

Najib proposes flat 15pc income tax to lure back talent
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KUALA LUMPUR, April 12 — The Najib administration is hoping to lure Malaysian professionals working abroad with a flat income tax rate of 15 per cent for 5 years under the Returning Experts Programme (REP).

The prime minister said today that the new 15 per cent transitional income tax incentive will be introduced alongside other incentives for returning Malaysian experts.

"I certainly hope these various changes will encourage more Malaysians working abroad with their varied experience and expertise to return and play an active part in our country's economic transformation," Najib announced this morning to gasps of surprise from delegates at the Invest Malaysia conference here today.

Other changes in store include limiting the tax free incentive for two cars under the REP to locally assembled vehicles.

Malaysia is considered one of the most badly affected nations by brain drain and the number of Malaysian migrants rose by more than 100-fold in a 45-year period, from 9,576 Malaysians in 1960 to 1,489,168 Malaysians in 2005, according to the World Bank which warned that a lack of human capital is a "critical constraint in Malaysia's ambition to become a high-income economy.

In an effort to plug the talent leak, the Najib administration launched the Talent Corp last year which is tasked to lure back the Malaysian diaspora and scout for foreign skilled professionals.

Najib said that the Talent Corp will be taking the lead in the REP and has revised the programme parameters and qualifying criteria which will be announced in full at a later date.

"I would like to announce today that the incentive package has also been revised with immediate effect and I know that the Talent Corp will be providing details later," he said.

While the lower income tax rate is attractive, it risks alienating skilled talent already in the country and if just taken on its own, could prove ineffective at overcoming push factors such as lack of meritocracy and perceived lower education standards that led to many Malaysians moving their skills and money abroad.

Najib however expressed confidence in Talent Corp and said today that the new agency is already "starting to deliver".

"We can deliver the policies, we can deliver the frameworks, but all of our efforts to attract investors will come to nothing unless we can also deliver the highly skilled, expert workforces they need to flourish," he said. "In today's knowledge-intense innovation led economy we are going to need world-beating, top flight talent — and as much of it as we can get!"

The prime minister added that starting April 1, the Ministry of Home Affairs is implementing improvements to the employment pass including allowing tenure for up to 5 years.

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