INFORMATION AND COMMUNICATION TECHNOLOGY
Introduction

This booklet is one of a series of 21 booklets prepared by MIDA for the purpose of providing investors with relevant information on establishing projects in the identified services sub-sectors in Malaysia. The complete list of booklets is as follows:

- **Booklet 1:** General Policies, Facilities and Guidelines
- **Booklet 2:** Regional Operations
- **Booklet 3:** Research and Development (R&D) Services
- **Booklet 4:** Logistics Services
- **Booklet 5:** Specialised Technical Support Services
- **Booklet 6:** Information and Communication Technology Services
- **Booklet 7:** Environmental Management Services
- **Booklet 8:** Distributive Trade Services
- **Booklet 9:** Tourism and Travel Related Services
- **Booklet 10:** Education and Industrial Training Services
- **Booklet 11:** Legal Services
- **Booklet 12:** Accounting, Auditing and Taxation Services
- **Booklet 13:** Integrated Engineering Services
- **Booklet 14:** Architectural Consultancy Services
- **Booklet 15:** Surveying Consultancy Services
- **Booklet 16:** Medical and Health Care Services
- **Booklet 17:** Engineering and Energy Consultancy Services
- **Booklet 18:** Management Consultancy Services
- **Booklet 19:** Market Research Services
- **Booklet 20:** Advertising Services
- **Booklet 21:** Quick Reference

The Ministry of International Trade & Industry (MITI) spearheads the development of industrial activities to further enhance Malaysia’s economic growth. As an agency under MITI, the Malaysian Investment Development Authority (MIDA) is in charge of the promotion and coordination of industrial development in the country.

MIDA is the first point of contact for investors who intend to set up projects in manufacturing and services sector in Malaysia. With its headquarters in Malaysia’s capital city of Kuala Lumpur, MIDA has established a global network of 24 overseas offices covering North America, Europe and the Asia Pacific to assist investors interested in establishing manufacturing projects and services activities in Malaysia. Within Malaysia, MIDA has 12 branch offices in the various states to facilitate investors in the implementation and operation of their projects.

If you wish to investigate investment opportunities in Malaysia, please contact MIDA for more information as well as assistance in your decision-making (please see the last page of contact details of MIDA’s headquarters and state and overseas offices).

October 2012
INFORMATION AND COMMUNICATION TECHNOLOGY SERVICES

1 HARDWARE AND SOFTWARE CONSULTANCIES, DATABASE ACTIVITIES, CONTENT DEVELOPMENT, INTERNET BASED BUSINESS APPLICATION SERVICES, E-COMMERCE SERVICES/SOLUTIONS, SYSTEMS INTEGRATION, COMPUTER ASSISTED MANUFACTURING SERVICES, CALL CENTRES AND CENTRALISED HELP-LINES
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3 GENERAL AGREEMENT ON TRADE IN SERVICES (GATS), ASEAN FRAMEWORK AGREEMENT ON SERVICES (AFAS) AND FREE TRADE AGREEMENT (FTAS) 17
Information and Communication Technology (ICT)-related services include the following:

- Hardware and software consultancies
- Database activities
- Content development
- Internet-based business application services
- Provision of e-commerce services/solutions
- System integration
- Computer-assisted manufacturing services
- Operation of call centres and centralised help-lines
- Other ICT services

Hardware and software consultancies provide services such as supporting and developing strategies in the application of servers, networks, computers, etc.

Database activities include data management, data security and data retrieval services.

Content development services include producing educational CD-Rom, providing on-line news and information, gaming software, etc.

Internet-based business application services include e-mail services, Application Service Provider (ASP) services, hosting services, etc.

Electronic commerce (e-commerce) is a commercial transaction between parties entered into an electronic medium without the physical presence of the parties. E-commerce transactions can be concluded anytime and anywhere, regardless of national boundaries. E-commerce services/solutions include Electronic Government (e-Government), Business-to-Business, Business-to-Consumers, etc.

System integration services include Electronic Database Information (EDI), data warehousing and Electronics Application Integration (EAI).

