

GUIDELINES FOR SECOND ROUND INCENTIVES FOR COMPANIES UNDERTAKING R&D ACTIVITIES

A. TAX INCENTIVES

Existing companies undertaking R&D activities will be given either a second round Pioneer Status (PS) for another 5 years, or Investment Tax Allowance (ITA) for another 10 years.

(a) Contract R&D

- PS with full tax exemption (100%) of statutory income for a period of 5 years; or
- ITA of 100% of additional qualifying capital expenditure incurred within a period of 10 years from the date the first qualifying capital expenditure is incurred. The allowance can be offset against 70% of the statutory income for each year of assessment. Unutilised allowances can be carried forward until fully absorbed.

(b) R&D Companies

- ITA of 100% additional qualifying capital expenditure incurred within a period of 10 years from the date the first qualifying capital expenditure is incurred. The allowance can be offset against 70% of statutory income for each year of assessment. Unutilised allowances can be carried forward until fully absorbed.

(c) In-house R&D

- ITA of 50% of additional qualifying capital expenditure incurred within a period of 10 years from the date the first qualifying capital expenditure is incurred. The allowance can be offset against 70% of the statutory income for each year of assessment. Unutilised allowances can be carried forward until fully absorbed.

B. GUIDELINES

(a) Eligible Applicant

Contract R&D Company, R&D Company and In-house R&D

- Company which has not enjoyed PS/ITA for R&D activities
- Company granted PS/ITA for R&D activities whose PS/ITA has expired

(b) Eligible Activity

Existing companies undertaking reinvestments (by way of additional expenditure for plant, machinery and building) for the following R&D activities are eligible for second round PS/ITA:

- (i) expansion of existing R&D activities.
- (ii) engaged in new research projects/research methodology/processes/products¹

(c) Definition of R&D

- **R&D activity as defined under the PIA, 1986**
- Research undertaken should be in accordance with the needs of the country and benefits to the Malaysian economy.

(d) Other Criteria

(i) Contract R&D Companies and R&D Companies

Prevailing criteria will apply, i.e.:

- At least 70% of the income of the company should be derived from R&D activities.
- For manufacturing-based R&D, at least 50% of the workforce of the company must be appropriately qualified personnel performing research and technical functions.
- For agriculture-based R&D, at least 5% of the workforce of the company must be appropriately qualified personnel performing research and technical functions.

Note: ¹ Applicable only for Contract R&D company applying for PS

(e) **Effective Date of Second Round PS/ITA**

(i) **For company undertaking reinvestment**

The tax relief period(for PS) or ITA will commence from the date first qualifying capital expenditure is incurred for reinvestment

(ii) **For Contract R&D Company undertaking new research projects/research methodology/processes/products granted PS**

The tax relief period for PS will commence from the date of approval of second round PS

(f) **Scope of Second Round PS/ITA**

Tax relief to be granted on the total income of the project. ITA is granted on the qualifying capital expenditure incurred for reinvestment.

(g) **Expatriate Post(s)**

Company(s) undertaking reinvestment for the expansion of existing R&D activities or engage in new research projects or research methodology/processes/products may also apply for expatriate post(s).

C. APPLICATION PROCEDURE

(a) Applications should be made using the relevant form as follows:

- (i) Contract R&D company and R&D company - Form R&D/JA 5
- (ii) In-house R&D - Form R&D/JA 6

(b) Applicants are also requested to attach certified copies of the past 5 years' audited accounts of the company.

(c) **The application should be submitted in three (3) copies to:**

**Chief Executive Officer
Malaysian Investment Development Authority (MIDA)
MIDA Sentral, No. 5
Jalan Stesen Sentral 5
Kuala Lumpur Sentral
50470 Kuala Lumpur
P.O. Box 10618
50720 Kuala Lumpur
Malaysia**

(e) For enquiries and clarification, please refer to:-

MIDA's website : www.mida.gov.my
Tel : 603-2267 3633
Fax : 603-2274 7970 / 2273 4204
E-mail : investmalaysia@mida.gov.my