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10-year tax incentive for firms to set up base here

A 10-YEAR income tax exemption is the carrot to attract more companies into setting up their operational base in the country.

In tabling Budget 2003, Prime Minister and Finance Minister Datuk Seri Dr Mahathir Mohamad proposed that income received by "operational headquarters" be exempted from income tax for 10 years.

In recent months, aircraft manufacturer Boeing and manufacturing giant General Electric International Inc (GE) have undertaken such moves.

Last month, Boeing set up its first South-East Asian headquarters at the Petronas Twin Towers to work closely with the region's aerospace industry, armed forces and leading airlines.

In July, GE relocated the South-East Asia president's office from Jakarta as well as several key business operations from other cities in the region to its new premises at Plaza Sentral, Kuala Lumpur.

In its own budget proposals earlier, neighbouring Singapore had also introduced strong enticements for corporations to either retain their regional bases in the republic or move there.

A number of international players had left Singapore to relocate their operations, one of the latest being Dutch electronics giant Philips which moved to Hong Kong.

On the shipping front, the Port of Singapore Authority lost two clients to its smaller rival Port of Tanjung Pelepas in Johor. They were Danish giant Maersk and Taiwan's Evergreen Marine Corp.

Budget 2003 also emphasised the importance of economic growth from export activities to earn foreign exchange.

To promote exports of services, Dr Mahathir proposed a double deduction on expenses incurred in export promotion to be extended to include professional services enterprises.