

2018 Malaysian Budget Highlights & GST Updates

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Panel Speakers:

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 - Mr Saravana Kumar

Backdrop to the 2018 Budget



**International
geopolitical uncertainty**



**Stabilising global
crude oil prices**



**Dependence on
unskilled foreign labour**



**Slow pace of technology
adoption & automation**



**Low innovation and
skills development**



Fiscal discipline



**Sovereign downgrade
and drop in rankings**



**Culture that resists change
and performance development**

Strategies

Primarily involving:

- Invigorating investment
- Developing the future generation
- Prioritising the wellbeing of the People
- Driving inclusive development
- Fortifying the 4IR and digital economy
- Enhancing efficiency and delivery of GLCs and public service

 **Basically consistent with previous Budgets**

Budget Theme:

- Inclusive economy
- Wellbeing of the People
- Towards National Transformation 2050

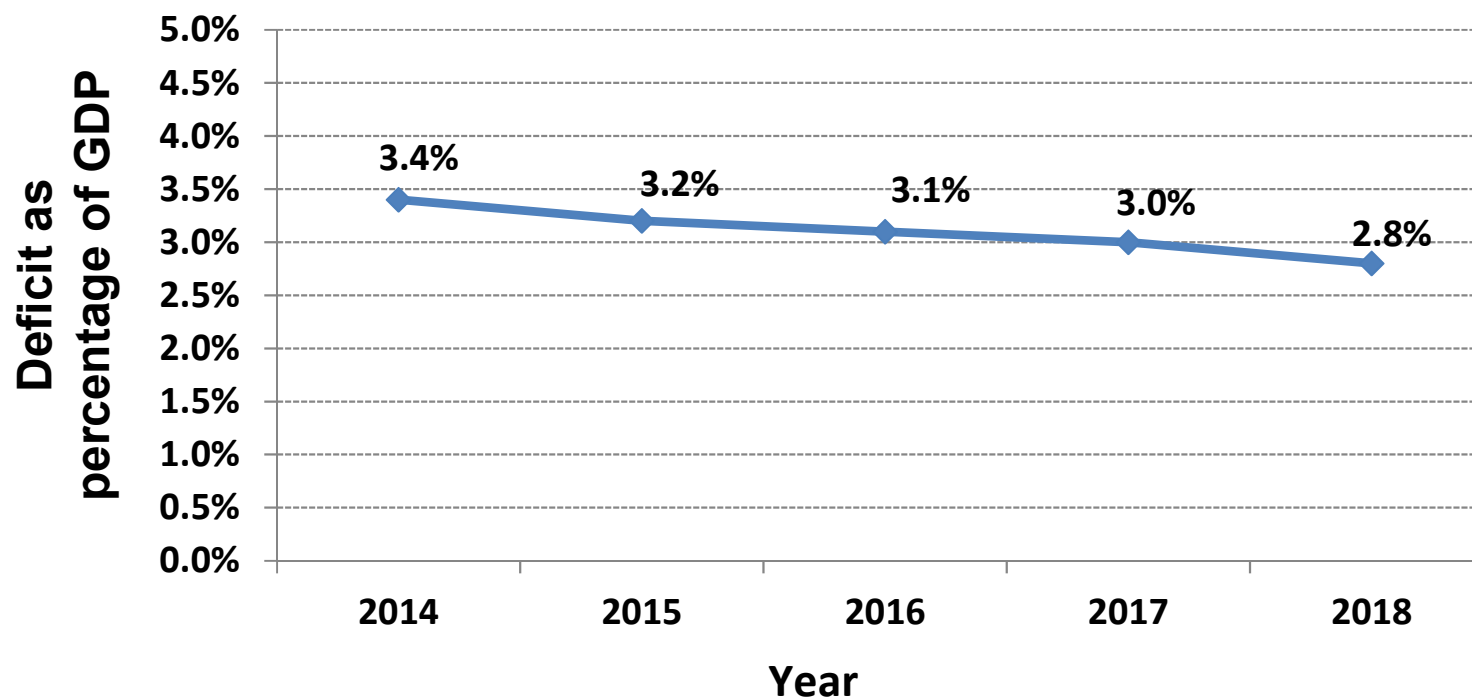
Budget Overview

Key Economic Indicators:

	2018 (RM bil)	2017 (RM bil)	2016 (RM bil)
Revenue	239.9	225.3	212.4
Operating Expenditure	234.3	219.9	210.2
Net Development Expenditure	45.4	45.3	40.6
GDP Growth	5.0% - 5.5%	5.2% - 5.7%	4.2%
Deficit	2.8%	3.0%	3.1%

Source: Economic Report 2017/2018

Malaysia's Budget Deficit

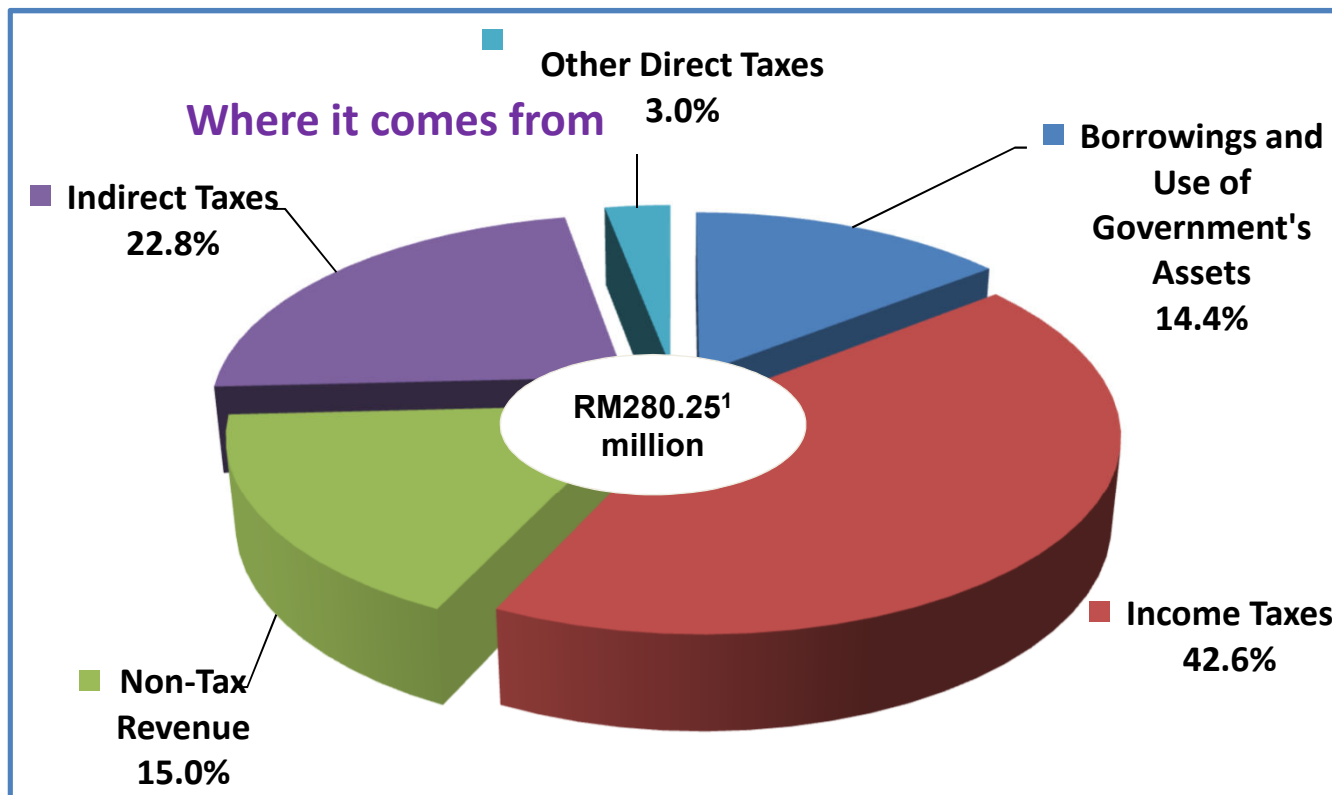


Year	2014	2015	2016	2017*	2018**
Deficit as % of GDP	3.4	3.2	3.1	3.0	2.8

Source: *Economic Report 2016/ 2017*

(2017* = Revised estimate, 2018** = Budget estimate, excluding 2018 Budget measures)

