TOUCHPOINTS
2018 BUDGET
...the budget that has never been crafted so well, even during the last 22 years, or the past 60 years of our own nation, and marked in history, making this Budget “THE MOTHER – OF ALL BUDGETS...”.

YAB Dato’ Sri Mohd Najib Tun Haji Abdul Razak
Prime Minister and Minister of Finance

2018 BUDGET THRUSTS

1 Invigorating Investment, Trade and Industry
2 Moving Towards TN50 Aspiration
3 Empowering Education, Skills and Trainings, and Talent Development
4 Driving Inclusive Development
5 Prioritising the Wellbeing of Rakyat and Providing Opportunities to Generate Income
6 Fortifying the Fourth Industrial Revolution and Digital Economy
7 Enhancing Efficiency and Delivery of Government-Linked Companies and Public Service
8 Balancing between the Worldly and Hereafter
Malaysia’s achievements:

- Strengthening and deepening diplomatic and trade relations with the world’s largest economic powers; and
- Ability to manage country’s finances, practising good governance and prudent fiscal discipline.

**ECONOMIC PERFORMANCE 2018**

- GDP: 5.0–5.5% (2017: 5.2 – 5.7%)
- Income Per Capita 2018: RM42,777 (2017: RM40,713)
- Fiscal Deficit: 2.8% (2017: 3.0%)
- International Reserves: RM428.7b (as at 13 October 2017)

**2018 FEDERAL BUDGET**

- 2018 Revenue: RM239.86b
- 2018 Allocation: RM280.25b*
  - Operating Expenditure: RM234.25b
  - Development Expenditure: RM46b
- *excluding Contingency Savings: RM2b

**2018 BUDGET THEME**

“Prospering an Inclusive Economy, Balancing Between Worldly and Hereafter, for the Wellbeing of Rakyat, Towards the TN50 Aspiration”
1. **High-impact Investment**
   - Emphasising high impact investment: petroleum-related industries, logistics, aerospace, rail and robotics
   - Promoting economic growth and create job opportunities in 5 main corridors including: Southern Perak Region, Bukit Kayu Hitam Duty-Free Zone, Kedah; Tok Bali Industrial Park, Kelantan and Balez Dam, Sarawak: (RM1b)
   - High-impact strategic fund under MIDA: (RM200m)
   - The period of Tax Incentive for Principal Hub to be extended to 31 December 2020

2. **Strengthening Small and Medium Enterprises (SMEs)**
   - Skim Jaminan Pembiayaan Perniagaan for working capital and services sector: (RM7b)
   - Government Guarantee loans under SJPP to enable SMEs to automate production: (RM1b)
   - Shariah-compliant SME Financing Scheme with subsidy rate of 2%: (RM1b)
   - Soft loans, grants and training programmes for SME under SME Corp: (RM200m)
   - Development of halal industries and products under various agencies: (RM82m)

3. **Micro Financing**
   - Loan fund under Tabung Ekonomi Kumpulan Usahawan Niaga (TEKUN): (RM500m)
   - Amanah Ikhtiar Malaysia (AIM): (RM200m)
   - Rural Economic Financing Scheme (SPED) for rural Bumiputera entrepreneurs: (RM80m)

4. **Accelerating Exports**
   - Expand export market and promotion: (RM150m)
   - Insurance coverage credit facility for SME exporters: (RM1b)
   - Loans to enhance automation of local furniture production for export: (RM100m)

5. **Invigorating Agricultural Sector**
   - Financial assistance to farmers, rubber tappers, smallholders and fishermen: (RM2.3b)
   - Upgrade plantation roads and improve irrigation infrastructure: (RM500m)
   - Developing and replanting for oil palm: (RM140m)
   - Agricultural programmes as new sources of income: (RM200m)
   - Coconut replanting (CARECA and MATAG) by cluster: (RM50m)
   - Financial assistance of RM200 for 3 months prior to paddy harvesting season: (RM150m)
   - Rubber replanting programme and infrastructure to increase production of latex: (RM200m)
6. **Revitalise Tourism Industry**
   - Visit Malaysia Year 2020;
   - SME Tourism Fund with interest subsidy of 2%: **(RM2b)**
   - Tourism Infrastructure Development Fund: **(RM1b)**
   - Tourism promotion and development programme: **(RM500m)**
   - Expand eVisa Regional Hub;
   - Tax incentive for investment in new 4-star and 5-star hotels extended for 2 years; and
   - Tax incentive for tour operating companies extended to 31 December 2020.

