

# MALAYSIA

## Investment in the Manufacturing Sector

100%  
90%  
80%  
70%  
60%  
50%  
40%  
30%  
20%  
10%

18.5%

2.9%

SCAN PROCESS

Policies, Incentives and Facilities ■

**MIDA**

MALAYSIAN INVESTMENT DEVELOPMENT AUTHORITY

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## THE LOCATION

Malaysia lies just above the equator, right in the heart of South-East Asia. Peninsular Malaysia, with 11 states, is at the southernmost tip of the Asian Continent, while the states of Sabah and Sarawak are located on the northern and western coasts of the island of Borneo.

# FACTS ON MALAYSIA

## Total Area

330,000 square kilometres  
(127,000 square miles)

## Population (2019)



32.6 million

## Time



GMT +8 hours  
US Eastern  
Standard Time  
+ 13 hours

## Political Structure

A federation with 13 states  
(11 in peninsular Malaysia and  
2 in Malaysian Borneo) and  
3 federal territories

## Climate



Tropical  
- warm and sunny throughout the year

Daily temperatures range from 33°C (90°F) in the afternoon  
to 22°C (70°F) during the night

## System Of Government



Parliamentary  
democracy with a  
constitutional  
monarch

## Major Languages



Bahasa Malaysia  
(official language),  
English,  
Mandarin,  
Tamil

## Major Ethnic Groups



Malays,  
Chinese,  
Indians,  
Kadazans,  
Ibans

## Federal Capital



Kuala Lumpur

## Major Religions

Islam, Buddhism, Christianity,  
Hinduism

## Currency



Ringgit Malaysia (RM)  
which is divided into  
100 sen

## Administrative Centre



Putrajaya

## Exchange Rate



The Ringgit exchange rate operates on a  
managed-float regime against a trade-weighted  
basket of currencies



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 the manufacturing and services sectors in Malaysia. With its headquarters in Malaysia's capital city of Kuala Lumpur, MIDA has established a global network of 20 overseas offices covering North America, Europe and Asia Pacific to assist investors interested in establishing manufacturing projects and services activities in Malaysia. Within Malaysia, MIDA has 12 regional offices in the various states to facilitate investors in the implementation and operation of their projects. MIDA continues to be the strategic partner to businesses in seizing the opportunities arising from the technology revolution of this era.

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





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CHAPTER

1

# GETTING STARTED





## **1. APPROVAL OF MANUFACTURING PROJECTS**

- 1.1 The Industrial Co-ordination Act 1975
- 1.2 Guidelines for Approval of Industrial Projects

## **2. REGISTERING BUSINESS ENTITIES IN MALAYSIA**

- 2.1 Methods of Conducting Business in Malaysia
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- 3.1 Equity Policy in the Manufacturing Sector
- 3.2 Protection of Foreign Investment



# GETTING STARTED

## 1. APPROVAL OF MANUFACTURING PROJECTS

### 1.1 The Industrial Co-ordination Act 1975

The Industrial Co-ordination Act 1975 (ICA) was introduced with the aim to maintain an orderly development and growth in the country's manufacturing sector.

The ICA requires manufacturing companies with shareholders' funds of RM2.5 million and above or engaging 75 or more full-time paid employees to apply for a manufacturing licence for approval by the Ministry of International Trade and Industry (MITI).

Applications for manufacturing licences are to be submitted to the Malaysian Investment Development Authority (MIDA), an agency under MITI in charge of the promotion and coordination of industrial development in Malaysia.

The ICA defines:

- "Manufacturing activity" as the making, altering, blending, ornamenting, finishing or otherwise treating or adapting any article or substance with a view to its use, sale, transport, delivery or disposal; and includes the assembly of parts and ship repairing but shall not include any activity normally associated with retail or wholesale trade.
- "Shareholders' funds" as the aggregate amount of a company's paid-up capital, reserves, and balance of profit and loss appropriation account, where:
  - Paid-up capital shall be in respect of preference shares and ordinary shares and not including any amount in respect of bonus shares to the extent they were issued out of capital reserve created by revaluation of fixed assets.
  - Reserves shall be reserves other than any capital reserve created by revaluation of fixed assets and provisions for depreciation, renewals or replacements and diminution in value of assets.
- "Full-time paid employees" as all persons normally 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.

This includes travelling sales, engineering, maintenance and repair personnel who are paid by and are under the control of the establishment.

It also includes directors of incorporated enterprises except those paid solely for their attendance at board of directors meetings. The definition encompasses family workers who receive regular salaries or allowances and who contribute to the Employees Provident Fund (EPF) or other superannuation funds.

### 1.2 Guidelines for Approval of Industrial Projects

The government's guidelines for approval of industrial projects in Malaysia are based on the following criteria:

Projects must have Capital Investment Per Employee (CIPE) of at least RM140,000.00; and

Total full-time workforce of the company must comprise at least 80% Malaysians. Employment of foreign workers including outsourced workers is subjected to current policies; and

Total number of managerial, technical and supervisory levels (MTS) is at least 25% of total employment or having a value added (VA) of at least 40%

#### Expansion of Production Capacity and Product Diversification

A licensed company which desires to expand its production capacity or diversify its product range by manufacturing additional products will need to apply to MIDA.

## 2. REGISTERING BUSINESS ENTITIES IN MALAYSIA

### 2.1 Methods of Conducting Business in Malaysia

In Malaysia, a business may be conducted:

- i. By an individual operating as a sole proprietor, or
- ii. By two or more (but not more than 20) persons in partnership, or
- iii. By a limited liability partnership (LLP), or
- iv. By a locally incorporated company or by a foreign company registered under the provisions of the Companies Act (CA) 2016.

Under the Registration of Businesses Act 1956, sole proprietorships and partnerships in Malaysia must be registered with the Companies Commission of Malaysia (SSM). In the case of partnerships, partners are both jointly and severally liable for the debts and obligations of the partnership should its assets be insufficient. Formal partnership deeds may be drawn up governing the rights and obligations of each partner but this is not obligatory.



### 2.1.1 Company Structure

The CA 2016 governs all companies in Malaysia. The Act stipulates that a company must be registered with the SSM in order to engage in any business activity.

There are three (3) types of companies that can be incorporated under the CA 2016:

- i. A company limited by shares is a company formed on the principle that the members' liability is limited to the amount, if any, unpaid on the shares taken up by them;
- ii. A company limited by guarantee where the liability of the members is limited to the amount which the members have undertaken to contribute to the assets of the company in the event the company is wound up;
- iii. An unlimited company is a company formed on the principle of having no limit placed on the liability of its members.

#### 2.1.2 Company Limited by Shares

The most common company structure in Malaysia is a company limited by shares. Such limited companies may be incorporated either as a private company (identified through the words "Sendirian Berhad" or "Sdn Bhd" as part of the company's name) or a public company (identified through the words "Berhad" or "Bhd" as part of the company's name).

A company having a share capital may be incorporated, changes its status into or remains as a private company if it:

- i. Restricts the right to transfer its shares;
- ii. Limits the number of its members to 50, excluding employees in the employment of the company or its subsidiary and some former employees of the company or its subsidiary;
- iii. Prohibits any invitation to the public to subscribe for its shares and debentures;
- iv. Prohibits any invitation to the public to deposit money with the company for fixed periods of payable at call, whether interest-bearing or interest-free.

A public company can be formed or, alternatively, a private company can be converted into a public company subject to Section 41 of the CA 2016. Such a company can offer shares to the public provided:

- i. It has registered a prospectus with the Securities Commission; or
- ii. It has lodged a copy of the prospectus with the SSM on or before the date of its issue.

### 2.2 Procedure for Incorporation

To incorporate a company, an application must be made to the SSM through the MyColD 2016 Portal by providing the following information:

- i. the name of the proposed company;
- ii. the status whether the company is private or public;
- iii. the nature of business of the proposed company;
- iv. the proposed registered address;
- v. the name, identification, nationality and ordinary place of residence of the member of the company;
- vi. the name, identification, nationality and ordinary place of residence of every person who is to be the director;
- vii. in the case of company limited by shares, the details of class and number of shares to be taken by a member;
- viii. in the case of company limited by guarantee, the amount up to which the member undertakes to contribute to the assets of the company in the event of its being wound up.

The application must be accompanied with a fee of RM1,000 in the case of company limited by shares; or RM3,000 in the case of a company limited by guarantee.

Once the Registrar is satisfied with the information provided, a notice of registration will be emailed to the applicant. The notice serves as conclusive evidence that the requirements in respect of registration and matters precedent and incidental to the registration have been complied with.

## Incorporation of Companies – Client's Charter

SSM undertakes to process, approve and register a complete application in a speedy and efficient manner within the time period stated as follows:

Activity	Time
<b>COMPANY REGISTRATION</b>	
Incorporation of a company	1 day
Conversion of status	1 day
Change of company name	1 day
Commencement of business for public companies	1 day
Registration of charge	2 days
Approval of a trust deed	5 days
Registration of prospectus	3 days
Uncertified copy of company documents	30 minutes
Certified copy of company documents	1 hour

\*Application for the approval of company name only, may be made without incorporating the company.

*\*\*Time taken begins from the moment payment is received until the certificate is issued.*

### 2.2.1 Requirements of a Locally Incorporated Company

A company must maintain a registered office in Malaysia where all books and documents required under the provisions of the Act are kept. The name of the company shall appear in legible Romanized letters, together with the company number, on its seal, official documents, publications and website, if any.

A company cannot deal with its own shares or hold shares in its holding company. A holder of a share has the right to vote on a show of hands on any resolution of a company at a general meeting. In a case of a poll, each equity share of a company carries the right to one vote.

The secretary of a company must be a natural person of full age who has his principal or only place of residence in Malaysia. He must be a member of a prescribed body or is licensed by the Registrar of Companies. The company must also appoint an approved company auditor to be the company auditor in Malaysia.

In addition, a private company is required to have at least one (1) director whereas a public company must have at least two (2) directors. Each of the minimum director(s) must have his principal or only place of residence within Malaysia. The minimum age of a director is 18 years and the CA 2016 does not specify any maximum age. A director of the company need not necessarily be a shareholder of the company.

## 2.3 Registration of Foreign Companies

A foreign company may carry on business in Malaysia by either:

- incorporating a local company; or
- registering a branch in Malaysia.

Foreign company is defined under the CA 2016 as:

- a company, corporation, society, association or other body incorporated outside Malaysia; or
- an unincorporated society, association, or other body which under the law of its place of origin may sue or be sued, or hold property in the name of the secretary or other officer of the body or association duly appointed for that purpose and which does not have its head office or principal place of business in Malaysia.

### 2.3.1 Registration Procedures

- An applicant must first conduct a name search in order to determine if the proposed name for the intended company is available. The name to be used to register the foreign company should be the same as registered in its country of origin.

Application for reservation of name should be submitted to SSM through the MyCoID 2016 Portal with a payment of RM50 for each name applied. When the proposed company's name is approved by SSM, it shall be valid for thirty (30) days from the date of approval.

- Upon approval, applicants must submit the following registration documents to SSM within thirty (30) days from the date of approval:
  - Application for Registration of Foreign Company under s. 562(1) CA 2016;
  - A certified copy of the certificate of incorporation or registration of the foreign company;
  - A certified copy of the foreign company's charter, statute or Memorandum and Articles of Association or other instrument defining its constitution;

- d. If the directors residing in Malaysia who are members of the local board of directors of the foreign company, a memorandum stating their powers that are executed by or on behalf of the foreign company, should be submitted to SSM;
- e. A memorandum of appointment or power of attorney authorizing the person(s) (agent) residing in Malaysia, to accept on behalf of the foreign company, any notices required to be served on such foreign company;
- f. Additional documents consisting copy of an application of reservation of name and copy of email from SSM approving the name of the foreign company.

*Note: If any of the described registration documents are in languages other than Bahasa Malaysia or English, a certified translation of such documents in Bahasa Malaysia or English shall be required.*

- iii. Registration fees shall be made to the SSM as per the following schedule:

Share Capital (RM)	Fees Payable (RM)
Up to 1,000,000	5,000
1,000,001 – 10,000,000	20,000
10,000,001 – 50,000,000	40,000
50,000,001 - 100,000,000	60,000
100,000,001 and above	70,000

In determining the amount of registration fees, the share capital of the foreign company should first be converted to the Malaysian currency (Ringgit Malaysia) at the prevailing exchange rate.

In the event a foreign company does not have any share capital, a flat rate of RM70,000 shall be paid to SSM.

- iv. A Notice of Registration will be issued by SSM upon compliance with the registration procedures and submission of duly completed registration documents.

- v. Upon approval, the company or its agent is responsible for ensuring compliance of the CA 2016. Any change in the particular of the company or in the company's name must be filed with SSM within fourteen days from the date of change together with the appropriate fees. Any change in the share capital of the company must be notified to SSM within fourteen days of such change. Every company is required to keep proper accounting records. Annual return must be lodged with SSM once in every calendar year not later than 30 days from the anniversary of its registration date.

*Note: Foreigners are advised to seek the services of an advocate and solicitor, an accountant or a practicing company secretary for further assistance.*

## 2.4 Limited Liability Partnership (LLP) Structure

### 2.4.1 Features of an LLP

An LLP is a body corporate and has legal personality separate from its partners. Like any other body corporate, LLP has perpetual succession. Any changes in the partners will not affect the existence, rights or liabilities of the LLP. LLP has unlimited capacity and capable of suing and being sued, acquiring, owning, holding and developing or disposing of property. LLP may do and suffer such other acts and things as bodies corporate may lawfully do and suffer. An LLP is a business vehicle which would offer simple and flexible procedures in terms of its formation, maintenance and termination.

The registration fee for a new LLP and conversion is RM500. The fee for the application of reservation of name is RM30.

### 2.4.2 Who may form an LLP?

An LLP may be formed by a minimum of two (2) persons (wholly or partly individuals or bodies corporate) for any lawful business with a view of profit and in accordance with the terms of the LLP agreement. Any individual or body corporate can be a partner.

However, an LLP formed for professional practice must consist of natural persons of the same profession and have in force professional indemnity insurance as approved by the Registrar.

Thus, LLPs may be set up by the following:

- i. Start Ups; or
- ii. Small & Medium Sized Businesses; or
- iii. Professionals; or
- iv. Joint Ventures; or
- v. Venture Capitals.

### 2.4.3 Procedure for Registration

To register an LLP, an applicant must provide the following information:

- i. proposed name of LLP;
- ii. nature of business;
- iii. address of the registered office;
- iv. name and details of the partners;
- v. name and details of the compliance officer;
- vi. the approval letter (in cases of professional practice).

The application for registration must be accompanied by a payment of RM500. Upon satisfaction of application to register LLP, the Registrar shall register the LLP and issue a notice of registration together with a registration number to the LLP. Notice of registration serves as conclusive evidence that the LLP has been registered. Registration does not mean that requirements of other written law relating to the business of the LLP have been fulfilled. The name of the LLP shall end with "Perkongsian Liabiliti Terhad" or abbreviation of "PLT".

### 2.4.4 Conversion to an LLP

Apart from new registration, existing entities may also convert into an LLP. The entities which are allowed to convert are:

- i. Conventional partnerships which have been registered under the Registration of Businesses Act 1956 or any partnership established by two (2) or more persons for the carrying on any professional practice; or
- ii. Private companies incorporated under the CA 2016 or any previous corresponding law.

The eligibility criteria for a conventional partnership to convert into an LLP are as follows:

- i. Same partners and no one else;
- ii. At the date of application, the conventional partnership appears to be able to pay its debts;
- iii. In cases of professional practice, the approval letter from the governing body.

The eligibility criteria for a private company for conversion are:

- i. Same shareholders and no one else;
- ii. There is no subsisting security interests in its assets;
- iii. At the date of application, the private company is solvent;
- iv. All outstanding statutory fees to government agencies has been settled;
- v. Advertisement has been placed in a widely circulated newspaper and the Gazette;
- vi. All creditors agreed to the conversion.

The effects of conversion are as follows:

- i. Vesting of assets, rights, privileges, obligations and liabilities of the conventional partnership or the private company into the LLP;
- ii. Pending proceedings may be continued, completed and enforced against or by the LLP;
- iii. Existing agreements, contracts shall have effect as though the LLP were a party;
- iv. In the case of the conversion of a conventional partnership, the partners shall continue to be personally liable (jointly and severally with the LLP) for liabilities and obligations incurred prior to the conversion.
- v. In the case of the conversion of a private company, the LLP will continue to be liable for the liabilities and obligations incurred prior to the conversion.

### 2.4.5 Requirements of an LLP

An LLP must appoint at least one (1) compliance officer who may be either one (1) of the partners or persons qualified to act as a secretary under the CA 2016. The compliance officer must be either a citizen or permanent resident of Malaysia and ordinarily resides in Malaysia. A person is disqualified to act as a compliance officer if he is an undercharged bankrupt or is disqualified to act as a director or secretary under the CA 1965.

An LLP must maintain a registered office in Malaysia where communications and notices may be addressed. The LLP has the obligation to keep at the registered office, a notice of registration issued under this Act, a copy of the LLP agreement, the register of name and address of each partners and compliance officer, a copy of the latest annual declaration and if any, a copy of any instrument creating a charge.



An LLP is required to keep accounting records as to show the true and fair view of the state of affairs of the LLP. There is no requirement for the appointment of auditor unless specifically provided for in the LLP agreement.

## 2.5 E-Services

E-Services were introduced as an alternative to the traditional method of conducting business with SSM i.e. via counter services. It allows for the lodgement of documents (MyCoID Services) and the procurement of corporate and business information. Corporate and business information can be purchased from e-Info and MyData. Payments can be made via credit card, direct debit or prepaid accounts.

MyCoID enables simultaneous registration with the Employees Provident Fund (EPF), the Inland Revenue Board of Malaysia (IRBM), the Social Security Organisation (SOCSO), Small and Medium Enterprise Corporation (SME Corp) and the Human Resources Development Fund (HRDF) once a company is incorporated at SSM via a single submission.

For further information please visit SSM website at [www.ssm.com.my](http://www.ssm.com.my) or [www.ssm-einfo.com.my](http://www.ssm-einfo.com.my) or [www.mydata-ssm.com.my](http://www.mydata-ssm.com.my).

## 3. GUIDELINES ON EQUITY POLICY

### 3.1 Equity Policy in the Manufacturing Sector

Malaysia has always welcomed investments in its manufacturing sector. Desirous of increasing local participation in this activity, the government encourages joint-ventures between Malaysian and foreign investors.

#### Equity Policy for New, Expansion or Diversification Projects

Since June 2003, foreign investors could hold 100% of the equity in all investments in new projects, as well as investments in expansion/diversification projects by existing companies, irrespective of the level of exports and without excluding any product or activity.

