INCENTIVES UNDER THE INCOME TAX ACT, 1967

1. A. <u>OPERATIONAL HEADQUARTERS (OHQ)</u>

An OHQ generally refers to a company that provides support services to its offices or related companies regionally and globally.

B. <u>TYPE OF INCENTIVES</u>

(a) **Incentive for OHQ**

An approved OHQ company is eligible for income tax exemption for a period of 10 years under Section 127, Income Tax Act 1967 for income derived from the following sources:

- Business Income
  Income arising from services rendered by an OHQ company to its offices or related companies.

- Interest
  Income derived from interest on foreign currency loans extended by an OHQ company to its offices or related companies.

- Royalties
  Royalties received from R&D work carried out in Malaysia by an OHQ company on behalf of its offices or related companies.

The income generated by an OHQ company in providing qualifying services to its offices and related companies in Malaysia will not be taxed during its tax-exempt period, provided such income does not exceed 20% of its overall income derived by providing qualifying services.

(b) **Approved OHQ Company**

An approved OHQ company can also enjoy the following benefits:

- Use professional services of foreign firms, provided that such services are not available locally;

- Acquire fixed assets as long as the fixed assets are used for the purpose of carrying out the operations of the OHQ;

- Expatriates working in OHQ companies are taxed only on the portion of their chargeable income attributable to the numbers of days that they are in Malaysia.

- 100% foreign equity is allowed

C. <u>ELIGIBILITY CRITERIA</u>

Companies that meet the following criteria can apply for OHQ status and incentives:

- Locally incorporated under the Companies Act 1965 (Act 125)
- A minimum paid-up capital of RM0.5 million
- A minimum total operating expenditure of RM1.5 million per year
- Appoint at least three senior professional/ management personnel
- Serve at least three related companies outside Malaysia

- Have a sizeable and well-established network of companies outside Malaysia which employ a significant and substantial number of qualified professionals, technical and supporting personnel
- Carry out a minimum of **three qualifying services**

The **qualifying services** are as follows:

- General management and administration
- Business planning and coordination
- Coordination of procurement of raw materials, components and finished products
- Technical support and maintenance
- Marketing control and sales promotion planning
- Data/information management and processing
- Research and development (R&D) work carried out in Malaysia on behalf of related companies or offices outside Malaysia
- Training and personnel management for its offices or related companies
- **Treasury and fund management services** to its offices or related companies
- **Corporate financial advisory services** to its offices or related companies

The **treasury and fund management services** include:

- Providing credit facilities to related companies outside Malaysia in currencies other than ringgit
- Transacting or investing in stocks, shares and securities (including bonds, notes, certificates of deposits and treasury bills) in foreign currencies that are issued in or outside Malaysia
- Investing in foreign currency deposits with onshore banks, licensed International Islamic Banks in Malaysia or overseas banks
- Foreign exchange transactions and interest rate/currency swaps for hedging purposes that are made in a foreign currency and conducted through onshore banks and licensed banks in Labuan
- Transactions in financial derivatives with onshore banks and in RM or USD denominated crude palm oil futures contracts on Bursa Malaysia for hedging purposes
- Transactions in foreign-currency denominated derivatives on overseas specified exchanges made only through resident futures brokers for hedging and investment purposes

The funds for carrying out the treasury and fund management activities are to be obtained only through borrowings made from authorised banks in Malaysia and onshore banks in Labuan; or from the OHQ company's paid-up capital, its accumulated profits derived from qualifying activities, or the accumulated profits of its offices or from borrowings sourced from outside Malaysia.

An OHQ set up by a financial institution is prohibited from providing treasury and fund management services to its related companies in Malaysia, unless the related companies are institutions licensed under the Banking and Financial Institution Act 1989 (Act 372) (BAFIA).

D. APPLICATION FORM

- Form OHQ-1 for Status with Tax Incentives and/or Expatriate Posts
- Form AE-OHQ/IPC/RDC-1 for Additional Expatriate Posts

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

2. A. INTERNATIONAL PROCUREMENT CENTRES (IPC) AND REGIONAL DISTRIBUTION CENTRES (RDC)

International Procurement Centres (IPC)
An International Procurement Centre (IPC) is a locally incorporated company, which carries on a business in Malaysia to undertake procurement and sale of raw materials, components and finished products for its group of related companies and unrelated companies in Malaysia and abroad.

Regional Distribution Centres (RDC)
A Regional Distribution Centre (RDC) is a collection and consolidation centre for finished goods, components and spare parts produced by its own group of companies for its own brand to be distributed to dealers, importers or its subsidiaries or other unrelated companies within or outside the country. Among the value-added activities involved are bulk breaking, repackaging and labelling.

B. TYPE OF INCENTIVES

(i) An approved IPC/RDC status company can be considered for:

- Tax exemption of statutory income for 10 years, under Section 127 of the Income Tax Act 1967 (Act 53)
- Dividends paid from the exempt income will be exempted from tax in the hands of its shareholders

(ii) An approved IPC/RDC status company will enjoy the following benefits:

- Expatriate posts based on the requirements of the IPC/RDC;
- Bring in raw materials, components or finished products with customs duty exemption into free industrial zones (FIZs), free commercial zones (FCZs), licensed manufacturing warehouse (LMWs) and bonded warehouses for re-packaging, cargo consolidation and integration before distribution to its final consumers;
- Expatriates working in IPC/RDC companies are taxed only on the portion of their chargeable income attributable to the numbers of days that they are in Malaysia.

C. ELIGIBILITY CRITERIA

- Locally incorporated under the Companies Act 1965 (Act 125)
- A minimum paid-up capital of RM0.5 million
- A minimum total operating expenditure of RM1.5 million per year
- A minimum annual sales turnover of RM50 million by the third year of operation
- Incremental usage of Malaysian ports and airports
- Domestic sales of not more than 20% of its annual sales value. Not more than 30% of its annual sales turnover is derived from sourcing of goods from outside Malaysia to overseas destinations via drop shipment.
- IPC applications must have related manufacturing plant in Malaysia

To qualify for the tax incentives, an approved IPC/RDC status company must fulfil the following additional criteria:

- Annual sales turnover of at least RM100 million, of which the annual value of export sales achieve RM80 million and the value of direct export sales achieve RM50 million in respect of qualifying activities in the basis period for a year of assessment.

- Sales to the domestic market including sales to free zones (FZs) and licensed manufacturing warehouses (LMWs) are limited to 20% of its sales turnover.

D. APPLICATION FORM

- Form IPC/RDC-1 Status and/or Tax Incentives and/or Expatriate Posts
- Form AP-IPC/RDC-1 for Additional Products
- Form AE-OHQ/IPC/RDC-1 for Additional Expatriate Posts

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

3. A. AEROSPACE INDUSTRY

Aerospace industry development was one of the strategic and high technology areas identified by the Government. It include activities that directly and indirectly contribute to the design and development, construction, operation, maintenance and disposal of aerospace related products (spacecraft, aircraft, missile/rocket/launcher, and communication, navigation and navigation systems (CNS)).

Effective January 2010, the industry is eligible for a comprehensive tax incentive with the objective to make Malaysia a global centre for aerospace industry in Asia Pacific. The incentive package will be focusing on design, manufacturing and assembling, operator group, support and monitoring group.

B. TYPE OF INCENTIVES AND ELIGIBILITY CRITERIA

(i) **Design, manufacturing and assembling group** of activities consisting of research, design and development and system integration are eligible for:

- Income tax exemption for a period of five to 15 years depending on the investment level, value-added, technology and other criteria.

(ii) **Operator group** consisting of general aviation such as helicopter operation, charter, business jet operation to air recreational (e.g. Flying School, Flying Club and Hornbill Skyway Helicopter) are eligible for:

- **Investment Tax Allowance (ITA)** of 100% on the qualifying capital expenditure within a period of 10 years subject to the investment in fixed assets exceeding RM150 million within five years.

(iii) **Support group** consisting of maintenance, repair and overhaul activities (MRO) and training in aerospace, certification and maintenance are eligible for:

- Income tax exemption of 100% of statutory income for a period up to 10 years for companies which offer MRO services and services related to the production of aerospace finished products;

- Income tax exemption of 100% of statutory income for a period up to 15 years for companies involved in conversion, upgrading and refurbishment or remanufacture of aerospace finished products;

- Investment Tax Allowance (ITA) of 60% on the qualifying capital expenditure incurred within a period of five years for MRO companies operating in Malaysia which undertake expansion, modernisation or automation of current business or diversification of current business for related products in the same industry; or

- Double deduction on expenses incurred by employers providing pilot conversion and pilot instructor training

(iv) **Pilot conversion and instructor pilot courses** are eligible for double deduction on expenses incurred by the employers in training their employees.

(v) **Regulatory group** consisting of companies undertaking aerospace related certification, standard development, testing and evaluation and licensing activities are eligible for:

- Pioneer Status (PS) with income tax exemption of 100% of statutory income for five years; or
- Investment Tax Allowance (ITA) of 60% on qualifying capital expenditure incurred within five years

D. APPLICATION FORM

There is no specific form for Aerospace industry, however company can apply the incentive by submitting the following 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

4. A. INTERNATIONAL AND PRIVATE SCHOOL

- **Definition of international school:**

International school means a school which is not a government school that provides pre-school education until the A-Level programme but shall not include a school which provides solely pre-school education.

Stand-alone pre-schools and expatriate schools are not eligible for the purpose of this incentive.

- **Definition of private school:**

Private school means a school which is not a government school that provides:-

i. Private primary education or private secondary education or both, that comply with the requirements of the National Curriculum and examinations prescribed under the Education Act 1996 together with the provision of private pre-school education therein, if any;

ii. Private religious primary education or private religious secondary education or both, that comply with the requirement of the National Curriculum prescribed under the Education Act 1996 together with the provision of private pre-school education therein, if any; or

iii. Private Chinese primary education or private secondary education or both, together with the provision of private pre-school education therein, if any, that comply with guidelines issued by Ministry of Education (MOE), but shall not include a school which solely provides pre-school education.

Stand-alone pre-schools are not eligible for the purpose of this incentive.

B. TYPE OF INCENTIVES

- Companies that establish new international/private schools are eligible to apply for:

  i. Income Tax Exemption of 70 percent for a period of 5 years; **or**

  ii. Income Tax Exemption equivalent to Investment Tax Allowance (ITA) of 100 percent on the qualifying capital expenditure incurred within a period of 5 years. The allowance can be used to offset against 70 percent of the statutory income for each year of assessment.

- Existing international/private schools undertaking expansion are eligible to apply for:

  Income Tax Exemption equivalent to Investment Tax Allowance (ITA) of 100 percent on the qualifying capital expenditure incurred within a period of 5 years. The allowance can be used to offset against 70 percent of the statutory income for each year of assessment.

C. ELIGIBILITY CRITERIA

- **INTERNATIONAL SCHOOLS**

  (i) Companies or societies operating international schools must be incorporated in Malaysia under the Companies Act, 1965 or Societies Act, 1966 respectively. New Societies registered after 8 October 2011 are not eligible to apply for this incentive.

  (ii) The school must be registered by MOE.

  (iii) For purposes of this incentive,

  ✓ New international schools refer to newly approved and registered institutions by MOE as of the year of assessment 2010.

  ✓ Existing international schools refer to only the existing international schools which have enhanced their facilities through expansion either in the same location or through newly established school campuses in new locations.

  (iv) The school must obtain approval for establishment/expansion from MOE before submission of application to MIDA.

  (v) The application must be submitted to MIDA prior to commencement of business for new establishment or before incurring the qualifying capital expenditure for the expansion.

  (vi) The incentive is applicable for applications received by MIDA as follows:

  ✓ Income Tax Exemption – from 8 October 2011 until 31 December 2015.
  ✓ Investment Tax Allowance - from 14 July 2010 until 31 December 2015.

- **PRIVATE SCHOOLS**

  (i) Companies or societies operating private schools must be incorporated in Malaysia under the Companies Act, 1965 or Societies Act, 1966 respectively. New Societies registered after 8 October 2011 are not eligible to apply for this incentive.

  (ii) The school must be registered by MOE.

  (iii) For purposes of this incentive.

  ✓ New private schools refer to newly approved and registered institutions with MOE as of the year of assessment 2011.

  ✓ Existing private schools refer to only the existing private schools which have enhanced their facilities through expansion either in the same location or through newly established school campuses in new locations.

  (iv) The school must obtain approval for establishment/expansion from MOE before submission of application to MIDA.

  (v) The application must be submitted to MIDA prior to commencement of business for new establishment or before incurring the qualifying capital expenditure for the expansion.

  (vi) The incentive is applicable for applications received by MIDA from 8 October 2011 until 31 December 2015.

D. APPLICATION FORM

- IPS-1 for New international/private school: IPS-1
- IPS-2 for Existing international/private schools undertaking expansion

Supporting documents required:

- Registration of the institution and/or Approval for establishment/expansion by MOE
- Form 9 or 13, 24, 44, 49 and M&A.

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

5. A. TREASURY MANAGENENT CENTER (TMC)

An approved treasury management centre (TMC) refers to a locally incorporated company that provides centralised treasury management services for its group of related companies within or outside the country.

B. TYPE OF INCENTIVES

(i) An approved TMC will be given a 70% exemption of the following statutory income arising from treasury services rendered by treasury centres to its offices or related companies for a period of five (5) years* :-

a. All fees / management income from providing qualifying services to related companies in Malaysia and overseas;

b. Interest income / finance income received from lending / financing to related companies in Malaysia and overseas;

c. Interest income / finance income / gains received from placement of funds with onshore banks or short term investment (onshore and offshore) as part of managing surplus funds within the group;

d. Realised foreign exchange revenue/gains/profits from managing risks for the group i.e. exchange rate risk, interest rate risk, benchmark rate risk, market risk, credit/counterparty risk, liquidity risk and commodity price risk;

e. Premium/income/discount/gains pursuant to subscription of bonds/sukuk issued by related companies and financial institutions; and

f. Guarantee fees

(ii) Exemption from withholding tax on interest payments / profits on borrowings by the TMC from financial institutions and related companies provided the funds raised are used for the conduct of qualifying TMC activities;

(iii) Exemption from withholding tax on interest payments / profits on borrowings by the TMC from financial institutions and related companies provided the funds raised are used for the conduct of qualifying TMC activities;

(iv) Full exemption from stamp duty on all loan / financing agreements and service agreements executed by treasury centres in Malaysia, used for the conduct of qualifying TMC activities;

(v) Expatriates working in a TMC are taxed only on the portion of their chargeable income attributable to the number of days that they are in Malaysia;

(vi) Foreign Exchange Administration (FEA) flexibilities; and

(vii) No local equity conditions.

Income from qualifying services provided directly by a TMC to its related companies in Malaysia during its tax exempt period is exempted from tax provided such income does not exceed 20% of the TMC income from qualifying services.

Other facilities accorded to an approved TMC are expatriate posts will be approved based on the requirements of the TMC.

C. <u>ELIGIBILITY CRITERIA</u>

- To qualify as an approved TMC, the company must fulfill the following criteria:

  ✓ A company incorporated under the Companies Act 1965;
  ✓ A minimum paid-up capital of RM0.5 million;
  ✓ A minimum total operating expenditure (excluding interest expenditure related to funding activities of the TMC and depreciation) of RM1.5 million incurred domestically per year of assessment;
  ✓ Appoint at least 3 senior professionals to work under the TMC;
  ✓ Provide qualifying treasury services to at least 3 related companies outside Malaysia;

- Treasury Services / Qualifying activities:-

  (i) Cash, Financing and Debt Management

  (a) Cash pooling arrangement through a centralised account with a licensed onshore bank;

(b) Providing financing sourced from surplus funds within the group or financial institutions in Malaysia to:

- a related company in Malaysia in ringgit or foreign currency;
- a related company overseas-
  - ✓ in foreign currency for any purpose; and
  - ✓ in ringgit for use in Malaysia

(c) Arranging for competitive financing sourced from-
- surplus funds from within the group;
- financial institutions in Malaysia; or
- the issuance of bonds/sukuk in ringgit or foreign currency

(d) Providing or arranging for financial and non-financial guarantee for its group of companies.

(e) Current account management
- Managing account payables and receivables;
- Maintaining inter-company offsetting arrangement.

(ii) Investment services

Investing funds within the group in domestic money market and in foreign currency assets onshore and offshore.

(iii) Financial risk management

Hedging of –
- Exchange rate risk
- Interest rate risk/benchmark rate risk
- Market risk;
- Credit/counterparty risk ;
- Liquidity risk;
- Commodity price risk.

D. APPLICATION FORM

Form TMC for Treasury Management Centre (TMC) Status and/or Expatriate Posts

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

6. A. HEALTHCARE FACILITY

For purposes of this incentive, private healthcare facilities means private hospitals or ambulatory care centres.

B. TYPE OF INCENTIVES

Companies that establish new private healthcare facilities or existing private healthcare facilities undertaking expansion/modernisation/refurbishment for purposes of promoting healthcare travel are eligible to apply for an Income Tax Exemption equivalent to Investment Tax Allowance (ITA) of 100 percent on the qualifying capital expenditure incurred within a period of 5 years. The allowance can be used to offset against 100 percent of the statutory income for each year of assessment.

