

INVESTMENT DEVELOPMENT IN MALAYSIA - ROLES OF MIDA

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MIDA In Brief



Total Approved Investments (Jan – Sept 2017)



Investment Policies & Incentives



Latest Incentives for Business Community



Domestic Direct Investment Initiatives



Investment Opportunities In Malaysia



MIDA IN BRIEF

The principal Malaysian Government agency responsible for the promotion of investments and coordination of industrial development and selected services sectors in the country. Established in 1967 under Act of Parliament, 1965.

1st point of contact for investors who intend to set up projects in the manufacturing and services sectors in Malaysia

PROMOTION



- Foreign Direct Investment
- Domestic Investment
- Manufacturing & Selected Services

EVALUATION



- Manufacturing Licenses
- Tax Incentives
- Expatriate Posts
- Duty Exemption
- Principal Hub & selected services

MONITORING



- Assist companies in the implementation & operation of their projects
- Facilitate exchange & coordination among institutions engaged in or connected with industrial development
- Advisory Services



PLANNING

- Planning for industrial development
- Recommend policies & strategies on industrial promotion and development
- Formulation of strategies, programmes and initiatives for international economic cooperation

23 Overseas Centres around the world



- Los Angeles
- Houston
- New York
- Boston
- San Jose
- Chicago
- London
- Stockholm
- Munich
- Frankfurt
- Milan
- Paris
- Dubai
- Tokyo
- Osaka
- Beijing
- Guangzhou
- Shanghai
- Seoul
- Mumbai
- Singapore
- Taiwan
- Sydney



KL Sentral

- 28 minutes (KLIA – KL Sentral) via KLIA Express Train
- Malaysia's largest transit hub, is Kuala Lumpur's integrated rail transportation centre.

12 State offices



Address:

MIDA Sentral
No. 5 Jalan Stesen Sentral 5
KL Sentral
50470 Kuala Lumpur
Tel: 03 – 2267 3633
Fax: 03 – 2274 7970
www.mida.gov.my



MIDA as a One Stop Centre

Based in MIDA



Immigration
Department



Royal Malaysian
Customs



Labour
Department



Telekom Malaysia
Berhad



TENAGA NASIONAL

Based outside MIDA



Department of Occupational
Safety & Health



MITI & Agencies



MALAYSIAN INVESTMENT DEVELOPMENT AUTHORITY



Malaysian Industrial Development Finance Berhad



Malaysia Automotive Institute

Partners In Investment Promotion

Northern Corridor Investment Authority (NCIA)



- Tourism
- Manufacturing & Design
- Modern Agriculture
- Logistics
- Education & Health



East Coast Economic Region Development Council (ECERDC)

- Tourism
- Oil & Gas
- Manufacturing
- Agriculture
- Education



Iskandar Region Development Authority (IRDA)

- Financial Services
- Petrochemical and Maritime
- Healthcare
- Tourism and Logistic Industry
- Manufacturing & Services

Sabah Economic Development Investment Authority (SEDIA)



- Agro-based Industry
- Tourism
- Logistics
- Manufacturing

Regional Corridor Development Authority (RECODA)



- Resource Based Industry - Aluminum, Glass, Steel, Oil-based Industry, Palm Oil,
- Fishing & Aquaculture, Livestock, Timber-based, & Marine
- Energy
- Tourism



Previously known
as Biotechnology
Corporation



InvestPerak



Pahang State Development
Corporation



Johor State
Investment Centre



Negeri Sembilan
Investment Centre



InvestPenang



Invest Kedah



Sarawak Economic
Development Corp

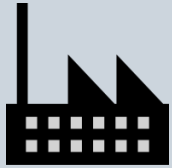


Invest Selangor Berhad

TOTAL
APPROVED
INVESTMENTS
(JAN-SEPT 2017)

Total Approved Investment (Jan – Sept 2017)

