



MINISTRY OF FINANCE

Optimising Fiscal Policy for Development and Inclusivity

5 September 2024

Presented by;

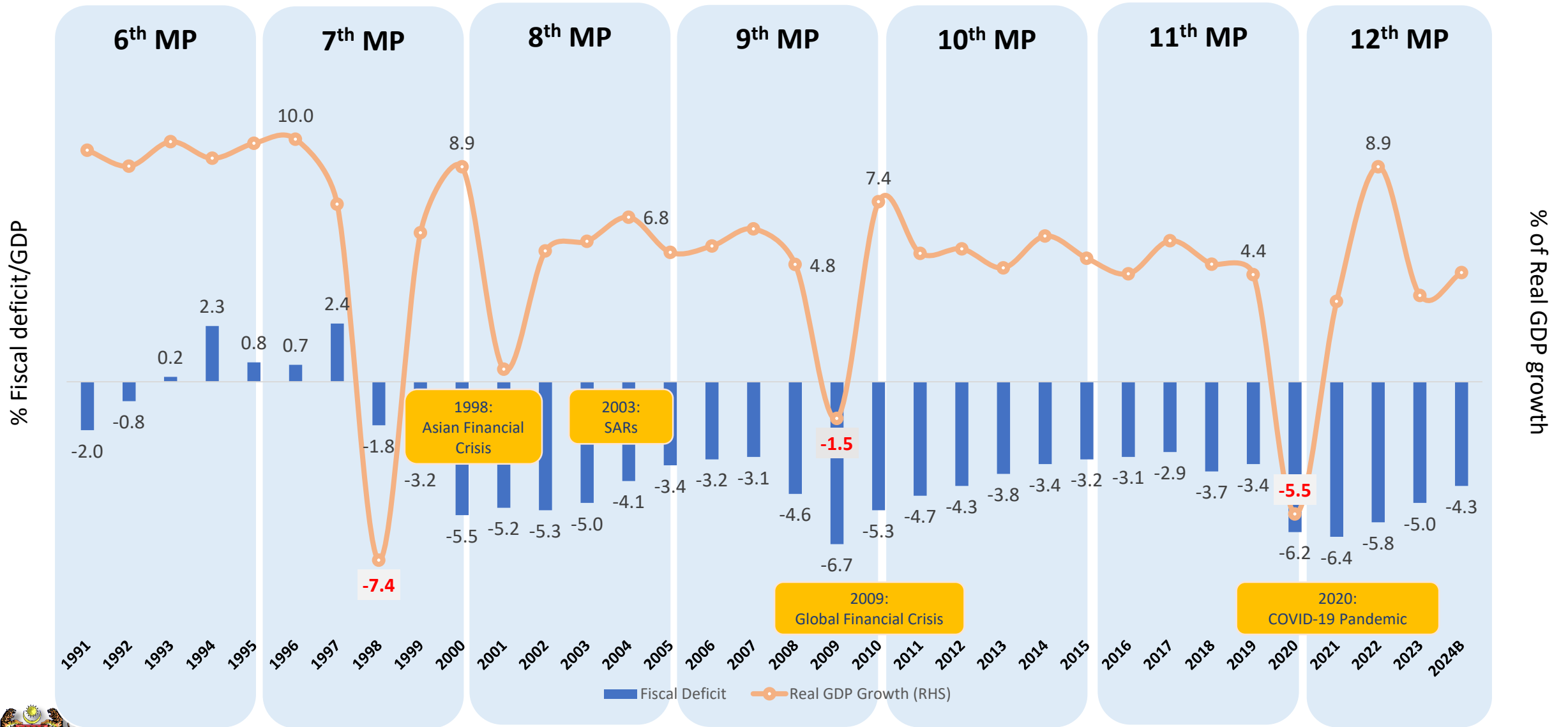
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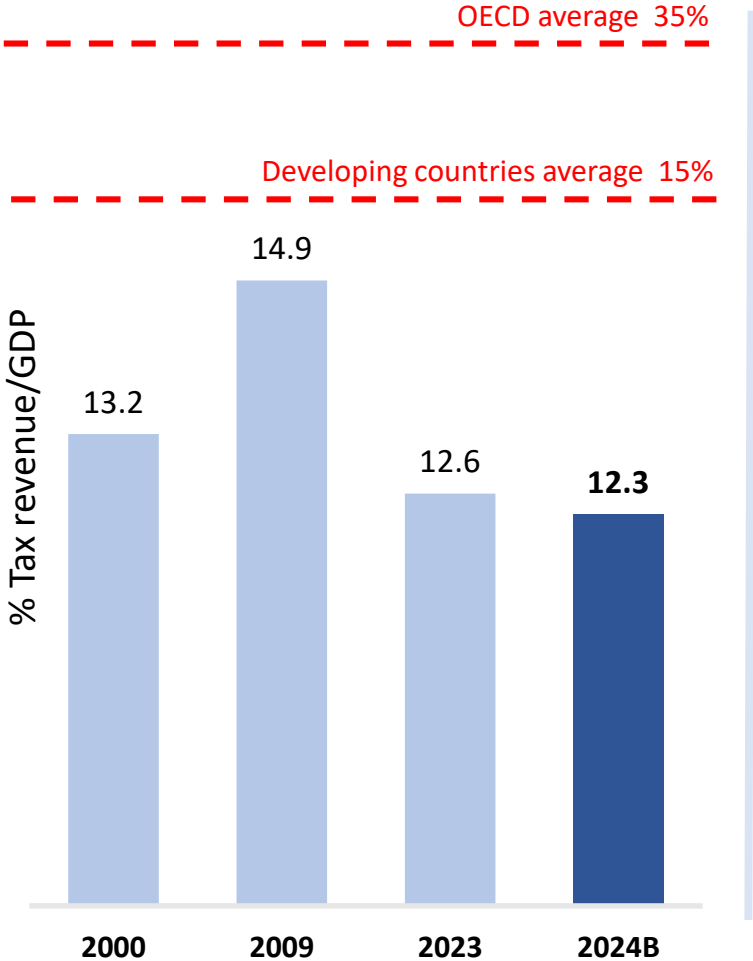


