

LEGAL
ALERTMalaysia
11 June 2018

A New Malaysia: Post GE-14 Updates and Market Outlook

Malaysia's 14th General Election (GE14) resulted in a watershed change of the Malaysian Federal Government, unseating the Barisan Nasional political coalition that has been in power in one form or another since 1957. With the theme of "Rebuilding the Nation, Fulfilling Dreams," the new Pakatan Harapan-led Federal Government has moved quickly.

Sunday, 10 June 2018 marked one month since Tun Dr Mahathir Mohamad was sworn in as Prime Minister. The following are key policies and changes announced to-date:

- Goods and Service Tax (GST) has been zero-rated with effect from 1 June 2018. The GST Act is expected to be repealed, and replaced by the Sales and Service Tax (SST) in September.
- Select mega projects have been put on hold and/or are being reviewed. These include the East Coast Rail Link (ECRL), the Kuala Lumpur-Singapore High Speed Rail (HSR), the Klang Valley Mass Rapid Transit Line 3, the Multi-Product Pipeline, and the Trans-Sabah Gas Pipeline.
- Laws affecting fundamental freedoms enshrined in the Malaysian Constitution may be reviewed or repealed. These laws include the Anti-Fake News Act 2018, National Security Act 2016, the Prevention of Terrorism Act 2015, the Peaceful Assembly Act 2012, the Security Offences (Special Measures) Act 2012, the Communications and Multimedia Act 1998, and the Sedition Act 1948.
- A new Attorney-General and Chief Commissioner for the MACC have been appointed, with mandates to step up investigation into and enforcement against bribery and corrupt practices.
- The functions of certain Federal Government agencies, commissions, and departments. Including the Land Transport Commission (SPAD), the Performance Management and Delivery Unit (PEMANDU), the Special Affairs Department (JASA), the National Innovation Agency, and the Malaysian Global Innovation Centre (MAGIC) have been changed or are under review.
- Subsidies on petrol and diesel have been reintroduced, and RON 95 petrol and diesel will be sold at retail level at a fixed price, with only the higher grade RON 97 petrol being subject to the movement of international petroleum prices.
- The new Federal Government's electoral manifesto and actions emphasizes a high degree of commitment to fiscal responsibility, transparency and good governance. These potentially reduce risk premiums for local and foreign investors and lead to an improved investment environment in Malaysia.

Possible upcoming reforms:

Based on the Pakatan Harapan Manifesto for GE14, further reforms are expected in "new Malaysia". These include:

- **To engage in bilateral negotiations with foreign countries and regional groupings such as the European Union in order to attract quality foreign investment**

Malaysia will seek to reduce heavy reliance on infrastructure investments from any particular country, and diversify its source of foreign direct investments including by strengthening existing trade relations with countries such as Japan, Korea, the countries of the European Union and the United States.



Chinese investments are expected to remain significant. The Prime Minister has stated the review of PRC-funded projects will not harm China-Malaysia relations. The new government will support the Belt and Road initiative and welcomed PRC investment into Malaysia. Strong Chinese investments continue such as the soon-to-be-launched WeChat Pay, an e-wallet service by Tencent Holdings Ltd, into Malaysia.

- **To encourage and promote the establishment of a ‘new economy’, ‘shared economy’ and research and development sectors**

Monopolies will be broken up. New spaces will be created and fostered for entrepreneurs with new ideas, business models and practices to flourish.

- **To work with commercial banks and private developers to increase the amount of affordable homes and encourage more rent-to-own schemes and developments in the country**

A clean slate will allow the introduction of innovative housing schemes to help first-time home buyers’ purchase their homes.

- **To improve public transport in the country and encourage the growth of e-hailing services**

With the potential restructuring of big-ticket infrastructure projects such as the HSR and ECRL, there may be an uptick in investments in more localised intra-city public transport projects, such as light rail, buses and cycle-lanes. Grab is already a Malaysian-born regional ride-hailing giant, and that business model may see further growth in the country.

- **To improve access and quality of health and medical services in Malaysia**

With the lifting of monopolies, previously closed opportunities will become available to a wider pool of pharmaceutical businesses. Budget allocations for healthcare may see an increase.

Whilst short term market and currency volatility are expected in the near term, the long term prospects for the nation’s economy are viewed in a generally optimistic light. Further significant reforms are expected to be announced in the following weeks and months.

If you would like to be kept updated or wish for deeper insights on the scope and impact of these developments, please feel free to reach out to the Zaid Ibrahim & Co partner that you normally deal with or alternatively get in touch with us via info@zicolaw.com.

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