MALAYSIA: INVESTMENT IN THE SERVICES SECTOR

EDUCATION AND INDUSTRIAL TRAINING
Introduction

This booklet is one of a series of 20 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:** Architectural Consultancy Services
**Booklet 14:** Surveying Consultancy Services
**Booklet 15:** Medical and Health Care Services
**Booklet 16:** Engineering and Energy Consultancy Services
**Booklet 17:** Management Consultancy Services
**Booklet 18:** Market Research Services
**Booklet 19:** Advertising Services
**Booklet 20:** 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 23 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 explore 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).
EDUCATION AND INDUSTRIAL TRAINING SERVICES

1 PRIVATE HIGHER EDUCATIONAL INSTITUTIONS 2
  1.1 Licensing and Registration 2
  1.2 Equity Policy 4
  1.3 Specific Immigration Procedures 4
  1.4 Tax Incentives 4

2 PRIVATE / INTERNATIONAL SCHOOLS 6
  2.1 Licensing and Registration 6
  2.2 Equity Policy 7
  2.3 Specific Immigration Procedures 7
  2.4 Tax Incentives 7

3 TECHNICAL AND VOCATIONAL TRAINING INSTITUTES 9
  3.1 Licensing and Registration 9
  3.2 Equity Policy 9
  3.3 Specific Immigration Procedures 9
  3.4 Tax Incentives 9

4 ADDITIONAL INCENTIVES FOR EDUCATION AND TRAINING SERVICES 10
Education and industrial training services include private higher education (including college and university education) and other technical and vocational education.

1. PRIVATE HIGHER EDUCATIONAL INSTITUTIONS

Private Higher Educational Institutions (PHEIs) include the following:
- Private universities and branch campuses of foreign universities with university status;
- Private colleges/institutions with non-university status; and
- Technical and vocational training institutions.

The establishment, management and quality of the courses of study conducted in a PHEI are governed by the following Acts:
- Private Higher Educational Institutions Act, 1996
- Lembaga Akreditasi Negara Act, 1996
- The Education Act, 1996
- The Universities and University Colleges (Amendment) Act, 1996

1.1 Licensing and Registration

(i) Local Incorporation

Investors intending to set up a PHEI must incorporate a company under the Companies Act, 1965.

(ii) Approval in Principle to Establish PHEIs

In order to set up a PHEI in Malaysia, applicants are required to submit a proposal to the Registration and Standard Division under the Ministry of Education (MOE) detailing the PHEI’s concept plan which may be followed by a presentation. An approval in principle will be granted for the establishment of the PHEI, if MOE is satisfied with the concept plan. Only applications from companies registered with the Commission of Companies Malaysia (CCM) are accepted.
(iii) **Approval to Establish PHEIs and Approval to Conduct Courses of Study**

Upon approval of establishment, the company is required to submit a formal application to MOE to establish the PHEI, and to conduct any course of study or training programme either singly or jointly with any university, University College, or other higher educational institutions (public/private/professional body in or outside Malaysia).

MOE will then forward the application to conduct the course of study to the Malaysian Qualification Agency (MQA) for processing. The application must include details of the course curriculum, teachers, facilities and the management system of the courses to be conducted. A Panel of Assessors (PoA) from MQA will process the application to conduct the courses of study, and will give its recommendations to MQA for a decision.

Letters of approval to establish the PHEI and to conduct the courses of study will be issued by MOE to the institution.

(iv) **Registration of PHEIs**

Upon approval, the company is required to register with MOE as a PHEI under the Private Higher Educational Institutions Act, 1996. Applications to register as a PHEI should be submitted to the Education Department. A Certificate of Registration will then be awarded.

(v) **Programme Accreditation by the Malaysian Qualifications Agency (MQA)**

There are two stages of programme accreditation, i.e., Provisional Accreditation and Full Accreditation.

The purpose of Provisional Accreditation is to establish whether the minimum requirements to conduct the programme have been met by the Higher Education Provider (HEP) in respect of the nine areas of evaluation as prescribed in the Code of Practice for Programme Accreditation (COPPA), especially the programme design. The evaluation is conducted by appointed MQA’s Panel of Assessors. The report produced from this exercise accompanied by the Certificate of Quality Compliance (CQC) will be used by the HEP to seek approval from the MOE to offer the programme, and, on obtaining it, to commence the programme.

