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B40, M40 and T20 categories to be phased out, says Rafizi

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KUALA LUMPUR: The new approach towards targeted subsidies will be based on net disposable household income, rather than the static income-based approach, says Economy Minister Rafizi Ramli.

"The new approach will consider factors such as monthly financial commitments in determining disposal household income rather than the previous approach, which was based solely on household income," he told reporters after launching the People's Income Initiative (IPR) vending machine pilot project at Universiti Malaya Medical Centre here yesterday.

He described the static household income approach as "unfair" because some in the lower T20 threshold were left out of aid programs, although they may require them.

"For example, some people may have a



monthly household income of RM10,500. They live in the Klang Valley and have five children. If you consider all their commitments, their net income may be the same as those in the B40 category.

"Under the previous approach, these

people were cut off from any assistance, and we want to minimise this sort of exclusion," he said when asked to clarify what the impact would be on the T20 category following plans by the government to introduce targeted subsidies.

The B40 group represents 40% of households in the country with a monthly income below RM4,850, while the M40 represents 40% of households with incomes between RM4,851 and RM10,960 per month. The T20 group comprises the remaining 20% of Malaysians whose monthly household income is above RM10,960.

Last month, Prime Minister Datuk Seri Anwar Ibrahim announced that those in the T20 income group would no longer enjoy electricity or haj subsidies.

Meanwhile, Rafizi said talk of the removal of subsidies for those in the T20 category would be redundant once the new approach is implemented next year.

"We have started discussions with the National Economic Action Council on who should get what. For example, whether the aid is going to be universal child assistance or by way of an income top-up.

"By next year, we will see a transition where the B40 and M40 groups will be gradually phased out once we roll out a more consolidated social assistance based on net disposable income," he said.

Rafizi said the new approach would be based on data under the still-under-construction Central Database Hub (Padu).

He said this is the first time where data from relevant ministries is being centralised under Padu, which would provide real-time data on disposable household income.

Rafizi added that the first six months of this year were used to develop Padu, while the next six months will be used to test the system out before it is rolled out next year.