The equity policy also applies to:

- i. Companies previously exempted from obtaining a manufacturing licence but whose shareholders' funds have now reached RM2.5 million or have now engaged 75 or more full-time employees and are thus required to be licensed.
- ii. Existing licensed companies previously exempted from complying with equity conditions, but are now required to comply due to their shareholders' funds having reached RM2.5 million.

### Equity Policy Applicable to Existing Companies

Equity and export conditions imposed on companies prior to 17 June 2003 will be maintained.

However, companies can request for these conditions to be removed and approval will be given based on the merit of each case.

### 3.2 Protection of Foreign Investment

Malaysia's commitment in creating a safe investment environment has attracted more than 8,000 international companies from over 40 countries to make Malaysia their offshore base.

#### Equity Ownership

A company whose equity participation has been approved will not be required to restructure its equity at any time as long as the company continues to comply with the original conditions of approval and retain the original features of the project.

#### Investment Guarantee Agreements

Malaysia's readiness to conclude Investment Guarantee Agreements (IGAs) is a testimony of the government's desire to increase foreign investor confidence in Malaysia.

IGAs will:

- Protect against nationalization and expropriation
- Ensure prompt and adequate compensation in the event of nationalization or expropriation
- Provide free transfer of profits, capital and other fees
- Ensure settlement of investment disputes under the Convention on the Settlement of Investment Disputes of which Malaysia has been a member since 1966.

Malaysia has entered into Investment Guarantee Agreements (IGAs), which aim to promote a conducive environment for investments.

#### List Of Signed & In Force Igas

Countries			
1. USA *	17. South Korea	33. Jordan	49. North Korea
2. Germany	18. China	34. Bangladesh	50. Yemen
3. Canada *	19. United Arab Emirates	35. Croatia	51. Turkey
4. Netherlands	20. Denmark	36. Spain	52. Lebanon
5. France	21. Vietnam	37. Mongolia	53. Burkina Faso
6. Switzerland	22. Republic of Chile	38. India ****	54. Republic of Sudan
7. Sweden	23. Taiwan	39. Uruguay	55. Republic of Ethiopia
8. Belgo-Luxembourg	24. Hungary	40. Peru	56. Senegal
9. United Kingdom	25. Poland	41. Kazakstan	57. State of Bahrain
10. Sri Lanka	26. Indonesia ***	42. Czech Republic	58. Algeria
11. Romania	27. Albania	43. Guinea	59. Saudi Arabia
12. Austria	28. Zimbabwe	44. Ghana	60. Morocco
13. Finland	29. Turkmenistán	45. Egypt	61. Iran
14. Kuwait	30. Namibia	46. Cuba	62. Syrian Arab Republic
15. ASEAN **	31. Cambodia	47. Uzbekistan	63. Slovak Republic
16. Italy	32. Argentina	48. Macedona	64. San Marino

#### Convention on the Settlement of Investment Disputes

In the interest of promoting and protecting foreign investment, the Malaysian government ratified the provisions of the Convention on the Settlement of Investment Disputes in 1966. The Convention, established under the auspices of the International Bank for Reconstruction and Development (IBRD), provides international conciliation or arbitration through the International Centre for Settlement of Investment Disputes located at IBRD's principal office in Washington.

#### Asian International Arbitration Centre (AIAC)

The **Asian International Arbitration Centre** (formerly known as Kuala Lumpur Regional Centre for Arbitration) was established in 1978 under the auspices of the Asian-African Legal Consultative Organization (AALCO) - an inter-governmental organization cooperating with and assisted by the Malaysian government.

A non-profit organization, the Centre serves the Asia Pacific region. It aims to provide a system to settle disputes for the benefit of parties engaged in trade, commerce and investments with and within the region.

Any dispute, controversy or claim arising out of or relating to a contract, or the breach, termination or invalidity shall be decided by arbitration in accordance with the Rules for Arbitration of the Kuala Lumpur Regional Centre for Arbitration.

\* USA & CANADA - Insurance Guarantee Agreement.

\*\* Terminated upon the entry into force of the ASEAN Comprehensive Investment Agreement (ACIA) in February 2012.

\*\*\* Indonesia notified termination on 20th June 2014 and termination will come into force from 20th June 2015.

\*\*\*\* India notified termination on 23 March 2016 and termination will come into force from 23 March 2017.

CHAPTER

2

## INCENTIVES FOR NEW INVESTMENTS

A hand in a dark suit jacket points towards the center of the image. The background is dark blue with a grid of hexagonal icons. A bright, glowing rectangular frame highlights the word 'INCENTIVES'.

INCENTIVES



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- 1.2 Incentives for High Technology Companies
- 1.3 Incentives for Strategic Projects
- 1.4 Incentives for Small and Medium Enterprises
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# INCENTIVES FOR NEW INVESTMENTS

In Malaysia, tax incentives, both direct and indirect, are provided for in the Promotion of Investments Act 1986, Income Tax Act 1967, Customs Act 1967, Excise Act 1976 and Free Zones Act 1990. These Acts cover investments in the manufacturing, agriculture, tourism (including hotel) and approved services sectors as well as R&D, training and environmental protection activities.

The direct tax incentives grant partial or total relief from income tax payment for a specified period, while indirect tax incentives are in the form of exemptions from import duty and excise duty.

## 1. INCENTIVES FOR THE MANUFACTURING SECTOR

### 1.1 Main Incentives for Manufacturing Companies

The major tax incentives for companies investing in the manufacturing sector are the Pioneer Status and the Investment Tax Allowance.

Eligibility for Pioneer Status and Investment Tax Allowance is based on certain priorities, including the level of value-added, technology used and industrial linkages. Eligible activities and products are termed as “promoted activities” or “promoted products”. (See Appendix I: List of Promoted Activities and Products – General)

The company must submit its application to MIDA before commencing operation/production.

#### (i) Pioneer Status

A company granted Pioneer Status (PS) enjoys a five year partial exemption from the payment of income tax. It pays tax on 30% of its statutory income\*, with the exemption period commencing from its Production Day (defined as the day its production level reaches 30% of its capacity).

Unabsorbed capital allowances incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company. Accumulated losses incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company for a period of seven consecutive years.

Applications for Pioneer Status should be submitted to MIDA.

\* Statutory Income is derived after deducting revenue expenditure and capital allowances from the gross income.

#### (ii) Investment Tax Allowance

As an alternative to Pioneer Status, a company may apply for Investment Tax Allowance (ITA). A company granted ITA is entitled to an allowance of 60% on its qualifying capital expenditure (factory, plant, machinery or other equipment used for the approved project) incurred within five years from the date the first qualifying capital expenditure is incurred.

The company can offset this allowance against 70% of its statutory income for each year of assessment. Any unutilised allowance can be carried forward to subsequent years until fully utilised. The remaining 30% of its statutory income will be taxed at the prevailing company tax rate.

Applications should be submitted to MIDA.

### 1.2 Incentives for High Technology Companies

A high technology company is a company engaged in promoted activities or in the production of promoted products in areas of new and emerging technologies (See Appendix II: List of Promoted Activities and Products – High Technology Companies). A high technology company qualifies for:

- i. Pioneer Status with income tax exemption of 100% of the statutory income for a period of five years. Unabsorbed capital allowances incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company.

Accumulated losses incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company for a period of seven consecutive years

;or

- ii. Investment Tax Allowance of 60% on the qualifying capital expenditure incurred within five years from the date the first qualifying capital expenditure is incurred. The allowance can be utilised to offset against 100% of the statutory income for each year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised.

Applications should be submitted to MIDA.

### 1.3 Incentives for Strategic Projects

Strategic projects involve products or activities of national importance. They generally involve heavy capital investments with long gestation periods, have high levels of technology, are integrated, generate extensive linkages, and have significant impact on the economy. Such projects qualify for:

- i. Pioneer Status with income tax exemption of 100% of the statutory income for a period of ten years; Unabsorbed capital allowances incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company.

Accumulated losses incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company for a period of seven consecutive years

;or

- ii. Investment Tax Allowance of 100% on the qualifying capital expenditure incurred within five years from the date the first qualifying capital expenditure is incurred. This allowance can be offset against 100% of the statutory income for each year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised.

Applications should be submitted to MIDA.

## 1.4 Incentives for Small and Medium Enterprises

### Small and Medium Enterprise (SMEs)

Effective from the Year Assessment 2009, for the purpose of imposition of income tax and tax incentives, the definition of SMEs is reviewed as a company resident in Malaysia with a paid up capital of ordinary shares of RM2.5 million or less at the beginning of the basis period of a year of assessment whereby such company cannot be controlled by another company with a paid up capital exceeding RM2.5 million.

SMEs are eligible for a reduced corporate tax 17% on chargeable incomes of up to RM500,000. The tax rate on the remaining chargeable income is maintained at 24%.

### Small Scale Companies

Currently, small scale companies incorporated in Malaysia with shareholders' fund not exceeding RM500,000 and having at least 60% Malaysian equity are eligible for tax incentives for small scale companies under the Promotion of Investments Act (PIA), 1986. Effective from 3 July 2012, small scale companies are redefined as companies incorporated in Malaysia with shareholders' fund not exceeding RM2.5 million and having 60% to 100% Malaysian equity.

The small scale company must fulfil the following criteria:-

- i. Incorporated under the Companies Act, 1965.
- ii. Shareholders' funds not exceeding RM2.5 million with the following Malaysian equity ownership:
  - Companies with shareholders' fund of up to RM500,000 with at least 60% Malaysian equity

- Companies with shareholders' fund of above RM500,000 and not exceeding RM2.5 million with 100% Malaysian equity.

A small scale company is eligible for the following incentives:

- i. Pioneer Status with income tax exemption of 100% of the statutory income for a period of five years. Unabsorbed capital incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company.

Accumulated losses incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company for a period of seven consecutive years

;or

- ii. Investment Tax Allowance of 60% on the qualifying capital expenditure incurred within five years. This allowance can be offset against 100% of the statutory income for each year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised.

A sole proprietorship or partnership is eligible to apply for this incentive provided a new private limited/limited company is formed to take over the existing production/activities.

- i. For small scale companies with shareholders' fund of RM500,000 and less and engaged in promoted activities or producing promoted products in the small company promoted list (See Appendix III: Small Scale Companies) or in the General List (See Appendix I: List of Promoted Activities and Products – General).
- ii. For small scale companies with shareholders' fund of above RM500,000 and not exceeding RM2.5 million and engaged in promoted activities or producing promoted products in the small company promoted list (See Appendix III: Small Scale Companies).
- iii. For small scale companies with shareholders' fund of above RM500,000 and not exceeding RM2.5 million and engaged in promoted activities or producing promoted products in the general promoted list (See Appendix I: List of Promoted Activities and Products – General):.

Applications should be submitted to MIDA.

## 1.5 Incentives for Investments in Selected Industries

### 1.5.1 Machinery and Equipment

Machine tools, material handling equipment, robotic and factory automation equipment and modules and components for machine tools, material handling equipment and robotic and factory automation equipment.

### 1.5.2 Specialised Machinery and Equipment

Specialised process machinery or equipment for specific industries, packaging machinery and modules and components for specialised process machinery or equipment for specific industry and packaging machinery.

Companies undertaking activities in the production of selected machinery and equipment are eligible for:

- i. Pioneer Status with income tax exemption of 100% of the statutory income for a period of ten years. Unabsorbed capital allowances incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company.

Accumulated losses incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company for a period of seven consecutive years.

;or

- ii. Investment Tax Allowance of 100% on the qualifying capital expenditure incurred within five years from the date the first qualifying capital expenditure is incurred. This allowance can be offset against 100% of the statutory income for each year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised.

Applications should be submitted to MIDA. (See Appendix IV: List of Promoted Activities and Products for Selected Industries)

## 1.6 Incentives for the Automotive Industry

Promoting the assembly and manufacturing of Energy Efficient Vehicles and its critical components/systems is crucial to enhance the development of Malaysia's automotive industry.

MIDA provides incentives in the form of income tax exemption or income tax exemption equivalent of Investment Tax Allowance (ITA) for a period of five or ten years to companies which have plans to undertake the following activities-

- i. Assembly of Energy Efficient Vehicles;

- ii. Manufacturing of Critical Components/Systems for Energy Efficient Vehicles or Non-Energy Efficient Vehicles such as transmission, engines, airbag & components, handling & control mechanism and brake mechanism; and
- iii. Manufacturing of components for Hybrid and Electric Vehicles such as electric motors, electric batteries and battery management systems.

The incentives are effective for applications received by MIDA from 1 January 2017 until 31 December 2020.

## 1.7 Incentives for the Aerospace Industry

Aerospace industry development was one of the strategic and high technology areas identified by the Government. It includes activities that directly and indirectly contribute to the Maintenance, Repair & Overhaul (MRO), Aero-Manufacturing, Systems Integration and Engineering & Design.

MIDA provides incentives in the form of income tax exemption or income tax exemption equivalent to Investment Tax Allowance (ITA) for a period of five or ten years to companies which have plans to undertake the following activities:-

- i. Aerospace manufacturing;
- ii. System integration;
- iii. Maintenance, repair and overhaul (MRO);
- iv. Aero related services

The incentives are effective for applications received by MIDA from 1 November 2016 until 31 December 2020.

## 1.8 Incentives for the Utilisation of Oil Palm Biomass to Produce Value-Added Products

Companies that utilise oil palm biomass to produce value-added products such as bio-based chemicals, biofuel, particleboard, medium density fibreboard; plywood; and pulp and paper are eligible for the following incentives:

### i. New Companies

- a) Pioneer Status with income tax exemption of 100% of the statutory income for a period of ten years. Unabsorbed capital allowances incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company.

Accumulated losses incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company for a period of seven consecutive years.

;or

- b.) Investment Tax Allowance of 100% on the qualifying capital expenditure incurred within a period of five years. The allowance can be offset against 100% of the statutory income for each year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised.

## **ii. Incentive for Existing Companies that Reinvest**

- a) Pioneer Status with income tax exemption of 100% of the increased statutory income arising from the reinvestment for a period of ten years. Unabsorbed capital allowances incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company.

Accumulated losses incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company for a period of seven consecutive years.

- b) Investment Tax Allowance of 100% on the additional qualifying capital expenditure incurred within a period of five years. The allowance can be offset against 100% of the statutory income for each year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised.

Applications should be submitted to MIDA.

## **1.9 Incentive for Industrialised Building System (IBS)**

### **Basic components/products and systems**

Columns, beams, slabs, wall, roof trusses, precast concrete system, formwork system, steel framing system, blockwork system, timber framing system, innovative system. Companies undertaking activities in the manufacturing of Industrialised Building System (IBS) are eligible for:

- i. Income tax exemption between 70% - 100% of the statutory income for a period of five years.

;or

- ii. Income tax exemption equivalent to Investment Tax Allowance of 60% on the qualifying capital expenditure incurred within five years from the date the first qualifying capital expenditure is incurred. This allowance can be offset against 70% - 100% of the statutory income for each year of assessment.

Applications should be submitted to MIDA.

## **1.10 Definition of Desirous for the Granting of Tax Incentives under the Promotion of Investments Act, 1986 for Malaysian-Owned Companies**

Under the Promotion of Investments Act (PIA), 1986, the main criterion for a company to enjoy tax incentives is that the company must be 'desirous' in establishing or participating in a promoted activity or producing a promoted product which has not started production.

### **i. Definition of production:**

- a. Manufacturing Company - Company has started to produce products (including trial production).
- b. Services Company - Company has issued first invoice for the services rendered.

### **ii. Companies in Production**

Malaysian-owned manufacturing and services companies that are already in production do not comply with the 'desirous' clause under the PIA, 1986. However effective from 3 July 2012, Malaysian-owned companies that have commenced its production within one year from the date of application to MIDA are eligible to be considered for tax incentives.

### **iii. Incentives**

Tax exemptions equivalent to Pioneer Status or Investment Tax Allowance based on the prevailing rates and eligibility criteria under the PIA, 1986.

## **1.11 Additional Incentives for the Manufacturing Sector**

### **i. Reinvestment Allowance**

Reinvestment Allowance (RA) is available for existing companies engaged in manufacturing and selected agricultural activities that reinvest for the purposes of expansion, automation, modernisation or diversification into any related products within the same industry on condition that such companies have been in operation for at least 36 months.

The RA is given at the rate of 60% on the qualifying capital expenditure incurred by the company, and can be offset against 70% of its statutory income for the year of assessment. Any unutilised allowance can be carried forward to maximum period of seven consecutive years of assessments and the period commences immediately after the end of fifteen year. A company can offset the RA against 100% of its statutory income for the year of assessment if the company attains a productivity level exceeding the level determined by the Ministry of Finance. For further details on the prescribed productivity level for each sub-sector, please contact the Inland Revenue Board (see Useful Addresses – Relevant Organisations)



The RA will be given for a period of fifteen consecutive years beginning from the year the first reinvestment is made. Companies can only claim the RA upon the completion of the qualifying project, i.e. after the building is completed or when the plant/machinery is put to operational use. With effect from the Year of Assessment 2009, company purchasing an asset from a related company within the same group where RA has been claimed on that asset is not allowed to claim RA on the same asset.

Assets acquired for the reinvestment cannot be disposed within a period of five years from the time of the reinvestment effective from the Year of Assessment 2009.

Companies that intend to reinvest before the expiry of its tax relief period, can surrender their Pioneer Status or Pioneer Certificate for the purpose of cancellation and be eligible for RA.

Applications for RA should be submitted to IRB while applications for the surrender of Pioneer Status or Pioneer Certificate for RA should be submitted to MIDA.

## ii. Accelerated Capital Allowance

### a) Reinvestment for promoted activities or products

After the fifteen year period of eligibility for RA, companies that reinvest in the manufacture of promoted products are eligible to apply for Accelerated Capital Allowance (ACA). The ACA provides a special allowance, where the capital expenditure is written off within three years, i.e. an initial allowance of 40% and an annual allowance of 20%.

Applications should be submitted to the IRB accompanied by a letter from MIDA certifying that the companies are manufacturing promoted activities or products.

Applications for ACA should be submitted to IRB.

### b) Waste Recycling

Effective from the Year of Assessment 2001, a manufacturing company which has incurred on Qualifying Expenditure for the purpose of its business may claim ACA on the plant and machinery which are:-

- Used exclusively or otherwise for the recycling of wastes, or
- Used for the further processing of the wastes into a finished products.

Applications should be submitted to IRB.