7. **Healthcare Tourism Industry: Malaysian Healthcare Travel Council (RM30m)**
   - Create a high value healthcare packages as Asian Hub for Fertility Treatment and Cardiology;
   - Flagship Medical Tourism Programme especially for private hospitals;
   - Investment Tax Allowance for medical tourism extended until 31 December 2020;
   - Double tax deduction on expenditure incurred for dental and ambulatory services; and
   - Increase special tourism healthcare incentive from 50% to 100%.

8. **Driving Logistics Sector**
   - ECRL Project connecting Port Klang to Pengkalan Kubor;
   - MRT2 Project Sungai Buluh-Serdang-Putrajaya (52km): **(RM32b)**
   - High Speed Rail Project connecting Kuala Lumpur – Singapore (350km);
   - Central Spine Road Project: **(RM230m)**
   - Pangkor Island to be recognised as Duty-Free Island;
   - Special Border Economic Zone in Bukit Kayu Hitam;
   - Transportation Development Fund: **(RM3b)**
   - Public Transportation Fund for working capital and procurement of buses and taxis: **(RM1b)**
   - Biometric control system to monitor express bus drivers: **(RM45m)**
   - Subsidy for rural train transport services (Tumpat-Gua Musang): **(RM55m)**
   - Upgrade of Pulau Pinang and Langkawi International Airports:
   - Upgrade of airports at Sultan Ismail Petra, Mukah and Sandakan

9. **Strengthening Capital Market**
   - Intellectual property as an instrument of financial guarantee for business financing: **(RM1.5b)**
   - Duty Stamp exemption for contract note of Exchange-Traded Fund and Structured Warrants for 3 years
   - Relief on tax imposed on venture capital companies equivalent to the amount of investment
   - Tax deduction for angel investors in venture capital
   - Income tax exemption for Sukuk *Green* SRI social grant receiver
   - Income tax exemption on management fee extended to conventional SRI fund managers
   - Beginning 2018, Bank Negara Malaysia will monitor salary payment through local bank accounts for foreign workers, excluding domestic helpers.
10. **Childcare Centre and Welfare Facilities for Persons with Disabilities (PWDs)**  
   ✓ Requirement to ensure childcare centre are provided in all new office buildings starting with Kuala Lumpur  
   ✓ Additional tax deductions are extended to employers hiring PWDs certified by SOCSO

11. **Inculcating Savings Culture for TN50 Generation**  
   ✓ **Malaysian Children Trust Fund 2050 (ADAM50)** of RM200 through PNB’s Unit Trust Scheme for child born from 1 January 2018 – 2022

12. **Education for TN50 Generation (RM250 million)**  
   ✓ Establishment of Science, Technology, Engineering, and Mathematics (STEM) centre;  
   ✓ Enhance computer science module including Coding programme  
   ✓ Introduction of 21st Century Smart classrooms to enhance creative-based learning and innovative thinking: **(RM190m)**

13. **Intensifying Higher Education**  
   ✓ Scholarships: **(RM2.2b)**
   ✓ Research and Development Grants to Higher Education Institutions: **(RM400m)**
   ✓ Book Voucher Assistance of RM250
   ✓ Further study for postgraduate levels under MyBrain: **(RM90m)**

14. **TN50 Talent and Career**  
   ✓ Apprenticeship Programme and open interviews under SL1M: **(RM40m)**
   ✓ Private companies which have successfully secured a Government contract are required to allocate 1% of the contract value to the SL1M Programme
   ✓ Establishment of one-stop centre incorporating agencies such JobsMalaysia, SL1M, SOCSO, HRDF and TERAJU in UTC
   ✓ Introduction of National Leaders Circle Programme to fill important posts

