

THE 2018 BUDGET SPEECH

By

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PRIME MINISTER AND MINISTER OF FINANCE

INTRODUCING THE SUPPLY BILL (2018)

IN DEWAN RAKYAT

FRIDAY, 27 OCTOBER 2017

**“PROSPERING AN INCLUSIVE ECONOMY,
BALANCING BETWEEN WORLDLY AND HEREAFTER,
FOR THE WELLBEING OF RAKYAT,
TOWARDS THE TN50 ASPIRATION”**

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 2018 and to appropriate that sum for the service of that year”** be read a second time.

In the name of Allah, the Most Gracious, the Most Merciful.

INTRODUCTION

1. There is no God but Allah, and Muhammad is the messenger of Allah. Send your blessings to our Prophet Muhammad SAW, and salute him with all respect.
2. Greetings, Salam Negaraku and Salam 1Malaysia to Mr. Speaker Sir, Members of Parliament, Ladies and Gentlemen and all Malaysians from Northern Perlis to Tanjung Piai in the South as well as Sabah and Sarawak.
3. Many may have predicted that the 2017 Budget was an Election Budget.
4. This is expected as there were many initiatives and allocations announced for the rakyat and in the interest of the nation. However, their predictions were untrue.
5. Last week, our Indian friends celebrated the Festival of Lights or Deepavali. We wish Happy Deepavali to all. As Friday being an important day for Muslims, let's celebrate together.
6. As such, I would call upon the rakyat to rejoice in receiving the gifts, rewards and incentives, which will be presented in this Budget, subject to a condition.

And the condition is that you follow through this presentation from the beginning to the end.

7. I am standing here, on this day, 27 October 2017 or 7 Safar 1439 Hijri, to bring good and happy news, which will put smiles on every face.
8. This good news is for all beloved Malaysians to enjoy, regardless of race and background.
9. It is clear that every segment of society will reap the benefits from this Budget.
10. Hence, on behalf of the Government, let us first immerse and analyse on what I am about to present. Otherwise, you will miss the good news.
11. In building a civilised nation, we should always be gracious, forgive and forget.

ECONOMIC PERFORMANCE AND CHALLENGES

12. First, let us be grateful to Allah SWT for the **continued positive expansion of our economy**.
13. During the first half of 2017, the economy recorded a sterling growth of **5.7%**.

14. Therefore, we should not fall for lies and non-stop propaganda on social media by irresponsible parties, stating that the World Bank has issued negative reports on the nation's economy.
15. In fact, the World Bank has revised their forecasts on the East Asia and Pacific region.
16. The World Bank has revised upwards Malaysia's GDP forecast from 4.9% to **5.2% for 2017** and commended the country's economic performance for its laudable policies.
17. In addition, the Government forecasts the Malaysian economy to record an annual growth between **5.2% and 5.7% in 2017, higher** than the March estimates ranging between 4.3% and 4.8%.
18. For the past eight years, amid economic challenges, Malaysia has made significant development in two important aspects:

First: Strengthening and deepening diplomatic and trade relations with the world's largest economic powers such as China, India, Saudi Arabia and the United States.

Furthermore, private investment has increased significantly to more than **RM211 billion** compared with RM81 billion in 2009.

Second: Since 2009, the country has been facing various external challenges such as plummeting global crude oil prices and international geopolitical tensions. Notwithstanding these uncertainties, we remain steadfast in managing country's finances, practising efficient governance and prudent fiscal discipline.

With systematic and organised plans and strategies, and initiatives, the nation's fiscal deficit is estimated to be reduced to 3% of GDP in 2017 from 6.7% in 2009. We are confident that it will be further improved to 2.8% in 2018.

As a result, three prestigious international credit rating agencies have maintained their ratings on Malaysia as 'A-' with a stable prospect.

19. **Let us all work hard to ensure fruitful outcomes.**
20. Most importantly, amid various external headwinds, we should maintain our strong economic growth momentum and dynamism.
21. Hence, the Government introduced several transformation programmes under the National Transformation Policy (NTP) in 2009. The policy emphasises on quality and efficiency of the public service delivery system, particularly in stimulating economic growth.

22. The NTP also encompasses the New Economic Model which is in line with both the 10 Malaysia Plan (10MP) and 11 Malaysia Plan (11MP).
23. Since 2009, economic initiatives have been the main focus of the Government, followed by other programmes, according to its importance, including the Political Transformation Programme.
24. Hence, all the initiatives implemented by the Government for the past eight years have been successful. These include:
- First:** About 2.26 million jobs were created, which is 69% of the 3.3 million job opportunities targeted by 2020;
- Second:** In August, exports peaked to one of its highest levels, exceeding RM80 billion and recorded a double-digit growth; and
- Third:** Currently, the international reserves amounted to **USD101.4 billion** or **RM428.7 billion**, which is sufficient to finance 7.5 months of retained imports compared with USD21.7 billion or RM59.1 billion during the Asian Financial Crisis in 1997.
25. In addition, the **2016 Report of Household Income and Basic Amenities Survey** has highlighted our achievements, which include:

First: Income per capita has increased from RM27,819 in 2010 to RM40,713 in 2017 and is expected to increase further to RM42,777 in 2018;

Second: Monthly median income has also increased from RM4,585 in 2014 to RM5,288 in 2016;

Third: For the B40 household income, the monthly median income has increased from RM2,629 to RM3,000 between 2014 and 2016; and

Fourth: Household income distribution in Malaysia has improved with the Gini coefficient reduced from 0.441 in 2009 to 0.399 in 2016, the lowest in the history of Malaysia. This reflects narrowing income gap as the country progresses towards a more equal distribution.

2018 BUDGET ALLOCATION

26. In the interest and prosperity of the rakyat, the 2018 Budget will allocate a sum of **RM280.25 billion**, an increase in allocation as compared with RM260.8 billion in the 2017 Budget.
27. Of which, **RM234.25 billion** is allocated for Operating Expenditure (OE), while **RM46 billion** for Development Expenditure (DE). This allocation does not include Contingencies which amounts to RM2 billion.

28. Under the OE, a total of **RM79.15 billion** is for Emolument and **RM33.62 billion** for Supplies and Services.
29. Meanwhile, a sum of **RM119.82 billion** is allocated for Fixed Charges and Grants. A sum of RM1.08 billion is allocated for Other Expenditures, while RM577 million for the Purchase of Assets.
30. Under the DE, the economic sector will receive the highest share of RM26.34 billion. The social sector is allocated a sum of RM11.72 billion. Meanwhile, the security sector will be allocated a sum of RM5.22 billion and the general administration RM2.72 billion.
31. For 2018, the Federal Government's revenue collection is expected to record **RM239.86 billion**.
32. Of significance, the Government is committed to implement fiscal consolidation measures and to ensure that the Government's financial position continues to be resilient, and debt level remains low in the medium- and long-terms.
33. This Budget is most vital as it summarises all the initiatives that has spurred the economy since I took office in 2009.
34. Indeed, it is one of my main report cards to the rakyat and the Government under my leadership during my two-term administration.

35. Hence, this document will chart the course in building a Malaysian Nation for the next 30 years crafted on a new canvas based on **SHARIAH REQUIREMENT FRAMEWORK**.
36. Since we declared Independence, we have been fortunate as our forefathers have governed and administered this country embedded with shariah requirements. This framework emphasises on five aspects, namely **religion, life, intellectual, lineage** and **wealth** in each of Government's plan and policy.
37. This was clearly mentioned in **Surah al-Mumtahanah verse 12**, of the importance to provide basic necessities for the rakyat (**Dho'ruriyat**).
38. Meanwhile, through interpretation of *Surah al-Hajj* and *Hadith Riwayat Ahmad*, **Haajiyat** refers to matters relating to easing the burden of the rakyat and providing a comfortable life. Third, **Tahsiniyat** means luxurious needs.
39. Therefore, for the past six decades, all Barisan Nasional's efforts have been inspired by Allah SWT to ensure that leaders are guided by the shariah requirement framework.

This framework is further solidified with Federal Constitution; Rukunegara; 1Malaysia People's First, Performance Now philosophy; and the latest TN50

aspiration. These reflect the continuity of Government's administration, practising moderation and rejecting extremism.

