

ICT & MULTIMEDIA (MULTIMEDIA DEVELOPMENT CORPORATION - MDeC)

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SECTION A: Products/Activities and Location

Products/Activities:

MSC Malaysia Status Eligibility Criteria

1. Provider or heavy user of IT & multimedia products & services
2. Employ a substantial number of knowledge workers
3. Strong value proposition specifying how operations will contribute to the development of MSC Malaysia
4. Establish separate legal entity for MSC-qualifying activities
5. Locate in an MSC Malaysia-designated Cybercities
6. Comply with environmental guidelines

Activities Not Eligible For MSC Malaysia Status

1. Trading companies / resellers
2. Configuration of existing foreign developed software
3. Integration of 3rd party software & hardware
4. Manufacturing
5. Technical Support Services for 3rd party providers
6. Licensed MCMC VOIP/Telecom service providers
7. Shared Services and Outsourcing companies that provide services for Malaysia only
8. Companies already enjoying Pioneer Status/ITA
9. Companies formed for sole purpose of undertaking contractual work for Malaysian Federal Govt/ State Govts only
10. Companies seeking to bring in Foreign Knowledge Workers for subcontract (Body shopping) and turn-key projects

Location

As of April 2013, there are 30 Cybercities and Cybercentres fully operational within the MSC Malaysia in which MSC Malaysia-status companies can locate their business premises. These Cybercities and Cybercentres are audited annually to comply with a set of minimum standards and criteria that differentiates them from any other location. The Multimedia Development Corporation, MDeC, administers the minimum standards to ensure that MSC Malaysia Cybercities are always adopting the latest in intelligent cities standards.

MSC Malaysia Cybercities and Cybercentres Nationwide



SECTION B: Types of incentives

MSC Malaysia Bill of Guarantees (BoG)

The grant of MSC Malaysia Status entitles qualified entities¹ to a set of incentives, rights and privileges from the Government of Malaysia (Government), namely the MSC Malaysia Bill of Guarantees (BoGs). The Bill of Guarantees reflects the Government's intention to provide an environment in MSC Malaysia that is conducive to the development of MSC Malaysia Status entities.

The incentives, rights and privileges granted pursuant to the Bill of Guarantees are subject to requirements under relevant laws and regulations.

In addition, entitlements to the BoGs are conditional upon compliance of MSC Malaysia Status entities, with such terms and conditions as may be imposed by the Government and/or the Multimedia Development Corporation, as the organization mandated by the Government to coordinate, promote and develop the Information and Communications Technology industry and selected services in MSC Malaysia and Malaysia.

The Bill of Guarantees are as follows:

BoG 1:	To provide a world-class physical and information infrastructure.
BoG 2:	To allow unrestricted employment of local and foreign knowledge workers.
BoG 3:	To ensure freedom of ownership by exempting companies with MSC Malaysia Status from local ownership requirements.
BoG 4:	To give the freedom to source capital globally for MSC Malaysia infrastructure, and the right to borrow funds globally.
BoG 5:	To provide competitive financial incentives, including Pioneer Status (100 percent tax exemption) for up to ten years or an Investment Tax Allowance for up to five years and no duties on the importation of multimedia equipment.
BoG 6:	To become a regional leader in Intellectual Property Protection and Cyberlaws.
BoG 7:	To ensure no censorship of the Internet.
BoG 8:	To provide globally competitive telecommunications tariffs.
BoG 9:	To tender key MSC Malaysia infrastructure contracts to leading companies willing to use MSC Malaysia as their regional hub.
BoG 10:	To provide a high-powered implementation agency to act as an effective one-stop super shop.

¹ The qualifying business entities for MSC Malaysia status are:-

1. Private limited companies (i.e. Sendirian Berhad)
2. Institutions of Higher Learning
3. Incubators

BOG 1: To provide a world-class physical and information infrastructure**Objective:**

To realize the vision for Malaysia to be a major global ICT hub, the Government recognizes the importance of the physical and information infrastructure, to provide a conducive and enabling environment for companies to conduct their business operations, undertake research and develop new technologies, applications and products.

