

Our ref. : (29)PSMB/(S) 2/33 Kulit 2

Date : 2 June 2014

EMPLOYERS CIRCULAR NO. 5 /2014
EXPANSION OF THE COVERAGE OF THE PEMBANGUNAN
SUMBER MANUSIA BERRHAD ACT 2001 ON 19 NEW SUBSECTORS,
MATCHING GRANT AND GRANT OF ‘SPECIAL PERIOD’

1.0 PURPOSE

1.1 The purpose of this circular is to inform employers on the expansion of the scope of coverage of the Pembangunan Sumber Manusia Berrhad Act 2001 on 19 new subsectors effective from **1 June 2014**, provision of matching grant and the grant of ‘Special Period’ to the 19 new subsectors’ employers.

2.0 BACKGROUND

2.1 PSMB has been entrusted by the Government to administer and manage the Human Resources Development Fund (HRDF) for the purpose of training, retraining and skills upgrading of the Malaysian citizen workforce in the private sector.

2.2 In implementing PSMB’s first strategic thrust, that is, to increase the number of workers covered by HRDF, PSMB has embarked on the expansion of the scope of coverage of the PSMB Act 2001 that is by expanding the scope of coverage of the PSMB Act 2001 from existing 44 sub-sectors to 63 sub-sectors.

- 2.3 This exercise will involve 19 new sub-sectors, that is, 2 subsectors in mining and quarrying sector and 17 in service sector as listed in the Appendix.
- 2.4 Section 49 of the PSMB Act, 2001 stipulates that the Minister may, from time to time, by order published in the Gazette, add to, delete from, vary or amend the First Schedule of the PSMB Act 2001. In order to expand the coverage of the Act to 19 new subsectors as mentioned above, the First Schedule of the PSMB Act 2001 has been amended accordingly. Eventually, on 21 April 2014 the respective Minister's Order, that is, the Pembangunan Sumber Manusia Berhad (Amendment of First Schedule) Order 2014 was duly gazetted.

3.0 RATIONALE BEHIND THE EXPANSION

- 3.1 The rational behind the expansion of the PSMB Act, 2001 is as follows:
- 3.1.1 to assist the Government to achieve the target of 33% of the workforce being employed in the higher skilled jobs bracket by 2015, and up to 50% by 2020 as underlined in 10th Malaysian Plan. At present, it is estimated that only 28% of the total Malaysian workforce is employed in the higher skilled jobs bracket.
- 3.1.2 to up-skill the current workforce, in particular those from the bottom 40% of households, by way of continuous training and education, by which it is hoped that PSMB will be able to play more efficient and greater role in providing continuous training and re-training to the existing Malaysian workforce - in line with the New Economic Model (NEM)'s inspiration.
- 3.1.3 to assist human capital development in 7 National Key Economic Areas (NKEAs) (Table 2), hence, to assist the Government in

achieving Economic Transformation Programme 's target i.e to transform Malaysia into a high-income nation by 2020.

TABLE 1 : FOURTEEN OUT OF NINETEEN SUBSECTORS FALL UNDER 7 NKEAs

MINING AND QUARRYING SECTOR	
NKEA	Industry/Sub-Sector
1. Oil, Gas and Energy	1. Petroleum and gas extraction; 2. Gas, steam and air-conditioning supply;
SERVICE SECTOR	
NKEA	Industry/Sub-Sector
1. Communications Content and Infrastructure	3. Production of motion picture, video and television programme, sound recording and music publishing; 4. Information service; 5. Private broadcasting services;
2. Tourism	6. Tourism enterprise;
3. Business Services	7. Building and landscape services; 8. Event management services; 9. Franchise; 10. Veterinary services.
4. Education	11. Early childhood education; 12. Driving school;
5. Healthcare	13. Health support services;
6. Wholesale and Retail	14. Sale and repair of motor vehicles;

4.0 CLASS OF EMPLOYERS FOR THE 19 NEW SUBSECTORS/INDUSTRIES

4.1 Class of employers for the 19 new subsectors are subjected to the subsectors or industries involved.

4.2 Class of employers for the mining and quarrying sector is as follows:

- (i) employers with 50 or more Malaysian employees (compulsory to register);
- (ii) employers with 10 to 49 Malaysian employees with a paid-up capital of RM2.5 million and above (compulsory to register); and
- (iii) employers with 10 to 49 employees with a paid-up capital of below RM2.5 million (optional category).

