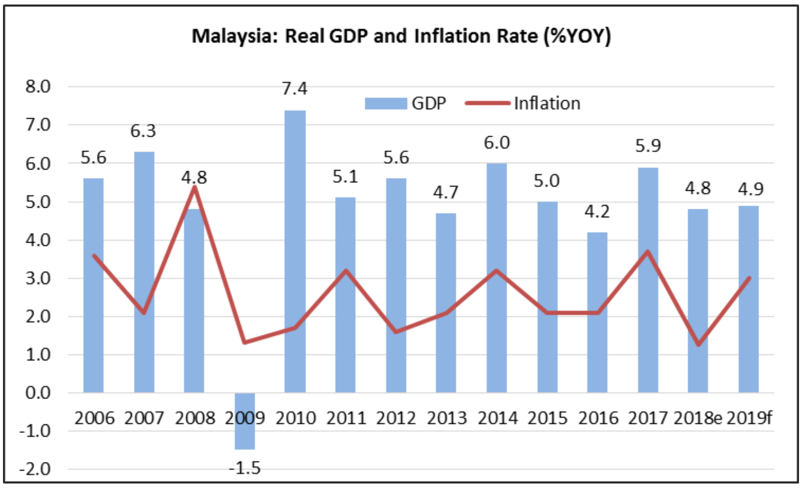
2019 Budget: Walking a tight rope between sustaining growth and restoring fiscal health

The Malaysian economy is expected to expand at a more moderate pace of 4.8% in 2018 (2017: +5.9%), a tad below the revised 5.0% growth forecast by BNM back in August. For 2019, growth is expected to pick up marginally to 4.9% YOY. Domestic demand, led by the private sector will remain the main growth engine amid greater external uncertainties. This stacks favourably against our forecasts of 4.4% for 2018 and 4.8% for 2019. Despite a more challenging backdrop, the government proposes an expansionary budget to help address short term issues and lay the foundation for longer term growth and fiscal agenda. Budget deficit as a percentage of GDP has been revised significantly higher to 3.7% for 2018 (vs the original target of 2.8% of GDP) but is expected to narrow again to 3.4% in 2019 before trending down to 3.0% in 2020. We believe the steady growth trajectory, commitment towards continued fiscal reform will be positive for the MYR outlook in the longer term, with USDMYR expected to trend towards 4.00 and even below next year. In the MYR bond space, we are projecting a higher gross MGS/GII supply in 2019, circa RM121bn taking into account sizeable maturity redemptions next year worth circa RM69bn, whilst this year's gross issuance has been revised up to RM113bn taking cue from the upward revision in budget deficit by RM13.5b to RM53.3bn.

2018-2019 Growth Prospects



Source: MOF Economic Report 2018/19

More moderate growth outlook of 4.8% for 2018 and 4.9% for 2019

- **The Ministry of Finance expects the Malaysian economy to expand at a more moderate pace of 4.8% in 2018** (2017: +5.9%), a tad below the revised 5.0% growth forecast by BNM back in August. **For 2019, growth is expected to pick up marginally to 4.9% YOY.** This stacks favourably against our forecasts of 4.4% for 2018 and 4.8% for 2019.

Domestic demand to remain the key growth catalyst amid greater external uncertainties

- **Domestic demand will continue to be the main growth engine,** albeit growing more moderately at 4.8% YOY in 2019, slowing from the estimated 5.0% YOY growth in 2018 and pulling back sharply from the 6.5% YOY increase registered in 2017. **The private sector will remain in the driver seat**, supported by a revival in private investment and more moderate increase in private consumption. Private sector activities is expected to sustain a 6.4% YOY growth in 2019 (2018e: +6.5%) while public sector activities are expected to decline by 0.9% YOY (2018e: +0.1%). Meanwhile, **the external environment is expected to turn more subdued** on the back of rising trade conflicts, volatility in global financial markets and geopolitical tensions. Net exports is expected to grow a meager 0.7% YOY in 2019, down sharply from the 7.7% expansion estimated for 2018.

Inflation expected to bounce back to 2.5-3.5% in 2019

- **Inflation is expected to bounce higher again to 2.5-3.5% in 2019, from the 1.5-2.5% projected range for 2018,** lifted partially by the base effect skewed by the zerorization of GST and reintroduction of SST. This was higher than our CPI forecast of 0.8% for 2018, and 1.0-1.5% for 2019. Key influences for inflation outlook would include uncertainties in global oil prices, geopolitical tensions, trade war and the movement in foreign exchange rate.

Unemployment rate to sustain at 3.3% in 2018-2019

- **Unemployment rate is expected to hold steady and remained healthy at 3.3% through 2018-2019** supported by creation of new jobs in the economy.

Smaller current account surplus in 2019 as a result of wider deficits in services and income accounts

- **Current account surplus is expected to narrow further to RM34.0bn or 2.0-3.0% of GNI in 2019** (2018: RM38.6bn of 2.5-3.0% of GNI). Sustained positive balances in the goods account is expected to be offset by bigger deficits in the services and income accounts.