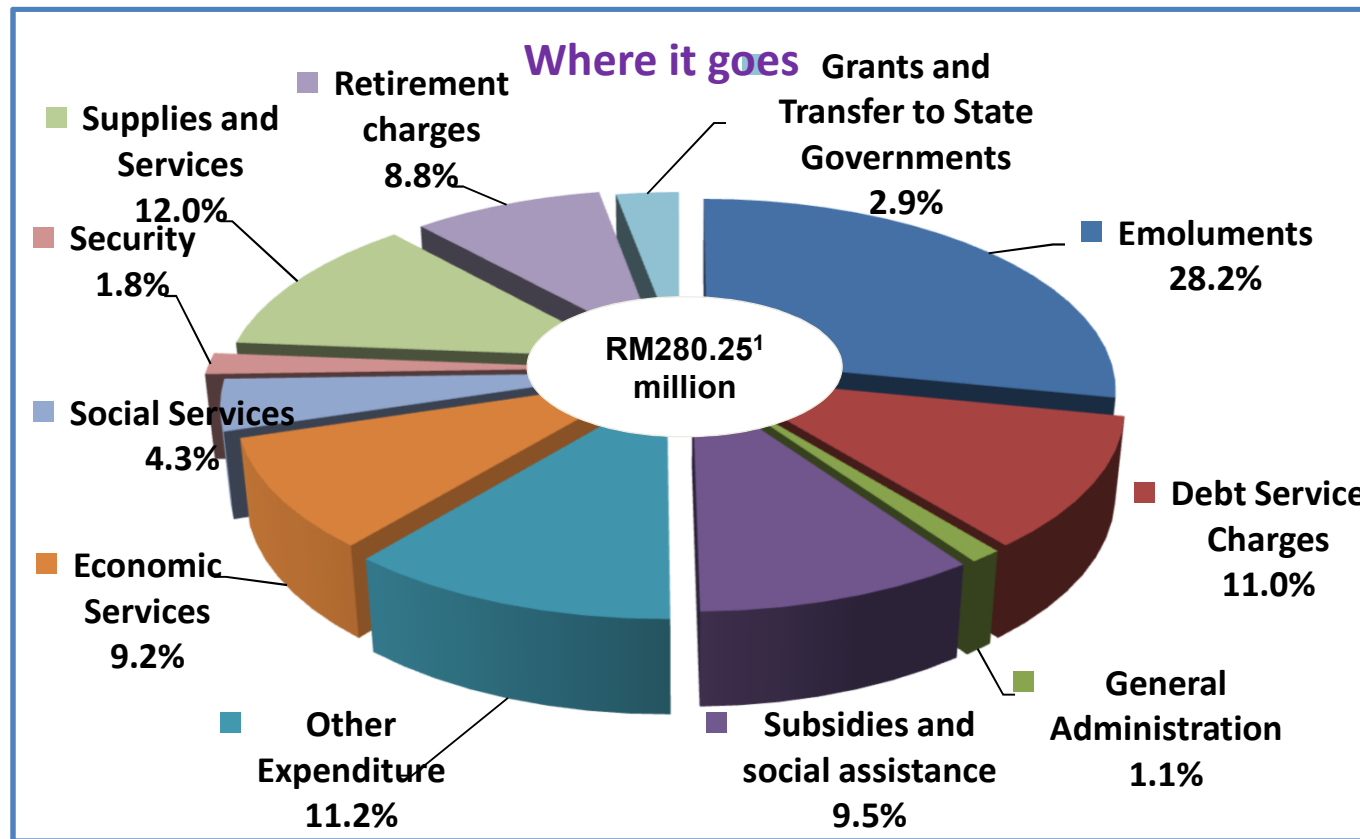
The 2018 Federal Government Budget



¹ Includes revenue, borrowings and use of Government's assets.

Source: Ministry of Finance, Malaysia

The 2018 Federal Government Budget



¹ Excludes contingency reserves.