4.3 Class of employers for the service sector is as follows:

- (i) employers with 10 or more Malaysian employees; and
- (ii) employers with 30 or more Malaysian employees (for Food and beverage subsector).

4.4. Employers from the category (i) and (ii) under the mining and quarrying sector and service sector are required to pay human resources development levy at the rate of 1% from their monthly wages, and employers from category (iii) under the mining and quarrying sector (optional category) are required to pay levy at the rate of 0.5% from their employees monthly wages.

5.0 REQUIREMENT(S) FOR REGISTRATION

5.1 The registration's requirements for the 19 new subsectors' employers is as per Table 2:

**TABLE 2 – REGISTRATION REQUIREMENTS FOR THE 19 NEW SUBSECTORS'
EMPLOYERS**

Sector	Subsector / Industry	Requirement(s)	Effective date	Amount of Levi
MINING AND QUARRYING	1. Petroleum and gas extraction; 2. Mineral and stone quarrying;	Employers with 50 employees and above	1/6/2014	1%
		Employers with 10 to 49 Malaysian employees and with a paid-up capital of RM2.5 million and above	1/6/2014	
		Employers with 10 to 49 Malaysian employees and with a paid-up capital of RM2.5 million and below	1/6/2014 or from the date of registration	0.5%
SERVICE	i. Gas, steam and air-conditioning supply; ii. Water treatment and supply; iii. Sewerage; iv. Waste management and material recovery services; v. Production of motion picture, video and television programme, sound recording and music publishing;	Employers with 10 employees and above	1/6/2014	1%

Sector	Subsector / Industry	Requirement(s)	Effective date	Amount of Levi
	vi. Information service; vii. Tourism enterprise; viii. Building and landscape services; ix. Event management services; x. Early childhood education; xi. Health support services; xii. Franchise; xiii. Sale and repair of motor vehicles; xiv. Private broadcasting services; xv. Driving school; and xvi. Veterinary services;	Employers with 10 employees and above	1/6/2014	1%
	xvii. Food and beverage services	Employers with 30 employees and above	1/6/2014	

6.0 MATCHING GRANT FOR NEWLY REGISTERED EMPLOYERS ON REIMBURSEMENT BASIS FOR TRAINING AND RETRAINING ACTIVITIES WITHIN THE FIRST SIX (6) MONTHS FROM THE EFFECTIVE DATE OF THE 19 NEW SUB-SECTORS COME INTO FORCE

6.1 The Board of Directors of PSMB has agreed to provide a matching grant with an allocation of RM2 million for newly registered employers on reimbursement basis for training and retraining activities within the first six months from the effective date of the new sub-sectors come into force.

6.2 The terms and conditions for the matching grant are as follows:

- 6.2.1 Matching grant is applicable on a first-come-first-serve basis for the first 400 employers from the new sub-sectors which registered with PSMB on 1 June 2014 and onwards;
 - 6.2.2 Matching grant can cover multiple training programmes but subject to a maximum of RM5,000 and for payment of course fee only;
 - 6.2.3 Matching grant cannot be used for reimbursement of training which were conducted 2 years prior to registration with PSMB;
 - 6.2.4 PSMB will recover matching grant from employer which deregistered due to their activity is not covered under the PSMB Act, 2001;
 - 6.2.5 Employer can enjoy the matching grant if reimbursements are made prior to 30 June 2015;
 - 6.2.6 Excess from unutilised matching grant from the first 400 employers after the 30 June 2015 will be extended to the subsequent early registration; and
 - 6.2.7 Employers must not have any levy arrears or interests.
- 6.3 It is also aims to offer attractive package to encourage early registration of employers as well as to create the momentum of retraining and skills upgrading of workers upon registration with PSMB.
- 6.4 The proposed disbursing mechanism of the RM2 million matching grant is RM1 will be credited into employers' individual accounts for every RM1 HRD levy reimbursed to the employer. This is to enable the newly registered employers to accumulate sufficient amount of money to implement more training for their employees in a timely manner and also overcome financial difficulties through the immediate assistance given by PSMB. However, a ceiling of a certain amount will be determined to ensure as many employers will reap the benefits.