- 1. Policies, frameworks & plans developed & will continually be updated based on global benchmark towards attaining globally competitive standards ie. “world-class”**
- 2. Key strategy is to require MSC Malaysia Status companies to locate in MSC Malaysia Cybercities & Cybercentres**

Responsible Ministries / Agencies:

- Ministry of Science, Technology & Innovation.
- Ministry of Energy, Green Technology & Water
- Ministry of Information, Communication & Culture
- Ministry of Housing & Local Government
- Malaysian Communications & Multimedia Commission

BOG 2: To allow unrestricted employment of local and foreign knowledge workers**Objective:**

To realize the vision for Malaysia to be a major global ICT hub, the Government recognizes the importance of human capital to meet the demands of the industry.

- MSC Malaysia Status entities expected to maintain a work force utilising a substantial % of knowledge workers
- No. of knowledge workers (local & foreign) must be specified in Business Plan submitted upon application for MSC Malaysia Status. Once MSC Malaysia Status approved, entity may employ such no of knowledge workers, subject to amendments as may be subsequently approved, based on requests by MSC Malaysia Status entity
- Knowledge workers to be employed for roles that commensurate their expertise & experience

A “knowledge worker” is an individual who holds one of the following:

- Academic qualification (Degree) from an institute of higher learning (any field),

OR

- Diploma in multimedia/ICT or specialized ICT certification plus at least 2 years' relevant experience in multimedia/ICT or in a field that is a heavy user of ICT,

OR

- Professional, executive, management and technical, work categories in ITES (IT-enabled services) e.g. IT/IS Professionals, Finance/Accounting, Business Admin

Also includes:

- **Shared Services and Outsourcing** - Foreign workers with the required knowledge-based skills not prevalent in Malaysia
- **Creative Multimedia** - workers who are utilized for their creative talent to produce value-add creative works for the company

MSC Malaysia Status entities are expected to employ these knowledge workers for roles that commensurate their expertise and experience.

Responsible Ministries / Agencies:

- The Immigration Department, under the Ministry of Home Affairs.

BOG 3: To ensure freedom of ownership by exempting companies with MSC Malaysia Status from local ownership requirements

Objective:

To realize the vision for Malaysia to be a major global ICT hub, the Government recognizes the importance of attracting world-leading companies and multinational corporations to set up their global/regional hubs and/or to conduct their business operations, undertake research and develop new technologies, applications and products in MSC Malaysia.

- Generally, no restrictions imposed on equity conditions for companies, but equity conditions imposed by respective sector regulators apply
- Certain property acquisitions require EPU approval & subject to equity / paid-up capital conditions, but MSC Malaysia Status entities exempted, provided that property is used for operational activities, incl. as residence for employees

Companies undertaking the above transactions are required to comply with equity conditions, and paid-up capital conditions. However, MSC Malaysia Status Companies are exempted from the above, provided that the property is used for their operational activities, including as residence for employees.

Responsible Ministry / Agency:

- The Economic Planning Unit of the Prime Minister's Department

BOG 4: To give the freedom to source capital globally for MSC Malaysia infrastructure, and the right to borrow funds globally

Objective:

To realize the vision for Malaysia to be a major global ICT hub, the Government recognizes the need to provide flexibility to MSC Malaysia Status Companies to source capital and funds globally.

Flexibility to Source Capital and Funds Globally

Under this BoG, MSC Malaysia Status companies are free to source capital globally, unless otherwise stated in the Anti-Money Laundering and Anti-Terrorism Financing Act 2001, or from residents, authorities, agencies or entities of countries specified in the Exchange Control Act 1953.

Non-residents investing in MSC Malaysia Status companies are free to repatriate any amount of capital, divestment proceeds, profits and dividends arising from their investments.

MSC Malaysia Status companies are free to remit funds abroad, which are made in foreign currency and transacted through licensed onshore banks.

MSC Malaysia Status companies are also free to borrow from resident and nonresident lenders in Ringgit and in any foreign currency⁴ to finance their business operations.

MSC Malaysia Status companies can borrow in Ringgit:

- Any amount from licensed onshore banks and other residents.
- Any amount from their non-resident non-bank parent companies for purpose of financing activities in the real sector in Malaysia.
- Up to RM1 million in aggregate from other non-resident non-bank companies or non-resident individuals for use in Malaysia.

The Ringgit is currently non-internationalised. All Ringgit funding is therefore only from resident sources onshore.

MSC Malaysia Status companies can borrow in foreign currencies:

- Any amount from licensed onshore banks, licensed International Islamic banks and non-residents in or outside Malaysia.
- Any amount from resident companies which are within the same corporate group.

