

THE 2015 BUDGET SPEECH

By

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PRIME MINISTER AND MINISTER OF FINANCE**

**INTRODUCING THE SUPPLY BILL (2015)
IN THE DEWAN RAKYAT**

FRIDAY, 10 OCTOBER 2014

“BUDGET 2015: PEOPLE ECONOMY”

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 2015 and to appropriate that sum for the service of that year”*** be read a second time.

INTRODUCTION

Mr. Speaker Sir,

1. In the name of Allah, the Most Gracious and the Most Merciful. Let us pray and seek His blessings for me to table this important document, the 2015 Budget, to this august House and the rakyat.

2. Before I proceed, on behalf of the Government, I would like to extend condolences on the loss of Allahyarham Tun Hajah Suhaila Binti Tan Sri Mohammad Noah who was the wife of our third Prime Minister. May her soul be placed among the pious.

3. I would also like to take this opportunity on this blessed Friday afternoon to welcome back YAB Deputy Prime Minister and others who have returned from performing the Haj. I also wish them the gift of Haji Akbar.

4. Throughout nearly 60 years of independence, we have formulated various short, medium and long-term plans in our efforts to achieve prosperity. The fact is we have implemented various strategies that were carefully and systematically planned to develop the economy. If not, Malaysia would not have reached its present level of success.

5. Nevertheless, many people are not aware that the process to develop and prosper the nation has not been easy. It takes hard work, comprehensive plans as well as painful and unpopular decisions. However, all these have to be undertaken by a responsible and accountable Government that always prioritises the interests of the rakyat.

6. From an economic perspective, when we achieved independence 57 years ago, we developed the country based on agriculture before progressing to a modern industrialised economy. Next, we moved into the upper-middle income phase. We are now moving towards a services-based economy.

7. In brief, the objectives, principles and thrusts of the three Outline Perspective Plans, ten Malaysia Plans, New Economic Policy, National Development Policy, National Vision Policy and since 2010, the National Transformation Policy, have all focused on poverty eradication, increasing income and restructuring of society. This is with the aim to achieve socio-economic goals; diversify the commodity-based economy; human capital development; enhancing competitiveness of the public and private sectors; higher value chain; inclusive development; as well as transformation of the Government, economy, social and politics.

8. Clearly, our former leaders in their wisdom have carried out responsibilities to develop Malaysia in their own mould. The struggle started with Tunku Abdul Rahman, followed by Tun Abdul Razak who had implemented development and restructured society, to Tun Hussein who maintained peace and unity. Tun Mahathir modernised the country while Tun Abdullah emphasised human capital development.

9. Further, the present Government is committed to driving growth with a broader approach to place Malaysia on a strong foundation.

10. This is my sixth budget since I assumed leadership of the administration, and the country's 56th budget. The 2015 Budget completes the ten Malaysia Plans.

11. Further, in May 2015, the 11th Malaysia Plan (11MP) will be launched. At the same time, a new approach known as the Malaysian National Development Strategy (MyNDS) is being formulated.

12. MyNDS will be a key basis to planning and preparation of programmes and projects under 11MP. The emphasis is on using limited resources optimally, with focus on high-impact projects and programmes at low cost as well as efficient and rapid implementation. This means Budget 2016 will be the trigger to the final five years of Malaysia's progress to a high-income advanced economy by 2020.

13. Many countries such as Korea, Germany, Japan, Taiwan and China began their economic progress based on agriculture and have since moved to an economy that emphasises high level of knowledge, skills, innovation and expertise.

14. To put it simply, economic planning and policies of a country need to be adjusted according to the developments and challenges in the domestic and external environment. Hence, to remain resilient and competitive, Malaysia must move to an economy based on knowledge, high skills, expertise, creativity and innovation.

15. Indeed, from the economic perspective, a rapidly developing country typically generates wealth through capital economy activities. However, the rakyat voice their grievances and complaints through blogs, letters, meetings, interviews and dialogues over the millions spent, billions allocated and various mega projects questioning the benefits to the people.

16. I understand the people on the ground, whether in rural and urban areas, may not comprehend or appreciate the relevance of the budget to them.

17. The biggest challenge I face in administrating Malaysia is its diverse communities. As recent as yesterday, I was asked by reporters on what was the most difficult issue that I had to decide on. I responded that it is how to balance between policies that are populist in nature as compared to those policies based on economic and financial imperatives.

18. The Government is steadfast in strengthening fiscal governance. For instance, consolidating the fiscal deficit is a moral responsibility of our generation towards the future generation. In essence, we do not want Malaysia to inherit Federal Government finances burdened with debt.

19. Taking into account the needs of the rakyat and the realities of life, the basis for the formulation of this year's budget must therefore emphasise the balance between the capital economy and people's economy.

20. The Capital Economy refers to economic management and policies from the macro perspective. This will facilitate a country to set its main targets and benchmark against other countries. These include economic management based on capital, GDP growth, per capita income, private investment, capital market, corporate profits, sovereign and credit ratings, Bursa index and share value. Hence, I will now call it the Capital Economy.

21. When we refer to the People's Economy, it is an economy that is rakyat-orientated covering priorities and interests of the rakyat such as cost of living, household income, education opportunities, employment and business, quality of life, skills training, entrepreneurship as well as security and safety. In brief, it refers to an economy based on the daily lives of the rakyat which I call the People's Economy.

22. It is a fact that from the theoretical perspective, the capital economy and the people's economy cannot be separated and they exist in a symbiotic relationship. However, I wish to reiterate that this Budget will focus on the people's economy as the bedrock in prioritising the interests of the rakyat. Hence, when we achieve advanced nation status, the benefits of the nation's wealth and prosperity will be enjoyed by the rakyat.

ECONOMIC PERFORMANCE AND PROSPECTS

23. Beginning from 3 April 2009, it has been more than five years since I became the Prime Minister and introduced 1Malaysia: People First, Performance Now based on the National Transformation Policy (NTP). The NTP comprises the Government Transformation Programme (GTP), Economic Transformation Programme (ETP), Political Transformation Programme (PTP), Community Transformation Programme (CTP), Social Transformation Programme (STP) and Fiscal Transformation Programme (FTP) in our efforts to achieve an advanced high-income economy. The ETP targets an increase in Malaysia's gross national income (GNI) per capita to USD15,000 and mobilise USD444 billion in investment by 2020.

24. Since 2009, a total of 196 projects from 12 National Key Economic Areas (NKEAs) and 6 Strategic Reform Initiatives (SRIs) have been implemented. Total

investment reached RM219 billion and more than 437,000 high-paying job opportunities created.

25. The economy expanded with positive growth in all sectors and registered GDP growth of 6.3%. We are grateful to the Almighty that this performance is the highest among ASEAN countries in the first half of 2014.

26. We take pride in the performance of the capital market between 2009 and 2014. The FBM KLCI has risen 114% from 884.45 points in January 2009 to 1,892.65 points in July 2014. Market capitalisation also increased 162% from RM667.87 billion to RM1,749.49 billion on 7 October 2014.

27. The GNI per capita also increased 50% from USD6,700 to USD10,060 in the last five years. I am confident that this year we will achieve strong economic growth between 5.5% and 6%. In addition, the fiscal deficit continues to improve. The fiscal deficit has declined from 6.7% in 2009 to 3.9% in 2013 and is expected to reduce further to 3.5% of GDP in 2014.

28. For 2015, economic growth is expected to remain strong between 5% and 6% while the fiscal deficit is projected to further decline to 3% of GDP.

29. I am pleased to note that we have achieved several new records including:

First: The FBM KLCI reached 1,892.65 points in July 2014, a historic new high; and

Second: Foreign direct investment (FDI) totalling RM38.7 billion in 2013 was the highest realised investment to date.

2015 BUDGET ALLOCATION

30. The 2015 Budget allocates a total of RM273.9 billion, an increase of RM9.8 billion compared with the 2014 initial allocation. Of the amount, RM223.4 billion is for Operating Expenditure while RM50.5 billion for Development Expenditure.

31. Under Operating Expenditure, RM65.6 billion is for Emoluments and RM38.1 billion for Supplies and Services. The largest share of RM116.4 billion is for Fixed Charges and Grants, while RM1.5 billion is for Purchase of Assets. The remaining RM1.8 billion is for Other Expenditures.

32. Under Development Expenditure, the economic sector will receive the highest share at RM29.3 billion, followed by the social sector with RM12.6 billion for education and training, health, housing and the well-being of society. In addition, RM4.9 billion is allocated to the security sector. The balance of RM1.7 billion is for general administration and RM2 billion for contingencies.

33. In 2015, the Federal Government revenue collection is estimated at RM235.2 billion, an increase of RM10.2 billion from 2014.

34. In 2015, with the implementation of the Goods and Services Tax (GST) Government revenue is estimated at RM23.2 billion. However, as a caring Government, we have exempted several goods from GST amounting to RM3.8 billion.

35. With the implementation of GST, the Sales and Services Tax (SST), will be abolished resulting in revenue foregone of RM13.8 billion. This means that after deducting RM13.8 billion and RM3.8 billion from a revenue of RM23.2 billion, the Government will have a balance of RM5.6 billion.

