

Priority on raising rakyat's welfare

Subsidy rationalisation a prominent feature in Anwar's Budget 2024

It was a lengthy Budget speech that is set to change the social welfare structure of Malaysians.

Living up to the pre-Budget expectation that subsidy rationalisation will feature prominently, Prime Minister Datuk Seri Anwar Ibrahim, who is also the Finance Minister, did not disappoint.

This was the largest spending package ever but one that is focused on improving the welfare of the rakyat.

He laid out the future direction of subsidies in Malaysia, strongly indicating that an equitable formula will be pursued where those who can afford to pay the non-subsidised price will be expected to do so, and subsidies will be reserved for the most vulnerable and needy Malaysians.

Such a move will come in stages starting next year, and the re-prioritising of subsidies will see Malaysians pay more in service tax from 6% to 8%.

A capital gains tax of 10% on unlisted shares will also be a move by the government to raise more finances without taxing the B40 but it did meet the ire of SMEs. These moves are like a "wealth tax" on businessmen and the well-heeled among the populace, something that is already being pursued on a global agenda.

The government has said that the money saved from subsidies will be channelled to other segments of the economy.

We see that the allocation for healthcare got the biggest lift as this was bumped up to RM41.2bil, with medical supplies getting a princely sum of RM5.5bil that will surely please Malaysians who will directly benefit from better healthcare services in the country.



Watching with interest: Fishermen Amran Mohd (left), 50, and Ibrahim Manan, 47, watching the live telecast of the tabling of Budget 2024 by Anwar in Parliament via smartphone before disposing palm leaves at the Seberang Marang fishermen's wharf in Marang, Terengganu. - Bernama

While subsidies of basic items like chicken and eggs will also be announced in the new future, the re-prioritising of subsidies and the subsequent rise in prices will surely lift inflationary pressures in Malaysia.

The government has warned against business wantonly raising prices, the reality is that like the introduction of GST or the removal of petrol subsidies before,

prices will rise.

Maybe that is also a reason why the government forecast for inflation has such a larger 1.5% buffer between the lowest and highest projections of 2.1% and 3.6%.

Another promise that did come through was the focus on investments. The PM wants to spur investments and that is a correct approach on not only creating jobs in the country but also lifting

GDP, especially when the horizon globally looks bleak.

The government wants to look at high-growth and high-value investments and is proposing various investment incentives to get this going.

It is also backing such initiatives with seed money to get the New Industrial Master Plan up and running with RM200mil investment into its

broader targets.

But more importantly the Prime Minister will now have a National Investment Council that will report directly to him in order to get investments flowing into the country.

After all, Anwar has been Malaysia's biggest investment salesman by getting parties and countries abroad to commit tens of billions in ringgit into Malaysia, with the latest being a successful pitch to the UAE to commit RM40.6bil to Malaysia and Automotive High Tech Valley inking an investment of RM32bil recently.

All the spending and the redistribution of subsidy monies indicates the government's commitment to the just passed Public Finance and Fiscal Responsibility Act.

In that, the fiscal deficit is expected to drop to 4.3% of GDP even with a record spending package, but the debt service ratio will rise to 16.4% of government revenue, a percentage that is inching closer to the red zone.

Adherence to sustainable fiscal policy is crucial for not only maintaining a well thought-through government spending package but also maintain the country's international rating and also keeping the strength of the ringgit.

The Budget also did the needful with dishing out large sums of money towards the different ministries, beefing up the country's renewable energy plan and also giving more cash transfers to Malaysians.

All in all, Budget 2024 was in some way different to traditions of the past but with a new direction of the continued expansion of the Madani Economy plan.