There is no restriction for principal repayment and interest payments to lenders on the Ringgit and foreign currency borrowings by MSC Malaysia Status companies.

Responsible Ministries / Agencies

- **The Central Bank of Malaysia (Bank Negara Malaysia).**

For More Information

The Foreign Exchange Administration Rules of Malaysia have been progressively liberalised to facilitate a conducive and competitive business environment by enhancing the efficiency of the regulatory delivery system.

Further information on Malaysia's Foreign Exchange Administration Rules can be obtained from the following:

Bank Negara Malaysia Website

<http://www.bnm.gov.my>

BNMLINK (Walk-In Centre)

Ground Floor, Block D

Bank Negara Malaysia

Jalan Dato' Onn

50480 Kuala Lumpur

Operating Hours are from Monday to Friday, 9.00 a.m. to 5.00 p.m.

BNMTELELINK (Call Centre)

Tel Number: 1-300-88-5465 or 1-300-88-LINK

Fax Number: 03-2174 1515

Email: bnmtelelink@bnm.gov.my

Operating Hours are from Monday to Friday, 9.00 a.m. to 5.00 p.m.

BOG 5: To provide competitive financial incentives, including Pioneer Status (100 percent tax exemption) for up to ten years or an Investment Tax Allowance for up to five years and no duties on the importation of multimedia equipment

Objective:

To realize the vision for Malaysia to be a major global ICT hub, the Government recognizes that the offer of financial incentives will encourage the accelerated growth of MSC Malaysia Status entities and enhance the competitiveness of their products and services.

Generally, MSC Malaysia Status entities are given income tax incentives under the Promotion Investments Act 1986. Under the Act, an MSC Malaysia Status entity may choose to enjoy one of the following tax incentives:

- **Pioneer Status:** 100% exemption on taxable statutory income for a period of up to 10 years (renewable after the expiry of the first 5 years, subject to compliance with terms and conditions, and relevant laws); or
- **Investment Tax Allowance:** 100% deduction of qualifying capital expenditure against the taxable statutory income for capital expenditure made during the first 5 years of its operation

The grant and enjoyment of income tax incentives, including the application process, the criteria and conditions to be met and the withdrawal, cancellation and renewal process, are governed and regulated by the relevant laws.

The criteria to be met for such multimedia equipment & components:

- Multimedia / ICT equipment;
- Equipment is not available locally (ie. not locally manufactured);
- Equipment is not for trading;
- Equipment is “directly used” for MSC Malaysia qualifying activities; &
- The MSC Malaysia Status entity complies with the relocation requirement in its Conditions of Grant of MSC Malaysia Status

Subject to provisions under *Customs Act 1967* and *Sales Tax Act 1972*

Responsible Ministry / Agency:

- **Ministry of Finance**
- **Ministry of International Trade and Industry**
- **Royal Malaysian Customs**

BOG 6: To become a regional leader in Intellectual Property Protection and Cyberlaws

Objective:

To realize the vision for Malaysia to be a major global ICT hub, the Government recognizes that the importance of Intellectual Property as a new engine of growth to

enhance economic and social prosperity, and the need for an enabling Cyberlaws framework to tackle challenges brought about by development in the ICT industry.

- The Government is committed to establish a conducive legal & regulatory framework of Intellectual Property & Cyberlaws, as well as to ensure that laws are duly administered, complied with & enforced
- The Government further recognises the need to stay ahead of regional competition & is committed to continually enhance the framework to keep abreast with international developments & new challenges

Responsible Ministry / Agency:

- **Ministry of Information, Communication and Culture**
- **Malaysian Administration Modernisation and Management Planning Unit (“MAMPU”)**
- **Ministry of Domestic Trade, Co-operative and Consumerism**
- **Ministry of Home Affairs, supported by the Royal Malaysian Police**
- **Intellectual Property Corporation of Malaysia (“MyIPO”)**

BOG 7: To ensure no censorship of the Internet

Objective:

To realize the vision for Malaysia to be a major global ICT hub, the Government recognizes that the revolutionary role of the Internet in facilitating information-exchange and innovation, and providing the basis for continuing enhancements to quality of work and life.