36. Of the total, RM4.9 billion is channelled back to the rakyat through assistance programmes such as the increase in Bantuan Rakyat 1Malaysia (BR1M). Finally, net revenue collection from GST will only amount to RM690 million.

2015 BUDGET: THE PEOPLE'S ECONOMY

37. The 2015 Budget is formulated with focus on the people's economy and outlines seven main strategies:

First Strategy: Strengthening Economic Growth;

- Second Strategy: Enhancing Fiscal Governance;**
- Third Strategy: Developing Human Capital and Entrepreneurship;**
- Fourth Strategy: Advancing Bumiputera Agenda;**
- Fifth Strategy: Upholding Role of Women;**
- Sixth Strategy: Developing National Youth Transformation Programme; and**
- Seventh Strategy: Prioritising Well-Being of the Rakyat.**

FIRST STRATEGY: STRENGTHENING ECONOMIC GROWTH

38. The Government will continue to provide a conducive and comprehensive ecosystem to accelerate domestic and foreign investment.

Measure 1: Invigorating Services Sector

39. In 2013, the services sector contributed 55.2% to GDP. To achieve the target of 60% by 2020, the Government will boost the services sector by implementing the following initiatives:

- First: Implementing the Services Sector Blueprint;
- Second: Setting up a Services Sector Guarantee Scheme amounting to RM5 billion for SMEs in the services sector, with a maximum financing of RM5 million together with 70% Government guarantee. The scheme is expected to benefit 4,000 SMEs;
- Third: Establishing a Research Incentive Scheme for Enterprises (RISE) with an allocation of RM10 million to encourage companies to set up research centres in high technology, ICT and knowledge-based industries;
- Fourth: Reintroducing the Services Export Fund (SEF) totalling RM300 million to encourage SMEs to conduct market feasibility studies and undertake export promotion to penetrate new markets; and

Fifth: Strengthening the Franchise Development Scheme under the Ministry of Domestic Trade, Co-operatives and Consumerism in collaboration with the Malaysian Franchise Association. A sum of RM20 million is allocated for the scheme.

Measure 2: Strengthening Islamic Financial Market

40. Currently, the Malaysian Islamic finance accounts for 25% of total assets in the banking system. Internationally, Malaysia remains as the largest sukuk market accounting for 60% of the global sukuk market.

41. The Government will introduce a new shariah-compliant investment product in 2015 called the Investment Account Platform (IAP). IAP will provide opportunities to investors in financing entrepreneurial activities and developing viable SMEs. At the same time, IAP will be a platform to attract institutional and individual investors including high net worth individuals to invest in the Islamic financial market. Initially, IAP will be implemented with a startup fund of RM150 million.

42. To promote investment in IAP, the Government proposes individual investors be given income tax exemption on profits earned from qualifying investment for three consecutive years.

43. To boost domestic sukuk and bond issuance and trading, the Government introduced the Exchange Traded Bond and Sukuk (ETBS) in January 2013. The Government proposes that the Malaysian Government Securities and Government Investment Issues be listed and traded in ETBS.

44. In addition, expenses incurred in the issuance of sukuk are given deduction from year of assessment 2003 until year of assessment 2015. Therefore, it is proposed that deduction for expenses incurred in the issuance of sukuk based on Ijarah and Wakalah principles be extended for another three years until year of assessment 2018.

Measure 3: Promoting Domestic Shipping Industry

45. The Merchant Shipping Act 2011 mandates insurance or financial security for third-party liability coverage for ships operating in Malaysia. Currently, most large cargo ship owners in Malaysia have third-party liability coverage through Protection and Indemnity (P&I) overseas.

46. To assist owners of cargo ships with gross tonnage not exceeding 300 tonnes, the Government will establish a Malaysia P&I Club under Exim Bank. The Club will offer third-party liability protection at reasonable premiums.

Measure 4: Ensuring balanced and inclusive regional growth with continued promotion of investment in less developed areas

47. In this context, the Government will enhance the special incentives package provided under the Economic Corridors to include more areas that are less developed.

Measure 5: Incentives for Industrial Area Management

48. Among the key factors that support the development of industries is by having systematically maintained public facilities/infrastructure. In this regard, an incentive of 100% income tax exemption for a period of five years will be made available to encourage the private sector to manage, maintain and upgrade industrial estates in less developed areas. On the other hand, an incentive of 70% income tax exemption for a period of five years will be made available to the private sector to manage industrial estates in other areas.

Measure 6: Capital Allowance to Increase Automation in Labour Intensive Industries

49. The Government will provide incentive in the form of capital allowance on automation expenditure to encourage automation in the manufacturing sector, according to the following categories:

- **First Category:** for high labour intensive industries (such as rubber products, plastics, wood, furniture and textiles), an automation capital allowance of 200% will be provided on the first RM4 million expenditure incurred within the period from 2015 to 2017; and
- **Second Category:** for other industries, automation capital allowance of 200% will be provided on the first RM2 million expenditure incurred within the period from 2015 to 2020.

Measure 7: Promoting High-Quality and Focused Investment

50. In promoting high-quality and focused investment, a more specialised incentive package will be offered for investment projects based on technology, innovation and knowledge, involving highly qualified and knowledgeable employees with high salaries.

Measure 8: Accelerating Public and Private Investment

51. In 2015, several infrastructure projects will be implemented:

- First: Construction of the 59-km Sungai Besi – Ulu Klang Expressway (Suke) at a total construction cost of RM5.3 billion;
- Second: Construction of the 276-km West Coast Expressway from Taiping to Banting at a total construction cost of RM5 billion;
- Third: Construction of the 47-km Damansara – Shah Alam Highway (DASH) at a total construction cost of RM4.2 billion;
- Fourth: Construction of the 36-km Eastern Klang Valley Expressway (EKVE) at a total construction cost of RM1.6 billion;

Fifth: Upgrading the East Coast railway line along Gemas – Mentakab, Jerantut – Sungai Yu and Gua Musang – Tumpat with an allocation of RM150 million;

Sixth: Construction of the 56-km Second MRT Line from Selayang to Putrajaya at an estimated cost of RM23 billion; and

Seventh: LRT 3 Project, which will link Bandar Utama to Shah Alam and Klang, at an estimated cost of RM9 billion, will be implemented.

52. The Pengerang Integrated Petroleum Complex project with a total investment of RM69 billion is expected to create more than 10,000 job opportunities.

53. Additionally, to develop the electric vehicle manufacturing industry in Malaysia, a Sustainable Mobility Fund of RM70 million will be established under SME Bank. Initially, 50 electric buses will be introduced.

Measure 9: Encouraging Establishment of Principal Hub

54. For this the Government will continue its efforts to further increase the number of multinational companies' global operational centres in Malaysia. In line with this, customised incentives for Principal Hubs will be introduced early next year.

Measure 10: Spurring Creative Industry

55. To develop creative industries such as animation, filming, designing and cultural heritage, the Government has allocated RM200 million to MyCreative Ventures in 2012. To further promote the industry, a Digital Content Industry Fund will be set up under the Communications and Multimedia Commission with an allocation of RM100 million.

Measure 11: Increasing Capacity of High-Speed Broadband

56. The High-Speed Broadband (HSBB) will continue to be implemented in areas of high economic impact, covering state capitals and selected major towns nationwide. A sum of RM2.7 billion will be spent over the next three years to build 1,000 new telecommunication towers and laying of under sea cables.

Measure 12: Boosting Tourism Industry

57. In conjunction with Malaysia – Year of Festivals 2015, the Government is targeting 29.4 million foreign tourist arrivals with expected income of RM89 billion. For this, RM316 million is allocated for various programmes under Ministry of Tourism and Culture.

Measure 13: Developing Small and Medium Enterprises

58. Currently, SMEs contribute 33% to GDP and the share is targeted to increase to 41% by 2020.

59. To accelerate the participation of SMEs in economic activity, the Government proposes the implementation of SME Investment Partner. Under the programme, SMEs will be given financing assistance in the form of loans, equity or both, particularly at the startup stage. An initial fund totalling RM375 million will be provided for a period of five years, of which RM250 million is from SME Bank and RM125 million from private investors. In addition, RM10 million will be allocated for the Business Accelerator Programme under SME Corp.

60. To enhance use of new technology, automation and innovation in the development of SMEs, RM80 million is allocated for a Soft Loan Scheme for Automation and Modernisation of SMEs under the Malaysian Industrial Development Finance Berhad.

61. TEKUN has channelled loans totalling RM3.1 billion to nearly 300,000 borrowers with loan limits of between RM1,000 and RM100,000. In 2015, TEKUN will provide additional funds of RM500 million which will be distributed as follows:

- First: RM350 million is allocated for Bumiputera entrepreneurs to provide financing to nearly 33,000 new borrowers;
- Second: RM50 million will be allocated to the Young Indian Entrepreneurs Financing Scheme that will benefit 5,000 Indian entrepreneurs;
- Third: RM50 million will be allocated to the Young Professional Women Entrepreneurs Development Programme that will benefit 5,000 professional women; and
- Fourth: RM50 million will be allocated to the Armed Forces Veteran Entrepreneur Development Programme that will benefit 5,000 veterans who were not on a pensionable scheme.

62. To assist SME entrepreneurs from the Chinese community, the Government will provide soft loans totalling RM50 million, and RM30 million for hawkers and petty traders.

