

CIRCULAR No: 8-2016

TO: ALL MPMA MEMBERS

DATE: 5 February 2016

### **100% INCREASE IN FOREIGN WORKER'S LEVY HIKE FOR THE MANUFACTURING SECTOR**

Subsequent to the announcement by the Government to increase the foreign worker's (FW) levy between 100% and 365% for the various sectors (100% or RM1,250 for the manufacturing sector) to be enforced effective 1 February 2016, the Secretariat had received numerous calls from members expressing their concerns on this matter.

We understand the concerns of our members and wish to inform that MPMA is actively pursuing the issue jointly with many other trade associations and chambers.

On 2 February 2016, the Associated Chinese Chamber of Commerce and Industry (ACCCIM) coordinated a press conference involving 55 trade associations, chambers and business groups to express the concerns and views of the business sector on the sudden and huge increase in levy.

The fact that a total of 55 associations, chambers and business groups attended the press conference despite the short notice clearly demonstrated that the business sector is totally unprepared and extremely worried about the impact of the sudden and huge increase in levy. The press conference received wide coverage from the major newspapers.

Subsequent to the press conference, the 55 associations had submitted a joint memorandum to the Prime Minister, Deputy Prime Minister together with five other Ministers expressing their views and concerns.

In the memorandum, the 55 associations had proposed the following:

1. The government to withdraw this sudden hike in FW levy and conduct comprehensive consultations with all stakeholders. There is an urgent need for a holistic review of the entire application process, outsourcing programmes and to address the illegal/undocumented FW already gainfully employed who represent the main backbone labour force for the smooth operations of the economy.
2. A comprehensive exercise to legalise the existing illegal FW in Malaysia be implemented for the following reasons:-
  - a) The estimated total number of illegal FW ranges from 3 to 6 million, with an estimated average of 4 million. On the basis of a similar RM1,250 as levy on the 4 million illegal FW been converted to legal workers, the levies collected would amount to RM5 billion. The government will note that on numerous occasions, the industry has taken the view that the levy is not part of government's revenue and that it should in fact be ploughed back to the respective industry for the purpose of, inter alia, training, upskilling, and automation. However under the existing economic circumstances, we would suggest that the RM2.5 billion of the RM5 billion raised be assigned to the government and the balance RM2.5 billion be reserved for the industries.

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- b) The existence of illegal FW have been the source of numerous social problems, which will continue unabated if not resolved expeditiously. This proposal will therefore eliminate these long outstanding issues.

The memorandum also suggested to the Government that the above must be implemented as follows:

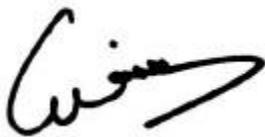
- a) The legalising process must be transparent, simple, efficient and at reasonable cost.
- b) This process must be undertaken by KDN and not any outsourced parties.
- c) Upon the completion of this exercise, there should not be any issues relating to illegal FW, and in this regard, it is critical that the government authorities exercise strict enforcement with the caveat that subsequent applications for legal FW be transparent, with clear guidelines and at reasonable cost.

We are expecting a meeting with the Deputy Prime Minister as well as the relevant Ministries in the near future.

For further clarification, please contact Mr SC Chan of MPMA Secretariat at **Tel: 603-7876 3027** or **Email: scchan@mpma.org.my**.

Thank you.

Yours sincerely,



**ST GIAM**  
Executive Director