

# BUDGET 2025

## Expansionary Budget

3.3%

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Madani Economy: Prosperous Nation, Well-being of the People

**Budget 2025: RM 421.0 bil**

2024e : RM 407.5 bil

Development Expenditure (DEVEX)

2025f: RM86.0 bil

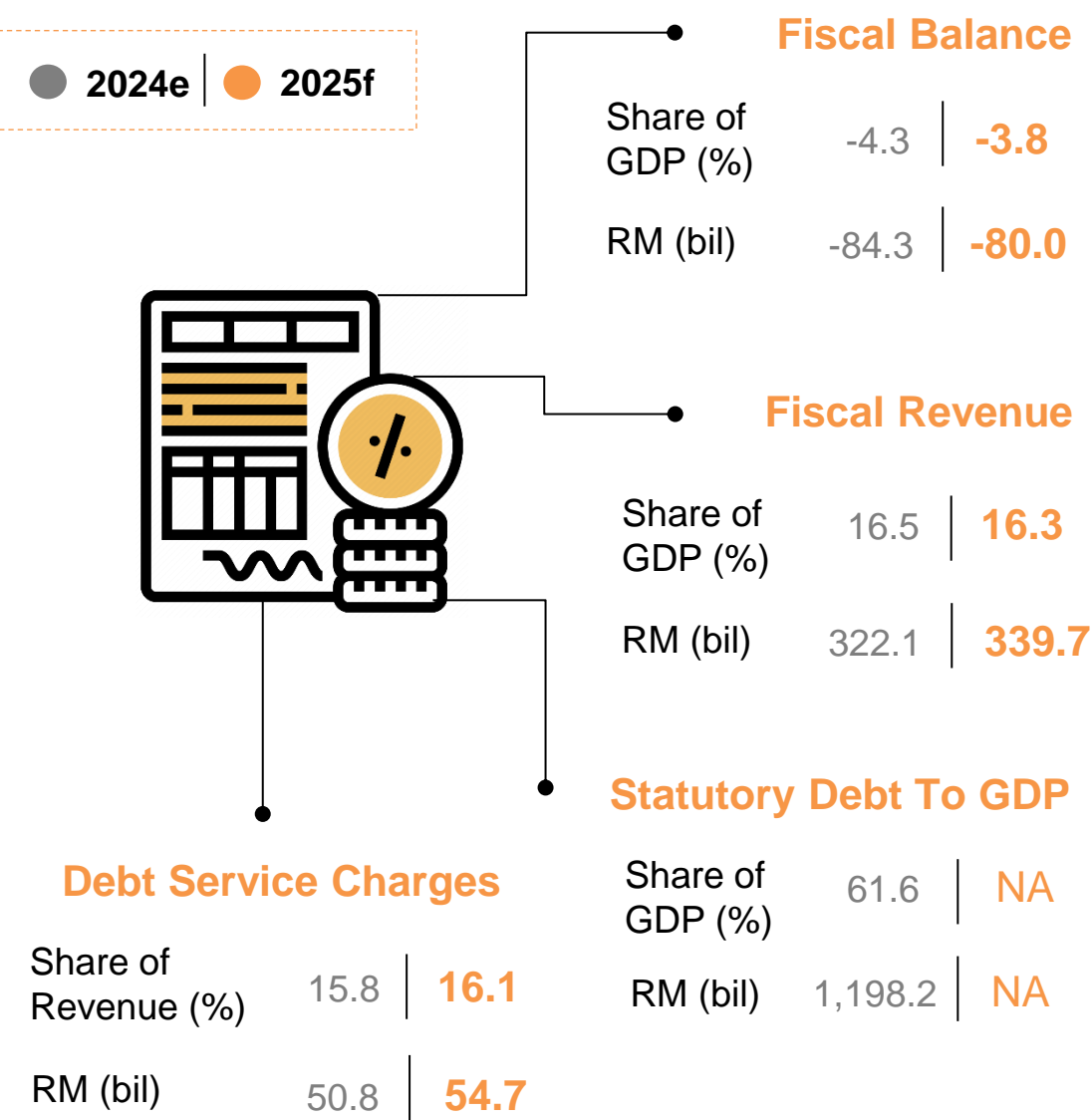
2024e: RM86.0 bil

Operational Expenditure (OPEX)