## iii. Incentive for Industrial Building System

Industrial Building System (IBS) will enhance the quality of construction, create a safer and cleaner working environment as well as reduce the dependence on foreign workers. Companies which incur expenses on the purchase of moulds used in the production of IBS components are eligible for Accelerated Capital Allowances (ACA) with effect from year of assessment 2006 at rate of 40% for Initial Allowance and 20% for Annual Allowance.

Applications should be submitted to IRB.

## iv. Group Relief

Group relief is provided under the Income Tax Act 1967 to all locally incorporated resident companies. Effective from year 2019, a company that qualifies for group relief may surrender a maximum of 70% of its adjusted losses to be offset against the income of another company within the same group for three consecutive years of assessment. The following conditions must be met by both the claimant and surrendering companies:

- a) The claimant and the surrendering companies each has paid-up capital of ordinary shares exceeding MYR 2.5 million at the beginning of the basis period;
- b) Both the claimant and the surrendering companies must have the same accounting period.
- c) The shareholding, whether direct or indirect of the claimant and the surrendering companies in the group must not be less than 70%;
- d) The 70% shareholding must be on a continuous basis during the preceding year and the relevant year;
- e) Losses resulting from the acquisition of proprietary rights or foreign-owned companies should be disregarded for the purpose of group relief;
- f) Companies currently enjoying the following incentives are not eligible for group relief:
  - Pioneer Status
  - Investment Tax Allowances/ Investment Allowance
  - Reinvestment Allowance
  - Exemption of shipping profits
  - Exemption of Income Tax under Section 127 of the Income Tax Act 1967

Claims should be submitted to IRB.

## v. Automation Capital Allowance (Automation CA)

Manufacturing company (labour and non-labour intensive industry) operating at least 36 months in Malaysia is eligible for:

Category 1: High labour intensive industries (rubber products, plastics, wood, furniture and textiles)

- i. Automation Capital Allowance of 200% on the first RM4 million expenditure incurred within five (5) year of assessment from 2015 to 2020; and

Category 2: Other industries

- ii. Automation Capital Allowance of 200% will be provided on the first RM2 million expenditure incurred within five (5) year of assessment from 2015 to 2020.

Applications should be submitted to MIDA.

## **2. INCENTIVES FOR THE AGRICULTURAL SECTOR**

The Promotion of Investments Act 1986 states that the term “company” in relation to agriculture includes:

- Agro-based cooperative societies and associations; and
- Sole proprietorships and partnerships engaged in agriculture.

Companies producing promoted products or engaged in promoted activities (See Appendix I: List of Promoted Activities and Products – General and Appendix III: Small Scale Companies) in the agricultural sector qualify for the following incentives:

### **2.1 Main Incentives for the Agricultural Sector**

#### **i. Pioneer Status**

As in the manufacturing sector, companies producing promoted products or engaged in promoted activities are eligible for Pioneer Status.

A Pioneer Status company enjoys a partial exemption from income tax. It pays tax on 30% of its statutory income for five years, commencing from its Production Day (defined as the day of first sale of the agriculture produce).

Unabsorbed capital allowances incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company.

Accumulated losses incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company for a period of seven consecutive years.

Applications should be submitted to MIDA.

#### **ii. Investment Tax Allowance**

As an alternative to Pioneer Status, companies producing promoted products or engaged in promoted activities can apply for Investment Tax Allowance (ITA). A company granted ITA is eligible for an allowance of 60% on its qualifying capital expenditure incurred within five years from the date the first qualifying capital expenditure is incurred.

Companies can offset this allowance against 70% of their statutory income for each year of assessment.

Any unutilised allowances can be carried forward to subsequent years until fully utilised. The remaining 30% of the statutory income is taxed at the prevailing company tax rate.

Applications should be submitted to MIDA.

### **2.2 Incentives for Food Production**

#### **Incentives for New Projects**

Specific incentives are introduced to attract investment into food projects both at the farm level as well as at the production/processing level. These will enhance the supply of the raw material for the food processing sector and thus reducing reliance on imports of such raw material.

Tax incentives are given to both company which invests in a subsidiary company engaged in an approved food production project and its subsidiary company undertaking the food production activities. The tax incentives given are as follows:

- i. A company which invests in its subsidiary company engaged in food production activities can be considered for tax deduction equivalent to the amount of investment made in that subsidiary for that year of assessment; and
- ii. The subsidiary company undertaking food production activities can be considered for a full tax exemption on its statutory income for ten years of assessment for new project or five years of assessment for expansion project.

Application received by Ministry of Agriculture & Agro-Based Industry from 1 Jan 2016 to 31 December 2020.

## 2.3 Incentives for Halal Products

### i. Incentives for Production of Halal Food

To encourage new investments in *halal* food production and to increase the use of modern and state-of-the-art machinery and equipment in producing high quality *halal* food that comply with the international standards, companies which invest in *halal* food production and have already obtained *halal* certification from JAKIM in compliance with MS 1500:2004, are eligible for the Investment Tax Allowance (ITA) of 100% of qualifying capital expenditure incurred within a period of five years.

The allowance can be set-off against 100% of statutory income in the year of assessment. Any unutilized allowance can be carried forward to subsequent years until the whole amount has been fully utilised.

For further information on obtaining *halal* certification from JAKIM, please visit [www.halal.gov.my](http://www.halal.gov.my)

Applications should be submitted to MIDA

### ii. Incentives for Other Halal Activities

#### a) Incentives for Halal Park Operators

In an effort to promote the attractiveness of the *Halal* Parks, halal park operators are eligible for the following incentives:

- i) Pioneer Status with income tax exemption of 100% of the statutory income for a period of ten years. Unabsorbed capital allowances incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company.

Accumulated losses incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company for a period of seven consecutive years

;or

- ii) Investment Tax Allowance of 100% on the qualifying capital expenditure incurred within five years. The allowance can be offset against 100% of the statutory income for each year of assessment. Any unutilised allowances can be carried forward to subsequent years until they are fully utilised.

### b) Incentives for Halal Industry Players

Companies proposing to undertake projects in the designated Halal Parks are eligible for:-

- i) Investment Tax Allowance of 100% on the qualifying capital expenditure incurred within a period of ten years. This allowance can be offset against 100% of the statutory income for each year of assessment. Any unutilised allowances can be carried forward to subsequent years until they are fully utilised; or
- ii) Exemption from import duty and sales tax on raw materials used for the development and production of halal promoted products.
- iii) Double deduction on expenses incurred in obtaining international quality standards such as HACCP, GMP, Codex Alimentarius (food standard guidelines of FAO & WHO), Sanitation Standard Operating Procedure and regulations for compliance for export markets such as Food Traceability from farm pork.

### c) Incentives for Halal Logistics Operators

In an effort to promote halal industry and halal supply chain in Malaysia, the following incentives are granted to halal logistics operators:

- i) Income tax exemption of 100% of the statutory income for a period of five years. Unabsorbed capital allowances incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company.

Accumulated losses incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company for a period of seven consecutive years

;or

- ii) Investment Tax Allowance of 100% on the qualifying capital expenditure incurred within five years. The allowance can be offset against 100% of the statutory income for each year of assessment. Any unutilised allowances can be carried forward to subsequent years until they are fully utilised.

Applications should be submitted to Halal Industry Development Corporation (HDC).

For further information, please visit [www.hdcglobal.com](http://www.hdcglobal.com)

## 2.4 Additional Incentives for the Agricultural Sector

### i. Reinvestment Allowance

Companies engaged for at least 36 months in the production of essential food such as rice, maize, vegetables, tubers, livestock, aquatic products and any other activities approved by the Minister of Finance are eligible for Reinvestment Allowance (RA).

The RA is in the form of an allowance of 60% of the qualifying capital expenditure incurred within a period fifteen years beginning from the year the first reinvestment is made. The allowance can be offset against 70% of the statutory income in the year of assessment. Any unutilised allowance can be carried forward to a maximum period of seven consecutive years of assessments and the period commences immediately after the end of the fifteen year.

Claims should be submitted to IRB.

### ii. Incentives for Reinvestment in Resource-Based Industries

These incentives are offered to companies that are at least 51% Malaysian-owned and are in the rubber, oil palm and wood-based industries producing products which have export potential. Companies in these industries reinvesting for expansion purposes are eligible for:

- a) Pioneer Status with income tax exemption of 70% of statutory income for a period of five years. Unabsorbed capital allowances incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company

Accumulated losses incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company for a period of seven consecutive years

;or

- b) Investment Tax Allowance of 60% on the additional qualifying capital expenditure incurred within a period of five years. The 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.

(See Appendix V: List of Promoted Activities and Products – Reinvestment)

Applications should be submitted to MIDA.

### iii. Incentives for Reinvestment in Food Processing Activities

A locally-owned manufacturing company with Malaysian equity of at least 60% that reinvests in promoted food processing activities is eligible for:

- a) Pioneer Status with income tax exemption of 70% of statutory income for a period of five years. Unabsorbed capital allowances incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company.

Accumulated losses incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company for a period of seven consecutive years

;or

- b) Investment Tax Allowance of 60% on the additional qualifying capital expenditure incurred within a period of five years. The 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.

(See Appendix V: List of Promoted Activities and Products – Reinvestment)

### iv. Accelerated Capital Allowance

Upon the expiry of the Reinvestment Allowance (RA), companies that reinvest in promoted agricultural activities and food products are eligible to apply for the Accelerated Capital Allowance (ACA). These activities include the cultivation of rice, maize, vegetables, tubers, livestock, aquatic products and any other activities approved by the Minister of Finance.

The ACA provides a special allowance to write off the capital expenditure within two years, i.e. an initial allowance of 20% in the first year and an annual allowance of 40%.

Claims should be submitted to the IRB, accompanied by a letter from MIDA certifying that the companies are undertaking promoted agricultural activities or producing promoted food products.

### v. Agricultural Allowance

A person or a company carrying on an agricultural activity can claim Capital Allowances and special Industrial Building Allowances under the Income Tax Act 1967 for certain capital expenditure.

Claims should be submitted to IRB.



#### **vi. 100% Allowance on Capital Expenditure for Approved Agricultural Projects**

Schedule 4A of the Income Tax Act 1967 provides for a 100% allowance on capital expenditure for Approved Agricultural Projects as approved by the Minister of Finance. This covers qualifying capital expenditure incurred within a specific time frame for a farm that cultivates and utilises a specified minimum acreage as stipulated by the Minister of Finance.

Approved agricultural projects are those for the cultivation of vegetables, fruits (papaya, banana, passion fruit, star fruit, guava and mangosteen), tubers, roots, herbs, spices, crops for animal feed and hydroponic-based products; ornamental fish culture; fish and prawn rearing (pond culture, tank culture, marine cage culture, and off-shore marine cage culture); cockles, oysters, mussels, and seaweed culture; shrimp, prawn and fish hatchery; and certain species of forest plantations.

The incentive enables a person carrying on such a project to elect to deduct the qualifying capital expenditure incurred in respect of that project from his aggregate income, including income from other sources. Where there is insufficient aggregate income, the unabsorbed expenditure can be carried forward to subsequent years of assessment. Where he so elects, he will not be entitled to any capital allowance or agricultural allowance on the same capital expenditure.

This incentive is not available to companies that have been granted incentives under the Promotion of Investments Act 1986 and whose tax relief periods have not started or have not expired.

Claims should be submitted to IRB.

### **3. INCENTIVES FOR THE BIOTECHNOLOGY INDUSTRY**

#### **3.1 Main Incentives for the Biotechnology Industry**

A company undertaking biotechnology activity and has been approved with BioNexus Status\* by the Malaysian Bioeconomy Development Corporation Sdn Bhd (Bioeconomy Corporation) may be eligible for the following incentives:

- i. For IP income, an exemption from tax up to 100% of statutory income\*\*:
  - a) For a period of ten (10) consecutive years of assessment from the first year the company derived statutory income from a new business; or
  - b) For a period of five (5) consecutive years of assessment from the first year the company derived statutory income from an existing business and expansion project;

- ii. For non-IP income, an exemption from tax up to 70% of statutory income\*\*:
  - a) For a period of ten (10) consecutive years of assessment from the first year the company derived statutory income from a new business; or
  - b) For a period of five (5) consecutive years of assessment from the first year the company derived statutory income from an existing business and expansion project;
- iii. An exemption of 100% statutory income derived from a new business or an expansion project that is equivalent to an allowance of 100% of qualifying capital expenditure incurred for a period of 5 years\*\*.
- iv. Concessionary tax rate of 20% on statutory income from qualifying activities for 10 years upon expiry of the tax exemption period.
- v. Exemption from import duty and sales tax on raw materials/ components/ machineries/ equipment.
- vi. Double deduction on expenditure incurred for R&D.
- vii. Double deduction on expenditure incurred for promotion of exports.
- viii. Qualifying buildings used solely for the purpose of biotechnology activities are eligible for Industrial Building Allowance (IBA) to be claimed over a period of 10 years.
- ix. A company or an individual (with business income source) investing in a BioNexus Status company is eligible for a tax deduction equivalent to the total investment made at the initiation of commercialisation stage.

*\* Application for BioNexus Status must be submitted to Bioeconomy Corporation.*

*\*\* Information as at 22 April 2019 which subject to finalisation by Ministry of Finance.*

#### **3.2 Biotechnology Funding for BioNexus Status Companies**

Bioeconomy Corporation provides funding to BioNexus Status companies under its Biotechnology Commercialisation Fund (BCF) 2.0 Programme. The objectives of the BCF Facility are to facilitate on-going commercialisation of biotechnology products and services as well as provide assistance in expanding the applicant's existing biotechnology business.

There are essentially two (2) varying financing schemes under the BCF Programme. They are namely the Bioeconomy Development Scheme ("BDS"), a term financing facility and the Business Sustenance Scheme ("BSS") which serves to address the working capital financing requirements of the applicant.

The BDS is a financing scheme with a limit of up to RM2,700,000 per applicant (excluding Zero Entry Financing Cost) and covers the following expenditures:

- a) Purchase of ready built building/ land for construction of building or land for business operation purposes;
- b) Purchase of new/ used machinery and equipment, laboratory or any other production equipment;
- c) Operating expenditure with exception of payroll/ human capital emolument expenses; and
- d) Any other operating expenditure expenses subject to MIDF's approval.

The margin of financing under BDS varies as follows:

- a) Up to 90% financing for purchase of ready built building/land for construction of building or land, for business operation purposes;
- b) Up to 90% for purchase of new machinery and equipment, laboratory or any other production equipment;
- c) Up to 65% for purchase of used machinery and equipment, laboratory or any other production equipment; and/or
- d) Up to 90% for operating expenditure and shall not exceed 20% of the facility amount.

All of which the margin of financing and subject to MIDF's approval.

The BSS is a financing facility of up to RM600,000 offered to successful applicants in either of the following forms:

- a) Purchase Revolving Credit/ Sales Revolving Credit

A financing facility with flexible feature that may be disburse, fully repaid and the cycle re-currently executed. The facility is disbursable on an advance basis in several tranches up to the facility limit and is reusable as the advances are repaid. The facility is renewable on an annual basis and shall be in accordance with the terms and conditions applicable.

- b) Term Working Capital Financing

A financing facility with regular scheduled repayments over a certain period in accordance with the terms and conditions applicable.

- c) Factoring

Financing procured from the sale of receivables at a discount in accordance with the terms and conditions applicable.

The typical expenditure allowable under the BSS facility includes as follows:

- a) Raw materials, consumables/ livestock;
- b) Expenses directly related to R&D activities towards improving existing products/ services with the exception of payroll/ human capital emolument expenses;
- c) Expenses directly related to business expansion activities to introduce products/ services into the global market such as advertisement, participation in overseas exhibition i.e. opening up booth, air ticket etc. excluding payroll/ human capital emolument expenses;
- d) Overhead expenses directly related to specific R&D/ international business development stages;
- e) Intellectual Property (IP) filing and registration;
- f) Clinical/ Field trials costs;
- g) Compliance and regulatory cost;
- h) Initial cost for recruitment of knowledge workers;
- i) Professional/ Technical consultancy fees;
- j) Expenses that are working capital in nature with the exception of payroll/ human capital emolument expenses; and
- k) Any other working capital expenses subject to MIDF's approval.

The margin of financing for the BSS offered varies as follows:

- a) Up to 100% financing for Purchase Revolving Credit;
- b) Up to 90% for Sales Revolving Credit;
- c) Up to 90% for Term Working Capital Financing; or
- d) Up to 80% for Factoring.

Eligibility criteria for either of the BCF Programme mentioned above includes the following:

- a) applicant must be a BioNexus Status company;
- b) majority Malaysian owned i.e. at least 51% of the equity is owned by Malaysians; and
- c) minimum paid-up capital of RM250,000.

For further information, please visit [www.bioeconomycorporation.my](http://www.bioeconomycorporation.my)

## 4. INCENTIVES FOR ENVIRONMENTAL MANAGEMENT

### 4.1 Incentives for Forest Plantation Projects

Companies that undertake forest plantation projects are eligible for the following incentives under the Promotion of Investments Acts, 1986:

- i. Pioneer Status with income tax exemption of 100% of the statutory income for ten years. Unabsorbed capital allowances incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company; or
- ii. Investment Tax Allowance (ITA) of 100% on the qualifying capital expenditure incurred within five years. The allowance can be offset against 100% of the statutory income for each year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised.

### 4.2 Incentives for Waste Recycling Activities

Companies undertaking waste recycling activities that are high value-added and use high technology are eligible for Pioneer Status or ITA. These activities which include the recycling of agricultural wastes or agricultural by-products, recycling of chemicals and the production of reconstituted wood-based panel boards or products are eligible for:

- i. Pioneer Status, with income tax exemption of 70% of the statutory income for a period of five years. Unabsorbed capital allowances incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company.

Accumulated losses incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company for a period of seven consecutive years

;or

- ii. Investment Tax Allowance of 60% on the qualifying capital expenditure incurred within a period of five years. The allowance can be offset against 70% of the statutory income in each year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised.

Companies are only allowed to recycle wastes/scrap obtained within Malaysia including Free Industrial Zones/Licensed Manufacturing Warehouse (FIZs/LMWs). Companies are not allowed to import scraps/wastes from overseas.

Applications should be submitted to MIDA.

### 4.3 Green Technology Incentive

In Budget 2014, the Government had announced the provision of investment tax allowance for the purchase of green technology assets and income tax exemption on the use of green technology services and system to further strengthen the development of green technology (GT).

#### Green Technology Project

Companies undertaking activities in the Green Technology projects are eligible for:

- i. Income tax exemption equivalent to Investment Tax Allowance of 100% on the qualifying capital expenditure incurred on a green technology project for a maximum period of five years or until 31 December 2020 from the date of first qualifying capital expenditure incurred. 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.