Temporary derail in fiscal consolidation…budget deficit (% of GDP) widened for the first time since 2010, to 3.7% of GDP in 2018

- **The government is projecting a higher budget deficit of RM53.3bn for 2018, marking a RM13.5bn increase from the original deficit forecast** of RM39.8bn first unveiled during the 2018 Budget last year. This would **result in a wider budget deficit of 3.7% of GDP in 2018,** up 0.9ppt from the initial target of 2.8% of GDP. This came **on the back of slower revenue expansion and upward revision in operating and development expenditure totaling RM10.1bn.** The higher operating expenditure are mainly for fuel price stabilization, special financial assistance, pensions, repairs and maintenance and security services while for development expenditure, the increase stems mainly from higher requirement for LRT3, Electrified Double Track Project, housing as well as some reclassification from operating expenditure.

- Federal government revenue is expected to increase at a slower pace of 7.3% YOY to RM236.5bn (original target +8.8%) in 2018. On the contrary, even after accounting for cost savings from various rationalization measures and project deferment, operating expenditure is expected to increase at a faster pace of 8.2% YOY to RM235.5bn (original target +7.6%) while development expenditure is projected to jump 26.3% YOY to RM54.3bn (original target +5.6% to RM45.4bn).

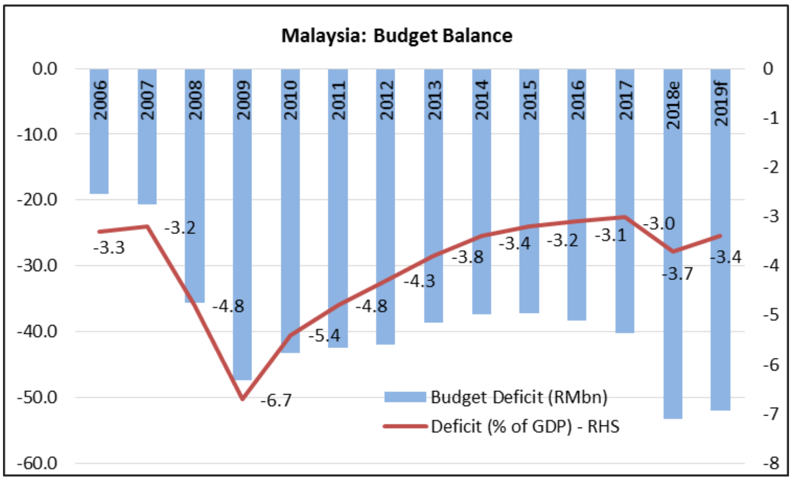
…but expected to narrow again to 3.4% of GDP in 2019

- **Budget deficit target is expected to narrow to 3.4% of GDP in 2019,** largely as a result of a higher GDP base as deficit level is projected to narrow only marginally by RM1.2bn to RM52.1bn. **The MOF has revised its 2018 assumption on Brent crude oil price from US$52/ barrel to US$70/ barrel (YTD average @ US$73/ barrel), while the assumptions for 2019-2021 under the Medium Term Fiscal Framework stood at US$60-70/ barrel.**

Government debt to GDP stabilized at 50.7%

- **Total federal government debt has risen by 5.6% to RM725.2bn as at end-Jun 2018** (Dec-17: RM686.8bn), **but it stabilized at 50.7% as a percentage**

of GDP, below the self-imposed debt ceiling of 55%. **The government is committed to reduce its debt level, projecting that total debt including contingent and leased payment to taper off to 74.6% of GDP by end-2018, and further decline to 73.5% of GDP by end-2019,** from 80.3% as at end-2017. The bulk of the debt (97%) is Ringgit-denominated borrowings, with the remaining from offshore borrowings (mainly USD) suggesting minimal exposure to foreign currency risk.



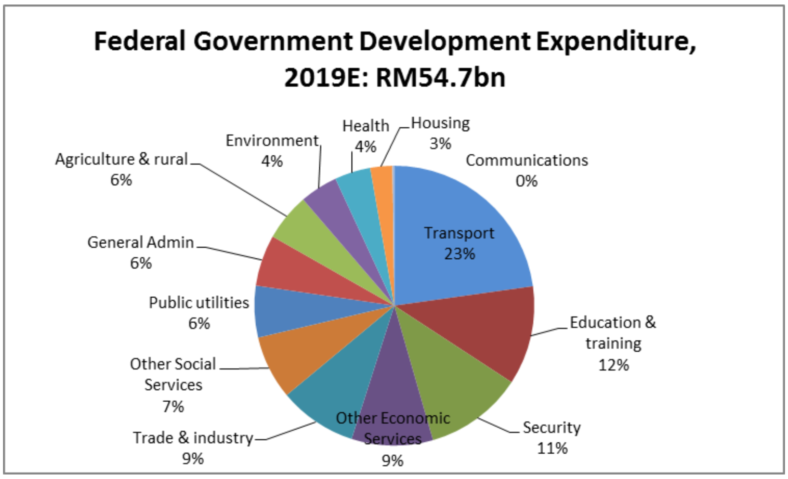
Source: MOF Economic Report 2018/19

Key Take-away from the 2019 Budget

- The government are focusing on three main areas to restore economic and fiscal health of Malaysia. The three main areas are **(1) implementing institutional reforms; (2) ensuring socio-economic and well-being of the rakyat; and (3) fostering an entrepreneurial economy.**