Source: Ministry of Finance, Malaysia

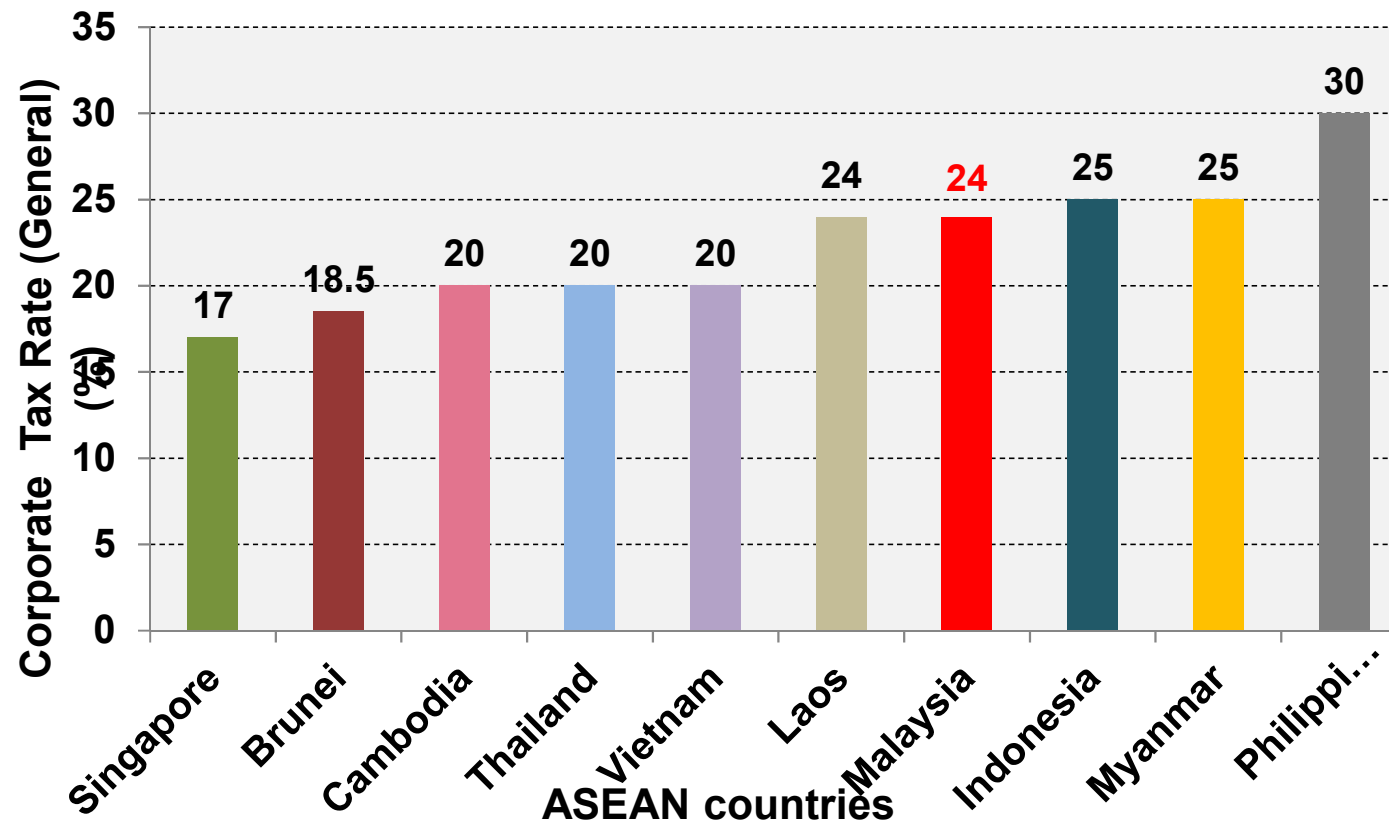
Federal Government Revenue

	2016 (RM million)	2017 (RM million)*	2018 (RM million)**
Income taxes	102,308	111,906	119,442
Other direct tax (RPGT / Stamp duty)	7,300	7,793	8,271
Export duties	980	1,222	1,400
Import duties	2,905	3,008	3,022
Excise duties	11,705	11,806	12,334
Sales tax and service tax	206	-	-
Goods and services tax	41,206	41,500	43,800
Other indirect taxes	2,733	2,959	3,300
Non-tax revenue	43,078	45,143	48,291
TOTAL	212,421	225,337	239,860

