to cater for their daily needs.

170. To ease the burden of civil servants, the eligibility to qualify for the subsidy of public sector TASKA fee of RM180 per month is now extended to households with a monthly income of RM5,000 compared with RM3,000 previously.

171. In addition, the Government is proposing a monthly assistance of RM250 in nursery fees, to parents with a monthly income of not more than RM900 and who

enrol their children in private nurseries registered under JKM. The move will benefit 3,334 children under the age of 4, and involve an allocation of RM15 million.

172. As an addition to the Human Papilloma Virus immunization services and mammogram screening, the Government is proposing a free breast prostheses and special bras for breast cancer patients. The initiative will assist in offsetting the cost of purchasing the support material which is estimated to cost about RM1,200 and will benefit more than 8,000 breast cancer patients. The allocation set aside for this is RM9 million.

173. I would like to announce that the Government will purchase four special buses for the implementation of the Mobile Family Centre which will provide advisory services related to family matters; dietary requirements; screening for chronic disease; as well as testing for glucose and cholesterol.

Empowering Bumiputera

174. The aspiration to achieve a developed and high income nation status can only be achieved through concerted efforts by all, especially the Bumiputera. The Government is committed to further strengthening the participation of Bumiputera in the economic development of the country and make the Bumiputera agenda a national agenda.

175. For this, the Government will implement various programmes including intensifying skills training for youth and Professional Leaders Programme as well as increasing student intake into UiTM to 250,000 by 2020.

176. Student population in UiTM has reached 180,000. In addition, the Government will increase Bumiputera equity holdings and property ownership through the *Skim Jejak Jaya Bumiputera* (SJJB), *Skim Amanah Saham Bumiputera 2* and strengthen the Bumiputera real estate institution.

177. To increase Bumiputera equity ownership, SME Bank will establish Bumiputera Equity Fund (EquiBumi) with an allocation of RM300 million to provide loans to credible Bumiputera companies to take over listed companies or companies with potential to be listed on Bursa Malaysia.

178. In addition, an allocation of RM200 million is provided by the SME Bank for loan facility for the development programmes for Malay Reserve Lands in strategic areas such as Kampung Baru, Kampung Pandan and Kampung Datuk Keramat. This facility will help to improve the standard of living of the Malay community in line with the rapid development in the surrounding area.

179. The Government will continue to increase Bumiputera participation in business and entrepreneurship to generate income and wealth. Among programmes to be implemented are the establishment of Bumiputera Entrepreneurs Start-Up Scheme (SUPERB) with an initial fund of RM30 million.

180. In addition, to enhance the vendor development programmes, the Government proposes that expenses incurred by anchor companies, especially GLCs be given double tax deduction.

181. To increase business opportunities and access to funding for SME entrepreneurs, soft loan facilities will also be provided. Among the financing facilities are the Amanah Ikhtiar Malaysia with funds totalling RM300 million and TEKUN with RM700 million.

Assisting the Disabled (OKU)

182. We recognise that everyone is special and we are all perfect in the eyes of God. In relation to this, the contribution of OKU is highly appreciated. Many facilities have been provided for their well-being and to maximise their potential. The Government will allocate RM441 million for the development and welfare of OKU.

Appreciating Artistes

183. Artistes are an integral part of civilisation. In appreciation of their contribution, the Government proposes to continue providing financial assistance amounting to RM6 million for administration and operations of registered associations.

Development of Malaysian Indians

184. It is said that kindness should be reciprocated with kindness. I would like to thank all Malaysian Indians who supported the Barisan Nasional Government in the 13th General Election.

185. The Government will continue to focus on the development of Malaysian Indians so that they are part of mainstream development. For this, the Government will allocate RM100 million for enhancing education performance and skills training, including RM28 million for early education programmes, involving 176 Tamil pre-schools and i-Sinar programmes.

186. The programme will improve the performance of students through counselling, motivation and tuition in 45 Tamil schools in estates. In addition, an allocation of RM50 million will be provided through the *Skim Pembiayaan Muda India* (SPUMI) under TEKUN while loans are also available for Malaysian Indian entrepreneurs through Amanah Ikhtiar Malaysia.

Increasing Home Ownership

187. I hear the grouses of the rakyat who wish to own a comfortable home, especially from those in the low and medium- income groups. Various concerns have often been raised, such as soaring house prices, inadequate supply of houses and difficulties in getting financing.

188. The recent sharp increase in the prices of houses has affected the ability of the rakyat to purchase houses. In addition, speculative activities have an impact on house prices and can adversely affect the real estate market in the long term.