15. **Social Enterprise**  
   ✓ Matching grant to finance social enterprise: **(RM50m)**

16. **Sports Development**  
   ✓ FitMalaysia, National Sports Day, training for athletes, grassroots programme and National Football Development Programme through KBS: **(RM1b)**
   ✓ 14 new sports complexes nationwide: **(RM112m)**
   ✓ Bukit Jalil Sports School: **(RM20m)**
### Improvement and Maintenance of Schools
- Construction of pre-schools, PERMATA centre, primary & secondary schools and vocational colleges as well as matriculation centres: **(RM654m)**
- Special Fund for school upgrading and maintenance: **(RM550m)**
- Rebuild and upgrade 2,000 dilapidated schools using IBS: **(RM2.5b)**

### School Assistance
- Food assistance, textbooks, capita grant assistance and Federal scholarships: **(RM2.9b)**
- Schooling assistance of RM100 per student: **(RM328m)**

### Higher Education Funding – PTPTN loan repayment
- 20% discount for full settlement of outstanding debt
- 10% discount for repayment of at least 50% of outstanding debt in single payment
- 10% discount for repayment via salary deduction
- Increase total maximum loan for students from B40 families: **(RM200m)**
- Extend grace period for repayment of loan from 6 to 12 months

### 1Malaysia Education Saving Scheme (SSP1M)
- Matching grant up to RM500 contributors: **(RM250m)**
- Individual tax relief for SSP1M for the next 3 years

### Technical and Vocational Education Training (TVET)
- All TVET Institutions under 7 Ministries be merged and known as TVET Malaysia;
- Malaysia TVET Masterplan: **(RM4.9b)**
- TVET Outstanding Student Scholarships: **(RM4.5m)**

### Establishment of National Rail Centre of Excellence (NRCOE)
- Aims to oversee and coordinate quality assurance and accreditation as well as education and training of national rail
- MRL in partnership with Public Higher Education Institutions to train 3,000 rail industry professionals
23. Providing Quality Infrastructure for the Rakyat

- Pan-Borneo Highway: (RM2b)
- Rakyat-centric project: (RM1.1b)
- Development of communication infrastructure: (RM1b)
- Construction of roads in rural areas: (RM934m)
- Electricity and clean water supply to rural areas: (RM672m)
- Clean water supply to Sabah and Sarawak: (RM420m)
- Public Infrastructure Maintenance & Basic Infrastructure Programmes: (RM500m)
- Surveying and Mapping of customary land in Sabah and Sarawak: (RM50m)

24. National Blue Ocean Shift (NBOS)

- Construction of new UTC, Blue Ocean Entrepreneur Township, Mobile CTC, Entrepreneurship programme, Global Entrepreneurship Community as well as inclusive and vibrant Social Entrepreneurs: (RM300m)

25. Welfare of FELDA settlers

- Special Incentive payment to settlers of RM5,000;
- Cess money will be reimbursed for replanting scheme from rubber to oil palm: (RM43m)
- Oil palm replanting programme: (RM60m)
- Construction of 5,000 FELDA Second Generation home: (RM164m)
- Upgrading of roads, water supply system and street lights in FELDA: (RM200m)

26. Safety and Public Order

- Procuring and maintaining of defence assets: (RM3b)
- Construction of headquarters, police stations & purchase of firearms: (RM720m)
- Upgrading of ICT system, 1PDRMnet and communication system: (RM270m)
- 1Malaysia Civil Service Housing Programme-PDRM (PPA1M PDRM): (10,000 units)
- Malaysia Maritime Enforcement Agency: (RM490m)
- Enhance safety and security control under ESSCOM: (RM250m)
- Enhance armaments for counter-terrorism activities: (RM50m)
- Strengthening the roles of RELA including uniform: (RM250m)
- Armed Forces Family Housing (RKAT) Blueprint: (6,000 unit)
- Upgrading hospitals, polyclinics and armed forces veteran hospitals: (RM40m)
27. **Bumiputera Wellbeing Transformation Policy**

