

#REFSA101

**WHAT IS THE BUDGET
& WHY IS IT
IMPORTANT?**

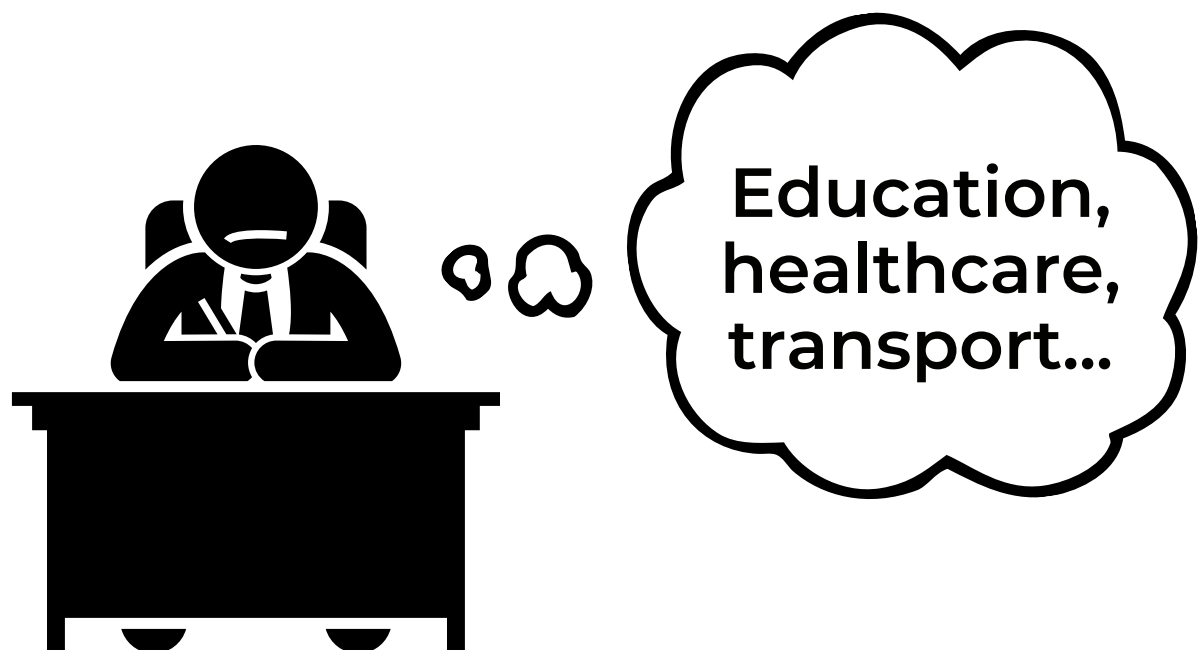
▶ WHAT IS THE BUDGET?

When?

Budget 2022 Announcement: 29 October 2021, 3PM.

What?

The Malaysian federal budget is a key instrument for the **execution of government economic policies**. Besides presenting the government's expected revenues and expenditures for the upcoming year, the federal budget is also a **reflection of government goals** and priorities for the nation.



How much did the nation earn and how does it intend to spend its earnings?