Measure 14: Developing Innovation and Commercialisation

63. Currently, Malaysia's R&D expenditure as a share of GDP is low, compared with advanced economies such as Japan and South Korea. In this regard, the Government will allocate RM1.3 billion to the Ministry of Science, Technology and Innovation to implement several related programmes including:

- First: Target 360 high-impact innovative products to be commercialised within the next five years;
- Second: Provide research funds amounting to RM290 million to implement various high-impact R&D&C programmes;
- Third: Rebrand SIRIM. For this, an SME Technology Penetration and Upgrading Programme and technology auditing will be implemented;

Fourth: Introduce a new initiative namely Public Private Research Network spearheaded by Ministry of Education in collaboration with the Malaysian Technology Development Corporation with an allocation of RM50 million; and

Fifth: Strengthen Technology Commercialisation Platform Programme by Agensi Inovasi Malaysia with an additional allocation of RM50 million.

SECOND STRATEGY: ENHANCING FISCAL GOVERNANCE.

64. The Government continues with efforts to strengthen financial sustainability to ensure the well-being of the rakyat and reduce fiscal deficit to achieve a balanced budget.

Measure 1: Implementing GST.

65. During the announcement of GST in the 2014 Budget, the Government proposed not to impose GST on basic food items and services. Based on the feedback received from all segments of society, the Government agrees to widen the scope of items that will not be subjected to GST as follows:

- (i) All types of fruits whether local or imported;
- (ii) White bread and wholemeal bread;
- (iii) Coffee powder, tea dust and cocoa powder;
- (iv) Yellow mee, kuey teow, laksa and meehoon;
- (v) The National Essential Medicine covering almost 2,900 medicine brands. These medicines are used to treat 30 types of diseases including heart failure, diabetes, hypertension, cancer and fertility treatment;
- (vi) Reading materials such as children's coloring books, exercise and reference books, text books, dictionaries and religious books; and
- (vii) Newspapers.

66. In addition, the Government has also agreed electricity consumption that is not subject to GST be increased from the first 200 units to 300 units. This will benefit 70% of households.

67. Further, to ensure the implementation of GST does not burden the rakyat, the Government has agreed that the retail sale of RON95 petrol, diesel and LPG be given relief from the payment of GST. Through this measure, consumers and targeted groups will not have to pay GST on the purchase of RON95 petrol, diesel and LPG.

68. Of the 944 goods and services in the basket of goods of the CPI, the prices of 532 items or 56% are expected to reduce up to 4.1%. Among the goods are medicines, electrical appliances such as refrigerators and washing machines, textile products, plastic products such as pails and plates, shoes and slippers, household furniture, baby diapers, soap, meat, chicken eggs, cooking oil, seafood, rice and vegetables.

69. Meanwhile, about 354 goods and services may experience some price increase but less than 5.8%. The Government hopes that traders will be responsible and not raise prices indiscriminately to burden the rakyat. The Government will disseminate shoppers' guide to enable consumers compare prices before and after the implementation of GST.

70. Indeed, with the implementation of GST, the Government will be able to reduce the tax burden on the rakyat as follows:

First: For individuals and households for year of assessment 2015

- (i) Individual income tax rates will be reduced by 1 to 3 percentage points. With this measure, 300,000 individual taxpayers will no longer pay income tax.
- (ii) Tax payers with family and income of RM4,000 per month will not have tax liability.
- (iii) Individual income tax will be restructured whereby 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%. This will result in the existing taxpayer enjoying a tax saving of at least 5.3%.

Second: For year of assessment 2015, cooperative income tax rate will also be reduced by 1 to 2 percentage points. In addition, secretarial fee and tax filing fee are allowed as deduction;

Third: For year of assessment 2016, corporate income tax rate will be reduced by 1 percentage point from 25% to 24%; and

Fourth: For year of assessment 2016, income tax rate for SMEs will also be reduced by 1 percentage point from 20% to 19%

71. The experience of other countries has shown that a key critical factor in the successful implementation of GST is the level of readiness by businesses. To assist businesses, the following incentives and assistance will be provided:

First: Training grant of RM100 million provided to businesses for their employees to attend GST courses;

Second: Financial assistance amounting to RM150 million provided to SMEs for the purchase of accounting software;

Third: Accelerated Capital Allowance on purchase of ICT equipment and software; and

Fourth: Expenses incurred for training in accounting and ICT relating to GST will be given additional tax deduction.

Measure 2: Subsidy Rationalisation

72. The Government had allocated RM588 million for various subsidies in 1994. This amount has increased to RM40.5 billion in 2014.

73. To improve the public finance position, the Government is committed to implementing subsidy rationalisation, particularly for petroleum. The rationalisation aims to ensure a more targeted subsidy, reduce leakages and smuggling. The Government will ensure that the subsidy rationalisation is implemented in stages so that it does not burden the rakyat.

74. At present, the Government allocates more than RM21 billion a year to subsidise RON95 petrol, diesel and LPG cooking gas. As a result, the allocation for subsidies has increased 14 times from RM1.65 billion in 2002 to RM23.5 billion in 2013, solely to maintain the low retail petrol price. This is due to the increase in number of vehicles from 13.6 million units in 2008 to 23.7 million units in 2013.

75. To ensure a more targeted subsidy and taking into account the rakyat's awareness and readiness to subsidy rationalisation, the Government will develop a new mechanism for providing petroleum subsidy. I will announce the new mechanism soon.

Measure 3: Disseminating Widely National Blue Ocean Strategy.

76. The National Blue Ocean Strategy has demonstrated the effectiveness of the implementation of Government projects and programmes. In this regard, RM356 million will be provided in 2015 for the following programmes:

First: Establishing four more UTCs in Terengganu, Kelantan, Negeri Sembilan and Perlis and one mini UTC in Kedah; and

Second: Accelerating upskilling to 5,000 trainees through the 1Malaysia Skills and Employability Scheme for the public sector and 1Malaysia Training Centre for the private sector.

THIRD STRATEGY: DEVELOPING HUMAN CAPITAL AND ENTREPRENEURSHIP.

77. Currently, human resource is among the key factors contributing to prosperity of a nation. Wealth creation is no longer solely dependent on resources such as petroleum, oil palm or minerals but also includes ideas, creativity and innovation as well as people's skills including invention of new products which are capable of driving economic growth and nurturing new entrepreneurs.

78. Consistent with the people's economy, it is the Government's aspiration to increase the component of wages to GDP from 34% currently to 40% by 2020.

Measure 1: Strengthening Teaching Professionalism and School Performance.

79. The education sector will continue to be strengthened in line with the Malaysia Education Blueprint 2013 – 2025. For this purpose, the Government will allocate RM56 billion to the Ministry of Education for various teaching and learning programmes. Emphasis will be given towards strengthening schools which require guidance and special assistance. In this regard, a sum of RM250 million will be allocated for School Improvement Specialist Coaches and School Improvement Partners programmes.

Measure 2: Empowering Trust Schools and Building New Schools

80. The Government will expand the Trust Schools programme which started in 2011. To date, 30 Trust Schools have been set up benefiting nearly 20,000 students and 1,500 teachers. Under the programme, Principals are accorded autonomy and are highly accountable for the management as well as the teaching and learning process in schools. As such, the Government plans to expand 20 more Trust Schools in Johor, Sarawak, Selangor, Perak, Negeri Sembilan and the Federal Territory of Kuala Lumpur with an allocation of RM10 million in 2015.

81. The Government will also build 12 new schools comprising seven primary schools, three secondary schools and two boarding schools nationwide.

Measure 3: Mainstreaming Technical and Vocational Education.

82. By 2020, at least 46% of jobs will require technical and vocational qualifications. For this, the Government will increase the student intake in vocational and community colleges through the Vocational and Technical Transformation programme and upgrade colleges. For this purpose, the Government allocates RM1.2 billion.

83. Currently, applications for entry into Technical and Vocational Training (TEVT) programmes received by the Ministry of Education far exceed the capacity of 20,000 places. To open up more opportunities in this field, the Government will allocate RM100 million immediately to Ministry of Education for 10,000 placements in technical and vocational private colleges. Further, RM50 million will be allocated to MARA to implement TEVT programmes.

84. To encourage private companies, the Government proposes that the existing tax incentives be enhanced as follows:

First: Double deduction for scholarships awarded to students in vocational and technical courses at the certificate level;

Second: Double deduction on expenses incurred by a company to implement a structured internship programme for students at diploma and vocational level; and

Third: Further deduction on training expenses incurred by an employer for employees to obtain certificate qualifications from accredited vocational and professional bodies.

Measure 4: Development and Maintenance of Education Facilities.

85. To ensure a safe and conducive learning environment, the Government will allocate RM800 million for the following:

- National Schools RM450 million;

- National-type Chinese schools RM50 million;
- National-type Tamil schools RM50 million;
- Religious schools RM50 million;
- Fully residential schools RM50 million;
- Government Aided Religious Schools RM50 million;
- MARA Junior Science Colleges RM50 million;
- Registered *Sekolah Pondok* RM25 million; and
- National-type Chinese Secondary Schools (Conforming Schools) which use the national curriculum RM25 million

86. The Government is pleased to announce that the electricity and water bills of all National-type schools under the Ministry of Education will be paid in full up to a maximum limit of RM5,000 a month compared with RM2,000 previously.