40. Hence, the alternating leadership of this Party has structured its entire policies and strategies based on the shariah requirement framework.
41. While this framework has not been written in any Government documents, but its practices are reflected in all inter-related national philosophies and policies.
42. In a nutshell, the shariah requirement framework adopted by the Government is targeted to benefit the rakyat as a whole, taking into account of Government's capabilities, following the **three priorities** namely ***Dho'ruriyat***, ***Haajiyat*** and ***Tahsiniyat***.
43. It is then proven that the Barisan Nasional Government has the wisdom and experiences of 60 years, which are fundamental in developing and building a proud nation state.
44. Therefore, based on these principles and philosophies, and with the blessings of Allah, I present you the **2018 Budget**.
45. The 2018 Budget was formulated in line with the 11MP and this is the third Budget under the Plan. In order to ensure the nation's wealth and prosperity to be enjoyed equitably

and inclusively through strong economic growth and competitiveness, this Budget with the theme “**PROSPERING AN INCLUSIVE ECONOMY, BALANCING BETWEEN WORLDLY AND HEREAFTER, FOR THE WELLBEING OF RAKYAT, TOWARDS TN50 ASPIRATION**” is based on **Eight Main Thrusts**.

FIRST THRUST: INVIGORATING INVESTMENT, TRADE, AND INDUSTRIES

46. Total investment in the country is expected to increase by **6.7%**, accounting for **25.5%** of GDP in 2018.
47. In this regard, the Government will continue to emphasise on high-impact investment, focusing on industries related to petroleum, logistics, aerospace, rail, robotics and automation, and export-oriented industries.
48. Private investment has continued to outpace public investment with a ratio of **70:30**. Private investment is estimated to reach **RM260 billion** in 2018 compared with only **RM81 billion** in 2009.
49. Meanwhile, public investment is estimated to record **RM109 billion** compared with **RM75 billion** in **2009**. In this in line with the objective of Economic Transformation Programme (ETP) to propel the private sector as engine of growth.

50. This includes a sum of **RM1 billion** allocated for the **Five Main Corridors**. The Government will develop the **South Perak Region** comprising Proton City, Educity and Youth City in Tanjung Malim as well as **Bukit Kayu Hitam Duty-Free Zone**; construction of port and industrial park in **Tok Bali, Kelantan**; and access road to **Baleh Dam, Sarawak**.
51. At the same time, in order to place Malaysia as a preferred investment destination, the **Principal Hub tax incentive** will be extended until 31 December 2020. The Government will allocate **RM200 million** to the high-impact strategic fund under MIDA.
52. Malaysia is committed to economic information sharing introduced by the **OECD**. These include implementation of the **Base Erosion and Profit Shifting Plan of Action** as well as the **Automatic Exchange of Information** commencing September 2018.

Enhance Small and Medium Enterprises

53. Malaysia will progress further through inclusive participation of small and medium enterprises (SMEs). Currently, we have Jeruk Pak Ali, Sydney Cake House, Satay Haji Samuri and Telekung Siti Khadijah which have established their brands, with some having presence in international markets.

54. We welcome them to Parliament and congratulate them for their hard work and achievements.
55. It is targeted that **SMEs will contribute 41% of GDP by 2020**, through the following measures:

First: A total of **RM7 billion** is allocated under the Skim Jaminan Pembiayaan Perniagaan (SJPP), of which, **RM5 billion** for working capital and **RM2 billion** with 70% guaranteed by the Government for services sector, including Industrial Revolution (IR 4.0);

Second: An unprecedented amount of **RM1 billion** is provided as loans to companies with 70% guaranteed by the Government. These loans are provided under SJPP to enable SMEs to automate production processes and reduce employment of foreign workers;

Third: An additional **RM1 billion** is provided to the Shariah-compliant SME Financing Scheme, increasing the fund size to **RM2.5 billion**. A subsidy of 2% will be provided on profit earned to ease the costs of financing;

Fourth: A sum of **RM200 million** is allocated to SMEs for training programmes, grants, and soft loans under the SME Corp; and

Fifth: About **RM82 million** is allocated for the development of halal industries and products under various agencies.

Micro Financing

56. The Government also includes micro entrepreneurs such as the popular coconut shake seller in Klebang, Melaka in this Budget.

57. For this purpose, the Government provides the highest allocation to **TEKUN**, amounting to **half a billion ringgit**.

58. In addition, to appreciate **Amanah Ikhtiar Malaysia's (AIM)** borrowers of which the majority are women and good paymasters, the Government will allocate an additional **RM200 million** to the fund. With this, total fund size will be **RM2.7 billion**, benefitting **nearly 400,000 borrowers**.

59. One success story is on Kak Wan Azizah Wan Salleh who started her business in 1993 with a loan of RM500 from AIM became a successful millionaire in poultry farming.

60. Furthermore, a sum of **RM80 million** is allocated under the Rural Economic Financing Scheme (SPED) through Bank

Rakyat and SME Bank to provide financing facilities to rural Bumiputera entrepreneurs.

Accelerating Exports

61. The country's exports will be further accelerated by focusing on high-impact export sectors, through the following measures:

First: A sum of **RM150 million** is provided to MATRADE, MIDA and SME Corp to implement promotional programmes, and expand export markets including Market Development Grant;

Second: A sum of **RM1 billion** is provided by EXIM Bank for insurance coverage credit facilities and **RM200 million** for credit financing facilities to SME exporters; and

Third: A sum of **RM100 million** is provided as loan with 70% guaranteed by the Government to automate production of local furniture for exports.

Boosting Agricultural Sector

62. The Government cares for paddy farmers, farmers, smallholders, fishermen and others in the agriculture sector.

63. As such, for the first time in the history of the nation's Budget, a large allocation of **RM6.5 billion** is provided to assist **farmers, fishermen, smallholders and rubber tappers**. Among the various programmes to be implemented are:

First: A sum of **RM2.3 billion** is allocated to provide assistance and incentive such as fertilisers and input to paddy farmers, rubber smallholders and fishermen;

Second: **About RM500 million** is allocated to improve irrigation infrastructure and upgrade plantation roads;

Third: **About RM200 million** is allocated for rubber replanting programme and provide infrastructure to increase production of latex instead of cup lump as this will raise the income of smallholders;

Fourth: **About RM140 million** is allocated to developing and replanting of oil palm as well as enhance marketing programmes;

Fifth: A sum of **RM200 million** is allocated for the agricultural programme as **new sources of income**, particularly the development of dairy industry through the establishment of **Lembaga Tenusu dan Ruminan**. Others include the development of corn, coconut, durian and culinary industry. For example, in Hong Kong it is said that the price of a Mawsang King durian is sold at **RM800**.

Sixth: For the first time, a special scheme will be implemented to increase the production of coconuts through **replanting** of new varieties, namely CARECA and MATAG. This scheme will be implemented with an allocation of **RM50 million**, benefitting **10,000** smallholders.

Meanwhile, the management of coconut, pineapple and fruits industries will be placed under one Board; and

Seventh: For the first time, I would like to announce a monthly assistance of **RM200** for three months **to paddy farmers** while waiting for the harvest

season with an allocation of **about RM150 million.**

Boosting Tourism Industry

64. The tourism sector is one of the key sources of income to the nation's economy.

65. According to the World Tourism Organisation Report, in 2016 Malaysia was ranked at **12th position in terms of tourist arrivals.**

66. It is estimated that there will be **28 million** tourist arrivals in 2018. As such:

First: I am pleased to announce that **2020** is declared as the **Visit Malaysia Year.** In 2020, Malaysia will also host series of international meetings, namely APEC, WCIT and CHOGM;

Second: A sum of **RM2 billion** is allocated to SME Tourism Fund to provide soft loans to tour operators with an interest subsidy of 2%;

Third: An additional **RM1 billion** is provided to the Tourism Infrastructure Development Fund as soft loans;

Fourth: A sum of **RM500 million** is provided to develop and promote tourism through upgrading infrastructure facilities as well as promoting homestay and eco-tourism programmes;

Fifth: Expand **eVisa regional hub** by facilitating visa application worldwide, especially for expatriates, foreign students, and Malaysia My Second Home Programme (MM2H);

Sixth: Extend tax incentive for investment in new 4-and 5-star hotels until 31 December 2020; and

Seventh: Extend tax incentive for tour operators to year of assessment 2020.

67. The health-tourism industry will be strengthened as one of the country's sources of income. This includes providing end-to-end service for medical tourists coming to Malaysia.