- **An expansionary budget nonetheless…** Contrary to all the chatters of a contractionary budget, the government is providing a **higher budget allocation of RM314.5bn for 2019, representing a 8.3% increase** from the RM290.4bn allocation in 2018 Budget. While it is deemed that all efforts have been undertaken to trim spending and plug leakages, **operating expenditure is expected to increase at a faster pace of 10.4% YOY to RM259.9bn in 2019** (2018: +8.2% YOY to RM235.5bn), as a result of higher spending most notably on other opex (+RM35.3bn) which includes grants to statutory funds, public corporations, international organizations, insurance claims and gratuities and other expenses. On top of that, there are also higher spending on debt services charges (+RM2.1bn), and retirement charges (+RM0.8bn), which offset the lower expenses on supplies & services (-RM7.4bn) and subsidies & social assistance (-RM5.9bn).

- **Development expenditure is expected to decline marginally by 0.4% YOY to RM54.7bn in 2019,** from an upwardly revised RM54.9bn in 2018 (initial budget RM46.0bn). **Transport, education, and security remained the top three recipients,** accounting for 23%, 12% and 11% of total development expenditure in 2019.



- **In terms of revenue, income tax revenue will remain the biggest contributor,** accounting for RM126.8bn or 48.5% of total government revenue. **SST collection is projected to generate RM22.0bn** to the government coffers in 2019, about half of the RM44.3bn GST collection in 2017. This was offset by **higher collection from non-tax revenue** (+38.7% to RM85.7bn) **which included the RM54bn dividend (RM30bn special dividend) from Petronas.**

- **As in previous budget, the government will continue to provide cash assistance (renamed Bantuan Sara Hidup) to the B40 group,** totaling RM5.0bn benefiting 4.1m households. Starting Jan-2019, every household with monthly income of RM2,000 and below will receive RM1,000; households with month income of RM2,001 to RM3,000 will receive RM750, while those households earning between RM3,001 to RM4,000 monthly will receive RM500. **This is expected to help sustain private consumption as this segment of the household has the highest propensity to consume.**

- **On housing, we also noticed concerted effort to promote home ownership with various measures outlined to assist first time house buyers and also to promote affordable housing.** Although the government is raising real property gain tax (RPGT) for gain on properties disposed in the 6th and subsequent years by 5.0ppt across the board i.e. from 5% to 10% for company and non-resident non-permanent individuals; and from 0% to 5% for Malaysian, exemptions is given to Malaysian citizens for the disposal of low cost, medium low and affordable residential homes priced at RM200k and below in the 6th years onwards. Stamp duty for the transfer of properties above RM1.0m will be raised from 3% to 4% effective January 2019, but those below RM1.0m will remain unchanged.

- In the capital markets, in order to promote the issuances of Sukuk, **expenditure incurred for the issuance of Sukuk under the principles of Ijarah and Wakalah, as well as retail bonds, will be able to enjoy double tax deduction for three years from YA2019 to YA2021.** In addition, tax ceiling of RM20,000 under Labuan Business Activity Tax Act will be removed while the tax exemption on interest income from wholesale money market funds will expire on 31 December 2018. **The government also proposes to issue ¥200bn of 10-year Japanese Government Bond before Mar-2019.**

- **In a nutshell, we believe this is a rather well-balanced budget covering incentives to targeted individuals and at the same time includes various**

measures to promote SMEs as well as businesses in the targeted segment i.e. tourism, digital economy, aerospace, agro-food, rubber and oil palm small holders. We also feel that the "sacrifices" as forewarned by the Finance Minister is rather muted, which we believe is positive for sentiments in the near term.

Please refer to Appendix II for more details on budget measures

Implications on USDMYR outlook

- On the FX front, **we expect USDMYR to trend within a wide range of 4.10 – 4.20 in the near term,** impacted by volatility amid unresolved US-China trade war, slowdown in China and a softer projected growth in Malaysia this year. But we expect a firmer MYR in 2019, on the back of slightly improved economic outlook and continuous fiscal reform and restoration efforts. Externally, more gradual policy tightening by the US will keep a lid on USD strength (lifting the pressure off MYR).

- **Key levels to watch for USDMYR in the near term include 4.15 on the downside and 4.20 on the upside.** From a technical perspective, USDMYR has seen rejection circa 4.1860. The result of this rejection suggest USDMYR could test 4.15 in the near term, below which a path to 4.10 could be exposed. On the flip-side, breaking 4.20 will expose a move to 4.25.

