



EPP 1 RAMPING UP PRIVATE ECCE CENTRES AND TAX INCENTIVES

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- EPP 1 – Ramp up of ECCE CENTRES**
- Budget 2013 – Tax incentives for ECCE**
- Tax incentives- Childcare Centre at
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EPP 1 RAMP UP EARLY CHILD CARE EDUCATION CENTRES (ECCE)

- In the GTP, the Education NKRA target to raise pre school enrolment rate (4+ and 5+ years) to **88% by 2013, 92% by 2015 and 97% by 2020**, and to increase enrolment target of childcare (0-4years) **from 4% to 25% by 2020**
- Though public sector has played a significant role in ECCE , expansion within public sector is not sufficient to meet NKRA preschool and childcare enrolment target
- Private sector to step-up and support delivery of NKRA targets for preschool and contribute to increasing enrolment in childcare centres up to match developed country norm
- Grow high quality private preschools and capture untapped early childcare market
- Higher competition among childcare centre/ preschool operators should lead to provision of higher quality service demanded by parents

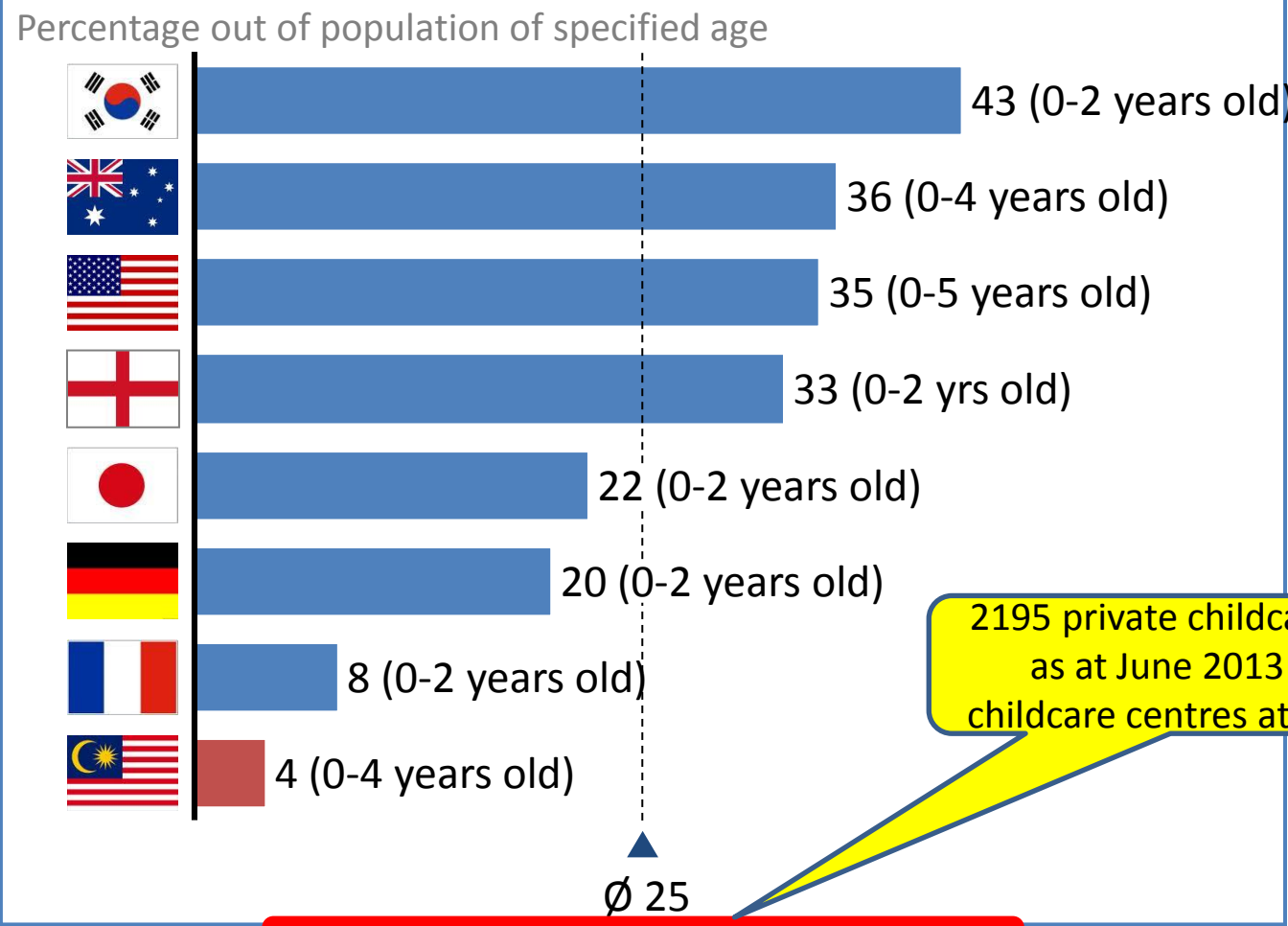
Malaysia would benefit both commercially and socially in Early Child Care and Education, driven by private sector