Projects Approved

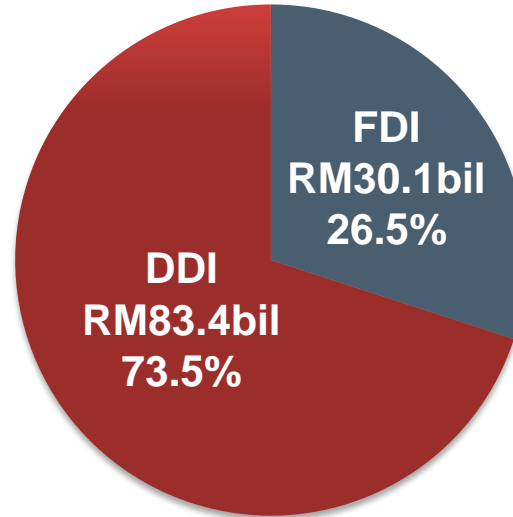


3,886

Employment opportunities



91,492



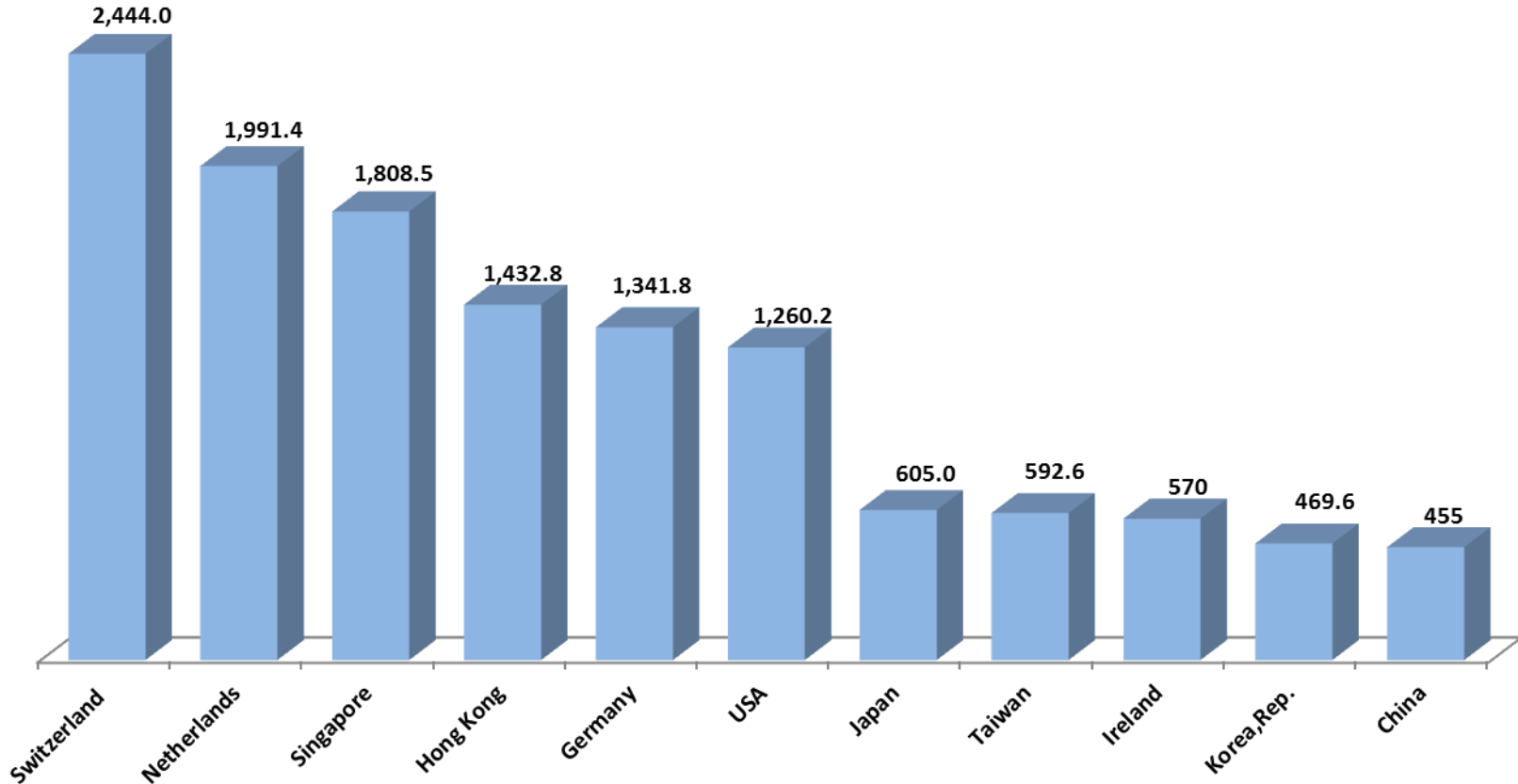
■ FDI
■ DDI

RM113.5b

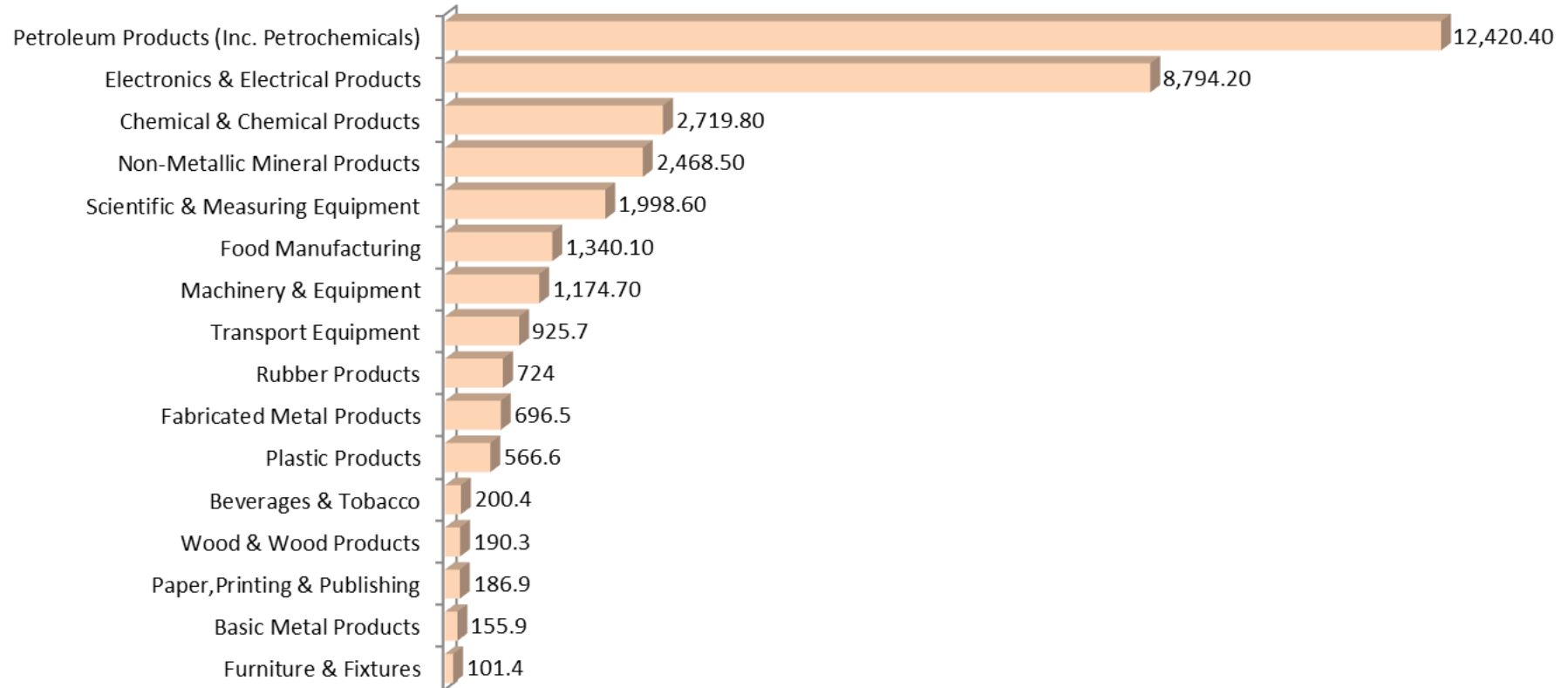
Industry	Project	Employment	RM (billion)
Manufacturing	464	32,773	35.0
Services	3,386	57,884	69.2
Primary	36	835	9.3

Approved Projects By Major Countries, Jan- Sept 2017 (Manufacturing)

