Economic Research

KDN No: PP14787/11/2009(022771)

Malaysian Rating Corporation Berhad
(Company No. : 364803 V)

Vol.: ER/017/2009

Budget 2010: Towards a High Income Economy

Analytical contact:

Nor Zahidi Alias
Chief Economist
+ 603 2092 5398
zahidi@marc.com.my

Mohd Afzanizam Abd Rashid
Economic Analyst
+ 603 2092 5398
afzanizam@marc.com.my

Overview

The measures in Budget 2010 are intended to delicately balance the need to address the government's budgetary constraints while continuing to support the nascent economic recovery. The series of measures unveiled on October 23, 2009 are focused on reducing the budget deficit by trimming operating expenditures and broadening the revenue base through the re-introduction of several taxes. Consequently, the budget deficit as a percentage of gross domestic product (GDP) is expected to shrink dramatically to 5.6% in 2010 from an estimated 7.4% in 2009.

The efforts to address the budget deficit have been undertaken in view of the persistent negative gap in the past 11 years and the expectation that oil-related revenue will slowly decline in the medium term following weaker oil prices after reaching its peak in July 2008. Moreover, efforts to generate non-oil revenue such as a possible introduction of goods and services tax (GST) will take time to be fully realized. As a result, the government has announced aggressive cuts in operating expenditure and re-introduced selected taxes such as on disposal of real property as well as services tax on credit and charge cards. Among the sectors that may be negatively affected are the property sector due to the introduction of a fixed-rate tax on property sale, and the banking sector (with the exception of the Islamic banking sector), given the lack of tax incentives.

Although the thrust of Budget 2010 is on reducing the budget gap, MARC reiterates its view that the budget deficit is not the only factor that can lead to long-term macro imbalances. The action taken to trim the budget deficit should be balanced with measures to nurse the nascent economic recovery, while at the same time avoid further increasing government debt. Malaysia's bond market is also an important factor in the country's budgetary issues from a financing perspective.

Apart from dealing with the budget deficit, Budget 2010 appears to be centered on facilitating access to finance for small businesses, subsidies for the agricultural sector and promoting foreign direct investment in certain sectors (as opposed to short-term pump priming). Visibly lacking are the "shot in the arm" measures. There is certainly a strong social welfare component which will address issues on the quality of human capital and long-term competitiveness. The lack of generous short-term stimulants and aggressive public spending should ensure that Budget 2010 will be perceived as 'neutral' from a rating implication perspective.

As for the capital market, the government's extension of tax incentives for the Islamic banking and takaful sectors to 2015 will help Malaysia maintain its attractiveness as Asia's leading Islamic financial centre. As Islamic finance has been identified as one of several areas that will facilitate Malaysia's successful transition to a high-income economy, continuing with the incentives makes intuitive sense. Foreign direct investment (FDI) in the Islamic banking and takaful sectors has been substantial in recent years and are expected to maintain an important role in sustaining FDI inflows into Malaysia. The stamp duty exemption of 20% on Islamic financing instruments and double deduction on expenditure incurred in promoting Malaysia as an international Islamic financial centre will support the origination of Islamic financial instruments and the development of new Islamic financial product offerings.

To bolster the equity market, the government has proposed measures to encourage flexible brokerage sharing between stockbrokers and remisiers and to make the dividend payment process more efficient. Meanwhile, the measures to liberalise foreign equity participation in corporate finance and financial planning companies should contribute to an overall strengthening of the business potential and growth prospects of the companies. However, MARC believes that it would have been ideal if the equity market-focused measures in Budget 2010 had been accompanied by measures to promote bond market activity, in particular, secondary trading.

MARC also welcomes measures to boost disposable incomes such as a 1% reduction in the income tax rate for the income group exceeding RM100,000 as well as an increase in personal tax relief by RM1,000 to RM9,000. However, MARC feels that gains from these measures will likely be offset by the lower petrol subsidies, the re-introduction of service charges on credit and charge cards, as well as the tax on disposal of real property.

Overall, MARC feels that the projection for GDP growth between 2% to 3% in 2010 reflects the government's cautious stance with regards to the possibility of a double-dip scenario in the global economy. While MARC is slightly more optimistic in its projection for next year's growth, anticipating a 3.6% expansion, it foresees a bumpier ride towards a fully sustainable recovery, partly due to the relatively stretched household balance sheets and a much weaker economic performance of developed countries, particularly the United States, following a dramatic decline in household wealth. More critical, in MARC's view, is the long-term growth profile, which largely hinges on private investment prospects. As Malaysia needs to avoid seeing its average growth slip after recovering from this crisis, the measures that have been proposed in Budget 2010 are intended to strengthen the foundation of the economy in line with the country's goal of becoming an innovative and a high-income nation.

Budget 2010: Main thrusts and allocation

Budget 2010 focuses on laying a foundation for the development of a new economic model and the formulation of the Tenth Malaysia Plan (10MP). It incorporates three major strategies:

- Driving the nation towards a high-income economy

  There will be a new approach based on innovation, creativity and high value-added activities adopted to move the country towards a high-income economy with an objective of doubling the per capita income in the next 10 years.