Computer-assisted manufacturing services include process automation, robotics, automated material handling systems and supply chain integration/management.
1. HARDWARE AND SOFTWARE CONSULTANCIES, DATABASE
ACTIVITIES, CONTENT DEVELOPMENT, INTERNET BASED BUSINESS
APPLICATION SERVICES, E-COMMERCE SERVICES/SOLUTIONS,
SYSTEMS INTEGRATION, COMPUTER ASSISTED MANUFACTURING
SERVICES, CALL CENTRES AND CENTRALISED HELP-LINES

1.1 Licensing and Registration

Companies intending to provide the above ICT services are required to undertake the following:

• Incorporate a company under the Companies Act, 1965.
• Under the Service Tax Act, 1975 and the Service Tax Regulations, 1975, companies which provide management consultancy services in the ICT industry and generate a total annual sales turnover of RM150,000 or more are required to obtain a Service Tax Licence.

These companies include those providing consultancy services in the purchase of computers, the implementation of software development, and the selection of a systems integrator, as well as other consultancy services that involve the provision of independent professional services and advice, including advice on business strategies, organisational set-ups and future directions of the company.

However, consultancy services that are provided by a company to other companies within the same group are exempted from the Service Tax.

Applications should be submitted to the Royal Malaysian Customs Department.

1.2 Equity Policy

The Government had announced on 22 April 2009 that computer and related services are among the 27 services sub-sectors that would be liberalised. The activities liberalised are as follows:

(i) Consultancy services relating to the installation of computer hardware (CPC 841);
(ii) Software implementation services - systems and software consulting services, systems analysis services, systems design services, programming services and systems maintenance services (CPC 842);
(iii) Data processing services - input preparation services, data processing and tabulation services, time sharing services and other data processing services (CPC 843);
(iv) Data base services (CPC 844);
(v) Maintenance and repair services of computers (CPC 845); and
(vi) Other services - data preparation services, training services, data recovery services and development of creative content (CPC 849).

Please refer to MITI website www.miti.gov.my for information on liberalisation.
1.3 Specific Immigration Procedures

Companies granted MSC Malaysia-status and incentives are allowed to employ expatriate knowledge workers without any restriction. A “knowledge worker” is an individual who holds one of the following:

- Tertiary qualification from an institution of higher learning (in any field); or
- Diploma in multimedia/ICT or specialised 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 information technology (IT) enabled services eg. IT/IS Professionals, Finance/Accounting, Business Administration,

Special exemptions are given to foreign knowledge worker who does not meet the above but to be employed in the following clusters:

- Shared Services and Outsourcing cluster - foreign workers with knowledge-based skills that are not prevalent in Malaysia, required by MSC Malaysia Status companies.
- Creative Multimedia Content cluster - workers who are utilised for their creative talent to produce value-added creative work for MSC Malaysia Status companies.

MSC Malaysia-status companies can contact MSC Malaysia e-Xpats Centre or refer to its website www.expats.com.my for application of expatriate knowledge worker.

1.4 Financial Assistance

(i) MSC Malaysia R&D Grant Scheme

An ICT company that has MSC Malaysia status is eligible to apply for a grant under the MSC Malaysia R&D Grant Scheme (MGS). This R&D grant is offered to 51% Malaysian-owned MSC Malaysia Status Companies to fund R&D projects leading to innovative ICT/multimedia products/solutions/services that possess significant commercial potential.

MGS aims to:

- Encourage and establish vibrant research and development activities by local companies leading to innovative ICT/multimedia products that possess significant commercial potential
- Increase the creation of Intellectual Property (IP) that enables companies to compete globally
- Strengthen the R&D capabilities of Malaysian knowledge workers

Eligibility criteria:

At the time of application, the company must fulfil the following requirements:

1) Is a company incorporated in Malaysia;
   - Is not the subject of a winding up order; and
   - Has a paid up capital of at least RM100,000.
2) More than 50% of the legal and beneficial ownership of the applicant is vested in Malaysian(s);

3) More than 50% of the employees of the applicant must be Malaysians;

4) The applicant shall not be a recipient of, or have previously received, any funding (other than property financing and car loans etc.) from MDeC and/or any other Government Ministries or agencies, targeting R&D phase of product life-cycle;

5) The applicant must be an MSC Malaysia Status Company and comply with all the following conditions:
   a. Meet the location requirements as specified in the MSC Malaysia Status Conditions of Grant;
   b. Have completed and responded to surveys conducted by MDeC including the MSC Malaysia Industry Reporting (AQIR) and MSC Malaysia SME Competitiveness Rating for Enhancement (SCORE+) and attained Tier 2 – Tier 4 (with Star rating of 1.0 and above); and

6) Work on the project which is the subject of the Grant application ("Proposed Project") has not started.