Benefits of Early Child Care and Education (ECCE)

- **Getting a head-start in education has a significant long term impact** on students, leading to higher school achievement, human capital, and earning power
- **Freeing up mothers' time** into childcare which leads to producing additional women workforce
- **A large business opportunity** exists in Malaysia for high quality ECCE
 - Child care market is untapped – enrolment rate as low as 4%
 - Demand for high quality preschool education is high



Enrollment rate of Malaysian children is low compared to developed countries



2195 private childcare centres as at June 2013 and 25 childcare centres at workplace

Large business growth potential for Malaysia

SOURCE: Ministry of health, welfare, and family affairs, South Korea, 2009; Australian bureau of statistics, 2008; Federal statistical office, Germany, 2009; Observatoire de l'enfance en France #82, 2009; national centre for Education statistics, US, 2005; Ministry of health, Japan, 2009; Department of education, England, 2000

1B Encouraging corporate participation in ECCE as CSR would increase enrolment into quality ECCE services

Ways for corporate participation in ECCE



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Proposal 1: Setting up ECCE at Workplace

To propose individual corporate company or the networking of corporate companies for providing high quality ECCE services for their staff at their premise or agreed premises

Examples

Security Commission

- Childcare: Permata Tassek
- Established: Year 2000
- No. of children: 50
- Rate/mth: RM700
- Support Staff Pay: max RM200
- Senior Staff Pay: RM300 - RM400



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Proposal 2: Corporate Funding

To propose corporate companies to establish or contribute ECCE fund for their staff

Shell Western Digital¹

- Full coverage for childcare and preschool education , including expenses other than tuition fees



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Proposal 3: Providing Land & Space

To invite companies to network with each other to build ECCE premises for the various communities or at disadvantaged areas

SP Setia

- Allocating lands and privileges for setting up ECCE centres

Why CSR in ECCE?

- Enhancing corporate participation into ECCE as their CSR would boost further demand for private ECCE enrolment
- For corporate company, it is an effective benefit programme to retain and attract female workforce



¹ Currently available for expatriates staff only

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Budget 2013 – To boost enrolment rate & Government's recognition on the importance of ECCE

Tax Incentives and grants

Launching grants and fee assistance under GTP 2.0 for private childcare and preschool (RM47.4 mil)

Tax exemption for 5 years and 10% industrial building allowance for private preschool and childcare centre operators

Double deductions for employers who provide childcare allowance to employees

Double deductions for employers on expenses incurred for the provision and maintenance of childcare centres



Launching Grant

Childcare Centre - Rates of Grant

Criteria	Rate
Homebased Childcare Centre - enrolment 4 – 6 students	RM3,000 one off
Institutional Childcare Centre - enrolment not < 10 students	RM10,000 one off
Institutional Childcare Centre - Enrolment > 20 students	RM20,000 one off

Preschool – Rates of Grant

Criteria	Rate
Enrolment 5 to 19 students	RM10,000 one off
Enrolment > 19 students	RM20,000 one off
Enrolment > 19 students (Special Needs)	RM20,000 one off

Fee Assistance

Childcare Student

Per Capita Income	Monthly Fee Asst	Monthly fee Asst (OKU)
Below RM 500 700	RM150	RM200
Below RM 400 600	RM200	RM250
Below RM 300 500	RM250	RM300

One off payment for 12 months (Jan – Dec)

Preschool Student

Per Capita Income	Monthly Fee Asst	Monthly fee Asst (OKU)
Below RM500	RM75	RM500
Below RM400	RM112.50	RM400
Below RM300	RM250	RM300

Budget 2013 – Tax Incentives for ECCE Operators

TAX INCENTIVES are granted to :

