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Lower tax on dividend on foreigners to boost Malaysia's REIT market

Malaysia's Real Estate Investment Trusts (REIT) can now be at par with Singapore in attracting greater inflows of foreign funds following the reduction in tax on dividends received by foreign institutional investors, the national news agency Bernama reported on Friday.

Prime Minister Abdullah Ahmad Badawi, in unveiling the 2009 Budget on Friday, announced that the tax has been reduced 10 percent from 20 percent effective next year.

"It is high time, at least there are more incentives for foreigners which will certainly boost the local REIT market," Damansara REIT Managers Sdn Bhd chief executive officer Yusaini Sidek said.

"REIT is a good tool for corporates to unlock their assets. It is hoped that with this new announcement, more firms will take up REITs which will allow them to expand their business," Yusaini said.

Damansara REIT is the manager for Al-Aqar KPJ REIT, the country's first Islamic healthcare REIT, is well-placed to exceed its target of 1 billion ringgit (294.99 million U.S. dollars) in total asset size by end-2008 with about 20 properties under its belt.

The government also announced a tax reduction to 10 percent from 15 percent on dividends for individual residents and non-residents, recognizing that REITS was an attractive investment product for individuals as well.

Both proposals are effective from Jan 1, 2009 to December 31, 2011.

The Securities Commission had recently relaxed the guidelines on REIT, allowing foreign shareholding in REIT management firms to increase by up to 70 percent from the previous 49 percent.

It was previously reported that Singapore and Malaysia dominated the South-east Asian REIT market with a total market capitalization of 72 billion ringgit (21.24 billion U.S. dollars).

Source: Xinhua