Application Fee:

A non-refundable processing fee of RM5,000 is payable upon submission of the final application documents.

Project Assessment Criteria:

• Technical merits:
  - Significance of the R&D or systems development work in that technology field
  - Acquisition of new knowledge and skills
  - Unique innovation or a modification of similar product in the market
  - Realistic, measurable and achievable project activities, milestones, resource allocations and timelines
  - Risks identification and management plan
  - Project team related experience and background/track record in similar project
  - Active involvement of Malaysian knowledge workers in the project
  - Appropriateness of the proposed equipment, facilities and other support

• Commercialisation merits:
  - Target market defined
  - Credible projections of future market growth
  - Clear understanding of the competitive landscape within the target markets
  - Credible positioning strategy for the proposed product vis-à-vis competitors
  - Clear sales targets and market share goals
  - Potential to increase exports and replace imports
  - Evidence of marketing, manufacturing and licensing arrangements
  - Legal and trade barriers adequately addressed
  - Marketing expertise and experience
• Financial merits:
  - Integrity in cost estimates
  - Reasonableness in the financial assumptions
  - Financial management capabilities and resources
  - Company’s financial standing

Funding:

• The MGS will provide a grant of up to 50% of the approved total project cost or RM1.2 million whichever is lower. The amount of the grant approved will be determined by the merits of each case.
• Repayment is not required

Disbursement and Monitoring Guidelines:

• Each project is funded for up to one (1) year only
• There are four (4) disbursements throughout the project duration:
  - An advance of 25% for approved capital expenditure to be paid out before project commencement date
  - 25% of the approved grant amount to be paid out upon verification of half yearly milestone
  - 25% of the approved grant amount to be paid out at the end of project upon verification of commercial ready prototype
  - Final 25% of the approved grant amount to be paid out at the end of project upon verification of IP creation
• The Technology and Commercial Evaluation Committee will conduct periodic site visits to the R&D site to verify and confirm achievement of agreed milestones before any disbursements are made
• Only project costs directly related to meeting the objectives of the declared R&D or system development work are eligible for MGS funding. Disbursements will only be made on full submission of project progress and expenses report including the following:
  - Timesheets that have been signed by staff and certified by the Project Manager
  - Certified pay slips and EPF/SOCSO statements
  - Receipts for IP registration, rental of research facilities and equipment/software purchased
  - Declaration that the proposed R&D or system development work was conducted in its entirety by the company
  - Compliance to all MSC Malaysia Status conditions throughout the funding period

MGS Application and Approval Process:

The MGS application and approval process includes the following:

• Eligible MSC Malaysia Status Companies are to indicate in writing its intention to submit a MGS proposal. The letter must also state the proposed project title and contain a brief description of the proposed R&D and system development project. An Account Manager will be assigned to assist the applicant in preparation of the proposal. When an application is submitted, a non-disclosure agreement will be signed between MDeC and the applicant.
• The Account Manager will liaise with the applicant to ensure that the proposal contains all the required information. Once the application is ready for formal review, the MGS Unit will issue a Letter of Completeness to the applicant signifying the start of the assessment process.

• The MGS application will be evaluated by the Technology and Commercial Evaluation Committee comprising of independent technical and commercial experts. Their recommendation will be submitted to the MGS Management Committee for the next review.

• The MGS Management Committee will review the recommendations of the Technology and Commercial Evaluation Committee in arriving at their final recommendation. The MGS Management Committee comprises key Government and industry stakeholders, as well as representatives of the Technology and Commercial Evaluation Committee.

• The final recommendation of the MGS Management Committee will be sent to the Ministry of Science, Technology and Innovation (MOSTI) for its final decision.

• The expected turnaround time for each application is 60 working days, subject to the final review of MOSTI. The outcome of the evaluation is final and no appeal will be entertained.

Confidentiality:

As described earlier, all information provided by the applicant will be treated as strictly confidential and all parties involved are bound by applicable non-disclosure agreements.

Agreement:

The grant recipient will be required to sign an agreement pertaining to the project with MDeC.

All applications should be sent to Multimedia Development Corporation Sdn. Bhd.

1.5 Tax Incentives

(i) Incentives for MSC Malaysia

The MSC Malaysia is modeled to be a world-class hub for the development and nurturing of the nation’s information and communications technology (ICT) industry. It provides a perfect environment for companies wanting to create, distribute and employ multimedia products and services.