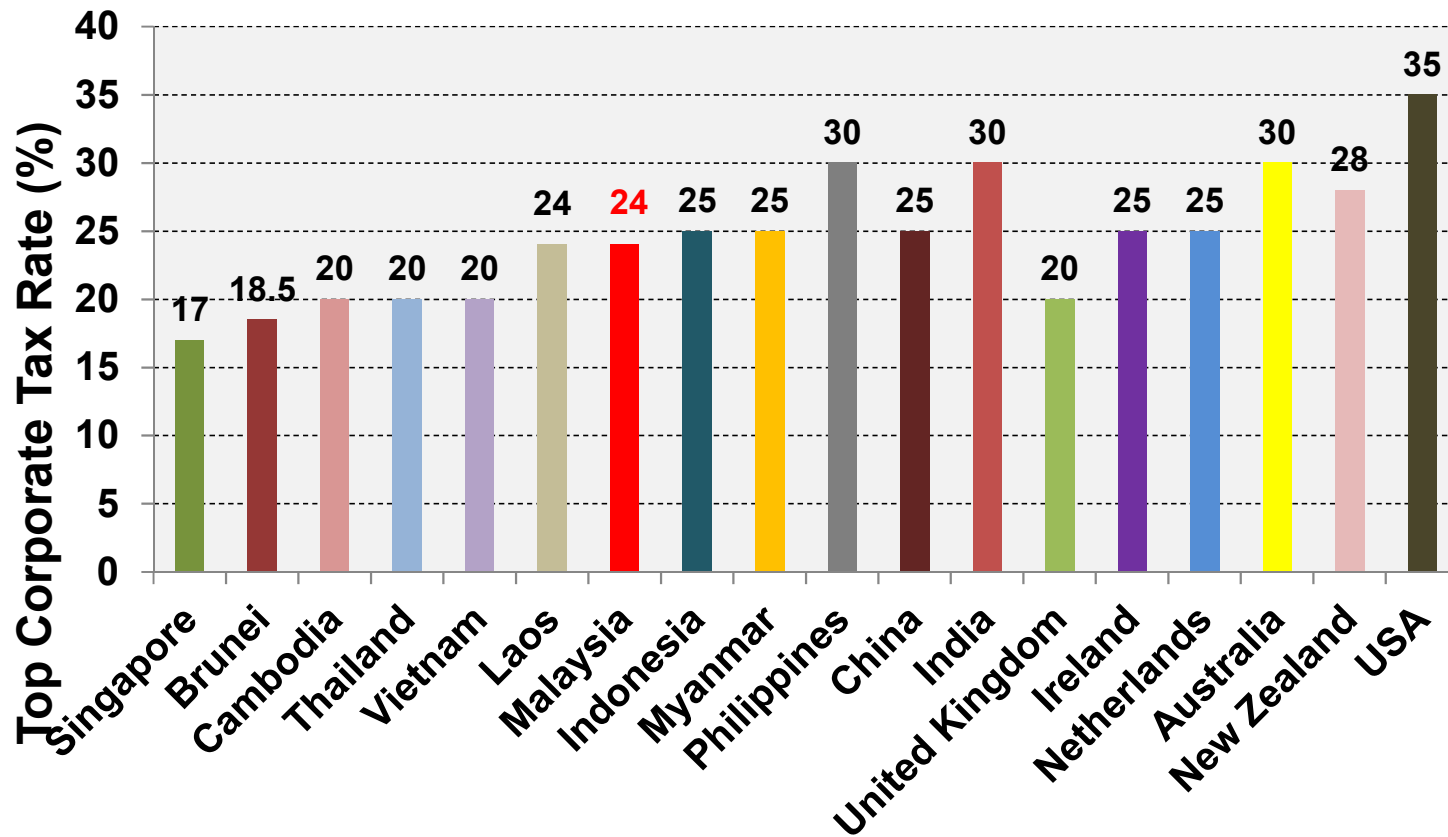
Source: Ministry of Finance, Malaysia

2017* = Revised estimate, 2018** = Budget