

PM Najib Unveils Slew Of Incentives To Boost Business Sector In Budget 2016

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KUALA LUMPUR, Oct 23 (Bernama) -- Prime Minister Datuk Seri Najib Tun Razak today unveiled what is surely a balanced and practical budget that offered a slew of incentives to stimulate domestic investments, energise small and medium enterprises and invigorate the capital market.

The Budget 2016 also includes multi-billion ringgit projects that provide ample opportunities for infrastructure and construction companies, a move that would surely provide an impetus to the business sector over the long term against a backdrop of a challenging external environment.

Najib, who is Finance Minister, also announced a RM11 billion development of the Cyber City Centre in Cyberjaya, RM7.0 billion KLIA Aeropolis township and the RM320 million rubber city in Kedah, all of which were bound to trigger increased corporate activities, including for the Bumiputera sector.

A major project within Kuala Lumpur, worth RM900 million, is the Jalan Tun Razak traffic dispersal project through a strategic public and private partnerships, which obviously would be good news for the construction firms.

Najib also told the Dewan Rakyat that Khazanah Nasional Bhd was investing RM6.7 billion in nine high-impact domestic projects in various sectors, as well as allocating RM500 million as venture capital and private equity fund.

To attract more private investments and ensure the benefits also accrue to all states including Sabah and Sarawak, RM142 million was allocated to develop the Samalaju Industrial Park in Sarawak and the Palm Oil Jetty in Sandakan, Sabah valued at RM20 million.

Besides this, RM42 million would be spent to develop the Mukah Airport in Sarawak as well as upgrade airports in Kuantan and Kota Bharu while a feasibility study would be undertaken to extend the runway in Batu Berendam in Melaka.

The budget, themed "Prospering the Rakyat", and valued at RM267.2 billion compared to the revised RM260.7 billion in 2015, comes amid immense challenges including the sharp drop in crude oil prices, global economic slowdown and decline in the value of the ringgit.

However, the broad-based Goods and Services Tax (GST) has emerged as a saviour in boosting revenue via the efficient collection of taxes from some 400,000 companies representing 90 per cent GST-compliance.

The GST collection in its first full-year implementation is expected to be significantly higher

at RM39 billion which will offset the fall in oil revenue.

"As announced several times, the rakyat can be assured that revenue from GST collection will be returned to benefit them, in addition to clarifying how the GST will be spent. This is the real intention of the government and there is no hidden agenda," he said.

The Prime Minister said the Opposition parties, which vehemently criticised and opposed the GST before, were unashamedly adopting the GST in their Budget documents.

Under development expenditure, the economic sector would receive the highest share of RM30.1 billion.

For next year, the Federal Government revenue collection is expected at RM225.7 billion, an increase of RM3.2 billion from 2015.

He also said that focus would be given to chemical, electrical and electronics, machinery and equipment, aerospace and medical devices industries and services.

"For this, RM730 million is allocated to funds under the Malaysia Investment Development Authority," Najib said.

Next year, Najib said, domestic investment activity to be intensified with its contribution to GDP estimated at 26.7 per cent, driven by the increase in private investment at RM218.6 billion and supported by public investment of RM112.2 billion.

Najib, clad in aubergine baju Melayu, presented the Budget 2016 at the Dewan Rakyat, his seventh national budget since assuming leadership of the administration.

The Budget 2016 represents a manifestation of the 11th Malaysia Plan, and is the first Budget in a series of five Budgets until Malaysia transforms into a high-income advanced economy.

In an effort to energise the SMEs, which is expected to contribute a substantial 41 per cent of the gross domestic product (GDP) by 2020, Najib proposed five incentives, among others, establishing RM200 million SME Technology Transformation Fund under the SME Bank to provide soft loans at four per cent.

The government will also provide an additional RM1.0 billion for the syariah-compliant SME Financing Scheme until Dec 31, 2017, Najib said.

In addition, SMEs that incur expenditure on research and development projects up to RM50,000 for each year of assessment will be eligible to claim double-tax deduction automatically for the years of assessment 2016 to 2018.

To empower entrepreneurship and accelerating innovation, RM35 million is allocated to MaGIC as a Leading Regional Entrepreneurship and Innovation Hub, and RM30 million for

several youth programmes such as Global Entrepreneurship Community, BAHTERA, GREAT, 1MET, National Innovation Competition and a Pilot Coding Project in schools.

The Ministry of Science, Technology and Innovation will also be allocated RM1.5 billion to propel the nation a competitive technology hub in the region.

Najib said to further strengthen exports and economy, the government will intensify support by providing RM235 million to MATRADE for 1Malaysia Promotion Programme, Services Export Fund and Export Promotion Fund.

Matrade and SME Corp will also increase the capacity of SMEs and mid-tier companies to export goods and services overseas.

Bank Negara Malaysia would also provide the ringgit-remnbi credit swap facility for local banks to diversify the use of foreign currency in trade transactions, Najib said.

Meanwhile, Najib said, Malaysia has so far signed 13 free trade agreements comprising six regional agreements through ASEAN and seven bilateral agreements.

As for the Trans-Pacific Partnership Agreement (TPPA), Najib said, the Government has agreed in principle, however, final decision will be made by Parliament.

The 12 TPPA nations have a combined population of 800 million people and total GDP of US\$27.5 trillion will open more new markets and opportunities for Malaysia.

In formulating appropriate policies for the current economic situation, Najib said, the government has proposed several tax incentive for food production be extended until 2020.

Among the incentives are companies that invest in subsidiaries that undertake food production project will be given tax deduction equivalent to the amount invested.

Companies that undertake new food production projects will also be given 100 per cent income tax exemption for 10 years.

Najib said the government would also promote and encourage companies to increase the use of technology such as adopting the Industrialised Building System in the construction sector.

Malaysian Communication and Multimedia Commission will also be provided with RM1.2 billion for rural broadband project; National Fibre Backbone Infrastructure; high-speed broadband and undersea cable system to improve the country's telecommunications infrastructure.

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