



INVESTMENT INCENTIVES, INITIATIVES UNDER NATIONAL ECONOMIC RECOVERY PLAN (PENJANA) AND INITIATIVES UNDER BUDGET 2021

*MDBC Outlook 2021
4 February 2021*

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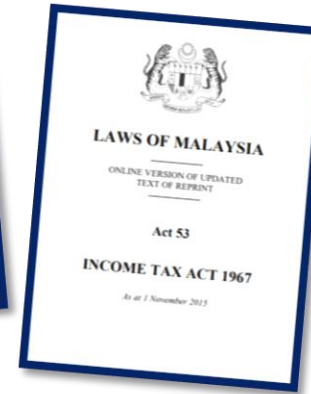
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INVESTMENT INCENTIVES

Two main Acts for Tax Incentives:

Promotion of Investment Act (PIA), 1986



Income Tax Act (ITA), 1967

Types of Tax Incentives:

- ❑ Incentives based on promoted products/activities in specific lists
 - Incentives for General Investments
 - Incentives for High Technology projects
 - Incentives for Small Scale Companies
 - Incentives for Selected Industries
 - Incentives for Reinvestments

- ❑ Considered under specific sections in PIA, 1986
e.g Strategic project, Halal food products, R&D incentives etc. (no specific list)

- ❑ Considered under specific sections/ gazette order under ITA 1967
e.g. Private Healthcare, Principal Hub, Less Developed Area, Automation Capital Allowance, etc

OVERVIEW OF INVESTMENT INCENTIVES

MAJOR INCENTIVES

Pioneer Status

Income tax exemption ranging from 70% or 100% for a period of 5 or 10 years

Investment Tax Allowance

60% or 100% on qualifying capital expenditure incurred within 5 years

Reinvestment Allowance

60% on qualifying capital expenditure incurred for 15 consecutive years

Import Duty Exemption

For raw materials / components and machinery and equipment

SPECIFIC INCENTIVES

Automation Capital Allowance (ACA)

Domestic Investment Strategic Fund (DISF)

Industry4WRD DISF

Industry4WRD Intervention Fund (IF)

SPECIFIC INCENTIVES FOR MANUFACTURING ACTIVITIES

Automation Capital Allowance (ACA)



- ACA was introduced under Budget 2015 and the incentive is jointly evaluated by MIDA and SIRIM

Category 1– Labour-intensive industries

- Automation Capital Allowance of 200% on the first RM4 million expenditure incurred within **8 years of assessment from 2015 to 2023:**



Category 2– Other industries / Services

- Automation Capital Allowance of 200% on the first RM2 million expenditure incurred within **8 years of assessment from 2015 to 2023 (Manufacturing) and years of assessment from 2020 to 2023 (Services):**



Domestic Investment Strategic Fund (DISF)

- DISF was introduced in **July 2012** under the **Domestic Direct Investment Initiatives (DDI)**.
- DISF funds up to **50% of the eligible expenditures** on reimbursable basis based on the **matching grant (50:50)** to **Malaysian-owned companies** to accelerate the shift in targeted industries to high value-added, high technology, knowledge-intensive and innovation-based industries

WHAT are the Eligible Expenses:



*Outsourcing is a subcontracting process that involves manufacturing, manufacturing related services, business services and delegation of some/all operations to an external entity, usually specialised in that operation.

Industry4WRD DISF



- The fund was introduced under the **National Policy on Industry 4.0 (known as Industry4WRD)** with the main objective of supporting **Malaysian companies** in implementing the **Industry 4.0 intervention projects** based on the recommendation in the Industry4WRD Readiness Assessment (RA) Report.
- The fund is in the form of **matching grant (60:40) on reimbursable basis** based on eligible expenditures
- Company must adopts **at least one** of the following 11 **Industry 4.0 technology pillars:**
 - Simulation
 - Augmented Reality
 - Cyber Security
 - Artificial Intelligence
 - Additive Manufacturing
 - System Integration
 - Internet of Things (IoT)
 - Autonomous Robots
 - Advanced Materials
 - Big Data Analytics
 - Cloud Computing

Industry4WRD Intervention Fund

- The fund was introduced under the **National Policy on Industry 4.0 (known as Industry4WRD)** with the main objective of supporting **Malaysian SMEs** in implementing the **Industry 4.0 intervention projects** based on the recommendation in the Industry4WRD Readiness Assessment (RA) Report
- The fund is in the form of **matching grant (70:30) on reimbursable basis** based on eligible expenditures, up to a maximum grant of **RM500,000**

What are the eligibility criteria?