- While Government will not censor Internet, this does not mean that any person may disseminate illegal content with impunity & without regard to the law. To the extent that any act is illegal in the physical world, it will similarly be outlawed in the online environment. Laws prohibiting dissemination of, eg. indecent / obscene or other illegal materials will continue to apply
- Relevant Ministries & Agencies will take appropriate actions to enforce laws under their purview

Responsible Ministries / Agencies:

- **Ministry of Information, Communication & Culture**
- **Malaysian Communications & Multimedia Commission**

BOG 8: To provide globally competitive telecommunications tariffs**Objective:**

To realize the vision for Malaysia to be a major global ICT hub, the Government recognizes that the potential role of competitive telecommunication tariffs in attracting investments to MSC Malaysia and encouraging the growth of the ICT industry.

- MSC Malaysia entities enjoy a set of published telecommunications tariffs that are generally competitive against selected countries, for conduct of MSC Malaysia qualifying activities
- To ensure that the telecommunications tariffs remain competitive, the published tariffs are continuously benchmarked & reviewed, & are therefore subject to fluctuations
- The tariffs may not necessarily be the lowest, taking into consideration, among other things, the dynamic nature of the global telecommunications environment & the overall economic conditions & telecommunications framework of the country

Responsible Ministries / Agencies

- **Ministry of Information, Communication & Culture**
- **Malaysian Communications & Multimedia Commission**

BOG 9: To tender key MSC Malaysia infrastructure contracts to leading companies willing to use MSC Malaysia as their regional hub**Objective:**

To realize the vision for Malaysia to be a major global ICT hub, the Government recognizes that the importance of attracting leading companies to setup in MSC Malaysia. Hence, the offer of contracts related to key MSC Malaysia Infrastructure may be used as an incentive to attract these leading companies to setup their global/regional hubs in MSC Malaysia.

- Government may consider inviting leading companies that are willing to set up their global / regional hubs in Malaysia to submit proposals for key MSC Malaysia infrastructure works, as an incentive to attract companies to MSC Malaysia
- Where appropriate, offer of contracts may be made through direct negotiations based on a number of considerations, incl. value propositions of such companies & their expertise & track record

“Key MSC Malaysia Infrastructure works” encompass both physical and soft infrastructure.

Responsible Ministry / Agency:

- **Ministry of Finance**

BOG 10: To provide a high-powered implementation agency to act as an effective one-stop super shop

Objective:

Multimedia Development Corporation (“MDeC”) has been set up by the Government to act as a one-stop centre, to drive the development of MSC Malaysia specifically, and the ICT industry in general.

MDeC is incorporated as a private limited company under the *Companies Act 1965* & is an agency under Ministry of Science Technology and Innovation.

MDeC’s functions are to coordinate, promote & develop the ICT industry & selected services in MSC Malaysia & Malaysia.

This would include processing applications by companies for MSC Malaysia Status, and facilitating applications related thereto, such as application for foreign knowledge workers and tax incentives.

MDeC also conducts periodic benchmarking of regional and global tariffs and facilitates discussions and engagements with Telcos and ISPs, for adoption of competitive telecommunications tariffs for MSC Malaysia Status entities.

In addition, MDeC also provides advice to the Government on policies and laws relevant to the ICT industry, and develops and implements MSC Malaysia-specific initiatives (such as MSC Malaysia Cybercity/Cybercentre Status).

The promotion of MSC Malaysia locally and globally, and support given by MDeC to MSC Malaysia Status entities, both at the national and global levels, are also initiatives undertaken by MDeC to enhance the development of the ICT industry in Malaysia, towards growing Malaysia as a global ICT hub.

Responsible Ministry / Agency:

- **Ministry of Science, Technology and Innovation**

SECTION C: Guidelines and Procedures

MSC Malaysia Status Companies Qualifying Activities

InfoTech

Software Development

Companies undertaking design, development, maintenance and marketing of software products which include but not exhaustive of the following:

- General business software applications such as CRM/ERP/Accounting on any platform
- Specialised software applications for the vertical industries such as manufacturing/security solutions/wireless and fixed telecommunications/embedded software

Hardware Design

Companies undertaking design, development, maintenance and marketing of hardware technology products and applications which include but not exhaustive of the following:

- Intelligent Controller/RFID/security solutions/Wireless and fixed telecommunications/SoC designs/IC design
- Specialist design companies focused on electronic hardware components or finished products (RFID/Smart Cards)

E-Business

Utilised the world wide web as its main platform of operation such as marketing, web hosting and/including e-commerce transactions

- Application service providers, e-commerce service providers; web-based trading platforms
- E-Government based service providers