The purpose of Full Accreditation is to ensure that the programme has met the set of standards prescribed in COPPA, Programme Standards (PS), related Codes of Practice, Guidelines (GGP) and Standards, and most importantly to be in compliance with the Malaysian Qualifications Framework (MQF). Full Accreditation is an independent assessment conducted by MQA through its appointed Panel of Assessors, who are responsible in the evaluation of Programme Information and Self Review Report submitted by the HEP. This exercise requires a site visit to validate and verify information furnished by the HEP. The HEP that has successfully showed compliance will be granted with a full accreditation status which is perpetual but will be subjected to a maintenance audit for at least once in every 5 years.

Accreditation adds value to the programme and qualification. It enhances public confidence and acts as a basis for national and international recognition. These are some of the advantages of accreditation:
(i) eligibility to apply study loan from funding agencies such as National Higher Education Fund (PTPTN);
(ii) eligibility to further studies in higher education institutions and obtain credit transfer; and
(iii) employment in public sector.

1.2 Equity Policy

The Government had announced on 7 October 2011 that private higher education institution with university status would be one of the 17 services sub-sectors that would be liberalised. Please refer to MITI website www.miti.gov.my for information on liberalisation.

1.3 Specific Immigration Procedures

PHEIs intending to employ expatriates including foreign lecturers and trainers must obtain the approval of the Registration and Standard Division, MOE. Approval for the expatriate posts will be granted for maximum period of two (2) years.

Upon approval, PHEIs should forward their applications for Employment Passes to the Immigration Department for endorsement.

Foreign lecturers with valid employment passes should later apply to the Education Department for Permits to Teach in accordance with the Private Higher Educational Institutions Act, 1996. A Permit to Teach is granted according to the validity of a working permit.

1.4 Tax Incentives

(i) Investment Tax Allowance (ITA)

New PHEIs in the field of science; and existing PHEIs in the field of science that undertake new investments to upgrade their training equipment or expand their training capacities are eligible for an Investment Tax Allowance (ITA) of 100% for ten (10) years. This allowance can be offset against 70% of the statutory income for each year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised.

The qualifying science courses are as follows:
- Biotechnology
  - Medical and health biotechnology
  - Plant biotechnology
  - Food biotechnology
  - Industrial and environment biotechnology
  - Pharmaceutical biotechnology
  - Bioinformatics biotechnology
- Medical and Health Sciences
  - Medical science in gerontology
  - Medical science in clinical research
  - Medical biosciences
- Biochemical genetics
- Environmental health
- Community health

• Molecular Biology
  - Immunology
  - Immunogenetics
  - Immunobiology

• Material sciences and technology
• Food science and technology

At least 70% of the students enrolled must be registered in the field of technical or vocational training, and at least 70% of the students sitting for examinations must be in technical or vocational field of studies.

Applications should be submitted to MIDA.

(ii) Incentives for PHEIs with MSC Malaysia Status

PHEIs granted MSC Malaysia status are eligible to enjoy the following incentives and facilities:

(i) Pioneer Status with income tax exemption up to 100% of the statutory income for a period of up to 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 Multimedia Development Corporation Sdn. Bhd. (MDeC).

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

2. PRIVATE / INTERNATIONAL SCHOOLS

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 schools¹ are not eligible for the purpose of this incentive.

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).

2.1 Licensing and Registration

(i) Local Incorporation

Investors intending to set up a private or international school must incorporate a company under the Companies Act, 1965, or register with the Registrar of Society under the Societies Act, 1966.

¹ Expatriate schools are schools set up under the supervision of various embassies that utilize foreign curriculum to meet the requirements of a particular country’s native language speaking students. The education consists of preschool, primary and secondary school education.
(ii) **Approval to Establish an International/Private School**

In order to set up an international/private school in Malaysia, applicants are required to submit a proposal to the Ministry of Education (MOE) for an approval to establish the school. The approval to establish a school is usually valid for a period of two (2) years. In the event the school needs longer time to be established, the applicant can apply for an extension of time from MOE.

