

MEDIA STATEMENT

Ministry of International Trade and Industry Media Statement on Budget 2020

1. It is a great honour for me as the Minister of International Trade and Industry to be here at the tabling of Budget 2020, themed *“Driving Growth and Equitable Outcomes Towards Shared Prosperity.”*
2. We take note that the IMF in July 2019 projected world growth to slow down to 3.2% in 2019 compared to the previous estimate of 3.9% in July 2018. Meanwhile, the WTO in October 2019 has projected world trade to slow down to 1.2% in 2019. The current slow trade between the US and the rest of the world especially China is impacting global trade. Despite the lacklustre global trade performance, Malaysia has maintained positive trade balance in 2019 of RM92.5 billion between January to August, which is 29.8% higher than last year and is expected to maintain a trade surplus this year.
3. We are glad to note that MITI has been allocated RM877.8 million for operating expenditure and RM865.29 million for development expenditure in 2020, compared to RM517.4 million and RM1.15 billion in 2019, respectively. There is an increase of 69.6% in operating expenditure and a reduction of 24.8% in development expenditure. The additional allocation in operating expenditure will enable MITI to implement more programmes and initiatives to drive trade promotion and industry development initiatives.
4. Furthermore, the allocations will also cover the cost of Hosting of APEC 2020 that will commence from December 2019 to November 2020. As the host for APEC meetings, MITI has been working closely with the relevant Ministries and Agencies to ensure that all the preparations are of high standards. With over 120 meetings to be held throughout the year, this hosting is set to benefit the country including SMEs and local hospitality industries directly.
5. It is heartening to note Budget 2020’s commitment to propel Malaysia into the next phase of industrial development, in line with the New Industrial Master Plan 2021-2030 that MITI will be launching in 2020. Key strategies include comprehensive review of our incentives framework to be more future-proof. The Government aims to leverage on the external

challenges and make Malaysia the preferred investment destination, and create high quality jobs by attracting global multinational companies to locate regional hubs here and nurture local players to become international players in the next five years. This is in line with the investment strategy that I introduced as MITI Minister that is 4S - Search, Seek, Secure and Service. As a result, I am pleased that approved FDI in the first half of 2019 increased by 97% to RM49.5 billion in manufacturing, services and primary sectors compared to RM25.1 billion in the same period last year.

6. MITI welcomes the announcement of a comprehensive review and revamp of the Promotion of Investments Act 1986, Special Incentives Package and incentives under the Income Tax Act 1967. Tax incentives that are no longer relevant in today's economy should be either reduced or eliminated. Only deserving companies that invest in high technology, high value-added products, that create linkages and help enhance the economy should be given tax incentives.
7. MITI together with its agencies namely MIDA and InvestKL as well as other investment-related agencies have been allotted specific mission in securing high value, high technology and high impact investments. Focusing on key priority sectors namely E&E, machinery and equipment, medical devices, aerospace, renewable energy, consumer technology and tech companies, I believe that such investments will bring many benefits to our country, making Malaysia the regional investment destination of choice. These investments will also spur our SMEs to improve their productivity through innovation, knowledge transfer, linkages as well as create high value jobs for Malaysians. This is in line with the Government's advocacy of inclusiveness and shared prosperity for all.
8. In this regard, I welcome the pre-package fund of RM1 billion annually for 5 years to attract Fortune 500 companies and global unicorns to Malaysia. I also welcome the pre-package RM1 billion annually for 5 years to facilitate local companies investing abroad. The Government is looking at making it easy for investors to obtain approval to implement their projects and contribute to economic growth. MITI is pleased that RM10 million to enhance investment facilitating and realization is allocated for this effort. This will assist MITI and MIDA to improve the time taken for the businesses and investors to do business in Malaysia. Effort to enhance and reduce unnecessary regulatory costs and delays in getting business approvals will also be addressed.
9. We laud the incentives announced including promotion of high value-added activities in the E&E industry and transit to 5G digital economy; the improvement of the accelerated

capital allowance and automation equipment capital allowance to support Industry4WRD and upgrading of port infrastructure.

