

Client Alert

31 March 2020

For further information, please contact:

Brian Chia
Partner
+603 2298 7999
brian.chia@wongpartners.com

Ee Von Teo
Partner
+603 2298 7810
eevon.teo@wongpartners.com

Adrian Wong
Senior Associate
+603 2298 7952
adrian.wong@wongpartners.com

Calvin Koay
Associate
+603 2298 7984
calvin.koay@wongpartners.com

The PRIHATIN Rakyat Economic Stimulus Package

This alert follows our earlier client alert on the [Restriction of Movement Order - Guidelines as at 24 March 2020](#). In view of the unprecedented outbreak of COVID-19 and its impact on the Malaysian economy, on 27 March 2020, the Prime Minister of Malaysia announced the details of the PRIHATIN Rakyat Economic Stimulus Package ("**PRIHATIN Package**") with a focus on preserving the welfare of Malaysian citizens, supporting businesses and strengthening the economy. The PRIHATIN Package is an extension of the:

- (a) Economic Stimulus Package ("**February ESP**") announced by the then Prime Minister of Malaysia, Tun Dr Mahathir, on 27 February 2020; and
- (b) additional measures for the Economic Stimulus Package announced by the Prime Minister of Malaysia on 16 March 2020 and 23 March 2020 ("**Additional Measures**").

In aggregate, the PRIHATIN Package announced by the Government of Malaysia ("**Government**") is valued at RM250 billion (compared to the Economic Stimulus Package for the global financial crisis of 2007 - 2008 valued at RM67 billion¹). This represents approximately 18% of Malaysia's gross domestic product in 2019². The Ministry of Finance will implement the PRIHATIN Package through the Unit for the Implementation and Coordination of National Agencies on the Economic Stimulus Package (Laksana).

We set out below the key highlights from the PRIHATIN Package.

Cash assistance

- (a) **RM 10 billion one-off "Bantuan Prihatin Nasional" cash assistance:**
Persons who fall into the categories below will receive one-off cash assistance in April and May 2020. The Ministry of Finance has clarified that the cash assistance will be transferred directly to the bank accounts of the eligible recipients.

Category	Value of cash assistance (RM)	Payout Period / Amount (RM)
Monthly household income is RM4,000 or below	1,600	April: 1,000 May: 600
Monthly household income is between RM4,001 - 8,000	1,000	April: 500 May: 500

¹ <https://ihsmarkit.com/country-industry-forecasting.html?ID=106595768>

² https://www1.treasury.gov.my/pdf/economy/2020/chart_Malaysia.pdf



Category	Value of cash assistance (RM)	Payout Period / Amount (RM)
Singles aged 21 and above whose monthly income is RM2,000 and below	800	April: 500 May: 300
Singles aged 21 and above whose monthly income is between RM2,001 - 4,000	500	April: 250 May: 250

(b) **One-off cash assistance of RM200 to students of higher education institutions.**

(c) **One-off cash assistance to e-hailing drivers and taxi drivers etc.:**

Category	Value of cash assistance (RM)
E-hailing drivers	500
Taxi drivers, tour bus drivers, tour guides and trishaw drivers	600

(d) **One-off cash assistance to civil servants and government pensioners:**

Category	Value of cash assistance (RM)
Civil servants of grade 56 and below (including contract workers)	500
Government pensioners	500

(e) **Cash assistance under the Employment Retention Program:** RM600 monthly cash assistance will be provided for a maximum of 6 months for employees (with monthly wage of RM4,000 and below) who are required to go on unpaid leave from 1 March 2020.

There is no clarity on how the cash assistance under items (b) - (e) above will be paid to the eligible recipients.

Measures to tackle COVID-19

(a) **RM 1.5 billion to be channeled to the Ministry of Health ("MOH"):** The Government will channel RM1 billion (in addition to the RM500 million committed under the Additional Measures announced on 23 March 2020) to support hospitals nationwide. The funds will be utilised for the purchase of medical equipment and services, including engaging medical expertise from private healthcare service providers.



- (b) **Special fund by insurance and takaful companies:** Insurance and takaful companies will create a special fund worth RM8 million to fund up to RM300 for each medical insurance or medical takaful policy holder who are instructed by the MOH to undertake COVID-19 tests in private hospitals or laboratories. The COVID-19 test in private hospitals or laboratories costs more than this amount so policy holders will be required to fund the rest of the cost of undergoing the test. Family takaful and insurance companies will also offer a 3-month suspension on premiums by contributors whose source of income is affected by COVID-19.
- (c) **Special allowance to medical personnel and frontliners:** The Government will provide the following allowances from 1 April 2020 until the end of the COVID-19 outbreak:
 - (i) RM600 monthly special allowance to medical personnel; and
 - (ii) RM200 monthly special allowance to military, police, customs, civil defence and RELA members who are directly involved in enforcing the Movement Control Order.

