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Short-Term Economic Recovery Plan (PENJANA)

June - Dec 2020





Short-term Economic Recovery Plan (PENJANA)

Recently, Malaysian Government has announced Short-term Economic Recovery Plan (PENJANA) to build the economy together in line with the recovery phase of COVID-19. The government is supporting the economy to operate in the New Normal via 3 thrusts:



i

Empower
People

ii

Propel
businesses

iii

Stimulate the
economy



Short-Term Economic Recovery Plan (PENJANA)

Allocation:

PENJANA	RM 'Billion
Thrust 1: Empower People	13.233
Thrust 2: Propel Business	9.655
Thrust 3: Stimulate Economy	6.662
Miscellaneous	0.450
Total	30.00



THRUST 1: EMPOWERING PEOPLE

Wage Subsidy Programme (Mid June – End Sept 2020)

Extended for a further three months with subsidy of RM600 per employee

The current program will be enhanced by allowing employers receiving wage subsidy to implement:

- reduced work week
- reduced pay (the maximum allowable reduced pay is 30%)

Employers can receive wage subsidy for employees on unpaid leave:

- subject to employees receiving the subsidy directly
- for tourism sector and businesses which are prohibited from operating during CMCO

National Employment Services Job Portal Upgrade (Long-term)



The National Employment Services under PERKESO will be upgraded as follows:

- Enhancement of the job portal and employment placement services
- Collaboration with the private job sites for employment matching



Hiring and Training Assistance for Businesses

(Applications open from mid June to end December 2020)

The Government will introduce incentives to encourage the hiring of the unemployed as follows:

Youth

- RM600 per month for apprenticeships for school leavers and graduates for up to 6 months

Unemployed Workers

- Below 40 years old: RM 800 per month for employment of unemployed for up to 6 months

Unemployed Workers

- 40 years old and above: RM 1,000 per month for employment of unemployed for up to 6 months
- Training allowance of RM4,000 per individual will be extended to those retrenched but not covered under the Employment Insurance System (EIS)



Reskilling and Upskilling Programmes (Mid June to end December 2020)

To **enhance employability of youth** particularly school leavers and fresh graduates:

- Provide a 1-to-1 matching fund of RM250 million to co-fund place-and-train in addition to other upskilling programmes with HRDF
- Optimise Government training facilities such as those under MARA, Community Colleges, IKBN and ILP
- Support Securities Industry Development Corporation (SIDC) programs such as Capital Market Graduate Apprenticeship program, Islamic Capital Market Graduate Training Scheme (ICM GTS) and training subsidy of up to RM 3,500 over the next 6 months

- Relax conditions for PROTÉGÉ Ready to Work (RTW) programme

To **provide upskilling for unemployed workers:**

- Public private collaboration on upskilling in sectors such as E&E and ICT for key investors (MIDA, corridor authorities)
- Incentivise further studies, focused on short courses in local universities
- Leverage entrepreneurship programs delivered by MOA, MARA, MEDAC
- Provide training subsidy of up to RM 800 per month for 6 months through the Securities Industry Development Corporation (SIDC₇)

Gig Economy Social Protection and Skilling

(Beginning August 2020)

The Government will facilitate policies to support the growth of the gig economy and the welfare of gig economy workers through:

- A matching grant of up to RM50 million for gig economy platforms to contribute for their gig workers towards PERKESO's employment injury scheme of up to RM162 and EPF's i-Saraan contribution of up to RM250 yearly
- Provide MDEC with RM25 million for the Global Online Workforce (GLOW) program which will train Malaysians to earn income from serving international clients

Flexible Work Arrangement Incentives

(Beginning June 2020)



- Further tax deduction for employers which implement Flexible Work Arrangements (FWAs) or undertake enhancement of their existing FWAs (effective 1st July 2020)
- Individual income tax exemption of up to RM5,000 to employees who receive a handphone, notebook & tablet from their employer (effective 1st July 2020)
- Special individual income tax relief of up to RM2,500 on the purchase of handphone, notebook & tablet (effective 1st June 2020)
- SOCSO will also provide coverage for workers involved in accidents while working at home under the Employment Injury Scheme



Child Care Subsidy (Beginning June 2020)

To ease the transition to the new normal of working-from-home, the Government will **support working parents** through the subsidy of childcare expenses:

- eVouchers of RM 800 per household for mobile childcare services, to be utilized from now till end of August 2020
- Increase in income tax relief for parents on childcare services expenses, from RM 2,000 to RM 3,000 for Year of Assessment (YA) 2020 and 2021

There will also be incentives to **encourage childcare centres** to comply with the new normal and to incentivise certification of early education practitioners:

- One-off grant of up to RM5,000 per childcare centre registered with the Ministry of Women, Family and Community Development (up to 31st December 2020) to comply with new healthcare SOPs
- Incentive to train new practitioners for child nursing and early education course under Ministry of Women, Family and Community Development



My30 Public Transport Subsidy (Mid June to end December 2020)

To encourage mobility and reduce the burden of costs of transportation, the Government will:

- Introduce an unlimited monthly travel pass costing RM30 for use on all rail services (MRT, LRT, Monorail), BRT, RapidKL buses and MRT feeder buses

Social Assistance Support for Vulnerable Groups (Beginning June 2020)

One-off financial assistance RM300 will be provided to identified vulnerable groups:

- 190,000 registered OKUs
- 150,000 single mothers (income below the poverty line) registered under KPWKM (unregistered single mothers can start to register until December 2020)
- 2,000 volunteer Home Help Services

Grant for relevant registered NGOs which support vulnerable groups

PENJANA GLC Community - GLCs encouraged to adopt one community and will implement a social economic development project with the community

PEKA B40 Healthcare Support (To begin immediately)

The government will double the existing allocation for the PEKA B40 Programme to a total of RM 100 million in order to fund four benefits for the B40 group;

- Health screening
- Medical device assistance
- Cancer treatment incentives
- Subsidy for transportation for health

Internet Connectivity for Education & Productivity (Mid June to end December 2020)



To enable the transition to the new normal of remote learning and work, support will be provided to increase internet connectivity through the following:

- Free 1Gb per day between 8am to 6pm for education, productivity (video conference applications) and news by participating telecommunication companies
- Free unlimited use of Government's COVID-19 applications and access to Ministry of Health and other Government websites



THRUST 2: PROPELLING BUSINESSES



Micros and SMEs E-commerce Campaign (June to September 2020)

Eligible Micro enterprises and SMEs will be onboarded to shift towards business digitalisation through a co-funded programme with MDEC and e-commerce platforms.

Participating e-commerce platforms will provide the following to eligible MSMEs:

- On-boarding training
- Seller subsidy
- Sales support

“Shop Malaysia Online” for Online Consumption (August to September 2020)

The Government will collaborate with e-commerce platforms to:

- Co-fund digital discount vouchers to encourage online spending on products from local retailers

Technical and Digital Adoption for SMEs and MTCs (Beginning June 2020)

The Government will continue to provide grants and loans to eligible enterprises for adoption or subscription of digitalisation services under the following programmes:

- SME Digitalisation Matching Grant totalling RM100 million, in partnership with telecommunication companies
- SME Technology Transformation Fund totalling RM500 million loan (application opens from July 2020)
- Smart Automation Grant totalling RM100 million, capped at up to RM1 million per company

MyAssist MSME One Stop shop (Beginning June 2020)



An online one-stop business advisory platform for the Micro enterprises and SMEs will be set up to enhance the outreach of the existing physical SME Hub.

The services offered include guidance for:

- Funding facility
- Trade facilitation
- Branding and promotion
- Technology support
- Legal



PENJANA SME Financing (PSF) (Mid June 2020)

The banking sector will offer an additional RM2 billion of funding to assist SMEs adversely impacted by COVID-19 sustain business operations at a concession rate of 3.5%.

This financing facility will be made available in mid-June 2020 with a maximum loan size of RM500,000 per SME.

PENJANA Tourism Financing (PTF) (Beginning July 2020)

To aid the tourism sector, a RM1 billion PENJANA Tourism Financing (PTF) facility will be made available to finance transformation initiatives by SMEs in the tourism sector to enable them to remain viable and competitive in the new normal.

Details of this fund will be announced in July 2020.

PENJANA Microfinancing (Beginning June 2020)

Dedicated funding support for micro enterprises via:

- New funding program for SMEs and micro enterprises at a subsidised interest rate of 3.5%
- Aggregated approved financing will be capped at RM50,000 per enterprise
- RM50 million is earmarked for women entrepreneurs

A dedicated amount of the funding will be carved out e.g. for women, youth entrepreneurs and social enterprises

SME Go-Scheme for Liquidity Support (To begin in July 2020)



SME Bank will provide financing support to contractors and vendors who were awarded with small government projects (aggregate value of RM 4 billion) under the Pakej Rangsangan Ekonomi (PRE) 2020 and the PRIHATIN stimulus package.