- Ensuring holistic and sustainable development

  There will be an emphasis on holistic and sustainable development to ensure balanced development between urban and rural areas. The government aims to achieve development goals by promoting a strong financial and banking system while improving the efficiency and integrity of the government machinery.

- Focusing on the well-being of the rakyat..

  There will be focus on improving the well-being of the rakyat to ensure the benefits of development are enjoyed in a peaceful and safe environment. Efforts will be taken to improve the income and the quality of life, including measures to eradicate hardcore poverty.

The government proposed an allocation of RM191.5 billion for Budget 2010, 11.2% lower than the revised allocation of RM215.7 billion in 2009. The operating expenditure accounts for approximately 72.2% or RM138.3 billion, while the amount of development expenditure will be RM53.2 billion or 27.8% of the total expenditure.

Macroeconomic assessment

■ On the road to recovery

The government is anticipating a moderate recovery in 2010 with GDP growing between 2%-3%, slightly lower than our forecast of a 3.6%. The recovery is expected to be spurred by the global economic upturn and the expansion in domestic demand resulting from rising consumer spending.

The brighter prospects of the global economy are reflected in the IMF's latest World Economic Outlook issued in early October this year, which forecasts a 3.1% growth in world GDP in 2010, after experiencing an estimated contraction of 1.1% in 2009. Major economies such as the US, Japan and the euro area are expected to register positive growth rates, albeit lower than historical trends. The Purchasing Managers' Indices in major economies have turned positive, suggesting an impending recovery in economic activity. Emerging economies are also gaining strength, evidenced by high frequency statistics in China, India and other East Asian countries as they benefit from a sudden upturn in export performance.

Malaysia's domestic demand is anticipated to grow by 1.2% in 2010 after contracting by an estimated 1.5% in 2009. On the demand side, consumers are expected to drive up private consumption, which is expected to expand by 2.9% in 2010 from an estimated 1.6% in 2009. The stable labour market and rising equity market will be among the important factors that support consumer spending. Private investment is anticipated to rebound and register a positive growth of 3.4% in 2010 after experiencing an estimated contraction by 20% in 2009, as risk aversion among investors declines drastically following signs of a broad-based economic recovery.

On the supply side, the manufacturing sector is projected to rebound and register a growth rate of 1.7% as global demand for electronic products and commodities recover from this year's slump. The services sector is also expected to benefit from an upward trend in business and consumer sentiment and is forecast to grow by 3.6% after expanding by an estimated 2.1% in 2009. The construction sector will continue to be boosted by the relatively large development expenditure and the acceleration of the implementation of fiscal stimulus measures unveiled by the government in late 2008 and early 2009. The sector is projected to register a 3.2% expansion in 2010, slightly lower than this year's anticipated 3.5% growth.

Table 1: Demand side			**MARC**		**MOF**	
Growth	**2007**	**2008**	**2009F**	**2010F**	**2009F**	**2010F**
GDP	6.2%	4.6%	-2.9%	3.6%	-3.0%	2% to 3%
Private Consumption	10.4%	8.5%	1.8%	3.5%	1.6%	2.9%
Public Consumption	6.5%	10.9%	2.5%	-2.8%	2.2%	-3.4%
Private Investment	11.8%	0.8%	-20.2%	2.0%	-20.0%	3.4%
Public Investment	7.1%	0.7%	23.8%	-2.3%	24.8%	-2.5%
Exports	4.5%	1.3%	-14.2%	4.3%	-15.6%	3.5%
Imports	6.0%	1.9%	-13.5%	6.0%	-14.4%	5.2%

Table 2: Supply side			**MARC**		**MOF**	
Growth	**2007**	**2008**	**2009F**	**2010F**	**2009F**	**2010F**
GDP	6.2%	4.6%	-2.9%	3.6%	-3.0%	2% to 3%
Agriculture, Forestry & Fishery	1.4%	4.0%	-2.0%	2.3%	-2.3%	2.5%
Mining and Quarrying	2.0%	-0.8%	-0.9%	2.3%	-2.9%	1.1%
Manufacturing	3.1%	1.3%	-9.0%	5.3%	-12.1%	1.7%
Construction	4.7%	2.1%	3.6%	4.2%	3.5%	3.2%
Services	9.6%	7.2%	2.5%	3.8%	2.1%	3.6%