Loan moratorium

Loan/financing deferment measure: This measure was initially announced in the February ESP. Subsequently, Bank Negara Malaysia has provided further clarification on its implementation:

- (a) this will be a temporary deferment or suspension of loan/financing repayment obligation (principal and interest) for 6 months from 1 April 2020;
- (b) during this period, borrowers with loan/financing that meet the conditions (i.e., the loan/financing repayment obligations are not in arrears exceeding 90 days as at 1 April 2020 and the loan/financing is denominated in RM) do not need to make any repayment and no late payment charges or penalties will be imposed;
- (c) for individuals and SMEs, the deferment in conventional loans or Islamic financing repayment (except credit cards) are automatically implemented by financial institutions; and
- (d) there is no automatic deferment for corporate borrowers/customers (although they may make the request with their banks).



Measures for businesses

- (a) **Special initiatives for small and medium-sized enterprises³ ("SMEs") and micro-entrepreneurs⁴:**
- (i) RM5 billion Special Relief Facility ("**SRF**") for SMEs: To assist the cashflow of affected SMEs, BNM will establish the SRF which will be offered through commercial banks as loan for working capital at an interest rate of 3.5% per annum to borrowers. Under the SRF, the loan tenure offered will be up to 5.5 years including a 6 months payment moratorium and with a maximum loan size of RM1 million per SME.
 - (ii) All Economic Sector Facility fund: BNM will increase the allocation for the All Economic Sector Facility fund by RM1 billion to RM 6.8 billion to enhance access to financing for SMEs. The maximum financing rate is also reduced from 8% to 7% per annum.
 - (iii) RM700 million Micro Credit Scheme ("**MCS**") for micro-entrepreneurs: The MCS will be administered by Bank Simpanan Nasional at 2% interest rates without collateral. The maximum financing amount is RM 75,000 for each entrepreneur. The MCS is open to all micro-entrepreneurs in all business sectors including child-care centres, taxi and bus operators as well as the creative industry and online traders.
 - (iv) SMEs with business operations of less than 4 years: SMEs with business operations of less than 4 years may apply for financing for working capital and/or asset acquisition and will be administered by Credit Guarantee Malaysia Berhad ("**CGC**").
 - (v) Guarantee up to RM5 billion: To facilitate lending by banks, the Government through Syarikat Jaminan Pembiayaan Perniagaan (SJPP), will make available to participating financial institutions, an 80% guarantee on loans under the SRF at a concessionary fee of 0.5% per annum. CGC will also make available guarantee coverage on these loans to SMEs.
 - (vi) RM300 million Automation and Digitalisation Facility ("**ADF**") for SMEs: BNM established the ADF to encourage SMEs to automate processes and digitalise operations to promote productivity and efficiency. Under the ADF, loan interest rates may be up to 4% per annum for a maximum loan tenure of 10 years, with a maximum loan size of RM3 million per SME.
 - (vii) RM1 billion Agrofood Facility ("**AF**") for SMEs: To increase agrofood (i.e., crops, livestock and fisheries) production for Malaysia and for

³ SMEs are companies (1) in the manufacturing sector with sales turnover not exceeding RM50 million or with 5 - 200 full-time employees, or (2) involved in other sectors with sales turnover not exceeding RM20 million or with 5-75 full-time employees. Companies that fulfil the requirements (1) or (2), and have a minimum 51% local equity will be eligible for the Government assistance programs listed above.

⁴ Micro-entrepreneurs are firms with sales turnover figure of less than RM300,000 or with fewer than 5 full-time employees.



export purposes, BNM established the AF to finance capital expenditure and/or working capital and development of agrofood projects. Under the AF, a loan up to RM5 million with interest rates up to 3.75% and loan tenure up to 8 years may be granted.