- The scheme will benefit 16,000 G2 & G3 contractors
- No deposits or collateral needed
- SME Bank shall pay directly to the contractors and vendors based on the presentation of invoices/claims



Bumiputera Relief Financing (Beginning June 2020)

PUNB will provide RM200 million dedicated financial assistance for Bumiputera owned shariah compliant businesses in the form of:

- Working capital
- Operational expenditure
- System automation
- Equipment and expenditure to implement social distancing practices (eg. on PPEs)
- Financing of RM 100,000 – RM 1 million for up to 5 years at 3.5% p.a. profit rates. Moratorium of up to 6 months from disbursement

Through MARA, the Government will also allocate:

- RM300 million working capital loans to assist affected Bumiputera entrepreneurs including training colleges
- Maximum loan amount of RM1 million with 3.5% p.a interest rate

Accelerated Payment Terms for GLC and Large Corporates' Supply Chain (Beginning July 2020)



To provide relief to SMEs' cash flows, the Government is encouraging GLCs and large corporations to accelerate their vendors' payment terms.

Selected GLCs and large companies have already committed to accelerate payment terms to their vendors:

- Axiata and TM have reduced payment terms for selected vendors from 45 days to 14 days
- TNB has a 7-days payment process

- PETRONAS launched the Vendor Financing Programme in collaboration with nine banks, to facilitate vendor verification and reduce approval time. In the past few months in particular, PETRONAS has accommodated payment arrangements that have enabled vendors to stay afloat

Tax Relief for COVID-19 Related Expenses (Immediately)

Extend the period and expand the scope of expenses allowed as tax deduction or capital allowance for COVID-19's prevention, including:

- Covid-19 testing
- Purchase of PPE and thermal scanners

Financial Stress Support for Businesses (Beginning March 2020)



Ease financial stress of business through:

- 50% remission of penalty for late payment of sales tax & service tax due and payable from 1st July 2020 to 30th September 2020
- Extension of special tax deduction for renovation and refurbishment of business premises to 31st December 2021
- Extension of Accelerated Capital Allowance on eligible capital expenses including ICT equipment to 31st December 2021
- Extension of special deduction equivalent to 30% reduction in rental for SMEs to 30th September 2020



Social Enterprises Elevation

(Beginning August 2020)

To encourage and sustain the role of social enterprise in promoting responsible business, the Government will:

- Provide a matching grant through Malaysian Global Innovation & Creativity Centre (MaGIC) totaling RM10 million to social enterprises who are able to crowdsource contributions and donations to undertake social projects that will address the challenges faced by targeted communities through innovative ways

Spur Set Up of New Businesses

(Beginning July 2020)

To catalyse establishment of new businesses, financial relief will be provided in the form of:

- Income tax rebate up to RM20,000 per year for 3 years of assessment for newly established SME between 1st July 2020 to 31st December 2021
- Stamp duty exemption for SMEs on any instruments executed for Mergers and Acquisitions (M&As), for period between 1st July 2020 to 30th June 2021



THRUST 3: STIMULATING THE ECONOMY

Dana Penjana Nasional (Beginning July 2020)

An investment fund will be established, which will match institutional private capital investment with selected venture capital and early stage tech fund managers for the following funds:

- Seed Stage / Co-creation Funds
- Series A/B Funds
- Growth Stage Tech Funds
- Venture Debt Funds
- Opportunistic Funds (e.g. e-sports, healthcare)

Technology Innovation Sandbox (Beginning June 2020)



An innovation sandbox will be developed to:

- Pilot new technology solutions
- Provide relaxation of regulations in order to test new technology solutions (e.g. drone delivery, autonomous vehicles)

Digitalisation of Government Service Delivery

(Beginning June 2020)

Accelerate the digitalisation of government services to reduce face-to-face transactions. This includes, but not limited to:

- Stamp assessment & stamp duties
- Unclaimed money
- Online interviews for Government scholarships

National “Buy Malaysia” Campaign

(Beginning June 2020)

Push for consumption of local products and services through:

- Promoting the “Buy Malaysia” campaign by the Government and relevant agencies
- Ensuring local product tagging or identification is compulsory for big supermarket chains
- Create dedicated Malaysian products channels on major digital platforms



ePenjana Credits in e-wallet (July to September 2020)

Encourage contact-free payment through the provision of:

- RM 50 worth of e-wallet credits
- Additional RM50 in value through vouchers, cashback and discounts by e-wallets
- Only for offline/physical purchases

This is applicable to all Malaysians aged 18 and above; and earning less than RM100,000 annually

Tax Incentives for Purchase of Passenger Cars (Mid June to end December 2020)



Tax exemption for purchase of passenger cars:

- Full sales tax exemption on locally assembled cars
- 50% sales tax exemption on imported cars



Incentives for Property Sector (Beginning June 2020)

Tax exemption for purchase of properties:

Home Ownership Campaign (HOC) to be reintroduced stamp duty exemption on the instruments of transfer and loan agreement for the purchase of residential homes priced between RM300,000 to RM2.5 million subject to at least 10% discounts provided by the developer.