- SMEs (based on definition by SME Corp)
- Manufacturing or manufacturing-related-services (MRS) companies incorporated under the Companies Act, 2016
- In operation for at least 3 years in the current business line
- Possess a valid business licence and/or Manufacturing Licence
- Completed the Government-funded Industry4WRD Readiness Assessment (RA) Programme – received letter & RA Report from MPC

Application received by MIDA from the date of approval of Industry4WRD Readiness Assessment Report (refer letter issued by MPC) until 31 December 2021 is eligible to be considered.

INITIATIVES UNDER PENJANA

1

ADDITIONAL REINVESTMENT ALLOWANCE

Incentive

Additional RA at the rate of 60 per cent on the qualifying capital expenditure which is eligible for reinvestment made within three years of assessment subject to the manufacturing projects and selected agricultural activities' RA and Special RA incentives period have expired

Type of Qualifying Projects

All manufacturing projects and selected agricultural activities as in the Schedule 7A, Income Tax Act 1967

Effective Date

For capital expenditure which is undertaken during the year of assessment 2020 to 2022

Manufacturing Activities



Selected Agricultural Activities



How to apply:

- The application to be submitted to the Inland Revenue Board of Malaysia (IRBM).

2

SMART AUTOMATION GRANT

For SMEs and MTCs

	Manufacturing	Services
SME	Sales turnover not exceeding RM50 million or employees not exceeding 200	Sales turnover not exceeding RM20 million or employees not exceeding 75
MTC	Sales turnover from RM50 million to RM500 million	Sales turnover from RM20 million to RM500 million

Effective Date
4 December 2020 to
31 December 2021

Eligible Expenditures

Automation machine/ equipment/ software that are used directly in the overall value chain of manufacturing and services activities.



Eligible Applicant



Incorporated under the Companies Act, 1965/ 2016.



Possesses a valid Business Licence



The company must engage in the following activities:

- Manufacturing activity** in compliance with the Industrial Co-ordination Act, 1975; or
- Services activities** which must be regulated by specific acts/ regulations or governed by relevant ministries/ agencies.



Eligible for SMEs and MTCs only.



In operation for at least 12 months.



Meet at least one of the Committed Deliverables

penjana

Pelan Jana Semula Ekonomi Negara

Initiatives were announced on 5 June 2020

INCENTIVES UNDER PENJANA

3

SPECIAL TAX INCENTIVE (RELOCATION)



- Announced under PENJANA on 5 June 2020
- Incentive to attract investors to relocate their business to Malaysia

Eligible Capital Expenditure (RM)	New Company			Existing Company		
	Incentive	Rate	Duration	Incentive	Rate	Duration
300 million – 500 million	Special Tax Rate	0%	10 years	Investment Tax Allowance (ITA)	100%	5 years
500 million and above	Special Tax Rate	0%	15 years			

New Company:

- ❑ Do not have existing manufacturing operation in Malaysia.
- ❑ Company relocating manufacturing facility for eligible manufacturing activities from any country to Malaysia; or
- ❑ Company establishing new operation in Malaysia;

Existing Company:

Foreign or locally owned company that has existing manufacturing operation in Malaysia and relocate its manufacturing operation from outside Malaysia for new business segment. The products from the new business segment are **not an expansion project of existing products.**



Effective Date of Application
1 July 2020 to 31 December 2022

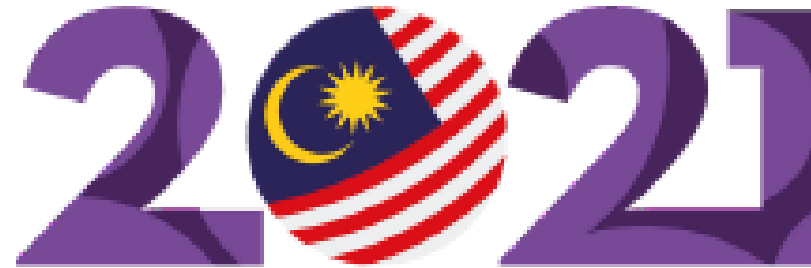
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Pelan Jana Semula Ekonomi Negara

Initiatives were announced on 5 June 2020

- ❑ Company meet the definition of 'new company' or 'existing company' under the incentive.
- ❑ The company to undertake manufacturing activities other than manufacturing activities listed in [Appendix A](#).
- ❑ The new company or existing company to incur the first capital expenditure (**excluding land**) within 1 year from the approval date.
- ❑ The Company to incur the capital expenditure (**excluding land**) within 3 years from the date of the first capital expenditure incurred as follows:
 - For New Company
 - 0% special tax rate for 10 years: between RM300 million to RM500 million; and
 - 0% special tax rate for 15 years: above RM500 million.
 - For Existing Company : above RM300 million.
- ❑ The Company will be subjected to the following conditions:
 - Fixed Asset Investment; and
 - 80% Malaysians employment by the third year of the company's production.
- ❑ Existing company applying for this incentive to keep separate accounts for products/activities with Tax Incentive and for products/activities without Tax Incentive; or to set up new entities to carry out the project.
- ❑ The company is required to have a paid up capital of more than RM2.5 million.
- ❑ Other conditions as specified by the Ministry of Finance in order to encourage quality investments such as:
 - Vendor Development Programme;
 - Employment (e.g: job creation);
 - Utilization of local auxiliary services;
 - Internships to Malaysian graduates;
 - Cooperation with local universities in relevant fields

B U D G E T



BUDGET 2021 INITIATIVES

1

RM150 million

under the SME Digitalization Grant Scheme and Automation Grant



The eligibility condition for these Grants have also been relaxed for micro SMEs and start-ups that have been operating for at least six months.