68. In this respect, the Government is allocating **RM30 million** to **Malaysian Healthcare Travel Council (MHTC)** to implement the following initiatives:

First: Promote Malaysia as the **Asian Hub for Fertility Treatment, including IVF and Cardiology**. The **eVisa** facility will be extended to cover other

specialised medical services and high-value healthcare packages;

Second: Introduce **Flagship Medical Tourism Hospital Programme**, which offers special incentive to private hospitals to attract medical tourists;

Third: Extend the investment tax allowance (ITA) of 100% for medical tourism until 31 December 2020;

Fourth: Provide double tax deduction on expenses incurred in obtaining certification from healthcare services accreditation bodies for dental and ambulatory services registered with MHTC; and

Fifth: Increase the special tourism healthcare incentive from 50% to 100% of the incremental value of exports, for private healthcare services, beginning year of assessment 2018 to 2020.

Driving Logistics Sector

69. In order to ensure a more balanced economic spillover between urban and rural areas, the Government will

improve logistics and transport infrastructure, through these measures:

First: East Coast Rail Link (ECRL) Project which connects Port Klang to Pengkalan Kubor, Kelantan has the capacity to transport cargo and passengers within four hours. The construction work of this project will begin in January 2018;

A sum of **RM110 million** is also allocated to provide an alternative road to Port Klang to smoothen and complement the transportation network;

Second: MRT2 Line from Sungai Buloh – Serdang – Putrajaya Project, spanning 52 kilometres, covering 37 stations with an estimated construction cost of **RM32 billion**.

Meanwhile, the Government will expedite the construction of **MRT3 or Circle Line** to be completed by 2025, earlier than the initial target in 2027.

Furthermore, the construction of **LRT3** project which will connect Bandar Utama to Johan Setia, Klang is expected to be completed by February 2021.

Third: **High Speed Rail** Project connects Kuala Lumpur and Singapore with a distance of 350 kilometres in 90 minutes, is expected to benefit rakyat by 2026;

Fourth: **West Coast Highway** from Banting, Selangor to Taiping, Perak is under construction with an estimated cost of **RM5 billion**.

Fifth: For the **Central Spine Road**, a sum of **RM230 million** is allocated in 2018 to continue the construction work, among others, road from Raub to Bentong and Gua Musang, Kelantan to Kampung Relong, Pahang;

Sixth: Declare **Pulau Pangkor in Perak** as **Duty-Free Island**. However, the duty-free status excludes products such as alcoholic beverages, tobacco and motor vehicles; and

Seventh: To stimulate the economic growth in the northern area, a **Special Border Economic Zone in Bukit Kayu Hitam** will be developed.

This development includes Free Industrial Zone (FIZ) which will be a new attraction for both domestic and foreign investors.

70. Furthermore, the Government will take a holistic approach to meet the basic needs of the rakyat by providing efficient and safe public transportation system through the following measures:

First: A sum of **RM3 billion** is allocated to **Transportation Development Fund** to procure vessels as well as develop aerospace technology industry and rail;

A sum of RM1 billion is also allocated to **Public Transportation Fund** for working capital and procurement of assets such as buses and taxis;

Second: A sum of **RM95 million** is allocated to upgrade and construct jetties as well as dredge river estuaries;

Third: Following many express bus accidents, a sum of **RM45 million** is allocated to develop a biometric control system to monitor the bus drivers; and

Fourth: A sum of **RM55 million** is provided to subsidise train services in rural areas, from Tumpat to Gua Musang;

71. The Government will implement various initiatives to safeguard the welfare of rakyat irrespective of political differences and geographical locations to enhance economic growth.

First: Upgrade Pulau Pinang International Airport and Langkawi International Airport;

Second: Construction of a new airport in Mukah as well as expansion of airports in Kota Bharu and Sandakan;

Third: A study is being undertaken by the Government on a **new airport in Pulau Tioman**; and

Fourth: To stimulate development in Labuan, the Government will conduct a **feasibility study** for the construction of a **bridge** connecting Labuan with the mainland in Sabah.

Strengthening Financial Market

72. Malaysia is renowned as the leader in Islamic finance. As such, to strengthen Malaysia's position as a comprehensive and competitive financial centre, the Government will continue with the following measures:

First: A sum of **RM1.5 billion** is allocated under SJPP, using intellectual property as an instrument of financial collateral with up to 80% financing guarantee; and

Second: Provide tax exemption on stamp duties imposed on contract notes for sales and purchase transactions of **Exchange-Traded Fund and Structured Warrants** for 3 years, effective January 2018.

73. To stimulate capital market and provide access to investment, the **Alternative Trading System** will be introduced subject to compliance to all requirements and regulatory standards. This will enable efficient and significant transactions.

74. The Government understands the constraints of small companies such as start-ups in obtaining financing to expand their market.

75. Therefore, the Government encourages venture capital activities through the following measures:

First: A sum of **RM1 billion** is provided by major institutional investors for investment in venture capital in main selected sectors, coordinated by Securities Commission (SC);

Second: Expand income tax exemption to include management and performance fees received by venture capital management company, effective from year of assessment 2018 to 2022;

Third: To facilitate venture capital companies to invest in venture companies, it is proposed that the minimum investment in venture companies be reduced from 70% to 50%, effective year of assessment 2018 to 2022;

Fourth: Companies or individuals investing in venture capital companies is provided tax deduction equivalent to the amount of the investment made in the venture companies, limited to a maximum of RM20 million annually; and

Fifth: Extend the income tax exemption incentive equivalent to the amount of investment made by an angel investor in venture companies to 31 December 2020.

76. The Government will continue to invigorate the sustainable and responsible investment (SRI) through the following measures:

First: Income tax exemption for recipients of the special Green SRI Sukuk grant totalling **RM6 million**; and

Second: Income tax exemption on income from management fee to be expanded to approved conventional SRI fund managers from year of assessment 2018 to 2020.

77. The Government will promote a cashless society economy through effective employment of foreign workers. Beginning 2018, Bank Negara Malaysia will monitor salary payment through local bank accounts for foreign workers, excluding domestic helpers.

SECOND THRUST: TOWARDS TN50 ASPIRATION

78. The 2050 National Transformation (TN50) was announced in the 2017 Budget. TN50 will chart a proud nation state, to be in the top 20 countries in the world.
79. Using the bottom-up approach, I have held series of TN50 engagements and dialogues with various segments of society such as youth, graduates, civil servants, artists, educators and private sector to obtain aspirations, views and ideas.

To date, more than **80,000** aspirations have been received, involving **1.8 million rakyat** representing various segments of society nationwide.

Childcare and People with Disabilities Welfare Centres

80. Moving towards TN50, in achieving work and life balance, the local authorities are **required to ensure that childcare facilities are provided in all new office buildings, starting with Kuala Lumpur.**
81. In addition, the TN50 vision emphasises the aspects of safeguarding all groups, including the welfare of People with Disabilities (PWDs).

Hence, **additional tax deductions are extended** to cover employers hiring workers affected by accidents or critical illnesses and certified by Social Security Organisation's (SOCSO) Medical Board that they are still fit to work.

Inculcating the Culture of Savings in TN50 Generation

82. In order to ensure the bright future of the TN50 generation, the Government together with Permodalan Nasional Berhad (PNB) has agreed that every Malaysian baby born from 1 January 2018 to 2022, be provided with an **Initial Savings Fund** of **RM200** through PNB's Unit Trust Scheme.

83. This new scheme will be named as **Amanah Dana Anak Malaysia or ADAM50**.

Education for TN50 Generation

84. With regard to education for TN50 generation, a total of **RM250 million** is allocated for the following:

First: Set up a **Science, Technology, Engineering and Mathematics (STEM) centre** to develop the latest learning methods to train STEM specialist teachers utilising existing facilities at teachers training institute in collaboration with Academy of Science Malaysia;

Second: **Enhance Computer Science module including Coding programme** in primary and secondary school curriculums, which exist in Form One and Form Three;

Third: Allocate a sum of **RM190 million** to upgrade **2,000** classes into a **21st Century Smart Classrooms** in order to enhance creative-based learning and innovative thinking;

Fourth: Towards TN50, the Government acknowledges the role of artists to increase the quality of culture to a higher level. For this, a sum of **RM20 million** is

allocated to **Cultural Economy Development Agency**.

85. I am proud with our recent achievements in higher education, which include:

First: According to 2017/2018 QS University Ranking Report, five local Research Universities improved their ranking and are among the top **300 best universities in the world**, which is top 1% in the world;

Second: In fact, University of Malaya's ranking has improved by 19 places to 114, nearing 100 best universities in the world;

Third: In terms of world's higher education system, **Universitas 21** ranked Malaysia as 25th best in the world, improving by 11 positions over the past six years; and

Fourth: With **134,000** foreign students in local higher learning institutions, we are nearing the target of achieving as **the Regional Higher Education Hub**.