Fiscal policy continue to support growth while remains accommodative during crisis

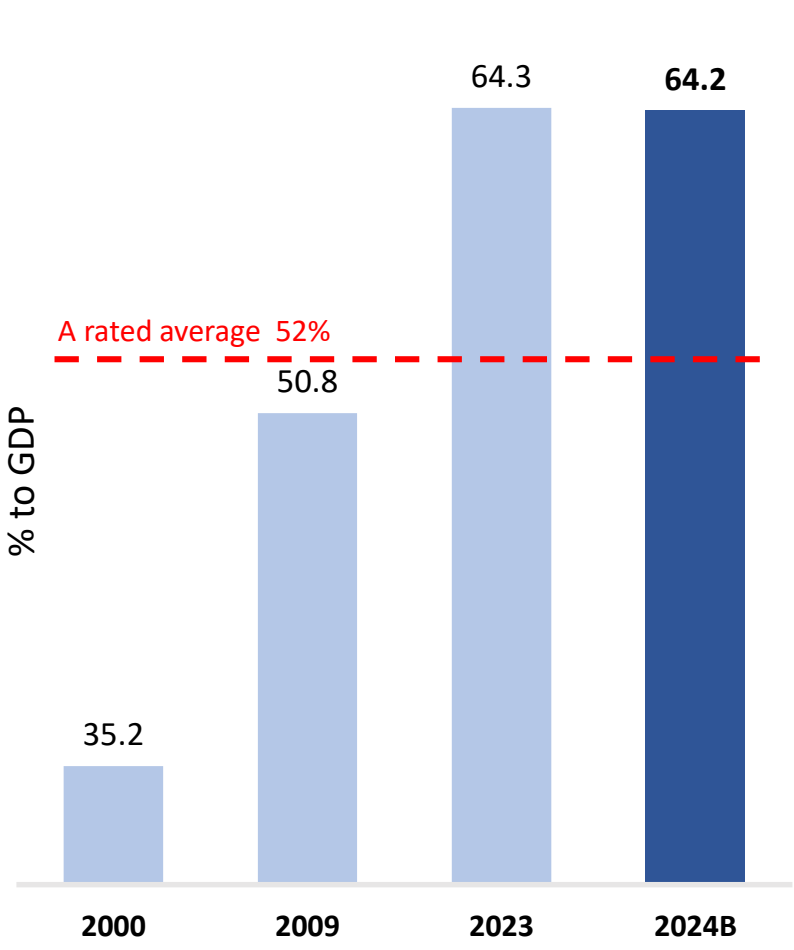


Prolonged expansionary stance reduces fiscal space and long-term sustainability

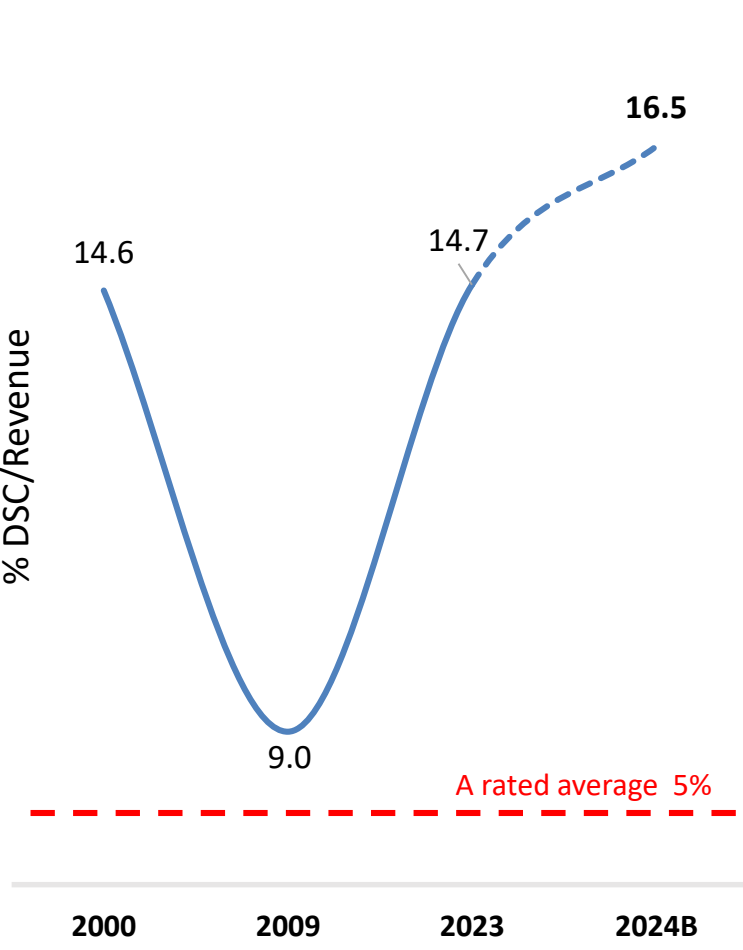
Declining revenue from tax collection as compared to global average ..



FG Debt to GDP continuously increasing after every crisis ...



... with Debt Service Charges (DSC) stood above A rated average



Nevertheless, bold reforms will rebuild buffers, improving fiscal sustainability

COMPLETED

Revenue enhancements

Sales tax
on imported LVGs sold online

Services tax
Higher rate & larger coverage

E-invoicing
For large companies

Capital gains tax
on foreign-sourced income and unlisted shares

Excise duties
Higher for chewing tobacco & sugared beverages

Expenditure optimisation

Electricity and water tariff revision

Subsidy rationalisation
Rationalisation of subsidies for diesel and fresh food (chicken)

Governance reforms

Public Finance & Fiscal Responsibility Act 2023

National Anti-Corruption Strategy, 2024- 2028

UPCOMING

Medium-Term Revenue Strategy (MTRS)
Minimise revenue leakages and broaden tax base

Expenditure Optimisation Measures
Further subsidy rationalisation, streamlining and consolidation of agencies

Government Procurement Act



Further reinforcing efforts towards achieving targets as outlined in the Public Finance and Fiscal Responsibility Act (FRA)