2

- **RM100 million** for the Programme of Upgrading Basic Infrastructure in Existing Industrial Estates (IEs). Each IE will be allocated up to RM5 million for total upgrading of IE.
- At least 20 IEs will benefit from this program

BUDGET

2021



INITIATIVES UNDER MIDA'S PURVIEW ► TAX MEASURES

REVIEW OF TAX INCENTIVES FOR COMPANIES RELOCATING THEIR OPERATIONS TO MALAYSIA AND UNDERTAKING NEW INVESTMENTS

Manufacturing sector

- 0% special tax rate up to 15 years
- ITA 100% for 5 years

Services sector

- 0% to 10% special tax rate for 10 years

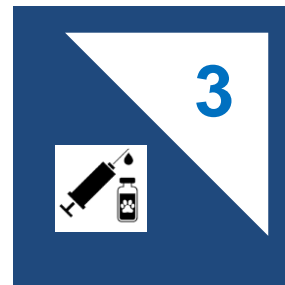
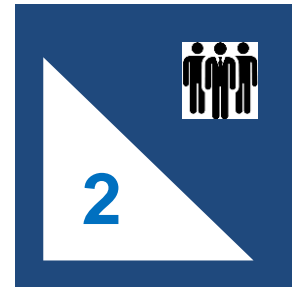
Effective date of application received by MIDA
[7 Nov 2020 – 31 Dec 2022]

INCENTIVE FOR MANUFACTURERS OF PHARMACEUTICAL PRODUCTS INCLUDING COVID-19 VACCINES

- ▶ Income tax rate of **0% to 10%** for the **first 10 years**
- ▶ Income tax rate of **10%** for the **subsequent period of 10 years**



Effective date of application received by MIDA
[7 Nov 2020 – 31 Dec 2022]



SPECIAL INCOME TAX RATE TREATMENT FOR NON-RESIDENT INDIVIDUALS HOLDING KEY POSITIONS IN COMPANIES INVESTING IN NEW STRATEGIC INVESTMENTS

- Individual income tax at a flat rate of 15% for non-residents holding key positions/C-suite positions for a period of 5 consecutive years.
- This tax incentive is limited to 5 non-resident individuals employed in each company that has been granted relocation tax incentive under PENJANA initiative.

Effective date of application received by MIDA
[7 Nov 2020 – 31 Dec 2021]

REVIEW AND EXPANSION OF SCOPE OF TAX INCENTIVE FOR COMMERCIALISATION OF R&D FINDINGS

For investor company:

- ▶ **Tax deduction equivalent to the amount of investment** made in a subsidiary company that commercialises the R&D findings of public research institutions including public higher learning institutions and private higher learning institutions

For subsidiary companies that commercialise R&D findings:

- ▶ **Income tax exemption of 100% of statutory income for 10 years** for subsidiary companies that commercialise R&D findings of public research institutions including public higher learning institutions and private higher learning institutions

INITIATIVES UNDER MIDA'S PURVIEW ► TAX MEASURES

5

REVIEW OF TAX INCENTIVE FOR MANUFACTURERS OF INDUSTRIALIZED BUILDING SYSTEM (IBS) COMPONENTS



- IBS tax incentive to be extended for a period of 5 years
- For applications received by MIDA from 1 Jan 2021 to 31 Dec 2025

6

EXTENSION OF TAX INCENTIVE FOR THE MRO ACTIVITY IN THE AEROSPACE SECTOR UNTIL 31 DEC 2022



- For applications received by MIDA from 1 Jan 2021 to 31 Dec 2022

7

EXTENSION OF TAX INCENTIVE FOR THE SHIPBUILDING AND SHIP REPAIRING (SBSR) UNTIL 2022



- For applications received by MIDA from 1 Jan 2021 to 2022

How to contact us?

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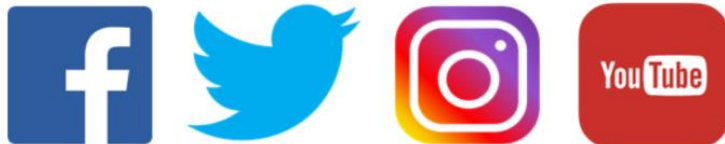


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