86. Since 2009, the cumulative scholarship provided by the Government amounts to **RM44 billion**. For 2018:

First: A sum of **RM2.2 billion** is allocated for **scholarships** provided by Public Service Department, Ministry of Higher Education and Ministry of Health;

Second: A sum of **RM400 million** for **research and development grants** is provided to **Public Higher Learning Institutions (IPTA)**, compared with RM235 million allocated in the previous Budgets, including a special allocation for University of Malaya to achieve the status of **Top 100 Universities in the World** in the near future; and

Third: A sum of **RM90 million** is allocated for **MyBrain Programme** for 10,600 individuals to further their studies in Masters and PhD; and

Fourth: Students in Higher Learning Institutions (HLI) and Form Six will be provided with Book Voucher Assistance of **RM250** each, benefitting **1.2 million** students.

I would like to take this opportunity to congratulate the new line of leadership of the Student Representative Council at all Public

Universities. With a majority of them undergraduates from the **Pro-Aspirasi group**.

Talent and Careers of TN50

87. Malaysians need to be ready, alert and swift through training and retraining in meeting the job market requirements. To address this issue, the Government will continue...
88. For example, **SL1M Apprenticeship Programme** which have trained **138,000 graduates** will be continued with an additional **5,000** graduates to total **25, 000** graduates next year. Meanwhile, open interview programme by the SL1M Unit in EPU will be continued with an allocation of **RM40 million**.
89. To expand SL1M, private companies awarded with Government contracts are **mandated** to allocate **1% of their total project value to SL1M**.
90. In addition, the Government will create a **one-stop centre incorporating agencies such as JobsMalaysia, SL1M, SOCSO, Human Resources Development Fund (HRDF) and Unit Peneraju Agenda Bumiputera (TERAJU)** in Urban Transformation Centre (UTC) to provide professional advisory services in seeking employment and training.

91. To identify best talents, the Government will create a ‘talent file’ programme **National Leaders Circle** under the TalentCorp. This programme will identify and shortlist suitable and credible candidates to fill critical and senior posts.
92. The Government is very concerned on the social ills in the society. To address this, a matching grant of **RM50 million** will be provided to social enterprises and NGOs to resolve daily social issues and challenges in innovative ways.

Sports Development

93. **Last August and September, Malaysia was declared as the Overall Champion at the 29th SEA Games and ranked second in the 9th ASEAN Para Games.**
94. Hence, on behalf of the Government, let’s give the most roaring applause to all our heroes and heroines.
95. To continue the momentum towards becoming sports powerhouse, the Government allocates RM1 billion to implement various initiatives including FitMalaysia, National Sports Day, training for athletes, grassroots programme and national football development programme.
96. The Government also announces to **build 14 new sports complexes** nationwide with a cost of **RM112 million**.

97. In addition, the Government allocates RM20 million to Bukit Jalil Sports School to upgrade its facilities as the premier sports school.

THIRD THRUST: EMPOWERING EDUCATION, SKILLS AND TRAININGS, AND TALENT DEVELOPMENT.

98. **On average, the Malaysian education expenditure is doubled from the amount of other ASEAN countries.** For 2018, a sum of **RM61.6 billion** is provided for this sector.

Of which, **RM654 million** is allocated for construction of four pre-schools, nine PERMATA centres, including two new centres for autistic children; 48 primary, secondary schools and vocational colleges as well as one matriculation centre.

Upgrading and Maintaining Schools

99. Every year, priority is given to the **Special Fund for School Upgrading and Maintenance**. A total of **RM550 million** is allocated for this purpose, including:

- National Schools - **RM250 million**;
- National-type Chinese Schools - **RM50 million**;
- National-type Tamil Schools - **RM50 million**;
- Missionary Schools - **RM50 million**;
- Boarding Schools - **RM50 million**;
- MARA Junior Science Colleges - **RM50 million**; and

- Government-aided Religious Schools - **RM50 million**.

100. The Government realises there are **2,000 dilapidated schools** nationwide that needs upgrading and refurbishing.

101. For these repair works through Industrial Building System, the Government provides the **largest allocation** of **RM2.5 billion** for a period of two years, of which RM500 million to schools in Peninsular Malaysia, **RM1 billion** in Sabah and **RM1 billion** in Sarawak.

Schooling Assistance

102. A total of **RM2.9 billion** is also allocated for food assistance, textbooks, per capita grants and Federal Scholarships for schools.

103. Meanwhile, **Schooling Assistance** worth **RM100 per student** from the low-income household will be continued with an allocation of **RM328 million**, benefitting **3.2 million** students.

104. The Government recognises the role of teachers in strengthening the education and moulding the future generation.

105. I would like to take this opportunity to thank all teachers nationwide who have strived in building our future generation.

Higher Education Funding

106. As we are aware, the **National Higher Education Fund Corporation (PTPTN)** was established to manage funding for Malaysian students pursuing tertiary education.

107. Concerning PTPTN, we need to understand as stated in hadith, debt remains as debt and must be paid.

108. The borrowers of PTPTN loans must be responsible to pay back in order for future generation to continue to borrow.

109. To all PTPTN borrowers, the Government agrees to extend the discount for repayment of PTPTN loans until 31 December 2018 as follows:

20% on the outstanding debt for full settlement;

10% for repayment of at least 50% on the outstanding debt made in a single payment; and

10% for repayment through salary deductions or scheduled direct debit.

110. In addition, I would like to announce additional flexibility for PTPTN loans as follows:

First: For students from B40 households undergoing highly marketable courses, an additional RM200 million is provided to increase the maximum loan amount; and

Second: The grace period for loan repayment is extended to **12 months** upon completion of study compared with six months currently.

111. In addition, for borrowers intending to pursue their studies to a higher level, for example from diploma to undergraduate, they may combine both loans into a single loan and to repay upon completion of their studies.

112. Clearly, the Government has provided various means to assist students in repaying their loans.

Skim Simpanan Pendidikan 1Malaysia

113. Furthermore, to inculcate the culture of savings for education, a sum of **RM250 million** is provided to **500,000 contributors** aged 7 to 12 years under National Education Savings Scheme (SSPN-i Plus) which was rebranded as

Skim Simpanan Pendidikan 1Malaysia (SSP1M) managed by PTPTN.

A matching grant of RM500 will be provided to contributors with a total contribution of at least RM500 and only can be withdrawn upon attaining the age of 18 years.

114. In addition, individual income tax relief for net savings in the SSP1M up to **RM6,000** be extended for another 3 years, effective from year of assessment 2018.

Enhancing Technical and Vocational Education Training

115. The Government is aware about the importance of transformation in the **Technical and Vocational Education Training (TVET)** in producing highly skilled and competitive workforce. In this regard, all TVET institutions under seven ministries have been merged and known as **“TVET Malaysia”** under the purview of the Ministry of Human Resources.

116. In addition, a sum of **RM4.9 billion** is allocated to implement TVET Malaysia Masterplan.

117. To encourage TVET graduates to pursue their studies, the Government will also provide 100 TVET Outstanding Student Scholarships with an allocation of **RM4.5 million**.

118. To support the development of skilled workers in the rail sector, the Government will establish the **National Rail Centre of Excellence (NRCOE)** to oversee and coordinate quality assurance as well as accreditation of national rail education and training. In addition, Malaysia Rail Link Sdn. Bhd. in collaboration with IPTAs will train 3,000 professionals in this industry.

FOURTH THRUST: DRIVING INCLUSIVE DEVELOPMENT

Providing Quality Infra-Rakyat

119. In progressing towards a developed nation, quality infrastructure and interconnectivity will be modernised.

120. Hence, the Government will continue to focus on world class **infra-rakyat projects**. For example, The **MRT Line Sungai Buloh – Kajang Line** was successfully completed with a daily capacity of 400,000 commuters.

121. MRT is a success story where not only completed the project ahead of schedule but also managed to **save RM2 billion** from the initial construction costs.

122. As for the infrastructure facilities in Sabah and Sarawak, the Government has fulfilled its promise through the construction of **Pan-Borneo Highway**.

123. The Pan-Borneo is expected to enhance connectivity and invigorate economic activities in Sabah and Sarawak, including rural and remote areas such as Kapit-Ulu Song.