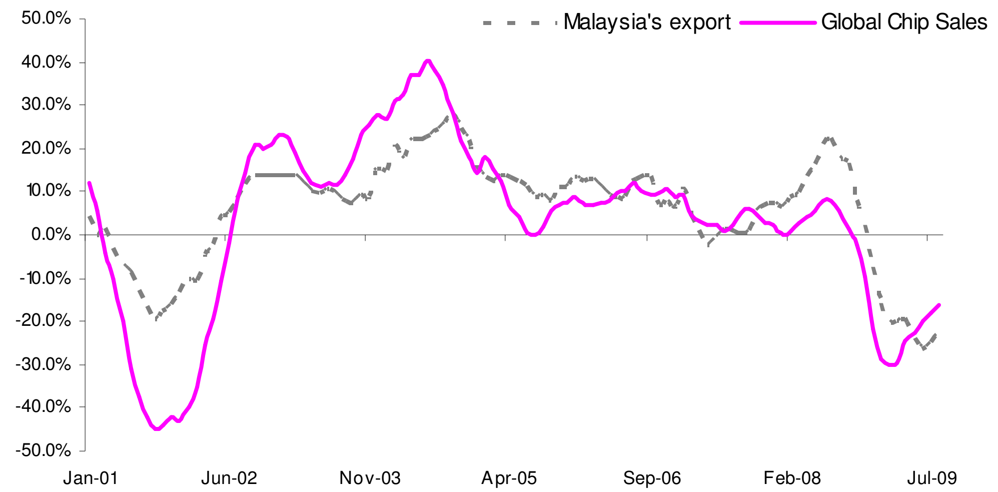
Source: MARC Economic Research and Economic Report 2009/2010

■ Our take on growth forecasts

The government has taken a cautious stance in its projection for 2010. Our GDP estimate for 2009 is almost in line with the government's forecast of -3%, following a smaller-than-expected contraction in 2Q2009. However, MARC is slightly more optimistic on the growth prospect for 2010, forecasting a 3.6% expansion following a stronger-than-expected upward momentum in high frequency data such as industrial production, exports and other leading indicators.

The latest statistics showed that Malaysia's exports have contracted at a slower pace of 19.8% in August compared with the 22.9% decline recorded in the preceding month, suggesting that the external sector is gaining strength following an improvement in demand from abroad. Exports of electrical and electronic products (E&E), which constituted 40.3% of total export in August, continued to post a smaller decline of -13.1% in August versus -15.6% in July.

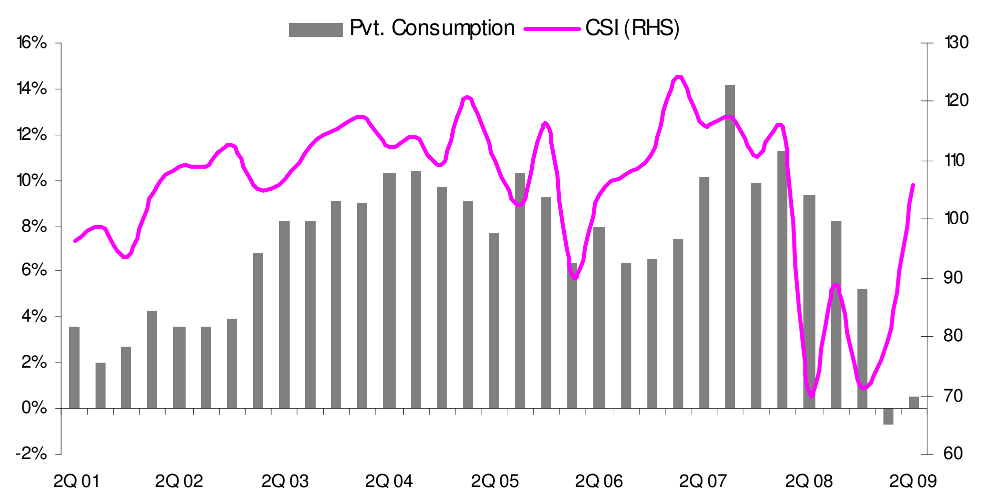
Chart 1: Export 3mma y-o-y % vs. global chip sales y-o-y%



Source: CEIC, SIA & MARC Economic Research

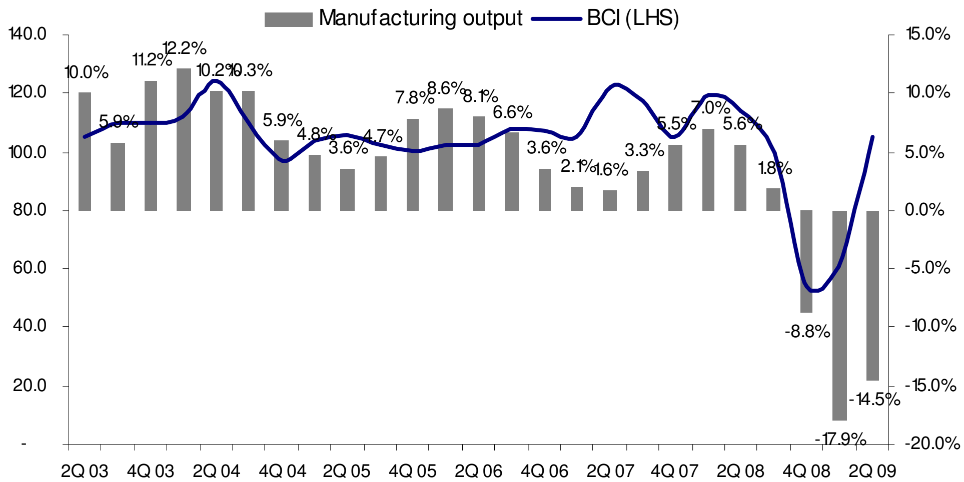
The domestic economy is also on the mend, judging by the Malaysian Institute of Economic Research (MIER) Consumer Sentiment Index (CSI) which lingered above 100 points for the second consecutive quarter in 3Q2009, while the Business Condition Index (BCI) showed a significant improvement, rising to 113.7 points in 3Q2009 from 105.3 previously. An improvement in business conditions was evidenced by the recovery in manufacturing output, which contracted by a slower pace of 14.5% in 2Q2009, compared with -17.9% in the preceding quarter. On a quarter-on-quarter basis, manufacturing output grew by 6.1%, after posting two consecutive quarters of decline.