- Higher education scholarships and training programmes under MARA: **(RM2.5b)**
- Peneraju Professional, Peneraju Skills and Peneraju Tunas programmes: **(RM90m)**
- MARA Graduate Employability Training Scheme (GETS): **(RM200m)**
- Bumiputera entrepreneurship enhancement programmes:
  - PUNB Entrepreneurship and Business Premise Programme: **(RM200m)**
  - Vendor capacity development, TUBE, SUPERB, and Anjakan Usahawan scheme: **(RM155m)**
  - Express Contract Financing Scheme and Mudah Jaya Financing: **(RM200m)**

28. **Wellbeing of the Chinese and Indian Community**

- SME loans through Koperasi Jayadiri Malaysia Berhad (KOJADI): **(RM50m)**
- 1Malaysia Hawkers and Petty Traders Foundation for Chinese community: **(RM30m)**
- Development of Chinese New Villages and house restoration: **(RM75m)**
- Indian Community Entrepreneur Development Scheme (SPUMI) under TEKUN
- Special distribution of 1Malaysia Unit Trust additional units for Indian community: **(RM1.5b)**
- Increase the number of intake of Indian community to IPTA and Public Service 7%

29. **Orang Asli**

- Community Food Assistance Programme to 5,000 Orang Asli students: **(RM50m)**
- Education assistance of RM3,000 to parents for payment fees and cost of living for enrolment to IPTA
- Orang Asli Settlement Integrated Programme: **(RM60m)**

30. **Women and Family Wellbeing**

- 2018 as Women Empowerment Year
- Requirement of at least 30% participation of women as Board of Directors in GLCs, GLICs and Statutory Bodies by end of 2018
- Mandatory maternity leave for private sectors be increased from 60 to 90 days
- PEAK Entrepreneur Programme under MyWin Academy: **(RM20m)**
- Individual income tax exemption on income earned within 12 months for women re-entry into workforce at least 2 years after work break
31. **Generate Income for Rakyat**
   - eRezeki, eUsahawan dan eLadang programme: (RM100m)
   - Easy loans for Food Truck 1Malaysia (FT1M) through Bank Rakyat with interest rate of 2%: (RM120m)
   - 1AZAM Programme to increase revenue: (RM60m)
   - Three-wheel Motorcycle Programme, mobilepreneur and MyAGROSIS programme: (RM25m)
   - E-hailing application for registered taxi driver to purchase new taxi: (grant RM5,000)
   - BR1M Programme: (RM6.8b)
   - Subsidised goods, transportation, electricity an tolls: (RM3.9b)
   - Provide 50 Kedai Rakyat 1Malaysia (KR1M) by selling 5 basic necessities at lower prices: rice, sugar, oil, flour & gas cooking as well as other 50 SKU
   - Standardise prices for basic necessities for Sabah and Sarawak: (RM90m)
   - Develop Agrobazaar Malaysia with lower selling price of agro products: (RM20m)
   - LKIM and FAMA programme to ensure reasonable food stock: (RM50m)
   - Abolish toll collections starting from 1 January 2018 at Batu Tiga and Sungai Rasau, Selangor, Bukit Kayu Hitam, Kedah and Eastern Dispersal Link, Johor.

32. **Reduction in Income Tax Rates**
   - Reduction in individual income tax rates:
     - RM20,001-35,000: 5% to 3%;
     - RM35,001-50,000: 10% to 8%; and
     - RM50,001-70,000: 16% to 14%;
   - Increase disposable income between RM300-RM1,000 while 261,000 do not have to pay tax

33. **1Malaysia Retirement Scheme**
   - Increase contribution to 1Malaysia Retirement Scheme (SP1M) to 15% maximum RM250 annually for 5 years from 2018-2022

34. **Foreign Domestic Helper**
   - Allow employers to hire foreign domestic helper directly without agent
35. **Housing**