estimate, excluding 2018 tax measures

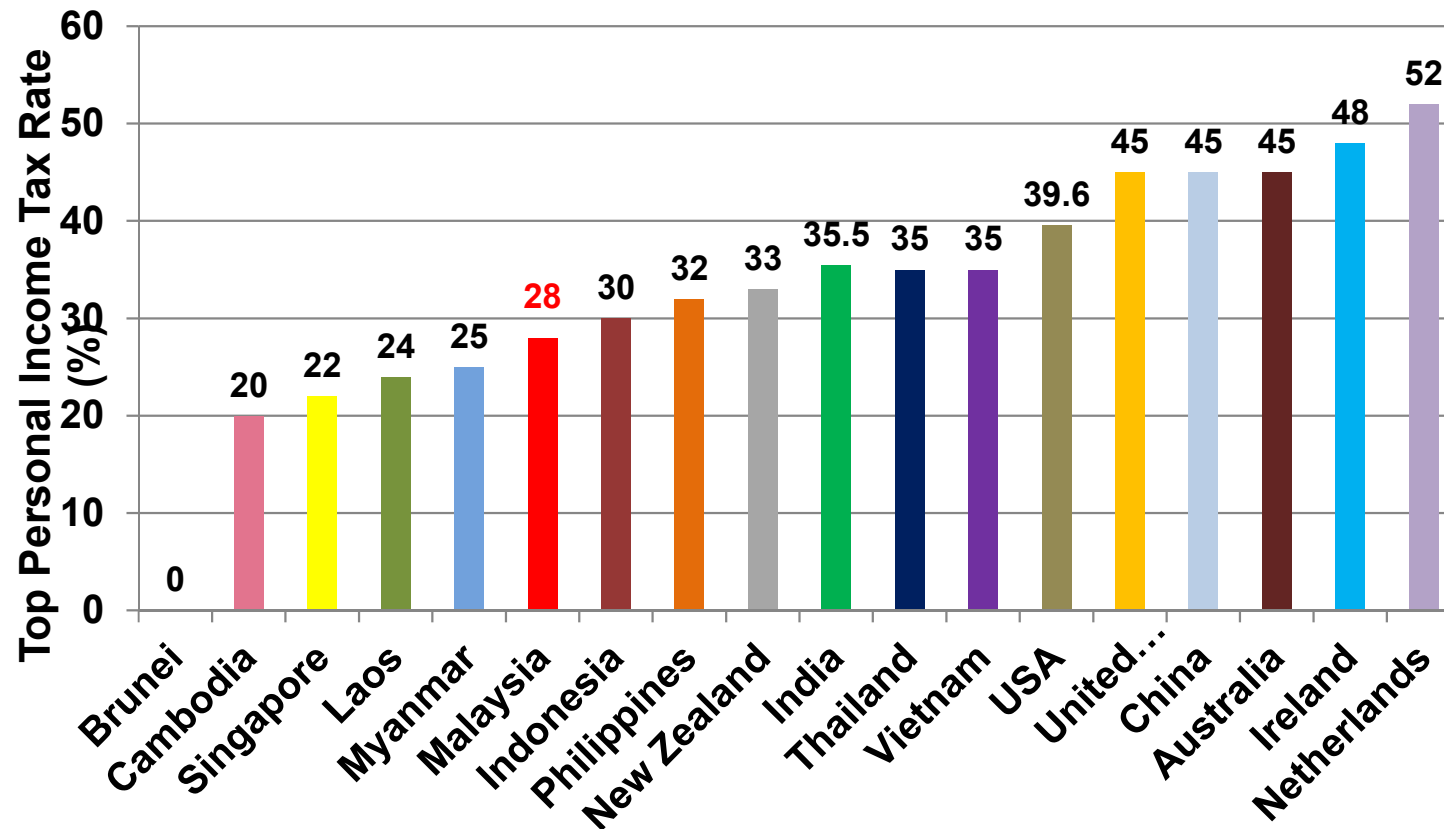
Comparison of Corporate Tax Rate – ASEAN countries



