

Belanjawan Madani 2023

Digital Economy Snapshot

23 Feb 2023



Belanjawan Madani 2023

Peruntukan 2023: RM 388.1 billion

**DIGITAL
ECONOMY
ALLOCATION**

**EST.
RM 4.80 B**

Est Digital Economy related allocation RM 4.80 billion

**RM
1.26 B**

Business



**RM
1.78 B**

Rakyat



**RM
1.76 B**

Investor



Total
RM 388.1 billion



Business

Our Views

The growth and proliferation of the digital economy has certainly influenced the manner in which companies need to run their businesses. A World Bank report in 2023 highlighted that more than 80% of medium and large companies invested in digital solutions compared to only 54% of small companies. In that sense, Budget 2023 should be lauded for its allocation of an estimated RM 1.26 billion in various digital-related initiatives specifically supporting the MSMEs in their digitalisation journey. We are also encouraged to see some allocations on efforts that leverage on digitalisation and tech-driven activities as the driver to strengthen Malaysia's key industries that MDEC is actively promoting and supporting like Digital Agriculture and Digital Content.

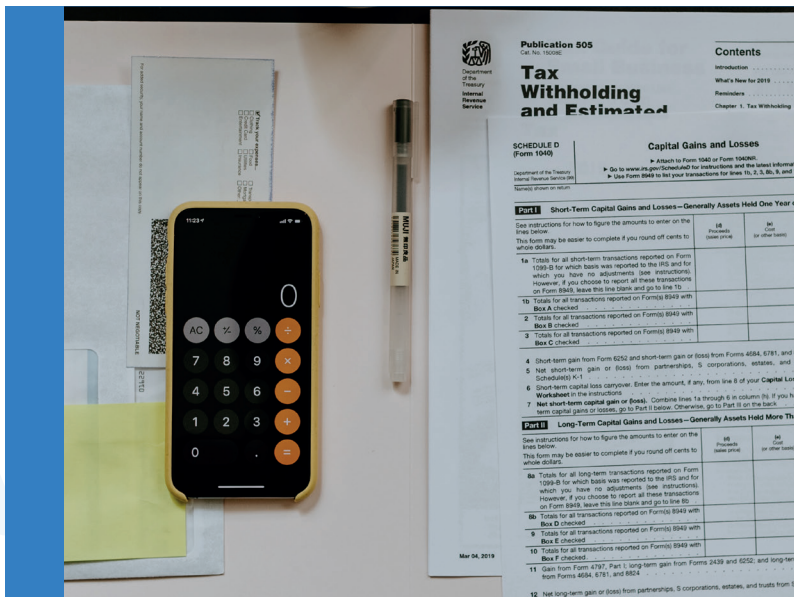
MSME Digitalisation

- ◆ The Government's emphasis on MSMEs is timely to address the rising need for digitalisation for resilience and leverage on the experiences learned through the pandemic period. We applaud the government for the continued efforts in promoting automation and digitalisation especially for MSMEs with a bigger loan facility made available under BNM. Certainly, the introduction of the SME Digitalisation Grant Scheme and the expansion to ensure 1 PEDi facility in each DUN is a catalyst for the economy to thrive.
- ◆ MDEC, with its MSME digitalisation programmes, believes in the vision set out in the RMK12 to raise the contribution of SMEs to the GDP. Through the national eCommerce efforts, more than 890,000 MSMEs were onboarded to build and expand their domestic and international markets. The income from eCommerce have recorded more than RM 1 trillion in the year 2021.



Grants & Taxes

- ◆ We welcome the government's plans to introduce various matching grants for SMEs to subscribe to essential business digitisation applications as well as companies to promote automation specifically in the plantation sector using robotics and AI.
- ◆ It was also encouraging to see the tax rebate for firms listed on Bursa's ACE and LEAP markets had also been extended to tech companies that are listed on the Main Market.



Digital Agtech

- ◆ Food security is a crucial issue, particularly amidst the global challenges in supply-chain distribution. For this reason, Digital Agriculture has been identified as one of the MD promoted sectors.
- ◆ The RM 10 million allocation to Digital Agtech will allow MDEC to drive the adoption of technologies like big data, IoT and dronetechnology to revolutionise and digitalise Malaysia's agriculture sector. Digitalisation is critical to increase the productivity of domestic food production. This initiative will strengthen food self-sufficiency and safeguard Malaysia against external volatility, assuring greater food affordability, availability and accessibility in the long-term.