MSC Malaysia Status is the recognition granted by the Government of Malaysia through the Multimedia Development Corporation (MDeC) to companies that participate and undertake ICT activities in the MSC Malaysia. Companies with MSC Malaysia status enjoy a set of incentives and benefits that is backed by the Government of Malaysia’s Bill of Guarantees.
(a) Main Incentives for MSC Malaysia Status Company

MSC Malaysia status multimedia companies operating in MSC Malaysia Cybercities or Cybercentres are eligible for the following incentives and facilities:

i. Pioneer Status with income tax exemption of 100% of the statutory income for a period of 10 years; or Investment Tax Allowance of 100% on the qualifying capital expenditure incurred within a period of five years to be offset against 100% of statutory income for each year of assessment.

ii. Eligibility for R&D grants (for majority Malaysian-owned MSC Malaysia Status companies)

MSC Malaysia Status Eligibility Criteria

• Provide or heavy user of IT & multimedia products & services
• Employ a substantial number of knowledge workers
• Strong value proposition specifying how operations will contribute to the development of MSC Malaysia
• Establish separate entity for MSC-qualifying activities
• Locate in an MSC Malaysia-designated Cybercities

Applications for MSC Malaysia Status should be submitted to MDeC.

(b) Other Benefits

i. Duty-free import of multimedia equipment;

ii. Intellectual property protection and a comprehensive framework of cyberlaws;

iii. No censorship of the Internet;

iv. World-class physical and IT infrastructure;

v. Globally competitive telecommunication tariffs and services;

vi. Consultancy and assistance by the Multimedia Development Corporation to companies within the MSC Malaysia;

vii. High quality, planned urban development;

viii. Excellent R&D facilities;

ix. Green and protected environment; and

x. Import duty, excise duty and sales tax exemption on machinery, equipment and materials.

(c) Industrial Building Allowance (IBA) for Buildings in MSC Malaysia

To encourage the construction of more buildings in Cyberjaya for use by MSC Malaysia status companies, IBA for a period of 10 years will be given to owners of new buildings occupied by MSC Malaysia status companies in Cyberjaya. Such new buildings include completed buildings but are yet to be occupied by MSC Malaysia status companies.

Claims should be submitted to IRB.
(ii) Accelerated Capital Allowance

Companies are eligible for Accelerated Capital Allowance (ACA) that provides an initial allowance of 20% and an annual allowance of 40% for expenditure incurred in acquiring computers and information technology assets, including software. Effective for the year of assessment 2009 to the year of assessment 2013, the period to claim ACA on expenses incurred on ICT equipment including computer and software is accelerated from two years to one year. The cost of developing websites is allowed as an annual deduction of 20% for a period of five (5) years.

Claims should be submitted to Inland Revenue Board (IRB).

(iii) Deduction of Operating Expenditure

Companies enjoy a single deduction of operating expenditure including payments to consultants related to IT usage for improving management and production processes.

Claims should be submitted to IRB.

(iv) Double Deduction for Promotion of Export of Professional Services

- Certain expenses incurred by resident companies in seeking opportunities to export Malaysian services, qualify for double deduction.

- Eligible deductions are for the following costs:
  - Overseas advertising, publicity and public relations work
  - undertaking export market research
  - supplying of technical information abroad
  - preparing exhibits and participation costs in trade/industrial exhibitions, virtual trade shows and trade portals and fares for overseas travel by company employees for business
  - accommodation expenses up to RM300 per day and sustenance expenses up to RM150 per day for company representatives who travel overseas for business
  - maintaining sales offices overseas to promote exports
  - undertaking feasibility studies for overseas projects identified for the purpose of tenders
  - preparing architectural and engineering models, perspective drawings and 3-D animations for participating in competitions at international level
  - participating in trade or industrial exhibitions in the country or overseas
  - participating in exhibitions held in Malaysian Permanent Trade and Exhibition Centres overseas

(v) Exemptions on the Value of Increased Export of Services

Exemption of statutory income equivalent to 50% of value of increased export is given to companies in selected services sectors including legal services.

All claims relating to tax incentives shall be submitted to the Inland Revenue Board (IRB).
2. OTHER ICT SERVICES

2.1 Licensing and Registration

(a) Class and Individual Licences

Under the Communications and Multimedia Act, 1998 (CMA), there are four (4) categories of licensable activities. Within the activity categories, there are two (2) key types of licences:

(i) Individual licence requires a high degree of regulatory control which is for a specified person to conduct a specified activity and may include special conditions; and

(ii) Class licence is a ‘light-handed’ form of regulation which is designed to promote industry growth and development with easy market access.

