

# JOINT PRESS STATEMENT

*FOR IMMEDIATE RELEASE*

**14 November 2020**

## **BUDGET 2021: GOVERNMENT INTERVENTION TO SAVE LIVES AND LIVELIHOOD**

This memorandum represents the collective view of the industry and has been jointly written and supported by the following business associations including:

- (a) Malaysia Retail Chain Association;
- (b) SME Association of Malaysia; and
- (c) Bumiputra Retailers Organization.
- (d) Persatuan Pengurusan Kompleks Malaysia (PPK) or Malaysia Shopping Malls Association

### **Introduction**

Budget 2021 (“**Budget**”), unveiled on 6 November 2020, was touted to be the largest budget in Malaysia. One of its integral goals was to ensure Business Continuity for the economic sector that has been severely impaired by the pandemic crisis.

The virus containment measure in the form of Movement Control Order (“**MCO**”) and its other forms of permutations has created an uncondusive business environment for all types of businesses especially in the retail and tourism sectors. It is not surprising that Ministry of Entrepreneur Development and Cooperatives recently reported that 32,000 small- and medium-sized enterprises (SMEs) have ceased their operations between March and September despite several numerous economic stimulus packages such as PRIHATIN and PENJANA being handed out by the Government. This negative trend, based on our observation could be higher now, shows the gravity of the situation with regards to the state of businesses in Malaysia.

Without any sustainable and meaningful intervention by the Government, we fear that the number of business casualties will continue to rise to an unprecedented number and eventually lead to significant loss of employment for the *rakyat*. Currently SMEs provide employment of around 48.4% for Malaysians. Based on the statistics from Social Security Organisation (“**SOCSO**”), in August 2020 manufacturing sector reported the highest loss of employment (24%) followed by the accommodation and food and beverages sector (15%) and wholesale and retail sector (14%) – these are the three worst affected industries. Although most businesses are permitted to run as usual, the reintroduction and extension of CMCO has placed all businesses particularly retail and restaurant in a difficult predicament due to people movement restriction imposed.

If these business fundamental issues are not addressed immediately, it is inevitable that the rate of loss of employment will increase abruptly from October onwards. This in turn will have a cascading effect on the economy due to the high rate of unemployment and when more companies fold, Government will automatically lose a sizeable chunk of revenue from corporate income tax (Note that SMEs contribute 38.9% to the country’s gross domestic product or GDP in 2019).

Prior to its announcement, the Budget has been a beacon of hope of many businesses based on the expectation that the feedback from the business community has been taken up and incorporated into the Budget. However, the Budget has not lived up to the expectation for businesses that are hoping for a lifeline to sustain themselves through this unprecedented health and economic crisis. As a context, the current crisis is worse than Asian Financial Crisis in 1998 and Global Financial Crisis in 2008. Hence to prevent an economic catastrophe as a result of annihilation of SME businesses, we humbly urge the Government to take urgent steps to revise the Budget accordingly.

Collectively, the following are the proposals from the industry to address the shortcomings of the Budget in response to the immediate challenges posed by the pandemic crisis in relation to protecting live and livelihood.

**(a) *Tenant Relief Assistance through Financial Assistance to Shopping Mall Owners and Landlords***

Shopping mall owners and landlords have incurred huge losses during the first MCO due to rent reduction and rebate to assist retail businesses that have been affected by the business closure. It would be financially difficult for them to continue providing rent subsidy throughout the Conditional MCO (“CMCO”) as this will eventually lead to cash flow issues for their business.

Shopping mall owners and landlords are reluctant to provide further rent relief without any incentive from the Government. Therefore, we wish to appeal to the Government to grant shopping mall owners and landlords conditional financial reliefs in which such savings can then be used to assist retail businesses in their respective premises, as follows:

- i. Waiver or reduction of land assessment tax and utilities payment including water, electrical and telecommunication. To immediately activate such indirect rent relief scheme, we propose for extension of the electricity discount to December 2021 with retrospective effect from October 2020 (which was introduced under PRIHATIN economic stimulus package to selected economic sectors that has expired in September 2020);
- ii. Direct financial assistance to SME tenants to cover the rental cost for at least 2 months during CMCO and another 2 more months during the recovery period;
- iii. To encourage more tenant assistance, landlords are granted tax rebate for any form of financial and non-financial assistance including rent rebate or rent reduction provided to their tenants. Given that every tenant requires a different intervention approach, we believe that the conditions stipulated under PRIHATIN ie SME tenants and minimum 30% rent reduction, are not responsive to this dire situation and should be removed moving forward.

**(b) *Waiver of Statutory Payment for Businesses***

To survive this crisis, it is critical for businesses to conserve cash flow. While most businesses have implemented cost reduction exercise across the board, statutory payment is one of the biggest expenditures for businesses that remains unchanged. So that companies can continue to stay afloat,

we wish to propose to the Government to consider waiving all these statutory payment obligations until 31 Dec 2021 or for 1 year after the lifting of the MCO, whichever is later. We also proposed that this waiver should include the collection of music copyright royalty fees until the unresolved dispute between various collection bodies following the dissolution of Music Rights Malaysia Berhad reaches a settlement.

