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## Allocation of incentives

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THE move by the Government to allocate incentives for strategic knowledge-based companies is no doubt a step that will push the nation towards k-economy. Nevertheless, industry observers, while lauding the move, are hoping that the Government and relevant bodies would provide a comprehensive definition of companies that fall under the category, including their business framework.

This is to ensure that incentives allocated are meted out effectively and encourage deserving companies to become more knowledge-intensive.

As mentioned by Prime Minister Datuk Seri Dr Mahathir Mohamad in his recent Budget 2003 speech, the incentives include a five-year pioneer or investment tax allowance as well as income tax deduction privileges for costs incurred in preparing a corporate knowledge-based masterplan.

Ernst & Young Tax Consultants Sdn Bhd's executive director Kenneth Lim said as no clear definition is provided as yet, there is no clear indication of the qualifying criteria for the incentives or the sort of industries the companies could come under.

"Bodies like Multimedia Development Corporation should be involved and has a big role to play in the planning process," he said, adding that associations which represent knowledge-based companies "should be part of the process of clarifying who qualifies and what kind of criteria, what sort of activities be included for qualification".

Lim cautioned that if the definition is not done up properly, there would be fallouts in the implementation. "Although it is intended to cover certain companies but by definition they are not included, they won't get certain incentives," he said.

Meanwhile, Infocredit D&B (M) Sdn Bhd's market intelligence unit project director Jim Lau said the status "strategic knowledge-based company" is too subjective.

"The whole knowledge cycle is made up of data, information and knowledge," he said. "In order to facilitate this, a task force and/or independent consultants should be formed to help companies in the application process."

He added that companies should also be classified under Tier I or Tier II class based on their industry codes (such as Standard International Classification, International Standard International Code or Malaysia Industry Codes).

Commenting on the corporate knowledge-based masterplan, Lau said it should constitute such elements as vision, strategy, structure, systems, skills and rewards tied to building knowledge.

Rather than award the target companies with knowledge-based status, Deloitte KassimChan's technology strategy adviser Norm Hosken suggested the term be expanded to "innovative technology company", to indicate the highest application of knowledge in various processes to impact innovation within companies across all industries, not just information and communications technology.

The scope of the status, he said, should indicate linkages to knowledge-based companies such as Multimedia Super Corridor companies on the local front and international expert centres, industry associations and the academia.

As to what should be incorporated into a corporate knowledge-based masterplan, Hosken said there should be elements such as skilled human

resources, utilisation technology as a tool for any process, and development and management of patents and intellectual property.