Implications on MYR bonds market

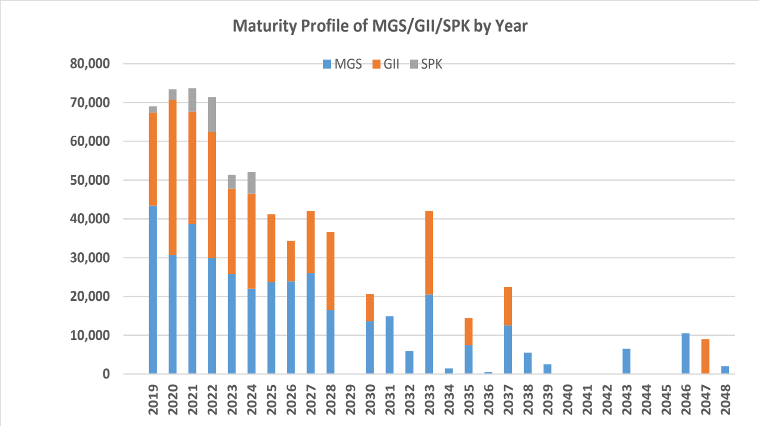
- **Gross MGS/GII supply is expected to rise circa RM112.8 in 2018, from earlier projected circa RM102.9bn**; a substantial revision in view of the sizeable deficit emanating from shortfall due to GST refunds, GST-SST switch and debt interest servicing among others. Hence net supply will possibly weigh on the curve with another RM13.8b to go for the remaining four (4) auctions for the year 2018.

RM (Billion)	2018	2019e
MGS/GII Maturities	62.8	69.0
Net Govt Bond Supply (MGS/GII)	53.3	52.1
Gross Supply (MGS/GII)	**116.1**	**121.1**

Source: MOF Economic Report 2018/19; BPAM, HLBB Global Markets Research

- Federal Government's funding needs of RM116.1b for 2018 is **majority-funded onshore up to RM112.8b by both MGS/GII** in the ratio of about 57:43 with the balance by other instruments eg Bills etc given that there are no scheduled USD Government of Malaysia (GoM) sovereign debt/sukuk maturing this year.

- **We project MGS/GII issuances for 2019 at 121.1b likely to be distributed on a ratio of about 60:40 and skew towards the mid-longer end of the curve** taking into account high level of maturities from 2019-2024. Hence much of the anticipated issuances may hinge on a combination of 7Y, and 10-20Y tenures. We anticipate a busy issuance period beginning 1Q19 to reduce the impact of outflows taking into account some RM7.7bn of maturities.



Source: BPAM/ Bloomberg, HLBB Global Markets Research

- **Going into 2019, based on scheduled MGS/GII maturities, there are sizeable maturity windows in 3Q and 4Q.** Given the subsequent comparative appeal of the MYR bond yields supported by a decent growth outlook and fundamentals, we expect funds from maturing MGS/GII to potentially revert back as reinvestments into the MYR bond space.

2019	Stock	Maturity by month (RMm)	Quarter	Maturity by quarter (RMm)
JAN				
FEB	SPK 2/19	500	Q1	7,678
MAR	MGS 3/19	7,178		
APR	GII 4/19	10,000		
MAY			Q2	10,000
JUN				
JUL	MGS 7/19, SPK 7/19	8,416		
AUG	GII 8/19	6,000	Q3	22,416
SEP	GII 9/19	8,000		
OCT	MGS 10/19	11,800		
NOV	MGS 11/19	17,119	Q4	28,919
DEC				
Total		69,012		69,012

Source: BPAM/ Bloomberg, HLBB Global Markets Research

Appendix I

Aggregate Demand

Gross Domestic Product by Expenditure Components 2010 Constant Prices (Percentage Change)

	2017	2018e	2019f	Factors Affecting Growth
Public Consumption	5.4	1.0	1.8	• Quicker expansion expected on increased spending on emoluments as well as supplies and services
Private Consumption	7.0	7.2	6.8	• Growth expected to be resilient, anchored by higher household income amid improved employment outlook, higher minimum wage and steady commodity prices • Major events expected to boost consumer spending
Public Investment	0.1	-1.5	-5.4	• Contraction is expected amid lower capital spending by public corporations
Private Investment	9.3	4.5	5.0	• Firmer growth on increased capital spending in technology-intensive manufacturing and services sectors in line with effort to drive Malaysia towards Industrial Revolution 4.0
Exports of goods and non-factor services	9.6	2.0	1.6	• Exports to remain supported by continued demand for manufactured goods, such as E&E, chemical and chemical products, petroleum products, on top of rebound in commodity exports • Rebounds expected in agriculture and mining products
Imports of goods and non-factor services	11.0	1.4	1.8	• Firmer growth expected on continued demand for intermediate goods and stable re-export activity
GDP	**5.9**	**4.8**	**4.9**	

Note: e = Estimate, f= Forecast
Source: Economic Report 2018/2019, Ministry of Finance

Aggregate Supply

Gross Domestic Product by Industrial Origin (Percentage Change)