124. To provide basic infrastructure in the rural areas, a sum of **RM6.5 billion** is allocated, among others:

First: A sum of **RM2 billion** is allocated for **Pan Borneo Highway**. For Sarawak, all the 11 construction packages have been tendered, while five out of 35 packages in the First Phase in Sabah have been awarded and the remaining 12 is under tender process;

Second: A sum of **RM1.1 billion** is allocated for Rakyat-centric projects including building and upgrading of bridges, village street lights, *musolla*, small bridges and markets;

Third: A sum of **RM1 billion** is allocated through Malaysia Communications and Multimedia Commission (MCMC) to develop communication infrastructures and broadband facilities in Sabah and Sarawak;

Fourth: A sum of **RM934 million** is allocated for the construction of rural roads, including almost RM500 million for Sabah and Sarawak;

Fifth: An allocation of **RM672 million** for electricity supply in rural areas, including RM620 million for Sabah and Sarawak, benefitting 10,000 rural homes.

As a whole, since 2009, subsidy worth more than **RM100 billion** has been spent, including gas to generate cheap, quality and reliable electricity supply for the rakyat.

Sixth: A sum of **RM420 million**, including almost **RM300 million** for Sabah and Sarawak is allocated to provide clean water supply, benefitting 3,000 homes;

Seventh: A sum of **RM500 million** for the Public Infrastructure Maintenance Programme and Basic Infrastructure Project to meet the needs and wish list of the rakyat at the grassroots level; and

Eighth: A sum of **RM50 million** is allocated for surveying and mapping of customary lands, of which RM30 million for Sarawak and RM20 million for Sabah.

A part of the rakyat-centric projects will be implemented through private financing initiatives.

National Blue Ocean Shift

125. **National Blue Ocean Shift (NBOS)** will continue to be implemented at a faster pace and in an integrated manner at a low cost with high impact.
126. For 2018, a sum **RM300 million** is allocated to implement NBOS programmes, including construction of new UTCs, Blue Ocean Entrepreneur Township, Mobile CTC, entrepreneurship programmes, Global Entrepreneurship Community as well as inclusive and vibrant Social Entrepreneurs.

The Welfare of FELDA Settlers

127. The Government continues to safeguard the welfare of FELDA settlers. More than **112,000** settlers received six main incentives, including **Settlers Special Incentive of RM5,000**.
128. The Government will reimburse the **cess money that had been paid** by settlers for replanting scheme from rubber to oil palm from 2010 to 2016. This will benefit 8,925 FELDA settlers with an allocation of **RM43 million**. In addition, a sum of **RM60 million** will be provided for oil palm replanting programme.

129. Furthermore, a sum of **RM164 million** is allocated to build **5,000** Second Generation FELDA Homes in collaboration with SPNB.

130. In addition, nearly **RM200 million** is provided for FELDA to supply water and upgrade road as well as street lights.

More importantly, the Government will always safeguard the welfare of FELDA settlers.

Security and Public Order

131. To counter terrorism and extremism such as IS and DAESH, the Government has established a **Regional Digital Counter-Messaging Communications Centre**.

132. In addition, the Government will increase **safety at the borders and enhance public order** with an allocation of **RM14 billion** for Malaysian Armed Forces (ATM), almost **RM9 billion** for Royal Malaysia Police (PDRM) and more than **RM900 million** to Malaysian Maritime Enforcement Agency (APMM).

133. Among the main programmes are:

First: A sum of **RM3 billion** is allocated for procuring and maintaining defence assets;

Second: A sum of **RM720 million** to build 11 headquarters and six police stations as well as purchase of firearm fittings and operations vehicle. Meanwhile, an allocation of **RM170 million** is provided to upgrade ICT equipment, including 1PDRMnet system as well as **RM100 million** to upgrade communication systems;

In addition, to safeguard the welfare of police personnel, I would like to announce the construction of 10,000 units of houses under 1Malaysia Civil Servants Housing-PDRM (PPA1M-PDRM) at affordable price according to police salary scheme.

Third: A sum of **RM490 million** is allocated to **APMM** for repairing and maintaining ships and boats, upgrading jetties as well as procuring three patrol boats;

Fourth: A sum of **RM250 million** is allocated to Eastern Sabah Security Command (ESSCOM) to enhance security controls at Sabah and Sarawak borders, including **RM50 million** for coastal surveillance radar;

Fifth: A sum of **RM50 million** is allocated to upgrade the capability of firearm assets of special taskforces to combat anti-terrorism activities; and

Sixth: In addition, in appreciation the role of People's Volunteer Corps (RELA) in assisting rakyat, the Government will provide the highest allocation of almost **RM250 million** for necessary equipment, including uniforms.

134. In safeguarding the welfare of armed forces, the Government will:

First: Prepare the Armed Forces Family Housing (RKAT) blueprint to construct more than **40,000 units** in phases by 2030. In 2018, almost **6,000 units** will be built; and

Second: A sum of **RM40 million** is allocated to upgrade five hospitals, build four polyclinics and hospital for ATM veterans.

135. Let us extend our heartiest appreciation to our security forces including police, armed forces and APMM who have sacrificed for the country's peace and sovereignty.

Bumiputera Wellbeing Transformation Policy

136. As we are aware, the Bumiputera community accounts for almost 70% of the total 32 million population.
137. Therefore, the Government, through the Bumiputera Wellbeing Transformation (TKB) policy will continue to uphold **Bumiputera empowerment as a national agenda.**
138. Since 2009, various major initiatives to empower Bumiputera economy has and currently being implemented.
139. In this regard, the **Carve Out and Compete** initiative for Bumiputera has reached a total contract value of more than **RM61 billion**. In addition, a sum of **RM1.7 billion** is approved for **515** projects under the Facilitation Fund which provides more than **44,000** employment opportunities.
140. The programme has proven that the Bumiputera contractors are more resilient and capable to complete projects earlier than schedule without affecting quality.
141. On the other hand, the **Yayasan Peneraju Pendidikan Bumiputera** has successfully trained nearly **17,000** Bumiputera professionals nationwide, in the accounting and engineering fields.

142. In addition, a sum of RM2.4 billion is allocated to UiTM. At the same time, the Government has increased the number of student intakes to UiTM to more than **165,000** with a target to attain 250,000 students by 2020.

143. Notably, UiTM has succeeded in producing over **700,000** Malay and Bumiputera graduates.

144. Furthermore, in 2018, the Government will allocate more than **RM3.5 billion** for the following initiatives:

First: A sum of **RM2.5 billion**, the highest allocation ever, is provided for **higher education scholarship and training programmes under the Council of Trust for the People (MARA)**. This will benefit nearly **90,000** students including 1,500 in the critical fields such as AI, signalling and rail;

Second: A total of **RM90 million** is allocated for programmes namely Pengeraju Profesional, Skil and Tunas, benefitting almost **8,000 individuals**;

Third: A sum of **RM200 million** is allocated for the MARA Graduate Employability Training Scheme (GETS);

Fourth: A sum of **RM555 million** is allocated for Bumiputera entrepreneurship enhancement programme, comprising:

- A sum of **RM200 million** for **Program Keusahawanan dan Premis Perniagaan PUNB**;
- A sum of **RM200 million** is allocated for Program Keusahawanan MARA;
- A sum of **RM155 million** for programmes such as vendor capacity development, **Tunas Usahawan Belia Bumiputera (TUBE)**, **Skim Usahawan Permulaan Bumiputera (SUPERB)**, and **Skim Anjakan Usahawan**; and

Fifth: To increase equity and investment in strategic sectors, a sum of **RM150 million** is provided to Pelaburan Hartanah Berhad (PHB) and **RM150 million** to Ekuiti Nasional Berhad (EKUINAS).

Wellbeing of Chinese and Indian Communities

145. As an inclusive Budget, for the Chinese community, the Government will provide a sum of **RM50 million** as loans

for SMEs through Koperasi Jayadiri Malaysia Berhad (KOJADI).

146. In addition, a sum of **RM30 million** will be channelled to the 1Malaysia Hawkers and Petty Traders Foundation to provide loans to Chinese hawkers.

147. Furthermore, to develop **Chinese New Villages**, a total of **RM65 million** is provided, while another **RM10 million** for housing refurbishment programme.

148. With regard to the Indian community, the average monthly household income of the Indian community increased significantly to 6.8% per annum. Recently, I have **launched the Malaysian Indian Blueprint (MIB)**.

149. For this, through Tabung Ekonomi Kumpulan Usaha Niaga (TEKUN), the Government allocates **RM50 million** for Indian Community Entrepreneur Development Scheme (SPUMI), benefitting more than **35,000 entrepreneurs**. In addition, a sum of **RM50 million** is allocated for Indian community socioeconomic development programme.