Incentive expires on 31 December 2020.

Applications should be submitted to MIDA.

#### Green Services

Companies undertaking activities in the Green Services projects are eligible for:

- i. Income tax exemption of 100% of the statutory income for a period of five years or until year of assessment of 2020. Unabsorbed income losses after the end of exemption period are allowed to be carried forward for seven consecutive year of assessments.

Incentive expires on 31 December 2020.

Applications should be submitted to MIDA.

### 4.4 Incentives For Waste Eco Park (WEP)

Waste Eco Park is defined as a place for waste recycling, recovery and treatment activities to be carried out and approved by relevant authorities. The park has to incorporate basic infrastructure such as road, drainage, utilities and sewerage, building and facility for waste receipt and separation, waste water treatment facility, waste recycling/recovery/treatment facilities and building for education/awareness center.

Malaysian incorporated companies involved as developer, operator, or manager are eligible for tax incentive as below:

#### i. WEP Developer

Companies undertaking development of infrastructure within the WEP are eligible for:

- a) Income tax exemption of 70% of the statutory income from year of assessment 2016 until year of assessment 2025. Unabsorbed income losses after the end of exemption period are allowed to be carried forward for seven consecutive years of assessments.

Applications received by MIDA from 1 January 2016 until 31 December 2020 are eligible to be considered for the incentive.

#### ii. WEP Manager

Companies managing, maintaining, supervising and marketing the WEP to ensure effective and efficient coordination/ implementation are eligible for:

- a) Income tax exemption of 70% of the statutory income from year of assessment 2016 until year of assessment 2025. Unabsorbed income losses after the end of exemption period are allowed to be carried forward for seven consecutive years of assessments

Applications received by MIDA from 1 January 2016 until 31 December 2020 are eligible to be considered for the incentive.

#### iii. WEP Operator

Companies undertaking waste treatment/recovery/ recycling in the WEP are eligible for:

- a) Income tax exemption of 100% of the statutory income for a period of 5 years. Unabsorbed income losses after the end of exemption period are allowed to be carried forward for seven consecutive years of assessments.
- b) Income tax exemption equivalent to Investment Tax Allowance of 100% on the qualifying capital expenditure incurred within five years from the date the first qualifying capital expenditure is incurred. This allowance can be offset against 70% of the statutory income for each year of assessment.

Applications received by MIDA from 1 January 2016 until 31 December 2020 are eligible to be considered for the incentive.

### 4.5 Accelerated Capital Allowance

#### i. Waste Recycling Activities

Effective from the Year of Assessment 2001, a manufacturing company which has incurred Qualifying Expenditure for the purpose of its business may claim ACA on the plant and machinery which are:-

- Used exclusively or otherwise for the recycling of wastes, or
- Used for further processing of the wastes into finished products.

A company that fulfils the above criteria is eligible to claim ACA of 20% for an initial allowance (IA) and 40% for an annual allowance (AA).

Applications should be submitted to IRB.

#### ii. Equipment to Maintain Quality of Power Supply

In order to reduce the costs of doing business effective from the Year of Assessment 2005, companies which incur capital expenditure on equipment to ensure the quality of power supply, are eligible for an ACA - for a period of two years which allows the companies to write off the capital expenditure within two years, i.e. an initial allowance of 20% and an annual allowance of 40%.

Only equipment determined by the Ministry of Energy, Science, Technology, Environment & Climate Change is eligible for the ACA.

Applications should be submitted to the IRB.

### 5. INCENTIVES FOR RESEARCH AND DEVELOPMENT

The Promotion of Investments Act 1986 defines research and development (R&D) as "any systematic, investigative and experimental study that involves novelty or technical risk carried out in the field of science or technology with the objective of using the results of the study for the production or improvement of materials, devices, products, produce or processes" but does not include:

- quality control of products or routine testing of materials, devices, products or produce;
- research in the social sciences or humanities;
- routine data collection;
- efficiency surveys; and
- market research or sales promotion;
- routine modifications or changes to materials, devices, products, processes or production methods; or
- cosmetic modifications or stylistic changes to materials, devices, products, processes or production methods.

To further strengthen Malaysia's foundation for more integrated R&D, companies which carry out design, development and prototyping as independent activities are also eligible for incentives.



## 5.1 Main Incentives for Research and Development

### i. Contract R&D Company

A contract R&D company is a company which provides R&D services in Malaysia to companies other than its related companies. Under the PIA 1986, a related company is defined as a company where at least 20% of its issued share capital is owned (directly or indirectly) by another company. The Contract R&D company is eligible for:

- Pioneer Status with income tax exemption of 100% of the statutory income for five years. Unabsorbed pioneer losses after the end of pioneer period are allowed to be carried forward for seven consecutive year of assessments ; or
- Investment Tax Allowance (ITA) of 100% of qualifying capital expenditure incurred within ten years. The ITA can be offset against 70% of the statutory income in each year of assessment. Any unutilised capital allowances can be carried forward until fully utilised.

Applications should be submitted to MIDA.

### ii. R&D Company

A R&D company which provides R&D services in Malaysia to its related company or to any other company is eligible for an ITA of 100% on the qualifying capital expenditure incurred within ten years. The 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 PIA 1986 defines a related company as a company where at least 20% of its issued share capital is owned (directly or indirectly) by another company. Should the R&D company opt not to avail itself of the allowance, its related companies can enjoy double deduction for payments made to the R&D company for services rendered.

Applications should be submitted to MIDA.

### iii. In-house Research

A company that carries out R&D within the company in Malaysia for the purpose of its own business can apply for an ITA of 50% of the qualifying capital expenditure incurred within ten years. The ITA can be offset against 70% of the statutory income for each year of assessment. Any unutilised allowances can be carried forward until fully absorbed.

Applications should be submitted to MIDA.

## iv. Incentives for Reinvestment in R&D Activities

Existing R&D companies undertaking reinvestments are eligible for Pioneer Status or Investment Tax Allowance as follows:

### a) Contract R & D companies

- i) PS with full tax exemption (100%) of statutory income for a period of five years. Unabsorbed income losses after the end of income period are allowed to be carried forward for seven consecutive year of assessments; or
- ii) ITA of 100% of additional qualifying capital expenditure incurred within a period of ten 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 utilised.

### b) R&D Companies:

ITA of 100% of additional qualifying capital expenditure incurred within a period of ten 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 utilised.

### c) In-house R&D:

ITA of 50% of additional qualifying capital expenditure incurred within a period of ten 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 utilised.

*(See Appendix V: List of Promoted Activities and Products for Reinvestment)*

Applications should be submitted to MIDA.

## v. Incentives for Commercialisation of Public Sector R&D

To encourage commercialisation of resource-based R&D findings of public research institutes, the following incentives are given:

- a) A company that invests in its subsidiary company engaged in the commercialisation of the R&D findings is eligible for a tax deduction equivalent to the amount of investment made in the subsidiary company; and

- b) The subsidiary company that undertakes the commercialisation of the R&D findings is eligible for Pioneer Status with income tax exemption of 100% of statutory income for ten years. Unabsorbed capital incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company. Unabsorbed pioneer losses after the end of pioneer period are allowed to be carried forward for seven consecutive years of assessments. The commercialisation of non-resource-based findings is subject to the list of promoted activities/products under the Promotion Investment Act, 1986.

## **5.2 Additional Incentives for Research and Development**

### **i. Double Deduction for Research and Development**

- A company can enjoy a double deduction on its non-capital expenditure incurred on research and development approved by the Minister of Finance.
- Payment for use of services of approved research institutions approved R&D companies or contract R&D companies.
- Approved R&D expenditure incurred during the tax relief period for companies granted Pioneer Status can be accumulated and deducted after the tax relief period.
- Expenditure on R&D activities undertaken overseas, including the training of Malaysian staff, will be considered for double deduction on a case-by-case basis.

Claims should be submitted to IRB.

### **ii. Incentives for Researchers to Commercialise Research Findings**

Researchers who undertake research focused on value creation will be given a 50% tax exemption for five years on the income that they receive from the commercialisation of their research findings. The undertaking has to be verified by the Ministry of Science, Technology and Innovation.

Claims should be submitted to IRB.

## **6. INCENTIVES FOR TRAINING**

### **6.1 Additional Incentives for Training**

#### **i. Deduction for Cost of Recruitment of Workers**

Cost of recruitment of workers is allowed as a deduction for the purpose of tax computation.

Cost includes expenses incurred in participation in job fairs, payment to employment agencies and head-hunters.

Claims should be submitted to IRB.

#### **ii. Deduction for Pre-Employment Training**

Training expenses incurred before the commencement of business qualify for a single deduction. Nevertheless, companies must prove that they will employ the trainees.

Claims should be submitted to IRB.

#### **iii. Deduction for Non-Employee Training**

Expenses incurred in providing practical training to residents who are not employees of the company can be considered for single deduction.

Claims should be submitted to IRB.

#### **iv. Deduction for Cash Contributions**

Contributions in cash to technical or vocational training institutions that are not operating primarily for profit and those established and maintained by a statutory body qualify for single deduction.

Claims should be submitted to IRB.

#### **v. Special Industrial Building Allowance**

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 10 years on qualifying capital expenditure for the construction or purchase of a building.

Claims should be submitted to IRB.

#### **vi. Tax Exemption on Educational Equipment**

Approved training institutes, in-house training projects and all private institutions of higher learning are eligible for import duty, and excise duty exemptions on all educational equipment including laboratory equipment for workshops, studios and language laboratories.

Applications should be submitted to MIDA.

### **vii. Tax Exemption on Royalty Payments**

Royalty payments made by educational institutions to non-residents (franchisors) for franchised education programmes that are approved by the Ministry of Education are eligible for tax exemption.

Claims should be submitted to IRB.

### **viii. Double Deduction for Approved Training**

Manufacturing and non-manufacturing companies that do not contribute to the Human Resource Development Fund (HRDF) qualify for double deduction on expenses incurred for approved training.

- a) Manufacturing companies are allowed to claim training expenses before or after commencement of business.
  - Expenditure incurred in training its employees for its purpose of upgrade and developing the employee's craft, supervisory and technical skills or increasing the productivity or quality of its product under training programme approved by MIDA or training programme conducted by a training institution.
- b) Non-manufacturing company
  - Expenditure incurred in training its employees under training programme approved by MOF or any agency appointed by MOF or training programme conducted by a training institution.

For the hotel and tour operation business, training programmes, in-house or at approved training institutions, to upgrade the level of skills and professionalism in the tourism industry, should be approved by the Ministry of Tourism or training programme conducted by a training institution.

Claims should be submitted to IRB.

### **ix. Human Resource Development Fund (HRDF)**

Please refer to Chapter 5 on Manpower for Industry.

Claims should be submitted to IRB.

### **x. Tax Incentive for Structured Internship Programme**

Double deduction is given on expenses incurred by companies that implement the structured internship programme approved by Talent Corporation Malaysia Berhad. The qualifying criteria for this programme among others are as follows:

- a) The internship programme is for Malaysian interns/students who are pursuing a bachelor degree programme, diploma and equivalent vocational certification on full-time basis in local institution of higher learning.

- b) Internship programme is for a minimum period of 10 weeks with a monthly allowance of not less than RM 500.

Claims should be submitted to IRB.

The incentive applicable for Year of Assessment 2012 until 2019.

## **7. INCENTIVES FOR APPROVED SERVICE PROJECTS**

Approved Service Projects (ASPs) or projects in the transportation, communications and utilities sub-sectors approved by the Minister of Finance qualify for the following tax incentives:

### **7.1 Main Incentives for ASPs**

#### **i. Exemption under Section 127 of the Income Tax 1967**

Under Section 127 of the Income Tax 1967, companies undertaking ASPs can apply for income tax exemption of 70% of their statutory income for five years. Companies undertaking ASPs of national and strategic importance are eligible for a 100% income tax exemption of their statutory income for 10 years.

Applications should be submitted to the Ministry of Finance.

#### **ii. Investment Allowance under Schedule 7B of the Income Tax Act 1967**

The Investment Allowance (IA) under Schedule 7B of the Income Tax Act 1967 is an alternative to the incentive offered under Section 127. Under IA, companies undertaking ASPs are eligible for an allowance amounting to 60% on the qualifying capital expenditure incurred within five years from the date the first capital expenditure is incurred. The allowance can be offset against 70% of the statutory income and any unutilised allowances can be carried forward to subsequent years until fully utilised.

Companies undertaking ASPs of national and strategic importance are eligible for an allowance of 100% on the qualifying capital expenditure incurred within five years. This allowance can be offset against 100% of the statutory income.

Applications should be submitted to the Ministry of Finance.

### **7.2 Additional Incentives for ASPs**

Exemption from Import Duty, Sales Tax and Excise Duty on Raw Materials, Components, Machinery, Equipment, Spares and Consumables.

Companies providing services in the transportation and telecommunications sectors, power plants and port operators can apply for import duty and sales tax exemption on spares and consumables that are not produced locally.

The above applications should be submitted to the Ministry of Finance.

## **8. INCENTIVES FOR THE SHIPPING AND THE TRANSPORTATION INDUSTRY**

### **8.1 Tax Incentive for Malaysian Ships**

- The income of a shipping company derived from the operation of Malaysian ships is 70% exempted from tax from Year of Assessment 2012. This incentive only applies to residents. A “Malaysian Ship” is defined as a sea-going ship registered as such under the Merchant Shipping Ordinance 1952 (Amended), other than a ferry, barge, tugboat, supply vessel, crew boat, lighter, dredger, fishing boat or other similar vessels.
- The Income of any person derived from exercising an employment on board a “Malaysian Ship” is exempted from tax.
- Income received by non-residents from the rental of ISO containers to Malaysian shipping companies is also exempted from income tax.

Claims should be submitted to IRB.

## **9. INCENTIVES FOR INFORMATION AND COMMUNICATION TECHNOLOGY (ICT)**

### **9.1 Incentives for the Purchase of Information and Communication Technology (ICT) Equipment**

#### **Accelerated Capital Allowance**

From the Year of Assessment 2009 to the Year of Assessment 2015, a person residing in Malaysia is eligible for ACA in respect of capital expenditure incurred in the basis period for a year of assessment in relation to the purchase of any information and communications technology equipment used for the purpose of a business.

ACA is given at 20% for the initial allowance and 80% for the annual allowance. This means the qualifying expenditure is written off in one year.

Claims should be submitted to IRB.

## **10. INCENTIVES FOR LESS DEVELOPED AREAS**

Existing manufacturing/services company expanding its operation into the less developed areas or newly established manufacturing/services company is eligible for:

- i. Income Tax Exemption of 100% up to fifteen years of assessment (5+5+5) commencing from the first year of assessment the company derives statutory income. Unabsorbed capital allowances incurred during the exemption period can be carried forward and deducted from the post exemption income of the company. Accumulated losses during exemption period can be carried forward and deducted for a period of seven consecutive years;

or;

Income Tax Exemption equivalent to 100% of qualifying capital expenditure (Investment Tax Allowance) incurred within a period of ten years. The allowance can be offset against 100% of statutory income for each assessment year. Unutilised allowances can be carried forward until fully absorbed;

- ii. Stamp duty exemption on transfer or lease of land or building used for development in relation to manufacturing and services activities;
- iii. Withholding tax exemption on fees for technical advice, assistance or services or royalty in relation to manufacturing and services activities up to 31 December 2020;
- iv. Import duty exemption on raw materials and components that are not produced locally and used directly in the manufacture of finished products subject to the prevailing policy, guidelines and procedures; and
- v. Import duty exemption on machinery and equipment that are not produced locally and used directly in the activity for selected services sector subject to the prevailing policy, guidelines and procedures.

The incentives are effective for applications received by MIDA from 1 January 2015 until 31 December 2020.

## **11. OTHER INCENTIVES**

This section covers other incentives not mentioned elsewhere and may be applicable to the following sectors: manufacturing, agriculture, aerospace, tourism, environmental management, research and development, training, information and communication technology. Approved Service Projects and manufacturing related services.



### 11.1 Industrial Building Allowance

An Industrial Building Allowance (IBA) is granted to companies incurring capital expenditure on the construction or purchase of a building that is used for specific purposes, including:

- Manufacturing, agriculture, mining, infrastructure facilities, research, Approved Service Projects and hotels that are registered with the Ministry of Tourism.
- Industrial, technical or vocational training, school or educational institution, kindergartens approved by the Minister of Education or any relevant authority.
- Private child care centres registered with the Department of Social Welfare.

Claims should be submitted to IRB.

### 11.2 Industrial Building Allowance 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.

### 11.3 Deduction of Audit Fees

To reduce the cost of doing business and enhance corporate compliance, expenses incurred on audit fees by companies are deemed as allowable expenses for deduction in the computation of income tax.

Claims should be submitted to IRB.

### 11.4 Tax Incentive for Angel Investor

An angel investor who invests in a venture company at seed capital financing, start-up financing and early stage financing is eligible to claim deduction on the total value of investment. To attract more angel investor to provide funding to venture companies, effective from 1 January 2013 the total investment by angel investor in a venture company is allowed as a deduction against all income.

Effective for applications received from 1 January 2013 until 31 December 2020 by Ministry of Finance.

### 11.5 Tax Incentive on Costs of Dismantling and Removing Assets

Costs of dismantling and removing assets including plant and machinery as well as restoring the site where the asset was located do not qualify for allowance under the Schedule 3, Income Tax Act 1967 since this expenditure is not deemed as cost of the asset. However, Financial Reporting Standards 116 (FRS 116) stipulates that the cost of an asset includes the estimated cost required to be incurred relating to the obligation to dismantle and remove the asset and to restore the site on which the asset was located.

Therefore, to streamline the tax treatment under the Income Tax Act 1967 and FRS 116, a special provision is introduced in Schedule 3, Income Tax Act 1967 to provide for balancing allowance\* on the cost of dismantling and removing asset including plant and machinery as well as restoring the site where the asset was located.

Claim should be submitted to IRB.

*\*The total balancing allowance is determined by adding the cost of dismantling and removing the plant and machinery as well as restoring the site to the balance of expenditure on plant and machinery at the time of the disposal of the asset.*

### 11.6 Incentive for Acquiring Proprietary Rights

Manufacturing companies (at least 70% owned by Malaysian citizens) which incur cost on acquisition of proprietary rights such as patents, industrial design or trademarks granted or registered under the relevant written laws.

Cost of acquisition of proprietary rights inclusive of consultancy fees, legal fees, stamp duties incurred but do not include any payment of royalty.

Deduction of annual amount equal to 20% over a period of five years of cost incurred to acquire proprietary rights.

Claims should be submitted to IRB.

### 11.7 Tariff Related Industries

#### i. Exemption from Import Duty on Raw Materials/ Components

Full exemption from import duty can be considered for raw materials/ components, regardless of whether the finished products are meant for the export or domestic market.

Where the finished products are for the export market, full exemption from import duty on raw materials/components is normally granted, provided the raw materials/components are not produced locally or, where they are produced locally, are not of acceptable quality and price.

Where the finished products are for the domestic market, full exemption from import duty on raw materials/components that are not produced locally can be considered. Full exemption can also be considered if the finished products made from dutiable raw materials/components are not subject to any import duty.

Hotel and tourism projects qualify for full exemption of import duty on identified imported materials.

Applications should be submitted to MIDA.

## **ii. Self-Declaration Mechanism for Import Duty and/or Sales Tax Exemption on Machinery, Equipment, Spare Parts, Consumables through the Customs Duties (Exemption) Order 2013 and Sales Tax (Exemption) Order 2013**

Manufacturers in the Principal Customs Area (PCA) can benefit from these facilities by claiming the exemption on import duty and/or sales tax on machinery, equipment, spare parts, and consumables under these Orders through a self-declaration process.

Under this new self-declaration mechanism, a company is required to submit a confirmation letter issued by MIDA together with the list of machinery, equipment, spare parts and consumables, to be imported or purchased to Customs for permission to claim the exemption. Companies would be able to obtain the permission within a period of two (2) weeks from the date of complete submission received by Customs.

Prior to the introduction of this new mechanism, an application to MIDA for import duty and/or sales tax exemption on machinery, equipment, spare parts and consumables under the provisions of Section 14(2), Custom Act, 1967 and/or Section 10, Sales Tax Act, 1972 would require a processing period of four (4) weeks from the date of complete information received.

The implementation of the Customs Duties (Exemption) Order 2013 and Sales Tax (Exemption) Order 2013 took effect on 2nd May 2014.

The key areas of the exemptions are for Manufacturers in the PCA:

- a) Import duty exemption on machinery and equipment excluding spare parts and consumables imported or purchased from a Licensed Manufacturing Warehouse, Bonded Warehouse or Free Zone under item 115 Customs Duties (Exemption) Order 2013;

- b) Sales tax exemption on machinery, equipment, spare parts and consumables imported or purchased from a Licensed Manufacturing Warehouse, Bonded Warehouse or Free Zone under item 106 Sales Tax (Exemption) Order 2013; and
- c) Sales tax exemption on machinery, equipment, spare parts and consumables purchased from a manufacturer (licensed under the Sales Tax Act, 1972) under item 106 Sales Tax (Exemption) Order 2013.

The application must be submitted prior to the importation or purchase of the machinery, equipment, spare parts and consumables. As such, companies are advised to take into consideration the duration needed for the whole process to claim the exemption. This new mechanism with a self-declaration and self-regulatory environment; and time saving measures would be able to reduce the costs of doing business without the necessity of obtaining bank guarantee facilities for the clearance of goods.

MIDA provides online applications facilities for the application of the Self Declaration Mechanism for Tax Exemption. With this facility, users will be able to use the e-filing digital certificate (from LHDN) or download the digital certificate from MIDA to digitally sign the application form prior to the submission to MIDA.

## **iii. Exemption from Import Duty for Outsourcing Manufacturing Activities**

To reduce the cost of doing business and enhance competitiveness, owners of Malaysian brands with at least 60% Malaysian equity ownership who outsource manufacturing activities are eligible for:

- a) Import duty exemptions on raw materials and components used in the manufacturing of finished products by their contract manufacturers locally or abroad.
- b) Import duty and sales tax exemptions on semi-finished goods from their contract manufacturers abroad, to be used by their local contract manufacturers to manufacture the finished products.

Applications should be submitted to MIDA.

#### **iv. Import Duty and Sales Tax Exemption for Maintenance, Repair and Overhaul (MRO) Activities**

##### Sales Tax Exemption for Maintenance, Repair and Overhaul (MRO) Activities

Under Schedule A, Sales Tax (Persons Exempted From Payment Of Tax) (Amendment) (No.2) Order 2018, a registered aerospace MRO company in Malaysia is allowed to claim for sales tax exemption on:

- a) machinery, equipment, specialised tools under item 33A
- b) spare parts, components, materials and specialised consumables goods under item 33B

which are directly used in MRO activities within Malaysia.

The application which is done through self-declaration process requires company to apply a confirmation letter from MIDA prior to importation or purchase. The company will then submit the confirmation letter issued by MIDA and the list of machinery, equipment, specialised tools, spare parts, components, materials and specialised consumables goods to Royal Malaysian Customs Department for sales tax exemption.

Application for Letter of Confirmation should be submitted to MIDA.

Application for sales tax exemption has to be submitted online via <https://mysst.customs.gov.my>

##### Import Duty Exemption for Maintenance, Repair and Overhaul (MRO) Activities

Registered aerospace MRO company in Malaysia is also eligible for exemption for import duty exemption on machinery, equipment, specialised tools, spare parts, components, materials and specialised consumables goods.

Application for import duty exemption should be submitted to MOF.

#### **v. Double Deduction on Freight Charges**

Manufacturers who ship their goods from Sabah or Sarawak to any port in Peninsular Malaysia qualify for double deduction on freight charges.

#### **vi. Double Deduction for the Promotion of Malaysian Brand Names**

To promote Malaysian brand names, a company which is at least 70% Malaysian owned who is a registered proprietor of a Malaysian brand, or related company that is owned more than 50% by the registered proprietor of the Malaysian brand name which incurs expenditure on advertising Malaysian brand name goods:

- a) the company must be owned more than 50% by the registered proprietor of the Malaysian brand name;
- b) the deduction can only be claimed by one company in a year of assessment; and
- c) the products meet export quality standard.

Claims should be submitted to IRB.

#### **11.8 Donations for Environmental Protection**

Donations to an approved organisation exclusively for the protection and conservation of the environment qualify for single deduction.

Claims should be submitted to IRB.

#### **11.9 Incentive for Employees' Accommodation**

Buildings used for employees for the purpose of living accommodation in a manufacturing operation, an Approved Service Project, hotel or tourism business, are eligible for special Industrial Building Allowance of 10% of the expenditure incurred on the construction/purchase of the building for 10 years.

Claims should be submitted to IRB.

CHAPTER

3

## TAXATION







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# TAXATION

## 1. TAXATION IN MALAYSIA

Income of any person including a company, accruing in or derived from Malaysia or received in Malaysia from outside Malaysia is subject to income tax.

However, income received in Malaysia by any person other than a resident company carrying on business of banking, insurance or sea or air transport for a year of assessment derived from sources outside Malaysia is exempted from tax.

To modernise and streamline the tax administration system, the self-assessment system was implemented for companies, sole proprietors, partnerships, cooperatives and salaried groups and the assessment of income tax is based on a current year basis.

## 2. CLASSES OF INCOME ON WHICH TAX IS CHARGEABLE

The income which tax is chargeable is income in respect of:

- i. gains or profits from a business, for whatever period of time carried on;
- ii. gains or profits from an employment (salaries, remunerations, etc.);
- iii. dividends, interests or discounts;
- iv. rents, royalties or premium;
- v. pensions, annuities or other periodical payments
- vi. other gains or profits of an income nature.

Chargeable income is arrived at after adjusting for allowable expenses incurred in the production of the income, capital allowances and incentives where applicable. Section 34 of the Income Tax Act 1967 allows specific provisions for bad or doubtful debts. However, no deduction for book depreciation is allowed although capital allowances are granted. Unabsorbed business losses can only be carried forward for seven (7) consecutive years and any balance unabsorbed which is not deductible at the end of that period will be disregarded.

## 3. COMPANY TAX

A company, whether resident or not, is assessable on income accrued in or derived from Malaysia. Income derived from sources outside Malaysia and remitted by a resident company is exempted from tax, except in the case of the banking and insurance business, and sea and air transport undertakings. A company is considered a resident in Malaysia if the control and management of its affairs are exercised in Malaysia.

Effective from the year of assessment 2016, the corporate tax rate is at 24%. This rate is also applicable to the following entities:

- i. a trust body;
- ii. an executor of an estate of an individual who was domiciled outside Malaysia at the time of his death;
- iii. a receiver appointed by the court ; and
- iv. a limited liability partnership other than a limited liability partnership to which paragraph 2D applies

Resident companies and limited liability partnership with paid-up capital/capital contribution of RM 2.5 million and less at the beginning of the basis period for a year of assessment will be tax at the following rate :

On the first RM 500,000 chargeable income - 17%

On subsequent chargeable income - 24%

A person carrying on petroleum upstream operations is subject to a Petroleum Income Tax of 38%. With effect from the year of assessment 2010, the assessment system on income derived from upstream petroleum companies under the Petroleum (Income Tax) Act 1967 is changed to the current year assessment system; and self-assessment system.

The deduction for payment of zakat made by a company, cooperative society or trust body shall not exceed 2.5% of its aggregate income in the relevant year of assessment.

Deductions are allowed for contributions made to:

- i. the Government, State Government, local authorities; or
- ii. institutions or organisations approved by the Director General of Inland Revenue Board Malaysia; or
- iii. sports activities approved by the Minister of Finance or Commissioner of Sports; or
- iv. project of national interest approved by the Minister of Finance.

The contributions in respect of ii, iii, and iv shall not exceed 10% of the aggregate income of the company in the relevant year of assessment with effect from the year of assessment 2009.

## 4. PERSONAL INCOME TAX

All individuals are liable to tax on income accrued in and derived from Malaysia. The rate of tax depends on the individual's resident status, which is determined by the duration of his stay in the country as stipulated under Section 7 of the Income Tax Act 1967. Generally, an individual who is in Malaysia for at least 182 days in a calendar year is regarded as a tax resident.

### 4.1 Resident Individual

A resident individual is taxed on his chargeable income after deducting personal reliefs at a graduated rate from 0% to 28% with effect from the year of assessment 2016.

#### 4.1.1 Personal Relief

The chargeable income of resident individuals is computed by deducting the personal reliefs from the total income. The types of relief available are as follows:

No.	Individual Relief Types	Year Assessment 2019 (RM)
1.	Self and Dependent	9,000
2.	Medical expenses for parents	5,000 (Limited)
3.	Basic supporting equipment	6,000 (Limited)
4.	Disabled Individual	6,000
5.	Education Fees (Individual)	7,000 (Limited)
6.	Medical expenses for serious diseases	6,000 (Limited)
7.	Complete medical examination	500 (Limited)

No.	Individual Relief Types	Year Assessment 2019 (RM)
8.	Lifestyle: <ul style="list-style-type: none"> <li>i. Purchase of books, journals, magazines and publications;</li> <li>ii. Purchase of personal computer, smartphone or tablet ;</li> <li>iii. Purchase of sport equipment for sport activities; and</li> <li>iv. Subscription fees for broadband registered in the name of the individual</li> </ul>	RM2,500 (Limited)
9.	Net saving in SSPN's scheme	RM 8,000 (Limited)
10.	Husband/Wife/Alimony Payments	RM 4,000 (Limited)
11.	Disabled Wife/Husband	RM 3,500
12.	Ordinary Child relief	RM 2,000 (Limited)
13.	Each unmarried child of 18 years old and above who is receiving full-time education ("A-Level, certificate, matriculation or preparatory courses).	RM 2,000 (Limited)
14.	Each unmarried child of 18 years old and above that: <ul style="list-style-type: none"> <li>(i) receiving further education in Malaysia in respect of an award of diploma or higher (excluding matriculation/ preparatory courses).</li> <li>(ii) receiving further education outside Malaysia in respect of an award of degree or its equivalent (including Master or Doctorate).</li> <li>(iii) the instruction and educational establishment shall be approved by the relevant government authority.</li> </ul>	RM 8,000 (Limited)

No.	Individual Relief Types	Year Assessment 2019 (RM)
15.	Disabled child  Additional exemption of RM 6,000 for each disabled child aged 18 years old and above, not married and pursuing diplomas or higher qualification in Malaysia or a bachelor degree or higher outside Malaysia in Higher Education Institute that is accredited by related Government authorities	RM 6,000 (Limited)
16.	Life insurance and EPF	Life Insurance: RM 3,000 (Limited) EPF: RM 4,000 (Limited) Civil Servants who have opted for pension retirement scheme : RM 7,000 (Limited)
17.	Contribution for Private Retirement Scheme approved by Securities Commission and deferred annuity	3,000 (Limited)
18.	Insurance premium for education or medical benefit	3,000 (Limited)

#### 4.1.2 Tax Rebate

The tax charged on a resident individual is reduced by way of the following rebates:

##### i. Income Tax Rebates For Resident Individual With Chargeable Income Less Than RM35,000

An individual with a chargeable income not exceeding RM35,000 enjoys a rebate of RM400 effective from year of assessment 2009. Where the wife is not working or the wife's income is jointly assessed, she also enjoys a further rebate of RM400. Similarly, a wife who is assessed separately will also enjoy a RM400 rebate, provided her chargeable income does not exceed RM35,000.

No.	Tax Rebate	Year of Assessment 2009 Onwards (RM)
a	Separate Assessment Wife Husband	400 400
b	Combined Assessment Wife Husband	400 400
	Total	800
c	Assessment Where Husband Or Wife Does Not Have Any Total Income Wife Husband	400 400
	Total	800

##### ii. Other Tax Rebates

No.	Tax Rebate	(RM)
a	Zakat/Fitrah	Subject to the maximum of tax charged

#### 4.2 Non-Resident Individual

Effective from year of assessment 2016, a non-resident individual is liable to tax at the rate of 28% without any personal relief.

### 5. WITHHOLDING TAX

Non-resident individuals are subject to a final withholding tax of:

10% on special classes of income such as:

- in consideration of services rendered by the person or his employee in connection with the use of property or rights, installation of or operation of any plant, machinery or other apparatus;
- in consideration of any advice given, or assistance or services rendered in connection with the management or administration of any scientific, industrial or commercial undertaking, venture, project or scheme;
- rent or other payments made under any agreement or arrangement for the use of any moveable property.



Withholding tax will not be applicable for income received in respect of the services (a) and (b) rendered or performed outside Malaysia.

Effective from 1 January 2009, to reduce the cost of technical services provided by non-residents, reimbursements or disbursement relating to hotel accommodation in Malaysia will not be included in the computation of gross technical fees for the purpose of withholding tax.

In respect of withholding tax not paid, a penalty of 10% is imposed only on the amount of unpaid tax and not on the total payment made to a non-resident.

## 6. REAL PROPERTY GAINS TAX

Capital gains are generally not subject to income tax in Malaysia. However, real property gains tax is charged on chargeable gains arising from the disposal of real property situated in Malaysia or of interest, options or other rights in or over such land as well as the disposal of shares in real property companies.

Effective from 1 January 2019, gains from the disposal of residential and commercial properties are taxed between 5% and 30% depending on the holding period of real properties as follows:

**RPGT Rates**

Disposal	Company	Other Than Company and Other Than Non-Citizen and Non-Permanent Resident Individual	Non-Citizen and Non-Permanent Resident Individual
Within 3 Years	30%	30%	30%
In The 4th Year	20%	20%	30%
In The 5th Year	15%	15%	30%
In The 6th & Subsequent Years	10%	5%	10%

The RPGT rates will not burden genuine property owners as they are given exemption and the payment of RPGT is based on net gains as follows:

- RPGT exemption on gains from the disposal of one private residence once in a lifetime by an individual who is a citizen or a permanent resident of Malaysia. Election has to be made in writing;

- RPGT exemption on gains from disposal of property between parents and children, husband and wife, grandparents and grandchildren for no consideration;
- RPGT is charged only on net gains after deducting all related costs such as purchase price, renovation costs and incidental costs e.g. legal fees and stamp duty upon submission of receipts; and
- Exemption up to RM10,000 or 10% of the net gains, whichever is higher, is given to an individual.

For further information on company and individual tax, visit [www.hasil.gov.my](http://www.hasil.gov.my).

## 7. SALES AND SERVICE TAX

Effective from 1 September 2018, the Sales Tax Act 2018 and the Service Tax Act 2018 together with its respective subsidiary legislations are introduced to replace the Goods and Services Tax (GST) Act 2014.

### 7.1 Sales tax

Under the Sales Tax Act 2018, sales tax is charged and levied on imported and locally manufactured goods either at the time of importation or at the time the goods are sold or otherwise disposed of by the registered manufacturer.

Sales tax administered in Malaysia is a single stage tax imposed on the finished goods manufactured in Malaysia and goods imported into Malaysia.

Sales tax is imposed on taxable goods manufactured in Malaysia by any registered manufacturer at the time the goods are sold, disposed of other than by sales or used other than as a material in the manufacture of goods.

Sales tax on imported goods is charged when the goods are declared, duty paid and released from customs control.

Manufacturers who manufacture taxable goods with sales value which exceeds RM500,000 within the period of 12 months, are required to be registered pursuant to Section 12 Sales Tax Act 2018.

Manufacturers who manufacture taxable goods with sales value of RM500,000 and below, have the option to be registered on a voluntary basis under Section 14 of the Sales Tax Act 2018 to enable them to enjoy the facilities given under the Act.

Manufacturers who carry out its business as a subcontractor and the total labour charge of the subcontract works exceeds RM500,000 within 12 months, are required to be registered pursuant to Section 12 of the Sales Tax Act 2018.

### **7.1.1 Rates of Sales Tax**

Sales tax is an ad valorem tax and different rates apply (5% and 10%) based on group of taxable goods as indicated in the provision.

Sales tax for petroleum is charged on a specific rate which is different from other taxable goods.

## **7.2 Service Tax**

Service tax in Malaysia is a form of indirect single stage tax imposed on specified services termed as “taxable services”. The Service tax cannot be levied on any service which is not included in the list of taxable services prescribed by the Minister under the First Schedule of Service Tax Regulations 2018.

The Service Tax Act 2018 (STA 2018) applies throughout Malaysia excluding designated areas, free zones, licensed warehouses, licensed manufacturing warehouses and Joint Development Area (JDA).

### **7.2.1 Taxable Service**

Taxable services are any services which are listed in the various categories in the First Schedule of Service Tax Regulations 2018. Any taxable person providing taxable services and exceeding the respective thresholds is required to be registered. The categories are accommodation, food and beverage operator, night-clubs, dance halls, health and wellness centres, private club, golf club and golf driving range, betting and gaming services, professional services and other service providers such as insurance, telecommunication, parking operator, advertising and etc.

### **7.2.2 Charge to Tax**

Service tax is charged on any provision of taxable services provided in Malaysia by a registered person in carrying on his business.

The service tax is due and payable when payment is received for any taxable service provided to a customer by the registered person.

### **7.2.3 Rate of Service Tax**

The rate of service tax is fixed under the Service Tax (Rate of Tax) Order 2018 and comes into force on 1 September 2018. The rate of service tax is 6% of the price or premium for insurance policy, value of betting and gaming, etc. of the taxable service as determined under section 9 of STA 2018.

### **7.2.4 Rate of Service Tax for Credit and Charge Cards**

The rate of service tax on the provision of credit card or charge card services is RM25 per year on the principal and supplementary card. The service tax is chargeable on the date of the issuance of the card and every 12 months thereafter or part thereof after the issuance of the card or on the date of the renewal of the card and every 12 months thereafter or part thereof after the renewal of the card.

For more information, please visit <https://mysst.customs.gov.my/>

## **8. IMPORT DUTY**

In Malaysia, import duty is mostly imposed ad valorem although specific duties are also imposed on a number of items. Nevertheless, in line with trade liberalisation, import duties on a wide range of goods have been reduced or abolished.

Furthermore, Malaysia is committed to the ASEAN Trade in Goods Agreement (ATIGA) under which import duties on more than 99% of goods traded within ASEAN have been effectively eliminated on 1 January 2010.

Malaysia continues to participate in negotiations of free trade arrangements in areas of trade in goods, rules of origin, and investments. To date, Malaysia has concluded bilateral free trade agreements with Japan, Pakistan, New Zealand and India, Chile and Australia, and also regional agreements under ASEAN with China, Japan, Korea, Australia/New Zealand and India. Under these agreements, import duties will be reduced or eliminated according to the agreed schedule.

## **9. EXCISE DUTY**

Excise duties are levied on selected products manufactured in Malaysia, namely cigarettes, tobacco products, alcoholic beverages, playing cards, mahjong tiles and motor vehicles. While excise duties are charged at ad valorem rates for motor vehicles, playing cards and mahjong tiles, they are imposed at a combination of specific and ad valorem rates for cigarettes, tobacco products and alcoholic beverages.

The government has implemented an excise duty on sugary beverages, effectively from 1 July 2019 as per the following schedule:-

Tariff No.	Category	Total Sugar	Excise Duty	Example
2009	Fruit Juices, Vegetable Juices	> 12 gram/100m	RM0.40/liter	Orange Juice, Lime Juice
2202	a) Carbonated drinks, Non-alcoholic beverages other than animal-based dairy products	> 5 gram/100m	RM0.40/liter	Cola drinks, Isotonic drinks, Carbonated drinks
2202	b) Animal-based dairy products	> 7 gram/100m	RM0.40/liter	Chocolate-flavoured milk drink

## 10. CUSTOMS APPEAL TRIBUNAL AND CUSTOMS RULING

Customs Appeal Tribunal (CAT) is an independent body, establish to decide on appeals against the decision of the Director General of Customs pertaining to matters under the Customs Act 1967, Sales Tax Act 2018, Service Tax Act 2018 and Excise Act 1976.

In addition, Customs Ruling is introduced under the Customs Act 1967, Sales Tax Act 2018, Service Tax Act 2018 and Excise Act 1976 to provide business sectors with the elements of certainty and predictability in planning their business activities.

The ruling issued by the Customs and agreed by the applicant shall be legally binding the applicant for a specific period time. The main features of Customs Ruling are:

- applications for Customs Ruling can be made with respect to classification of goods, determination of taxable services and the principles of determination of value of goods and services;
- application should be made in writing together with sufficient facts and prescribed fee;
- applications may be made before the goods are imported or the services are provided upon which Customs will issue an customs ruling.

## 11. DOUBLE TAXATION AGREEMENT

Double Taxation Agreement (DTA) is an agreement between two countries seeking to avoid double taxation by defining the taxing rights of each country with regard to cross-border flows of income and providing for tax credits or exemptions to eliminate double taxation.

The objectives of Malaysian DTA are as follows:

- to create a favourable climate for both inbound and outbound investments;
- to make Malaysia's special tax incentives fully effective for taxpayers of capital exporting countries;
- to obtain a more effective relief from double taxation compared to relief gained under unilateral measures; and
- to prevent evasion and avoidance of tax.

Like many other countries in the developed as well as the developing world, Malaysia too cannot absolve herself from the need to facilitate her trade and investments with the outside world through international tax treaty network with other countries. The increased pace of industrialisation coupled with increased foreign direct investment in the country necessitated tax treaty arrangements with other countries to provide investors with certainty and guarantees in the area of taxation. As at 21 June 2019, the effective DTAs are as follows:

#### Countries

• Albania	• Germany	• Mongolia	• South Africa
• Argentina*	• Hong Kong	• Morocco	• Spain
• Australia	• Hungary	• Myanmar	• Sri Lanka
• Austria	• India	• Namibia	• Sudan
• Bahrain	• Indonesia	• Netherlands	• Sweden
• Bangladesh	• Iran	• New Zealand	• Switzerland
• Belgium	• Ireland	• Norway	• Syria
• Bosnia Herzegovina	• Italy	• Pakistan	• Thailand
• Brunei	• Japan	• Papua New Guinea	• Turkey
• Canada	• Jordan	• Philippines	• Turkmenistan
• China	• Kazakhstan	• Poland	• United Arab Emirates
• Chile	• Korea	• Qatar	• United Kingdom
• Croatia	• Kuwait	• Romania	• United States of America*
• Czech Republic	• Kyrgyz, Republic	• Russia	• Uzbekistan
• Denmark	• Laos	• San Marino	• Vietnam
• Egypt	• Lebanon	• Saudi Arabia	• Venezuela
• Fiji	• Luxembourg	• Seychelles	• Zimbabwe
• Finland	• Malta	• Singapore	
• France	• Mauritius	• Slovak Republic	

\* Limited Agreement

In the case of Taiwan [represented by Taipei Economic and Cultural Office in Malaysia (TECO)] double taxation relief is given by way of the following Income Tax Exemption Order:

- i. P.U.(A) 201 (1998)
- ii. P.U.(A) 202 (1998)

For more information, please visit [www.hasil.gov.my](http://www.hasil.gov.my) or email [lhdn\\_int@hasil.gov.my](mailto:lhdn_int@hasil.gov.my)



CHAPTER

# 4

## IMMIGRATION PROCEDURES





## **1. ENTRY REQUIREMENTS INTO MALAYSIA**

- 1.1 Passport or Travel Document
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- 2.1 Types of Expatriate Posts
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## **3. APPLYING FOR EXPATRIATE POSTS**

## **4. EMPLOYMENT OF FOREIGN WORKERS**



# IMMIGRATION PROCEDURES

## 1. ENTRY REQUIREMENTS INTO MALAYSIA

### 1.1 Passport or Travel Document

All persons entering Malaysia must possess valid national passports or other internationally recognised Travel Documents valid for travelling to Malaysia. These documents must be valid for at least six months from the date of entry into Malaysia.

Those with passports not recognised by Malaysia must apply for a document in lieu of Passport as well as visa issued by the Malaysian Representative Office abroad. Applications for visas can be made at the nearest Malaysian Representative Office in the respective countries.

In countries where Malaysian Representative Office has not been established, applications can be made to the nearest High Commission or Embassy.

### 1.2 Visa Requirement

A visa is an endorsement in a passport or other recognised travel document of a foreigner indicating that the holder has applied for permission to enter Malaysia and that permission has been granted.

Foreign nationals who require a visa to enter Malaysia must apply and obtain a visa in advance at any Malaysian Representative Office abroad before entering the country.

Visa requirement by countries are as follows:

#### Countries that require visa

• Afghanistan*	• Cote D'Ivoire	• Myanmar (normal passport)
• Angola	• Djibouti	• Nepal
• Bhutan	• Equatorial Guinea	• Niger
• Burkina Faso	• Eritrea	• Rwanda
• Burundi	• Ethiopia	• Republic of Serbia & Republic of Montenegro
• Central African Republic	• Guinea-Bissau	• Sri Lanka
• China	• Hong Kong (Certificate of Identity or Document of Identity)	• Taiwan
• Colombia	• India	• United Nations (Laissez Passer)
• Congo Democratic Republic	• Liberia	• Western Sahara
• Congo Republic	• Mali	

#### Commonwealth countries that require visa

• Bangladesh	• Cameroon	• Ghana
• Mozambique	• Nigeria	• Pakistan

**Countries that require visa for stay exceeding 3 months**

• Albania	• Algeria	• Argentina
• Australia	• Austria (Vienna)	• Bahrain
• Belgium	• Bosnia-Herzegovina	• Brazil
• Croatia	• Cuba	• Czech Republic
• Denmark	• Egypt	• Finland
• France	• Germany	• Hungary
• Iceland	• Ireland	• Italy
• Japan	• Jordan	• Kirgystan
• Kuwait	• Kyrgyz Republic	• Lebanon
• Liechtenstein	• Luxembourg	• Morocco
• Netherlands	• Norway	• Oman
• Peru	• Poland	• Qatar
• Romania	• St. Marino	• Saudi Arabia
• Slovakia	• South Korea	• Spain
• Sweden	• Switzerland	• Tunisia
• Turkey	• Turkmenistan	• United Arab Emirates
• United Kingdom	• Uruguay	• Yemen

**Countries that require visa for stay exceeding 14 days**

• Iran	• Macao (Travel Permit/Portugal Certificate of Identity)	• Somalia
• Iraq	• Palestine	• South Yemen
• Libya	• Sierra Leone	• Syria



### Countries that require visa for stay exceeding 1 month

• Armenia	• Guinea Republic	• Paraguay
• Azerbaijan	• Haiti	• Portugal
• Barbados	• Honduras	• Russia
• Belarus	• Hong Kong SAR	• Sao Tome and Principe
• Benin	• Kazakhstan	• Senegal
• Bolivia	• Latvia	• Slovenia
• Bulgaria	• Lithuania	• Sudan
• Cambodia	• Macao SAR	• Surinam
• Cape Verde	• Macedonia	• Tajikistan
• Chad	• Madagascar	• Togo
• Chile	• Moldova	• Ukraine
• Costa Rica	• Mauritania	• Upper Volta
• Ecuador	• Mexico	• Uzbekistan
• El Salvador	• Monaco	• Vatican City
• Estonia	• Mongolia	• Venezuela
• Gabon	• Nicaragua	• Zaire
• Georgia	• North Korea	• Zimbabwe
• Greece	• North Yemen	
• Guatemala	• Panama	

For nationals of United States of America, no visa is required for social, business or academic purposes visits (except for employment).

For nationals of Israel, visas are required and prior permission must be obtained from Malaysia's Ministry of Home Affairs. However for nationals of Republic of Serbia and Republic of Montenegro, visas without permissions are required.

For nationals of ASEAN countries (except Myanmar), no visa is required for a stay less than one month. For a stay exceeding one month, a visa will be required (except from nationals of Brunei and Singapore).

Nationals from other countries other than those stated above (except Israel), are allowed to enter Malaysia without visa for social visits not exceeding one month.

*Note:*

*\* Visa with reference i.e. with the approval of Malaysia's Immigration Department is required.*



### 1.3 Passes Requirements

Other than application for entry for the purpose of social or business visits, application for visit passes must be made before the arrival in the country.

A pass is an endorsement in the passport constituting permission to stay for an approved duration. Foreigners who visit Malaysia must obtain the pass at the point of entry besides visa (where required) which allows him to stay temporarily in Malaysia.

All such applications must have sponsorship in Malaysia whereby the sponsors agree to be responsible for the maintenance and repatriation of the visitors from Malaysia if necessary.

Passes given to foreign visitors upon arrival are as follows:

#### i. Visit Pass (Social) Short Term

A Visit Pass is issued to foreigners for the purpose of a social or/and business visit, such as:

- Owners and company representatives entering Malaysia to attend a company meeting, conference or seminar, inspect the company's accounts or to ensure the smooth running of the company.
- Investors or businessmen entering to explore business and investment opportunities or setting up manufacturing plant.
- Foreign representatives of companies entering to introduce goods for manufacture in Malaysia, but not to engage in direct selling or distribution.
- Property owners entering to negotiate, sell or lease properties.
- Foreign journalist or reporters from mass media agencies entering to cover any event in Malaysia (approval from Malaysia Ministry of Home Affair).
- Participants in sporting events.
- Students sitting for examinations in local university or on goodwill mission.
- Visitor entering on other activities than above as approved by the Director General of Immigration.

These passes cannot be used for employment or for supervising the installation of new machinery or the construction of a factory.

#### ii. Visit Pass (Social) Long Term

Long term social visit pass may be issued to a foreigner for temporary stay in Malaysia for a period of not less than six months. Extension may be given based on visitors' eligibility and upon fulfilling certain conditions.

Foreign spouses to Malaysians, holding a long term social visit pass are allowed to be engaged on any form of paid employment or in any business or professional occupation without converting their Social Visit Pass status to Employment Pass or Visit Pass (Temporary Employment).

#### iii. Visit Pass (Temporary Employment)

This is issued to foreigners who enter the country to take up employment for less than 24 months.

#### iv. Employment Pass

This is issued to foreigners who enter the country to take up employment for a minimum period of two years. Employment pass is issued after the applicant has obtained the approval for expatriate post from the relevant authorised agencies.

#### v. Professional Visit Pass (PVP)

This is issued to foreigners for the purpose of engaging on short-term contract with any agency.

The categories of foreigners who are eligible are:

Professionals/ Volunteers	<ul style="list-style-type: none"><li>• invited lecturers/speakers;</li><li>• experts in the installation or maintenance of machines;</li><li>• those who provide technical trainings; etc</li><li>• <a href="https://esd.imi.gov.my">https://esd.imi.gov.my</a></li></ul>
Artistes	<ul style="list-style-type: none"><li>• those entering for filming or performance; those entering for promotion of albums or new products; etc.</li><li>• <a href="https://epuspal.kkmm.gov.my">https://epuspal.kkmm.gov.my</a></li></ul>
Missionaries (Islam or other religions)	<ul style="list-style-type: none"><li>• members of an international organisations;</li><li>• researchers recognised by the Government of Malaysia;</li><li>• those entering for religious purposes</li><li>• Visa Division Immigration Department of Putrajaya</li></ul>

The validity of the pass varies but it does not exceed twelve months at any one time.

Applications should be made by the agency concerned.

#### vi. Dependant Pass

This facility is accorded to families of expatriates officials. Dependant Pass is issued to spouse, children (below 18), parents and common law wife of the Employment Pass holders. This pass may be applied together with the application for an employment pass or after the employment pass is issued.

#### vii. Student's Pass

This is issued to foreigners who wish to study in Malaysia in any educational institutions which courses have been approved by Malaysia's Ministry of Higher Education and the intake of the foreign student has the approval from Malaysia's Ministry of Home Affairs

Note: For further information, please visit <https://educationmalaysia.gov.my>

## 2. EMPLOYMENT OF EXPATRIATE PERSONNEL

The Malaysian government is desirous that Malaysians are eventually trained and employed at all levels of employment. Thus, companies are encouraged to train more Malaysians so that the employment pattern at all levels of the organisation reflects the multi-racial composition of the country.

Notwithstanding this, where there is a shortage of trained Malaysians, companies are allowed to bring in expatriate personnel i.e. 'key post' or 'time post'. Key posts are posts that are permanently filled by foreigners whereby time posts are positions filled within a specified period.

### 2.1 Types of Expatriate Posts

Expatriates are foreigners who are qualified to fulfil the following positions:

#### i. Key Post

These are high level managerial posts in foreign-owned private companies and firms operating in Malaysia. Key posts are posts essential for companies to safeguard their interests and investments. The expatriates are responsible in determining the company's policies in achieving its goal and objectives.

#### ii. Time Post

##### a) Executive Post

These are intermediate level of managerial and professional posts. The post requires professional qualifications, practical experience, skills and expertise related to the respective jobs. The expatriates are responsible in implementing the company's policies and supervision of staff.

##### b) Non-Executive Post

These are posts for the performance of technical jobs that require specific technical or practical skills and experience.

### 2.2 Guidelines on the Employment of Expatriate Personnel

There are two stages in the employment of expatriates:

- i. Application for an expatriate post from relevant authorised bodies determined by the nature of the business.
- ii. Upon approval of the expatriate posts by the approving bodies, the company must submit an application to the Immigration Department for endorsement of the employment pass.

#### Companies undertaking Manufacturing Activities, R&D Activities, Hotel and Tourism Projects and other services; and applying Tax Incentives under MIDA's Purview.

Companies undertaking manufacturing activities, R&D activities, hotels with 4-star rating or higher; and tourism projects; and other services and applying for the tax incentives under MIDA's purview are eligible to be considered for expatriate posts with the minimum paid-up capital as follows:

- i. 100% Malaysian-owned company: RM250,000
- ii. Jointly-owned by foreign and Malaysian: RM350,000
- iii. 100% foreign-owned company: RM500,000

The approval of key posts will be subjected to the condition that the company must be incorporated in Malaysia and must deposit its foreign paid-up capital of at least RM1,000,000. However, the number of key posts cannot be linked directly with the foreign paid-up capital.

The approval for the term posts will be imposed the following conditions:

- i. Minimum basic salary of at least RM5,000;
- ii. Minimum academic qualification and minimum experience;
  - a) Manufacturing company:-
    - Degree with at least 3 years' experience in the relevant field; and/or
    - Diploma with at least 5 years' experience in the relevant field; and/or

- Technical Certification with at least 10 years' experience in the relevant field; or Academic qualifications/experience proposed by companies, whichever is higher.
- b) Contract R&D Company, R&D Company and in-house R&D company:-
  - Degree with at least 3 years' experience in the relevant field; and/or
  - Diploma with at least 5 years' experience in the relevant field; or academic qualifications/experience proposed by companies, whichever is higher.
- c) 4-star hotel and above and tourism projects:-
  - Minimum academic qualification is Degree with at least 5 years' working experience in the hotel/tourism industry.

The number of expatriate posts will be considered based on the merits of each case. However, a wholly and majority foreign-owned contract R&D Company, R&D Company and in-house R&D Company will be subjected to the maximum of 50% of total R&D personnel i.e. in the ratio of 1 expatriate to 1 Malaysian R&D personnel. The duration of term post can be considered for a maximum of 5 years.

Applications should be submitted to MIDA

#### **Operational Headquarters (OHQs), Regional Development Corporations (RDCs) & International Procurement Centres (IPCs) and Principal Hub**

The applications for expatriate posts for OHQs, RDCs, IPCs and Principal Hub can be considered based on the criteria as follows:

- i. OHQs, RDCs, IPCs can be considered on a minimum paid-up capital of RM500,000;
- ii. Principal Hub can be considered on a minimum paid-up capital of RM2.5 million.

The number of expatriate posts will be considered based on the company's requirements and the duration of term posts is for a maximum of 5 years.

The approval of expatriate posts for OHQs, RDCs, IPCs and Principal Hub will be imposed the following conditions:

- i. Minimum basic salary of at least RM5,000 for expatriate posts
- ii. Degree with at least 5 years' experience in the relevant field; or academic qualifications/experience proposed by companies, whichever is higher.

- iii. For Malaysian-owned OHQs, RDCs, IPCs companies can be considered for key posts subject to minimum paid-up capital of at least RM500,000.

Applications should be submitted to MIDA.

#### **Regional Establishments (REs)/ Regional Office(ROs)**

The applications for expatriate posts (term posts) for REs/ROs can be considered based on the following criteria:

- i. Minimum operating expenditure of at least RM300,000 per annum
- ii. Minimum basic salary of at least RM5,000 for expatriate posts.

The number of term posts will be considered based on the merits of each case. The duration for the term post approval will be in line with the duration of the RE/RO status. The approval for expatriate will be granted by both posts and individuals.

Application should be submitted to MIDA

#### **Other services without tax incentives and unregulated services**

- i. Applications for expatriate posts for other services and unregulated services sub-sectors other than previously mentioned, should be directly submitted to the Immigration Department. MIDA will only facilitate the companies to apply for the expatriate posts to Immigration.

#### **Fisheries, Livestock and Agriculture Industries**

- i. The applications for expatriate posts for new companies (without incentives) and existing companies in the Fisheries, Livestock and Agriculture Industries should be submitted to MIDA.
- ii. The approval of expatriate posts will be considered subject to similar guidelines and conditions stipulated for the Manufacturing Sector.

### **3. APPLYING FOR EXPATRIATE POSTS**

All applications for expatriate posts from new and existing companies (including those not involving expansion or diversification) in the manufacturing and related service sectors should be submitted to MIDA. This includes companies required to obtain manufacturing licence as well as companies exempted from the manufacturing licence.

For further information on immigration procedures, please visit [www.imi.gov.my](http://www.imi.gov.my).

#### 4. EMPLOYMENT OF FOREIGN WORKERS

In Malaysia, foreign workers can be employed in the manufacturing, construction, plantation, agricultural, services and domestic help sector.

Services sector consists of eleven sub sectors: (restaurant, cleaning services, cargo handling, launderette, caddy in golf club, barber, wholesale/retail, textile, metal/scraps/ recycle activities, welfare homes and hotel/resort island. )

Only nationals from the specified countries below are allowed to work in the selected sectors:

Approved Sectors	Nationals of:
<ul style="list-style-type: none"> <li>• Manufacturing</li> <li>• Plantation</li> <li>• Agriculture</li> <li>• Construction</li> <li>• Services sector</li> </ul>	<ul style="list-style-type: none"> <li>• Indonesia</li> <li>• Cambodia</li> <li>• Nepal</li> <li>• Myanmar</li> <li>• Laos</li> <li>• Vietnam</li> <li>• Philippines (male only)</li> <li>• Pakistan</li> <li>• Sri Lanka</li> <li>• Thailand</li> <li>• Turkmenistan</li> <li>• Uzbekistan</li> <li>• Kazakhstan</li> </ul>
<ul style="list-style-type: none"> <li>• Services (cooks, wholesale/retail, barber, metal/scraps/recycle, textile)</li> <li>• Construction (fixing of high voltage cable only)</li> <li>• Agriculture</li> <li>• Plantation</li> </ul>	<ul style="list-style-type: none"> <li>• India</li> </ul>

Approval is based on the merits of each case and subject to conditions that will be determined from time to time. Applications to employ foreign workers will only be considered when efforts to find qualified local citizens and permanent residents have failed.

An annual levy on foreign workers is imposed as follows:

Approved Sectors	Annual Levy (Peninsular) RM	Annual Levy (Sabah/Sarawak) RM
Manufacturing	1,850	1,010
Construction	1,850	1,010
Plantation	640	590
Agricultural	640	410
Services	1,850	1,490
Services (Island Resorts)	1,850	1,010

All applications for foreign workers should be submitted to the One Stop Centre, Ministry of Home Affairs except for applications for foreign domestic helpers which should be submitted to Malaysia's Immigration Department.

For further information on employment of foreign workers, please visit the Ministry of Home Affairs website at [www.moha.gov.my](http://www.moha.gov.my).



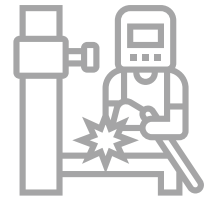
CHAPTER

5

## MANPOWER FOR INDUSTRY







## **1. MALAYSIA'S LABOUR FORCE**

## **2. MANPOWER DEVELOPMENT**

- 2.1 Facilities for Training in Industrial Skill
- 2.2 Human Resources Development Fund

## **3. LABOUR COSTS**

## **4. FACILITIES FOR RECRUITMENT**

## **5. LABOUR STANDARDS**

- 5.1 Employment Act 1955
- 5.2 The Labour Ordinance, Sabah and the Labour Ordinance, Sarawak
- 5.3 Employees Provident Fund Act 1991
- 5.4 Employees' Social Security Act 1969
- 5.5 Workmen's Compensation Act 1952
- 5.6 Occupational Safety and Health Act 1994

## **6. INDUSTRIAL RELATION**

- 6.1 Trade Unions
- 6.2 Industrial Relations Act 1967
- 6.3 Relations in Non-Unionised Establishments



# MANPOWER FOR INDUSTRY

## 1. MALAYSIA'S LABOUR FORCE

Malaysia offers the investor a diligent, disciplined, educated and trainable labour force. Malaysian youths who enter the labour market would have undergone at least 11 years of school education i.e. up to secondary school level, and therefore easy to be trained in new skills. In addition, 27% of the labour force has tertiary education.

To cater for the manufacturing sector's expanding demand for technically trained workers, the Malaysian government has taken measures to increase the number of engineers, technicians and other skilled personnel. Emphasis is given to Technical and Vocational Education and Training (TVET) with industries being given platforms to collaborate with TVET providers to ensure that the supply of graduates could meet industries requirements.

In addition, Malaysia enjoys a free and competitive labour market where employer-employee relationship is cordial and harmonious. The Government continuously review labour related legislation to meet labour market requirements. Upskilling and reskilling programmes are available to ensure stable employer-employee relations.

Labour costs in Malaysia are relatively low while productivity levels remain high in comparison with industrialised countries. Many programmes and facilitation are available for productivity improvements including productivity linked wage system, automation and skills training.

## 2. MANPOWER DEVELOPMENT

Currently, the Manpower Department of the Ministry of Human Resources runs 32 Skills Training Institutes i.e. 23 Industrial Training Institutes (ITIs), eight (8) Advanced Technology and Training Centre (ADTEC) and the Japan Malaysia Technical Institute (JMTI). The ITIs offer industrial skills training programmes at basic, intermediate and advanced levels for pre-employment or job entry. The programmes are in 5 fields namely Mechanical, Electrical & Electronic, Printing, Building Technology, ICT and Non Metal Technology. In addition, the Ministry also conducts programs to upgrade skills of the existing workforce as well as training for the instructors under the Centre for Instructors and Advanced Skills Training (CIASST).

## 2.1 Facilities for Training in Industrial Skill

In Malaysia, vocational and technical schools, polytechnics and industrial training institutions prepare youths for employment in various industrial trades. While they are mostly run by government agencies, several private initiatives complement the government's efforts in producing the skilled workers needed by industry.

The main government agencies involved in training are:

- **The Manpower Department Ministry of Human Resources** runs 23 industrial training institutes (ITIs). The ITIs offer industrial skills training programmes at basic, intermediate and advanced levels for pre-employment or job entry level. These include apprenticeship programmes in the mechanical, electrical, building and printing trades as well as programmes to upgrade skills and train instructors. The Ministry also operates the Centre for Instructors and Advanced Skills Training (CIASST), the Japan-Malaysia Technical Institute (JMTI) and eight advanced technology training centres (ADTECs).
- **Ministry of Education** runs more than 90 technical schools offering technical and vocational courses. School leavers from the technical schools can either seek employment at entry level or pursue their post-secondary education at diploma level in Polytechnics or certificate level in Community Colleges or other training institutions under the supervision of other ministries.
- **Ministry of Youth and Sports**, which provides basic, intermediate and advanced levels of industrial skills training through its 16 National Youth Skills Training Centres and Higher National Youth Skills Training Centre. Short-term courses and skills upgrading programmes are also being conducted.
- **Majlis Amanah Rakyat (MARA)**, or the Council of Trust for the Indigenous People under the purview of the Ministry of Rural and Regional Development. MARA operates more than 20 skills training institutes in different parts of the country which offer programmes at basic, intermediate, advanced and professional levels.

## 2.2 Human Resources Development Fund

Tracing its origin to the Year 1993 as Majlis Pembangunan Sumber Manusia, the Pembangunan Sumber Manusia Berhad (PSMB), also known as the Human Resources Development Fund (HRDF) is an agency under the purview of the Ministry of Human Resources Malaysia.

Governed by the Pembangunan Sumber Manusia Berhad Act 2001 (PSMB Act 2001), HRDF was given the mandate by the Malaysian Government to catalyse the development of competent local workforce that will contribute to Malaysia's vision of becoming a high-income economy.

Since its inception, HRDF has evolved from managing a sizeable fund to becoming a one-stop-centre for providing novel human capital development solutions to its registered employers and the critical mass of Small, Medium Enterprises in Malaysia.

Additionally, HRDF continues to be steadfast in its effort towards encouraging employers covered under the PSMB Act 2001 to re-train and upgrade the skills of their local employees, apprentices and trainees in keeping with the fast-evolving global business landscape while meeting the aspirations of their respective company/companies.

#### • PSMB Act 2001

An act to provide for the imposition and collection of a human resources development (HRD) levy for the purpose of promoting the training and development of employees, apprentices and trainees, the establishment and the administration of the Fund by the Corporation and for matters connect therewith.

Sectors covered under PSMB Act 2001:

- » Manufacturing
- » Services
- » Mining and Quarrying

#### • Eligibility Criteria for Registration

The PSMB Act 2001 is applicable to employer within the 63 sub-sectors (*Full list of the 63 sub-sectors can be downloaded from the HRDF portal; [www.hrdf.com.my](http://www.hrdf.com.my)*)

Category	Criteria
Mandatory (1% Levy)	Employers with 10 Malaysian Employees and above
Voluntary (0.5% Levy)	Employers with 5 to 9 Malaysian Employees

Source: *Pembangunan Sumber Manusia Berhad (PSMB)* - [www.hrdf.com.my](http://www.hrdf.com.my)

### 3. LABOUR COSTS

Salary and fringe benefits for employees vary according to industry, location and employment size. The common types of leave provided by companies include annual leave, public holiday, sick leave, hospitalization leave, maternity leave and compassionate leave. In some companies, additional benefits include provision of uniforms, transport, incentives payments, shift allowance and insurance coverage. Bonus payments are given by some companies based on the companies' performance and individual performance.

*The Minimum Wages Order (Amendment) 2018 [P.U. (A) 305/2018]* takes effect from 1st January 2019. With this amendment, all employers in the private sector irrespective of the number of employees under their employment will have to comply with new minimum wages rates.

The minimum wages rates effective from 1 January 2019 are as follows:-

Minimum Wages Rates			
Monthly	Daily		
	Numbers of day work		Hourly
RM1,100	6	RM42.31	RM5.29
	5	RM50.77	
	4	RM63.46	

For more information on salaries and fringe benefits in the manufacturing sector, please visit Malaysia Employers Federation (MEF) at [www.mef.org.my](http://www.mef.org.my).

### 4. FACILITIES FOR RECRUITMENT

Besides registered private employment agencies, employers and job seekers can register free thru JobsMalaysia Portal in order to seek for suitable candidates and available vacancies throughout the countries. There are about 90 JobsMalaysia Centre all over the country which operated at Urban Transformation Centre (UTC), Rural Transformation Centre (RTC) and Labour Offices. Employers and job seekers are also invited to join Jobs Carnival organized by JobsMalaysia.

### 5. LABOUR STANDARDS

The Department of Labour is responsible for the administration of labour laws in order to maintain industrial harmony. The labour laws stipulate the minimum requirements that must be followed by the employers to protect employees rights and benefit. Some flexibility in the operation of businesses is facilitated by application for exemption to the Director of Labour, Department of Labour.

## 5.1 Employment Act 1955

The main legislation, the Employment Act 1955 applies to all employees in Peninsular Malaysia and the Federal Territory of Labuan whose monthly wages do not exceed RM2,000 and all manual labourers irrespective of their wages. Employers may draw up the employment contract but it should not contravene or less the minimum benefits stipulated under the law. Employees has the right to monetary claim thru Labour Court if there is argument between employers and employees regarding their benefits such as wages, overtime claim, termination benefit, maternity benefit, etc. Besides that, employees who earn between RM2,001 and RM5,000 a month can also seek redress at the Labour Court on terms and conditions in their employment contracts.

Some of the obligations of an employer under the Employment Act 1955 are as follows:

- i. Every employee must be given a written contract containing the terms and conditions of the employment, including provisions relating to the termination of contract.
- ii. Maintaining of labour register pertaining to personal particulars of employees, payment of wages and deduction of wages.
- iii. Special provisions for the protection of female employees pertaining to night work and maternity benefits.
- iv. Normal hours of work and other provisions relating to numbers of working hours.
- v. Entitlement of paid annual leave, sick leave, hospitalisation leave and public holidays. Rate of payment for overtime.
- vi. Responsibility of the employer in employment of foreign employees.
- vii. Special provision on the conduct of sexual harassment at workplace.

## 5.2 The Labour Ordinance, Sabah and the Labour Ordinance, Sarawak

The Labour Ordinance (Sabah Cap. 67) and the Labour Ordinance (Sarawak Cap. 76) regulate the administration of Labour Laws in their respective states. The provisions of the Labour Ordinance, Sabah and the Labour Ordinance, Sarawak are similar to the provisions of the Employment Act 1955. However, there are some provisions which are different and pertinent to note:

These provisions are:-

### Coverage

The Employment Act 1955 covers employees whose wage does not exceed RM2,000.00 per month whereas for the Labour Ordinance Sarawak the coverage is extended up to RM2,500.00 per month. As far as the Labour Ordinance of Sabah is concerned, employees covered are person who has entered into contract of service with an employer and receive wages not more than RM2,500.00 a month, and person regardless of wages he receives is engaged in manual labour or in the operation and maintenance of any mechanically propelled vehicle for purpose of transport or commercial purposes, or engaged as supervisor of manual labour employee or engaged on any vessel registered in Malaysia with certain exceptions or domestic servant.

### Special Provisions Relating to the Employment of Children and Young Persons

The Ordinances prescribe the conditions under which a "child" and "young person" may be employed. A "child" is a person under the age of 15 years and a "young person" is a person who has attained 15 years of age but below 18 years old which is now same coverage with Children and Young Person (Employment) Act 1966 that is apply to Peninsular Malaysia

### Employment of Non-Resident Employees

It is mandatory for any employer wishing to employ any "non-resident employee" must first obtain a licence to employ "non-resident employee" from the Director of Labour Sabah/Sarawak. A "non-resident employee" is defined as any person who does not belong to Sabah/Sarawak as provided for under Section 71 of the Immigration Act, 1959/1963.

### Information Relating To Supply of Employees

The Employment Act 1955 requires an employer who employed foreign workers to inform Director General in the prescribed form within fourteen days of the employment.

## 5.3 Employees Provident Fund Act 1991

The statutory contributions under the Employees Provident Fund (EPF) Act 1991 effective 1 January 2019:

### Age Group 60 Years and Below

#### i. Employer's share

- a) **Monthly Wages RM5,000 (US\$1,171) and below**  
Statutory rate of 13% of the employees' monthly wages
- b) **Monthly Wages Exceed RM5,000 (US\$1,171)**  
Statutory rate of 12% of the employees' monthly wages

## ii. Employee's share

Statutory rate of 11% of the employees' monthly wages  
[Refer to Third Schedule (Part A) of the EPF Act 1991]

### Age Group 60 – 75 Years

#### i. Malaysian citizens

##### a) Employer's share

Statutory rate of 4% of the employers' monthly wages

##### b) Employee's share

Statutory rate of 0% of the employees' monthly wages  
[Refer to Third Schedule (Part E) of the EPF Act 1991]

#### ii. Permanent residents

##### a) Employer's share

###### i) Monthly Wages RM5,000 (US\$1,171) and below

Statutory rate of 6.5% of the employees' monthly wages

###### ii) Monthly Wages Exceed RM5,000 (US\$1,171)

Statutory rate of 6% of the employees' monthly wages

##### b) Employee's share

Statutory rate of 5.5% of the employee's monthly wages  
[Refer to Third Schedule (Part C) of the EPF Act 1991]

All foreign workers and expatriates and their employers are exempted from statutory contributions. They can, however, choose to contribute and the applicable rates are as follows:-

### Age Group 60 Years and Below

- |                             |  |
|-----------------------------|--|
| <b>i. Employer's share</b>  | RM5.00 (US\$1.17) per employee per month |
| <b>ii. Employee's share</b> | 11% of the employees' monthly wages      |

[Refer to Third Schedule (Part B) of the EPF Act 1991]

### Age Group 60 – 75 Years

- |                             |  |
|-----------------------------|--|
| <b>i. Employer's share</b>  | RM5.00 (US\$1.17) per employee per month |
| <b>ii. Employee's share</b> | 5.5% of the employees' monthly wages     |

[Refer to Third Schedule (Part D) of the EPF Act 1991]

## 5.4 Employees' Social Security Act 1969

The Social Security Organisation (SOCSO) provides two social security schemes to protect the welfare of employees and their dependents under the Employees' Social Security Act 1969 (Act 4). The two social security schemes are:

- i. Employment Injury Insurance Scheme
- ii. Invalidity Scheme

### Employment Injury Insurance Scheme

The Employment Injury Insurance Scheme provides protection to employees who suffer from work related accidents or occupational diseases arising out of and in the course of employment in an industry. The benefits provided under the Employment Injury Insurance Scheme consists of Medical Benefit, Temporary Disablement Benefit, Permanent Disablement Benefit, Constant-attendance Allowance, Dependants' Benefit, Funeral Benefit, Rehabilitation Benefit and Education Benefit.

### Invalidity Scheme

The Invalidity Scheme provides 24-hour coverage to employees against invalidity or death due to any cause not connected with his employment. However, the employee must fulfil the condition to be eligible for invalidity pension. Benefits provided under the Invalidity Scheme are Invalidity Pension, Invalidity Grant, Constant-attendance Allowance, Survivors' Pension, Funeral Benefit, Rehabilitation Benefit and Education Benefit.

