

## **Billion-ringgit boost for domestic investment**

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**FAST-TRACK:** Government hopes strategic fund will transform businesses into high value-added industries

**KUALA LUMPUR:** PRIME Minister Datuk Seri Najib Razak yesterday announced the setting up of a RM1 billion domestic investment strategic fund in a move to speed up the shift of Malaysian businesses into high value-added industries.

He also announced four other measures as part of a package of incentives to transform the domestic investment landscape.

"The private sector will be the main driver of the economy with the government's increased focus on promoting domestic investments," he said after launching the new Malaysian Investment Development Authority's (Mida) building and new logo.

Direct domestic investments are targeted to account for 73 per cent of investments in the economy by the end of the decade, compared with the 56 per cent currently.

Najib said the fund, which took effect yesterday, would be managed by Mida.

"The package of assistance will be granted (to targeted industries) on a negotiable basis, based on the request of the companies and the merits of each case."

He said it would also leverage outsourcing opportunities created by multinational companies (MNCs) operating in Malaysia and enable Malaysian-owned companies to secure international standards in strategic industries.

The government has also reintroduced an incentive for acquisition of foreign companies for their high technology, which would offer Malaysian-owned companies a "leapfrogging" approach to move up the value chain or diversify into new areas.

"This will facilitate innovation among Malaysian-owned companies."

Under this initiative, the company — which must be 60 per cent Malaysian-owned, is eligible for an annual deduction of 20 per cent of the acquisition cost for five years.

Najib also announced several tax incentives to promote domestic investment.

For instance, Malaysian-owned manufacturing companies that are already in operation for a year or less and undertaking activities under the Promotion of Investments Act are now eligible to apply for tax incentives.

Tax incentives for small Malaysian-owned companies are also enhanced for those increasing the eligibility of shareholders' funds threshold from RM500,000 to less than RM2.5 million.

A special tax rate is also

introduced to encourage small Malaysian service providers to merge into larger entities to build up the competitiveness of the smaller entities, as with the liberalisation of the services sector.

International Trade and Industry Minister Datuk Seri Mustapa Mohamed said the latest slew of measures and incentives should correct the misplaced perception that a lot of incentives were doled out to foreign investors only.

"It is the most comprehensive by far, in terms of incentives to stimulate domestic investments."

Of the total RM155 billion in investments approved in all sectors last year, including manufacturing and services, 56 per cent came from domestic sources.

"FDIs will continue to remain important in terms of the capital, technology and new skills provided, which will help our economy achieve the growth target."

Apart from its 24 overseas offices, Mida has offices in every state except Perlis, to assist investors. The swanky, RM230 million new Mida office in Sentral, now houses 740 employees.

Mida chief executive officer Noharuddin Nordin said the fund was an investment promotion incentive and not a grant.

The National Committee on Investment will decide on the applications which can be done by new and existing companies in priority sectors which include aerospace, medical devices, pharmaceuticals, advanced electronics, machinery and equipment and renewable energy.

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