150. At the same time, through MIB, new intake of Indians to public higher learning institutions and public service will be increased to a targeted **7%**.

151. Under the **Socioeconomic Development of Indian Community (SEDIC)**, more than **RM230 million** has been distributed since 2014, benefitting more than **500,000** Indian participants.
152. The 2018 budget also introduces a new initiative for the Indian community. I am pleased to announce that PNB will make a **special distribution amounting to 1.5 billion additional units of Amanah Saham 1Malaysia for the Indian community**, up to 30,000 units for each investor.
153. To support this initiative, a fund amounting to **RM500 million** is allocated for a period of five years. This special investment loan scheme will be offered to 100,000 households from the B40 Indian community, limited to 5,000 units per participant.
154. MIB has proven to the Indian community that in the national development no one is left behind... ***‘indeed, the future belongs to us.’***

Orang Asli

155. To raise the standard of living and economic development of Orang Asli community, a total of RM50 million is provided, comprising community food assistance programmes, benefitting almost 5,000 Orang Asli students.

156. In addition, as an **incentive to successful Orang Asli students**, the Government will provide an assistance of **RM3,000** for parents to prepare their children's enrolment in IHLs.

157. Furthermore, **Orang Asli Settlement Integrated Development Programme** will be continued with an allocation of **RM60 million**.

Women and Family Wellbeing

158. Women play a very important role in the wellbeing of family and national development. Therefore, in recognising women's contribution, the Government is pleased to announce **2018 as the Women Empowerment Year**.

159. In this respect, several initiatives will be implemented as follows:

First: Require at least 30% participation of women as board of directors in GLCs and GLICs as well as statutory bodies by end-2018;

Second: Propose maternity leave for the private sector to be increased from 60 days to 90 days as implemented by the public sector;

Third: A sum **RM20 million** is allocated to conduct training and entrepreneurship programmes, which including PEAK Entrepreneur Programme under MyWin Academy; and

Fourth: In order to encourage women to return to the workforce who have been on a career break for at least two years, the Government proposes that **their earnings on maximum of 12 months consecutive salary received be given personal income tax exemption.** The incentive is available for women who return to the workforce between the year of assessment 2018 to 2020.

FIFTH THRUST: PRIORITISING THE WELLBEING OF RAKYAT AND PROVIDE OPPORTUNITIES TO GENERATE INCOME.

160. Prioritising the wellbeing of rakyat and provide opportunities to generate income.

Generating Rakyat's Income

161. The Government is committed and continues to thrive to provide job opportunities and generate income, through the following measures:

First: A sum of **RM100 million** to expand eRezeki, eUsahawan and eLadang Programmes under MDEC;

Second: A sum of **RM120 million** is allocated to provide easy loans to 1,000 **1Malaysia Food Truck (FT1M)** and **1Malaysia Mobile Food Kiosk** entrepreneurs through Bank Rakyat and Bank Simpanan Nasional. The Government will provide a subsidy of **4%** on the interest rates;

Third: Providing a total of **RM60 million** to implement **1AZAM** Programme, including RM10 million for Sabah and **RM10 million** for Sarawak; and

Fourth: Providing a sum of **RM25 million** for **Three-Wheel Motorcycle Programme** under FAMA, GiatMara mobilepreneur and MyAGROSIS programmes.

162. In line with IR 4.0, all registered taxi drivers who wish to shift to e-hailing application, **a grant amounting to RM5,000** will be provided for the purchase of a new car.

Increasing Disposable Income

163. **BR1M** is a form of targeted subsidy for those in need and has proven to be effective.

164. BR1M is an efficient form of cash transfer to assist the B40 households.

165. In 2017, BR1M has benefitted **7 million recipients** with an allocation of **RM6.8 billion**. Likewise, in 2018, those recipients to continue to benefit from the BR1M cash transfer of up to **RM1,200**.

166. The Government will continue to increase household disposable income as well as narrow the income gap in the country.

167. I would like to bring another good news to **the 2.3 million tax payers**, especially those in the M40 group or specifically mid-income range households with income of less than RM9,000.

168. I would like to announce an **individual income tax rates reduction of two percentage points** for income tax band between RM20,000 to RM70,000, as follows:

First: Income tax band from **RM20,001 to RM35,000**, the rate is reduced from **5% to 3%**;

Second: Income tax band from **RM35,001 to RM50,000**, the rate is reduced from **10% to 8%**; and

Third: Income tax band from **RM50,001 to RM70,000**, the rate is reduced from **16% to 14%**;

This measure will increase the disposable income of the rakyat between **RM300 to RM1,000**. It is estimated that **additional disposable income of RM1.5 billion** can be spent by the rakyat. With this measure more than **261,000 individuals are no longer subjected to income tax**.

169. The Government allocates a sum of **RM3.9 billion** for goods and transport subsidies including cooking gas, flour, cooking oil, electricity and toll.
170. As announced earlier, **Kedai Rakyat 1Malaysia** will be restructured as **KR1M 2.0**. As a start, in 2018 **50 outlets will transformed to KR1M 2.0** and will be expanded further to 3,000 outlets within three years.
171. KR1M 2.0 will provide **five basic necessities** at low prices such as rice, sugar, cooking oil, flour and cooking gas. In addition, 50 branded consumer goods will be sold at a lower than the market price.
172. The Government will continue the Standardisation of Prices for Basic Necessities Programme in Sabah and Sarawak with a total allocation of **RM80 million**.
173. In addition, the Government will develop the **Agrobazaar Malaysia** with a total allocation of **RM20 million** to provide market space and agrofood sales centre at a lower price, beginning in Putrajaya.
174. Ministry of Agriculture and Agro-Based Industry will implement programmes through FAMA and LKIM with an allocation of RM50 million. These programmes enable consumers to purchase food products such as fish, vegetables, chickens and eggs at affordable prices.

175. Effective 1 January 2018, following measures will be implemented:

First: Abolish toll collections at **Batu Tiga and Sungai Rasau, Selangor;**

Second: Abolish toll collections at **Bukit Kayu Hitam, Kedah;** and

Third: Abolish toll collections at **Eastern Dispersal Link, Johor.**

1Malaysia Retirement Scheme

176. For those who are self-employed and without fixed income, the Government will **increase its contribution to 15%** subject to a maximum of RM250 annually under the **1Malaysia Retirement Scheme (SP1M)** managed by Employees Provident Fund (EPF). The contribution begins from 2018 to 2022.

Foreign Domestic Helper

177. The Government is aware of the high cost incurred in hiring foreign domestic helpers. Currently, the hiring cost of a

foreign domestic helper could reach as high as RM12,000 to RM18,000.

178. To address this issue, the Government will review the cost of hiring foreign domestic helpers, with a view of reducing it in the future.

179. For a start, the Government will allow employers to hire foreign domestic helpers from **nine selected countries directly without any agents.**

180. Subsequently, employers may apply for foreign domestic helpers' visa via online from the Immigration Department of Malaysia with the **current levy and processing fees.**

Housing

181. The Government will continue to intensify efforts to increase home-ownership for the rakyat with an allocation of **RM2.2 billion** as follows:

First: 17,300 units of **People's Housing Programme;**

Second: 3,000 units of **People's Friendly Home** under SPNB;

- Third:** 210,000 units of houses under **PR1MA with prices RM250,000 and below**. For this, **RM1.5 billion** is allocation for the period of two years;
- Fourth:** 25,000 units of **1Malaysia Civil Servants Housing Programme (PPA1M)** will be completed in 2018 while another 128,000 units are at various stages of construction;
- Fifth:** 600 units of **MyBeautiful New Homes (MyBNHomes)** scheme for B40 households in Terengganu, Pahang, Melaka, Johor, Sabah and Sarawak as well as Orang Asli settlements;
- Sixth:** 2,000 units under **MyDeposit** programme to assist down payments as well as **MyHomes** programme to enable developers to provide more affordable homes; and
- Seventh:** A sum of **RM200 million** is allocated for maintenance and refurbishment of houses, including the 1Malaysia Maintenance Fund.

182. To encourage the construction of more affordable homes, the **step-up financing scheme** introduced by PR1MA will be extended to private housing developers subject to certain criteria.

183. With regard to **abandoned housing projects**, stamp duty exemption for loan agreements and letter of consent to transfer, are given to rescuing contractors and original

owners of abandoned projects, effective 1 January 2018 to 31 December 2020.

184. To promote rental of residential homes, for the first time in 60 years, the Government proposes a **50% tax exemption on rental income received** by resident individuals not exceeding **RM2,000 per month** for resident individuals.