RM Million

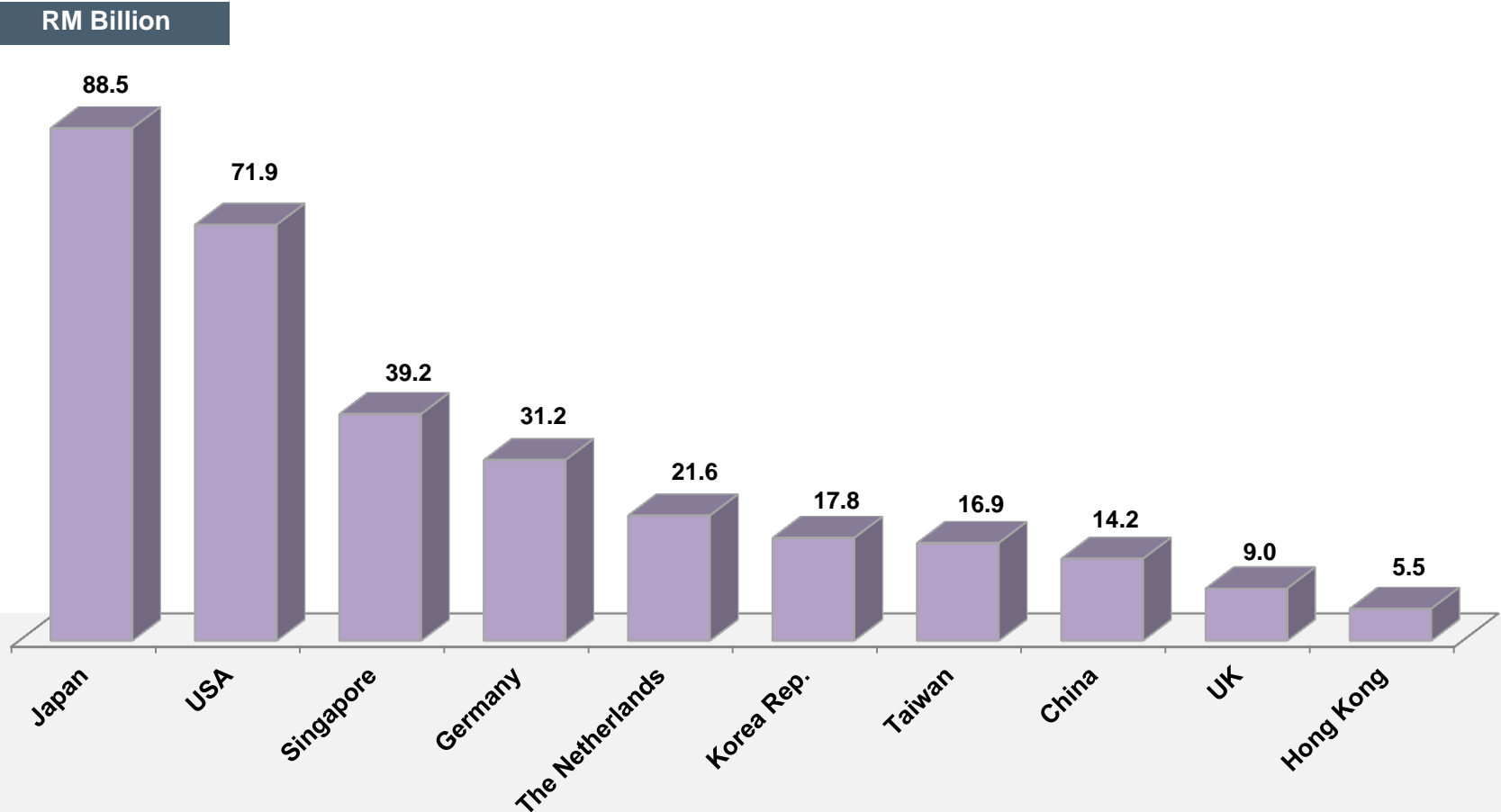


Approved Projects by Major Industry, Jan – Sept 2017 (Manufacturing)

