

PRESS RELEASE
For Immediate Release

PRIHATIN RAKYAT ECONOMIC STIMULUS PACKAGE NOT GOOD ENOUGH

Kuala Lumpur, 31st March 2020 – PIKOM, the National Tech Association of Malaysia, welcomes the measures taken by the government to assist Malaysians and businesses during the most trying period. These include cash aid for singles, households, civil servants, security forces, rental support for government owned properties for lower income earners, discounts on electricity usage and free internet.

PIKOM Chairman Danny Lee mentioned, “The second PRIHATIN Rakyat Stimulus Package may only help certain industries and individuals to see through the lockdown period and the month after but however, this is merely temporary. It does not go far enough to help SMEs and business owners currently to survive this very trying time.”

“It would take a minimum of six months before things return to a semblance of normalcy. Even then, PIKOM foresees many SMEs will continue to struggle to get back on their feet. If businesses start to fail, the economy will stall and the unemployment rate will go up,” added Danny.

Danny also highlighted Malaysia is highly vulnerable to the global economic slowdown, and several major trading partners of the country have been severely affected by Covid-19. We must start thinking about the next coming months during the recovery period.

Representing over 1000 tech companies, PIKOM expresses some concerns relating to the current pandemic:

1. As an industry that employs over a million people, the technology sector is concerned that not enough is being done to ensure that employers and employees alike are assisted during this trying period.
2. The RM 600 subsidy for those earning RM 4000 or less and deferment of loans by financial institutions will help some no doubt but a major proportion of the employees in the technology industry would not be able to enjoy that coverage. In the tech industry, human resource costs can make up 70-80% of overall expenses of a company with many in the M40 category.
3. The government should have used more in its arsenal to help combat the situation to prevent an economic meltdown. A direct cash aid to companies that require it the most is needed to prevent a collapse and ensure the business can remain sustainable.

4. The exemption on HRDF contributions while welcomed would not be sufficient. Restructuring EPF contributions would help but the government should have allowed for an automatic suspension of EPF contribution by both employer and employee for at least 6 months. This will free up at least another 24% for those earning below RM 5,000 and 23% for those earning above RM5,000 into the economy during this vital time.

With the above concerns, PIKOM has also laid down some immediate steps that the government can take to assist employers and employees alike to ride through the storm:

- a) **Corporation tax** for income earned should be looked into. In a tough operating environment, businesses are struggling to survive and cash flow is tight. Reducing tax would help free up additional capital to businesses to invest and hire additional employees. The tax reduction should be for years of assessment 2019 and 2020.
- b) For professionals who are mostly paying income tax, **a reduction in the contribution to the monthly PCB** will free up some cash flow. In addition, some additional rebate and relief should be introduced for the taxpayer. This can be in the form of reduction in overall tax rate or increase in personal relief.
- c) There is a need to **address the issue of unpaid leave during the MCO** period and beyond as business activity would continue to be depressed. Rather than to lay off staff, providing the staff the opportunity to return to work when the situation improves will be a better option. There can be a cap on the maximum amount of days rather than indefinitely placing an employee on unpaid leave.
- d) Another major cost that impacts the company is rent and utilities over and above the earlier announcement. While the government may not be involved in the provision of such services, it may play a role in helping alleviate the situation **such encouraging deferment of rental through a tax incentive**.
- e) **The waiver of sales and service tax** will also be able to provide an additional boost to the companies and reduce overall cost of doing business. This will have a catalytic effect and encourage more consumption.

PIKOM also recommends that the government consider IT as a necessary enabling service for businesses, whether it is for essential or non-essential services during the MCO. This is where IT infrastructure has to be robust, systems need to be up and running and IT support services are required. We urge the government to allow IT services to continue operating should the company deem it necessary. These are some recommendations that PIKOM feels are required immediately to support all industries at this critical phase. Providing support to businesses will help ensure that the business continues to operate and the employees continue to be gainfully employed.

About PIKOM

PIKOM, THE NATIONAL TECH ASSOCIATION OF MALAYSIA, is the association representing the technology (TECH) industry in Malaysia. Its membership currently stands at more than 1,000 active companies involved in a whole spectrum of TECH products and services which command 80% of the total TECH business in Malaysia.



National Tech Association of Malaysia

The 5 Chapters under PIKOM cover OM, CIO, Cybersecurity; E-Commerce: Venture Investment. These chapters help improve and drive the business climate for all member companies, together with promoting industry growth in line with different national aspirations, along the following approaches:

As the Voice of the Tech Industry, PIKOM embraces the task of growing the size and capabilities of the TECH industry in Malaysia by creating opportunities for its members as well as all Malaysians to capture the benefits offered by advances in TECH by focusing on the following:

- Spearhead, promote & encourage development of resources, professional skills and programmes in Malaysia's TECH industry.
- Represent the local TECH industry to the Government and private sector both local and overseas.
- Provide a platform for TECH players and users to meet, network, learn and share ideas in order to grow the industry and improved applications.
- Foster high standards of conduct, service and performance throughout the TECH industry.
- Promote and market local TECH services to the region and overseas.

For more information, contact Nor Azlina Ishak, GM Corporate Affairs at azlina@pikom.org.my