

## INCENTIVES FOR REINVESTMENT

### PROMOTED ACTIVITIES AND PRODUCTS

#### 1. A. RESOURCE-BASED INDUSTRIES

- Rubber
- Oil Palm
- Wood

#### B. TYPES OF INCENTIVES

- **Pioneer Status (PS)** with income tax exemption of **70% 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
- **Investment Tax Allowance (ITA)** of **60% of additional qualifying capital expenditure** incurred within a period of **5 years**. The allowance can be **offset against 70% of statutory income** for each assessment year. Unutilised allowances can be carried forward until fully absorbed.

#### C. ELIGIBILITY CRITERIA

- Company which has not enjoyed PS/ITA
- Company granted PS/ITA whose PS/ITA has expired
- Locally owned company with at least 51% Malaysian equity
- Reinvestment in the same promoted product/activity
- Level of **value-added (VA)** percentage.
- Level of technology as measured by the **Managerial, Technical and Supervisory (MTS) Index**.

#### 2. A. FOOD PROCESSING

#### B. TYPES OF INCENTIVES

- **Pioneer Status (PS)** with income tax exemption of **70% 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
- **Investment Tax Allowance (ITA)** of **60% of additional qualifying capital expenditure incurred** within a period of **5 years**. The allowance can be **offset against 70% of statutory income** for each assessment year. Unutilised allowances can be carried forward until fully absorbed.

#### C. ELIGIBILITY CRITERIA

- Company which has not enjoyed PS/ITA;
- Company granted PS/ITA whose PS/ITA has expired;
- Locally-owned company with at least 60% Malaysian equity;
- Reinvestment in the same promoted product/activity;
- Level of **value-added (VA)** percentage; and
- Level of technology as measured by the **Managerial, Technical and Supervisory (MTS) Index**.

### 3. A. **CONTRACT RESEARCH AND DEVELOPMENT (R&D)**

A Contract R&D company is a company which provides R&D services in Malaysia to companies other than its related companies\*. Under the PIA 1986, a related company is defined as a company where at least 20% of its issued share capital is owned (directly or indirectly) by another company.

#### B. **TYPES OF INCENTIVES**

- **Pioneer Status (PS)** with income tax exemption of 100% of statutory income for five years; or
- **Investment Tax Allowance (ITA)** of 100% of qualifying capital expenditure incurred within ten years. The ITA can be offset against 70% of the statutory income in each year of assessment. Unutilised allowances can be carried forward until fully absorbed.

#### C. **ELIGIBILITY CRITERIA**

- The R&D activities undertaken must comply with the definition of R&D under the Promotion of Investments Act (PIA), 1986;
- The R&D activities undertaken must be in accordance with the needs of the country and bring benefits to the Malaysian economy;
- At least 70% of the income of the company should be derived from R&D activities; and
- At least 50% of the workforce of manufacturing-based company or 5% of the workforce of agricultural-based company must be personnel with degree or diploma in technical fields

#### D. **APPLICATION FORM**

**Form R&D/JA-5** Second Round Incentive for Reinvestment by Contract R&D Company or R&D Company and/or Expatriate Posts.

Form can be downloaded from [www.mida.gov.my](http://www.mida.gov.my)

### 4. A. **R&D COMPANY**

An R&D company is a company which provides R&D services in Malaysia to its related companies\* or to any other company. The PIA 1986 defines a related company as a company where at least 20% of its issued share capital is owned (directly or indirectly) by another company.

#### B. **TYPES OF INCENTIVES**

- **Investment Tax Allowance (ITA)** of 100% 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.
- The related companies concerned will not enjoy double deduction for payments made to the R&D Company for the use of its services, unless the R&D Company opts not to avail itself of the ITA.

#### C. **ELIGIBILITY CRITERIA**

- The R&D activities undertaken must comply with the definition of R&D under the Promotion of Investments Act (PIA), 1986;

- The R&D activities undertaken must be in accordance with the needs of the country and bring benefits to the Malaysian economy;
- At least 70% of the income of the company should be derived from R&D activities; and
- At least 50% of the workforce of manufacturing-based company or 5% of the workforce of agricultural-based company of the workforce of the company must be personnel with degree or diploma in technical fields.

**D. APPLICATION FORM**

**Form R&D/JA-5** Second Round Incentive for Reinvestment by Contract R&D Company or R&D Company and/or Expatriate Posts.

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**5. A. IN-HOUSE RESEARCH**

In-house Research means that a company carries out R&D within the company in Malaysia for the purpose of its own business.

**B. TYPE OF INCENTIVE**

The company is eligible to apply for an **Investment Tax Allowance (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.

**C. ELIGIBILITY CRITERIA**

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

**D. APPLICATION FORM**

**Form R&D/JA-5** Second Round Incentive for Reinvestment by Contract R&D Company or R&D Company and/or Expatriate Posts

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**6. ADDITIONAL INCENTIVES FOR R&D COMPANY**

Contract R&D Company and R&D Company may apply for the fulfillment of definition of an R&D Status Company by comply the following criteria:-

- At least 70% of the income of the company should be derived from R&D activities; and
- At least 50% of the workforce of manufacturing-based company or 5% of the workforce of agricultural-based company of the workforce of the company must be personnel with degree or diploma in technical fields.