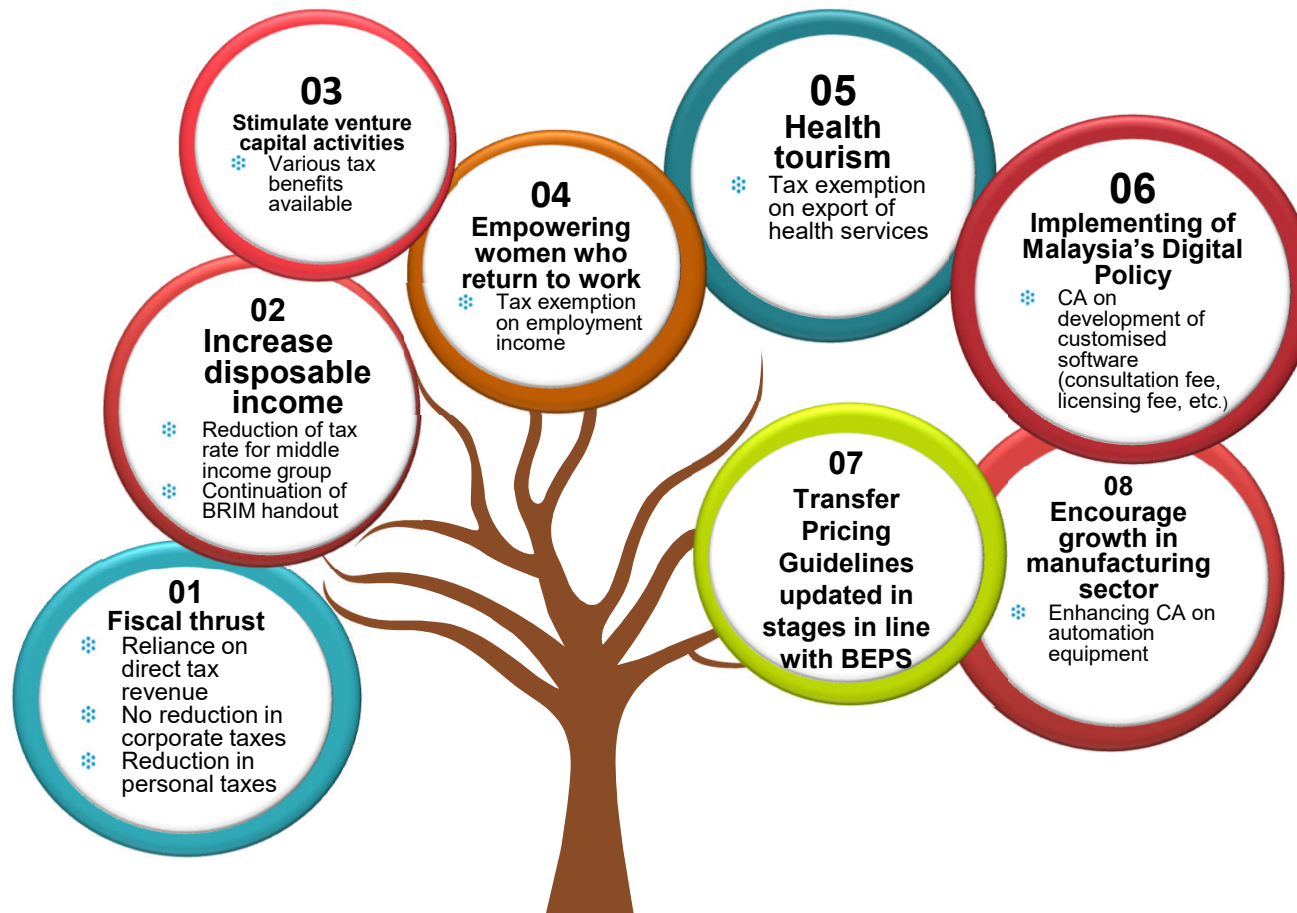
Comparison of Top Corporate Tax Rates



Comparison of Top Personal Income Tax Rates



2018 Budget Outlook





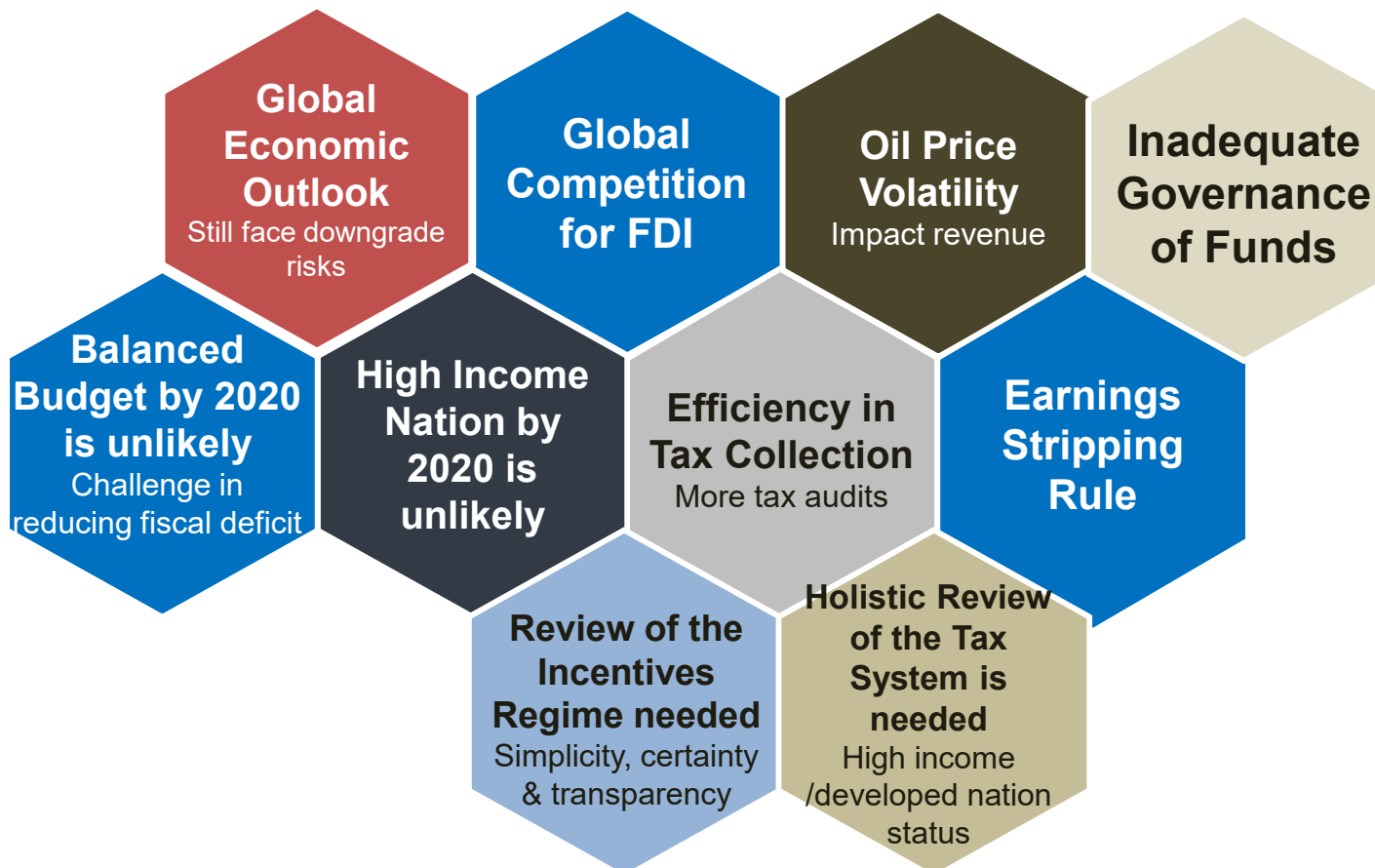
2018 Budget Outlook

- ❖ Fiscal discipline
- ❖ Reliance on GST but total revenue to increase by 6.4% over 2017.
- ❖ Targeted growth 5 – 5.5% for 2018 despite economic uncertainty and subdued growth across the global economy
- ❖ Domestic demand and private investment are the key drivers for 2017/2018
- ❖ People centric Budget—certainly an election budget!
- ❖ Pro-business strategies – focus on SMEs, etc
- ❖ No new tax incentives
- ❖ Personal tax rate reduction of 2% aimed at the M40 group but all benefit

2018 Budget Outlook (cont'd)

- ❖ Digital economy – only the DFTZ mentioned....
- ❖ Compliance burden will be increased for all businesses with more tax audits
- ❖ Rumours on estate duty/inheritance tax,
- ❖ Personal tax reliefs – no further consolidation or increases
- ❖ Reiteration of Government's commitment to OECD tax initiatives such as the Base Erosion & Profit Shifting project
- ❖ Usual allocation of funds for various initiatives – effectiveness in managing the process?
- ❖ Nothing substantive given the constraints

Challenges / Concerns





Thank You