Measure 5: Sponsoring Education.

87. In 2015, the Government will allocate RM3 billion for sponsoring education of which RM1.9 billion will be given to the Public Services Department, Ministry of Education RM759 million and Ministry of Health RM258 million.

Measure 6: Expanding MyBrain15 Programme.

88. The Government has introduced MyBrain15 Programme to produce 60,000 PhD holders by 2023. To date, 34,525 students are pursuing post-graduate studies with a cost of over RM386 million. In 2015, RM112 million will be allocated for this programme. MyBrain15 Programme, which is currently for the private sector, is proposed to be extended to civil servants and employees of statutory bodies who are keen to further their studies on part-time basis in local higher learning institutions.

Measure 7: Tabung Pendidikan Tinggi Nasional

89. Since the establishment of Perbadanan Tabung Pendidikan Tinggi Nasional (PTPTN) in 1997 to date, 2.1 million borrowers have taken loans worth RM47.8

billion. However, as at 31 August 2014, only RM5.36 billion or 46% of RM11.76 billion has been collected.

90. Sadly, 174,000 borrowers have not made any payments since 2010. As such, the Government will take appropriate new measures to recover the outstanding loans.

91. It is a sin to die without settling one's debts as the soul will not rest in peace.

92. To encourage repayments, the Government proposes that a 10% rebate is given to borrowers who continuously make repayments for 12 months until 31 December 2015. An additional 20% discount will be offered to borrowers who make lump sum repayments from today until 31 March 2015.

93. Since 2005, National Education Savings Scheme (SSPN-i), SSPN-i account holders with a monthly household income not exceeding RM2,000 have been enjoying matching grants. To encourage more parents to become depositors and obtain the same benefits, the Government proposes contributors' monthly household income limit be increased to RM4,000.

Measure 8: Enhancing Graduate Employability

94. To date, it is estimated that 53,000 graduates remain unemployed after six months of graduating. To enhance graduates' employability, the Government proposes that the curriculum and skill training programmes at public skill training institutions as well as institutions of higher learning be reviewed. For this, Talent Corp will provide RM30 million for Industry Academia Collaboration programme where universities, Government entities and industries will collaborate to develop the curriculum for the internship programmes and industrial training.

95. In addition, graduates' self-confidence and English proficiency skills will be enhanced. Currently, students need to have a minimum of Band 1 in Malaysian University English Test for entry into public institutions of higher learning (IPTA).
Beginning next year:

- (i) for entry into IPTAs the minimum MUET band will be increased according to the field of study, for example:
 - (a) Arts and Social Science courses – Band 2
 - (b) Science, Technology, Engineering and Mathematics (STEM) courses – Band 3
 - (c) Law and Medical courses – Band 4

- (ii) to graduate, students must achieve:
 - (a) Arts and Social Science courses – Band 3
 - (b) STEM courses – Band 4
 - (c) Law and Medical courses – Band 5

I would urge private institutions of higher learning to implement the same requirements.

Measure 9: Improving the Well-being of Employees.

96. In the second quarter of 2014, there were a total of 13.5 million jobs, an increase of around 1.6 million jobs compared to 2010. To safeguard the welfare of workers:

- (i) The Employment Act 1955 and related labour acts will be reviewed, including better terms and conditions of employment, appointment and dismissal, flexible working arrangements and termination benefits;

- (ii) The JobsMalaysia portal will be improved to meet the needs of an increasingly dynamic labour market;

- (iii) The Government will introduce an Employment Insurance System aimed at assisting retrenched workers by giving temporary financial assistance as well as providing opportunities for reskilling and upskilling; and

- (iv) Providing technical training and education assistance to Indian youth, particularly those from low-income families with an allocation of RM30 million.

97. In 2011, Skim Latihan 1Malaysia has enabled around 45,000 graduates from the low-income households and rural areas to obtain jobs. The Government supports CSR effort by the employers in its implementation through double deduction incentive to companies for the purpose of tax computation until 31 December 2016. I propose the tax incentive be extended until 31 December 2020.

Measure 10: Globally Recognised Industry and Professional Certification Programme

98. To intensify upskilling and reskilling programmes, the Government will introduce a new programme, namely Globally Recognised Industry and Professional Certification Programme or 1MalaysiaGRIP with an allocation of RM300 million in matching grants between the Government and the Human Resources Development Fund to train 30,000 workers.

Measure 11: Double Shift Training

99. The Government will increase skills training programmes in institutes under Department of Labour (JTK). The training programme is for students with Malaysia Skills Certificate (SKM), university or college graduates as well as industrial workers particularly semi-skilled workers. In order to optimise the 32 JTK training institutes, the Government will leverage the double shift training capacity for full-time programmes comprising 176 courses with high demand in the labour market. With intake of two times per year, an estimated 48,000 students will be trained in the five year period of implementation with an allocation of RM570 million.

Measure 12: Promoting Startups

100. The Government aspires to position Malaysia as a choice location for Startups in the region. Among the efforts is the establishment of MaGIC which aims to create

a more conducive ecosystem to facilitate the Startups to commence operations. To attract more expatriate entrepreneurs establish Startups in Malaysia, the paid-up capital for Startups is set at RM75,000. Eligible expatriate Startup entrepreneurs will be given Work Pass for one year.

FOURTH STRATEGY: ADVANCING THE BUMIPUTERA AGENDA

101. Since Independence, all plans and policies for Malays and Bumiputeras by the Government have been formulated taking into account the multiracial nature of society. In principle, this practice has been long adopted as a social contract by society at large in Malaysia and is protected and encapsulated in the Federal Constitution.

102. As such, it cannot be denied by anyone that Malays and Bumiputera are the thrust of national agenda. Therefore, any national initiatives which do not take into account or neglect the Malay and Bumiputera agenda, whether Muslim or non-Muslim are unjust and unfair.

103. History has proven that since decades of implementation, not only have Malays and Bumiputera, but also all rakyat have benefited from the nation's economic development. Clearly, we did this without usurping or denying anyone's rights but by creating new wealth and generating sustainable economic growth. Furthermore, by 2020, the total number of Malays and Bumiputera, whether Muslim or non-Muslim, will reach 70% of the population.

Measure 1: Increasing equity ownership of Bumiputeras.

104. In the context of corporate equity ownership, the Bumiputera have yet to achieve the 30% target. Meanwhile, their effective control over corporations is currently only around 10%. Hence, EKUINAS will be allocated RM600 million to increase bumiputera ownership in private companies and GLCs. To date, EKUINAS has cumulative investments of RM2.3 billion in various sectors.

Measure 2: Strengthening Bumiputera Entrepreneurship.

105. To increase the number of Bumiputera entrepreneurs, several initiatives will be implemented including:

- First: Strengthening the role of the National Entrepreneurship Institute (INSKEN) as a Centre of Excellence for Bumiputera Entrepreneurship;
- Second: Further accelerate the Bumiputera Entrepreneurs Startup Scheme (SUPERB) with additional allocation of RM30 million. This programme will be extended to entrepreneurs in Sabah and Sarawak;
- Third: Introducing pre-export programme for high-performing Bumiputera companies (TERAS) for enhanced branding, international certification and market surveys for Bumiputera products. The programme targets 60 TERAS companies to increase their capacity and penetrate international markets; and
- Fourth: Expanding carve-out and compete programme through meritocracy for Government and privatised projects including MRT second phase and Pan-Borneo Highway.

Measure 3: Bumiputera SMEs

106. For **Bumiputera SMEs, among the initiatives** under 2015 Budget include the following:

- First: Lembaga Tabung Haji will allocate RM200 million for the establishment of the shariah-compliant Restricted Investment Account (RIA) under Bank Islam. The purpose of this account is to provide financing and credit between RM50,000 and RM1 million from January 2015; and
- Second: Amanah Ikhtiar Malaysia (AIM) will use internal sources of RM1.8 billion for financing to benefit 346,000 Sahabat AIM.

Measure 4: Developing Bumiputera Human Capital

107. As a premier Bumiputera institution, MARA needs to be strengthened. The development of human capital is an important aspect of advancing the Bumiputera agenda. In this regard, the Government will implement the following initiatives:

First: RM2 billion is allocated to MARA for sponsoring education to eligible Bumiputera students;

Second: RM72 million will be used by Yayasan Peneraju Pendidikan Bumiputera to implement three programmes in the form of scholarship, training and financial assistance to benefit 5,000 people; and

Third: Establishing a Professional Accounting Centre in Universiti Teknologi MARA in collaboration with Malaysian Institute of Accountants.

108. The Government is concerned and gives importance to the development and improving the welfare of the rakyat in Sabah and Sarawak in the national development agenda.

109. In this regard, as the North-South Highway project has transformed the development from Perlis to Johor, the Government intends to start construction of the 1,663-km Pan-Borneo Highway comprising 936 km in Sarawak and 727 km in Sabah at a total construction cost of RM27 billion.

110. Through NBOS, a mini UTC and RTC each will be established in Sabah and Sarawak to facilitate transactions for the communities in interior and urban areas.

111. The Government will undertake the construction of Tenom Health Clinic, Sabah and Lubok Antu, Sarawak as well as upgrade facilities at Hospital Tawau. Nuclear medical and radiotherapy services will also be provided to treat cancer patients at Hospital Wanita dan Kanak-kanak Likas, Sabah.