2025f: RM335.0 bil

2024e: RM321.5 bil

### Fiscal Position



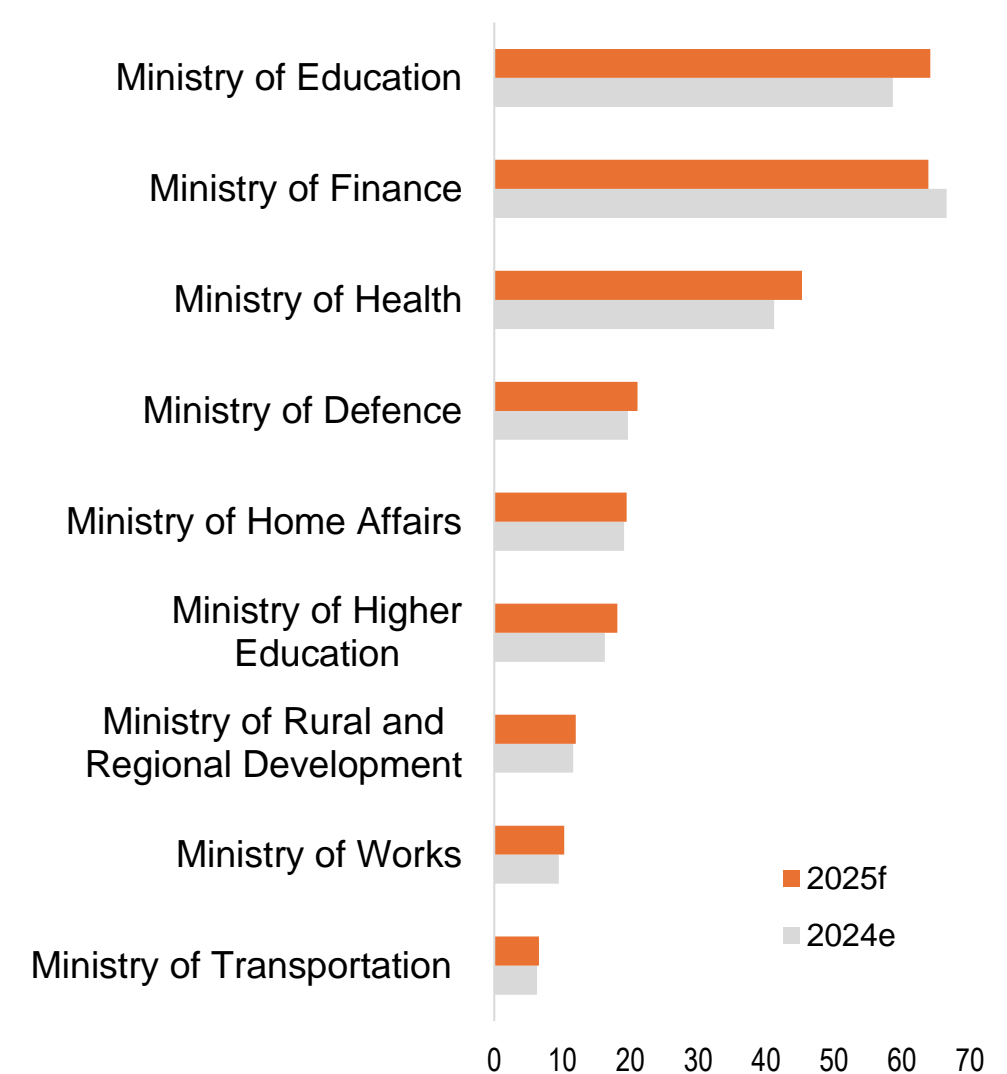
### Macroeconomic Outlook

Indicator	2024 (YTD)	Source	2024e	2025f
GDP Growth	5.1% 1H	Official	4.8% - 5.3%	4.5% - 5.5%
		SME Bank	4.3% - 5.3%	4.5% - 5.5%
Inflation	1.8% Jan - Aug	Official	1.5% - 2.5%	2.0% - 3.5%
		SME Bank	2.0% - 3.0%	2.0% - 3.0%
Brent Oil	USD81.5/bbl Jan-17 Oct	Official	USD80 – USD85/bbl	NA
		SME Bank	USD80 – USD90/bbl	USD75 – USD85/bbl

### OVERALL

- As guided by SME Bank's in-house expectation, Budget 2025 is an **expansionary budget** (RM421.0 bil, up 3.3% YoY from 2024's RM407.5 bil) – **driven by OPEX** (4.2% YoY) while DEVEX was unchanged (0% YoY) compared to 2024's revised budget.
- Govt's revenue is expected to increase by 5.5% YoY to RM339.7 bil in 2025 (2024e: RM322.1 bil) propelled by companies' income tax (8.1% YoY) and SST (14.2% YoY).
- As revenue increased at a higher pace than expenditure, **fiscal deficit** is targeted to **reduce further** to 3.8% of GDP in 2025 (2024e: -4.3%). However, this did not meet the government's deficit target of 3.0% to 3.5% by 2025, which was set out earlier under the 12 MP's Mid-Term Review.
- Govt's **macroeconomic forecasts** for 2025 are **consistent with SME Bank's**. In particular, our GDP growth forecast of 4.5% - 5.5% next year are an exact match.
- Key overall takeaways:
  - **More progressive** sales and services tax (SST) effective 1<sup>st</sup> May 2025
    - to impose on **nonessential goods** such as imported premium items
    - **broaden SST** to include business-to-business (B2B) commercial services and financial transactions
  - Introduce **dividend tax rate of 2%** on dividend income >RM100k received by individual shareholders from assessment year 2025.
  - Implement **RON95 subsidy rationalisation in mid-2025** – 85% of consumers will not be affected.