Chart 2: Private consumption y-o-y% vs. consumer sentiment index (CSI)



Source: CEIC

Chart 3: Manufacturing output y-o-y% vs. business condition index (BCI)



Source: CEIC

Notwithstanding the recent improvements in macro data, the road to recovery may not be as smooth as it was in the past economic cycles due to the relatively stretched household balance sheets and a much weaker economic performance of developed economies. In addition, some of the measures proposed in Budget 2010 such as the imposition of service tax on credit and charge cards and lower petrol subsidies may offset the benefits from lower income tax and higher personal tax relief.

Major issues

■ Containing budget deficits

The government is taking aggressive measures to resolve the persistent budget deficit by cutting operating expenditures by 13.7% and broadening the revenue base. This will be done through a reduction in subsidies and supplies and services expenditures by 14.7% and 22.2% respectively, and raising revenue through selected taxes, such as the tax on the sale of properties and on credit and charge cards. As a result, the budget deficit is expected to decline to 5.6% of GDP in 2010 from an estimated 7.4% of GDP in 2009.

Table 3: Federal government finances

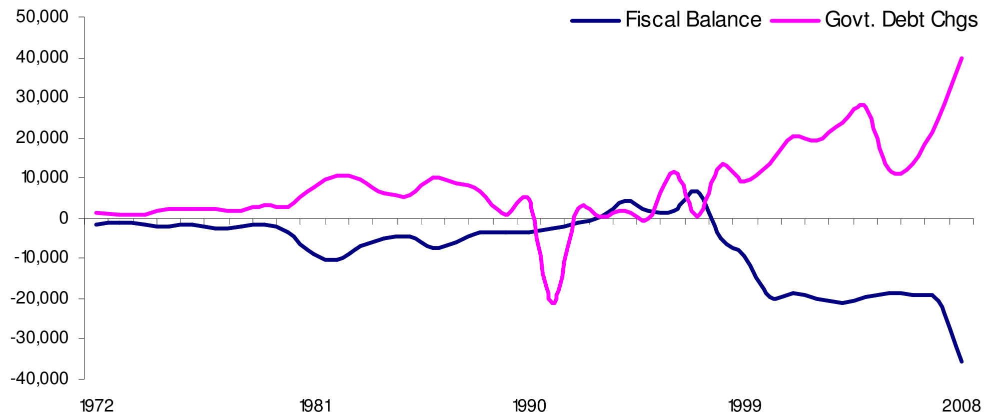
RM Million	2007	chg	2008	chg	2009F	chg	2010F	chg
Revenue	139,885	13.2%	159,793	14.2%	162,100	1.4%	148,446	-8.4%
Operating expenditure	123,084	14.3%	153,499	24.7%	160,170	4.3%	138,279	-13.7%
Current balance	16,801	6.0%	6,295	-62.5%	1,930	-69.3%	10,167	426.8%
Gross development expenditure	40,564	13.3%	42,847	5.6%	53,563	25.0%	51,220	-4.4%
less: loan recoveries	3,105	266.8%	959	-69.1%	518	-46.0%	571	10.2%
Net development expenditure	37,460	7.1%	41,889	11.8%	53,045	26.6%	50,649	-4.5%
Overall balance surplus / (deficit)	-20,659	8.1%	-35,594	72.3%	-51,115	43.6%	-40,482	-20.8%
Overall balance % of GDP	-3.2%		-4.8%		-7.4%		-5.6%	

Source: CEIC & Economic Report 2009/2010

By trimming budget deficits, the government is hoping to address some of the issues that may affect the macroeconomic foundation in the long term. The issues include:

- Rising government debt, which is estimated to be 52.4% of GDP in 2009 from 41.5% of GDP in 2008. Our back-of-the-envelope estimate shows that the relationship between the fiscal balance and government debt have been negatively correlated since the 1970's (correlation of -84%), suggesting that rising fiscal deficits are normally accompanied by an increase in debt burden. However, the external portion of the debt is still relatively small at approximately 4.2% of the total debt in 2Q2009. Combined with the ample liquidity in the system, we think that financing the fiscal shortfall will not be an issue.