185. This exemption is effective from the year of assessment of 2018 to 2020. The Government will also formulate the Residential Rental Act to protect the landlord and tenant.

Health

186. To provide quality healthcare services, the Government allocates about **RM27 billion**, encompassing:

First: A sum of **RM2.5 billion** is allocated for medical supplies, while **RM1.6 billion** for consumable and medical support items;

Second: A sum of **RM1.4 billion** is allocated for upgrading and maintaining healthcare facilities, medical equipment and ambulances. This includes, the construction of operation hall using a modular

approach in **three hospitals** in Muar, Banting and Balik Pulau;

Third: Upgrade cardiology and cardiothoracic services at Sultanah Nur Zahirah Hospital in Kuala Terengganu and Sultanah Bahiyah Hospital in Alor Setar;

Fourth: A sum of **RM100 million** is allocated to upgrade hospitals and clinics, including wiring systems;

Fifth: A total of **RM50 million** is allocated for haemodialysis assistance with a subsidy of RM100 from the overall treatment cost of RM110 per session.

An additional of **RM40 million** is allocated for the Medical Aid Fund. Both incentives are for the underprivileged;

Sixth: A sum of **RM10 million** is allocated for the treatment of increasing cases of rare diseases and **RM30 million** is provided for Healthy Community Empowers the Nation programme to create awareness about non-communicable diseases in 10,000 locations nationwide; and

Seventh: A sum of **RM50 million** is allocated for Voluntary Health Insurance Scheme to enhance the health sector.

187. Furthermore, the Government will build new hospitals and wards, including:

First: Two blocks of women and children wards at Tengku Ampuan Afzan Hospital and Putrajaya Hospital with a capacity of **300 beds** each, with a cost of **RM1 billion**;

Second: Cancer centre at Sungai Petani at a cost of **RM500 million** with a capacity of **200 beds**;

Third: A block dedicated for a specialist clinic as well as a new ward at Pulau Pinang Hospital with a capacity of **300 beds** with a cost of **RM500 million**; and

Fourth: Construction of international forensic medical service centre at Kuala Lumpur Hospital with a cost of **RM380 million**.

Goods and Services Tax

188. The Government will further improve the implementation of Goods and Services Tax (GST), through the following measures:

First: Services provided by local authorities will not be subjected to GST, effective 1 April 2018 or 1

October 2018, according to the choice of local authorities;

Second: Reading materials comprising all types of magazines and comics will be zero-rated, effective 1 January 2018, to streamline the GST treatment;

Third: Cruise operators are given relief from paying GST on handling services provided by port operators in Malaysia. This relief will be effective from 1 January 2018 to 31 December 2020; and

Fourth: Construction of school buildings and houses of worship, funded through donations are given GST relief. It applies for construction contracts signed on or after 1 April 2017.

189. The GST should not be politicised. In fact, the GST saved the economy this year, where without the **RM41 billion** collected we cannot imagine how the nation can cater for the needs of rakyat.

190. Until today, the opposition seem to be divided with regard to their views on GST system with some accepting GST based on zero-rate and the latest there are some who want to return back to the sales and services tax (SST).

191. **Futhermore,...**

Fifth: Imports of oil and gas-related equipment under a lease agreement, supplied to customers in Malaysia by companies in Designated Areas, namely, Labuan, Langkawi and Tioman are given GST relief effective from 1 January 2018;

Sixth: Imports of big ticket items such as aircraft and ships by airline and shipping companies registered in Malaysia are given GST relief.

GST relief are also given to companies in the oil and gas industry, importing oil rigs or floating structures, effective from 1 January 2018; and

Seventh: The management and maintenance services of stratified residential buildings supplied by the Joint Management Body (JMB) and management corporations are not subjected to GST. This treatment is expanded to cover the management and maintenance services provided by housing developers, effective from 1 January 2018.

SIXTH THRUST: FORTIFYING THE FOURTH INDUSTRIAL REVOLUTION AND DIGITAL ECONOMY

Industrial Revolution 4.0

192. In line with the emerging IR 4.0 and the era of digital economy, the Government will implement the **Malaysia Digital Policy**.

193. As such, in order to support the IR 4.0 business and investment activities, the Government will provide a **matching grant** worth **RM245 million** under the **Domestic Investment Strategic Fund** to upgrade the Smart Manufacturing facilities.

194. Furthermore, **futurise centre in Cyberjaya** will be strengthened as a one-stop centre for corporate companies and universities to develop prototype products and elevate innovation.

195. The Government will provide tax incentives as follows:

First: Extend the incentive period for **Accelerated Capital Allowance of 200%** on automation equipment from year of assessment 2018 to year of assessment 2020;

Second: Extend the incentive period for **Accelerated Capital Allowance of 200%** for manufacturing and manufacturing-related services sectors; and

Third: Capital Allowance for ICT equipment, which includes spending on computer software development, is claimable for the period of four years beginning year of assessment 2018 to 2020, including for SMEs.

Sustainable Development

196. While we are progressing towards modernisation, we must preserve the sustainability of our environment for future generation.

197. My deepest condolences for the loss of lives in the Tanjung Bungah Pulau Pinang landslide tragedy, which has claimed 11 lives.

198. Our friend, the Honourable DAP Member of Parliament, wrote a poignant piece on his Twitter account.

199. What a touching piece by our Honourable Kepong Member of Parliament himself.

200. To ensure a sustainable development, the following measures will be implemented:

- First:** Provide a sum of **RM5 billion** under the Green Technology Financing Scheme to promote investment in green technology industry;
- Second:** Implement the Non-Revenue Water Programme with a cost of **RM1.4 billion** to reduce the average loss of water;
- Third:** Construct the Off-River Storage with a cost of **RM1.3 billion** as an alternative water resources; and
- Fourth:** Provide a total of **RM517 million** for flood mitigation programmes.

Digital Free Trade Zone

201. Malaysia will be the first in the world outside China to establish a **Digital Free Trade Zone (DFTZ)** which comprises e-Fulfilment Hub, Satellite Services Hub and e-Service Platform to stimulate growth in electronic trade. DFTZ will transform KLIA as the regional gateway.
202. The first phase of DFTZ aims for **1,500 SMEs** to participate in digital economy and is expected to attract **RM700 million** worth of investment and create **2,500 job opportunities**. For this, the Government:

First: Provides a sum of **RM83.5 million** to construct infrastructure for the first phase of DFTZ in Aeropolis, KLIA; and

Second: Increases the *de minimis* or minimum value for imports from RM500 to RM800 to establish Malaysia as the regional e-commerce hub.

Regulatory Sandbox

203. The Government will create a conducive ecosystem to gain benefits from innovation, particularly ideas from local start-ups.

204. The Government will expand **regulatory sandbox** approach to facilitate companies to test their new innovative ideas and business model which will be implemented by all related regulators.

SEVENTH THRUST: ENHANCING EFFICIENCY AND DELIVERY OF GOVERNMENT-LINKED COMPANIES AND PUBLIC SERVICE

205. Enhance efficiency and delivery of Government-linked Companies (GLCs) and public service.

Employees in Government-Linked Companies

206. In line with the development philosophy of growth with equity, it is Malaysia's desire to achieve strong economic growth and wealth be equally distributed among the rakyat.

207. In this regard, the **GLCs** will lead and be an example to the corporate sector. As such, every GLCs will be given Key Performance Indicator (KPI) to increase employees compensation in line with productivity growth. This includes:

First: GLCs will increase their profit sharing with their employees through gradual payment of salaries and allowances;

Second: Introducing flexible benefits to increase disposable income by substituting annual and medical leaves for cash;

- Third:** Improving further flexible working arrangements to promote work-life balance through compressed work week, flexible and part-time working hours;
- Fourth:** Introduce leaves for *umrah*;
- Fifth:** Provide childcare centre in GLC's main offices as well as introduce shorter working hours for pregnant working women; and
- Sixth:** Increase investment in training, particularly conduct courses on digital skills to workers as well as provide children's education assistance.

Prioritise the Welfare of Senior Citizens, People with Disabilities and Children

208. The Government will provide an allocation of **RM1.7 billion** for the welfare of senior citizens, PWDs and children. This includes:

- First:** Increasing allowance for senior citizens by **RM50 to RM350 per month** with an allocation of **RM603 million**. This will benefit almost 144,000 senior citizens; and
- Second:** Increasing allowance for working and unemployed PWDs as well as care takers of PWDs by **RM50 per month** with an allocation of

RM100 million. This will benefit more than 163,000 individuals.

