

## **CIRCULAR No. 3**

### **Feedback of IEM on the Impact of Covid-19, the Stimulus Packages and Proposals to the Government**

IEM appreciates the great effort of the Government to contain the spread of Covid-19 and the various financial packages to assist all Malaysians in this time of need. However, engineers generally are pessimistic with the grave impact of pandemic and hope the Government will support this profession with more positive measures that can assist them during this bleak business environment and post Covid-19.

IEM conducted a survey from 7 April to 9 April 2020 and the following were the results of the survey.

#### **1. Feedback of Engineers from Survey on impact of MCO**

(The details are presented in Appendix A)

Key points of Survey	Employees	Employers
<b>Employment or Business in SME</b>		
In SMEs	39.2%	86.5%
Not in SME	60.8%	13.5%
<b>Impact on Business</b>		
Revenue dropped less than 25%	17.9%	5.6%
Revenue dropped between 25 to 50%	28.9%	28.1%
Revenue dropped more than 50%	NA	36.2%
No business at all	13.0%	28.0%
Unsure at time of survey	40.2%	2.1%
<b>Adequacy of Stimulus Packages</b>		
Happy with the package	60.0%	14.3%
Package is not good enough	40.0%	57.2%
Not helpful	NA	28.5%
<b>Employment</b>		
Unemployed	3.2%	
Will be affected	36.2%	
Not affected	59.6%	

#### **2. Issues and Challenges faced by the Engineering Industry**

- Inability to meet the overheads due to tight cash flows as payments are pending for jobs completed prior to the MCO.
- In view of MCO, unable to complete jobs and therefore not able to collect payment but still need to service bank loans, pay salaries and other overheads.
- 28% of the employers indicated that they had zero business since March 2020 due to the MCO.

### 3. Proposals for the Government to assist the Industry

- i. Government to raise the ceiling for salary subsidy to RM8,000 because Engineering professionals are skilled workers and their salary would have exceeded the RM4,000 ceiling after being in the workforce for a few years. Also increase the time frame from 3 months to 6 months.
- ii. Reduction of income tax for year 2020.
  - a. Propose a reduction of the corporate tax rate from the existing 17% on the first RM600,000 for SMEs to be reduced to 15% for assessment year 2020 and 2021.
  - b. Double Tax Deduction for SMEs that maintain their staff for 6 months after the ending of the MCO is supported.
  - c. For personal income tax, propose to reduce the tax rate by 3%.
- iii. More than 60% of the respondents who are employees in SMEs felt that the Government's initiatives are more helpful to individual workers or employees of SMEs rather than the SMEs themselves. SMEs need to be taken care of, so that they are sustainable and therefore can retain the workers.
- iv. Propose that Federal and State government agencies as well as GLCs make payment within 30 days for works completed prior to the MCO. Big private enterprises are highly encouraged to comply with the same payment terms.
- v. The Government to ensure infrastructure projects are not stopped in order to sustain the construction industry.
- vi. Current scenario could cause property market to be stagnant and affect the construction and consultancy businesses.
- vii. Higher rebates should be introduced by TNB similar to what is applicable to shopping complexes and malls to ease the burden on operation costs.
- viii. Increase and improve the internet broadband network facilities.

### 4. Moving Forward – Proposals for the Government

- Form a **Business Recovery Advisory Panel** and to invite all the heads of the respective industries to serve on the panel.
- Government to encourage FDIs into the investment of medical facilities and infrastructure – with engineering input and know-how from local experts and professional practitioners.
- Government to give more incentives for more online retail service and online service providers in the wake of the MCO lockdown – so as to boost and to sustain local demand and supply as a way forward to contributing to national economy recovery.
- Financial Aid for Revamp of Professional Service Industry to upgrade their current Operation to cater for a New Working Norm by way of interest free loans (can be based on employee and revenue), matching grants and double tax deduction for IT related expenses for 3 years.
- Increase work opportunity by awarding or spending more on infrastructure projects as stimulus to the economy and to help construction industry as well as generate more job opportunities.
- To legislate a Covid-19 Bill that is business friendly and supports economic revival of professional services.