<table>
<thead>
<tr>
<th>LICENCE</th>
<th>TYPE OF LICENCE</th>
</tr>
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<tbody>
<tr>
<td>Individual</td>
<td>• Network Facilities Provider (NFP)  &lt;br&gt; • Network Services Provider (NSP)  &lt;br&gt; • Content Applications Service Provider (CASP)</td>
</tr>
<tr>
<td>Class</td>
<td>• Network Facilities Provider (NFP)  &lt;br&gt; • Network Services Provider (NSP)  &lt;br&gt; • Content Applications Service Provider (CASP)  &lt;br&gt; • Applications Service Provider (ASP)</td>
</tr>
</tbody>
</table>

a) Network Facilities Providers – are the owners/providers of network facilities infrastructure such as cables, towers, satellite earth stations, broadband fibre optic cables, telecommunications lines and exchanges, radio communications transmission equipment, mobile communications base stations and broadcasting transmission towers and equipment. They are the fundamental building block of the convergence model upon which network, applications and content services are provided.

b) Network Services Providers – provide the basic connectivity and bandwidth to support a variety of applications. Network services enable connectivity or transport between different networks. A network service provider is generally also the owner of the network facilities. However, a connectivity service may be provided by a person using network facilities owned by another licensee.

c) Application Service Providers – provide particular functions such as voice services, data services and Internet access. Applications services are essentially the functions or capabilities, which are delivered to end-users.

d) Content Applications Service Providers – are special subset of applications service providers including television and radio broadcast services and services such as online publishing (currently exempt from licensing requirements) and information services.
Individual licences must be applied for and are granted by the Minister of Information, Communication and Culture. Special or additional licence conditions may be imposed and such licence conditions are declared by the Minister. The Minister also has the power to modify, vary, revoke or impose further special or additional conditions at any time. However, the affected licensees will be notified of the intention to do so to enable them to make the appropriate submissions.

The Minister may grant a class licence in respect of any matter requiring a licence under the CMA. Unlike an individual licence, a class licence merely requires registration, which is an administrative process.

The following table provides a summary of licensable activities and the types of licence required for the relevant activity:

<table>
<thead>
<tr>
<th>Licensing Category</th>
<th>Individual Licence</th>
<th>Class Licence</th>
<th>Exempt/ Unlicensed</th>
</tr>
</thead>
</table>
| Network Facility Provider  | • Earth Stations  
                           • Fixed links and cables  
                           • Radio communications transmitters and links  
                           • Satellite hubs  
                           • Satellite control station  
                           • Space station  
                           • Submarine cable landing centre  
                           • Towers, poles, ducts and pits used in conjunction with other network facilities  
                           • Such other network facilities which are not exempt under the CMA or not subject to a class licence under Part IV of the Communication and Multimedia (Licensing) Regulations 2000 or not listed in this subparagraph | • Niche or limited purpose network facilities | • Broadcasting and production studios  
                           • Incidental network facilities  
                           • Private network facilities |
| Network Service Provider   | • Bandwidth services  
                           • Broadcasting distribution services  
                           • Cellular mobile services  
                           • Access applications service  
                           • Space services  
                           • Switching services  
                           • Gateway services  
                           • Such other network services which are not exempt under the CMA or not subject to a class licence under Part IV of the Licensing Regulations or not listed in this subparagraph | • Niche customer access  
                           • Niche connection services | • Incidental network services  
                           • LAN services  
                           • Private network services |
<table>
<thead>
<tr>
<th>Licensing Category</th>
<th>Individual Licence</th>
<th>Class Licence Unlicensed</th>
<th>Exempt/</th>
</tr>
</thead>
<tbody>
<tr>
<td>Applications Service Provider</td>
<td></td>
<td>• PSTN telephony</td>
<td>• Electronic transaction service</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Public cellular services</td>
<td>• Interactive transaction service</td>
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<tr>
<td></td>
<td></td>
<td>• IP telephony</td>
<td>• Networked advertising boards and Cineplex</td>
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<td></td>
<td></td>
<td>• Public payphone services</td>
<td>• Web hosting or client server</td>
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<td></td>
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<td>• Public switched data services</td>
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<td></td>
<td></td>
<td>• Audiotext hosting services provided on an opt-in basis</td>
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<td></td>
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<td>• Directory services</td>
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<td></td>
<td></td>
<td>• Internet access services</td>
<td></td>
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<td></td>
<td></td>
<td>• Messaging services</td>
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<tr>
<td>Content Applications Service Provider</td>
<td>• Satellite broadcasting</td>
<td>Following limited content applications service:</td>
<td>• Internet content applications services</td>
</tr>
<tr>
<td></td>
<td>• Subscription broadcasting</td>
<td>• Content applications service limited in its availability to:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Terrestrial free to air TV</td>
<td>• vehicles, vessels, railway or aircraft used for hire or reward or for any other valuable consideration</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Terrestrial radio broadcasting</td>
<td>• a single commercial or residential building</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Such other content applications services which are not exempt under the CMA or not subject to a class licence under Part IV of the Licensing Regulations or not listed in this subparagraph</td>
<td>• a restricted geographical area</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• A content applications service of limited appeal or which is targeted to a special interest group and available through subscription by persons using equipment specifically designed for receiving the said service</td>
<td>• A content applications service where the content is remotely generated and distributed through a network service and displayed on a screen</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• A content applications service for distance learning purpose</td>
<td>• A content applications service linked or associated specifically to a sporting, cultural or other one-off event</td>
<td></td>
</tr>
</tbody>
</table>