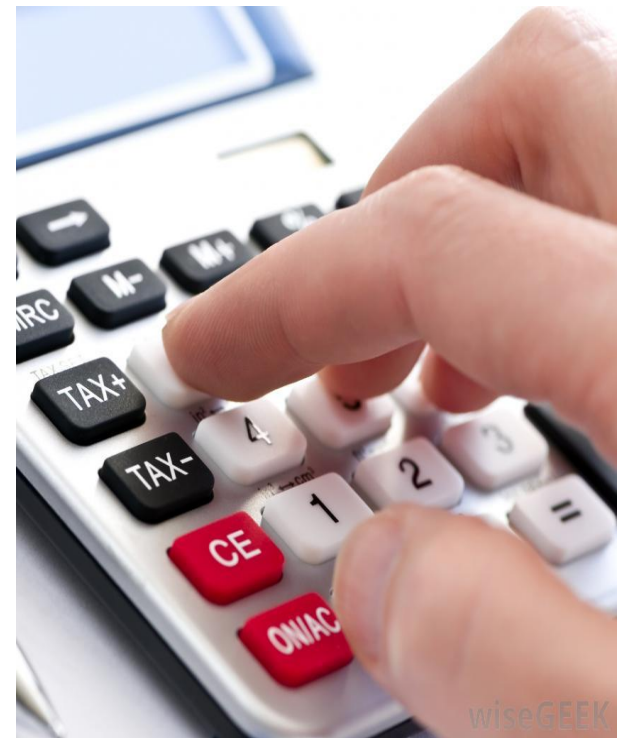
- Pre School / kindergarten registered with the Ministry of Education Malaysia
- Child Care centre registered with the Department of Social Welfare under the Child Care Act ,1984



Budget 2013 – Tax Incentives for ECCE Operators

KINDERGARTEN AND CHILDCARE CENTRE

- **Tax exemption on statutory income** for a period of 5 years
- **Industrial Building Allowance** with an annual rate of 10% for buildings used as kindergarten or childcare centre



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CHILDCARE CENTRE AT WORK PLACE



Tax Incentives For Employers

- Double deduction on expenditure incurred for the provision and maintenance of child care centres
- Double deduction on child care allowance given to employees (employees exempted from tax up to RM2400/year)
- Industrial Building Allowance at 10% annually for buildings used as child care centres



CHILDCARE CENTRE AT WORK PLACE

Double Deduction on expenditure incurred for the provision and maintenance of child care centres

➤ Example of operating expenses incurred are rental, utilities, teachers payroll costs, food etc

Simple Computation	Normal Case Single Deduction	With Double Tax deductions incentive
Revenue	RM 800 000	RM 800 000
Less : Operating expenses	(RM 120 000)	(RM 240 00): RM120k x 2
Profit before tax	RM 680 000	RM 560 000
Tax payable (*20%) * SME tax rate	RM136 000	RM 112 000
TAX SAVINGS (RM136k – RM112K)	RM24 000	

Double deduction on childcare allowance given to employees (employees exempted from tax up to RM2400)

Simple Tax Computation on Employee	Normal case Without Exemption	With Exemption (childcare allowance RM 200 /month)	With Exemption (childcare allowance RM500/month)
Salary	RM 60 000	RM 60 000	RM60 000
Add : Childcare allowance (RM200 x 12 mths)	RM 2 400	RM 0 (RM2400 – RM2 400)	RM 3 600 (RM6000 – RM2 400)
Total salary	RM 62 400	RM 60 000	RM63 600
Less : Reliefs	(RM 13 000)	(RM 13 000)	(RM 13 000)
Chargeable income	RM49 400	RM 47 000	RM 50 600
Tax payable	RM 2 784	RM 2 520	RM2 964
TAX SAVINGS (RM2 784 – RM112K)	RM264	ADDITIONAL TAX (RM 2964 – RM 2 520)	RM444

CHILDCARE CENTRE AT WORKPLACE – Tax Incentive

INDUSTRIAL BUILDING ALLOWANCE



Industrial Building Allowance - Annual rate of 10%

- An allowance equal to one-tenth of the qualifying building expenditure shall be allowed to a person for a year of assessment and for each of the following nine years of assessment
- Simple example:

Cost of building	RM600,000
Industrial Building Allowance	$RM600,000 \times 10\% = RM60,000$
YA 2013 – YA 2022	RM60,000 each YA



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SUCCESS STORIES CHILDCARE CENTRE AT WORKPLACE

[http:// www.flexworklife.my/success-stories](http://www.flexworklife.my/success-stories)



THANK YOU

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