Chart 4: Fiscal balance and government debt changes

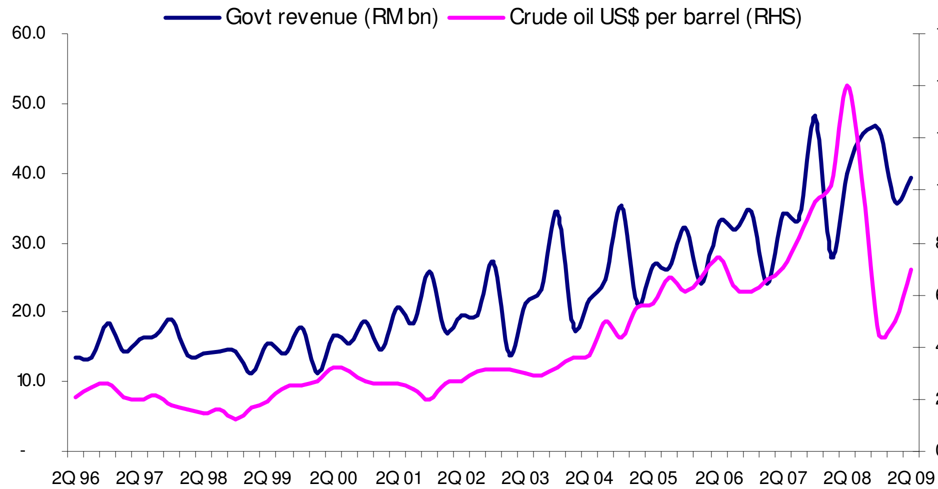


Source: Petronas & MARC Economic Research

- Downward pressure on the country's sovereign rating from international rating agencies following the recent rating downgrade by Fitch Ratings. Malaysia's local currency rating was lowered by one notch to a single-A from single-A plus in June 2009. The prospect of higher budget deficits following the government's stimulus measures were cited as the key reason for the downgrade in ratings. The government fears that lower sovereign ratings may magnify the problem of attracting FDI, which was a key factor of the abysmal performance of private investment in Malaysia since the Asian Financial Crisis.

- The government's lack of future revenue stream, especially if oil-related revenue starts to moderate due to lower prices, or worse, diminish due to the depletion of hydrocarbon reserves. This was highlighted in the IMF Article IV report, which projects Malaysia's oil reserves to be depleted in the next 22 years. The concern over heavy reliance on oil revenue is driven by recent statistics which showed that Malaysia's oil-related revenue accounted for a massive 45.4% of total government revenue. In addition, oil-related revenue is highly correlated with the changes in crude oil price (coefficient of correlation of 77%).

Chart 5: Federal government revenue in RM bn vs. WTI crude prices



Source: CEIC & Bloomberg

- Sufficient time is needed to generate revenue from other sources, such as from the GST. As GST is expected to be implemented only when firmer economic recovery is evident in Malaysia, a reduction in the operating expenditure will have to be accelerated in order to bring the deficit to a reasonable level. This will prevent long-term interest rates from rising excessively in the future.

MARC feels that the budget deficit will not lead to major macro imbalances in Malaysia in the near term as it did in other countries for the following reasons: (1) the deficits are easily financed due to a large and vibrant bond market; (2) the low level of government external debt; and (3) no history of hyperinflation.

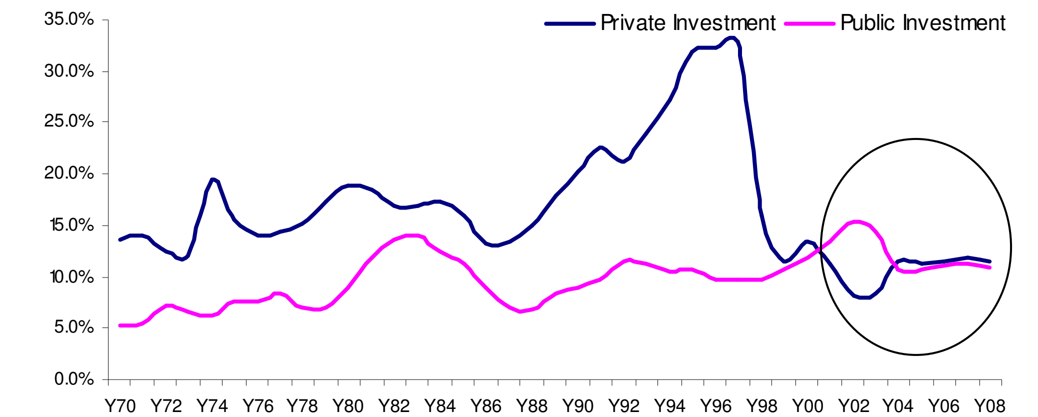
MARC is also of the view that reducing the budget gap to below 6% of GDP may prove to be challenging, especially when economic growth remains below 4%. In addition, Budget 2010 does not provide much clarity on how this is going to be achieved in 2010.

