

DEFINITION OF A SMALL SCALE COMPANY UNDER THE PROMOTION OF INVESTMENT ACT, 1986 AND CRITERIA FOR THE GRANTING OF TAX INCENTIVES

1. INTRODUCTION

Before 3 July 2012, small scale companies incorporated in Malaysia with shareholders' fund not exceeding RM500,000 and having at least 60% Malaysian equity are eligible for tax incentives for small scale companies under the Promotion of Investments Act (PIA), 1986.

2. REDEFINITION OF SMALL SCALE MALAYSIAN-OWNED COMPANY

Effective from 3 July 2012, small scale companies are redefined as companies incorporated in Malaysia with:-

- 2.1 shareholders' fund of up to RM500,000 with at least 60% Malaysian equity; **or**
- 2.2 shareholders' fund of above RM500,000 and not exceeding RM2.5 million with 100% Malaysian equity.

3. INCENTIVES

- 3.1 Pioneer Status (PS) with income tax exemption of 100% of statutory income for 5 years. Unabsorbed capital allowances and accumulated losses incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company; **or**
- 3.2 Investment Tax Allowance (ITA) of 60% of qualifying capital expenditure incurred within a period of 5 years. The allowance can be offset against 100% of statutory income in the year of assessment. Unutilised allowances can be carried forward until fully absorbed.

4. ELIGIBILITY CRITERIA

- 4.1 Incorporated under the Companies Act, 1965.
- 4.2 In relation to equity condition and other requirements:-

- (a) For small companies with shareholders' fund of RM500,000 and less and are engaged in promoted activities or producing promoted products in the small company promoted list and general list:
 - i. must achieve at least 25% value added in its activity or product;
 - ii. at least 20% of their workers are at the managerial, technical and supervisory staff level (MTS Index); and
 - iii. Not more than 20% of the paid-up capital in respect of ordinary shares of the company is directly or indirectly owned by a related company having shareholders' fund of more than RM500,000.

- (b) For small companies with shareholders' fund of above RM500,000 and not exceeding RM2.5 million and are engaged in promoted activities or producing promoted products in the small company promoted list:
 - i. must achieve at least 25% value added in its activity or product;
 - ii. at least 20% of their workers at are the managerial, technical and supervisory staff level (MTS Index); and
 - iii. not more than 20% of the paid-up capital in respect of ordinary shares of the company is directly or indirectly owned by a related company having shareholders' fund of more than RM2.5 million.

- (c) For small companies with shareholders' fund of above RM500,000 and not exceeding RM2.5 million and engaged in promoted activities or producing promoted products in the general promoted list:
 - i. the prevailing rates on Value Added index under the general promoted list will be applicable;
 - ii. the prevailing rates on Managerial, Technical and Supervisory Staff (MTS) Index under the general promoted list will be applicable; and
 - iii. not more than 20% of the paid-up capital in respect of ordinary shares of the company is directly or indirectly owned by a related company having shareholders' fund of more than RM2.5 million.

5. MECHANISM

Incentive to be provided under the Promotion of Investments Act (PIA), 1986 and to be considered by the National Committee on Investment (NCI).

6. EFFECTIVE DATE OF APPLICATION

Applications received by the Malaysian Investment Development Authority (MIDA) from 3 July 2012 are eligible to be considered for this incentive. An approved treasury management centre (TMC) refers to a locally incorporated company that provides centralised treasury management services for its group of related companies within or outside the country.

7. Applications should be submitted in three (3) copies to:-

Chief Executive Officer

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

For projects in Sabah and Sarawak, three (3) copies of the form should also be submitted to the relevant MIDA office as follows:

Sabah

Director
MIDA Sabah Office
Lot D9.4 & D9.5
9th Floor, Block D
Bangunan KWSP
Karamuning
88100 Kota Kinabalu
Sabah, Malaysia

Sarawak

Director
MIDA Sarawak State Office
Room 404, 4th Floor
Bangunan Bank Negara Malaysia
No. 147 Jalan Satok
PO Box 716
93714 Kuching
Sarawak, Malaysia

3. For enquiries and clarification, please refer to:

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