<table>
<thead>
<tr>
<th>PROJECTS</th>
<th>UNIT</th>
<th>AGENCIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>People’s Housing Programme (PPR)</td>
<td>17,300</td>
<td>JPN</td>
</tr>
<tr>
<td>Rumah Mesra Rakyat</td>
<td>3,000</td>
<td>SPNB</td>
</tr>
<tr>
<td>PR1MA</td>
<td>210,000</td>
<td>PR1MA</td>
</tr>
<tr>
<td>PPA1M</td>
<td>25,000</td>
<td>JPN</td>
</tr>
<tr>
<td>MyBNHomes</td>
<td>600</td>
<td>NSU</td>
</tr>
<tr>
<td>MyDeposit &amp; MyHomes</td>
<td>2,000</td>
<td>JPN</td>
</tr>
</tbody>
</table>

- Maintenance and refurbishment of houses including 1Malaysia Maintenance Fund: (RM200m)
- Stamp duty exemption for loan agreement and letter of consent to transfer
- Tax exemption on rental of 50% for rent up to RM2,000

36. **Health**

- Medical supplies, consumables and medical support: (RM4.1b)
- Upgrade and maintenance of healthcare facilities, medical equipment and ambulance and operation theatre for Muar, Banting and Balik Pulau hospitals: (RM1.4b)
- Cardiology & cardiothoracic services at Kuala Terengganu and Alor Setar hospitals;
- Upgrade of hospitals and clinics including wiring systems: (RM100m)
- Haemodialysis assistance and Medical Aid Fund: (RM90m)
- Support medical cost for rare diseases treatment and Komuniti Sihat Perkasa Negara programme: (RM40m)
- Construction of women and children wards at Tengku Ampuan Afzan Hospital and Putrajaya Hospital: (RM1b)
- Construction of Cancer Centre at Sungai Petani Hospital capacity 200 beds – (RM500m)
- Construction of a specialist clinic and new ward at Pulau Pinang Hospital: (RM500m)
- Construction of Forensic Medical Centre at Kuala Lumpur Hospital: (RM380m)
- Voluntary Health Insurance Scheme (VHIS): (RM50m)

37. **Goods and Services Tax (GST)**

- Services provided by local authorities will not be subjected to GST;
- Reading materials comprising all types of magazines and comics will be zero-rated;
- GST relief for cruise operators;
- Full GST relief for services of construction of school buildings and houses of worships funded through donations;
- GST relief for imports of oil and gas-related equipment under lease agreement;
- GST relief for imports of big ticket items such as aircraft and ship by airlines and shipping companies; and
- Management and maintenance services of stratified residential buildings are not subjected to GST.
<table>
<thead>
<tr>
<th>No.</th>
<th>Initiative</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>38.</td>
<td>Matching Grant</td>
<td>✔ Matching Grant under Domestic Investment Strategic Fund to enhance smart manufacturing facilities: <em>(RM245m)</em></td>
</tr>
<tr>
<td>39.</td>
<td>Futurise Centre</td>
<td>✔ Strengthening the futurise centre in Cyberjaya as a one-stop centre for corporates and universities to develop prototype products</td>
</tr>
<tr>
<td>40.</td>
<td>Tax Incentives</td>
<td>✔ Extend the incentive period for Accelerated Capital Allowance on automation equipment 2018-2020&lt;br&gt;✔ Accelerated Capital Allowance Incentive up to 200% for manufacturing and manufacturing-related-services sectors&lt;br&gt;✔ Capital Allowance Incentive for ICT equipment beginning 2018-2020</td>
</tr>
<tr>
<td>41.</td>
<td>Sustainable Development</td>
<td>✔ Green Technology Financing Scheme to promote investment in green technology industry: <em>(RM5b)</em>&lt;br&gt;✔ Non-Revenue Water Programme to reduce loss of water: <em>(RM1.4b)</em>&lt;br&gt;✔ Construction Off-River Storage as an alternative water resources; <em>(RM1.3b)</em>&lt;br&gt;✔ Flood mitigation programmes: <em>(RM517m)</em></td>
</tr>
<tr>
<td>42.</td>
<td>Digital Free Trade Zone (DFTZ)</td>
<td>✔ Construction first phase of DFTZ in Aeropolis, KLIA: <em>(RM83.5m)</em>&lt;br&gt;✔ Increase <em>de minimis</em> value or minimum value for imports from RM500 - RM800.</td>
</tr>
<tr>
<td>43.</td>
<td>Regulatory Sandbox</td>
<td>✔ Create a conducive ecosystem for commercialised innovation in all commissions</td>
</tr>
</tbody>
</table>
44. **GLCs Employees**
- Increase distribution of profits to employees
- Introduction of flexible benefits – convert leaves entitlement to cash rewards
- Additional flexible working arrangement
- Introduce umrah leaves holiday
- Childcare centre in GLC’s main offices and ease of working hours for pregnant women
- Increase training investment and education assistance for employee’s children

