Budget 2027 must tackle rising costs, say groups

PETALING JAYA: Budget 2027 must go beyond cash assistance and address rising everyday costs that are putting pressure on Malaysian households, consumer groups say.

M40 households, said Federation of Malaysian Consumers Associations chief executive officer T. Saravanan, are facing a "middle-income squeeze" as housing, transport, childcare, education, healthcare and other essential expenses continue to eat into their disposable income.

"For M40 families, we cannot just look at food, transport or education separately. We need to look at the reality of their entire day and their total household commitments," he said in an interview.

He said there are families with special-needs children who face additional costs for education, therapy and specialised care.

"Some are also supporting elderly parents. They may have to pay for their parents' medication, healthcare, transportation, caregivers or special care.

"This segment of Malaysians are effectively supporting two generations – their children as well as their ageing parents," he said.

Healthcare, noted Saravanan, is another major pressure as medical costs and insurance premiums have increased while some do not cover certain illnesses.

Saravanan said an M40's household's financial position cannot be determined purely based on gross income but must take into account disposable income, the number of children and dependents, elderly parents, disability or special-needs care, housing costs and where the family actually lives, he argued.

Asked if M40 households have benefited from government schemes such as Sumbangan Asas Rahmah (Sara) or Sumbangan Tunai Rahmah (STR), he said gaps remain.

"Some families fall into a gap for targeted assistance, earning too much to qualify for substantial aid but still struggling with rising costs. There is also no single targeted subsidy specifically addressing the overall pressures faced by the M40.

"We would particularly like to see greater tax relief or a review of the income tax brackets, stronger support for healthcare and medical protection, incentives for first-time home ownership, affordable childcare and special-needs services, and better public transport in the coming budget," he said.

Consumers Association of Penang president Mohideen Abdul Kader said Budget 2027 must urgently tackle the liveability crisis in public housing, including a special package to ease living costs for residents.

He asked for an increased investment in social infrastructure and a revamp in the waste management system for public housing.

On healthcare, Mohideen said waiting times at rural and urban health facilities must be cut significantly.



"We also need to increase access to mental health support for all segments of society," he added.

He urged the government to come up with a strategy to ease traffic congestion and the shortage of parking space in urban areas.

For rural communities, Mohideen called for better access to Internet data and stronger supply chains for farmers and fishermen.

He said rural teachers deserve better welfare while rural schools need improved facilities.

Making room for the M40

Experts propose lower tax rates, wider brackets and higher reliefs

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Run-up to Belanjawan 2027 MALAYSIA MADANI

PETALING JAYA: Measures should be introduced under Budget 2027 to widen income tax brackets and raise long-frozen reliefs to help middle income earners, say economists.

They also propose a raft of initiatives, ranging from higher taxes on luxury goods to curbs on private hospital charges.

The suggestions are coming in the wake of Prime Minister Datuk Seri Anwar Ibrahim's statement that the M40 income group would be the key focus of Budget 2027, which he will table on Oct 9.

Socio-Economic Research Centre executive director Lee Heng Guie said middle-income earners face a relentless financial squeeze as their wages lag behind the rising cost of living.

He said the marginal tax rate jumped from 6% to 11% once chargeable income passed RM50,000, and to 19% above RM70,000.

The marginal tax rate is the tax rate applied to the highest portion of one's chargeable income.

Currently, the 25% rate kicks in from RM100,001, a threshold low enough to hit many middle-income earners early in their careers, said Lee.

"Combined with RM9,000 personal reliefs that have remained stagnant since 2010, this leaves the urban middle class disproportionately burdened by the rising cost of living."

Reliefs for dependents and household support have failed to keep pace with family spending and caregiving costs, he said.

"Periodic recalibration is essential to ensure that personal income tax structure remains relevant and continues supporting household disposable income."

Lee also urged Putrajaya to reduce the income tax rate for the chargeable income band of between RM70,000 and RM100,000 from 19% to 15%-16%.

"(It should also) restructure the threshold chargeable income band of between RM100,000 and RM400,000 by introducing a lower sub-tier band of between RM100,000 and RM200,000 at 20%to 22% instead of the current 25%," he added.

Sunway University economics professor Dr Yeah Kim Leng said besides cash aid, cost pressures on M40 households could be eased through tax measures, such as lower personal income tax rates.

"Shifting the tax burden more to the top 1% or 5% will raise disposable income for the middle class, given that current brackets are relatively compressed.

"Expanding wage schemes and incentives for wage increases, including a surcharge on excessive pay gaps between top management and employees, can be considered," he said.

Yeah said the government-backed MediAsas medical insurance scheme, due for nationwide rollout next January, is one way to reduce out-of-pocket expenses.

He said the Diagnosis Related Groups (DRG) payment mechanism should also be expanded to curb overcharging in private hospitals.

Yeah backed expanding affordable housing schemes for M40 households, especially in urban areas, saying this would ease the squeeze on younger families aged 25 to 35.

However, Universiti Malaya economist Prof Dr Mohd Nazari Ismail cautioned that expanding housing schemes could make the cost of living worse.

"Encouraging home ownership is self-defeating because one of the main contributors to inflation is the increase in money supply, much of which comes from housing loans," he said.

Nazari said targeted cash aid, with proper checks on eligibility, would best help M40 families while tax restructuring could ease pressures by raising taxes on luxury goods, cigarettes and other non-essential items.

Centre for Market Education chief executive officer Dr Carmelo Ferlito is wary of leaning on subsidies and cash aid, saying these offer only temporary relief.

"A family that remains dependent on subsidies has not necessarily become economically stronger; it may simply have become dependent on a different source of purchasing power."

If some immediate relief is needed, Ferlito said tax relief is the better option as it let households keep more of what they earn.

He also calls for monthly advance tax instalments to be abolished immediately, describing such advance tax payments as harmful to cash flow.

Ferlito said Budget 2027 should cut red tape, licensing requirements, barriers to competition and compliance costs so that businesses can invest and pay more.