

# KERATAN AKHBAR

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## Move to boost govt's fiscal ability

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### Rafizi: New targeted subsidy mechanism to be introduced soon

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**PUTRAJAYA:** A new targeted subsidy mechanism will be introduced by the government in a few months as it is a matter of "sheer economic necessity", says Economy Minister Rafizi Ramli (pic).

However, he said the government had not set a deadline to announce the proposed new mechanism for dishing out the subsidies.

"After three Cabinet meetings, it is quite obvious that we have to expedite a proper rollout of a ... if possible ... index-based targeted subsidy system," he said during a press conference at the Economic Planning Unit's (EPU) office here yesterday.

"I think it's very soon, in a matter of months, rather than years. We will have to decide for 2023.

"Financially, we have to do it. We have to ensure that we reallocate some resources from blanket subsidies, with the targeted subsidy mechanism tied to the disposable income and household size," he added.

"We want to make sure that subsidies are also tied to consumption behaviour."

In June, the Finance Ministry said the government's projected subsidy expenditure was RM77.3bil, which



is the highest subsidy ever borne by any (federal) government.

The projected consumption subsidy covered petrol, diesel and liquefied petroleum gas (RM37.3bil); palm-based cooking oil (RM4bil); flour and electricity, as well as other subsidies (RM9.7bil).

Rafizi also said it was crucial to introduce a new subsidy mechanism so that the government would have better fiscal ability.

"The country doesn't have many choices in terms of fiscal space or financial capacity, except if we

move towards targeted subsidies.

"The question here is what index or benchmark should be used to determine which individual is qualified for subsidies," he said, adding that it was a challenge faced by the current government.

He said the new mechanism would be fair to ensure that no income groups were left out.

"There is no point in talking about inflation if we do not develop mechanisms that will enable us to distribute subsidies and targeted financial aid," said Rafizi.

He also pointed out that gas facility charges would be reduced for the regasification terminal owned by Pengerang LNG and the gas distribution pipeline owned by Petronas Gas from Jan 1 next year

until Dec 31, 2025, a move expected to yield savings of RM5.5mil to RM33.2mil for consumers next year.

He also said residential, commercial or industry consumers would see savings of between RM4,000 and RM55.9mil next year.

"I hope the reduction in gas tariffs will assist the industry in facing rising costs," he added.

The new tariffs for gas facilities in the second regulatory period from Jan 1 next year till Dec 31, 2025, involve Regas Terminal (Sungai Udang) Sdn Bhd, Pengerang LNG (Two) Sdn Bhd, a transmission pipeline owned by Petronas Gas Bhd, and a distribution pipeline owned by Gas Malaysia Distribution Sdn Bhd.