  - **Raise minimum wage to RM1.7k** per month (current: RM1.5k) effective from 1<sup>st</sup> Feb 2025 – businesses with <5 employees can postpone it for six months
  - **Education and health subsidies to be reduced** for T15
  - Introduce **carbon tax on iron, steel and energy industry** by 2026.
  - Increase allocation for Rahmah Cash Contribution (STR) and Rahmah Basic Contribution (SARA) to RM13 bil (2024: RM10 bil).

### Allocation by Ministry (RM bil)



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Note: Some details (Budget Touchpoints) are still not released by MOF and are not made available as of now.



Sectoral Highlights

CONSTRUCTION



- + RM1.8 bil has been allocated to build, maintain, and repair all public servant quarters.
- + RM5.5 bil funds is for state roads under MARRIS.
- + Sarawak Cancer Center to be build, cost RM1 bil.
- + RM900 mil will be allocated to implement 48 Program Residensi Rakyat and 14 Rumah Mesra Rakyat Project.
- + RM350 mil is allocated for bridge construction and repair projects, as well as the installations of streetlights.
- + A total of RM50 mil is allocated for the cleaning and upgrading of drains and ditches.

ESG



- + Introducing a Carbon Tax on the iron and steel industry as well as the energy sector in Malaysia by 2026.
- + Carbon capture, utilization, and storage activities will be expanded as downstream products and tax incentives will be provided
- + Kenyir Floating Solar Hydro Hybrid Farm and green hydrogen hub in Terengganu.
- + Net Energy Metering program is extended to 30 Jun 2025.
- + Green Technology Financing Scheme will continue with a total financing amount of RM1 bil until 2026.
- + Towards making Putrajaya a low-carbon city, rooftop spaces above buildings, walkways and parking areas will be fitted with solar panels.