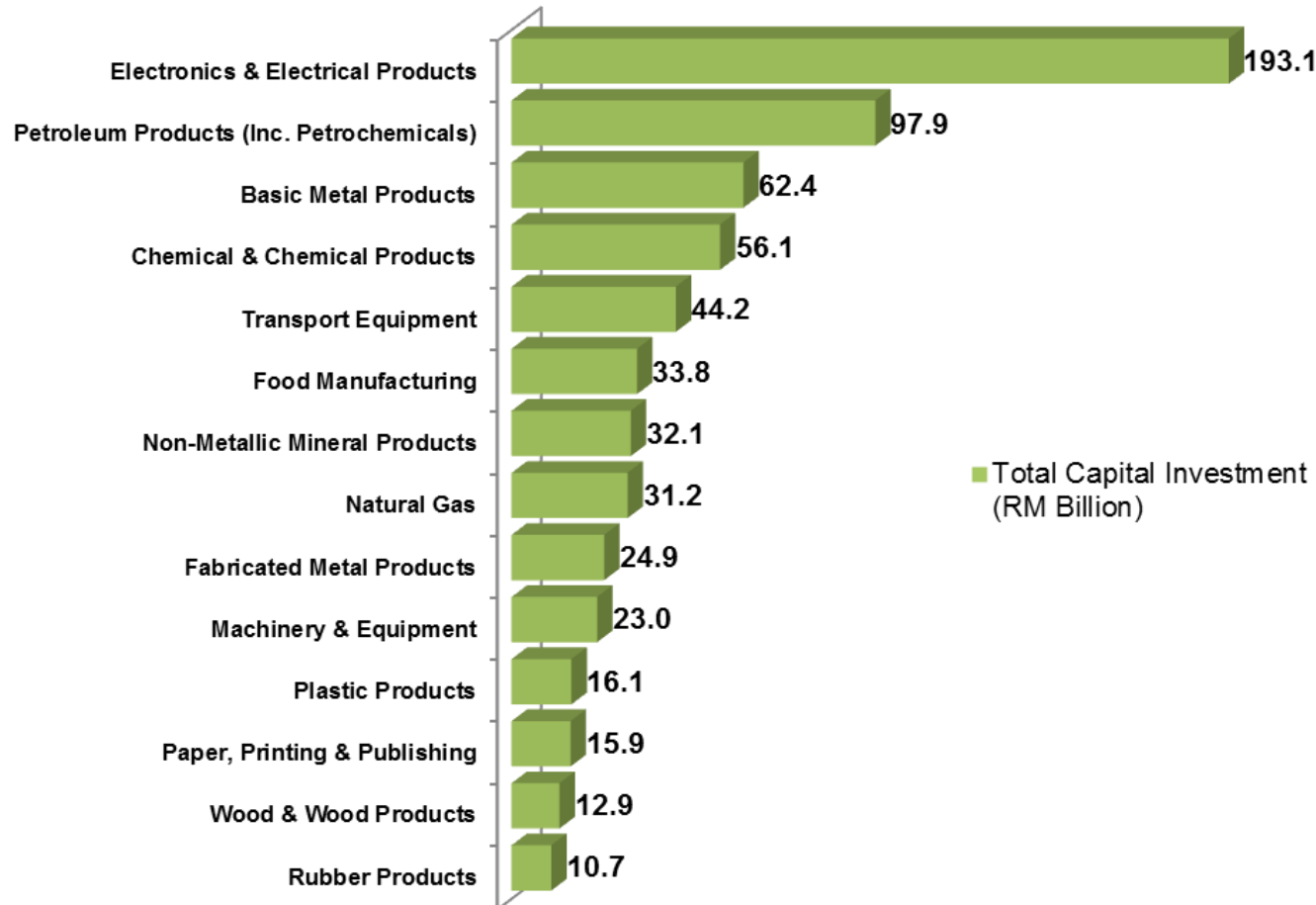


Total Capital Investment (RM' Million)

Implemented Projects By Major Countries, As at 2016 (Manufacturing) | 1980 - 2016



Implemented Projects by Major Industry as at 2016 (Manufacturing) | 1980 - 2016





INVESTMENT POLICIES & INCENTIVES

MANUFACTURING LICENSE APPLICATION



A company with shareholders' funds of **RM2.5 million** and above or **employing 75** or more full-time paid employees to obtain a Manufacturing Licence.

The image shows a sample of the MIDA application form. It includes the MIDA logo, the title 'APPLICATION FOR INCENTIVE AND/OR EXPATRIATE POSTS FOR A SMALL SCALE MANUFACTURING COMPANY', and a table for providing details of the proposed production facilities. The table has four columns: Proposed production facilities, HS tariff code, Proposed factory location, and Subsidized/Approved By Other Government Agencies.

- **"Shareholders' funds"** - a company's paid-up capital, reserves, balance of share premium account and balance of profit and loss appropriation account
- **"Full-time paid employees"** - persons working in the establishment for at least six hours a day and at least 20 days a month for 12 months during the year and who receive a salary.

Forms can be downloaded from:

<http://www.mida.gov.my/home/forms-&-guidelines-for-manufacturing-sector/posts/>

Major Incentives:

Pioneer Status

Income tax exemption ranging from 70% or 100% for a period of 5 or 10 years

Investment Tax Allowance

60% or 100% on qualifying capital expenditure for 5 years

Reinvestment Allowance

60% on qualifying capital expenditure for 15 consecutive years

Import Duty Exemption

For raw materials / components and machinery and equipment

Investment Policies :

OWNERSHIP

Manufacturing & selected services sectors can be wholly foreign-owned

100%

EXPATRIATE POSTS

Liberal policy, based on merit of each case





LATEST INCENTIVES FOR BUSINESS COMMUNITY

Incentives Under 2016 and 2015 Budget:



Principal Hub



Automation Capital Allowance



Less Developed Area



Incentive for Waste Eco Park



Independent Conformity Assessment Bodies (ICAB)

Regional Operations & Principal Hub (PH)

DEFINATION OF PH COMPANY:

- A locally incorporated company uses Malaysia as a base for conducting its regional or / and global business and operations to manage, control and support its key functions.

ELIGIBILITY CRITERIA :-

- Local incorporation under the Companies Act 1965
- Paid-up capital : > RM2.5 Million

INCOME TAX EXEMPTION:

Manufacturing & Services company

- Tax exemption on **trading & services** income

Commodity based company

- Tax exemption for **services** income only



SHARP

APRIL

JCY

Apical

@ASIC

Honeywell

DAIKIN

HALYARD

Automation Capital Allowance (ACA)

OBJECTIVES :



To encourage **manufacturing companies** to engage in innovative and productive activities



To encourage the **quick adoption of automation** especially for labour-intensive industries



To further **spur automation initiatives**

ELIGIBILITY CRITERIA:

- **Manufacturing companies** (labour and non-labour intensive) operating at least **36 months** in Malaysia.
- Automation equipment is **used directly in the manufacturing activities to enhance the productivity and increase volume of output.**
- Automation **equipment adopts technology that is more advanced than the technology currently used** by the company and **to be verified by SIRIM.**

TYPE OF INCENTIVE:

Category 1:





- **Labour intensive industries (rubber products, plastics, wood, furniture and textiles)**
- **ACA of 200% on the first RM4 million expenditure incurred within Year of Assessment 2015 to 2017.**

Category 2:

- **Other industries**
- **ACA of 200% on the first RM2 million expenditure incurred within Year of Assessment 2015 to 2020.**

Less Developed Area Incentive (LDA)

- To encourage more equitable regional development and inclusiveness, this incentive packages provided under ECs are enhanced to include more areas that are less developed.