■ Reviving private investments through enhancing FDI

One of Malaysia's key structural issues is the poor performance of private investment since the Asian Financial Crisis in 1998. As a percentage of GDP, private investment is now hovering around 11%, a stark contrast to 30% prior to the crisis. This drastic decline has affected overall economic growth, which decelerated to an average 5.5% between 2000 and 2008 from an average of over 9% in the 1990s. As inflows of FDI are the major force fueling private investment, Budget 2010 has proposed incentives to attract foreign investors to Malaysia. These include simplifying the granting of Permanent Resident (PR) status to highly talented and skilled individuals and automatically granting visas to working and dependent expatriate family members within 14 days to accelerate technology transfers and the transformation process. In addition, Tenaga Nasional Berhad (TNB) will spend RM5 billion to implement electricity generation, transmission and distribution projects in 2010 to ensure uninterrupted electricity supply to promote a business-friendly environment.

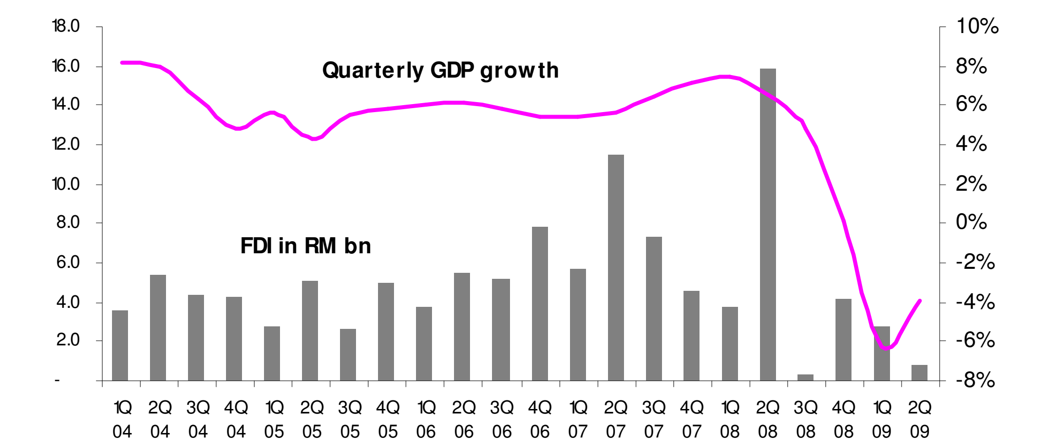
The government's extension of tax incentives for the Islamic banking and takaful sectors up to 2015 will help Malaysia maintain its attractiveness as Asia's leading Islamic financial centre. FDI in the Islamic banking and takaful sectors have been substantial in recent years and are expected to maintain an important role in sustaining FDI inflows. The stamp duty exemption of 20% on Islamic financing instruments and double deduction on expenditure incurred in promoting Malaysia as an international Islamic financial centre will support the origination of Islamic financial instruments and the development of new Islamic financial product offerings.

Chart 6: Public and private investment as % of GDP



Source: CEIC

Chart 7: FDI and GDP growth

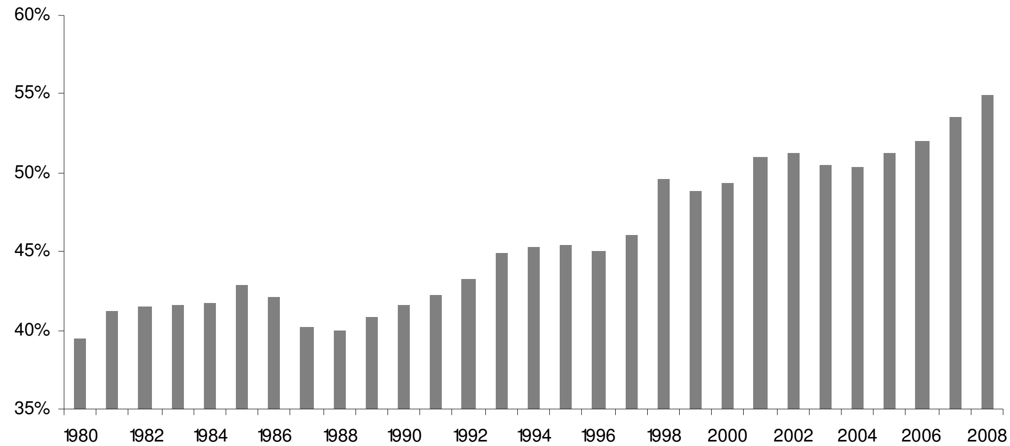


Source: CEIC

■ Building a stronger foundation through a new economic model

Malaysia is taking important steps to move the economy from the middle-income group to the high-income category by expanding the services sector, which accounts for 55% of GDP, and moving away from low-value added manufacturing activities that are highly dependent on global manufacturing demand.