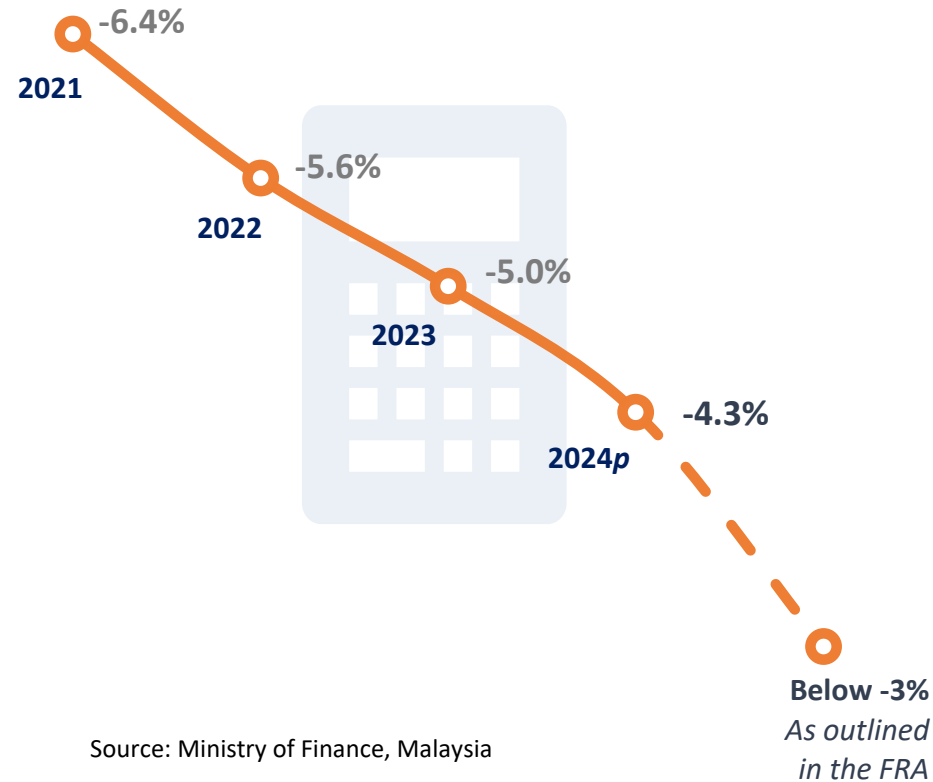
Fiscal Policy

To remain supportive of growth

Supporting growth while pursuing gradual fiscal consolidation

Unlocking greater space for productive spending

Fiscal deficit (% share of GDP)



Targets as outlined in the FRA

Annual Development Expenditure not less than 3% of GDP

Medium-Term Fiscal Balance not more than -3% of GDP

Medium-Term Debt Level not more than 60% of GDP

Financial Guarantees not more than 25% of GDP



Public Finance and Fiscal Responsibility Act 2023- towards long-term fiscal sustainability

Institutionalizing sound public finance for long-term fiscal sustainability & macroeconomic stability

Improve Governance

To set principle, framework and legislation to improve clarity in managing fiscal policy consistent with international best practices



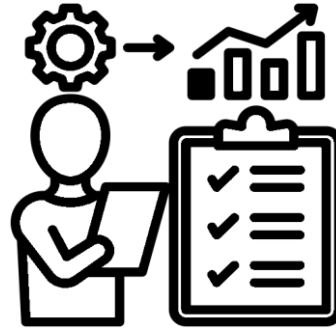
Enhance Accountability

To strengthen Government's commitment in the form of legal requirement, towards a sound & responsible fiscal management



Promote Transparency

To improve transparency of fiscal policy through better reporting in terms of standard, comprehensiveness & monitoring.



Greater Accountability of the Minister of Finance

Annual Development Expenditure $\geq 3\%$ % GDP
Medium Term Fiscal Balance $\leq -3\%$
Medium Term Debt Level $\leq 60\%$
Financial Guarantee $\leq 25\%$

Clear Fiscal Targets



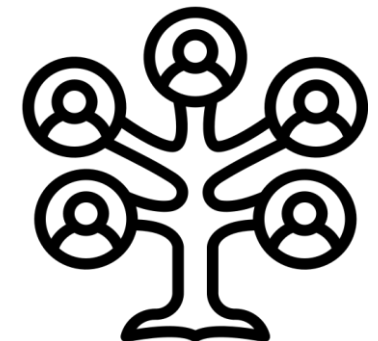
Fiscal Policy Committee



Comprehensive Reporting



Fiscal Risk Management



Intergenerational Equity

In summary



Fiscal policy always **in support of growth** to preserve macroeconomic stability, while **remains accommodative** in the event of crisis



However, **continuous expansionary stance** does **affect fiscal sustainability** hence might affect government ability to support the economy in turbulent time



Reforms has started since 2023 and **will be continuously pursued to rebuild fiscal buffer** while ensuring its sustainability in medium and long term



Policy formulation will **adhere to Ekonomi MADANI** framework and provisions under **Public Finance & Fiscal Responsibility Act 2023**





THANK YOU

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