Income tax exemption	Stamp duty exemption on	Withholding tax exemption on	Import duty exemption on
<ul style="list-style-type: none"> 100% up to 15 years of assessment (5+5+5); or 100% of qualifying capital expenditure (ITA) incurred within 10 years 	<ul style="list-style-type: none"> Transfer or lease of land or building used for development in relation to manufacturing and services activities 	<ul style="list-style-type: none"> Fees for technical advice, assistance or services or royalty in relation to manufacturing or services activities up to 31 Dec 2020 	<ul style="list-style-type: none"> Raw materials and components used directly in the manufacture of finished products Machinery and equipment used in the activity for selected services sector 

***Submission period: 1 January 2015 to 31 December 2020**

Incentive For Waste Eco Park (WEP)

Tax incentives for WEP

Waste Ecopark Developer

- Income tax exemption of 70% of statutory income for derived from:
 - a) Rental of building;
 - b) Fees received from the usage of waste collection and separation facility;
 - c) Fees received from waste water treatment facility located in the WEP effective for Y.A 2016 – Y.A 2025

Waste Ecopark Manager

- Tax exemption of 70% of statutory income for derived from services activities including management; maintenance; supervision; and marketing of the WEP effective for Y.A 2016 – Y.A 2025

Waste Ecopark Operator

- Income tax exemption of 100% of statutory income for a period of 5 years derived from the qualifying activities undertaken in the WEP; or
- Income tax exemption equivalent to 100% of qualifying capital expenditure (ITA) incurred within 5 years period. The allowance can be offset against 70% of statutory income for each assessment year.

*Effective Date : 1 January 2016 until 31 December 2020

INDEPENDENT CONFORMITY ASSESSMENT BODY (ICAB)

ICAB Operations:



Testing Laboratories;



Calibration Laboratories



Certification bodies;



Inspection body; and



Good Laboratory Practice (GLP) compliant facilities.

*Effective Date : 1 January 2016 until 31 December 2018

Accredited by:

Department of Standard Malaysia or any other accreditation bodies that are International Laboratory Accreditation Cooperation (ILAC) or International Accreditation Forum (IAF)

NEW

- ❑ **Pioneer Status (PS)** with income tax exemption of 100% on statutory income for 5 years OR;
- ❑ **Investment Tax Allowance (ITA)** of 60% on the qualifying capital expenditure incurred for 5 years.

EXISTING

- ❑ **Investment Tax Allowance (ITA)** of 60% on the qualifying capital expenditure incurred for 5 years.

* *Existing ICAB undertaking expansion are required to carry out at least one (1) additional ICAB operations.*

Highlight on Incentives under Budget 2018:



● Tax incentives for Transformation to Industry 4.0 :

- **RM245 million** under DISF to upscale Smart Manufacturing facilities
- Capital allowance for ICT equipment
- ACA of 200% on the first RM10 million



● Extension of Principal Hub

- 2018 - 2020



● Extension of Automation Capital Allowance (Labour Intensive) :

- Category 1 – Labour intensive (Rubber, plastic, wood and textile products) from (YA) 2019 - 2020



● High Impact Strategic Fund :

- **RM200 million** allocation for High Impact Strategic Fund



● Extension of Incentives Schemes for Private Healthcare :

- ITA of 100% of qualifying capital expenditure from YA 2018 – 2020
- Set-off with up to 100% of statutory income



● Extension of Incentive Schemes for New Hotel

- Extension of PS and ITA for New 4 and 5 stars Hotel in Malaysia from (YA) 2018-2020



● Relief for Payment of GST on importation of:

- Oil & gas equipment in designated area
- Oil rigs or floating structure
- Big ticket items i.e aircraft

The Role of Government:



National Policy on Industry 4.0
(Target by: 4Q 2017)



Study on Future of Manufacturing:
Industry 3+2



Industry 4.0 Taskforce

- * Infrastructure and Ecosystem
- * Funding and Incentives
- * Talent and Human Capital
- * Technology and Standards
- * SMEs and Industry 4.0



Launching of National IoT
Strategic Road Map



Malaysia Digital Economy for year 2017:
To implement programme including e-commerce
systems, digital maker movement including new location
for Malaysia Digital Hubs.