- (viii) **RM300 million Micro Enterprises Facility ("MEF")** for micro enterprises: To increase access to collateral-free financing for Malaysian micro enterprise, BNM established the MEF to finance capital expenditures and/or working capital. Under the MEF, micro enterprises may apply for loans of up to RM50,000 with a tenure of up to 5 years. The interest rates will be determined by the participating financial institutions.
- (b) **Guarantee scheme:** The Government will provide a RM50 billion guarantee scheme with a guarantee of up to 80% of the loan amount for financing working capital requirements. This scheme will be managed and subject to credit evaluation by Danajamin. This scheme is targeted at viable businesses in all sectors facing difficulties due to the COVID-19 outbreak.
- (c) **Wage Subsidy Program ("WSP"):** To minimise retrenchment rates, the Government will pay an amount of RM600 per month for every employee for 3 months, to employers experiencing more than 50% decrease in income since 1 January 2020. This subsidy will apply to employees whose monthly income is less than RM4,000. As a condition to the WSP, employers must not retrench, impose unpaid leave or enforce a wage deduction on its employees for 3 months after the implementation of the WSP.
- (d) **Employees Provident Fund ("EPF"):** Various measures have been introduced to ease the financial burden on employers and employees, as follows:
 - (i) from 1 April 2020 to 31 December 2020, employees can reduce their EPF contribution to 7% from 11%;
 - (ii) withdrawal from Account 2 of EPF for those below 55 years old; and
 - (iii) the Employer Advisory Services programme will be introduced on 15 April 2020 and will include services such as deferral of payments, restructuring and rescheduling of employer contributions to EPF.
- (e) **Exemption from Human Resource Development Fund ("HRDF") levies for all sectors:** HRDF is a mandatory monthly levy payment (at a rate of 0.5 - 1%) on employers in certain industries with the aim of training employees and upgrading their skills. For a period of 6 months effective 1 April 2020, all sectors will be exempt to ease the strain on cash flow.
- (f) **Postponement on income tax instalment payments:** The Government will allow the postponement of income tax instalment payments by SMEs for a period of 3 months from 1 April 2020. This is in addition to postponement of tax instalment payments to affected business in the tourism sector for 6 months from 1 April 2020. Businesses in other affected sectors are also



allowed to revise the amount of income tax imposed in the 3rd, 6th and 9th instalments during the basic accounting period.

- (g) **Accommodation services operators exempt from levying service tax:** All accommodation service operators are exempt from charging service tax on taxable services for a period of 6 months commencing 1 March 2020.
- (h) **Discounts on electricity bills:** From 1 April 2020 to 30 September 2020, businesses will benefit from discounts on electricity bills depending on the level of usage, as set out in the table below:

Level of energy usage per month (kilowatt)	Rate of discount (%)
601 and above	No discount
301 - 600	15
201 - 300	25
200 and below	50

These discounts are in addition to the:

- (i) 15% discount on electricity bills for hotel operators, travel agencies, local airlines offices, shopping malls, convention centres and theme parks; and
 - (ii) 2% discount on electricity bills for commercial, industrial and agricultural sectors and domestic usage.
- (i) **Free internet services:** Free internet services with a value of RM600 million will be provided to all customers from 1 April 2020 until the end of the MCO period. The Malaysian Communications and Multimedia Commission announced that Celcom, Digi, Maxis and U Mobile postpaid and prepaid customers will receive free high-speed internet of 1GB per day, to be used between 08:00 to 18:00 hours⁵.

Miscellaneous

- (a) **Up to RM500 million to be invested in early state and growth stage Malaysian companies:** Government Linked Companies will co-invest up to RM 500 million in these Malaysian companies. The funds will be provided on a matching basis and involve at least RM1.5 billion of private funds.
- (b) **Waiver of listing fees for certain companies:** To strengthen capital growth of businesses, the Securities Commission and Bursa Malaysia will waive listing fees for the following markets for a period of 12 months:
 - (i) companies seeking to list on ACE and LEAP markets of Bursa Malaysia; and

⁵ https://www.mcmc.gov.my/skmmgovmy/media/General/pdf/MEDIA_STATEMENT_THE-PEOPLE-CENTRIC-ECONOMIC-STIMULUS-PACKAGE-PRIHATIN-NO-ONE-WILL-BE-LEFT-BEHIND.pdf



- (ii) companies seeking to list on the Main Market of Bursa Malaysia with market capitalisation of less than RM500 million.

Economic Stimulus Package

The PRIHATIN Package is a timely intervention by the Government to cushion the financial impact of the COVID-19 pandemic. It has received favourable response from the public as it directly benefits a substantial majority of the Malaysian populace and SMEs. The measures are targeted at smaller businesses and the man on the street who are feeling the adverse impacts of the pandemic harder. Larger corporations, however, are equally affected and may be forced to implement broad reduction in workforce measures.

We expect the relevant regulators to issue further policies and guidelines to provide clarity on the initiatives announced in the PRIHATIN Package. Businesses should monitor this space for further developments.

www.wongpartners.com

Wong & Partners
Level 21
The Gardens South Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur

