

**INCENTIVES UNDER SPECIFIC SECTIONS OF PIA, 1986****1. A. STRATEGIC PROJECTS****B. TYPE OF INCENTIVE**

- **Pioneer Status (PS)** with income tax exemption of **100% of statutory income** for a period of **10 years**. Unabsorbed capital allowances as well as 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** from the date the first capital expenditure is incurred. The allowance can be **offset against 100% of statutory income** for each assessment year. Unutilised allowances can be carried forward until fully absorbed.

**C. ELIGIBILITY CRITERIA**

Strategic projects are defined as those of national importance which:

- involve heavy capital investments with long gestation periods;
- have high levels of technology and are integrated;
- generate extensive linkages;
- have significant impact on the Malaysian economy

**D. APPLICATION FORM**

- **Form ICA/JA-3** – for High Technology/Strategic Project for New Manufacturing Activity
- **Form ICA/JA-4** for High Technology/Strategic Project for Expansion and/or Diversification

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

**2. A. PRODUCTION OF HALAL FOOD PRODUCTS****B. TYPE OF INCENTIVE**

**Investment Tax Allowance (ITA)** of **100% of qualifying capital expenditure** incurred within a period of 5 years. The allowance can be **offset against 100% of statutory income** in each year of assessment. Unutilised allowances can be carried forward until fully absorbed.

**C. ELIGIBILITY CRITERIA**

- Value added and MTS conditions currently applicable to the specific industries;
- The company shall obtain JAKIM halal certification in compliance with MS 1500:2004;
- New or additional *halal* food products utilizing modern and state-of-the-art machinery or technology;
- Expansion with upgrading of existing plant by investing in additional machinery and utilizing modern technology;
- Products not listed in the promoted list with modern and state-of-the-art machinery and technology would also be eligible for consideration.

**D. ELIGIBLE APPLICANT**

- New companies undertaking production of *halal* food.
- Existing companies undertaking diversification project in the production of *halal* food.
- Existing *halal* food companies undertaking upgrading/ expansion of existing plant.

**E. 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 Manufacturer.

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

**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 10 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-1** for Incentive for Contract R&D Company or R&D Company or Fulfillment of Definition as Contract R&D Company/R&D Company and/or Expatriate Post.

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-1** for Incentive for Contract R&D Company or R&D Company or Fulfillment of Definition as Contract R&D Company/R&D Company and/or Expatriate Post.

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

#### 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**

**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-1 for Incentive for Contract R&D Company or R&D Company or Fulfillment of Definition as Contract R&D Company/R&D Company and/or Expatriate Post.** – no indicator for in house R&D

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

**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 Company for the use of their services are eligible for double deduction.
- Should the R&D company opt not to avail itself of the allowance, its related companies can enjoy double deduction for payments made to the R&D company for services rendered.

**APPLICATION FORM**

- **Form R&D/JA-1 for Incentive for Contract R&D Company or R&D Company or Fulfillment of Definition as Contract R&D Company/R&D Company and/or Expatriate Post.**

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

- For double deduction, claims should be submitted to IRB.

**7. A. TECHNICAL OR VOCATIONAL TRAINING CENTRE**

- New technical or vocational training institutions/company which provides technical or vocational training for the manufacturing sector.
- Existing technical or vocational training institutions/company incurring additional investment to upgrade their training facilities, or to expand their operations.
- Any capital expenditure incurred for the purpose of technical or vocational training can qualify.

**B. TYPE OF INCENTIVE**

**Investment Tax Allowance (ITA)** of 100% of the qualifying capital expenditure incurred within a period of 10 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 company must be locally incorporated under the Companies Act, 1965.
- The establishment of the institution must be approved by the Minister of Higher Education and must be registered with the Education Act, 1961.

**D. APPLICATION FORM**

- **Form T/JA-1** for New **Technical or Vocational Training Centre**
- **Form T/JA-2** for Expansion and/or Upgrading **Technical or Vocational Training Centre**

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

**8. A. COMMERCIALISATION OF PUBLIC SECTOR R&D FINDINGS IN RESOURCE-BASED AND NON-RESOURCE-BASED INDUSTRIES**

- (i) 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.
- (ii) 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).
- (iii) 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
  - Natural resources such as water, air, lightning and solar

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.

- (iv) Non Resource-based R&D Findings:
  - Non resource-based R&D is limited to promoted activities listed under PIA 1986.
  - The results of the R&D commercialisation must be in the form of new non resource-based products/activities or new process technology

**B. TYPE OF INCENTIVE**

- A company that invests in its subsidiary company engaged in the commercialisation of the R&D findings is eligible for a tax deduction equivalent to the amount of investment made in the subsidiary company; and
- The subsidiary company that undertakes the commercialisation of the R&D findings is eligible for Pioneer Status with income tax exemption of 100% of statutory income for 10 years.

**C. ELIGIBILITY CRITERIA**

- At least 70% of the investing company (holding company) and the company undertaking the commercialisation projects are owned by Malaysians;
- The company which invests should own at least 70% of the equity of the company that commercialises the R&D findings; and
- The commercialisation of the R&D findings should be implemented within one year from the date of approval of the incentive

**D. APPLICATION FORM**

- **Form ICA(C)/JA-8** for Manufacturing Licence and/or Incentive for Commercialisation of R&D Findings and/or Expatriate Posts; and/or
- **Form CRD** for Deduction under the Income Tax Act, 1967 for Investment in a Subsidiary Company given Approval to undertake Commercialisation of R&D Findings

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