189. To increase the ability of the rakyat to buy a house and ensure stable house prices, as well as to control excessive speculative activities, the Government will implement the following steps :

First: Review Real Property Gains Tax (RPGT). For gains on properties disposed within the holding period of up to 3 years, RPGT rate is increased to 30%, whereas for disposals within the holding period up to 4 and 5 years, the rates are increased to 20% and 15%, respectively. For disposals made in the sixth and subsequent years, no RPGT is imposed on citizens, whereas companies are taxed at 5%.

For non-citizens, RPGT is imposed at 30% on the gains from properties disposed within the holding period of up to 5 years and for disposals in the sixth and subsequent years, RPGT is imposed at 5%.

Second: Increase the minimum price of property that can be purchased by foreigners from RM500,000 to RM1,000,000;

Third: Increase transparency in property sales price, where property developers will have to display detailed sales price including all benefits and incentives offered to buyers such as exemption of legal fees, stamp duty, sales agreements, cash rebates and free gifts; and

Fourth: Prohibit developers from implementing projects that have features of Developer Interest Bearing Scheme (DIBS), to prevent developers from incorporating interest rates on loans in house prices during the

construction period. Therefore, financial institutions are prohibited from providing final funding for projects involved in the DIBS scheme.

190. To further increase access to home ownership at affordable prices, an estimated 223,000 units of new houses will be built by the Government and the private sector in 2014. The Government will allocate RM578 million to the National Housing Department (JPN) for the implementation of *Program Perumahan Rakyat* which involves the construction of 16,473 housing units. In addition, JPN will construct 600 units for *Program Perumahan Rakyat Disewa* and *Perumahan Rakyat Bersepadu* with an allocation of RM146 million.

191. PR1MA will provide 80,000 housing units with an allocation of RM1 billion. The sales price of PR1MA houses are 20% lower than market prices. Meanwhile, SPNB will build 26,122 units of affordable houses, comprising 15,122 units of affordable houses, 3,000 units *Rumah Idaman Rakyat* and 8,000 units of *Rumah Mesra Rakyat*. The Government will introduce a new category of *Rumah Mesra Rakyat*, with sales price between RM45,000 and RM65,000 for which the Government will provide a subsidy between RM15,000 to RM20,000 per unit.

192. The Government will also introduce the Private Affordable Ownership Housing Scheme (MyHome) as a step to encourage the private sector to build more low and medium-cost houses. The scheme provides a subsidy of RM30,000 to the private developers for each unit built. Among the criteria for the scheme are:

First: Build at least 20% low-cost houses and 20% medium-cost houses in a housing project;

Second: The maximum price of low-cost houses is RM45,000 and medium-cost houses is RM170,000;

Third: The minimum built-up area of low-cost houses is 800 square feet and the medium-cost houses, 1,000 square feet, with a minimum of 3 bedrooms and 2 bathrooms;

Fourth: Provide parking, surau, hall and recreational park; and

Fifth: Open to first-time buyers with a monthly household income of RM3,000 for low-cost houses and a maximum of RM6,000 for medium-cost houses.

193. Preference will be given to developers who build low and medium-cost houses in areas with high demand and limited to 10,000 units in 2014. The scheme is for housing projects approved effective from 1 January 2014 with an allocation of RM300 million under the supervision of Ministry of Urban Wellbeing, Housing and Local Government.

194. Currently, PR1MA housing projects, housing in newly opened areas and 1Malaysia Civil Servants' Housing Programme are eligible to apply for grants at 10% of the project cost, from the Facilitation Fund. For 2014, the Government will provide a total of RM4 billion to the Facilitation Fund as an initiative to promote private, high-strategic impact projects.

195. Of this, I propose that RM1 billion is allocated to the Housing Facilitation Fund under Public Private Partnership Unit (UKAS). Developers who receive this grant must abide by the terms and conditions as well as the sales prices which are set by the Government.

196. The Government will also carry out a refurbishment program and improve comfort and beautify government-owned low-cost housing. Among the measures to be implemented include lift maintenance, repainting the house, cleaning up drains and landfill space and repair playgrounds.

197. To this end, a sum of RM100 million will be provided to 1Malaysia Maintenance Fund under the Ministry of Urban Well-being, Housing and Local Government. The Government will also allocate RM82 million to rehabilitate 20 abandoned housing projects involving 8,197 houses.

198. To further strengthen the real estate market and increase opportunities for the rakyat to own houses, the Government will implement a more effective and comprehensive approach. In this regard, I am pleased to propose the establishment of the National Housing Council to develop strategies and action plans in a holistic manner; coordinate legal aspects and property price mechanism; and ensure provision of homes in a more efficient and expeditious manner. The Council members will comprise Federal Agencies, State Governments, the National Housing Department, PR1MA, SPNB and the private sector.

Price Uniformity Programme

199. The Government is aware that prices of essential goods are more expensive in Sabah and Sarawak compared with Peninsular Malaysia, due to higher shipping and distribution costs. To help reduce prices of goods and costs, the Government will allocate a sum of RM331 million to continue the price uniformity programme and subsidies including transport cost.

