



Our Ref : (07) PSMB/20/8 Kulit 8

Date : 18 November 2019

EMPLOYERS' CIRCULAR NO. 7/2019

MAKING THE BEST USE OF YOUR HUMAN RESOURCES DEVELOPMENT LEVY WITH NEW UNUTILISED LEVY MECHANISM PERIOD FROM FIVE YEARS TO TWO YEARS

1. PURPOSE

The purpose of this Circular is to encourage registered employers to make the best use of their Human Resources Development (HRD) levy by training their local talent – employees, trainees and apprentices – to support the needs of their business through skilled local workforce with a new unutilised levy mechanism period from five years to two years.

2. REVISION TO PERIOD OF UNUTILISED LEVY

2.2 Section 25 of the Pembangunan Sumber Manusia Berhad Act 2001 states that an employer shall lose his/her eligibility to receive any financial assistance or other benefits under the Human Resources Development Fund (HRDF) if they do not make any claims within a stipulated period as determined by the HRDF Board. In this regard, the current stipulated period is five (5) years.

2.3 In view that HRDF strongly believes that the HRD levy should be consistently used to upskill, reskill and create more leadership opportunities for Malaysians, preparing them to take on challenging new roles to further their own careers and to make the businesses they work for more successful, the period of unutilised HRD levy will be revised to two (2) years from 1 January 2020. This revision is needed to increase employer investment in skill development.



3. EXCEPTION TO THE REVISION

- 3.2 As part of our support, HRDF will be providing a collaborative solution to employers who are affected by this revision in which a minimum balance of RM10,000.00 will be maintained in their respective HRD account.
- 3.3 Additionally, employers with less than RM10,000.00 HRD levy balance will not be impacted by this revision.

4. FINDING THE EFFECTIVE LEVY UTILISATION PATHWAY

- 4.2 The HRDF Customer Engagement Team has been reaching out to affected employers to provide counsel on how to efficiently utilise their HRD levy. Arrangements are made to make certain that all employers fully understand the structure and requirements of levy utilisation with HRDF. The series of continuous engagements have already started since April 2019.
- 4.3 This support will provide employers with sufficient opportunities to use their HRD levy before the implementation of the said revision on 1 January 2020.

5. CLOSING

- 5.2 This Circular is effective from 1 January 2020.
- 5.3 For further clarification on this Circular, kindly contact HRDF's Call Centre at toll-free: 1800-88-4800 or email support@hrdf.com.my

Thank you.

PEOPLE, PROWESS, PROGRESS
PEKERJA AMANAH ASPIRASI NEGARA



ELANJELIAN VENUGOPAL
Chief Executive
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Kumpulan Wang Pembangunan Sumber Manusia



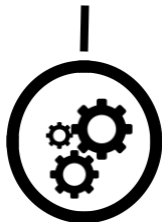
All You Need To Know:

THE HRDF REVISED UNUTILISED LEVY MECHANISM



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Examples of different scenarios of Unutilised Levy effective 1 January 2020; for non-utilisation period between 1 January 2018 – 31 December 2019

THE HRDF CURRENT UNUTILISED LEVY

MECHANISM:

General Background on the HRDF Levy

- **What is Human Resources Development (HRD) Levy?**

The Human Resources Development (“HRD”) Levy is a mandatory monthly contribution imposed by the Government of Malaysia through the Human Resources Development Fund (“HRDF”) on specified groups of employers from key economic sectors, for the purpose of up-skilling and re-skilling of their Malaysian employees through human capital development programmes and corresponding initiatives.

Under the Pembangunan Sumber Manusia Berhad Act 2001 (PSMB Act 2001), specified groups of employers from three (3) major sectors – namely **Services**, **Manufacturing**, and **Mining and Quarry** – are liable to contribute a monthly HRD levy for each working local employee at the rate of 0.5 per cent to 1.0 per cent of the monthly wages of these employees.

- **How much is the levy contribution imposed on liable employers?**

- ❖ Compulsory registered employers with a minimum of ten (10) local employees are liable to pay a monthly HRD levy for each working Malaysian employee at the rate of 1.0 per cent of the monthly wages of these employees.
- ❖ Optional registered employers with a minimum of five (5) to a maximum of nine (9) local employees, are liable to pay a monthly HRD levy for each working Malaysian employee at the rate of 0.5 per cent of the monthly wages of these employees.

