

INCENTIVES FOR SELECTED INDUSTRIES

A. PROMOTED ACTIVITIES AND PRODUCTS

NO.	PROMOTED PRODUCTS / ACTIVITIES
I.	Machinery and equipment
1.	Machine tools
2.	Material handling equipment
3.	Robotic and factory automation equipment
4.	Modules and components for machine tools, material handling equipment and robotic and factory automation equipment
II.	Specialised machinery and equipment
1.	Specialised process machinery or equipment for specific industry
2.	Packaging machinery
3.	Modules and components for specialised process machinery or equipment for specific industry and packaging machinery
III.	Oil palm biomass
1.	Utilisation of oil palm biomass to produce value added products
IV.	Renewable energy
1.	Generation of renewable energy
V.	Conservation of energy
1.	Conservation of energy

1. A. **MACHINERY AND EQUIPMENT, SPECIALISED MACHINERY AND EQUIPMENT AND OIL PALM BIOMASS**

B. TYPE OF INCENTIVES

- (i) **Pioneer Status (PS)** with income tax exemption of **100% of statutory income** for a period of **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; or
- (ii) **Investment Tax allowance (ITA)** of **100% of qualifying capital expenditure** incurred within a period of **5 years**. The allowance can be used to **offset against 100% of statutory income** in each year of assessment. Unutilised allowances can be carried forward until fully absorbed.

C. ELIGIBILITY CRITERIA

- (i) **For products/activities I, II and III**
 - Level of **value-added (VA)** percentage.
 - Level of technology as measured by the **Managerial, Technical and Supervisory (MTS) Index**.
- (ii) **Additional criteria for activity IV**
 - Locally incorporated company under the Companies Act, 1965.

- Renewable energy resources that can be used and energy forms are specified.
- The company is required to implement the project within one year from the date of approval.
- Companies granted approval within one year prior to 1 October 2005 and have not implemented the project are also eligible for the incentives

D. APPLICATION FORM

- ICA / JA-1 for **New Manufacturing Project**.
- ICA / JA-2 for **Expansion and/or Diversification Project** by a Licensed Manufacturer or by an Existing Non-Licensed **Manufacture**

2. A. RENEWABLE ENERGY

Energy producers who utilise all types of RE including biomass, biogas, municipal wastes, solar, mini-hydro and wind are allowed to sell electricity to the utility providers through the distribution grid system.

B. TYPE OF INCENTIVES

- (i) **Pioneer Status (PS)** with income tax exemption of **100% of statutory income** for a period of **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; or
- (ii) **Investment Tax allowance (ITA)** of **100% of qualifying capital expenditure** incurred within a period of **5 years**. The allowance can be used to **offset against 100% of statutory income** in each year of assessment. Unutilised allowances can be carried forward until fully absorbed.

Note: Companies which produce energy for own consumption is only eligible for ITA.

C. ELIGIBILITY CRITERIA

- Locally incorporated company under the Companies Act, 1965.
- Renewable energy resources that can be used and energy forms are specified.
- The company is required to implement the project within one year from the date of approval.
- Companies granted approval within one year prior to 1 October 2005 and have not implemented the project are also eligible for the incentives.
- Level of **value-added (VA)** percentage.
- Level of technology as measured by the **Managerial, Technical and Supervisory (MTS) Index**.

D. APPLICATION FORM

- **Form RE/JA** for incentive and/or expatriate posts by **Renewable Energy Company**

3. A. CONSERVATION OF ENERGY**(i) Companies Providing Energy Conservation Services**

Companies that provide consultancy and advisory services as well as project management relating to the conservation or efficient use of energy are eligible to be considered for incentives under the Promotion of Investments Act, 1986. These companies would undertake energy efficiency/ energy conservation projects on behalf of clients (including financing) on the basis of recovery of all costs from agreed sharing of energy efficiency/ energy conservation savings over a specified contract period based on the performance contract.

If the performance contracting services undertaken involve services such as consultancy and advisory services (energy audit, training, energy management services, feasibility studies project) and project management (design and tendering, procurement, supervision and commissioning of the project), these services can also be taken into account for consideration of tax incentives.

(ii) Companies which Incur Capital Expenditure for Conserving Energy for Own Consumption**B. TYPE OF INCENTIVES**

- (i) **Pioneer Status (PS)** with income tax exemption of **100% of statutory income** for a period of **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; or
- (ii) **Investment Tax allowance (ITA)** of **100% of qualifying capital expenditure** incurred within a period of **5 years**. The allowance can be used to **offset against 100% of statutory income** in each year of assessment. Unutilised allowances can be carried forward until fully absorbed

Note: Companies which incur capital expenditure for conserving energy for own consumption is only eligible for ITA.

C. ELIGIBILITY CRITERIA**(i) Companies Providing Energy Conservation Services**

- Locally incorporated company under the Companies Act, 1965.
- The company must carry out performance contracting service activities to conserve the use of energy.
- The company is required to implement the project within one year from the date of approval of the incentive.
- Level of **value-added (VA)** percentage.
- Level of technology as measured by the **Managerial, Technical and Supervisory (MTS) Index**.

Note: Companies which incur capital expenditure for conserving energy for own consumption is only required to incorporated company under the Companies Act, 1965.

D. APPLICATION FORM

- **Form EE/JA** for incentive and/or expatriate posts by **Energy Conservation/Energy Efficiency Services**

Form can be downloaded from www.mida.gov.my