

**GUIDELINES FOR APPLICATION FOR INVESTMENT TAX ALLOWANCE OF 50%
FOR COMPANIES THAT CARRY OUT IN-HOUSE RESEARCH UNDER THE
PROMOTION OF INVESTMENTS ACT, 1986**

A. Tax Incentive for In-house Research

The company is eligible to apply for an ITA of 50% of the qualifying capital expenditure incurred within 10 years. The ITA can be offset against 70% of the statutory income for each year of assessment. Unutilised allowances can be carried forward until fully absorbed.

B. Definition

- (a) **In-house research** means research and development carried on in Malaysia within a company for the purposes of its own business.
- (b) **Research and development** means any systematic or intensive study undertaken in the field of science or technology with the objective of using the results of the study for the production or improvement of materials, devices, products, produce or processes but does not include:-
 - (i) quality control of products or routine testing of materials, devices, products or produce;
 - (ii) research in the social sciences or the humanities;
 - (iii) routine data collections;
 - (iv) efficiency surveys or management studies; and
 - (v) market research or sales promotion.

C. Eligibility

- (a) The R&D activities undertaken must comply with the definition of R&D under the Promotion of Investments Act (PIA), 1986
- (b) The research undertaken should be in accordance with the needs of the country and benefits to the Malaysian economy.

D. Qualifying Capital Expenditure

- (i) Qualifying capital expenditure in relation to **manufacturing-based research** means capital expenditure incurred on factory or any plant and machinery used in Malaysia in connection with and for the purposes of an activity relating to research and development.
- (ii) Qualifying capital expenditure in relation to **agriculture-based research** means capital expenditure incurred in respect of the clearing and preparation of land, the planting of trial crops, the provision of irrigation or drainage systems, the provision of plant and machinery used in Malaysia in connection with and for the purposes of an activity relating to research and development, the construction of access roads including bridges, the construction or purchase of buildings (excluding those provided for the welfare of people or as living accommodation) and any structural improvements on land for the purposes of activity relating to research and development.

E. Expatriate Post(s)

The company that undertakes in-house research and development activities may also apply for expatriate post(s). However, the company should endeavour to train Malaysians in the same field.

F. PROCEDURE FOR APPLICATION

1. Application should be submitted in two (2) copies to:-

**Chief Executive Officer
Malaysian Investment Development Authority (MIDA)
MIDA Sentral, No. 5
Jalan Stesen Sentral 5
Kuala Lumpur Sentral
50470 Kuala Lumpur
P.O. Box 10618
50720 Kuala Lumpur
Malaysia**

For enquiries and clarification, please refer to:-

MIDA's website : www.mida.gov.my
Tel : 603-2267 3633
Fax : 603-2274 7970 / 2273 4204
E-mail : investmalaysia@mida.gov.my