Chart 8: Services sector as % of GDP since 1980



Source: CEIC

The government also aims to improve innovation capabilities to drive future economic activities. To achieve this, an approximately RM30 billion was allocated for primary and secondary schools, and is expected to benefit 5.5 million students nationwide. This allocation will include emoluments amounting to RM19 billion, RM2.8 billion for student assistance and scholarship programmes and RM1.6 billion for the construction of 80 new schools as well as 1,100 additional blocks and 347 school replacement projects. More importantly, students who excel in their studies will be eligible for National Scholarships to pursue tertiary education in world renowned universities. In addition, beginning in 2010, students who graduate with first class honours degrees will be able to convert their National Higher Education Fund Corporation (PTPTN) loans to scholarships.

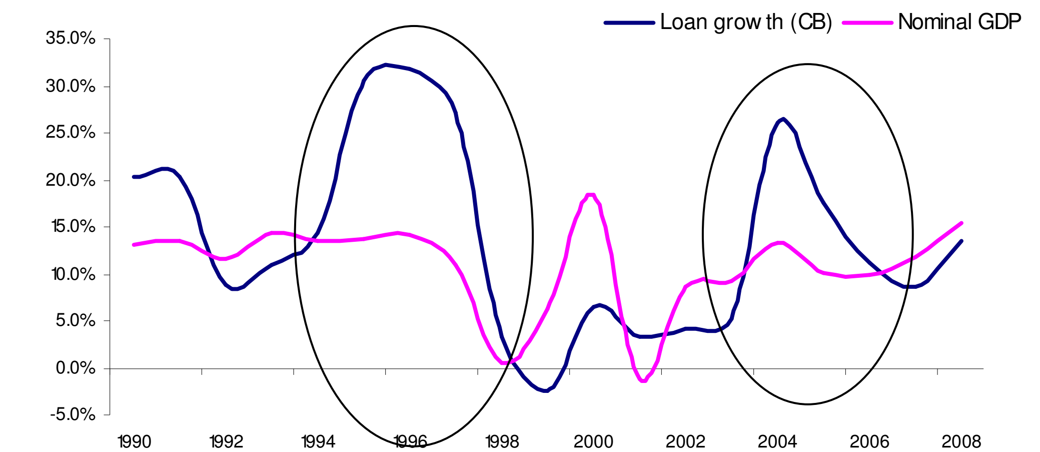
Implications on the monetary policy

The government has painted a cautiously optimistic outlook for the Malaysian economy in the next one year, projecting the economy to rebound and register a 2%-3% growth after contracting by an estimated 3% in 2009. This leads to a pertinent question: whether the monetary policy will continue to remain accommodative in the medium term, considering some countries, such as Israel and Australia, have started the tightening mode to keep inflation in check.

We are of the opinion that the Bank Negara Malaysia (BNM) will not remove its accommodative stance in the near term for to the following reasons. Firstly, BNM's benchmark interest rate – the overnight policy rate – has not been reduced too drastically when compared with policy rates of other countries during the recent down cycle. This lessens the need to neutralize the rate in the short term. Secondly, being a small open economy, Malaysia's macro stability hinges critically on the recovery of global trade and economy. The possibility of a double-dip scenario for the global economy may cause policy makers to be extra cautious about removing the accommodative monetary stance in the near term. Thirdly, the outlook for inflation remains benign for 2010, making it likely that an increase in the OPR is not on the horizon.

More critically, there was no sign of any asset bubbles in the economy, judging by the relationship between loan growth and nominal GDP. An excessive expansion in loan growth vis-à-vis GDP growth as observed prior to the Asian Financial Crisis which required monetary intervention is non-existent in the present economic scenario in Malaysia. Loan growth has remained in the single-digit territory, in contrast with the situation in 1997 when loans were surging at a rate of more than 30%. In view of these factors, MARC foresees the OPR to remain at 2.00% for the rest of the year and well into 1H2010.

Chart 9: Commercial bank loans growth vs. nominal GDP



Source: CEIC

Budget 2010 Measures

1.0 Individual income tax

- The individual maximum income tax rate will be further reduced from 27% to 26% commencing from the year of assessment of 2010.
- Similarly, the maximum tax rate for cooperatives will be reduced to 26% while the fixed rate for non-resident individuals will also be reduced to 26%.
- Personal relief will be increased from RM8,000 to RM9,000, resulting in a RM1,000 increase in disposable income, effective from the year assessment 2010.
- Income tax on employment income of Malaysians and foreign knowledge workers residing and working in Iskandar Malaysia will be imposed at a rate 15% compared with the maximum rate of 26% for the rest of the country.