Digital Content

- ◆ The RM102 million allocation under Dana Kandungan Digital (DKD) will also be a boost for our Digital Content promoted sector as MDEC will continue to nurture more creative companies and develop exciting new areas such as the Metaverse.
- ◆ TechInsight360 forecasted that the Metaverse industry in Malaysia is expected to grow by 39.6% on an annual basis to reach US\$2,278.4 million in 2023. It is certainly timely for Malaysia to place more emphasis in this space.





Business

(Total est. budget: RM 1.26 bil)

◆ **RM 100 million; SME Digitalisation Grant Scheme**

To support business automation and digitalisation activities.

◆ **Matching grants of RM 5,000**

For SMEs that subscribe to business digitisation applications such as POS sales systems, accounting or inventory management.

◆ **RM 1 billion; Financing Fund [BNM]**

To help SMEs automate business processes and digitise operations.

◆ **RM 50 million; Matching grants**

To promote the automation of the plantation sector through the use of robotics and artificial intelligence (Artificial Intelligence, AI) that are able to employ skilled local workers.

◆ **Tax deduction up to RM1.5 million**

The expense of listing on the ACE and LEAP Markets and the cost of listing technology-based companies on the Main Market of Bursa Malaysia.

◆ **RM10 million; Digital AgTech [Human Development]**

Benefit 100 Area Farmers Organisations nationwide for training and coaching.

◆ **RM102 million; Digital Content Fund**

To intensify the marketing of local art products and encourage the production of more works.

◆ **Expansion of Centre for Digital Economy (PEDI)**

By 2023, ensure 1 PEDI facility in each DUN to assist small businesses with ICT and e-Commerce knowledge.



Rakyat

Our Views

Budget 2023 allocated an estimated RM 1.78 billion for Rakyat's welfare. With the country's internet penetration of 96.8%, Malaysia is focused in tackling cybercrime and sharing economy, taking a whole-of-nation approach.

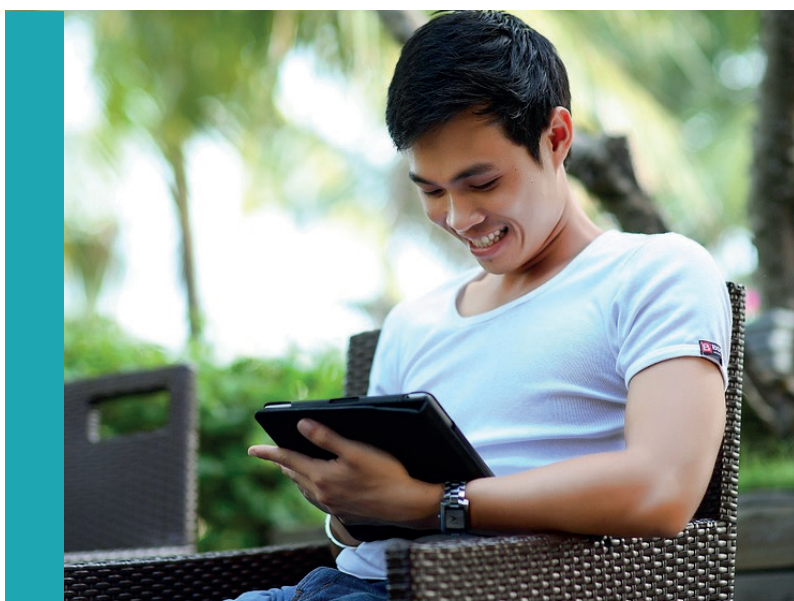
Education And Talent Development

- ◆ The nurturing of a competent pool of digital talents is always key in any digital economy. Thus, it was encouraging to see that RM 1 billion is allocated for HRD Corp to implement skills training programmes for employees of registered employers with accumulated levies.
- ◆ Having a wide range of digital talent related programmes, MDEC will continue to collaborate with HRD Corp and other ecosystem partners to ensure that industry-relevant training on digital courses will be pushed prominently in this area.