6.5 The proposed matching grant works two-prong, apart from benefiting newly registered employers, it will also works as a catalyst for them to start utilizing the fund with immediate effect.

7.5 This matching grant should be considered by the newly registered employers as value-added for them to register with PSMB and immediately send them their staff for training because more often than not employers kept asking additional benefits they obtain apart from utilising their own contributions when they registered with PSMB. This incentive also serves as a touch point where Government will be appreciated for providing additional financial assistance for workers' retraining and skills upgrading.

7.0 SPECIAL PERIOD FOR THE EMPLOYERS IN THE 19 NEW SUBSECTORS

7.1 Pembangunan Sumber Manusia Berhad (PSMB) has introduced a Special Period, effective from 1 June 2014 until 30 November 2014 to the 19 new subsectors' employers to be registered under the Pembangunan Sumber Manusia Berhad Act, 2001.

7.2 The 19 new subsectors' employers who are registered within the Special Period, which is from 1 June 2014 to 30 November 2014, will entitle for:

- Exemption from the payment of levy and interest until 30 November 2014; and
- Other incentives or benefits provided by PSMB for registered employers.

7.3 After expiration of the Special Period, legal action under Section 13(2) of the Pembangunan Sumber Manusia Berhad Act, 2001 will be taken against errant employers who fail to register with PSMB.

8.0 DATE OF IMPLEMENTATION

8.1 The effective date of this circular is 1 June 2014.

9.0 CONCLUSION

9.1 Employers are encourage to register with HRDF as soon as possible after the effective date of this circular in order to reap the benefit provided by the matching grant during the Special Period and as well as many other incentives and benefits provided by HRDF training's schemes.

9.2 Please feel free to contact our Customer Service Officer on 1-800-88-4800 should you require further clarification or assistance.

Thank you.

“HRDF – SHAPPING PEOPLE”
“PEKERJA PEMANGKIN TRANSFORMASI NEGARA”

Yours sincerely,

(DATO' HAJI OMAR BIN HAJI AWANG)
Chief Executive
Pembangunan Sumber Manusia Berhad

A. LIST OF 19 NEW SUB-SECTORS

MINING AND QUARRYING SECTOR	
No.	<u>Subsector/Industry</u>
1.	Petroleum and gas extraction;
2.	Mineral and stone quarrying;
SERVICE SECTOR	
No.	<u>Subsector/Industry</u>
1.	Gas, steam and air-conditioning supply;
2.	Water treatment and supply;
3.	Sewerage;
4.	Waste management and material recovery services;
5.	Food and beverage services;
6.	Production of motion picture, video and television programme, sound recording and music publishing;
7.	Information service;
8.	Tourism enterprise;
9.	Building and landscape services;
10.	Event management services;
11.	Early childhood education;
12.	Health support services;
13.	Franchise;
14.	Sale and repair of motor vehicles;
15.	Private broadcasting services;
16.	Driving school; and
17.	Veterinary services.

B. DEFINITIONS

MINING AND QUARRYING

Subsector (Industries)

1. **Mining and quarrying**, that is, any business or activity involving the process of extracting of minerals occurring naturally as solid, liquid or gas which includes-
 - (A) mining of hard coal and lignite (brown coal), iron ores, non-ferrous metal ores or chemical and fertilizer minerals;
 - (B) mining or quarrying of abrasive materials, asbestos, siliceous fossil meals, natural graphite, steatite (talc), gemstones, natural asphalt, asphaltites and asphaltic rock, natural solid bitumen, quartz and mica;
 - (C) extraction of crude petroleum oils, bituminous or oil shale and tar sand, natural gas, condensates, liquid hydrocarbon, methane, ethane, butane or propane;
 - (D) extraction and agglomeration of peat and salt, including extraction of salt by evaporation of sea water or other saline waters;
 - (E) quarrying of stone, sand and clay; or
 - (F) mining or quarrying specialized support services provided on fee or contract basis.