Embracing Industry 4.0 in Malaysia



A blueprint created to address
productivity challenges
holistically in order to boost
economic growth



Establishment of Digital Free Zone to stimulate
internet based innovation



Building Analytics Capabilities: 20,000
data professionals and 2,000 data
scientists by 2020



DOMESTIC DIRECT INVESTMENT INITIATIVES

Domestic Direct Investment (DDI) Initiatives

Domestic Investment Strategic Fund (DISF)

- **Matching grants (1:1) on reimbursable basic** to cater for expenditures incurred for the following activities:
 - i. Training
 - ii. R&D Activities
 - iii. Licensing / purchase of new or high technology
 - iv. International standards/ certificates
 - v. Modernization & upgrading

Incentives for Small Scale Companies

- Company incorporated in Malaysia with **shareholders' fund not exceeding RM2.5 million** and having at least **60% to 100% Malaysian equity**.
- PS with income tax exemption 100% of statutory income for 5 years; or
- ITA of 60% qualifying capital expenditure incurred within a period of 5 years.

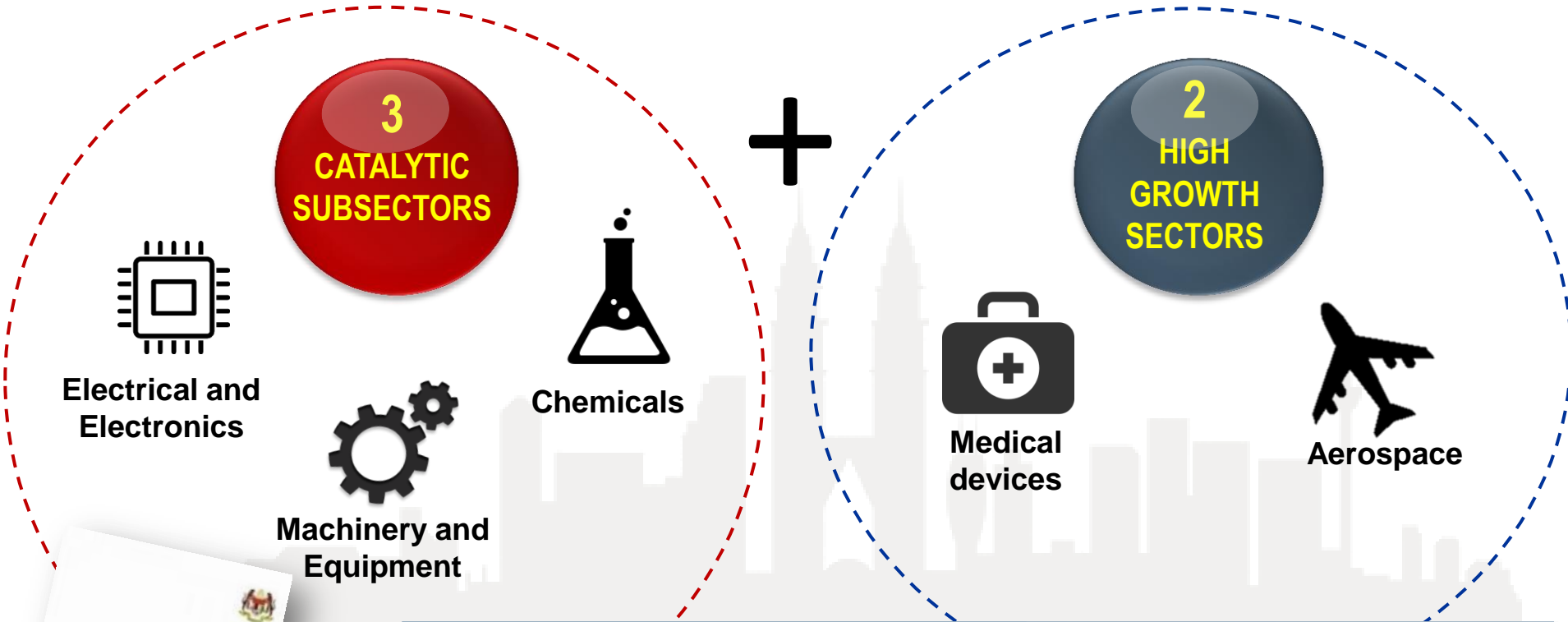
Incentives for Companies in Production (Desirous Issue)

- Malaysian-owned manufacturing and services that are already in production which do not comply with the 'desirous' clause under the PIA 1986 are **now eligible to be considered for tax incentives**.



INVESTMENT OPPORTUNITIES IN **MALAYSIA**

Eleventh Malaysia Plan (2016-2020)



Three (3) catalytic subsectors namely **Chemical, E&E and M&E industries**; and two (2) subsectors of high potential growth namely **Aerospace and Medical Devices** have been identified in the 11th MP to drive the growth of the manufacturing sector.



