

B22 NORTHERN CORRIDOR ECONOMIC REGION (NCER)

Introduction

The NCER is a Government initiated development programme which is aimed at accelerating economic growth and elevating income levels in northern Peninsular Malaysia. The states which form the NCER are Perlis, Kedah, Pulau Pinang and northern Perak (districts of Hulu Perak, Kerian, Kuala Kangsar and Larut Matang–Selama). The NCER initiative as laid out in the NCER blueprint will be carried out from 2007 to 2025, covering four Malaysia Plans.

Objectives

The objectives of the NCER initiative include:

- Maximising the region's economic potential.
- Closing development and income gap between different regions in Malaysia.
- Moving towards higher value-add and knowledge-based economic activities in order to increase per capita income.
- Developing the region in targeted economic focus area which emphasises local community involvements

The two main themes of the NCER initiative are:

- Increasing value-add from existing industries with emphasis in transforming and expanding the target economic focus areas (agriculture, manufacturing, tourism and logistics) in the region; and
- A commitment to growth with social equity where there will be programmes to accelerate growth in the target economic areas that emphasises local community involvement led by the private sector and driven by market imperatives.

Key economic focus areas

The NCER has four targeted economic focus areas, namely agriculture, manufacturing, tourism and logistics. These are the region's existing industries which are to be further transformed and expanded under the NCER initiative.

<i>Focus Area</i>	<i>Targeted outcome</i>
Agriculture	<ul style="list-style-type: none">• To become Malaysia's modern food zone and increase the country's efficiency in food production.
Manufacturing	<ul style="list-style-type: none">• To become the high-tech electronics hub and expand the current predominant assembly and test activities to higher value-add activities.• To promote new industries - downstream agriculture, biotechnology, sustainable materials, and oil and gas.

<i>Focus Area</i>	<i>Targeted outcome</i>
Tourism	<ul style="list-style-type: none"> • To position the NCER region as a premier destination for tourists seeking world-class resorts, spas and a destination for long-stay vacations. • To become Asia's medical tourism hub which provides high quality and affordable specialist medical procedures.
Logistics	<ul style="list-style-type: none"> • To become a major processing centre and entrepot port. • To promote Penang Port as a regional transshipment centre.

Northern Corridor Implementation Authority (NCIA)

The task of implementing the NCER initiative is entrusted to the NCIA, which will act as the facilitator between the government and investors and perform certain functions on behalf of government agencies.

The NCIA will deal with the four NCER State Governments as well as work with the local authorities of Ministry of International Trade and Industry (MITI), Malaysian Industrial Development Authority (MIDA), Muda Agricultural Development Authority (MADA), custom authorities, Foreign Investment Committee (FIC) and others.

The NCIA has been entrusted by the Government to manage a number of special-purpose funds which were created to provide financial assistance to entrepreneurs and companies involved in NCER.

The main objective of the funding schemes is to encourage the creation and the development of new and existing companies involved in the promoted sector's activities in NCER. The funds serve to address the barriers to start a new or expand an existing business.

Incentives

Financial incentives

Financial incentives that are designed to encourage companies to undertake promoted activities in the NCER include soft loans, grants, venture capital funding, flexible land lease arrangements at the discretion of the State Governments and fiscal incentives.

For the agricultural sector, there are two sets of funding and incentive packages:

- (a) NCER Agro-preneur Incentive Package
 - To enable trained and experienced agronomists to set up modern farming SMEs.
- (b) NCER Commercial Agriculture Incentive Package
 - To encourage large corporations to undertake promoted agricultural activities.

For the manufacturing sector, the NCER Manufacturing Industries Incentive Package is available to promoted zones in manufacturing sub-sectors in the NCER. The incentive package aims to encourage investments in new areas such as biotechnology and agribusiness, and encourage existing industries such as the electrical and electronic sector (E&E) to move up the value chain.

Fiscal Incentives

	<i>Incentives</i>
Approved Agricultural Projects in NCER	<ul style="list-style-type: none"> • 100% income tax exemption on statutory income for a period of 10 years, starting from the first year of profitability, or Investment Tax Allowance of 100% on qualifying capital expenditure for a period of five years • Tax exempt dividends can be declared from income that is tax exempted • Import duty and sales tax exemption on raw materials, components and machinery as long as such goods are not locally produced. • Stamp duty exemptions on land acquisitions and mortgage transactions • Investments in subsidiaries (approved companies) by individuals and holding companies are eligible for tax deduction
Seeds Research and Development (“Seeds R&D”) Centres in Perlis	<p>Operator</p> <ul style="list-style-type: none"> • 100% income tax exemption on statutory income for a period of 10 years, starting from the first year of profitability, or Investment Tax Allowance of 100% on qualifying capital expenditure for a period of five years • Tax exempt dividends can be declared from income that is tax exempted • Concessionary tax rate of 20% for 10 years after expiry of the tax exempt period • Double deduction on export promotion expenses • Tax deduction on cost incurred to obtain proprietary rights for five years • Industrial building allowance on buildings used for Seeds R&D for 10 years • Stamp duty exemptions on land acquisitions and mortgage transactions • Import duty and sales tax exemption on raw materials, components and machinery <p>Investor</p> <ul style="list-style-type: none"> • Individuals / holding companies investing in an approved company are eligible for tax deduction equivalent to the total investment made in seed capital and early stage financing <p>Non-related company</p> <ul style="list-style-type: none"> • Double deduction on expenditure incurred for utilising R&D services in Seeds R&D Centre
Operator of Premier Industrial Park in Kedah	<ul style="list-style-type: none"> • 100% Income Tax Exemption on statutory income for a period of 10 years, starting from the first year of profitability, or Investment Tax Allowance of 100% on qualifying capital expenditure for a period of five years • Investment Tax Allowance and Industrial Building Allowance — eligible expenses expanded to include building cost, infrastructure cost and amenities • Double deductions on export promotion • Stamp duty exemptions on land acquisitions and mortgage transactions

Similar to the Agriculture and Manufacturing sector, a phased approach will be adopted in strengthening the tourism sector in NCER, with the focus on Penang and Langkawi in the first phase and the mainland in the subsequent phases. Among the implementation programmes put in place are initiatives to ensure consistent supply of quality medical and healthcare professionals as well as to encourage healthcare facilities to obtain accreditation.

The NCER Tourism Development Incentive Package would include fiscal incentives, provision of key infrastructure and waiver from meeting certain Government requirements.

Non-financial incentives

Among the planned non-financial incentives are:

- Waiver of the need to meet certain Government guidelines/requirements.
- Fast track the processing of licences and work permits for Malaysian doctors returning from overseas and foreign medical expertise
- Assistance and incentives in obtaining international standard accreditation.