Shared Services and Outsourcing - SSO

Shared Services - a model where common services are provided under a single, shared organisation leveraging on economies of scale e.g IT, call center, software development, data center consolidation

Outsourcing - result oriented shared service partnership with an external service provider e.g business process outsourcing, IT Outsourcing

Companies undertaking shared services outsourcing activities rendering services which include but not exhaustive of the following:

IT OUTSOURCING	BUSINESS PROCESS OUTSOURCING	KNOWLEDGE PROCESS OUTSOURCING
<ul style="list-style-type: none"> • Data Center • IT Helpdesk • Technical Support • Software Development • Application Development • System integration • Horizontal/vertical application 	<ul style="list-style-type: none"> • Contact/Call Center • Transaction Processing • Human Resource • Payroll Processing • Customer Relation Management • Finance & Accounting • Data Entry • Billing 	<ul style="list-style-type: none"> • Research, Design & Development • Project Management • Project Design & Engineering • Market Strategy • Investor Relations & Management • Equity Research • Financial Modelling & Analysis • Customer & Portfolio Analysis

Shared Services Outsourcing additional criteria:

A company under these activities will be applicable to additional Shared Services and Outsourcing (SSO) criteria:

1. Local Criteria:

- 50% exports by end of year 5 from the date of MSC Malaysia Status Approval
- 30% investment to be in MSC designated Cybercenter/Cybercities within 6 months of MSC Malaysia Status Approval
- Minimum 50 knowledge workers by end of year 5 from the date of MSC Status Approval
- Maintain a minimum 85% knowledge workers

2. Foreign Criteria:

- 70% exports by end of year 3 from the date of MSC Malaysia Status Approval
- 70% investment to be in MSC designated Cybercenter/Cybercities within 6 months of MSC Malaysia Status Approval
- Minimum 100 knowledge workers by end of year 3 from the date of MSC Status Approval
- Maintain a minimum 85% knowledge workers

Creative Multimedia

Companies whose core business activity revolves around multimedia content creation, processing, packaging and aggregation and delivery activities which include but not exhaustive of the following :-

- Production of Multimedia & New Media Content IP

- Production Process (include for interactive content)
- Post Production : Digital Audio and Visual EFX / Computer Graphics based (CGI)
- Animation: 2D/3D, Virtual Reality, Simulation
- Aggregation/Packaging of Content
- Delivery of Content

Value Added System Integration (VASI)

MSC Malaysia Status Qualifying activities can be expanded to include ICT Consulting & System Integration, subject to the following criteria :-

1. By the 3rd year of operation, the company should export at least 50% of its products & services; and
2. Have at least 70% knowledge workers

Institute of Higher Learnings (IHLs)

IHLs, Training & education services including via digital means (non content related). All Applicants must have all of the following activities in order to qualify for the MSC Malaysia incentives, namely :-

- Provide or be a heavy user of multimedia products and services;
- Grant either diploma or degree courses in multimedia, information technology and related fields for a training period covering a minimum period of 2 years and above
- Establish a multimedia faculty or a qualified faculty conducting multimedia courses, programmes and related activities;
- Employ a substantial number of knowledge workers;
- Conduct and support R&D activities;
- All Applicants must also be registered as a separate legal entity; and
- Comply with MQA guidelines

Applicable courses must only be related to multimedia, information technology and communication fields.

Incubators

Must be directly engaged in incubation / acceleration related activities

- Incubator technology focus: specifically in ICT & MSC Malaysia Status Qualifying areas, such as: software development, internet-based businesses, hardware design, creative multimedia, shared services and outsourcing

- Incubatees/tenants must be early stage companies with no MSC Malaysia Status yet, but have the potential to qualify
- Must offer business development services such as business plan assistance, mentoring and coaching, etc.
- Physical Facilities MUST OFFER the following basic facilities:
 - Internet access with minimum bandwidth of 128Kbps per employee
 - Shared facilities e.g. meeting rooms, reception and audio visual systems
 - Minimum of 2000 sq ft for incubation activities (including space for at least 5 ICT SMEs)
- Must have an incubator manager (ideally a technopreneur or an entrepreneur) who is willing to undergo training at the MSC Malaysia Technology Commercialisation Centre

SECTION D: Application Form

The MSC Malaysia status application is available online via www.mscomalaysia.my/wizard

Application Flow:

