

20 SEP 2002

BUDGET-OHQ

REVIEW OF INCENTIVES FOR OPERATIONAL HEADQUARTERS

KUALA LUMPUR, Sept 20 (Bernama) -- To attract more Operational Headquarters company (OHQs) to operate in Malaysia, Government has proposed that OHQs be exempted from income tax for 10 years.

Minister of Finance, Datuk Seri Dr Mahathir Mohamad in tabling Budget 2003 at the Parliament here today said that dividends paid from the exempt income is exempted in the hands of shareholders.

Dr Mahathir said that the proposal is effective for applications received by the Malaysian Industrial Development Authority (MIDA) from Sept 21, 2002.

Currently, an approved OHQs is given the following incentives:

- \* a concessionary tax rate of 10 percent on income from qualifying services rendered to its related companies outside Malaysia for a period of five years with a possible extension of another five years.

- \* non-tax incentives including the following: (a) expatriate posts approved according to its requirements; (b) credit facilities in foreign currency from licensed commercial banks in Malaysia or licensed offshore banks in Labuan without the approval of the Bank Negara Malaysia; (c) borrow freely up to RM10 million from financial institutions in Malaysia; (d) invest freely in foreign securities and lend to related companies outside Malaysia and (e) open a single or multi-foreign currency account with licensed commercial banks in Malaysia or licensed offshore banks in Labuan.

MAS KTC