

Business News

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Industry leaders' views on 2017 Budget

Comments from LTAT, Deloitte Malaysia, MIDF, NCIA, Moody's, Uber Malaysia, Dagang NeXchange, Symantec Malaysia

Tan Sri Lodin Wok Kamaruddin, Chief Executive, Lembaga Tabung Angkatan Tentera

Lembaga Tabung Angkatan Tentera (LTAT) is heartened to note that the Government will be providing a special insurgency incentive payment to armed forces veterans amounting to RM55mil to enable those who have lost their abilities during their service in addition to Disability Pension.

The importance placed on the healthcare sector is evident given the total allocation of RM25bil for this sector, of this RM4bil has been allocated for the supply of drugs, consumables, vaccines and reagents to all Government hospitals and health facilities. This bodes well particularly for our pharmaceutical arm, [Pharmaniaga Bhd](#).

In terms of the defence sector, the Government has allocated RM15.1bil for the Ministry of Defence, of which RM1.8bil has been allocated for defence asset maintenance such as aircraft, patrol vessels, communication equipment, buildings and weaponry.

In addition, Armed Forces will be equipped with patrol vessels. This augurs well for us given our participation in the maritime sector via [Boustead Heavy Industries Corp Bhd](#).

Deloitte Malaysia International Tax Leader Tan Hooi Beng:

One of the objectives of The [Budget 2017](#) is to increase the disposal income of rakyat. The relief for fees paid to child care centres and kindergartens, purchase of breastfeeding equipment, will be helpful.

The full stamp duty exemption on first home ownership will enable the rakyat to own their first home. Meanwhile, the proposed reduction of corporate tax rate for SMES recognizes the fact that SMES remain as an important element of the economy.

The proposed set-up of the Collection Intelligence Arrangement (CIA) under the Ministry of Finance, it involving Inland Revenue Board (IRB), Royal Malaysian Customs and CCM simply means full compliance by taxpayers is the way forward.

However, I remain hopeful that the tax agencies will continue to administer the tax law fairly and be lenient on genuine errors.

Datuk Mohd Najib Abdullah, Group Managing Director, Malaysian Industrial Development Finance Bhd:

Budget 2017 offers an optimal mix of stimulus, incentives and safeguards required to navigate what is expected to be another challenging year ahead.

It is a well constructed budget, taking cognizant of the need to balance between the country's aspirations to achieve a high-income nation status, and the 11th Malaysia Plan's commitment towards economic growth which is anchored on the principle of inclusivity, equity, wellbeing and sustainability.

The MIDF Group is of the view that the Government's GDP growth forecast of 4.0 – 5.0% in 2017 is attainable amid the challenges posed.

The MIDF Group applauds the Government's commitment towards fiscal probity by budgeting a deficit equivalent to 3.0% of GDP next year. Keeping the fiscal gap under control is a necessary stabilizer for the Ringgit and should be positively welcomed by the markets.

The allocation of RM3bil special fund to invest in potential small and mid-cap companies will boost the trading activities in these counters and help rejuvenate liquidity and sentiment in the local stock market.

Traditionally, much focus is on the 100 top companies listed on Bursa Malaysia and this new fund will enable the investment companies to seek better capital returns and yields. This will unlock the value of small cap companies. The Small and Mid-Cap PLC Research scheme is also positive for small and mid-cap stocks because many of these companies are under-researched.

Overall, Budget 2017 is a prudent and proactive budget. The MIDF Group is confident that the various measures announced will help the country buffer the external headwinds in 2017 while continuing to enhance Malaysia's long-term fundamentals.

Datuk Redza Rafiq, Chief Executive, Northern Corridor Implementation Authority (NCIA):

Budget 2017 is a pragmatic "people's budget", where the Government has demonstrated it is adept in balancing and maintaining fiscal prudence, managing growth as well as the people's well-being.

It also illustrates the Government's continuous commitment in ensuring that the economic fundamentals of the nation remain resilient and strong. The measures indicate prudence and creativity in optimising expenditure, to ensure delivery for the people.

The Malaysian Government has always shown that it is agile and expansive to take on global economic uncertainties, keeping the economy firmly on a growth path despite the global strong headwinds

Earlier this year, due to the global economy slack and significant drop in world crude oil prices, the Malaysian government came up with a recalibrated and restructured budget for 2016 to ensure that the projections are in line with the current economic situation. The recalibrated Budget 2016 emphasised on fiscal discipline as well as the well-being of the rakyat.

Since the recalibration announcement, various economic events have occurred worldwide, notably UK's exit from the European Union (EU), popularly known as BREXIT, and its resulting impact.

True to form, Budget 2017, with the theme "Accelerating Growth, Ensuring Fiscal Prudence, Enhancing Well-being of the Rakyat", has been formulated to support the growth of the domestic economy while ensuring that the people's needs are taken care of in order to boost consumers' confidence.

Budget 2017 sees more policy measures announced to support private consumption and domestic demands.

The Budget 2017 stressed on managing wealth in an equitable manner, with focus on uplifting the quality of life of the "Bottom 40" (B40) group. Indeed this will continue to be the focus of NCIA.

Priority has been given to people-centric projects such as MySuria, as the Government drives to raise the disposable income of the rakyat and mitigate the rising cost of living.

MySuria started out as SuriaKU or the "Sunlight at Koridor Utara" initiative with the underlying concept of utilising renewable energy and green technology.

Its pilot programme was successfully implemented in Pauh, Perlis and was completed in November 2015; and the recently announced nationwide rollout looks set to take things to the next level," he added.

The programme aims at improving the socio-economic standing of the lower income group (B40) and helps to position them into the middle class income bracket (M40) by generating income from tapping into solar energy sources.