112. Sabah has a long and wide coastline. To enhance security in Eastern Sabah Security Zone (ESSZONE) and Eastern Sabah Security Command (ESSCOM), the Government will allocate RM660 million.

113. Two battalions comprising a battalion PGA PDRM and an Army battalion with 1,280 new personnel have been approved. Two new camps will also be built in ESSZONE, namely Kem Batalion 20 PGA in Beluran and Kem ATM in Felda Sahabat, Lahad Datu, Sabah.

114. In addition, military and security operation equipment will be further improved, such as procurement of high-capability monitoring radar. The Government will also use a modified oil rig and an auxillary vessel as Sea Basing in the ESSZONE waters, with an allocation of RM230 million through Petronas CSR programme.

115. Furthermore, to enable high-capacity aircraft to land, the Government will upgrade the runway at the airport in Lahad Datu, as well as relocate Squadron Hawk from Butterworth to Labuan, with an allocation of RM50 million.

116. The Government will also relocate water villages in Semporna and Sandakan in stages. The Government hopes that through the initiative, the safety of Malaysians in Sabah will be safeguarded and economic activities to rebound.

117. To strengthen the food supply chain in Sabah and Sarawak, the Government will introduce for the first time, a hill paddy subsidy, with an allocation of RM70 million. The assistance will benefit paddy farmers in Sabah and Sarawak covering 76,000 hectares of crop area.

118. The Government gives top priority to the rakyat particularly in terms of their daily cost of living. To standardise the prices of essential goods between Peninsular, Sabah and Sarawak, the following measures will be implemented by the Ministry of Domestic Trade, Co-operatives and Consumerism:

First: Providing an allocation of RM262 million to finance the cost of transportation and the enforcement of price control on essential goods especially in Sabah and Sarawak; and

Second: Setting up two more KR1M in Sabah bringing the total to 16, and three in Sarawak, bringing the total to 19.

FIFTH STRATEGY: UPHOLDING ROLE OF WOMEN

119. Indeed women are special. Their uniqueness not only adds grace to the family but they also play a crucial role in addressing life's challenges. The Government recognises that women have a pivotal role in national development and in nurturing future generations.

120. Presently, women represent only 38% of the total workforce in the country. To enhance the contribution of women in national development, the Government will continue to focus on efforts to intensify the involvement of women in the job market and entrepreneurial activities. For this purpose, the Ministry of Women, Family and Community Development is allocated RM2.26 billion for development and operating expenditure. Among the programmes include:

First: Strengthening Women Directors Programme to achieve the 30% participation of women in decision-making positions. In 2015, the Government plans to train 125 potential women directors to fill the position as members of the board of Government-linked companies and the private sector. I urge the Government-owned companies and the private sector to provide more opportunities for professional women to be represented in Boards of Directors;

Second: Improving opportunities for women to return to the job market through the 1Malaysia Support for Housewife programme which emphasises skills training and incentives for housewives; and

Third: Talent Corp will set up the Women Career Comeback Programme for professional women returning to the job market based on professional qualifications.

121. The Government is concerned with the well-being of women, particularly in terms of safety. Accordingly, the Government will buy the premises for the Women Special Protection Homes in the Eastern, Northern and Central zones. In addition, to provide opportunities for single mothers who are interested in entrepreneurship, the Government will continue the Single Mother Skill Incubator Programme (I-KIT), Women Entrepreneurship Incubator Programme (IkUnita) and Women Core Development Programme.

122. A sum of RM30 million will be allocated through Amanah Ikhtiar Malaysia (AIM) to inculcate the spirit of entrepreneurship among Indian women.

123. Furthermore, for civil servants, the Government will improve the Child Care Leave eligibility by revising the conditions so that the eligibility is not tied to the duration of maternity leave, effective from 1 January 2015. The leave is limited to children until they reach one year and is extended to female personnel with step children, legally adopted children, foster children and children with disabilities.

124. In line with Government's aspiration to encourage the establishment of more child care centres at the work place in the private sector, the existing guidelines will be reviewed. From January 2015, the Government will allow employers to set up child care centres beyond the second floor subject to conditions set by the local authorities. The Government's efforts will uphold women's role and enable them to participate actively at the national level.

SIXTH STRATEGY: DEVELOPING NATIONAL YOUTH TRANSFORMATION PROGRAMME.

125. Youth are not only the hope of the nation, not just an asset or even a partner in national development, but more valuable than all of the above. Therefore, the

Government recognises the role of youth in becoming future leaders and upholding the responsibility of further developing and prospering our beloved nation.

126. In order to achieve this aspiration, the Government will launch the National Youth Transformation Programme. To successfully implement the youth programmes, a sum of RM320 million is allocated as follows:

- First: Review the existing National Service Training Programme or PLKN, and introduce a new concept that incorporate skills requirement and patriotism which will be introduced shortly;
- Second: Improve the Rakan Muda programme and introduce Unity Camp programme;
- Third: Strengthen youth leadership through Youth Leadership Academy programme to hone leadership skills among Malaysian youth;
- Fourth: Intensify youth volunteerism programmes through 1M4U and introduce MyCorp programme. The MyCorp programme involves welfare and socio-economic volunteer activities for youth at the international level with an allocation of RM10 million;
- Fifth: Enhance entrepreneurial talent among the youth through the programmes under Malaysian Global Innovation & Creativity Centre (MaGIC), SME Bank and Agro Bank as well as introduce Online Resource Centre and organise an international social entrepreneurship conference;
- Sixth: Implement the Youth Agropreneur Programme under the purview of FAMA involving 1,200 youth and targeting a monthly income exceeding RM5,000; and

Seventh: Increase the capacity and skills of youth through National Youth Vocational Institute (IKBN) Transformation and Coding Bootcamp programmes as well as PADU programme (Projek Angkat Dan Upaya).

127. The Government also aims to provide a comprehensive ecosystem for youth to increase their capabilities and progress in work, business and entrepreneurship as well as enjoy housing, recreational and sports facilities. For this, the Government will establish 1Malaysia Youth City with an allocation of RM100 million to fund three pilot projects in the Peninsula, Sabah and Sarawak.

128. When we review the needs of youth, home ownership appears to be a big issue especially cost of houses and financing. Recognising this problem, I'm glad to announce the Youth Housing Scheme which is a smart partnership between the Government, Bank Simpanan Nasional, Employees Provident Fund and Cagamas.

129. The scheme offers a funding limit for a first home not exceeding RM500,000 for married youth aged between 25 and 40 years with household income not exceeding RM10,000. The maximum loan period is 35 years.

130. Under the scheme, the Government will provide monthly financial assistance of RM200 to borrowers for the first two years to reduce the burden of monthly installments. The Government will also give a 50% stamp duty exemption on the instrument of transfer agreements and loan agreements.

131. The Government will also provide a 10% loan guarantee to enable borrowers to obtain full financing including cost of insurance. Borrowers can also withdraw from EPF Account 2 to top up their monthly installment and other related costs.

132. Hence, I urge the youth to grab this opportunity which is offered on a 'first come first served basis' for 20,000 units only.

133. The Government will take concerted efforts towards transforming Malaysia into a sporting nation. For this, the Government will implement a Sporting Nation

Blueprint. To achieve the aspiration, the Government has allocated RM103 million to implement the following measures:

First: Ensure the sustainability and continuity of sports talent starting from primary school through Malaysian Talent Identification programme. The programme involves testing, screening and talent specialisation among students;

Second: Improve the quality of high-performance sports for six selected fields in the first phase namely Soccer, Cycling, Badminton, Sepak Takraw, Swimming and Athletics;

Third: Foster FitMalaysia Programme with focus on physical fitness; and

Fourth: Celebrate National Sports Day on the first Saturday in November every year with simultaneous participation of the public and private sectors as well as the rakyat nationwide.

SEVENTH STRATEGY: PRIORITISING WELL-BEING OF THE RAKYAT

134. The prosperity of the nation is contingent upon its ability to provide a better quality of life and improved well-being of the rakyat.

135. To ease the burden of school expenses incurred by the parents and guardians of students, particularly for low-income group, the Government will continue the schooling assistance programme. Starting January 2015, a RM100 each will be given to all primary and secondary school students with an allocation of RM540 million which will benefit 5.4 million students.

136. In addition, for the purpose of purchasing reference books and instruments the Government will continue to implement the 1Malaysia Book Voucher Programme with the assistance of RM250 per student. A sum of RM325 million will be allocated for this programme and is expected to benefit about 1.3 million students.

137. **To Strengthen Food Supply Chain**, apart from assisting the farmers, breeders and fishermen to increase their income, the Government will allocate RM6 billion to Ministry of Agriculture and Agro-Based Industry to implement the following initiatives:

First: From 2015 to 2017, the Government will establish 65 permanent farmers' markets and 50 fish markets that will operate daily in selected locations. To date, there are 526 farmers' markets and 50 fish markets nationwide;

Second: Introduce a weekly auction programme for quality vegetables at reasonable prices at 85 FAMA Trading Operation Centres and selected farmers' markets nationwide;

Third: Accelerating planting and replanting of fruit trees such as durian, mangosteen, langsat, rambutan as well as intensifying Jom Bertani Programme so the rakyat can cultivate cash crops and vegetables for their own consumption; and

Fourth: Providing RM100 million matching grant to Farmers' Organisation Authority to enable the members to obtain loans to improve farm productivity and marketing channels.

