

**GUIDELINES FOR APPLICATION FOR INCENTIVE FOR COMMERCIALISATION
OF PUBLIC SECTOR R&D FINDINGS IN RESOURCES-BASED
INDUSTRIES AND NON RESOURCE-BASED INDUSTRIES**

A. INCENTIVES

- (a) A company that invests in its subsidiary company engaged in the commercialisation of the R&D findings will be given tax deduction equivalent to the amount of investment made in the subsidiary company; and
- (b) The subsidiary company that undertakes the commercialisation of the R&D findings will be given Pioneer Status of 100% tax exemption on statutory income for 10 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.

B. GUIDELINES

(a) Eligible Applicant

Investing Company (Holding Company)

- (i) A company incorporated under the Companies Act, 1965 and resident in Malaysia;
- (ii) A locally-owned company with at least 70% Malaysian equity ownership and owns at least 70% of the equity of the company that undertakes the commercialisation of the R&D findings

Company Undertaking the Commercialisation Project

- (i) A company incorporated under the Companies Act, 1965; and
- (ii) A locally-owned company with at least 70% Malaysian equity ownership.

(b) Eligible Activity

- (a) Commercialisation of resource-based and non resource-based R&D findings wholly owned by approved public research institutions. The commercialisation includes the process of transforming ideas, knowledge or an invention into a product or process that has an industrial application or that is marketable.
- (b) Approved public research institutions are approved research institutes such as MARDI, MPOB, Lembaga Getah Malaysia (LGM), Malaysian Cocoa Board (MCB), Forest Research Institute Malaysia (FRIM); and public institutions of higher learning such as universities as approved by Ministry of Finance (MOF).
- (c) Resource-based R&D Findings:
- i. Resource-based R&D to cover research in the following sectors:
 - Agriculture; and agriculture and food processing;
 - Oil palm products;
 - Wood and wood-based products;
 - Rubber-based products;
 - Non-metallic mineral products; and
 - Natural products including pharmaceuticals
 - ii. R&D on natural resources such as water, air, lightning and solar are also eligible for the incentives.
 - iii. The results of the R&D commercialisation must be in the form of new resource-based products/activities or new process technology and not limited to the promoted products/activities under the Promotion of Investments Act, 1986.
- (d) Non Resource-based R&D Findings:
- i. Non resource-based R&D is limited to promoted activities listed under PIA 1986.
 - ii. The results of the R&D commercialisation must be in the form of new non resource-based products/activities or new process technology.

(c) **Effective Date of incentive**

The tax relief period for Pioneer Status will commence from the commercial production date.

(d) **Effective Date of Application**

i. **Commercialisation of Resource-based R&D Findings:**

Applications received from **11 September 2004** are eligible for the incentives.

ii. **Commercialisation of Non Resource-based R&D Findings**

Applications received from **29 September 2012 until 31 December 2017** are eligible for the incentives.

(e) **Other Requirements**

Tax deduction granted to investing company (holding company) is equivalent to the investment made in terms of equity or cash contribution. Any loan or advance made by the investing company to the subsidiary is not eligible unless converted to equity before the commencement of tax relief period.

(i) Investment by investing company (holding company) is defined as investment made in working capital and qualifying capital expenditure as defined in Section 29(7) of the Promotion of Investments Act, 1986.

(ii) Total tax deduction that will be approved to investing company (holding company) is the actual investment that is made by the investing company in each year of assessment in the subsidiary company which is undertaking the commercialisation of R&D findings.

(iii) The commercialisation project should be implemented within one (1) year from the date of approval.

(v) The eligibility for tax deduction by investing company shall cease in the year of assessment the tax relief period for the subsidiary company commences.

a. The company which undertakes the commercialisation of R&D project must submit a copy of the relevant agreement signed with the approved public research institutions or public institutions of higher learning on collaboration or licensing.

b. Application should be submitted to MIDA.

C. PROCEDURE FOR APPLICATION

- (a) Applications should be made using the following application forms:
- (i) CRD - Application for Deduction under the Income Tax Act, 1967 for Investments in a Subsidiary Company given Approval to undertake Commercialisation of R&D Findings; and / or
 - (ii) ICA(C)/JA - 8 - Application for Manufacturing Licence and/ or Incentive for the Commercialisation of R&D Findings and/or Expatriate Posts

Typed application should be submitted in three (3) 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**

- (b) **Application by a company for deduction under the Income Tax Act, 1967 for investments in a subsidiary company given approval to undertake commercialisation of R&D findings should be submitted together with the application by the subsidiary company for manufacturing licence and/or incentives for the commercialisation of R&D findings and/or expatriate posts.**

- (c) **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**