TOURISM



- + Khazanah is providing RM600 mil to restore Sultan Abdul Samad Building and Carcosa Seri Negara, includes construction bridge to link with Perdana Botanical Gardens.
- + RM550 mil allocated to intensify tourism promotion and activities for upcoming Visit Malaysia 2026.
- + A total of RM110 mil is allocated to establish Eco-tourism collaborations and to improve facilities.
- + Govt requires all ministries and agencies to procure local handcraft as souvenirs for high-level meetings amid ASEAN chairmanship next year.
- + Forest City as a Duty-Free Island to support tourism and local economy.

EDUCATION



- + Budget allocation by ministry - MOE & MOHE increased to RM82.3 bil, the highest this year (2024e: RM75 bil).
- + A total of 44 new schools will be built next year.
- + RM1 bil to upgrade poor infrastructure in 543 schools in Sabah and Sarawak.
- + Increasing TVET allocation to RM7.5 bil
- + A total allocation of RM4 bil is provided in the form of scholarships, loans, and education allowances.
- + RM2 bill is allocated for school upgrade and maintenance projects nationwide.
- + RM800 mil assistance for all 5.2 mil school children to prepare for school.

TRANSPORTATION/ AUTOMOTIVE



- + Smart logistics complex activities be given an investment tax allowance of 60% for a period of 5 years.
- + Expansion projects for Tawau Airport, (Sabah) and Miri Airport (Sarawak) with a cost of RM253 mil.
- + RM10 mil incentive for the use of CKD electric motorcycles.
- + Prasarana to provide van facilities (50cents/journey) for children to get to school from 2 selected train stations, for starter.
- + 50 KTMB train coaches will be acquired through leasing
- Implementation RON95 targeted subsidy in mid-2025.

ICT



- + Allocation for fixed internet connectivity in rural schools (RM100 mil) & point of presence project (RM800 mil)
- + RM635 mil is allocated to improve internet access in all public universities and another RM120 mil for schools, military camps, and MARA institutions.
- + Enhancing the functionality and user experience of MyDigital ID.
- + iPayment system as cashless payment platform will be used at all government counters starting 2025.
- + 2<sup>nd</sup> 5G network to be announced next year.

Spotlight on SMEs & SME Bank



- + Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPP) will continue to guarantee SMEs financing up to RM20 bil, including a special guarantee of RM5 bil for Bumiputera and RM1 bil for halal
- + RM3.8 bil for SMEs is provided by BNM to support entrepreneurs for digitalization, automation, agri-food sector and sustainable practices. Separately, RM27 mil is also allocated as incentives for farmers and livestock breeders for food security.
- + RM3.2 bil micro-sized loans are available from TEKUN and BSN to assist small traders
- + RM1.3 bil to empower G1-G4 contractors, especially Bumiputera for small and medium construction projects
- + Khazanah will launch the Mid-Tier Company Program with a fund of RM1 bil aimed at providing financing to support the capacity building of local SMEs. Separately, RM200 mil is also allocated for the Strategic Co-Investment Fund and the NIMP Industrial Development Fund to support SMEs and mid-tier companies.
- + RM800 mil in financing under MARA and PUNB for Bumiputera entrepreneurs, to support local artisans
- + Increase in threshold of stamp duty exemption for the Micro Financing Scheme from RM50k to RM100k starting 1 Jan 2025
- + Stamp duty exemption on financing agreement instruments executed by SMEs with investors through the Initial Exchange Offering platform from 1 Jan 2025 to 31 Dec 2026
- + Bank Pembangunan Malaysia Berhad and SME Bank offer specialized financing to halal SMEs with available funds of nearly RM600 mil
- + RM650 mil will be allocated to support women and youth venturing into entrepreneurship
- + A total of RM470 mil in financing funds is provided by SME Bank, BSN, Bank Rakyat, and MARA to support women-owned SMEs in obtaining working capital, purchasing assets, and subsequently building capacity

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