(iii) **Registration of International/Private School**

Upon completion of the international/private school, the company is required to register the school with the relevant State Registrar of Schools.

### 2.2 Equity Policy

The Government had announced on 7 October 2011 that international school would be one of the 17 services sub-sectors that would be liberalised. Please refer to MITI website [www.miti.gov.my](http://www.miti.gov.my) for information on liberalisation.

### 2.3 Specific Immigration Procedures

International/private schools intending to employ expatriates including foreign teachers must obtain the approval of MOE.

Upon approval, international/private schools should forward their applications for Employment Passes to the Immigration Department for endorsement.

Foreign and local teachers should register and apply for the teaching permits from MOE. Please refer to MOE website [www.moe.gov.my](http://www.moe.gov.my) for more information.

### 2.4 Tax Incentives

(i) Companies that establish new international/private schools are eligible to apply for:

   (a) Income Tax Exemption of 70 percent for a period of 5 years; or

   (b) 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.

(ii) Existing international/private schools undertaking expansion are eligible to apply for:

   (a) Income Tax Exemption equivalent to 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.
Eligibility Criteria

(a) International Schools

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.

The school must be approved by MOE.

For purposes of this incentive:

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

(ii) 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.

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

The application must be submitted to MIDA prior to commencement of business.

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

(b) Private Schools

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.

The school must be approved and registered by MOE.

For purposes of this incentive:

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

(ii) 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.

The school must obtain approval for establishment/expansion from MOE before submission of application to MIDA. The application must be submitted to MIDA prior to commencement of business.

The incentive is applicable for applications received by MIDA from 8 October 2011 until 31 December 2015.
3. TECHNICAL AND VOCATIONAL TRAINING INSTITUTES

3.1 Licensing and Registration

Local Incorporation

Investors intending to set up a technical and vocational training institute must incorporate a company under the Companies Act, 1965.

3.2 Equity Policy

The Government had announced on 7 October 2011 that technical and vocational secondary education services and vocational secondary education services for students with special needs are among the 17 services sub-sectors that would be liberalised. Please refer to MITI website www.miti.gov.my for information on liberalisation.

3.3 Specific Immigration Procedures

All applications for expatriate posts relating to education should be submitted to Ministry of Education/Ministry of Human Resources for approval prior to the final approval on the work permit by the Immigration Department.

3.4 Tax Incentives

Companies that establish technical or vocational training institutions are eligible for an ITA of 100% for ten (10) years. This allowance can be offset against 70% of the statutory income for each year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised.

Existing companies providing technical or vocational training that undertake additional investments to upgrade their training equipment or expand their training capacities also qualify for this incentive.

Eligibility Criteria

(i) The company must be locally incorporated under the Companies Act, 1965.

(ii) The establishment of the institution must be approved by the Ministry of Education / Licensing Body / Registrar which is approved by the government of Malaysia.

(iii) At least 70% of the students enrolled must be registered in the field of technical or vocational training, and at least 70% of the students sitting for examinations must be in the technical or vocational field of studies.

Applications should be submitted to MIDA.
4. ADDITIONAL INCENTIVES FOR EDUCATION AND TRAINING SERVICES

(i) **Special Industrial Building Allowance (IBA)**

Companies that incur expenditure on buildings used for approved industrial, technical or vocational training can claim a special annual Industrial Building Allowance (IBA) of 10% for ten (10) years on qualifying capital expenditure for the construction or purchase of a building.

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

(ii) **Exemption from Customs Duties on Educational Equipment**

Approved training institutes, in-house training projects and all private institutions of higher learning are eligible for full exemption from import duty, goods and service tax (GST) and excise duty on educational equipment including laboratory equipment, workshop equipment, studio and language laboratory.

Applications should be submitted to MIDA.

(iii) **Tax Exemption on Royalty Payment**

Royalty payments made by educational institutions to non-residents (franchisor) for franchised education programmes that are approved by MOE are eligible for tax exemption.

Claims should be submitted to IRB.