Gig-workers And Sharing Economy

- ◆ The Government is focused on advancing the sharing economy as a source of income, with an emphasis on encouraging youth and community members to engage in the gig economy. Hence, RM40 million were allocated for the benefit of 30 thousand gig workers.
- ◆ The government's commitment to developing gig workers is demonstrated by funding training expenses for them to enroll in micro credentials skills improvement programmes worth up to RM4,000.
- ◆ SOCSO also provides an allowance of RM300 for three months in lieu of the income of gig workers who are active and undergoing training programmes.
- ◆ We continue to see the utilisation of e-wallets and digital platforms under the e-Tunai Belia Rahmah initiative for the distribution of cash handouts of RM200 which will benefit youths aged 18 - 20 years old (RM400 million). This mechanism is also expected to increase the adoption of digital payments, thus encouraging the growth of e-Commerce sales growth and fintech ecosystem.
- ◆ Notwithstanding that, RM330 million is allocated for TEKUN of which RM 10 million will be utilised to assist youth from low-income households earn a living through business.
- ◆ The Government pledged to waive driving test fees for class B2 motorcycle license and taxi, bus and e-hailing licences. This effort will allow more labour participation in the gig economy.



Cybersecurity/Cybercrime

- ◆ With more and more sectors adopting digital into their businesses, cybersecurity has become more critical than ever. In 2022, there are more than 25 thousand reported cybercrime cases involving online scams. In the wake of this, the allocation of operational grants worth RM 10 million for the National Scam Response Centre (NSCR) is certainly lauded as an important step in establishing proper mechanism to combat this issue.
- ◆ The Government, too, took a progressive measure by addressing the vulnerability of children on the Internet by setting up a Special Taskforce under D11, PDRM to combat activities related to child pornography which is in line with Goal 16.2 of the UN Sustainable Development Goals (SDGs).





Rakyat (Total est. budget: RM 1.78 bil)

◆ **RM 330 million; TEKUN [Youth]**

Specific allocation of RM 10 million to help youths from poor families earn income through business; waive driving test fees for B2 class motorcycle licences and taxi, bus and ehailing licences.

◆ **RM 10 million [NSRC]**

For operational grants to support the National Scam Response Centre.

◆ **RM 40 million [Gig Workers]**

•Cover training fees

To undergo micro credentials skills improvement programmes of up to RM4,000.

•Allowance of RM 300 [SOCSO]

For three months.

◆ **RM 1 billion [HRD Corp]**

To implement skills training programmes for employees of registered employers with accumulated levies.

◆ **RM 400 million [Youths];**

RM 200 e-Tunai Belia Rahmah credit for youths from 18 to 20 years old.

◆ **Pasukan Petugas Khas Reformasi Agensi (STAR)**

A special task force to reform government agencies, led by KSN, will be set up; key role to improve civil service through greater technological and digital adaptation.





Investor

Our Views

MDEC welcomes the various initiatives announced to drive the growth of local tech champions and to enhance Malaysia's attractiveness as a hub for digital investments.

Budget 2023 also saw a larger number of initiatives take the form of tax incentives that will drive greater advancement of automation and digitalisation.

The near-term global uncertainty and depressed financial conditions are expected to remain in 2023. Therefore, it is encouraging to see the government's efforts in supporting quality private investment in startups, and at the same time strengthening funding towards innovative, technology-driven, and high-value adding digitalisation efforts.