Qualifying Capital Expenditure

For the purpose of ITA, capital expenditure in relation to private healthcare facilities means capital expenditure incurred on buildings, plant and machinery, medical devices and other facilities used in Malaysia solely for thepurpose of qualifying project verified by the Medical Practice Division, Ministry of Health (MOH) and approved by the Minister.

C. <u>ELIGIBILITY CRITERIA</u>

- The company must be incorporated in Malaysia under the Companies Act, 1965.
- The project must be approved and licensed by the Ministry of Health (MOH) and registered with the Malaysia Healthcare Travel Council (MHTC).
- Application must be submitted to MIDA prior to commencement of business for the new healthcare facility / expansion.
- The healthcare facilities must obtain 'Approval for Establishment/ Expansion' from MOH before submission of application to MIDA.
- The incentive is applicable for applications received by MIDA on or after 1 January 2010 but not later than 31 December 2014.

D. <u>APPLICATION FORM</u>

- **<u>Form PH-1</u>** for Incentives Tax Allowance for a New Private Healthcare;
- **<u>Form PH-2</u>** for Incentives Tax Allowance for Expansion/Modernisation/Refurbishment of an Existing Private Healthcare Facility

Supporting documents required:

- Approval for Establishment/Expansion and/or Licence to Operate from MOH.
- Registration/provisional registration with MHTC.
- Form 9 or 13, 24, 44, 49 and M&A.

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

<u>DOMESTIC INVESTMENT INITIATIVES</u>

7. (A) DOMESTIC INVESTMENT STRATEGIC FUND (DISF)

Establishment of a Domestic Investment Strategic Fund of RM1 billion to accelerate the shift of Malaysian-owned companies in targeted industries to high value-added, high technology, knowledge-intensive and innovation-based industries. The package of assistance will be granted under the Customised Incentive Scheme, based on the request of the companies and the merits of each case. The Fund aims to harness and leverage on outsourcing opportunities created by MNCs operating in Malaysia; intensify technology acquisition by Malaysian-owned companies; and enable Malaysian-owned companies to obtain international standards/certifications in strategic industries. The Fund does not offer an outright grant and is contingent on the investments of the applicant.

B. <u>TYPE OF INCENTIVES</u>

The Domestic Investment Strategic Fund will provide matching grants (1:1) as follows:

- For training and R&D activities;
- To undertake outsourcing activities;
- To comply with international standards; and
- For licensing/purchase of technology.

C. <u>ELIGIBILITY CRITERIA</u>

- Incorporated under the Companies Act, 1965.

- New companies in the manufacturing and services sectors with Malaysian equity ownership of at least 60%.

- Existing companies in the manufacturing and services sectors with Malaysian equity ownership of at least 60% undertaking reinvestments (expansion/modernisation/diversification).

- Companies producing promoted products/engaged in promoted activities in the following priority sectors:
  - ✓ Aerospace;
  - ✓ Medical Devices;
  - ✓ Pharmaceuticals;
  - ✓ Advanced Electronics;
  - ✓ Machinery and Equipment;
  - ✓ Renewable Energy;
  - ✓ Services including design, R&D, testing, quality and standard certification, engineering services, technical and skills training and logistics service providers (3PL); and
  - ✓ Other industries, on a case by case basis.

<u>SCOPE OF THE FUND</u>

The Fund will cater for expenditures incurred for the following activities:
- Training of Malaysians;
- R&D activities carried out in Malaysia;
- Modernisation and upgrading of facilities and tools to undertake manufacturing or services activities for Multinational Corporations (MNCs) and Malaysian conglomerates (outsourcing activities1);
- Obtaining international standards/certification; and
- Licensing or purchase of new/high technology

D. <u>APPLICATION FORM</u>

There is no specific form for DISF, applicant is required to submit their proposal and detail application to MIDA.

8. A. ENCOURAGE SMALL MALAYSIAN SERVICE PROVIDERS TO MERGE INTO LARGER ENTITIES

The services sector is currently fragmented and dominated by small firms. These firms need to build up capacity in view of the liberalisation of the sector in order to avoid hollowing out of companies and to be globally competitive. As such, there is a need to encourage small Malaysian service providers to merge into larger entities to build up the competitiveness of the smaller entities.

B. <u>TYPE OF INCENTIVES</u>

- Flat tax rate of 20% on all taxable income for a period of 5 years (effective from the date of the merger); and

- Stamp duty exemption on the merger document.

C. <u>ELIGIBILITY CRITERIA</u>

- Enterprises that intend to merge must be:
  - ✓ 100% Malaysian owned; and
  - ✓ Have annual sales turnover of less than RM5 million or full-time employees of less than 50.