209. Furthermore, to protect children, particularly from sexual crimes, the Government has successfully set up **the Special Criminal Court on Sexual Crimes against Children**, the first in Southeast Asia. An additional three courts will be established in 2018.

Public Sector Home Financing Board (LPPSA)

210. From 1 January 2018, the Public Sector Home Financing Board (LPPSA) will implement measures to enable public servants to own their dream homes. Among the measures include:

First: Allow financing by LPPSA to construct property on *waqf* land;

Second: Include legal fee-related to sales and purchase agreement as part of financing by LPPSA;

Third: Allow LPPSA joint-loan for husband and wife or children with a condition that all applicants must be public servants; and

Fourth: Allow joint-home financing between husband and wife or children, with a condition **at least one of the applicants is a public servant.**

The **non-public servant** needs to secure loans from financial institutions or agencies that provide financing facilities which agrees to be the second mortgage holder.

EIGHTH THRUST: BALANCING BETWEEN THE PAR EXCELLENCE OF WORLDLY AND HEREAFTER

211. The future is uncertain.

212. Nevertheless, Allah SWT favours those who continuously work hard, plan their future for the benefit of country and society as a whole.

213. Based on **Surah Al-A'raf verse 96**, Allah SWT bestows His blessings and grace upon those who **believe** and **fear** Allah.

214. Therefore, the Government is targeting Malaysia:

First: To become a High-Income Advanced Economy in 2020;

Second: To record RM2 trillion of economy and trade value by 2025;

- Third:** To gain and benefit from IR 4.0 by 2030;
- Fourth:** To have a more competitive workforce with nearly zero defects by 2040; and
- Fifth:** To be ranked among the **top 20 advanced countries** in the world.

Socio-economic Research Unit

215. The fact remains families are the most important institution in developing values and humanity as social unity starts with harmonious and happy family.
216. For this, the Government will establish Socio-economic Research Institute (SERI) under Prime Minister's Department and enhance the UKM Institute of Ethnic Studies (KITA-UKM) as a national institution. An appropriate allocation will be provided by the Government.
217. SERI will review and evaluate the effectiveness of policies, and implementation of programmes and development projects. Meanwhile, KITA will coordinate studies on national socioeconomics education and establish the national social development index.
218. As an analogy, while the Economic Planning Unit (EPU) plays an important role in formulating economic policies and the Implementation and Coordination Unit (ICU) as the

implementation arm of programmes and projects, the SERI and KITA will be the main agency which covers the aspects of spiritual, ethical and universal pure values.

219. The Government always appreciate the role of NGOs and will continue to cooperate with them in addressing social challenges. Emphasis will be given to family institutions, which is the smallest yet most important nucleus in the development and wellbeing of our society.

Public Servants

220. As I mentioned in the 15th Majlis Amanat Perdana Perkhidmatan Awam (MAPPA) early this month, I have a few announcements for the **1.6 million public servants**.

221. As a token of appreciation for the commendable services by the public servants, I am pleased to announce:

First: Introduce **second time-based promotion** to supporting staff after 13 years from the first promotion;

Second: Provide benefit to **public servants who retire on medical reasons** similar to those who retires at compulsory age;

- Third:** Allow **Cash Award in lieu of Accumulated Leave (GCR) of more than 150 days** to be taken during the retirement year;
- Fourth:** Increase **special leaves for education officers** from 7 to 10 days a year;
- Fifth:** Provide **unrecorded leaves to public servants up to 7 days throughout their service for the purpose of *umrah***;
- Sixth:** Introduce new **working hour** from 9.00am to 6.00pm to provide further flexibility to public servants;
- Seventh:** Provide Flexible Working Hour one day a week for **Grade UD54 and above Medical Specialists** who have served a minimum of four years and meet certain requirements;
- Eighth:** **Allow working women in their five month onwards of pregnancy to leave work an hour earlier.**
To accompany them, **husbands are also allowed to go home an hour earlier with a allowed to leave work an hour earlier with a condition**

that the couple are working within the same location;

Ninth: Increase total maternity leave from 300 to 360 days throughout service subject to a maximum of 90 days a year;

Tenth: Encourage life-long learning among public servants through in-house Masters and PhD programmes;

Eleventh: Set minimum pension of RM1,000 per month, benefitting more than 50,000 retirees with at least 25 years of service; and

Twelfth: Extend the medical facilities to parents of retirees.

All the above measures will take effect from 1 January 2018.

Neighbourhood and Community

222. To appreciate the contribution of village heads and tok batins, the Government will provide a **one-off special payment** of **RM1,500**, benefitting **9,800 people**. Of which, RM1,000 will be paid in January 2018, while the balance during Hari Raya Aidilfitri.

223. To create safe and peaceful environment in the neighbourhood areas, the Government will continue to provide **1Malaysia People Community** Grant up to **RM10,000** to registered resident associations to purchase security equipment, clean and maintain neighbourhood areas with a total allocation of **RM40 million**.

224. In addition, **RM40 million** is allocated to GiatMara to implement the first phase of community training programmes, involving 50 PPR.

Uphold the Greatness and Integrity of Islam

225. My deepest condolences for the loss of 23 lives in the Darul Quran Ittifaqiyah Tahfiz Centre tragedy.

226. In this regard, the Government will allocate a total of **RM50 million** to GiatMara for upgrading and maintaining wiring system in all registered Tahfiz schools nationwide.

227. Furthermore, **GiatMara skills training scheme** will be introduced to tahfiz school students.

228. Likewise, a total of **RM588 million** is allocated as monthly allowance for imam, bilal, KAFA and *takmir* teachers. As a token of appreciation including tok siak, the Government would like to announce...

A **one-off payment amounting to RM1,500**, will be given to them of which, RM1,000 will be paid in January 2018, while the balance during Hari Raya Aidilfitri. This will benefit more than **65,000** individuals with an allocation of almost **RM100 million**.

CLOSING

229. May Allah SWT bless this 2018 Budget presentation.

230. ...**What is the point of being wealthy but weak in soul.**

231. The Government aspires, not only as a nation with **physical strengths but rich in soul and character i.e. par excellence in worldly and hereafter.**

232. After months of hard work, involving ministries, agencies, private sector, NGOs, youth and professionals, and most importantly, all segments of the society have contributed

through various platforms and channels in crafting this important document.

233. **Thus, this Budget is the most inclusive that has ever been tabled.**

234. This Budget encapsulates all the three important aspects ***Dho'ruriyat, Haajiyat*** and ***Tahsiniyat*** in safeguarding rakyat's welfare and to prosper the nation.

235. This Budget that has never been crafted so well, even during the last 22 years or the past 60 years of our own nation, and marked in history, making this Budget the **Mother of All Budgets.**

236. Indeed, this Budget is the collection of various premises which form the basis of a **comprehensive Budget**, taking into account the needs of all levels of society.

237. With this, the Budget dispels all doubts as propagated by the Opposition.

238. In fact, the Opposition is surrounded by misconceptions and is the real **actor. There is no certainty in political leadership, how can they be trusted to provide a sound economic leadership.**

All these while, they have been making senseless propositions including abolishing GST and reducing taxes. All these are baseless claims.

239. All praises be to Allah, for His blessings on Government's efforts.

240. This is the right time to acknowledge public servants who have been loyal and provide efficient and effective public service delivery to the rakyat, hence, I am pleased to announce that...

A special payment of RM1,500 be given to all public servants.

The payment will be made twice, of which RM1,000 will be paid in early January 2018 while the balance during Hari Raya Aidilfitri.

Meanwhile, the Government will provide a special payment of RM750 to Government retirees, of which RM500 to be paid in January 2018 while the balance during Hari Raya Aidilfitri.

241. I trust the rakyat is wise enough to differentiate between truths and lies.

242. More importantly, when the rakyat choose wisely it paves the path for Malaysia to flourish extensively.

243. When the rakyat and the Government are united, then the country emerges as a great nation.

244. We have to plan strategically in charting the course of the nation.

245. This can only be achieved through great teamwork and friendship. I am grateful for being blessed with a loyal friend... Deputy Prime Minister, **Datuk Seri Dr. Ahmad Zahid Hamidi**.

246. This include all the support from Members of the Cabinet, Leaders of Component Parties in steering the nation.

247. Come what may, we remain steadfast with our commitment.

248. Let's together ensure a big victory for Barisan Nasional in the 14th General Election.

249. O Allah, to You, we pray and submit. God bless Malaysia.

Mr. Speaker Sir,

I beg to propose.