

**TECHNICAL**

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**RECALIBRATION OF 2016 FEDERAL BUDGET**

The Prime Minister, YAB. Dato' Sri Mohd Najib Bin Tun Abdul Razak has announced the [2016 Budget Recalibration](#) on 28 January 2016 at the Putrajaya International Convention Centre (PICC). To ensure strong growth in our economy and to protect and safeguard the welfare and wellbeing of the people, 11 measures were introduced with the aim of boosting consumption. Some of the measures are as follows:

- 1) To increase disposable income of the rakyat and boost private consumption expenditure, the following measures are proposed:
  - Employees' contribution to the EPF will be reduced by 3% beginning from March 2016 to December 2017. There is no change in employers' contributions. You may refer to the [EPF's announcement](#) for the details of the implementation of this measure.
  - A special tax relief of up RM2,000 to individual taxpayers with a monthly income of RM8,000 or below for the year of assessment 2015. (This is similar to a proposal introduced in the 2014 Federal Budget.)
- 2) To enhance revenue collection and reduce tax leakage, the following measures will be taken:
  - i) Tax compliance and audit efforts will be doubled on tax evaders.
  - ii) Special consideration on relaxation for penalty on taxpayers who come forward and declare their past years' income and settled their arrears before 31 December 2016.
  - iii) For duty-free islands, the Government will restructure the selling channel of cigarettes and liquors limited to duty-free outlets licensed by the Royal Malaysian Customs Department (RMCD).
  - iv) Duty-free treatment on imported vehicles in duty-free islands will be tightened.
  - v) Optimise the revenue from the telecommunication spectrum through a redistribution and bidding process.
  - vi) Government will develop several strategic areas through a bidding process.
- 3) 30% of the levy contribution to the Human Resources Development Fund (HRDF) will be provided to enhance the competency and skills of employees.
- 4) Development financial institutions (DFIs) and Government owned venture capital funds (VCs) will increase their financing funds by RM6 billion to provide financing small and medium enterprises (SMEs) and start-up companies.
- 5) To tackle the housing problem, the following are introduced:
  - i) With immediate effect, for all new housing projects, houses priced up to RM300,000 are mandatorily for sale to first-time house buyers only.
  - ii) Organise Integrated House Ownership Expo Roadshows offering more than 100,000 housing units under the National Housing Department (JPN), 1Malaysia People Housing Programme (PR1MA), Syarikat Perumahan Negara Berhad (SPNB), Perumahan Penjawat Awam 1Malaysia (PPA1M) and state agencies as well as private sector.

- iii) Bank Simpanan Nasional (BSN) and Bank Rakyat will offer a financing package at 4% for houses priced at RM35,000 under the People's Housing Programme (PPR).
- 6) To alleviate the rakyat's burden from the rising cost of daily basic necessities, the following initiatives are introduced:
- i) Temporary liberalisation of control on import quotas or approved permits on eight agriculture produce, including raw coffee beans, buffalo meat, beef and mutton.
  - ii) The Federal Agricultural Marketing Authority (FAMA) will establish markets or MyFarm Outlets that sell agricultural produce such as fish, poultry, meat, vegetables and fruits at prices that are 5 -- 20% below market prices.
  - iii) Additional cash of RM50 will be given for every metric tonne of cleaned paddy as an input incentive for paddy production and introduce MyBeras programme where every registered hardcore poor household will be supplied with 20 kg of rice every month until December 2016.
  - iv) Step up enforcement of the Price Control And Anti-Profiteering Act 2011 and increase the number of fair price shops, including local and foreign hypermarkets, to 1,000 this year.
- 7) To streamline the management of foreign workers system, the levy will be clustered into two categories. This does not include foreign domestic maids.
- To fulfil industry demand and to enable the Government to ascertain the number of Foreign Workers Without Permits (PATI), a rehiring programme will be implemented to provide opportunities for PATI in the country to be given valid work permits.
- 8) To encourage tourism, the following will be implemented:
- i) From 1 March 2016 to 31 December 2016, tourists from China do not require a visa to visit Malaysia for a period of stay not exceeding 15 days, subject to specific conditions.
  - ii) Implementation of eVisa to identified countries to facilitate entry of foreign tourists.

Other measures include:

- More prudent spending.
- Continued efforts to rationalise the provision of grants and to restructure entities.
- Focus on projects and programmes that are rakyat-centric as well as with high multiplier effect and low import content.
- Prioritise physical projects such as construction of affordable houses, hospitals, schools, roads and public transport as well as security.
- Economic Planning Unit (EPU) to monitor initiatives by Government-Linked Companies (GLCs) to narrow the income gap between higher management and employees gradually.

Members may view the Special Address by Prime Minister on the 2016 Budget Recalibration on the [Institute's website](#) or the Official website on the [Treasury's website](#).

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