2.0 Strengthening management of government finance

- The study of goods and services tax (GST) is currently at the final stage. The GST, should it be implemented, will not place any additional burden on Malaysian citizens as it will replace the current sales tax and service tax.
- Tax assessments for petroleum upstream activities will be changed from the preceding year assessment system to the current year assessment system so that the government's cash flow reflects the current economic performance.
- Gains from the disposal of real property will be taxed at a fixed rate of 5.0% beginning from January 1, 2010.
- Service tax of RM50 per annum will be imposed on each principal and charge card, including those issued free of charge. Similarly, service tax of RM25 per annum will be imposed on each supplementary card.
- To encourage government agencies to rent out premises, halls, hostels, labs and training equipment to the private sector and public, the government will allow the agencies to retain 50% of rentals received while the remaining 50% shall be remitted to the government to be recognized as revenue.
- The government will identify government assets, including land and buildings, which can be jointly developed or sold to government link companies (GLC).

3.0 Restructuring of fuel subsidy scheme

- The government will implement a fuel subsidy management system in early 2010. The system is expected to be people-friendly by utilizing the MyKad and the existing infrastructure.
- This system will also be replicated in other commodities to ensure that government subsidies will reach its targeted group.

4.0 Promoting construction industry

- A total of RM9 billion will be provided to finance infrastructure projects.
- Of this amount, a sum of RM4.7 billion will be earmarked for road and bridge projects and RM2.6 billion for water supply and sewerage services.
- Provision of RM899 million for rail facilities, RM820 million for ports and sea services and RM276 million for airport projects.

5.0 Promoting construction of green buildings

- Building owners obtaining Green Building Index (GBI) Certificates from 24 October 2009 until 31 December 2014 will be given income tax exemptions equivalent to the additional capital expenditure in obtaining such certificates.
- Buyers purchasing buildings with GBI Certificates will be allowed to enjoy stamp duty exemptions on instruments of transfers of ownership. These exemptions will be

given to buyers who execute sales and purchase agreements from 24 October 2009 until 31 December 2014.

6.0 Increasing private investment

- To facilitate an effective delivery system, individuals and companies will use single reference numbers MyID and MyCoID respectively in business interactions with government agencies. MyID will use the MyKad number while MyCoID will use the Companies Commission of Malaysia (CCM) business registration numbers.
- The government will simplify the granting of Permanent Resident (PR) status to highly talented and skilled individuals to accelerate technology transfers and the transformation process.
- Additionally, visas will be automatically granted to working and dependent expatriate family members within 14 days.
- Tenaga Nasional Berhad (TNB) will spend RM5 billion to implement electricity generation, transmission and distribution projects in order to avoid unnecessary interruption to electricity supply.
- The government will privatize companies under the Ministry of Finance (MOF) and other viable government agencies to reduce its involvement in economic activities.

7.0 Strengthening the ICT industry

- The government will expedite the implementation of High Speed Broadband (HSBB) at a total cost of RM11.3 billion, of which RM2.4 billion will be from government coffers while the balance RM8.9 billion will be contributed by Telekom Malaysia.
- To increase the broadband penetration rate from the current 25%, the individual tax payers will be given tax relief on broadband subscription fees up to RM500 per year from 2010 to 2012.
- Applications for computer loans can now be submitted once every three years from once every five years previously years. This is to encourage computer ownership among civil servants.

8.0 Advancing the agricultural sector

- A sum of RM6 billion will be allocated for the agriculture sector.
  RM137 million will be allocated to upgrade and improve drainage and irrigation infrastructure in paddy fields, and will involve 180,000 farmers.
- The Paya Peda Dam project in Terengganu will be implemented to increase the water supply capacity to Skim Pengairan Padi in Besut. A sum of RM70 million will be allocated in 2010.
- A total of RM82 million will be used to modernize the aquaculture industry and implement entrepreneurship training scheme aquaculture breeders, focusing on production of fish fry and ornamental fish.
- RM149 million will be allocated to develop the food farming industry such as fruits, vegetables, organic farming, herbs, seaweeds and swift let nests.
- An allocation of RM58 million will be provided to develop basic infrastructure of livestock farms and establish supply chains for production of beef and mutton.

9.0 Enhancing highly skilled human capital

- The government will allocate RM30 billion for primary and secondary education, which will benefit 5.5 million students nationwide.This allocation include emoluments amounting to RM19 billion, RM2.8 billion for students assistance and scholarship programme, RM1.6 billion for the construction of 80 new schools as well as 1,100 additional blocks and 347 school replacement projects.
- A sum of RM1.1 billion will be provided to refurbish and upgrade schools nationwide, especially in Sabah and Sarawak.

10.0 Further developing the Islamic finance system

- Stamp duty exemption of 20% on Islamic financing instruments.
- Tax exemptions on banking profits derived from overseas operations
- Double taxation deduction on expenditure incurred in promoting Malaysia as an international Islamic financial centre.
- Deduction on expenditure incurred in the establishment of Islamic stockbroking companies.
- Deduction on expenditure incurred on the issuance of Islamic securities approved by the Securities Commission (SC).
- Tax exemption on profits received from non-ringgit sukuk originating from Malaysia approved by the Securities Commission will be extended to profits from non-ringgit sukuk originating from Malaysia approved Labuan Offshore Financial Services Authority.

THIS PAGE IS INTENTIONALLY LEFT BLANK