

BREWERS REITERATE COMMITMENT TO SUPPORT MALAYSIA'S RECOVERY

CALL FOR CAUTION ON EXCISE DUTIES & NEW POLICIES THAT IMPACT WIDER FOOD & BEVERAGES SECTOR

KUALA LUMPUR, 7 OCTOBER – With growing concern about the impact of Covid-19 on the local economy, the Confederation of Malaysian Brewers Berhad (CMBB), comprising Heineken Malaysia Berhad (HEINEKEN Malaysia) and Carlsberg Brewery Malaysia Berhad (Carlsberg Malaysia), today reiterated Industry's commitment to be part of the solution and contribute positively to support the nation's recovery.

The brewing industry, which has a history of more than 55 years in Malaysia, contributes over RM2.2 billion in taxes annually, provides direct and indirect employment to 66,000 people, while its products are a source of income to more than 35,000 Malaysian businesses and retailers. Together, CMBB creates RM2.86 billion in added value to the Malaysian economy from its local products and services annually.

Unfortunately, these significant contributions are at stake due to the unpredictable scale of the pandemic's impact, the challenging external environment, weak consumer sentiment, as well as the growing illicit alcohol market. A significant contributing factor toward local demand for contraband, Malaysia's rate of excise duties on beer ranks second highest in the world, behind Norway and tied with Singapore.

In view of these challenges, CMBB is recommending for no increases in excise duties and sales tax for the upcoming tabling of Budget 2021, as such hikes are likely to be detrimental to Government's revenue collections and further hamper business recovery of the many local businesses relying on beer as a source of revenue. Any increase in excise duties is expected to further fuel demand for illicit alcohol.

Instead of tax increases, CMBB is advocating strengthened enforcement over the illicit trade, comprising mostly imported beer with no duties paid. Based on Industry estimates, contraband beer makes up 14% of total beer volume in Peninsular Malaysia and 70% in Sabah & Sarawak as part of the country's RM300 billion shadow economy¹ and represents an annual revenue loss to the Government of more than RM1.1 billion.

Commenting on the situation, Roland Bala, Managing Director of HEINEKEN Malaysia said: "The Covid-19 pandemic is impacting the economy and consumer sentiment, we are seeing local businesses who depend on beer as a source of revenue struggling for survival. Many were forced to close down and cut their losses. We urge the Government to keep excise duties on beer at existing levels as we are concerned that any increase in taxes will only fuel illicit alcohol at the expense of legal tax-paying local businesses, including sundry shops, coffee shops, restaurants, supermarkets, bars, as well as hotels. As an industry, we are committed to supporting the Government in Malaysia's journey to recovery. We take this opportunity to also urge for policy and decision-making to be done in consultation with industry, especially local businesses who will be directly affected by new policies and restrictions."

¹ <https://www.nst.com.my/business/2020/09/628270/budget-2021-must-stop-leakages-grow-economy-says-rtba-malaysia>

Stefano Clini, Managing Director of Carlsberg Malaysia, added: “The illicit trade detracts billions of Ringgit in government revenue and from thousands of employees, distributors, retailers and investors who rely on legitimate beer sales as a source of income. As an industry, we believe any increase in excise duties and taxes will exacerbate the demand for contraband, which is particularly prevalent in East Malaysia. Contraband beer also poses health and safety risks to consumers with zero oversight and regulatory control on its brewing, distribution, pricing, and alcohol content, unlike legitimate and licensed products brewed to exacting quality standards with natural ingredients. We thank the Government for their ongoing efforts in combatting contraband hand-in-hand with the industry to the benefit of legitimate brewers and Malaysian businesses.”

The two brewers have been significantly impacted by the Covid-19 pandemic, following the suspension of brewing and distribution operations due to the six-week Movement Control Order (MCO) from 18 March and as a consequence reported significant decline in revenue for the first half of the 2020 financial year (1HFY20).

The wider impact to the industry was most keenly felt by the closure of F&B outlets since the MCO, where 11,000 businesses suspended operations leading to an estimated gross revenue loss of RM900 million while placing 110,000 jobs at risk. CMBB estimates that around 1,080 of these outlets are now permanently closed, impacting an estimated 10,700 jobs.

Apart from its recommendation for no further excise duty and tax increases, CMBB urges the Government to consider introducing support packages to help struggling operators of bars, and entertainment outlets who still remain closed since the beginning of MCO earlier this year. It is estimated that around 3,800 of these outlets will remain closed at least until 31 December 2020 with some 38,000 jobs at risk. CMBB will continue to support affected outlets through its ongoing engagement with Government with an aim to create more awareness of the issues faced by local businesses and explore ways they can be allowed to operate in full compliance of SOPs with the health and safety of people being the first priority.

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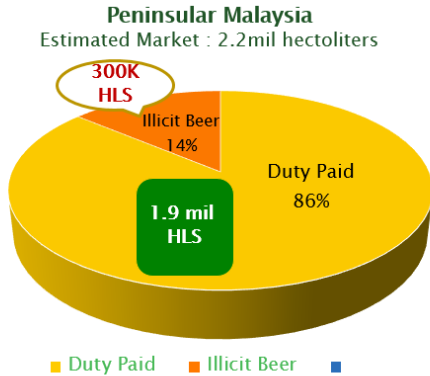
About CMBB

The Confederation of Malaysian Brewers Berhad (CMBB), comprising Heineken Malaysia and Carlsberg Malaysia, is the voice of the Malaysian beer and stout industry. CMBB represents the industry on important issues and plays a critical role in establishing a dialogue between key industry players, government and other relevant stakeholders. This website provides you with an understanding of the Confederation’s role within the industry, its objectives and a brief overview of its organisational structure and key members.

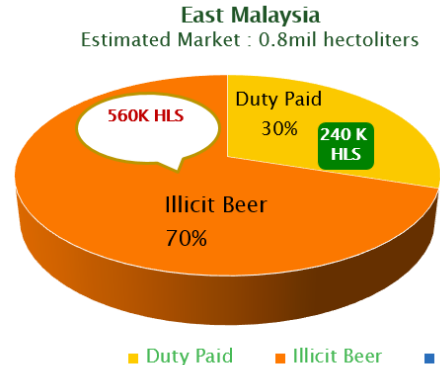
CMBB aims to engage relevant stakeholders, including government authorities, media and trade partners on issues that affect the Malaysian beer industry.

Appendix:

Illicit Beer Market in Malaysia



Revenue Loss to Government		
Volume	Excise Duty	Import Tax
300,000 HLS	RM875 per hectoliter	RM500 per hectoliter
RM412 million		



Revenue Loss to Government		
Volume	Excise Duty	Import Tax
560,000 HLS	RM875 per	RM500 per hectoliter
RM770 million		

**ANNUAL REVENUE
LOSS TO
GOVERNMENT**

**MORE THAN
RM1 BILLION**