

PM doles out incentives to attract investors
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The government today announced tax cuts and other measures in order to attract foreign investors to develop a massive project in Johor into a major regional financial hub.

Prime Minister Abdullah Ahmad Badawi said qualifying companies in the new growth area will be exempt from foreign investment rules and will be free to source capital globally.

They will also enjoy unrestricted employment of foreign employees within the Iskandar Development Region (IDR), the area in Johor targeted for development into a regional centre to match those such as Hong Kong.

"With the growth of other commercial hubs around the world, competition for global investment will become increasingly intense," Abdullah said at an investment conference.

Malaysia, which is Southeast Asia's third largest economy, saw foreign direct investment in 2005 falling to RM15 billion from RM17.6 billion in 2004.

Abdullah, also finance minister, last month said Malaysia was aiming to attract RM50 billion to the IDR in the next five years, and a total of RM105 billion in investment over 20 years.

Fiscal incentives

Johor's chief minister, Abdul Ghani Othman, said foreign investment rules that include provisions favouring the nation's indigenous groups and majority ethnic Malays will be relaxed in the IDR.

"Foreign investment committee conditions are not necessary in defined areas of certain kind of activities," he told reporters on the sidelines of the investment gathering, referring to oversight bodies for such projects.

Abdul Ghani said he did not fear any political fallout from easing the policies which have been a centre piece of government policy since the 1970s.

Malaysia maintains positive discrimination policies for Malays and indigenous groups or "bumiputras" to narrow the wealth gap with its minority Chinese community.

Abdullah also announced fiscal incentives for six key sectors - creative industries, educational services, financial advisory, healthcare, logistics and tourism.

Investors in these areas will enjoy exemptions from corporate income tax and will be able to withhold tax on certain payments for 10 years upon starting their businesses, he said.

In a boost to Malaysia's flagging property sector, Abdullah also said the government was abolishing property gains tax from April 1.