For additional information on licensing matters, please refer to the Licensing Guide Book at www.skmm.gov.my/skmmgovmy/files/attachments/LicensingGuideBook.pdf
(iii) Service Tax Licence

Under the Service Tax Act, 1975 and the Service Tax Regulations, 1975, the following persons or services are subject to Service Tax Licence:

- Any person who provides communication services who is registered under the Communications and Multimedia Act, 1998, or who is licensed under the Communications and Multimedia (Licensing) Regulations, 2000.

- The provision of telecommunication services in the form of telephone, facsimile, tele-mail, paging, cellular phone, telex, bandwidth services or value added services.

- Any person who provides consultancy services that generate a total annual sales turnover of RM150,000 or more.

Consultancy services in the ICT industry include consultancy in the purchase of computers, implementation of software development, and the selection of a systems integrator, as well as other consultancy services that involve the provision of independent, professional services and advice, including advice on business strategies, organisational set-ups and future directions.

Consultancy services that are provided by a company to other companies within the same group are exempted from the Service Tax.

2.2 Equity Policy

The Government had announced on 7 October 2011 that telecommunication services (Network Service Providers and Network Facilities Providers licences) would be among the 17 services sub-sectors that would be liberalised. Please refer to MITI website www.miti.gov.my for information on liberalisation.

2.3 Specific Immigration Procedures

Companies granted MSC status and incentives are allowed to employ expatriate knowledge workers without restrictions. Please refer to section 1.3 for definition of knowledge workers.

ICT companies located outside the MSC are required to submit their applications for expatriate posts directly to the Immigration Department.

2.4 Financial Assistance

Creative Industry Development Fund

The Creative Industry Development Fund (CIDF-SKMM) is a fund established by the Malaysian Communications and Multimedia Commission (SKMM) to fulfil the following objectives:

- To develop Malaysia as a major global centre and hub for multimedia information and content services;
- To develop creative digital multimedia content as a new source of growth for Malaysia in achieving the high income economy status;
- To populate the deployed networks with quality, value based and meaningful content in the achievement of national agenda;
To assist the development of television content since there is no specific body responsible for the development of TV content; and

In cognisance with the introduction of Digital Terrestrial Television Broadcasting (DTTB) and the increase in broadband penetration.

**Objective**

The objective of CIDF-SKMM is to facilitate and encourage the involvement of Malaysians in the creation and production of highly creative, original and marketable multimedia content for domestic and international markets.

**Focus Areas**

The CIDF-SKMM will focus on the development of TV content, mobile content and internet content.

(i) **TV Content**

- Documentary
- Animation
- Original Programming Format
- Children Programming
- Nation Building Programming

(ii) **Mobile Content and Internet Content**

- Information Based Content
- E-Commerce
- Education
- Entertainment

**Eligibility**

- Applicants must be a Malaysian small and medium sized company as defined by the SME Corporation with at least 51% local shareholding;
- Applicants must not receive more than two (2) times content development fund from other government agencies;
- Applicants are not blacklisted or have records of failure in their past project implementation upon receiving similar grants from other government agencies;
- Applicants’ proposals are in line with the objectives and focus areas of the fund;
- Government agency, academic institution, non-government association, enterprise, partnership and individual are not eligible to apply; and
- The IP shall be owned by the content developers and the content developed has to be new and original.