- **How do HRDF registered employers utilise their HRD levy?**

Employers from the 63 sub-sectors from the Manufacturing, Services, and Mining and Quarry sectors, can utilise their respective HRD levy by applying for financial assistance from the HRDF, for their human capital development programmes and corresponding initiatives.

THE HRDF CURRENT UNUTILISED LEVY

MECHANISM:

General Background on the HRDF Unutilised Levy

- **What is the HRD Unutilised Levy?**

Section 25 of the PSMB Act 2001 states that an HRDF- registered employer shall lose its eligibility to receive any financial assistance or other benefits under HRDF if they do not make any claims within a stipulated period.

Section 25 of the PSMB Act 2001 reads as follow:

“If an employer does not make any claims against the Fund within such period as May be determined by the Board from the date of its registration with the Corporation or from the date of the last financial assistance or other benefits granted by the Corporation, the employer shall lose his eligibility to receive any financial assistance or other benefits not claimed for the period.”

Levy contributed for a five (5)-year period would be **forfeited** if HRDF-registered employers do not make a single claim for financial assistance or other benefits within the five (5)-year period.

- **How do HRDF-registered employers avoid their levy contribution from being forfeited?**

HRDF-registered employers can avoid their levy contribution from being forfeited by actively utilising their respective HRD levy through application for financial assistance and submission of claims for human capital development programmes and corresponding initiatives within the five (5) continuous year.

THE HRDF REVISED UNUTILISED LEVY

MECHANISM:

General Background on the HRDF Unutilised Levy

- **What is the reason behind the improvisation to the current HRDF Unutilised Levy Mechanism?**

To encourage registered employers to make the best use of their Human Resources Development (HRD) levy by training their local talent – employees, trainees and apprentices – to support the needs of their business through skilled local workforce with a new unutilised levy mechanism period from five years to two years.

- **What happens to the unutilised levy from the employers?**

Section 25 of the PSMB Act 2001 stipulates, if an employer does not make any claims against the Fund within such period as determined by the Board from the date of its registration with the Corporation or date of last financial assistance or other benefits granted by the Corporation, the employer is not entitled to receive any financial assistance or other benefits that has not claimed earlier.

From its first inception, the unutilised levy mechanism was set for two (2) years and further revised to five (5) years. HRDF however strongly believes that the HRD levy should be consistently used to upskill, reskill and create more leadership opportunities for Malaysians, preparing them to take on challenging new roles to further their own careers and to make the businesses they work for more successful, the period of unutilised HRD levy will be revised to two (2) years from 1 January 2020. This revision is needed to increase employer investment in skill development.

However, a levy balance threshold of RM10,000 will remain for employers upon their ineligibility. Employers with less balance will not be affected.

The reason behind the revision of Unutilised Levy Mechanism is a step towards qualifying and quantifying training and development programmes which not only improve the core competencies of employees of HRDF registered employers but also help towards enhancing their (the employees) overall business sense.

- **When does the levy become ineligible?**

The levy will become ineligible when the balance has not been utilised within a period of 24 months.

This means no claims were made within two (2) years continuously.

- **When is the effective date of the HRDF revised unutilised levy mechanism?**

The implementation date of the revised HRDF revised unutilised levy mechanism will effective on 1 January 2020.

- **How does HRDF communicate with its stakeholders on the implementation of Unutilised Levy Mechanism?**

Reminders are being sent out in stages via email and letter on a monthly basis to the related employers who are categorised as inactive in levy utilisation.

Information on Unutilised Levy is also communicated across all engagement sessions such as during the HRDF Workshops, HRDF Seminars, Jom Guna Levi, Onboarding Sessions and et cetera.

- **How do I obtain more information on this matter?**

Employers may visit www.hrdf.com.my or alternatively contact HRDF's support team via support@hrdf.com.my or toll-free Call Centre at 1800-88-4800 for further enquiries.

THE HRDF REVISED UNUTILISED LEVY

MECHANISM:

**Examples of different scenarios of unutilised levy effective 1 January 2020
for non-utilisation period between 1 January 2018 to 31 December 2019**

Employer	Levy Balance as at 31 Dec 2017 (RM)	Approved Claim 2018 - 2019 (RM)	Levy Contributed 2018 – 2019 (RM)	Forfeiture Amount (RM)	Available Balance Jan 2020 (RM)
A	100,000	5,000	20,000	-	115,000
B	100,000	-	20,000	90,000	30,000
C	20,000	3,000	5,000	-	22,000
D	20,000	-	5,000	10,000	15,000
E	9,900	1,000	5,000	-	13,900
F	9,900	-	5,000	-	14,900