(c) ***Targeted Tax Incentive for Retail and Tourism Spending***

To encourage domestic spending, we believe that the Government can incentivize Malaysians to support local businesses. We acknowledge the Government's move to support online retail spending through Shop Malaysia Online initiative with a RM150 million allocation in the Budget. However there seems to no incentive for physical retail shopping or tourism purposes.

We urge the Government to consider granting individual tax relief in support of domestic shopping or tourism as follows:

- i. Individual tax exemption for a sum of RM1,000 monthly (or RM10,000 from May – Dec 2020) for shopping of goods and services, to be substantiated by relevant receipts
- ii. Individual tax exemption for a sum of RM5,000 to be substantiated by relevant receipts.

Both measures effective immediately for Tax Assessment Year 2020 – 2021. By encouraging domestic tourism, the local business ecosystem stands to benefit through the cascading effect which will indirectly support the recovery for the tourism industry.

(d) ***Protecting Businesses through The Temporary Measures for Reducing the Impact of Coronavirus Disease 2019 (Covid-19) Act 2020 (“COVID-19 Act”)***

The COVID-19 Act, gazetted on 23 October 2020, was intended to assist businesses that have been affected by the measures taken by the Government to curb the spread of COVID-19 virus. Unfortunately, COVID-19 Act does not provide adequate protection to businesses due to the limitations set out in its provisions. For example, tenants are only protected from warrant of distress for arrears from 18 March 2020 to 31 August 2020 (Section 30). This means that landlords are allowed to recover rent via the same instrument from 1 September 2020 onwards tenants although businesses have been severely impacted by CMCO.

As a comparison, COVID-19 Act can be benchmarked against the equivalent law introduced in Singapore ie. The COVID-19 (Temporary Measures) Act. Briefly, the Singaporean government recognises the need to take targeted steps to intervene in order to assist SMEs. (<https://www.mlaw.gov.sg/news/press-releases/new-rental-relief-framework-for-smes>).

That said, we urge the Minister of Law to revise the COVID-19 Act in tandem with the current dire business conditions so that business owners who are affected by CMCO can actually rely on these provisions to save their business.

(e) ***Extension of Wage Subsidy Programme (“WSP”)***

Introduced under PRIHATIN economic stimulus package, WSP has been successful in allowing many businesses to retain their workforce during the pandemic crisis. Although we are grateful that WSP will be continued for another 3 months, it is highly unlikely that most businesses will have recovered by March 2021 based on the current economic climate.

We wish to appeal to the Government to extend the WSP up to 6 months for a grant of RM1,000 per employee who earns less than RM 4,000 a month. It should be extended to all business establishments including all SMEs so as to gain a firmer footing during the business recovery period. As mentioned above, in the absence of such assistance, majority of businesses will exercise cost reduction by reducing their workforce.

(f) ***Tax Relief for Safety and Hygiene Expenditures***

In compliance with the COVID-19 SOP, the operating costs has increased at least 10-20% due to the purchase of equipment including consumables and non-consumables and high frequency of sanitisation of premises. Therefore, we wish to seek tax relief for these expenditures incurred by businesses during this pandemic crisis.

(g) ***Extension of Bank Loan Moratorium***

With unemployment at a record high and sluggish economic growth, we believe that it is important for the local economy to continue having some liquidity in the market especially for the *rakyat* and businesses. Because cashflow is the lifeline of any business, we propose for a blanket extension of the bank loan moratorium until June 2021.

(h) ***‘Travel Bubble’ Programme to restart Tourism Industry***

Malaysia relies heavily on tourism industry which contributes RM84.16 billion to the Malaysian economy in 2019. Prolonged closure of international border is detrimental to the recovery of the tourism industry and other industry that relies on it. We strongly believe that the it is imperative for the Government to embark on a ‘travel bubble’ programme with selected neighbouring countries to reignite the tourism industry. That said, allocations towards achieving this goal should be made in the Budget. To minimise the risk of imported COVID19 transmission, strict criteria including rigorous testing for tourists can be put in place prior their arrival into the country.

(i) ***COVID-19 SOP Compliance Certification for Retail and Restaurant Premises***

Businesses have an obligation to ensure that the retail or restaurant premises are safe for customers during this crisis. Although majority of businesses strictly adhere to COVID-19 SOP, there are



some that remain non-compliant. To increase customer confidence, we wish to suggest to the Government to introduce COVID-19 SOP compliance certification for businesses to encourage full adoption of the SOP during this critical period. Such certification will provide the safety reassurance for consumers to return to shop and dine.

We believe that our proposal above is representative of the urgent need of this consortium of associations in response to the Budget and based on the current economic and health crisis. We trust in the wisdom of the Government to formulate policies and strategies to support the business ecosystem in Malaysia during this crisis.

We welcome further engagements and dialogues with the Government through relevant Ministries to develop a sustainable solution that will ultimately help businesses to weather through this unprecedented economic calamity.

Together we can save lives and livelihood.