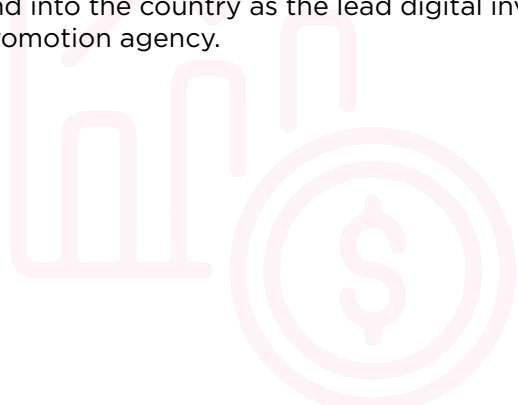
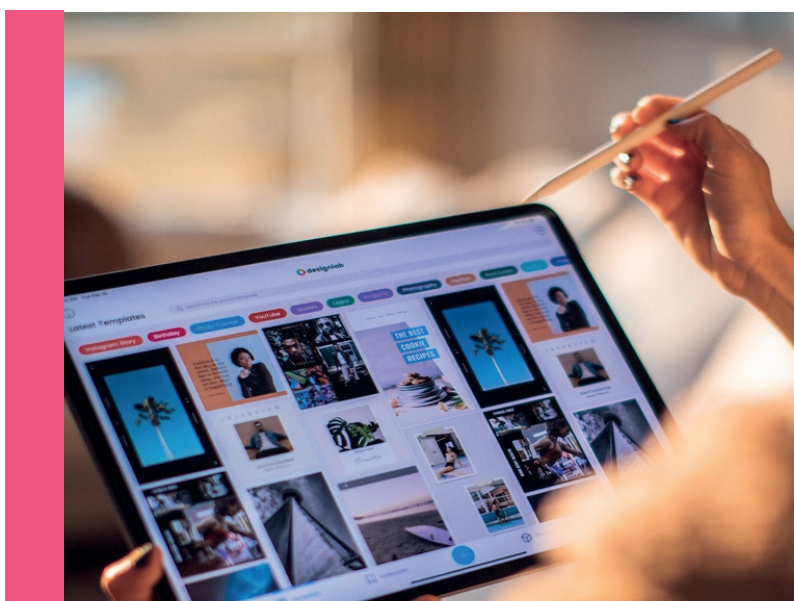
Startups and Home-grown Tech Companies

- ◆ An estimated RM1.5 billion has been allocated towards innovative and high-growth start-ups and tech companies with the allocation under Khazanah and EPF. It will certainly support the development of home-grown high-tech companies which is also aligned with one of Malaysia Digital key objectives in growing Malaysian Champions.
- ◆ Budget 2023 also saw initiatives taking the form of tax remunerations that will facilitate greater investments in building data centres in the country. We are delighted to see that the government has been very accommodative to the industry's feedback on the budget while remaining forward-looking and alert to the current trend in this space. In a recent research by Arizton, it was highlighted that the Malaysian data centre market is expected to grow at a CAGR of around 7% during 2022-2027, with investments of over US\$2 billion.



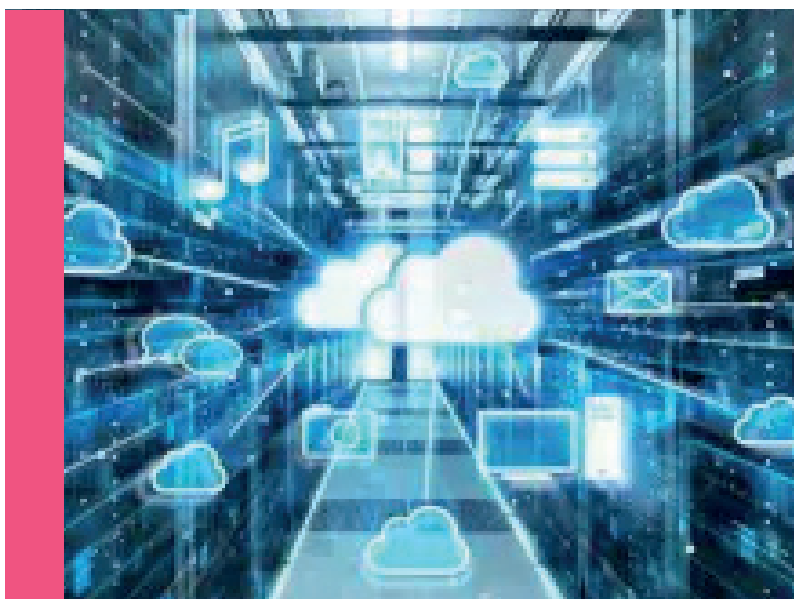
Digitalisation and Sectoral Incentives

- ◆ We also applaud the government's consideration to allow Accelerated Capital Allowance and 100% tax exemption on capital expenses for companies in the agriculture sector that are adopting technologies. This would further enhance the digital economy and accelerate the digitalization of Malaysia's key economic sectors, which would create high-value jobs and boost Malaysia's global economic competitiveness.
- ◆ We observe considerable effort to increase the digitalisation of Government services, in particular to invest further in cloud technology and utilisation through the MyGovCloud service under MAMPU. MDEC will continue to drive new digital investments such as cloud and data centres within and into the country as the lead digital investment promotion agency.