138. Apart from this, the Government will accelerate the development of four new Integrated Agriculture Development Area in Rompin, Batang Lupar, Kota Belud and Pekan involving paddy cultivation areas of 25,905 hectares. For a start, the Government will allocate RM100 million.

139. Every segment of society irrespective of where they are, are important. The Government is concerned with the development and welfare of the fishermen who continue to face various challenges. To address the issue of unstable income, especially during the monsoon season, as well as in less conducive environment in fishing villages, the Government will:

- First: Increase the living allowance for fishermen in Zone A to RM300 from RM200 a month. For the fishermen in Zone B and C, the living allowance will be increased to RM250;
- Second: Provide a monthly allowance of RM200 for the first time for full-time coastal fishermen. The allowance will benefit around 44,000 fishermen;
- Third: Further accelerate aquaculture activities such as cage farming of fish, shrimp, mussels and oysters to diversify sources of income of fishermen who are affected especially during the monsoon season. For this, a total of RM60 million is allocated; and
- Fourth: Install the Automatic Identification System on fishing boats to increase fish landing, ensure the fishing boats' bearings are according to landing zones and reduce operating costs. For this, RM27 million will be allocated.

140. In the 2012 Budget, I announced an allocation of RM300 million for the Special Housing Fund for Fishermen to build and refurbish houses for fishermen. To continue with these noble efforts, I am pleased to announce an additional RM250 million for housing projects and to improve the living condition of fishing villages.

141. The Government is committed to implementing various initiatives including price uniformity scheme, transport subsidy and establishing more Kedai Rakyat 1Malaysia (KR1M). Among the measures that will be implemented by the Ministry of Domestic Trade, Co-operatives and Consumerism include:

- First: Establish another 20 KR1M in Peninsular Malaysia;
- Second: Set up price watch team comprising consumer associations; and
- Third: Strengthen GST Enforcement Unit with 2,270 personnel, Price Monitoring Unit with 1,300 personnel and Consumer Squads with 202,800 volunteers as well as involve 579 mukim and village heads.

142. To improve the public transport system, the Government will introduce the following programmes:

First: Provide intercity bus services to those residing outside Kuala Lumpur (KL) but work in KL. The service will be offered with a discounted monthly fare of 30%. For a start, three bus routes will be operational namely the Rawang-KL; Klang-KL and Seremban-KL;

Second: Provide Electric Train Service (ETS) for Ipoh-Butterworth route starting April 2015; and

Third: Upgrade stage bus services in several states through a contracting system with existing bus companies. The programme will be implemented in phases in Kuching, Ipoh, Seremban, Kuala Terengganu and Kangar.

143. Recently, the Government provided a one-off special assistance of RM500 to rubber smallholders affected by the decline in rubber prices. The Malaysian Rubber Board (MRB) will allocate RM100 million to implement a regulatory price mechanism at the farm level to protect smallholders from losses incurred, particularly when the world market price falls below a minimum fixed price. MRB will also provide soft loans of RM6.4 million as working capital to 64 smallholder cooperatives to purchase rubber directly from 442,000 rubber smallholders nationwide.

144. For oil palm smallholders, the Government will continue to provide incentives for new planting and replanting with an allocation of RM41 million. Further, export duty exemption for crude palm oil (CPO) will be extended until December 2014.

145. For health services and facilities for the rakyat, the Government will allocate RM23.3 billion to implement the following initiatives:

First: Build two hospitals namely Hospital Dungun in Terengganu and Hospital Seri Iskandar in Perak. Another 20 Health Clinics and four

dental clinics, including health clinics in Kuala Lipis, Pahang and dental clinic in Kluang, Johor will be built;

Second: Establish an additional 30 1Malaysia clinics, bringing the total to 290 clinics nationwide and build a health clinic in Cyberjaya. The Government will station 30 doctors in these clinics;

Third: Replace 635 units of haemodialysis machines in Government hospitals and clinics with an allocation of RM30 million. To encourage private sector participation, the Government will also provide space in Government hospitals and health clinics to place another 244 haemodialysis machines which will be contributed by the private sector as part of their corporate social responsibility; and

Fourth: Provide medicines for patients undergoing chronic and acute haemodialysis treatment with an allocation of RM45.4 million.

146. Currently, expenses incurred for treatment of serious diseases such as cancer, kidney failure and heart attack are given a tax relief up to RM5,000 per year. To reduce the burden of medical expenses and treatment of serious diseases, the Government proposes the existing tax relief be increased to RM6,000 per year. The relief is available to the tax payer, the spouse and children.

147. Currently, the dengue fever epidemic is getting worse. To contain the epidemic from spreading, dengue prevention programme will be enhanced through community awareness and purchasing dengue prevention equipment such as reagents, Ultra Low Volume and Mist Blower. Apart from that, the Government will distribute 55,000 dengue test kits free of charge to private clinics to expedite early dengue detection process. For this, RM30 million will be allocated.

148. The Government is concerned over those who need help and support. Consistent with this, the Government will allocate RM2.2 billion to the Ministry of Women, Family and Community Development. Among the programmes that will be implemented include:

- First: Provide RM1.2 billion in financial assistance for poor families, children, senior citizens and the disabled (OKU). The Government also agrees to increase the allowance for working OKU from RM300 to RM350. Meanwhile, financial assistance for non-working OKU will be increased from RM150 to RM200. This will benefit 110,000 OKU involving RM66 million;
- Second: Increase tax relief for each disabled child from RM5,000 to RM6,000;
- Third: Increase tax relief for the purchase of basic supporting equipment for the tax payer, spouse, children and parents with disabilities from RM5,000 to RM6,000;
- Fourth: Increase the daily food allowance from RM8 to RM16 for 8,700 residents in 63 institutions under the Social Welfare Department;
- Fifth: Increase the annual grant for the National Council for Persons with Disabilities from RM500,000 to RM1 million; and
- Sixth: Establish an additional five Senior Citizens Activity Centres bringing it to a total of 50 centres nationwide as well as Senior Citizens Care Services programme which provides free transportation for senior citizens to hospitals.

149. In addition, to strengthen early childhood education, the Government will allocate RM711 million to the Ministry of Education, Tabika Kemas, PERMATA and Tabika Perpaduan.

150. To address the issue of home ownership at affordable prices, various projects and programmes will continue to be implemented, among them:

- First: Build 80,000 units under the 1Malaysia People's Housing Programme (PR1MA) with an allocation of RM1.3 billion. To enable more people to own houses, the ceiling of household income is raised from RM8,000 to

RM10,000. In addition, a Rent-To-Own Scheme will be introduced specifically for individuals who are unable to obtain bank financing;

Second: National Housing Department (JPN) to build 26,000 units under the People's Housing Programme (PPR) with an allocation of RM644 million; and

Third: Syarikat Perumahan Negara Berhad (SPNB) to build 12,000 units of *Rumah Mesra Rakyat* (RMR) and 5,000 units of *Rumah Idaman Rakyat*. SPNB will also build 20,000 units of *Rumah Aspirasi Rakyat* on privately-owned land.

151. To enable more people to own their first home and reduce the cost of buying a house, the Government has agreed to extend the 50% stamp duty exemption on instruments of transfer and loan agreements and increase the purchase limit from RM400,000 to RM500,000. The exemption will be given until 31 December 2016.

152. The Government also agrees to improve *Skim Rumah Pertamaku* under the purview of Cagamas by raising the ceiling price to RM500,000 in line with the stamp duty exemption. In addition, the age of borrowers to qualify for the scheme will be increased from 35 to 40 years.

153. To make the living conditions more comfortable for the rakyat who live in public low-cost housing, RM40 million will be allocated under the Public Housing Maintenance Programme. Meanwhile, RM100 million will also be allocated under the 1Malaysia Maintenance Fund for maintenance of private low-cost housing.

154. Currently, gains from the disposal of property under the Real Property Gains Tax Act 1976, are assessed formally. The Government has implemented the Self-Assessment System for individual and company income tax effective from the year 2001 and 2004, respectively. In tandem with the Government's aspiration to modernise the tax system and given that people are more responsible, it is proposed that tax on gains from the disposal of property be self-assessed by the taxpayer effective from the year 2016.

155. The Government remains committed to providing and upgrading rural facilities and infrastructure. A sum of RM4.5 billion will be allocated, particularly in Sabah and Sarawak for the implementing of the following programmes:

- First: Construction of 635 km of rural roads including former logging roads in Sabah and Sarawak with an allocation of RM943 million;
- Second: Implement electricity connection for 15,000 houses with an allocation of RM1.1 billion;
- Third: Implement rural clean water supply for 7,500 houses with an allocation of RM394 million;
- Fourth: Build and rehabilitate dilapidated houses involving 9,500 units with an allocation of RM200 million;
- Fifth: Increase the quality of rural air services in Sabah and Sarawak through maintenance and lease of new aircraft with an allocation of RM160 million;
- Sixth: Implement economic development programmes, infrastructure facilities and improve the living standard of the Orang Asli community with an allocation of RM352 million; and
- Seventh: Install an additional 10 lamp posts bringing it to 20 in every village nationwide, involving 22,000 villages and an allocation of RM26 million. This brings to a total of RM56 million for the provision of street lighting in villages.