**Double Deduction**

- Companies which make payments to Contract R&D Status companies for the use of their services are eligible for double deduction of the payment.
- Non-related companies which make payments to the R&D Status Companies for the use of their services are eligible for double deduction.
- Related and non-related companies which make payments to the R&D Status Company for the use of their services are eligible for double deduction.

**7. A. HOTEL BUSINESS**

Definition of "hotel" is any accommodation, which includes a hotel, a motel, chalet or hostel, of the approved standard registered with the Ministry of Culture, Arts and Tourism.

Definition of "hotel business" is carrying on of a business in a hotel where such business provides sleeping accommodation and may include providing of food, drinks and other services or facilities and the granting of concessions of any part of such hotel for purposes connected with and incidental to the promotion of tourism.

**B. TYPE TAX INCENTIVES**

**Investment Tax Allowance (ITA) of 60%** of qualifying capital expenditure incurred within a period of **5 years**. The allowance can be **offset against 70%** of statutory income for each year of assessment. Unutilised allowances can be carried forward until fully absorbed.

**C. ELIGIBILITY CRITERIA**

- The applicant company is qualified for **ITA only for 3 rounds of reinvestment** (expansion, modernization and renovation);
- **A group of companies** undertaking reinvestment (expansion, modernization and renovation) eligible for tax allowance (ITA) is **limited to 3 companies including the parent company**.
- The equity condition will be imposed to 1 to 3 star hotels. Existing equity conditions will prevail if no additional capital investment is involved.

**D. APPLICATION FORM**

**Form H&T/JA-1** form for Hotel and Tourism project Expansion/Modernisation

Form can be downloaded from [www.mida.gov.my](http://www.mida.gov.my)

**8. A. TOURISM PROJECT**

- Construction of Holiday Camps and Recreation including Summer Camps
- Construction of Convention Centers
- Theme Park

**B. TYPE OF TAX INCENTIVES**

- **Investment Tax Allowance (ITA) of 60%** of qualifying capital expenditure incurred within a period of **5 years**. The allowance can be offset against 70% of statutory income for each year of assessment. Unutilised allowances can be carried forward until fully absorbed.

The applicant company is qualified for **2 rounds** of **reinvestment** (expansion, modernization and renovation).

**C. ELIGIBILITY CRITERIA**

- A project other than a hotel business exclusively carried out for the purposes connected with the promotion of tourism and **registered with the Ministry of Tourism Malaysia**.
- **Income must be derived from tourist project.**
- **Equity condition:**
  - ✓ For **new projects**, at least **49% of shares** must be held by **Malaysians** including **30% reserved**.
  - ✓ For modernisation/expansion/renovation project, the equity condition imposed will be similar to the equity condition imposed on incentive for the original project.
- **Construction of Holiday Camps and Recreation including Summer Camps**
  - ✓ A **minimum investment of RM500,000** in **fixed assets** (excluding land cost) must be incurred for the development of recreational camps.
- **Construction of Convention Centers**
  - ✓ **The hall** must be capable of accommodating at least **3,000 participants**.
  - ✓ A **minimum investment of RM10 million** in fixed assets (excluding land cost) must be incurred within **3 years** from the date of the incentive approval letter.
- **Theme Park**
  - ✓ A **minimum investment of RM10 million** in fixed assets (excluding land cost) must be incurred within **3 years** from the date of the incentive approval letter.

**D. APPLICATION FORM**

**Form H&T/JA-1** form for Hotel and Tourism project Expansion/Modernisation

Form can be downloaded from [www.mida.gov.my](http://www.mida.gov.my)

**9. A. OIL PALM BIOMASS**

Utilization of oil palm biomass to produce value added products

**B. TYPE OF TAX INCENTIVES**

- **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

- **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**

- Level of **value-added (VA)** percentage.
- Level of technology as measured by the **Managerial, Technical and Supervisory (MTS) Index**.

**10. A. COLD-CHAIN FACILITIES AND SERVICES**

The provision of cold room facilities or refrigerated transportation for local perishable agriculture produces (fruits, vegetables, flowers, ferns, and meat and aquatic products) with or without other post-harvest activities including cleaning, washing, grading, freezing/chilling and packing;

**B. TYPE OF TAX INCENTIVES**

- **Pioneer Status (PS)** with tax exemption of 70% on the **increased** statutory income arising from reinvestment for a period of 5 years; or
- **Investment Tax Allowance (ITA)** of 60% of the additional qualifying capital expenditure incurred within a period of 5 years. The allowance can be offset against 70% of the statutory income in each year of assessment. Unutilised allowances can be carried forward until fully absorbed.

**C. ELIGIBILITY CRITERIA**

- Incorporate a company under the Companies Act 1965;
- The applicant company must be an independent service provider;
- At least 60% of the company's revenue must be derived from the provision of cold room facilities, refrigerated transportation and other related services for local agriculture produce.

**D. APPLICATION FORM**

There is no specific form for Cold Chain Facilities and services, however company can apply the incentive by submitting the following form:-

- ICA / JA-2 for Expansion and/or Diversification Project by a Licensed Manufacturer or by an Existing Non-Licensed Manufacturer.

Form can be downloaded from [www.mida.gov.my](http://www.mida.gov.my)