

# More attractive Islamic financial products

STAR 13 SEP 2003

By introducing a more comprehensive tax treatment for Islamic securities in line with that enjoyed by conventional securities, the government has made Islamic financial products even more attractive for financing purposes.

Dr Mahathir, in his budget speech, announced that as a measure to diversify sources of financing through the use of Islamic securities, the issuance of these securities would be given the same treatment as that for asset-backed securities.

In addition, he said, deductions

would be given on expenses incurred in the issuance of Islamic securities based on the principle of *Istisna'* for five years, where property-under-construction could also be used to back such bonds.

As a further encouragement to companies and financial institutions that practise *Syariah* principles to invest in Labuan, the government is also proposing that offshore companies set up there be given a tax rebate equivalent to the total *zakat* paid, but not exceeding RM20,000 or 3% of net profit.

Dr Mahathir said that with its comprehensive Islamic financial system comprising two Islamic banks and 33 conventional banks offering Islamic banking services, a *takaful* industry with assets of RM4bil, a growing Islamic private debt securities market, the issuance of the first global Malaysian *Sukuk* of US\$600mil last year and the establishment of the Islamic Financial Services Board in Kuala Lumpur, Malaysia had become a model in the expansion of Islamic financial systems among Islamic countries.