200. Additionally, 60 Kedai Rakyat 1Malaysia (KR1M) will be set with an allocation of RM30 million to help reduce the prices of daily necessities.

Tax Relief for Middle-Income Group

201. The Government has never neglected the middle-income group who form the largest number of tax payers. They are also burdened by increasing cost of living. To further assist this group, the Government proposes a special tax relief of

RM2,000 be given to tax payers with a monthly income up to RM8,000 received in 2013.

202. This measure will result in tax savings up to RM480. This group is already enjoying tax savings up to RM475 on income received in 2013 with the reduction of tax rates announced by the Government in the last Budget.

CONCLUSION

203. We are grateful that we remain united, live in peace and harmony and have developed the nation since independence on 31 August 1957.

204. On 16 September 1963, history was created when Sabah and Sarawak joined Malaysia. It is clearly evident that this unity and togetherness have brought blessings to Malaysia.

205. For more than five decades, the Barisan Nasional Government has earned the rakyat's trust through power sharing and consensus among component parties.

206. The Barisan Nasional Government has never been reckless in managing the nation. Instead we have been very committed and serious.

207. In all our endeavours, we have always put the interest and the well-being of the people first.

208. The Government values the contribution of civil servants who play a vital role in implementing policies and programmes for national development. Hence, in July, the Government gave an additional annual increment to all civil servants involving an allocation of RM1.6 billion.

209. In addition, the Government gave three increments to those who have reached their maximum pay in all schemes of service, benefiting 182,434 civil servants. Thus, this evening, I am glad to announce that the Government has agreed to improve 81 schemes of service from November.

Bantuan Rakyat 1Malaysia (BR1M)

210. In efforts to reduce the burden of the rakyat, I am glad to announce the BR1M to households and single individuals will be improved in line with targeted subsidy programme.

211. BR1M to households with a monthly income of below RM3,000 will be increased from RM500 to RM650.

212. For single individuals aged 21 and above and with a monthly income not exceeding RM2,000, BR1M will be increased from RM250 to RM300.

213. To complement the BR1M programme, I propose a contribution of RM50 to the Group Takaful Rakyat 1Malaysia (i-BR1M), for all BR1M household recipients. The initiative will provide protection of up to RM30,000 to BR1M recipients in the event of death or permanent disability.

214. In short, all BR1M households recipients with a monthly income of not more than RM3,000 will enjoy financial assistance of RM700.

215. For the first time, BR1M assistance of RM450 will be extended to households with a monthly income of between RM3,000 and RM4,000. The assistance is given to alleviate the rising cost of living borne by the lower middle-income group.

216. This group will also enjoy the RM50 contribution to i-BR1M bringing the total BR1M assistance to RM500. To implement all the 2014 BR1M packages, the

Government will allocate RM4.6 billion which is expected to benefit 7.9 million recipients.

Valuing the Contribution of Civil Servants

217. Last August, just before the Eid Celebrations, civil servants and pensioners received special financial assistance of RM500 and RM250, respectively.

218. Today, I am pleased to announce that pensioners will receive a special financial assistance of RM250 to assist them meet the rising cost of living.

219. For civil servants, I announce a half-month bonus for 2013 with a minimum payment of RM500 to be paid in early January 2014.

220. This is a post-election budget which fulfils promises made during the election. Our efforts will not end here. On the contrary, the Barisan Nasional will continue to lead the nation with vigour and courage for the next 50 years.

221. However, our noble efforts will always be criticised by our colleagues on the other side of the aisle.

222. Be that as it may. The truth will always prevail.

223. Even John Kerry, the US Secretary of State who visited us recently acknowledged Malaysia as a model for the rest of the world in various aspects of development. The President of China, Xi Jinping also praised Malaysia as a loyal friend and partner who can be trusted in good and bad times.

224. Despite all the allegations we will not give up easily but will continue to work hard for the rakyat and the nation.

225. We acknowledge that there may be some weaknesses in our administration in the past. However, we have always placed the rakyat's interest above all else. With the solid support of the rakyat, we will continue to improve.

226. If we remain united, there are no problems that cannot be solved.

227. We assure you that we will not allow irresponsible people to take over the Government. We will defend Putrajaya for the rakyat and our beloved nation.

228. The 2014 Budget will take Malaysia to greater heights and competitiveness in the international arena. God willing, we will table six more budgets before the nation becomes a high-income and developed nation by 2020.

229. In the interest of the rakyat, we hope that the 2014 Budget is blessed by The Almighty.

230. In conclusion, we have given our best and leave the rest to The Almighty. May He bless and keep Malaysia safe and prosperous.