45. **Prioritise the Welfare of Senior Citizens, People with Disabilities and Children**
- Increase allowance for senior citizens to RM350 per month: *(RM603m)*
- Increasing allowance for working and unemployed PWDs as well as caretakers of PWDs by RM50 per month: *(RM100m)*
- Assistance to children from poor families: *(RM245m)*

46. **Public Sector Home Financing Board (LPPSA)**
- LPPSA financing on real estate developed on *waqf* land
- Legal fee-related to sales and purchase agreement included as part of financing by LPPSA
- LPPSA joint-loan for husband and wife or children (all applicants must be public servants)
- Allow joint-home financing between husband and wife or children, with a condition at least one of the applicants is a public servant
47. **SERI and KITA-UKM**
   - Re-establish Socio-Economic Research Institute under Prime Minister’s Office and upgrade Institute of Ethnic Studies, KITA-UKM

48. **Enhancing Public Service Efficiency**
   - Introduce second time-based promotion for support staff after 13 years
   - Provide retirement benefit to public servants who retire on medical reasons
   - Allow Cash Award in lieu of Accumulated Leave (GCR) of more than 150 days to taken during the retirement year
   - Increase special leaves for education officers from 7 to 10 days a year
   - Unrecorded leaves to public servants up to 7 days throughout service for umrah
   - Additional working hour from 9.00am to 6.00pm
   - Flexible Working Hour of one day a week for Medical Specialists (Grade UD54 and above) who have served a minimum of four years (gazetted)
   - Allow women with five months pregnant onwards (and husband) to leave work an hour earlier. (Provided both working in the same location)
   - Increase total maternity leave from 300 to 360 days subject to a maximum of 90 days a year
   - In-house Masters and PhD programmes
   - Set minimum pension of RM1,000 per month
   - Extend the medical facilities to parents of retirees
   - Special Assistance to Civil Servants of RM1,500

49. **Neighbourhood and Community**
   - Special Assistance of RM1,500 to Village Heads and Tok Batin
   - 1Malaysia Residents Community Grant (KP1M) up to RM10,000 to registered resident associations: **(RM40m)**
   - Community training programme in 50 Rakyat Housing Programme (PPR) areas: **(RM40m)**

50. **Uphold the Greatness of Islam and the Integrity of the Rakyat**
   - Upgrade and maintaining wiring system in all registered Tahfiz schools by GiatMara: **(RM50m)**
   - Skills training scheme at selected GiatMara to be introduced to tahfiz schools
   - Monthly allowance for imam, bilal, KAFA and takmir teachers: **(RM588m)**
   - One-off payment amounting to RM1,500, will be given to imam, bilal, KAFA and takmir teachers as well as tok siak: **(RM100m)**
2018 BUDGET HIGHLIGHTS

- **Special Assistance to Civil Servants (RM1500)**
- **Assistance to Paddy Farmers 3 Months (RM600)**
- **Malaysian Children Trust Fund ADAM50 Initial Savings Fund (RM200)**
- **Continue BR1M Bantuan Rakyat 1Malaysia Matching Grant (RM500)**
- **Education Scheme**
- **Increase Allowance to Senior Citizen (RM350)**
- **Special Assistance to KAFA Teachers, Imam, Takmir, Bilal & Siak (RM1500)**
- **Financial Special Assistance to Government Retirees (RM750)**
- **Increase Allowance to PWD (RM50)**
- **Reduce Individual Income Tax Rate & Increase Disposable Income Between RM300-RM1,000 (RM750)**