156. Water supply is important for our daily life as well as for industries. In this regard, the Government will formulate a National Water Blueprint to ensure sustainable long-term water supply nationwide. These include holistic management of rivers, construction and improving water treatment plants.

157. Water supply sources will be diversified through groundwater exploration, and reuse of treated water for industries and agriculture as well as expanding the use of storm water retainer system. To address water supply shortage in the Klang Valley, the construction of Air Langat 2 Water Treatment Plant will be expedited. Costing RM3 billion, the plant will increase the supply of treated water to 1,130 million litres daily.

158. In addition, the Government will intensify efforts to address the problem of non-revenue water. A sum of RM112 million is allocated for setting up leakage control zones as well as detecting and repairing leaking pipes.

159. To increase the level of safety and public order as well as national security, RM17.7 billion is allocated to the ATM while RM9.1 billion, to the PDRM. A sum of RM804 million is also allocated to Maritime Enforcement Agency Malaysia to strengthen maritime enforcement.

160. The Government is committed to reducing the crime rate in the country, one of the NKRA's. For this, the Government will increase the intake of policemen by 11,757 personnel, build 14 Police Headquarters (IPK) and Police Stations including a new block for IPK Perlis as well as strengthen the PDRM police patrol through the purchase of 1,000 units of motorcycles. The Government will also allocate RM121 million for PDRM to implement various programmes under NKRA.

161. To increase the readiness of ATM's personnel and assets, RM7 billion will be allocated to purchase and maintain the defence assets. Apart from this, the welfare of armed forces personnel will also be improved, including health services and housing.

162. Meanwhile, to improve maritime safety, APMM will be allocated RM393 million. This is for improving operational efficiency and the purchase of seven new patrol vessels.

163. Jabatan Sukarelawan Malaysia or RELA under the Ministry of Home Affairs will continue to be a voluntary agency to assist the security forces to maintain peace and security of the nation. A sum of RM117 million will be allocated to strengthen the role of RELA, particularly for training and capacity building.

164. The Government recognises the important role played by NGOs. Therefore, I am pleased to declare 2015 as the year of empowerment of NGOs and volunteerism or MyNGO 2015. For this, the Government will provide a one-off grant of RM50 million to creditable NGOs, including uniformed bodies that are involved in community development programmes, unity, social welfare, consumerism, health and security.

165. The MPs of this august chamber and rakyat Malaysia who are watching Budget 2015.

166. We should be grateful for the peace and harmony that we have built.

167. The year 2014 has been truly challenging with the mysterious disappearance of MH370 and the tragic downing of MH17 in east Ukraine.

168. Come what may, Malaysians remained calm and strong in the face of adversity. We were united in grief and remained in solidarity.

169. The Government persevered in the crisis and managed to bring home almost all Malaysians who perished in the MH17 incident.

170. Life goes on, when things get tough the tough gets going.

171. According to Rabindranath Tagore, "If you cry because the sun has gone out of your life, your tears will prevent you from seeing the stars."

172. The Government has agreed to build the Al-Quran Printing Centre in Putrajaya which will be the second largest in the world after Saudi Arabia with an

allocation of RM30 million over three years. The centre will be a focal point for Islamic calligraphy and art.

173. Malaysia was built over the years by Barisan Nasional, supported by the rakyat.

174. Despite all the challenges, Malaysia achieved several accolades on the international front:

First: Improved our ranking in the World Competitiveness Index from 15th position to 12th in 2014. The ranking reflects that Malaysia is more competitive than the United Kingdom, Australia and Finland;

Second: Ranked 3rd out of 22 countries for evaluation on Best Emerging Markets released by Bloomberg; and

Third: Ranked 6th out of 189 countries in World Bank's Ease of Doing Business Report and first in access to credit.

175. According to a hadith, if we are grateful to God we are thankful to all mankind.

176. In the last budget I announced the improvement in 81 schemes of service. In this Budget, the Government will continue to improve another 252 schemes of service to increase the effectiveness of public service delivery.

177. To appreciate the services of contract officers and staff of KEMAS, JASA, JPNIN, JAKIM and Seranta Felda who have served more than 15 years and have retired, the Government agrees to provide a monthly assistance of RM300 benefiting 1,655 people.

178. The Government is concerned about the difficulties of civil servants to obtain financing for houses. Therefore, I wish to announce an increase in the minimum eligibility for housing loans from RM80,000 to RM120,000 and the maximum eligibility limit from RM450,000 to RM600,000. In addition, the processing fee for

housing loan application of RM100 is abolished. Both proposals will take effect on 1 January 2015.

179. The Government is committed to increasing the construction of houses under 1Malaysia Civil Servants' Housing or PPA1M. Currently, 10,639 PPA1M houses have been approved for construction. In 2015, to enable more civil servants to buy PPA1M houses, the Government agrees to build an additional 5,380 units including 1,600 units in Putrajaya, Bukit Jalil (1,530 units), Papar, Sabah (1,290 units) and Bukit Pinang, Kedah (960 units). In addition, the Government will improve PPA1M as follows:

First: Reducing the minimum price of houses currently at RM150,000 to RM90,000 per unit with a minimum floor area of 850 square feet;

Second: Raising the qualifying requirement of household income from RM8,000 to RM10,000 per month; and

Third: Providing a facilitation fund of up to 25% from the project cost for developers participating in the scheme.

180. Comfortable homes will contribute to increased productivity. For this, the Government allocates RM500 million for repair and maintenance that will be implemented in stages for military, police, teachers' and medical staff's quarters nationwide. In addition, RM105 million is allocated to Ministry of Urban Wellbeing, Housing and Local Government for maintenance of Government quarters under the MyBeautiful Malaysia Programme covering 126 locations.

181. Taking into consideration the increased revenue collection from GST and the affordability of the Government, we will increase BR1M from RM650 to RM950. The assistance is for households with a monthly income of RM3,000 and below. It will be disbursed in three instalments of RM300 each to be paid in January and May with the balance of RM350 from September 2015.

182. For households with a monthly income between RM3,000 and RM4,000, the Government will increase BR1M from RM450 to RM750. This assistance will be disbursed in three instalments that is RM200 to be paid in January and May while the balance of RM350 from September 2015.

183. For single individuals aged 21 and above and with a monthly income not exceeding RM2,000, BR1M will be increased from RM300 to RM350 a year. This assistance will be disbursed early next year.

184. In addition, the Government will replace the group takaful insurance or i-BR1M with Family Bereavement Scheme. The new scheme will entitle the next of kin of BR1M recipients to receive RM1,000 effective for a year.

185. Members of Parliament (MPs) play an increasingly important role, particularly in local communities from various aspects, including welfare, religion, social and education.

186. In this regard, the services of MPs as people's representatives or leaders in the respective parliamentary constituencies are needed at all hours. To reflect the responsibilities and the leadership, I propose that their allowances be raised as follows:

- The allowance of MPs of Dewan Rakyat will be increased from the equivalent grade 54 to equivalent grade Jusa C, consistent with their responsibility; and
- The allowance of MPs of Dewan Negara will be increased from equivalent grade 48 to equivalent between grade 54 and Jusa C.

187. Meanwhile, the salaries and allowances of the Speaker of Dewan Rakyat and Speaker of Dewan Negara as well as their respective Deputies will be increased effective 1 January 2015.

188. The Government will review the salary scheme of members of the administration and make a decision at an appropriate time. This includes the Prime Minister, the Deputy Prime Minister, Ministers and Deputy Ministers.

189. For civil servants, I am pleased to announce a half-month bonus with a minimum payment of RM500 to be paid in January 2015. Government pensioners will also receive special financial assistance of RM250.

190. I hope the financial assistance will ease the burden of civil servants and pensioners.

Mr. Speaker Sir,
I beg to propose.

LIST OF APPENDICES

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TAX INCENTIVE UNDER INVESTMENT ACCOUNT PLATFORM (IAP)

Current Position

IAP is a new funding model based on syariah principle with the aim to finance projects and venture companies. The objective of IAP is to attract participation from individual and institutional investors to boost development of small and medium enterprises (SMEs) as well as entrepreneurs through a funding system which is efficient, simple and transparent.

Proposal

To ensure IAP is able to facilitate the provision of funding for the benefit of both parties namely investors and SMEs as well as entrepreneurs through effective projects financing, it is proposed that profit earned by individual investors from investments made through IAP be accorded income tax exemption.

This incentive is subject to the following conditions:

- i. Tax exemption shall only be accorded for 3 consecutive years starting from the first year profit is earned;
- ii. The investment is made for a period of 3 years starting from the operation date of IAP;
- iii. Tax incentive shall only be accorded for investment activities in Malaysia, in venture companies owned by Malaysian or locally incorporated companies;
- iv. Tax exemption shall only be accorded for investments made in SMEs and venture companies in any sectors; and
- v. Definition for SMEs is as per the latest definition issued by SME Corporation Malaysia.

Effective Date

From the operational date of IAP scheduled to be from 1 September 2015 to 31 August 2018.

