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PM: Goal is to raise M40 wages

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DRIVER OF ECONOMY: Salaries to form at least 40pc of GDP by 2020

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MALAYSIA'S middle-income group (M40) is paid significantly less than those in the developed nations that the country aspires to become, said Prime Minister Datuk Seri Najib Razak.

M40 wages as a percentage to gross domestic product (GDP) stood at 34 per cent last year and the nation wanted to raise it to at least 40 per cent by 2020, said Najib in a Facebook post detailing measures in the 2016 Budget to help M40 as well as the low-income group (B40).

"In any capital market enterprise economy, as is Malaysia, the middle class is the driver of the economy.

"M40 is central to consumption spending and private investments.

"The group also serves as a critical

pool for talent, investment and entrepreneurship."

He said the private sector played an important role in ensuring Malaysians were paid fairly, and urged employers to be more inclusive in the sharing of the economic pie and companies' success, so as to achieve the 40 per cent target.

"With this, employees can expect a more equitable salary, as long as they do not compromise on productivity."

Najib reiterated that additional measures to alleviate the financial challenges of both groups had been introduced as part of the budget.

This includes reducing individual tax rates between one and three per cent to help B40 by raising the lowest taxable bracket to a minimum of RM4,000.

For M40, an increase from RM1,000 to RM2,000 in tax relief for each child below 18 and an increase

from RM3,000 to RM4,000 for individual taxpayers whose spouses have no income were proposed.

To support educational needs, the tax relief for each child above 18 studying in local or foreign institutions of higher learning was increased from RM6,000 to RM8,000.

The same applies to disabled children seeking higher education.

In addressing the government's emphasis on home ownership for B40 and M40, Najib said the budget allocated RM200 million for the First House Deposit Financing Scheme under the Urban Wellbeing, Housing and Local Government Ministry, aimed at helping first-time buyers of affordable homes pay their deposits.

"I have also announced another significant policy decision, which is the increase of minimum wage.

"This is an important step, as it will not only increase the income of those struggling to break into the middle-class bracket, but will also cause employers to raise salaries through 'spillover effects' throughout the wage spectrum."