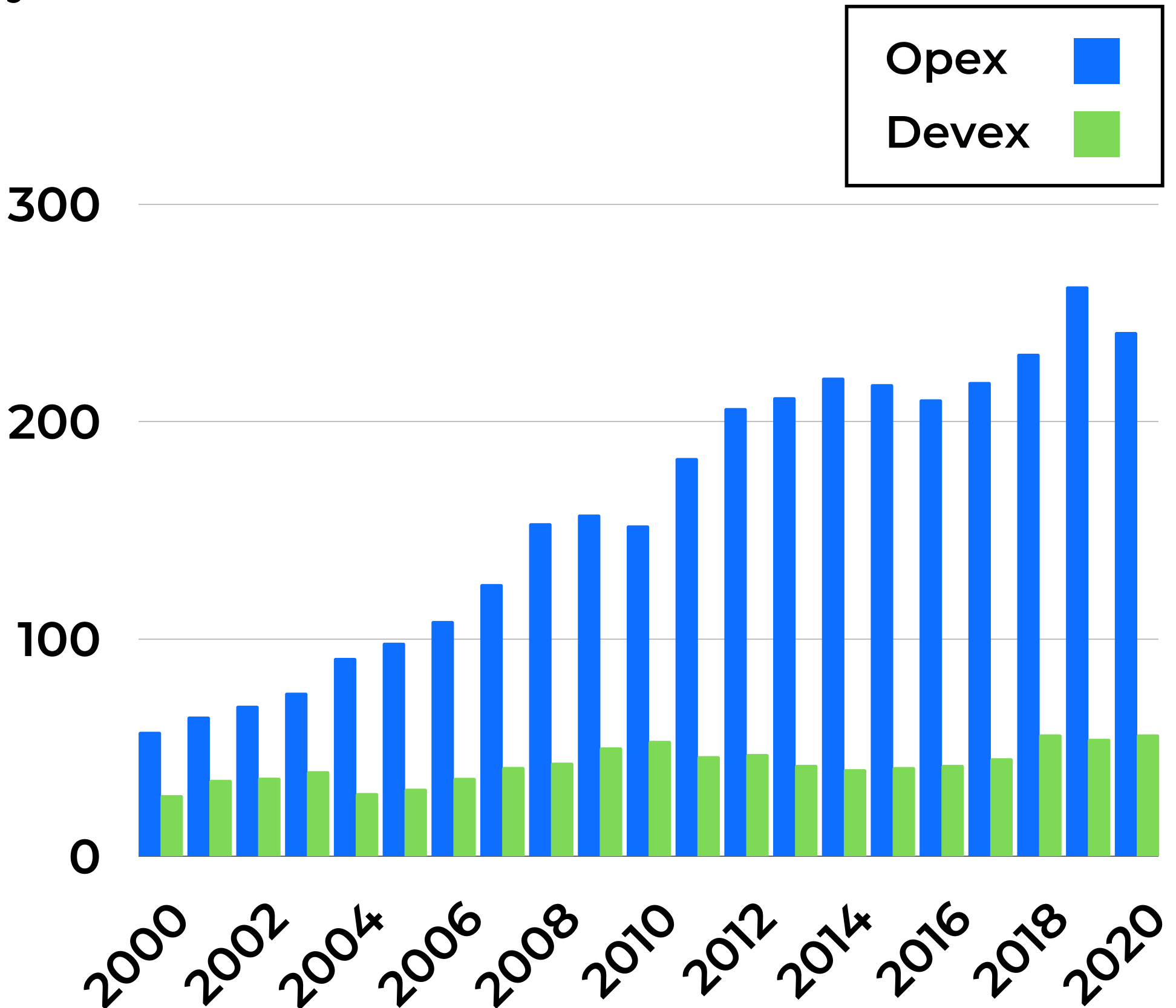
▶ HOW IS THE GOVERNMENT SPENDING ITS MONEY?

Ever wondered where the Budget comes from and where does it go? Here's a breakdown of the nation's key revenue sources and expenditure items:

Income	Expenditure
<ul style="list-style-type: none"> - Corporate income tax - Individual income tax - Petroleum income tax - Sales and services tax - Excise duties - Import and export duties - Non-tax revenue such as investments - etc. 	<p>Operating expenditure (OPEX): Subsidies</p> <ul style="list-style-type: none"> - Civil servants' salaries - Debt services charge - Pension and gratuities - Suppliers and services - Asset acquisition - Grants and transfers - etc.
	<p>Development expenditure (DEVEX):</p> <p>Costs incurred in order to promote socio-economic development through investment in infrastructure spending and public goods among others, including roads, hospitals, schools and airports.</p>

▶ HOW IS THE GOVERNMENT SPENDING ITS MONEY?

Allocation between Opex and Devex in the last 20 years



▶ HOW IS THE BUDGET ALLOCATED? WHO DECIDES?

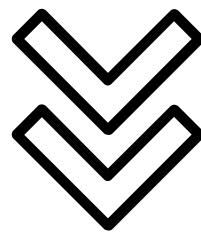
The Budget speech is merely the tip of the iceberg. The real action comes later where details on expenditure allocations are discussed between MPs and parties, and detailed in the following documents:

1. **The Economic Report:** contains an updated estimate of the current year's spending and a forecast for next year's allocation
2. **The Estimate on Federal Government Revenue:** provides detailed breakdown of government revenue
3. **The Estimate on Federal Government Expenditure:** provides details of expected expenditure by each ministry
4. **The Federal Positions List:** provides the number and grades of civil servants in each ministry
5. **The Auditor-General's Report:** a report to assess government activities, projects and programmes and to evaluate that the objectives of these activities, projects and programmes have been achieved.