10. I am pleased that RM50 million has been allocated to assist SMEs to undertake export promotion activities. The ceiling for Market Development Grant (MDG) for each company has been increased to RM300,000 from RM200,000 and ceiling for participation in each international trade fairs has been increased to RM25,000 from RM15,000. This will further facilitate companies in export promotion effort.
11. We welcome the allocation of RM550 million for smart automation matching grants of up to RM2 million per company for 1,000 manufacturing and 1,000 services companies to automate their business processes and move towards the technology frontier. This will support MITI's Industry4WRD readiness assessment of SMEs initiative which will assist in identifying the companies that can transform this opportunity into commercial success.
12. The smart automation matching grants together with the expansion of Automation Capital Allowance (ACA) to services sector for the first RM2 million until 2023 are in line with the important role played by services sector in the growth and development of the Malaysian economy. This initiative will enhance productivity in the services sector which is targeted to achieve annual growth of 3.9%. The extension of ACA to 2023 will encourage more companies in the manufacturing sector to automate their processes and reduce dependencies on unskilled foreign workers. Companies should be able to boost their production and profit margins by substituting the high cost of hiring workers with advanced equipment and software. This extension will have a significant impact on companies' automation plans as automation requires huge and long term investment.
13. We support the efforts proposed in Budget 2020 for Malaysia to take the right steps by continuing to promote the development of green industries by extending the green technology incentive (i.e Green Investment Tax Allowance and Green Income Tax Exemption) to 2023; for companies that undertake solar leasing project, they are now eligible for 70% income tax exemption up to 10 years. This effort also includes the adoption of Energy Performance Contracts which will accelerate improvement in the energy efficiency of Government buildings. These initiatives are in line with the Government's aspiration in supporting the climate change action plan in Nationally Determined Contribution (NDC), where Malaysia is committed to reduce 45% of Green House Gas (GHG) emission intensity by 2030.

14. The Government's initiative to introduce income tax exemption on Intellectual Property (IP) income for 10 years will encourage local and foreign companies to increase their investments in innovation and encourage patent registration for their products / inventions in Malaysia. This incentive is also consistent with the minimum standards under Base Erosion Profit Shifting (BEPS) Action 5.
15. Income tax exemption for new investments in international theme parks will encourage more foreign investments and position Malaysia as a home to more international-level theme parks. This will attract more tourist arrivals which will have significant contribution to the country's economic growth. In addition, income tax exemption for organisers of international sports, recreational and conference will increase the number of foreign tourist and generate revenue through local accommodation, F & B, ticket sales, sponsorships, media rights, services and ancillary services. This initiative will contribute to export of services which helps to improve services deficit in the current account.
16. MITI welcomes the Government's announcement in the implementation of four (4) programmes under the #MalaysiaKerja initiative that aims to create 350,000 new job opportunities for Malaysians and target reduction of 130,000 foreign workers.
17. MITI will continue to work closely with the industries in reducing their dependency on foreign labour and addressing the potential impact to cost of doing business, including the minimum wage increment (from RM1,100 to RM1,200) in major cities and amendments of Employment Act 1955. MITI urges the industry to adopt Industry4WRD initiatives and productivity improvement programmes.

YB DATUK DARELL LEIKING

Minister of International Trade and Industry
11 October 2019

-END-

About MITI:

MITI is the key driver in making Malaysia the preferred destination for quality investments and enhancing the nation's rising status as a globally competitive trading nation. Its objectives and roles are oriented towards ensuring Malaysia's rapid economic development and help achieve the country's stated goal of becoming a developed nation.

Media enquiries

**Ministry of International Trade & Industry
Strategic Communications Unit**



MINISTRY OF
INTERNATIONAL TRADE AND INDUSTRY

Tel +603 6200 0083

Fax +603 6206 4293

E-mail allpegkomunikasikorporat@miti.gov.my