**Requirements**

Eligible applicants are required to submit a comprehensive project proposal together with duly completed application form to SKMM for consideration. Companies shall submit the documents and/or materials to support the evaluation of the proposals, including but not limited to:

a) **Concept**

- Full description of the content concept and its unique value proposition.
- The target segment that the content wishes to capture, that is education, information-based, commerce or entertainment.

b) **Business Potential**

Business potential of the content among others, the target market, business model, potential revenue, marketing plans, product development strategy, cost breakdown (manpower, hardware, software, IP licensing fee, training), international collaborations (if any).

c) **Operational Capacity**

Operational capacities of the applicants, among others are key manpower experiences, track record, project timeline (trial, launch and others), technology and technical arrangements/agreements (if any), strategic collaborations with any third parties (if any) and financial commitments and investments.

**Assessment Criteria**

Selection of projects will take into consideration the eligibility of the applicants, viability of the project and the extent to which the project meets the objectives of the fund.

**Funding**

The amount of funding available from the CIDF-SKMM will be up to a maximum of 70% of the approved total project cost. However, the amount of grant will be approved on a case to case basis with a cap of RM1 million for each application.

The procurement of hardware and software is allowed up to 20% of the approved grants.

At any time, only one (1) grant can be extended to one (1) applicant. The applicant can apply for subsequent grants but not more than three (3) times based on the successful commercialisation of the first project funded by the grant.

**Funding Period**

Funding period will not exceed 12 months. An extension will be considered on a case-by-case basis upon approval from the Commission. Effective funding period will commence from first drawdown to last drawdown within a calendar period based on proposed milestones.

**Disbursement Guidelines**

Payment will be disbursed based on the terms set by SKMM and mutually agreed milestones. The proposed terms are as follows:

a) The initial 30% of the grant to be disbursed upon the formalisation of the contract;

b) The balance 50% of the grant to be drawn down in phases based on delivery and acceptance of deliverables; and

c) The final 20% of the grant to be disbursed upon submission of the final report.
Project Monitoring

Progress reports are to be submitted to SKMM CIDF-SKMM Secretariat and monthly meetings shall be held to evaluate progress in terms of timelines and quality. Site visit for auditing purpose will be carried out as and when necessary. Progress reports will be presented to the Content Development Committee to update and recommend next step actions to be taken to ensure successful completion of the projects.

Intellectual Property

If more than one party is involved in the project, a binding letter of understanding between project partners, setting out existing and proposed ownership, and disposition of intellectual property rights associated with the project, and exploitation of the project result must be submitted to SKMM before funds are disbursed.

The IP shall be owned by the content developers with SKMM being recognised as a partner in the development of the content and would be allowed to use the content for other purposes except for commercial use.

Confidentiality

All information provided by the applicants shall be treated as strictly confidential.

Terms and Conditions

Successful applicants shall enter into a contract with SKMM upon approval. SKMM shall seek full reimbursement of funds disbursed in the event of the incompletion of the project or termination due to contravention of terms or failure to meet milestones satisfactorily. SKMM shall be acknowledged in the credits upon successful distribution/commercialisation of the product. The decision of SKMM shall be final and shall not subject to any appeal.

Submission Procedure

- Applicants have to use the application form provided by SKMM. The form can be downloaded at www.skmm.gov.my
- All fully completed applications will be processed and applicants will be notified within two (2) months from the date of complete application received.
- The following documents are to be submitted together with the proposal:
  i. A hardcopy of the CIDF-SKMM application form;
  ii. A hardcopy of the company’s latest audited financial statements (at least 2 years); and
  iii. A hardcopy of the company’s profile, statutory forms and relevant licences.

All applications should be sent to SKMM.
2.5 Tax Incentives

(i) Incentives for Last Mile Network Facilities Providers for Broadband

Companies that invest in last mile infrastructure are eligible to apply for the following incentives:

(a) income tax exemption equivalent to 100% of the qualifying capital expenditure incurred for broadband infrastructure with the allowance to be set of against 70% of statutory income for each year of assessment; and

(b) import duty and sales tax exemption on broadband equipment and consumer access devices which are basic in providing the broadband series and not produced locally.