Infrastructure and Connectivity

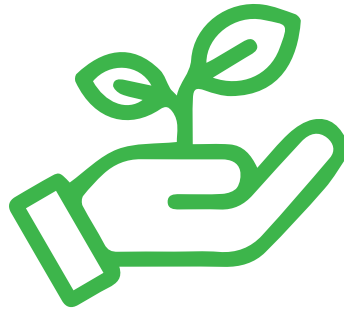
- ◆ We commend the government's efforts to invest in network infrastructure and connectivity, particularly for industrial areas, communities, schools and institutes of higher education. RM725 million has been allocated to expedite the implementation of JENDELA and implement digital connectivity in 47 industrial areas and 3,700 schools. Similarly, it was encouraging to see RM35 million allocated to improve internet connectivity in IHLs under the Malaysian Research & Education Network (MyREN).





Investor (Total est. budget: RM 1.76 bil)

- ◆ **Investment opportunities** GLCs including Khazanah and EPF will invest in innovative and high-growth local startups with an investment value of RM 1.5 billion.
- ◆ **Facilitating data centres investments**
Provision of tax remuneration and affordable security infrastructure, green energy facilities and locations that will facilitate greater investments in building more data centres in the country.
- ◆ **RM 1 billion; Financing fund provided by BNM [PMKS]**
To support automate business processes and digitise operations.
- ◆ **725 million [JENDELA]**
Expedite the implementation of JENDELA and implement digital connectivity in 47 industrial areas and 3,700 schools.
- ◆ **RM 35 million; MYREN programme [Education]**
Improve internet connectivity in Malaysian higher education institutions under Malaysian Research & Education Network.
- ◆ **Upgrade MyGovCloud service [MAMPU]**
To function in a hybrid manner by also combining public cloud services by Government-appointed cloud service providers.
- ◆ **100% Income Tax exemption; Accelerated Capital Allowance**
To improve the efficiency of technology adoption in the agriculture sector.
- ◆ **Expansion of Internet access [PPR]**
Free internet to 56 selected Program Perumahan Rakyat (PPR) areas, providing internet facilities to 40,000 units of PPR.
- ◆ **5G Access [DNB]**
Provision of comprehensive & affordable 5G coverage to 80% of populated areas by end 2023.
- ◆ **Increased financing opportunities for high growth technology companies [Securities Commission]**
Listing of dual-class shares on Bursa Malaysia.
- ◆ **RM 40 million, Malaysia Coinvestment Fund [MyCIF]**
Alternative matching fund to support local businesses in high innovative sectors.



Sustainability

Our Views

MDEC applauds the Government's strong push to address the nation's sustainability agenda. Many noteworthy allocations and other related tax measures are expected to drive higher adoption of more environmentally sustainable business practices. The digital tech ecosystem plays a very important part in developing data-driven solutions that can help to transition to a greener and more sustainable future. To this end, MDEC looks forward to working closely with the various agencies and our tech ecosystem on this critical agenda.

Furthermore, it is encouraging to see BNM providing a loan fund of up to RM 2 billion to support sustainable technology companies adopt low-carbon practices.



Sustainability

Other notable ESG-related initiatives

- Allocation for Ecological Fiscal Transfer for Biodiversity Conservation (EFT) to state governments will be increased to RM150 million a year from RM70 million previously.
- Green Technology Financing Scheme (GTFS) will be implemented with an increased allocation of RM3 billion until 2025.
- Green Investment Tax Allowance (GITA) and Green Income Tax Exemption (GITE) incentives to be extended until Dec 31, 2025 - increasing the incentive term for eligible green activities from three to five years.
- RM2 billion in loans by BNM supporting green technology startups to embrace low-carbon practices among SMEs.
- Strategic Funding of RM6 billion by Bank Pembangunan Malaysia Berhad - encouraging sustainability and automation.
- RM80 million to improve sustainability of the palm oil sector and counter anti-palm oil campaigns.
- BNM to introduce the Climate Risk Management and Scenario Analysis, Towards A Greener Financial System and Financial Inclusion Framework 2023-2026.