Promoted Activities

Investment Opportunities in the Services Sector



Logistics



ICT Services



Hotel & Tourism



Education & training



Regional
Establishment



Environmental
Management



Offshore &
Outsourcing
Activities



Medical Tourism

**45 Sub
Sectors**
liberalised
since 2009

Investment Opportunities in the Manufacturing Sector

Resourced-based industries

Oil & Gas, Food & Agro based and Value-added products from natural halal resources.

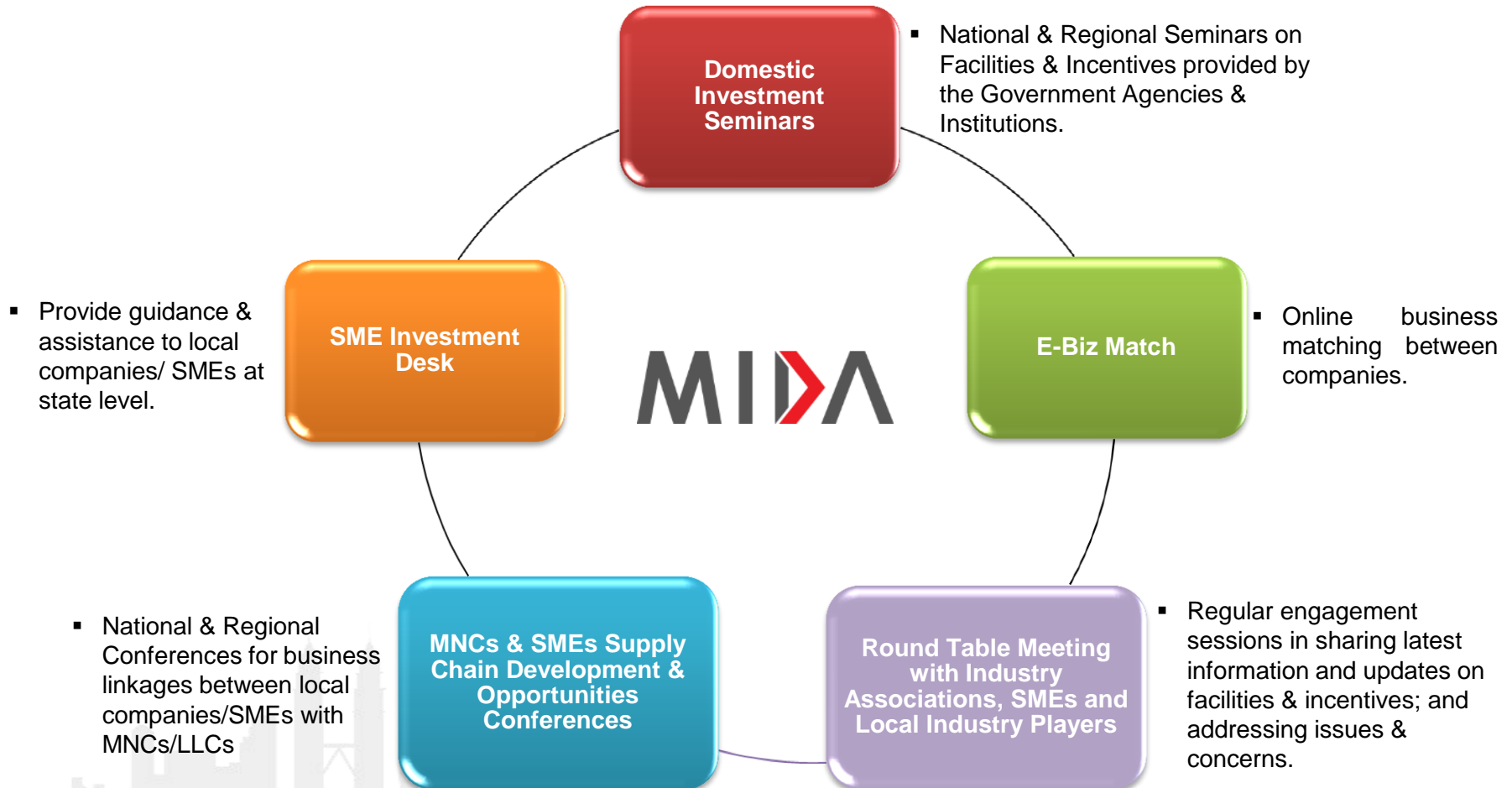
Machinery & equipment, components & parts and Moulds & dies

Industries manufacturing intermediate goods

High technology, capital intensive & knowledge driven industries

Alternative Energy Sources, Biotechnology, Advanced Materials, Advanced Electronics, Optics and Photonics, Petrochemicals, Pharmaceuticals, Medical Devices, ICT & Aerospace

Initiatives for Domestic Companies



Thank you



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Malaysia is a vibrant economy. Talk to MIDA and discover how Malaysia can be your Profit Centre in Asia
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