The pilot programme involved the Perlis State Government, NCIA and the private sector. NCIA will lead the nationwide rollout project as well as act as advisory to other Corridors and states.

Continued focus on Small and Medium Enterprises (SMEs) is also commendable as enhancing their capability to propel forward will further increase their contributions to the nation's economy.

The development of new growth nodes initiatives in Koridor Utara will provide more business opportunities for the SMEs and NCIA will work with relevant agencies to ensure that SMEs capitalise from these new developments.

Focus on human capital development is key towards accelerating the transition of the country to a high income economy.

The focus on Technical and Vocational Education (TVET) in the Budget 2017 is in line with NCIA's initiatives to ensure that supply matches demand while meeting the quality standards expected by the industry.

NCIA is proud to be the pioneer implementing agency for the TVET pilot programme in Koridor Utara.

In line with the focus of the Budget to ensure food security and sustainability, various other initiatives such Estate Management Model for Paddy will be expanded throughout the region to address the farm and farmers' productivity for paddy production. The proven model has resulted in significant increase in crop productivity and farmers' income.

Overall investment climate would likely be maintained, supported by the implementation of infrastructure development projects and capital spending in the manufacturing and services sectors.

The total budget of RM2.1 billion for all Economic Corridors including NCIA for various projects will result in greater connectivity, enhanced business environment, reduced cost of doing business and further accelerate investments. This would in effect reduce the disparity in regional developments within the nation.

Towards this end, NCIA will intensify its efforts to continue developing growth nodes projects such as Chuping Valley, Kedah Science & Technology Park and Kedah Rubber City to serve as catalysts for Koridor Utara and create more jobs and business opportunities.

NCIA will continue working closely with other government agencies to attract pioneer investors in 2017 for these initiatives to maintain the investment momentum in the country.

Christian de Guzman, Vice president senior credit officer, Moody's Investors

Service:

The budget's focus on near-term fiscal consolidation supports Malaysia's A3 rating. Although the government projects that the deficit will narrow for an eighth consecutive year to 3% of GDP in 2017, we expect government debt to continue to climb.

It remains unclear how the government's previously stated goal of a balanced budget by 2020 can be reached, especially given the absence of major reforms to increase revenue.

At a projected 16.6% of GDP in 2017, federal government revenue will decline for a fifth consecutive year from a recent peak of 21.4% of GDP in 2012. It will also be the lowest revenue take since 2000.

Nevertheless, fiscal consolidation has been enabled by the continued curtailment of expenditure, which has fallen faster than the decline in revenue.

Leon Foong, General manager, Uber Malaysia:

We are delighted that the Government have recognised how Uber can positively impact the socioeconomic status of Malaysians in the B40 segment.

By providing the choice to earn at the touch of a button to Malaysians from all walks of life, driver-partners can provide for themselves and their families, as well as have greater independence to pursue their dreams.

We are also thrilled to be engaging Proton, the national car manufacturer, as a partner, and will make an announcement with more details soon.

The initiative clearly provides tangible growth and economic empowerment. It is also a clear win for the ridesharing industry and shows forward-thinking leadership. We commend the Malaysian Government for this astute, people-centric Budget!

Wherever we operate, Uber has positively impacted people and cities and we have positively contributed to the local economy. Ridesharing is here to stay and Uber will certainly continue to do our part in improving urban mobility in Malaysia.

Zainal Abidin Jalil, Group Managing Director, [Dagang NeXchange Bhd](#):

The economic growth forecast of 4-5% next year will be able to positively drive an increase in trade volume for the country. In Malaysia, the backbone of the trade eco-system is the National Single Window (NSW) for trade facilitation, a single window system that allows customs-related electronic transactions and duty payments, and electronic document transfer between members of the trading community.

With such a system, the trading community can save time and cost, gain competitive edge, improve efficiency and productivity, and at the end of the day improve their bottom line.

It is heartening to note that technological readiness or ability to leverage on technology for increase efficiency and enabling innovation of competitiveness - one of 12 pillars of measurement in the Global Competitiveness Report – has improved from the 47th position in 2015-2016 to 43rd position in the recent 2016-2017 report.

We are also hopeful that measures outlined in the 2017 Budget Speech such as the development of an e-commerce eco-system and Digital Free Zone can further bring innovation in this area and contribute to ease of doing business for the country and ultimately the whole economy.

Sanjay Rohatgi, Senior vice president, Asia Pacific and Japan, Symantec
Malaysia:

The Budget 2017 looks at the government's initiatives in accelerating growth and enhancing the wellbeing of the rakyat. The 2017 budget is reflective of Malaysia's rapidly-transforming digital economy.

It is encouraging to see an on-going emphasis on improving Malaysia's quality and coverage of broadband nationwide. The allocation of RM1bil to bring up the internet speed to 20 mbps will definitely contribute to enhancing Malaysians' involvement in the Digital Economy.

As more Malaysians embrace the Digital Economy via government initiatives such as eRezeki, eUsahawan and eCommerce, there needs to be an increased awareness on cybersecurity.

Symantec's Internet Security Threat Report 21 shows that cyber attackers are not slowing down. Malaysia ranks 47th globally in terms of ransomware attacks, with 5,069 attacks in 2015 alone.

To improve Malaysia's digital threat landscape, Malaysians need to educate themselves about security risks and best online practices.

Symantec works regularly with governments and law enforcement partners globally to protect the world's information. By working with our industry peers and governments across the world, we can better protect and manage the onslaught of these threats.

We look forward to playing our part in the nation's on-going cyber security development as Malaysians continue to embrace the Digital Economy.