

A PROSPEROUS 2022, DRIVING NATIONAL ECONOMIC SUSTAINABILITY IN 2023

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NEWS

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KUALA LUMPUR, Feb 24 (Bernama) — The prosperity that Malaysia experienced in 2022 with much higher revenue following encouraging economic growth is a catalyst for the government to allocate a larger amount in Budget 2023, to ensure that the national economy is able to withstand external challenges.

Thus, Prime Minister and Finance Minister Datuk Seri Anwar Ibrahim who presented Budget 2023 in Parliament today, has announced an allocation of RM388.1 billion, an increase from the RM372.3 billion presented in October 2022.

A total of RM289.1 billion is allocated for operating expenses and RM99 billion for development expenses and includes RM2 billion in contingency savings, he said.

In line with the expanding fiscal policy, the development allocation was increased to RM97 billion compared to RM71.6 billion last year.

“This increase is to focus on programmes to eradicate poverty, improve public infrastructure and rural facilities.

“With the reform of the government’s procurement procedures, it will ensure that this additional expenditure is fully utilised for the benefit of the people,” he said while presenting the budget in Parliament today.

Anwar said the budget themed “Developing Malaysia Madani” is a reflection of the principle of responsibility and a noble value system that is able to face current challenges including global economic challenges that are laden with uncertainties.

Budget 2023 was originally presented by the previous government but could not be passed before Parliament was dissolved.

Anwar said economic growth is projected to grow at 4.5 per cent after taking into account efforts to implement renewal and administrative reforms.

“I am confident that the country will surpass the projected Gross Domestic Product (GDP) of 4.5 per cent. Of course this is bolstered by the completion of Budget 2023 which will drive more sustainable growth in addition to the confidence of international investors who are returning to boost the national economy,” he said.

He said the 2023 revenue collection is expected to amount to RM291.5 billion compared to RM294.4 billion last year.

However, he said, the amount has not taken into account additional revenue sources and is confident that this year’s revenue will increase to a higher level.

According to the Prime Minister, the national debt will reach RM1.2 trillion or more than 60 per cent of GDP for 2023 while debt service payments will reach RM46 billion or 16 per cent of revenue, which is above the maximum limit of 15 per cent that has been practised so far.

He said the inflation rate is expected to remain the same as in 2022 at a rate of 3.3 per cent and expects it to be higher if the uncertainty of the global supply chain is not addressed.

Anwar said the fiscal deficit in 2023 will be reduced to 5.0 per cent compared to 5.6 per cent last year and the government is determined to achieve a sustainable fiscal deficit level in the medium term with a target of 3.2 per cent of GDP by 2025.

He added that the Fiscal Responsibility Bill will be presented to Parliament this year to ensure a more transparent and responsible economic policy to prevent any possibility of continued excesses in the future.

“The government will take a progressive approach in the context of targeted subsidies or taxation structures to protect the less fortunate and expects the understanding of the wealthier people to bear responsibility together,” he said.

In the meantime, the Prime Minister explained that the government has no plans to implement a broad-based consumption tax such as the Goods and Services Tax (GST).

He explained that in a situation where most people are still struggling, food inflation is over 5.0 per cent, wage rates are still low, it's obvious that it is not the right time to introduce and implement the tax.

In addition, he said the government may introduce a Luxury Goods Tax as well as study the implementation of a low rate of Capital Gains Tax for the disposal of unlisted shares by companies from 2024.

To ensure micro, small and medium enterprises (MSMEs) remain competitive, the government will reduce the tax rate on taxable income for the first RM150,000 from 17 per cent to 15 per cent.

He said nearly RM10 billion in loan funds for small and medium businesses will be provided by Bank Negara Malaysia to ease the financial burden and support their business expansion.

In an effort to boost technology and high-impact sector investment, the Invest Malaysia Council and the National Committee on Investment (NCI) will lead efforts to speed up the approval of high-potential investment projects, he said.

“The government will improve procedures for doing business to reduce bureaucracy, including providing incentives to local authorities that facilitate the implementation of approved investments to ensure investment efforts can be accelerated,” he added.

The Prime Minister said the New Industrial Master Plan 2030 will be announced in the third quarter of this year to outline the direction of industrial development that focuses on high-quality activities and the recruitment of local talent.

“In line with this plan, investment promotion agencies and investment incentives will be restructured towards a revenue-based graduated tax rate.

“The monitoring of investments that receive incentives will also be strengthened to ensure that the expected benefits can be fully obtained by the country and the people,” he said.

Meanwhile, for investments in priority sectors, the government will extend tax incentives to manufacturing companies that move operations to Malaysia and a 15 per cent tax rate to C-Suites until 2024 to attract investments from companies affected by COVID-19 to operate in Malaysia.

Income tax incentives and investment tax allowances are extended until Dec 31, 2025 in the aerospace sector to encourage capacity expansion of existing companies and attract investments from new companies.

For Internet facilities for the people, the government will speed up the implementation of the JENDELA project. A total of RM725 million is provided this year to implement digital connectivity in 47 industrial areas and nearly 3,700 schools.

He explained that a total of RM1 billion is also available as a financing fund under BNM to help MSMEs automate business processes and digitise operations.

Meanwhile, he said the accumulated investment value for government-linked companies (GLCs) is estimated at RM50 billion this year.

He said GLCs including Khazanah Nasional and the Employees Provident Fund (EPF) will invest in innovative and high-growth local start-up companies with an investment value of RM1.5 billion.

On the transport project, Anwar said the government is committed to continuing and expediting the implementation of the Pan Borneo Sabah highway and the Sarawak-Sabah Link Road which would involve a total cost of RM20 billion covering over 1,000 kilometres.

Regarding the Mass Rapid Transit 3 (MRT3) project, he said the government will review the details of the project to ensure the best value, and is confident of achieving additional savings with project value of under RM45 billion.

Originally in 2018, the MRT3 project was estimated to cost RM68 billion. Last year, the project procurement process started and the project cost was estimated at RM50 billion.

Meanwhile, for the M40 group, Anwar said starting from 2023, the resident individual income tax rate will be reduced by two per cent for each income range of over RM35,000 to RM100,000, and the government will increase the tax rate by between 0.5 and two per cent for each income range of over RM100,000 to RM1 million.

On the issue of social protection, Anwar said the government plans to expand the tax relief for life insurance premiums or takaful life contributions to cover voluntary contributions to the EPF of up to RM3,000.

The Prime Minister said the government supports increasing the total investment limit of Amanah Saham Bumiputera (ASB) and Amanah Saham Bumiputera 2 (ASB2) to RM300,000 compared to RM200,000 previously as a way of increasing equity holdings among bumiputeras.

“This administration also agrees to increase the size of the Amanah Saham Malaysia (ASM) fund by RM5 billion,” he said.

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