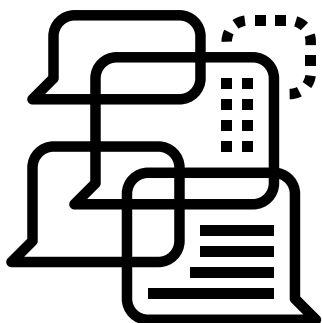
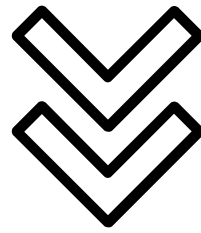
▶ THE BUDGET PROCESS



Finance Minister delivers the Budget speech, traditionally on a Friday afternoon.

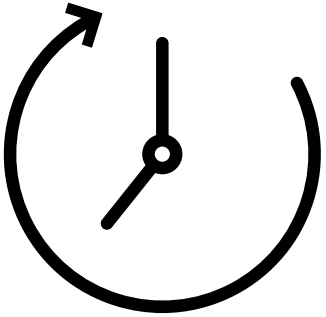


On the following Monday, parliament members will present and discuss issues pertaining to politics and the rakyat. After the debate, respective ministers will respond to the issues raised and wrap up the session.

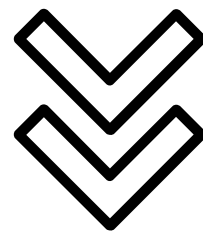


Then, each parliament member will discuss the 2022 Budget allocation in detail. This can take up to 20 days

▶ THE BUDGET PROCESS



After the Dewan Rakyat approves the Budget, it moves to the Dewan Negara for a similar but shorter process.



The Budget is presented to the Yang di-Pertuan Agong for assent.

▶ WHY IS THE BUDGET IMPORTANT?

Together with the 12th Malaysia Plan, the Budget serves as **a roadmap and strategy for Malaysia's economic recovery and reform efforts.**

Hence, Budget 2022 will set the course on building the nation's economic development, growth and resilience. Some key focus areas to look into include:



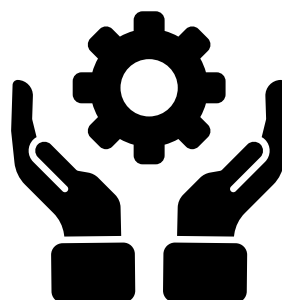
Recovery of lives and livelihoods post Covid-19



Social welfare and protection



Business support, particularly SME recovery



Creating jobs and re-skilling opportunities



Investment in technologies and the environment

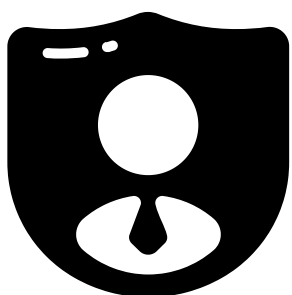
▶ **WHAT SHOULD I LOOK OUT FOR?**



The Budget reflects government priorities. Hence it is crucial to know where money is spent – does it go into supporting your vision of a better Malaysia?



Money spent will benefit various segments of society. Who benefits most from the Budget? How can we ensure that companies getting subsidies are channeling their savings into investments in productivity or boosting income for workers?



The Budget is about accountability. How effectively are our ministers spending taxpayers' money? Where is the government spending too much and too little on?

Stay tuned on our social media page as we share how to make your very own Budget wishlist and why this is important!

▶ **SHARE YOUR THOUGHTS**

Do you have pressing questions about the upcoming 2022 Budget? What difference would you like to see in the 2022 Budget? Let us know in the comments below!

▶ **REFERENCES**

Note: the #REFSA101 series is meant to kickstart your own understanding of the Malaysian Federal Budget and not to be used as a definitive resource. Do peruse the sources below as well as your own independent research if you'd like to know more!

<https://www.thestar.com.my/news/nation/2020/11/02/interactive-key-facts-to-know-ahead-of-budget-2021>

<https://www.thestar.com.my/news/nation/2020/12/10/auditor-generals-report-15-performance-audits-carried-out-on-12-ministries-involving-rm1571bil>

How the Government is Spending Our Money by Teh Chi-Chang