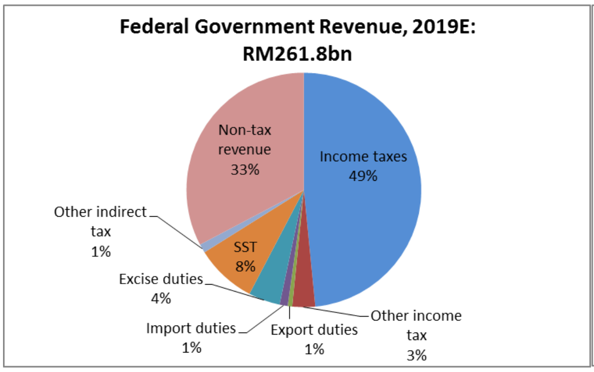
Sector	2017	2018e	2019f	Factors Affecting Growth
Agriculture	7.2	-0.2	3.1	• Rebound expected on stronger growth in all subsectors except forestry and logging • Expansion expected in oil palm and rubber subsectors after contraction in 2018
Mining & Quarrying	1.1	-0.6	0.7	• Mild rebound expected, driven by recovery as well as new production of natural gas from several oil fields • Further supported by improved demand from domestically and externally
Manufacturing	6.0	4.9	4.7	• Moderation expected but headline figure likely to remain decent • Driven by export-oriented industries, underpinned by continued growth in E&E, chemical and chemical product subsectors
Construction	6.7	4.5	4.7	• Uptick in growth expected, led by increased in new planned supply in affordable home and industrial segments • Civil engineering to remain the driver, supported by on-going projects such as Pan Borneo Highway in Sabah and Sarawak, Central Spine Road in East Coast, as well as MRT2 and LRT3
Services	6.2	6.3	5.9	• Softer growth expected on broad-based slowdown across subsectors • Wholesale and retail trade subsector (biggest contributor) to remain firm, supported by upward revision to minimum wage, higher e-commerce sales on rising participation in the Digital Free Trade Zone platform • Information and communication subsector growth expected to be resilient, driven by increased usage of broadband services and smart applications
GDP	**5.9**	**4.8**	**4.9**	

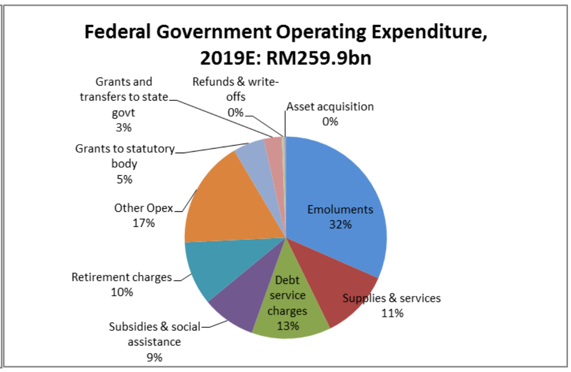
Note: e = Estimate, f= Forecast
Source: Economic Report 2018/2019, Ministry of Finance

Federal Government Finance (RM million)

	2015	2016	2017	2018 ③	2019 ④
Revenue	219,089	212,421	220,406	236,460	261,814
% change	-0.7	-3.0	3.8	7.3	10.7
Operating Expenditure①	216,998	210,173	217,695	235,450	259,850
% change	-1.2	-3.1	3.6	8.2	10.4
Current Surplus/Deficit	2,091	2,248	2,711	1,010	1,964
Gross Development Expenditure	40,768	41,995	44,884	54,900	54,700
% change	3.2	3.0	6.9	22.3	-0.4
Direct Expenditure	38,596	40,052	42,277	53,310	52,681
% change	2.6	3.8	5.6	26.1	-1.2
Gross Lending	2,172	1,943	2,607	1,590	2,019
Minus Loan Recoveries	1,483	1,346	1,852	563	656
Net Development Expenditure	39,285	40,649	43,032	54,337	54,044
% Change	2.2	3.5	5.9	26.3	-0.5
Overall deficit	**-37,194**	**-38,401**	**-40,321**	**-53,327**	**-52,080**
% of GDP	**-3.2**	**-3.1**	**-3.0**	**-3.7**	**-3.4**
Sources of Finance					
Net External Borrowing	727	834	-342	-293	-
Net Domestic Borrowing	38,931	37,859	40,750	-51,973	-
Change in assets②	2,484	-292	-87	-353	-

Note: ① Excludes intra account transfers such as Development Fund
② Indicates a draw down of assets
③ Revised estimate
④Budget estimate
Source: Economic Report 2018/2019, Ministry of Finance





Source: Economic Report 2018/2019, Ministry of Finance

Balance of Payments (RM Billion)

	2014	2015	2016	2017	2018e	2019f
Balance on Goods	113.33	109.22	101.38	116.78	128.66	128.16
Balance on Services	-10.71	-20.63	-19.09	-22.82	-30.02	-33.06
Primary Income	-36.62	-32.11	-34.35	-36.14	-40.89	-41.14
Secondary Income	-17.44	-21.33	-18.63	-17.32	-19.16	-19.97
Balance on Current Account	**48.55**	**35.16**	**29.02**	**40.27**	**38.59**	**34.00**
Capital Account	0.34	-1.14	0.11	-0.03	-0.06	
Financial Account	-79.95	-55.35	-1.13	3.80	24.39	
Direct Investment	*-17.97*	*-1.81*	*14.13*	*16.13*	*9.99*	
Portfolio Investment	*-39.35*	*-26.12*	*-15.42*	*-12.31*	*-40.91*	
Financial derivatives	*-0.98*	*-0.66*	*-0.80*	*-0.11*	*0.54*	
Other Investment	*-21.65*	*-26.76*	*0.96*	*0.09*	*54.77*	
Errors & Omissions	-5.45	*25.08*	-13.23	-27.64	-25.91	
Overall Balance	-36.51	3.75	14.78	16.41	17.30	