The exemption on the instrument of transfer is limited to the first RM 1 million of the home price while full stamp duty exemption is given on loan agreement effective for sales and purchase agreements signed between 1st June 2020 to 31st May 2021.

RPGT exemption for disposal of residential homes from 1st June 2020 to 31st December 2021 (This exemption is limited to the disposal of three units of residential homes per individual)

In addition, the current **70% margin of financing limit** applicable for the third housing loan onwards for property valued at RM600,000 and above, will be uplifted during the period of the HOC, subject to internal risk management practices of financial institutions.



Malaysia as Attractive Horizon for Businesses (July 2020 to December 2021)

Tax incentives for company relocating into Malaysia:

- 0% tax rate for 10 years for new investment in manufacturing sectors with capital investment between RM300 - RM500 million
- 0% tax rate for 15 years for new investment in manufacturing sectors with capital investment above RM500 million
- 100% Investment Tax Allowance for 5 years for existing company in Malaysia relocating overseas facilities into Malaysia with capital investment above RM300 million

- Special Reinvestment Allowance for manufacturing and selected agriculture activity, from YA 2020 to YA 2021.
- Additional operating expenditure for Malaysian Investment Development Authority (MIDA) to undertake marketing and promotional activities
- Establishment of Project Acceleration & Coordination Unit (PACU) at MIDA
- Enhancement of Domestic Investment Strategic Fund
- Manufacturing License approval for non-sensitive industry within 2 working days

Tourism Sector Support (Beginning July 2020)

Tax incentives for the tourism sector:

- Tourism tax exemption from 1st July 2020 to 30th June 2021
- Extension of service tax exemption for hotels to 30th June 2021
- Extension of period for income tax relief of RM1,000 for tourism expenses to 31st December 2021
- Extension of period for deferment of tax instalment payment for tourism industry to 31st December 2020

Agriculture and Food Sector Support (Beginning June 2020)



Dedicated support for the Agriculture and Food sector as follows:

- Micro credit financing under Agrobank for agropreneurs totalling of RM350 million with interest rate of 3.5%
Maximum loan size: RM50,000
Tenure of loan: 5 years
- Agrofood workforce mobility via incentives for pioneer companies to train and educate workforce
- In-kind benefits for Urban Farming (e.g. Fertilisers, Seeds, Infrastructure, Equipment, Advisory and Training) worth RM500 per person and RM 50,000 per community



Arts, Culture & Entertainment, Sector Support (Beginning June 2020)

Dedicated funding and support for the arts, culture, entertainment, events and exhibitions sector as follows:

- RM100 million in soft loans with interest rate of 3.5% and RM30 million in grants for the creative, events and exhibitions industries under MyCreative Ventures and RM10 million for CENDANA
- RM50 million worth of digital marketing obtained from RM10 million Digital Marketing and Promotions Grant under MyCreative Ventures with a cap of RM5,000 per event. This can benefit 2000 events, exhibitions, and productions
- RM35 million Dana Kandungan Digital under MDEC for projects in the creative sector with a focus on animation and visual effects
- Collaboration between MyCreative and the private sector to help players adapt to new normal through training in digital distribution methods and promotion, development of new business models, and connectivity

Commodity Sector Support (Beginning July 2020)

Support the commodity sector through 100% export duty exemption from 1 July 2020 to 31 December 2020:

- Crude Palm Oil
- Crude Palm Kernel Oil
- Refined Bleached Deodorized Palm Kernel Oil

Proposed COVID-19 Temporary Measures Act

(To be tabled during July 2020 Parliament session)

Introduction of COVID-19 Temporary Measures Act to minimise disruption to social and economic well-being:

- Temporary legislative measure to minimise the impact of this pandemic
- Designed to provide sufficient runway for businesses to recover their operations. This Bill will provide relief from certain contractual obligations and financial distress for the revival of the economy



Sukuk PRIHATIN

(To be determined upon issuance)

To enable the Rakyat to join the Government in supporting post recovery measures, MOF will issue an Islamic debt instrument, the Sukuk Prihatin. Details as follows:

- Scheduled to be issued in Quarter 3, 2020 with a fully digital subscription process
- Proceeds from the sukuk issuance will be utilised for specific development programmes such as connectivity of schools (especially in rural areas), funding for micro enterprises (focused on women entrepreneurs) and research grants for infectious diseases