

# TAX HAVEN LABUAN

By June H.L. Wong

**KUALA LUMPUR, Mon.** — The Federal Territory of Labuan will be made a tax haven to attract multi-national companies, Datuk Seri Dr Mahathir Mohamad said today.

The Prime Minister told participants of the World Economic Forum's meeting on Malaysia that Labuan would accord foreign companies the same facilities as the well-known tax havens elsewhere. He did not elaborate.

(Among the better known tax havens are the Channel Islands, Vanuatu and the Bahamas. Tax havens generally do not tax income from foreign sources. Taxes on internal activity, if levied at all, are at low rates.)

Control of Labuan island was transferred from Sabah to the Federal Government in April 1984. It was later made a free port and has a shipyard and a gas complex. It is also a barter

## Move to attract multi-nationals to the island

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trade centre.

Dr Mahathir said the Government was committed to making Malaysia an attractive and less costly place to conduct business in. "In the final analysis, we are offering a package deal — a deal that goes beyond the physical act of investment," he said.

He said the country's investment opportunities had increased in scope and value over the past two years, and many investors had taken advantage of this.

"We want more to come, bringing with them their technology and marketing expertise to combine with Malaysian resources and labour to yield high profits for mutual benefit.

"To complement this role, we can now offer new tax and other

incentives for foreign multi-national companies to establish their operational headquarters for the Asia-Pacific region in Malaysia," he said.

Dr Mahathir said investments in recent years were generating a momentum all on its own although "not so long ago, many had written us off as a poor bet."

He said foreign equity approved by Mida rose 168 per cent last year and by another 80 per cent during the first nine months of this year.

"This year we are confident that foreign investment will increase by 19 per cent in real terms," he added.

Dr Mahathir said that while traditional services deficit would continue to figure prominently in Malaysia's balance of payments

in the 1990s, the Government had the "necessary ingredients" to promote a new role as a competitive services provider.

He said Malaysia was aware of the benefits from the liberalisation of services on the international front, but would also give priority to strengthening the domestic services sector.

Dr Mahathir said the Government welcomed the participation of foreign multi-nationals as long as they recognised and understood the nation's development needs and aspirations.

"In developing its services sector, Malaysia will not protect the inefficient activities," he said.

"And if the liberalisation of services will yield clear net social and economic benefits, Malaysia will go along with it."