Note: p=preliminary; f=forecast
Source: MOF Economic Report 2018/2019

Appendix II: GDP and Inflation of Selected Economies

Selected Industrial Countries: Major Economic Indicator

	2013	2014	2015	2016	2017	2018e	2019f
Real GDP Growth (%)							
World	3.3	3.4	3.2	3.2	3.8	3.7	3.7
Advanced Countries	1.1	1.8	2.1	1.7	2.3	2.4	2.1
United States	1.5	2.4	2.6	1.5	2.3	2.9	2.5
Japan	1.6	-0.1	0.5	1.0	1.7	1.1	0.9
Euro area	-0.3	0.9	2.0	1.8	2.3	2.0	1.9
Germany	0.4	1.6	1.5	1.9	2.5	1.9	1.9
United Kingdom	1.7	3.0	2.2	1.8	1.8	1.4	1.5
Inflation Rate (%)							
Advanced Countries	1.4	1.4	0.3	0.8	1.7	2.0	1.9
United States	1.5	1.6	0.1	1.3	2.1	2.4	2.1
Japan	0.4	2.7	0.8	-0.1	0.5	1.2	1.3
Euro area	1.3	0.4	0.1	0.2	1.5	1.7	1.7
Germany	1.6	0.8	0.1	0.4	1.7	1.8	1.8
United Kingdom	2.6	1.5	0.1	0.7	2.7	2.5	2.2

e - estimate *f - forecast*
Source: IMF and national authorities

ASEAN: Gross Domestic Product and Inflation

	2013	2014	2015	2016	2017	2018e	2019f
Real GDP Growth (%)							
Indonesia	5.6	5.0	4.8	5.0	5.1	5.1	5.1
Malaysia	**4.7**	**6.0**	**5.0**	**4.2**	**5.9**	**4.8**	**4.9**
Philippines	7.1	6.1	5.9	6.9	6.7	6.5	6.6
Singapore	4.4	2.9	2.0	2.0	3.6	2.9	2.5
Thailand	2.8	0.9	2.8	3.2	3.9	4.6	3.9
Inflation Rate (%)							
Indonesia	6.4	6.4	6.4	3.5	3.8	3.4	3.8
Malaysia	**2.1**	**3.2**	**2.1**	**2.1**	**3.7**	**1.5-2.5**	**2.5-3.5**
Philippines	2.9	4.2	1.4	1.8	2.9	4.9	4.0
Singapore	2.4	1.0	-0.5	-0.5	0.6	1.0	1.4
Thailand	2.2	1.9	-0.9	0.2	0.7	0.9	0.9

e - estimate *f – forecast*
Source: IMF and national sources

Appendix III: Key budget measures

Asset Sale / Divestments

i) Reduction of government holdings in non-strategic companies to generate revenue for debt reduction
ii) Scheduled sale of government land to highest bidder to maximize revenue to the government
iii) Establishment of Airport Real Estate Investment Trust (REIT) via sale of 30% equity stake

Capital Markets

i) Tax exemption of interest income from wholesale money market funds to expire on 31 Dec 2018
ii) Tax ceiling of RM 20,000 under Labuan Business Activity Tax Act to be removed
iii) Issuance of ¥ 200 billion worth of Japanese Government 10-year bonds before Mar 2019
iv) Double tax deduction for expenditure incurred for issuance of SUKUK under the principles of Ijarah & Wakalah or even Retail Bonds; made available for three (3) years

Gaming

i) Duties on casino gross income raised to 35%
ii) Annual casino license fee to be raised to RM 150 million from RM 120 million
iii) Annual dealer machine license fee to be raised to RM 50,000 from RM 10,000
iv) Gaming machine duty to be raised to 30% of gross collection from 20%

Property

i) Real Property Gains Tax (RPGT) for companies, non-citizen and non-resident, to be raised to 10% from 5% for disposal of property in the 6th year and above
ii) For citizens and permanent residents, RPGT to be raised to 5% from 0%
iii) RPGT to be exempted for sale of properties valued under RM 200,000
iv) Stamp duty on property transfers above RM 1 million to be raised to 4% from 3%

Travel

i) Airfare levy on travelers to be raised in Jun 2019 – RM 20 for flying to ASEAN countries, RM 40 to other countries

Employment

i) Allocation of RM 20 million in the form of matching grant for the execution of 2 programmes under Human Resource Development Fund to upskill and improve the marketability of graduates
ii) Reduction of employers' EPF contribution for employees aged above 60 years, to 4% from 6%, starting 1 Jan 2019
iii) Additional tax deductions to employers that employ employees aged above 60 years up to a monthly salary of RM 4,000
iv) Minimum monthly wage to be increased to RM 1,100 from 1 Jan 2019

Healthcare / Insurance

i) Implementation of National B40 Health Protection Fund on 1 Jan 2019 to provide free coverage on 4 critical illness up to RM 8,000 and up to 14 days of hospitalization income coverage at RM 50 / day
ii) Tax exemption allotted under EPF and life insurance / takaful to be separated into RM 4,000 for EPF and RM 3,000 for life insurance / takaful
iii) Allocation of RM 29 billion for healthcare services, inclusive of RM 10.8 billion for restoration of clinics and hospitals, as well as purchases of medicine and equipment
iv) Allocation of RM 100 million to implement Skim Perlindungan Kesihatan to provide health screening to B40 group above 50 years of age
v) Allocation of RM 20 million to provide free mammogram, HPV vaccinations and Pap Smear tests at government clinics and hospitals
vi) Allocation of RM 50 million for the treatment of rare diseases, Hepatitis C, checks and expansion of hemodialysis
vii) Expanding the number of locations where smoking is disallowed starting 1 Jan 2019