The above incentives are given for applications received until 31 December 2012. Applications for (a) are to be submitted to the Ministry of Finance and applications for (b) are to be submitted to the Malaysian Investment Development Authority (MIDA).

(ii) Tax Exemption on the Value of Increased Exports

Companies in the ICT sector can apply for a tax exemption on their statutory income equivalent to 50% of the value of increased exports.

Claims should be submitted to IRB.

3. GENERAL AGREEMENT ON TRADE IN SERVICES (GATS), ASEAN FRAMEWORK AGREEMENT ON SERVICES (AFAS) AND FREE TRADE AGREEMENT (FTAs)

On foreign investment (Mode 3 of the International Trade Agreements), the Schedule of Specific Commitments of GATS, AFAS and FTAs for the Telecommunication services sub-sectors are as follows:

<table>
<thead>
<tr>
<th>No.</th>
<th>Sector/Sub-sector</th>
<th>WTO (Uruguay Round)</th>
<th>AFAS Eighth Package</th>
<th>FTA Malaysia - New Zealand</th>
<th>FTA Malaysia - India</th>
<th>FTA ASEAN - Australia, New Zealand</th>
<th>FTA Malaysia - Pakistan</th>
<th>FTA Malaysia - Japan</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Voice service (wired or wireless) (CPC 7521)</td>
<td>-</td>
<td>70%</td>
<td>49%</td>
<td>49%</td>
<td>30% Network Service Provider (NSP)</td>
<td>30% Network Facilities Provider (NSP) &amp; Network Services Provider (NSP)</td>
<td>(through a representative office, regional office or locally incorporated joint venture)</td>
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<td>2.</td>
<td>Packet-switched data transmission services, including frame-relay services (CPC 7523)</td>
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<td>3.</td>
<td>Circuit switched data transmission services (CPC 7523)</td>
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<tr>
<td>No.</td>
<td>Sector/Sub-sector</td>
<td>WTO (Uruguay Round)</td>
<td>AFAS Eighth Package</td>
<td>FTA Malaysia-New Zealand</td>
<td>FTA Malaysia-India</td>
<td>FTA ASEAN-Australia, New Zealand</td>
<td>FTA Malaysia-Pakistan</td>
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<td>4.</td>
<td>Facsimile Service (CPC 7521, PCPC 7529)</td>
<td>- 70% 49% 49% 49%</td>
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<td></td>
<td>30% Network Service Provider (NSP)</td>
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<td>30% Network Facilities Provider (NSP)</td>
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<td>5.</td>
<td>Private leased circuit service (CPC 7522 &amp; CPC 7523)</td>
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<td>(through a representative office, regional office or locally incorporated joint venture)</td>
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<td>2.</td>
<td>Telex services (CPC 7523)</td>
<td>30% 70% 49% 49% 49%</td>
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<td>3.</td>
<td>Telegraph services (CPC 7522)</td>
<td>30% 70% 49% 49% 49%</td>
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<td>Unbound</td>
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<td>4.</td>
<td>Data and message transmission services covering electronic mail, voice mail, online information and database retrieval, enhanced facsimile, code and protocol conversion (CPC 7523)</td>
<td>30% 70% 49% 49% 49%</td>
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<td>5.</td>
<td>Paging services (CPC 75291)</td>
<td>- 70% 49% 49% 49%</td>
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<td>6.</td>
<td>1. Domestic/International satellite services and satellite links/capacities (inclusive of mobile satellite)</td>
<td>- 70% 49% 49% 49%</td>
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<td>AFAS Eighth Package</td>
<td>FTA Malaysia-New Zealand</td>
<td>FTA Malaysia-India</td>
<td>FTA ASEAN-Australia, New Zealand</td>
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<td>13.</td>
<td>Broadcasting services covering transmission from foreign broadcast station of foreign broadcast matter from foreign territory through television or radio (CPC 7524)</td>
<td>Unbound due to lack of technical feasibility</td>
<td>Unbound due to lack of technical feasibility</td>
<td>-</td>
<td>Not Offered</td>
<td>-</td>
<td>-</td>
<td>Unbound</td>
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<td>14.</td>
<td>Sound recording services covering production, distribution and public display of sound recordings, but excluding all broadcasting and audiovisual services and materials that are broadcasting-related.</td>
<td>-</td>
<td>51%</td>
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Note: Update and information on other modes of commitments can be obtained from MITI website www.miti.gov.my