

A BROADER TAX BASE TO SPUR GROWTH

Govt pairs subsidy cuts, 'enhanced' taxes with incentives for people's welfare

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Malaysia has, for the first time, introduced an annual budget that exceeds RM400 billion.

The focus continues to be on safeguarding the people's well-being and driving economic growth, which has been revised upwards to 4.8 to 5.3 per cent for 2024, from 4.0 to 5.0 per cent.

Prime Minister Datuk Seri Anwar Ibrahim yesterday tabled a spending bill of RM421 billion, or 20.2 per cent of gross domestic product (GDP) for 2025.

Anwar announced more incentives, especially for the B40, as well as subsidy cuts and "enhanced" taxes, as his administration seeks to sustain development spending and raise income while keeping debts in check.

IS BIGGER BETTER?

Industry observers said the larger spending will be used to lay the foundation for greater economic expansion, as well as to protect the people's livelihood, raise disposable income and improve food security, among others.

The government has projected the economy will grow 4.5 to 5.5 per cent in 2025.

AmBank Group chief executive officer Jamie Ling said the Budget represented a balance that was needed between short-term demands and long-term fiscal sustainability to support economic growth in the coming years.

"The development expenditure (DE) continues to be high at RM86 billion. This is positive as the government continues to reflate the economy and invest in our future," Ling added.

HIGHER REVENUE

The government expects revenue collection to grow 5.5 per cent to RM339.7 billion, or 16.3 per cent of GDP, next year.

This will be driven by an increase in direct tax collection by



Prime Minister and Finance Minister Datuk Seri Anwar Ibrahim arriving at Parliament for the tabling of the 2025 Budget yesterday. With him is Deputy Finance Minister Lim Hui Ying. NSTP PIC BY ASWADI ALIAS

6.6 per cent, amounting to RM188.8 billion, as well as a 9.8 per cent growth in indirect tax, totalling RM70.2 billion.

Other contributing factors are sustained economic growth, higher corporate earnings, the phased e-Invoice rollout and a higher service tax rate.

Non-tax revenue is projected to fall slightly to RM80.7 billion due to lower proceeds from investment income.

However, the dividend from Petronas is expected to remain at RM32 billion.

WHY IT IS MORE

The bigger 2025 Budget is mainly due to higher emoluments and retirement charges.

This is a result of the implementation of the Public Service Remuneration System, as well as an increase in debt service charges.

Next year's operating expenditure is expected to reach RM335 billion, equivalent to 16.1 per cent of GDP. DE is projected to remain at RM86 billion, or 4.1 per cent of GDP.

DE will focus on the economic sector, with the bulk allocated for infrastructure projects.

These include flood mitigation and water distribution projects, and highways, as well as improvement of health facilities and educational institutions.

GOODIES FOR MAJORITY OF MALAYSIANS

One of the biggest attention-grabbers, besides the RON95 subsidy rationalisation, is the higher allocations for Sumbangan Tunai Rahmah (STR) and Sumbangan Asas Rahmah (Sara).

STR is going up by RM3 billion to RM13 billion, benefiting nine million recipients. Next year, 4.1 million household recipients of STR will receive Sara aid of RM100 per month, compared with 700,000 recipients this year.

Single individuals will receive RM600 under STR, and households will get RM4,600.

There is also an increase in the cash aid allocations under the Social Welfare Department, from RM2.4 billion to RM2.9 billion.

The elderly assistance rate is raised to RM600 monthly from RM500.

The minimum wage will be raised to RM1,700 a month from RM1,500 effective Feb 1 next year.

For employers with fewer than five workers, the new minimum wage will come into force on Aug 1, 2025.

The Federation of Malaysian Manufacturers (FMM) said the increased rate reflected the pressure to promote sustainable growth for industries and, at the same time, ensure wages of workers keep up with inflation and consumer price movements.

"FMM looks forward to the well-considered implementation that supports both employee welfare and business competitiveness," FMM president Tan Sri Soh Thian Lai said.

As for the progressive wage policy, the Human Resources Ministry will publish salary guidelines for all sectors.