Subsidies

i) Targeted petrol subsidies of RM 0.30 per liter to be provided to motocycles below 125cc (limited to 40 liters a month), and to those owning 1 car with engine capacity below 1,500cc (limited to 100 liters a month), starting in 2Q2019

ii) Allocation of RM 80 million to raise the monthly electricity subsidy from RM 20 to RM 40, expected to benefit 185,000 accounts

Taxes / Duties / Levies

i) Additional tax deductions to companies employing ex-convicts

i) Excise duty of RM 0.40 per litre to be imposed from Apr 2019 on drinks manufactured in ready-to-drink packaging that exceed 5 grams sugar per 100 ml, and juices that exceed 12 grams sugar per 100 ml,

ii) Tax on import of services (including those online) to be imposed from 1 Jan 2019

iii) Special Voluntary Disclosure Programme to allow amnesty of previously undeclared income:
- 10% penalty will be imposed on taxes payable if declaration is made between 3 Nov 2018 and 31 Mar 2019
- 15% penalty will be imposed on taxes payable if declaration is made between 1 Apr 2019 and 30 Jun 2019
- Between 80% and 300% penalty will be imposed after programme ends

Rakyat Welfare

i) Total allocation of RM 5 billion for Cost of Living Aid programme, which includes:
- A grant of RM 1,000 to households with a monthly income of RM 2,000 and below
- A grand of RM 750 to households with monthly income of between RM 2,001 and RM 3,000
- A grant of RM 500 to households with monthly income of between RM 3,001 and RM 4,000
- A grant of RM 120 to every child aged 18 and below (limited to 4 children) under the Cost of Living Aid; no age limit for disabled children

ii) One-off payment of RM 500 to eligible retired government servants

Housing

i) Real Estate and Real Estate Developers Association agrees to reduce prices of houses not subjected to price control in new projects by 10%

ii) Establishment of RM 1 billion fund by BNM to assist first-time buyers who are in the income group of below RM 2,300 a month to purchase affordable homes up to RM 150,000, starting 1 Jan 2019

iii) Exemption of stamp duty of up to RM 300,000 for first-time buyers on sale and purchase agreements as well as loan agreements for purchases of residential properties up to RM 500,000 until Dec 2020

iv) Allocation of RM 25 million to Cagamas Berhad to provide mortgage guarantees to first-time buyers with household income of RM 5,000 or less, to enable them to obtain higher margin of financing

v) Public Sector Housing Financing Board to extend loan repayment of civil servants to 35 years from 30 years for the first loan, and to 30 years from 25 years for the second loan

vi) Allocation of RM 400 million to upgrade, repair and maintain government housing quarters of the police, armed forces and teachers

vii) One-off waiver for stamp duty charges for 6 months starting 1 Jan 2019 for first time house purchases valued between RM 300,001 and RM 1 million – in return, developers will offer a minimum price discount of 10% on these residential properties

viii) To allow crowdfunding / p2p financing framework to finance up to 80% of property value for first-time buyers, in exchange for potential appreciation in the value of the property

Transportation

i) Allocation of RM 240 million to implement RapidKL unlimited travel passes of RM 100 for rail and buses, and RM 50 for buses each from 1 Jan 2019

ii) Allocation of RM 20 million to provide additional GoKL free bus services in 2019

iii) Allocation of RM 500 million for a Public Transport Loan Fund with 2% interest subsidy to be made available to tax, bus companies and other public transport operators
iv) Allocation of RM 700 million to freeze toll hikes on all intra-city tolls across Malaysia from 2019
v) Abolishment of toll for motorcycles on the First and Second Penang Bridges, as well as Second Link in Johor, starting 1 Jan 2019
vi) RM2.46b allocation to upgrade railway tracks
vii) RM25m for truck depot to catalyze development in Kota Perdana Special Border Economic Zone in Bukit Kayu Hitam
viii) Free Trade zone in Pulau Indah by gazetting 380 acres of land which will also be an extension to PKFZ.