- Sectors eligible for this incentive include:
  - ✓ Professional services (accounting and taxation services, specialised medical & dental practices, architectural services and engineering services);
  - ✓ Courier services;
  - ✓ Technical and vocational secondary education services (generic & special needs); and
  - ✓ Skills training services

- Mergers to take place within 3 years from the announcement of the incentive.

D. <u>APPLICATION FORM</u>

Application submitted to Inland Revenue Board (IRB) and incentives to be provide through Exemption Order under Income Tax Act 1967 and Stamp Act 1949.

9. A. GUIDELINES FOR INCENTIVE FOR ACQUIRING A FOREIGN COMPANY FOR HIGH TECHNOLOGY

B. <u>TYPE OF INCENTIVES</u>

- A locally-owned company in the manufacturing or services sector that acquires a foreign-owned company abroad will be eligible for an incentive in the form of an annual deduction of 20% of the acquisition cost for 5 years for the following purpose:

  - ✓ Establishment of a manufacturing facility/company or services company within Malaysia; or
  - ✓ Utilisation of the acquired technology in their existing operations within Malaysia.

- The incentive is in the form of an annual deduction to ascertain the adjusted income of the locally-owned company, and any unutilised deduction can be carried forward until fully utilised.

C. <u>ELIGIBILITY CRITERIA</u>

(i) The acquirer must be a locally-owned company that is incorporated under the Companies Act, 1965 with at least 60% Malaysian equity ownership involved in manufacturing or services activities.

(ii) Malaysian equity ownership of at least 60% must be held for a period of 5 years from the date of application.

(iii) For a public listed company:

- At least 60% of its equity is directly owned by Malaysians on the first day of listing on the stock exchange; and

- At least 50% of its equity is directly owned by Malaysians.

(iv) An acquisition by a holding company having interests in manufacturing or services activities will be considered on a case by case basis.

(v) The acquiree must be a foreign company with 100% foreign equity ownership that is located abroad and uses the high technology in the activity of manufacturing or services.

(vi) The acquisition should be a direct acquisition of at least 51% of the equity of the foreign company abroad.

(vii) The acquisition must be in the form of a cash transaction. Acquisitions through share-swapping will not be eligible for this incentive.

(viii) The acquisition must be completed within three (3) years.

(ix) Acquisition costs eligible for the deduction comprise:

- ✓ Value of shares purchased by the Malaysian company (acquirer); and
- ✓ Incidental costs, including professional fees paid to bankers, valuers, auditors, accountants, tax agents, consultants, or legal advisers; cost of transfers including stamp duties; related travelling and accommodation expenses incurred for the purpose of the acquisition.

(x) The acquisition of the foreign technology company must result in increase of performance or enhancement of technology and processes of the company's operation in Malaysia.

(xi) Definition of High Technology means new and emerging technologies acquired by a locally owned company in Malaysia with the object of using the high technology for:

- The production or improvement of material, devices, products, produce or processes; or
- The improvement of processes or quality of the selected services

(xii) Other Considerations

- Applications for the incentive can be made prior to, during the course of negotiations, or within 6 months after the completion of the acquisition.
- A company currently enjoying incentives under the Promotion of Investments Act (PIA), 1986 or Income Tax Act, 1967, is not eligible for this incentive.
- The acquisition must be held for at least 5 years. Where the acquired foreign-owned company is disposed of within five (5) years from the date of the completion of the acquisition, any annual deduction granted will be withdrawn in the year of assessment such ordinary shares are disposed of.
- The annual deduction will be granted from the date of the completion of the acquisition and all the costs of acquisition are deemed to be incurred on that completion date.
- For an acquisition undertaken with the objective of acquiring high technology for production within the country, the applicant company is also eligible to be considered for incentives granted to high technology companies. However, they will be limited to the manufacture of new products using the acquired technology.

- For an acquisition undertaken with the objective of acquiring high technology to provide services within the country, the applicant company is also eligible to be considered for incentives granted to services activities. However, they will be limited to the new services using the acquired technology.

- Any subsequent application by the acquirer or its related companies will not be eligible for the incentive.

EFFECTIVE DATE OF APPLICATION

Applications received by Malaysian Investment Development Authority (MIDA) from 3 July 2012 until 31 December 2016 are eligible to be considered for this incentive.

D. APPLICATION FORM

AFC for Incentive For Acquiring A Foreign Company For High Technology

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