EXTENSION OF TAX INCENTIVE FOR THE ISSUANCE OF SUKUK

Current Position

Deduction is given on expenses incurred for the issuance of sukuk under the principles of *Mudhrabah*, *Musyarakah*, *Ijarah*, *Istisna'*, *Murabahah*, *Bai' Bithaman Ajil* based on *tawarruq* and *Wakalah* approved by the Securities Commission or the Labuan Financial Services Authority.

This incentive is given from year of assessment 2003 to year of assessment 2015.

Proposal

To expand the sukuk market at the international level, it is proposed that deduction on the expenses incurred for the issuance of sukuk under the principles of *Ijarah* and *Wakalah* be extended for another 3 years.

Effective Date

From year of assessment 2016 to year of assessment 2018.

TAX INCENTIVE FOR MEDICAL TOURISM

Current Position

A company that provides private healthcare facilities services to healthcare traveller is given exemption on income equivalent to Investment Tax Allowance of 100% of qualifying capital expenditure for a period of 5 years. This incentive is given to new companies as well as existing ones engaged in expansion, modernization or refurbishment.

Eligible companies must be:

- i. licensed by the Ministry of Health; and
- ii. registered with the Malaysian Healthcare Travel Council.

Qualified healthcare traveller is as follows:

- i. Malaysia My Second Home participant and his dependents;
- ii. Expatriate holding a Malaysian work permit and his dependents; or
- iii. Non-Malaysian citizen who visits and receives treatment from private healthcare facilities in Malaysia.

This incentive is for applications received by Malaysian Investment Development Authority (MIDA) from 1 January 2010 to 31 December 2014.

Proposal

In view that Malaysia has the potential to be a hub for medical tourism in the region and to further stimulate its growth, it is proposed that new companies and existing companies engaged in expansion, modernization and refurbishment that provide private healthcare facilities to at least 5% healthcare traveller from their total patients be given exemption on income equivalent to Investment Tax Allowance of 100% of qualifying capital expenditure for a period of 5 years.

Effective Date

For applications received by MIDA from 1 January 2015 to 31 December 2017.

TAX INCENTIVE FOR SCHOLARSHIPS

Current Position

Scholarships awarded by companies to students pursuing diploma or bachelor degree course at higher educational institution are given double deduction. Scholarships eligibility criteria for students are:

- i. Malaysian citizen and resident in Malaysia;
- ii. pursuing full time course;
- iii. have no source of income; and
- iv. whose parents or guardian total monthly income does not exceed RM5,000.

Double deduction is given on allowable expenses as follows:

- i. Fee on course of study required by higher educational institution; and
- ii. Educational aid and cost of living expenses throughout the student's period of study at higher educational institution.

This incentive takes effect from year of assessment 2011 until year of assessment 2016.

Proposal

To encourage companies to provide scholarships in the field of vocational and technical, it is proposed that the scholarships awarded by the company to Malaysian students studying in the vocational and technical fields in institutions recognised by the Government be given double deduction. Eligibility criteria for the incentives are maintained.

Effective Date

From year of assessment 2015 to year of assessment 2016.

TAX INCENTIVE FOR STRUCTURED INTERNSHIP PROGRAMME (SIP)

Current Position

The Ministry of Education in collaboration with Talent Corporation Malaysia Berhad (TalentCorp) has implemented a programme called SIP that provides practical experience which emphasizes on the development of specific knowledge or skills, including technical, communication or business skills. The SIP programme has to be approved by TalentCorp. Companies that implement SIP are eligible to claim double deduction on the expenses incurred.

The eligibility criteria for the students and conditions for companies under SIP programme are as follows:

- i. The students are Malaysian citizens;
- ii. The students are pursuing full-time first degree programme in higher education institution registered with the Ministry of Education;
- iii. The students complete the approved internship programme before the completion of final semester of his first degree;
- iv. Internship programme is for a minimum period of 10 weeks; and
- v. Monthly allowance for the students of not less than RM500.

Double deduction is given on the following allowable expenses:

- i. Minimum monthly allowance of not less than RM500;
- ii. Expenditure incurred for the provision of training to the students;
- iii. Meals, transport and accommodation allowances; and
- iv. Payment to the appointed third party to run the SIP programme.

This incentive is effective from year of assessment 2012 until year of assessment 2016.

Proposal

To encourage companies to extend the SIP programme to full time students pursuing training at the vocational and diploma levels, it is proposed that expenses incurred in implementing SIP programme for students in vocational and diploma courses be given double deduction. The eligibility criteria for students and conditions for the companies under the current SIP programme is to be maintained.

Effective Date

From year of assessment 2015 to year of assessment 2016.

TAX INCENTIVE FOR TRAINING

Current Position

Expenses incurred by a company to send employees for training at approved training institutions are eligible for further deduction subject to:

Manufacturing companies

- i. Training programs approved by the Malaysian Investment Development Authority (MIDA); or
- ii. Training programs conducted by training institutions approved by the Minister of Finance.

Non-manufacturing companies

- i. Training programs approved by the Minister of Finance or any agencies appointed by the Minister of Finance; or
- ii. Training programs conducted by training institutions approved by the Minister of Finance.

Companies carrying on hotel or tour operating business

- i. Training programs approved by the Minister of Tourism and Culture; or
- ii. Training programs conducted by training institutions approved by the Minister of Finance.

Incentives are effective from year of assessment 1991.

Proposal

Incentives should be provided to employers on training cost incurred to enhance skills, knowledge and qualifications of their employees and thus support the Government's effort to strengthen the development of human capital. It is proposed further deduction be given on the training expenses incurred by companies for the employees to obtain industry recognized certifications and professional qualifications such as in the field of accounting, finance and project management. Training programs are those approved by agencies appointed by the Minister of Finance.

Effective Date

From year of assessment 2015.

REVIEW OF RELIEF ON MEDICAL EXPENSES FOR SERIOUS DISEASES

Current Position

Relief up to RM5,000 is claimable by an individual taxpayer on medical expenses for treatment of serious diseases for oneself, spouse and children. Eligible expenses are for medical treatment of serious diseases such as cancer, kidney failure, heart disease, acquired immune deficiency syndrome (AIDS), Parkinson's disease and leukemia.

Proposal

To reduce the burden of medical expenses and treatment of serious diseases, it is proposed that the current relief be increased from RM5,000 to a maximum of RM6,000.

Effective Date

From year of assessment 2015.

REVIEW OF RELIEF FOR THE DISABLED CHILD

Current Position

A taxpayer with disabilities or with disabled dependents is eligible for the following reliefs:

- i. Personal relief of RM9,000.
- ii. Additional relief of RM6,000 for the disabled taxpayer.
- iii. Relief of RM3,000 for the spouse.
- iv. Additional relief of RM3,500 for the disabled spouse.
- v. Relief of RM5,000 for each disabled child.
- vi. Additional relief of RM6,000 for each disabled child aged 18 years and above pursuing tertiary education at local or overseas institutions.

Proposal

To alleviate the cost of living of a taxpayer with disabilities or taxpayer with a disabled child, it is proposed that the tax relief for each disabled child be increased from RM5,000 to RM6,000.

Effective Date

From year of assessment 2015.

**REVIEW OF INDIVIDUAL RELIEF FOR PURCHASE OF BASIC
SUPPORTING EQUIPMENT FOR THE DISABLED**

Current Position

Individual taxpayer is given tax relief of up to RM5,000 for the purchase of basic supporting equipment for the use of the disabled tax payer, spouse, child and parents. Basic supporting equipment includes haemodialysis machine, wheelchair, artificial limbs and hearing aids.

Proposal

To reduce the cost of living, it is proposed that the relief for purchase of basic supporting equipment for the disabled taxpayer, spouse, child and parents be increased from RM5,000 to a maximum of RM6,000.

Effective Date

From year of assessment 2015.

**EXTENSION OF STAMP DUTY EXEMPTION FOR THE PURCHASE OF
FIRST RESIDENTIAL PROPERTY**

Current Position

To encourage home ownership, the Government had provided stamp duty exemptions on the following instruments:

Year	Tax Incentive For Home Ownership	Exemption Period
2008 Budget	50% stamp duty exemption on instrument of transfer for the purchase of residential property priced not exceeding RM250,000.	For sales and purchase agreement (S&P) executed from 8.9.2007 to 31.12.2010.
2009 Budget	50% stamp duty exemption on loan agreement for the purchase of residential property priced not exceeding RM250,000.	For S&P executed from 30.8.2008 to 31.12.2010.
2011 Budget	50% stamp duty exemption on instrument of transfer and loan agreement for the purchase of residential property priced not exceeding RM350,000.	For S&P executed from 1.1.2011 to 31.12.2012.
2013 Budget	50% stamp duty exemption on instrument of transfer and loan agreement for the purchase of first residential property priced not exceeding RM400,000.	For S&P executed from 1.1.2013 to 31.12.2014.

Proposal

To reduce the cost of ownership of the first residential property and in light of increasing price of residential property, it is proposed that 50% stamp duty exemption on instrument of transfer and loan agreement be extended to the purchase of the first residential property priced not exceeding RM500,000.

The stamp duty exemption is only eligible for Malaysian who has never owned a residential property.

Effective Date

For sales and purchase agreement executed from 1 January 2015 to 31 December 2016.