Education

i) Allocation of RM 2.9 billion to provide assistance to students of lower income groups in food, text books and cash
ii) Allocation of RM 652 million to upgrade schools, including missionary, tahfiz, pondok and independent Chinese secondary schools
iii) Tax exemptions on donations made to national schools and public institutions of higher learning
iv) Allocation of RM 100 million for the re-construction of dilapidated schools across Malaysia
v) Allocation of RM 206 million for the development and provision of training programs in polytechnics and Community Colleges
vi) Allocation of RM 400 million in research funds to institutions of higher learning via a contestable fund
vii) Allocation of RM 2 billion to provide scholarship for Bumiputeras under the sponsorship of MARA
viii) Allocation of RM 17.5 million of next 5 years to Malaysia Professional Accountancy Centre to produce 600 qualified Bumiputera accountants
ix) Introduction of PTPTN loan repayment based on 2-15% of borrowers' monthly salary applicable for those earning RM1,000 and below with tax relief for companies that assist in settling all outstanding employee loans for CY2019. Discounts on loan repayment for academic achievements involving 1st class honours
x) Writing-off PTPTN debts for debtors minimum age of 60 years with monthly salary below RM4,000
xi) Increase in individual tax relief for additional savings deposited in PTPTN National Education Savings Scheme from RM6,000 to RM8,000
xii) Double tax deduction to companies providing scholarship & bursaries for students enrolled in vocational, diploma & degree courses in engineering & tech-subjects

Sports

i) RM100 million expenditure to prepare athletes to bring back 1st Tokyo Olympics 2020 gold medal
ii) Allocation of RM10 million for e-sports to MDEC (Malaysia Digital Economy Corporation)

Digital Economy

i) Minimum 30 Mbps speed in remote & rural areas along with 25% reduction in fixed broadband prices by end 2018
ii) RM18 million for automation of agrofood industry.

Industries & Corporates

i) RM2.0 billion Business Loan Guarantee scheme for SME to invest in automation & smart technology
ii) Development of 80-acres in Subang into world class aerospace industry hub
iii) RM4.5 billion SME Loan with 60% guarantee from Skim Jaminan Pembiayaan Perniagaan
iv) Reduction in corporate income tax rate for SME's with less than RM2.5m paid-up capital along with reduction in Corporate Tax from 18% to 17%
v) RM2.0 billion credit line & Takaful facilities by EXIM Bank to encourage exports
vi) RM100 million to upgrade capability of SME's in Halal Industry
vii) RM1.0 billion SME Syariah Compliant Financing Scheme via Islamic FI's that will provide subsidy of 2% profit rate
viii) RM200 million allocation by PUNB for Wholesale & Retail for purchase of business premises to be rented to Bumi SMEs
ix) RM20 million allocation to initiate "Buy Malaysian First" campaign
x) Foreign worker levy to be reduce from RM10,000 to RM3,500 for workers serving 10 years and above
xi) Total RM130 million (RM 100m-Khazanah & RM30m-govt) to encourage film production i.e, Filmed in Malaysia Incentive
xii) 10% concessionary tax on Principal Hub activities for five (5) years especially in the manufacturing sector
xiii) RM30 million to assist smallholders to obtain Malaysian Sustainable Palm Oil (MSPO) certification

xiv) RM100 million to use Modified Bitumen to build roads at ports & Industrial areas
xv) RM50 million to protect smallholders from fall in rubber prices ti below RM2.20
xvi) RM47 million for R&D to increase productivity of seeds, grains & fruits
xvii) RM52 million for agriculture & agrofood industry

Tourism

i) Pangkor Island to be allowed duty-free status
ii) 50% of tourism tax (est RM50 million) to be shared with states at 2% interest subsidy.
iii) RM500 million loan facilities from SME Bank via SME Tourism Fund
iv) RM20 million for medical tourism in collaboration with private hospitals

Nation Building

i) Allocation of RM 926 million to build and upgrade roads and bridges
ii) Allocation of RM 694 million and RM 738 million to supply electricity and water to rural and remote regions
iii) Allocation of RM 85 million to New Villages to upgrade and maintain basic infrastructures
iv) Allocation of RM 100 million to provide technical and skills training to the Indian community
v) Allocation of RM 100 million to construct and upgrade the infrastructure of Orang Asli community
vi) Allocation of RM 100 million to upgrade roads, RM 160 million to implement water supply projects, RM 36 million for buildings and basic infrastructure
vii) Allocation of RM 5,009 million to Sabah and RM 4,346 million to Sarawak as development expenditure

Environment / Green Energy

i) Allocation of RM 60 million to fund specific projects by state governments to protect and expand existing natural reserves
ii) Allocation of RM 5 million for micro-grants to implement with cooperation from United Nations Development Program to manage and protect the environment in Orang Asli and Orang Asal communities
iii) RM 2 billion Green Technology Financing Scheme to incentivize investments in green technology

Security Forces / Civil Servants

i) Allocation of RM 286.8 million to MACC as operating expenses and increasing its personnel by 100 officers
ii) Allocation of RM 1 billion for a bonus of RM 500 to government civil servants and RM 250 to government pensioners
iii) Allocation of RM 1 billion to Sustainable Development Financing Fund to support Agenda 2030 for Sustainable Development as well as the 17 Sustainable Development Goals under United Nations Development Programme

Others

i) Allocation of about RM 1.2 billion for the development of Islam in 2019, up from RM 1.1 billion
ii) Allocation for Islamic affairs including building of mosques increased from RM1.1b to RM1.2b in 2019
iii) Inland Revenue Board to be given authority to scrutinize and investigate unexplained extraordinary wealth not in line with income
iv) Allocation of RM 10 million to set up 50 childcare facilities in government buildings to ease the burden of working mothers
v) Patriot programme for youths aged 15-30 involving 70,000 people with allocation of RM70m
vi) Allocation of 7 days of religious pilgrimage and functions to Muslim and non-Muslim government servants

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