SERVICE

2. **Gas, steam and air-conditioning supply**, that is, the collection, supply, distribution or provision of gas, steam and air-conditioning including the distribution of gaseous fuels through a main, the collection and distribution of steam and hot water for heating, energy or other purposes, the distribution of cooled air or chilled water for cooling purposes, and the supply of ice for food and non-food or cooling purposes;
3. **Water treatment and supply**, that is, the process of treatment of water from various sources and the supply or distribution of water by various means for domestic and industrial needs;
4. **Sewerage**, that is, any activity involving the provision, maintenance or operation of sewerage systems or sewage treatment facilities including the collection and treatment of waste water from residential or industrial area that is carried away by any means whatsoever for dumping, disposal or conversion into a nontoxic form purposes;
5. **Waste management and material recovery services**, that is, any activity involving the collection, treatment or disposal of solid, liquid or gaseous waste material which are discarded, rejected or unwanted or abandoned to be reused, recycled, reprocessed, recovered or purified by a separate process including remediation activities and other waste management services;
6. **Tourism enterprise**, that is, any activity involving the business, organization or management of inbound or outbound tours or any travel agency business within the meaning of the Tourism Industry Act 1992 (*Act 482*);
7. **Production of motion picture, video and television programme, sound recording and music publishing**, that is, any business or activity of any description involving –
 - (A) the making or production of motion pictures, films, videos and television programmes or

<p>commercial messages;</p> <p>(B) film, video and television programme or commercial message production activities for radio, television or films's post;</p> <p>(C) distribution activities or activities of acquiring distribution rights for films, videotapes, DVDs or similar productions for commercial purpose;</p> <p>(D) motion picture or video type projection activities;</p> <p>(E) production of original (sound) master recordings, sound recording services and related services; or</p> <p>(F) music publishing activities and related services;</p>
<p>8. Information service activities, that is, the provision and supply of data, knowledge or information to customers for commercial purposes including the provision of data processing and hosting services, web portals services, news agencies and news syndicate services, and related services;</p>
<p>9. Building and landscape services, that is, any business or activity involving the management, maintenance, upkeep or cleaning of buildings, landscapes, engine equipment, machinery or other industrial cleanings;</p>
<p>10. Event management services, that is, any business or activity of any description involving the management, promotion or organization of conventions, business or trade shows or any public or private events;</p>
<p>11. Early childhood education, that is, the provision of care and early education to the children below six years old by nurseries and kindergartens including the provision of special education for handicapped children at this level, but excluding the child care and early education provided by the nurseries or kindergartens owned or run by any Federal Government or State Government department or agency, or by any statutory body;</p>
<p>12. Health support services, that is, any business or activity involving medical or health laboratory, dialysis centre, physiotherapy or occupational therapy centre, acupuncture, or herbalist and homeopathy services, but excluding-</p> <p>(A) hospital and maternity home activities;</p> <p>(B) general medical or dental practice activities;</p> <p>(C) residential care activities;</p> <p>(D) healthcare services provided by nurses, midwives, cyrotherapists, traditional masseurs, ge, Ayurveda practitioners or other alternative medicine practitioners, or paramedical practitioners;</p> <p>(E) ambulance services; and</p> <p>(F) other private healthcare services within the meaning of Private Healthcare Facilities and Services Act 1998 [Act 586];</p>
<p>13. Franchise, that is, in relation to franchise business, any kind of business or activity involving a franchise agreement or involving the purchase of the right to sell or distribute specific products, services, information, techniques or intellectual property by the franchisee from the franchisor. The word "Franchise" has the meaning as assigned to it in the Franchise Act 1998 (Act 590);</p>
<p>14. Sale and repair of motor vehicles, that is, the trade or sale, either by wholesale or retail, of any type of motor vehicle or motor vehicle component by manufacturer, supplier, wholesaler, retailer or an agent and the rendering of services incidental to the sale of motor vehicle or motor vehicle component or the provision of periodic after sales services, including the maintenance or repair, during or after a motor vehicle or motor vehicle component is sold;</p>

15. Private broadcasting services, that is, any activity of creating content or acquiring the right to distribute content for radio, television or cable programmes and the broadcasting of the said contents to the public;

16. Driving school, that is, any activity involving the provision of services by a driving school or driving institute;

17. Veterinary services, that is, the provision of control and health care services for farm or pet animals by veterinarians or veterinary personnel which includes-

- (A) clinico-pathological examination and diagnosis;
- (B) the diagnosis, cure, mitigation, treatment or prevention of any animal disease, deformity, wound or injury;
- (C) animal ambulance services; and
- (D) testing of animal specimen services.

The words “veterinary services” shall include all the activities or services provided by animal clinics, veterinary centres or veterinary hospital.