### Contributions

Contributions to SOCSO are compulsory under the Act for eligible employers and employees.

These schemes are classified into 2 categories of contribution:

#### i. First Category

The Employment Injury Insurance Scheme and Invalidity Pension Scheme. The contribution payment is made by both the employer and employee. The rate of contribution under this category comprises 1.75% of employer's share and 0.5% of employees' monthly wages according to the contribution schedule.

#### ii. Second Category

The rate of contribution under this category is 1.25% of employees' monthly wages, payable by the employer, based on the contribution schedule. All employees who have reached the age of 60 must be covered under this category for the Employment Injury Scheme only.



### Employer Eligibility

Any employer who hires one or more employees as defined under the Act is required to register and make contributions to SOCSO.

### Employee's Eligibility

All employees who are employed under a contract of service or apprenticeship in the private sector and contractual/temporary staff of Federal/State Government as well as Federal/State Statutory Bodies need to be registered and covered by SOCSO. The rate of contribution is capped at monthly wage ceiling of RM4,000.00.

Employees exempted from the coverage of the Employees' Social Security Act, 1969 are as follows:

- i. Federal and State Government permanent employees
- ii. Domestic servants
- iii. Self-employed
- iv. Spouses of a sole proprietor or a partnership owner

### Self-Employment Social Security Act 2017 (Act 789)

The Self-Employment Social Security Act 2017 (Act 789) came into force on 1 June 2017. Currently, this Act provides protection under the Self-Employed Employment Injury Scheme to self-employed taxi drivers and individuals providing similar services including e-hailing drivers such as GrabCar as well as self-employed bus drivers such as stage buses, charter buses, express buses, mini buses, employees buses, feeder buses, school buses and airport busses. The scheme provides protection to self-employed insured persons and their dependants from employment injuries including occupational diseases and accidents during work-related activities. It provides cash benefits to taxi drivers and their dependants besides providing medical care, physical rehabilitation and vocational training. The duration of protection is 12 months from the date and time the contribution is paid. The contribution rate stipulated is 1.25% per month from the insured salary option.

### Employment Insurance System Act 2017 (Act 800)

The Employment Insurance System (EIS) was implemented in January 2018 to provide immediate financial assistance to insured workers who lost their employment. The affected workers will also be assisted to find new jobs and if necessary, they are given training to improve their employability.

### EIS Objectives

- i. Provide immediate financial assistance to contributing employees who have lost their jobs.

- ii. Help unemployed workers find new employment through the Re-Employment Placement Program.
- iii. Increase the employability of unemployed workers through vocational training.

### EIS Coverage

- i. All employers in the private sector are required to pay monthly contributions for each of their employees. (Government employees, domestic workers and the self-employed are exempted).
- ii. An employee is defined as a person who is employed for wages under a contract of service or apprenticeship with an employer. The contract of service or apprenticeship may be expressed or implied and may be oral or in writing.
- iii. All employees aged 18 to 60 are required to contribute. However, employees aged 57 and above who have no prior contributions before the age of 57 are exempted.
- iv. Contribution rates are capped at insured salary of RM4000.00.

### EIS Contribution Rate

Employer: 0.2%

Employee: 0.2%

### EIS Benefits

- Job Search Allowance (JSA)
- Reduced Income Allowance (RIA)
- Training Fee (TF)
- Training Allowance (TA)
- Early Re-Employment Allowance (ERA)
- Re-Employment Placement Program
- Career Counselling

### Extension of Social Security Coverage

#### i. Spouse

As of 1 July 2018, SOCSO has expanded social security protection to a spouse working with his or her spouse in an enterprise under Act 4 and Act 800. With the extension of the social security protection, qualified wives or husbands who are employed by their respective spouses to work for their spouses under Act 4 and Act 800 will be covered by social security under both Acts.

## ii. Foreign Workers

SOCSCO has also extended its coverage for all legal foreign workers (excluding domestic servants) in Malaysia, effective 1 January 2019, whereby they will be covered by Employment Injury (EI) Scheme under Act 4. The rate of contribution is 1.25% of the insured monthly wages and to be paid by the employer. The EI Scheme provides protection to an employee against accident or an occupational disease arising out of and in the course of his employment as well as commuting accidents.

### Return to Work Programme (RTW)

The RTW programme was introduced in 2007 as a proactive approach in helping SOCSCO's Insured Persons suffering from employment injury or illness. Injured or sick workers who have successfully undergone SOCSCO's RTW programme are now able to continue financially supporting themselves and their families as well as become part of the nation's productive workforce again, thus contributing to the country's economic growth.

### SOCSCO Tun Razak Rehabilitation Centre (TRRC)

The SOCSCO TRRC, which is located at Hang Tuah Jaya in Banda Hijau, Melaka, commences its operations on 1 October 2014. The centre supports the RTW programme by providing comprehensive facilities to referred participants until the Insured Persons are able to get back actively into the working world, contributing to the socio-economic development of families, communities and the country.

### Health Screening Programme (HSP)

SOCSCO introduced the Health Screening Programme (HSP) in 2013 where it distributes health screening vouchers to insured workers once they turn 40. The HSP programme is as part of efforts to promote healthy lifestyle practices and subsequently address the non-communicable diseases among workers.

## 5.5 Workmen's Compensation Act 1952 (Act 273)

The Act provides an obligation on the employers to insure workers and payment of compensation for injuries sustained by workers in accidents arising out of and in the course of the employment. There are three types of protection under this Act that is for permanent total disablement, permanent partial disablement and death.

## 5.6 Occupational Safety and Health Act 1994

The Department of Occupational Safety and Health (DOSH) under the Ministry of Human Resources is responsible for administering and enforcing legislation related to occupational safety and health. DOSH ensures that the safety, health and welfare of people at work as well as others are protected from hazards resulting from occupational activities in the various sectors of work such as:

- manufacturing;
- mining and quarrying;
- construction;
- agriculture, forestry and fishing;
- utilities (gas, electricity, water and sanitary services);
- transport, storage and communication;
- wholesale and retail trades;
- hotels and restaurants;
- finance, insurance, real estate and business services; and
- public services and statutory authorities.

This enforcement activity is governed by three legislations as follows:

- Occupational Safety and Health Act 1994
- Factories and Machinery Act 1967; and
- Petroleum (Safety Measures) Act 1984.

The Occupational Safety and Health Act (OSHA) 1994 provides the legislative framework to promote, stimulate and encourage high standards of health and safe working culture among all Malaysian employers and employees through self-regulation schemes designed to suit the particular industry of organisation.

OSHA 1994 defines the responsibilities of employers, employees, the self-employed, designers, manufacturers, importers and suppliers of plant or substances. Under OSHA 1994, employers must safeguard so far as is practicable, the health, safety and welfare of the people who work for them. This applies in particular to the provision and maintenance of a safe plant and system of work.

Arrangements must be made to ensure safety and health in the use, handling, storage and transport of plant and substances. 'Plants' include any machinery, equipment, appliance, tool and component, whilst 'substances' mean any natural or artificial substance whether in the form of solid, liquid, gas, vapour or a combination thereof.

Risks to health from the use, storage or transportation of substances must be minimised. Employers must provide necessary information, instruction, training and supervision for safe practices, including information on the legal requirements with particular reference to processes with special hazards.

Employers employing 40 or more persons must establish a safety and health committee at the workplace. The main function of the committee is to ensure that safety and health measures are regularly reviewed as well as investigation of matters related to safety and health is carried out by the committee.

Employers must notify the nearest occupational safety and health office of any accident, dangerous occurrence, occupational poisoning and disease which has occurred or is likely to occur at the workplace.

Processes that use hazardous chemicals require competent persons to conduct the chemical health risk assessment, personal monitoring and safety while occupational health doctors are required to conduct proper medical surveillance of the workplace.

There are eight regulations under OSHA 1994 enforced by DOSH which are:

1. Employers' Safety and Health General Policy Statements (Exception) Regulations 1995
2. Control of Industrial Major Accident Hazards Regulations 1996
3. Safety and Health Committee Regulations 1996
4. Safety and Health Officer Regulations 1997
5. Use and Standards of Exposure of Chemicals Hazardous to Health Regulations 2000
6. Notification of Accident, Dangerous Occurrence, Occupational Poisoning and Occupational Disease Regulations 2004
7. Classification, Labelling and Safety Data Sheet of Hazardous Chemicals Regulation, 2013
8. Noise Exposure Regulations 2019

Contravention of the requirements in the law may lead to prosecution in court.

The objective of the Factories and Machinery Act (FMA) 1967, on the other hand, is to provide for the control of factories on matters relating to the safety, health and welfare of persons, as well as the registration and inspection of machinery. All certificated machinery such as boilers, unfired pressure vessels, passenger hoists, overhead travelling cranes and gondolas must be approved in terms of design requirements, technical specifications, testing and inspection. The manufacturer should submit the drawing, technical calculation, manufacturer certificate and other supporting documents on-line through the SKUD system ([www.dosh.gov.my](http://www.dosh.gov.my)) for the purpose of acquiring design approval from DOSH.

All factories and general machinery must be registered with DOSH before they can be installed and operated in Malaysia.

The operation, installation, maintenance and dismantling of specific equipment and process requires the service of competent persons. Thus, during the installation of machinery and equipment such as cranes, lifts and scaffolding, the service of competent persons is compulsory to ensure safe erection. Other competent persons such as boiler men and steam engineers are required to operate high risk equipment such as steam boilers.

DOSH enforces 15 regulations under FMA 1967. They are:

1. Electric Passenger and Goods Lift Regulations 1970
2. Fencing of Machinery and Safety Regulations 1970
3. Notification, Certification of Fitness and Inspection Regulations 1970
4. Persons-In-charge Regulations 1970
5. Safety, Health and Welfare Regulations 1970
6. Steam Boilers and Unfired Pressure Vessel Regulations 1970
7. Certificates of Competency – Examinations Regulations 1970
8. Administration Regulation 1970
9. Compoundable Offences Regulations 1978
10. Compounding of Offences Rules 1978
11. Lead Regulations 1984
12. Asbestos Process Regulations 1986
13. Building Operations and Works of Engineering Construction (Safety) Regulations 1986
14. Mineral Dust Regulations 1989
15. Special Scheme of Inspection (Risk-Based Inspection) Regulations 2014

Petroleum (Safety Measures) Act was enforced in the year 1984. The objective of this Act is to regulate the safety in the transportation, storage and utilization of petroleum. The scope of this Act covers the transportation of petroleum by road and railway, water, pipelines and the storage and handling of petroleum.

For the purpose of increasing the awareness and understanding on safety aspects in handling petroleum, the Petroleum (Safety Measures) Act 1984 was gazetted with two regulations. The regulations under this Act are:

1. Transportation of Petroleum by Pipelines Regulations 1985
2. Transportation of Petroleum by Water Regulations 1985

## 6. INDUSTRIAL RELATION

### 6.1 Trade Unions

Generally, employers and employees both have the right to form and join their own unions to safeguard their interest and must satisfy the conditions within any particular establishment, trade, occupation or industry. Membership of union is limited geographically. For instance, employees or employers in Peninsular Malaysia shall only join a union all of whose members based in the Peninsular whereas employees or employers in Sabah or Sarawak shall only be members of union established in Sabah or Sarawak.

The main objectives of trade unions are as follows:

- i. Regulation of relations between workmen and employers for the purpose of promoting good industrial relations between workmen and employers, improving working conditions or enhancing their economic and social status or increasing productivity;
- ii. Regulation of relations between workmen and workmen or between employers and employers;
- iii. Representation of either workmen or employers in trade disputes;
- iv. Conducting of, or dealing with, trade disputes and matters relating thereto; or
- v. Promotion or organization or financing of strikes or lockouts in any trade or industry or the provision of pay or other benefits for its members during a strike or lockout

Policies and guidelines for the formations, functions obligations and activities of trade unions are generally featured in the Trade Unions Act 1959 and Trade Unions Regulations 1959 which come under the purview of the Trade Unions Affairs Department, Ministry of Human Resources.

### 6.2 Industrial Relations Act 1967

The Industrial Relations system in Malaysia operates within the legal framework of the Industrial Relations Act 1967 (Act 177). The Act is enforced by the Department of Industrial Relations, Malaysia (DIRM) and it regulates the relations between employers and their workmen' and their trade unions in the country. The Act, among others, outlines the following:

- i. Provisions outlining the process relating to claims for recognition and scope of representation of trade unions;
- ii. Provisions relating to the facilitation of effective collective bargaining between the trade union and the employer and subsequent conclusion of a collective agreement;
- iii. Provisions relating to prevention and settlement of trade disputes including referral to the Minister of Human Resources and Industrial Court for a decision;
- iv. Provisions relating to industrial action such as pickets, strikes and lockouts;
- v. Provisions relating to the representations for claims for reinstatement by workmen;
- vi. Provisions relating to the operation of the Industrial Court; and
- vii. Provisions relating to the investigative powers of the officers of the Department of Industrial Relations, Malaysia

In addition, DIRM also provides advisory services on all issues and questions relating to employment relations vide its branch offices located throughout the country.

### 6.3 Relations in Non-Unionised Establishments

In a non-unionised establishment, the normal practice for settling disputes is for the employee to try to obtain redress from his supervisor, foreman or employer directly. An employee can also lodge a complaint with the Ministry of Human Resources which will then conduct an investigation.



CHAPTER

# 6

## BANKING, FINANCE AND EXCHANGE ADMINISTRATION







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# BANKING, FINANCE AND EXCHANGE ADMINISTRATION

## 1. THE FINANCIAL SYSTEM IN MALAYSIA

The Malaysian financial system comprises of a diversified range of institutions to serve the increasingly more varied and complex needs of the domestic economy. The financial system consists of the conventional financial system and the Islamic financial system which co-exists and operates in parallel.

### 1.1 The Central Bank

The principal objective of Bank Negara Malaysia (the Bank), the Central Bank of Malaysia, is to promote monetary stability and financial stability conducive to the sustainable growth of the Malaysian economy. Its primary functions as set out in the Central Bank of Malaysia Act 2009 are to:

- formulate and conduct monetary policy in Malaysia;
- issue currency in Malaysia;
- regulate and supervise financial institutions which are subject to the laws enforced by the Bank;
- provide oversight over money and foreign exchange markets;
- exercise oversight over payment systems;
- promote a sound, progressive and inclusive financial system;
- hold and manage the foreign reserves of Malaysia;
- manage the country's foreign exchange administration regime; and
- act as adviser, to the Government, particularly on macroeconomic policies.

## 1.2 Financial Institutions

The following table provides an overview of the number of financial institutions under the purview of Bank Negara Malaysia as at end December 2018:

	Total	Malaysian-Controlled Institution	Foreign-Controlled Institution
Commercial Banks	26	8	8
Islamic Banks	16	10	6
International Islamic Banks	2	0	2
Investment Banks	11	11	0
Insurers	33	13	20
Takaful Operators (Islamic Insurers)	15	8	3
Reinsurers	7	2	5
Retakaful Operators (Islamic Reinsurers)	4	1	3
Development Financial Institutions	6	6	0

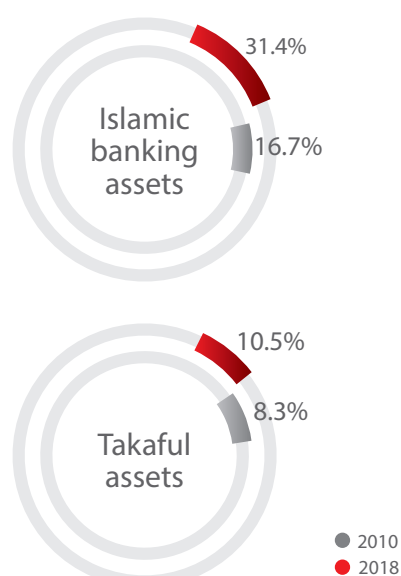
The banking system, comprising commercial banks, investment banks, and Islamic banks, is the primary mobiliser of funds and the main source of financing which supports economic activities in Malaysia. Banking institutions operate through a network of more than 2,400 branches and 7,190 agent banks across the country. There are also 17 representative offices of foreign banks in Malaysia which do not conduct banking business but undertake research, liaison services and exchange of information. Six Malaysian banking groups have presence in 23 countries through branches, representative offices, subsidiaries, equity participation and joint ventures worldwide, including in all ASEAN countries.

The non-bank financial institutions, namely development financial institutions, insurance companies and takaful operators, complement the banking institutions in mobilising savings and meeting the financial needs of the economy. The insurance companies and takaful operators which operate through a network of more than 690 offices and 170,000 registered agents nationwide provide avenues for risk management and financial planning solutions for businesses and individuals.

### 1.2.1 Islamic Financial Industry

Islamic finance in Malaysia continues to demonstrate robust growth, supported by comprehensive regulatory, legal and Shariah governance frameworks, diverse industry players and professional ancillary service providers as well as high quality talent.

**Market Share % of Total Industry:  
Islamic Banking Asset and Takaful Asset**



Source: Bank Negara Malaysia

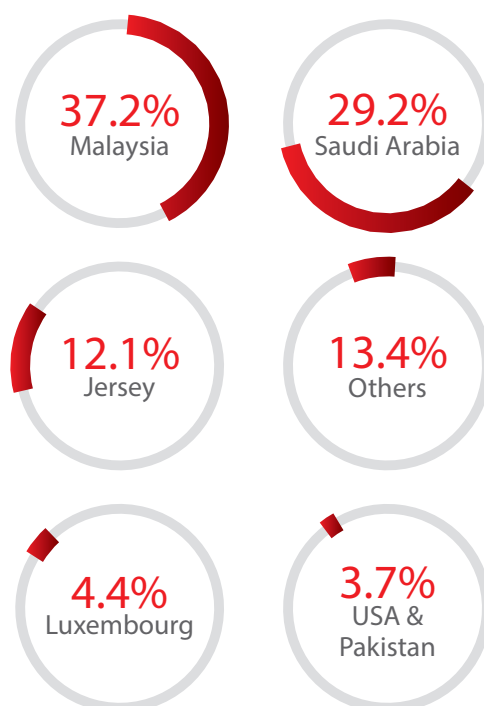
The Islamic banking industry accounts for 31.4% (RM916.7 billion) of the total banking asset as at end-2018, further expanding its role as a major component of the overall financial system in Malaysia since the implementation of the Financial Sector Blueprint 2011-2020. A wide range of competitive and innovative products offered by over 40 financial institutions (these include Islamic banks, Islamic window of conventional and investment banks, international Islamic banks and Development Financial Institutions) with aim to deliver a positive and sustainable impact on the community, economy and environment.

As for the takaful sector, the total takaful assets constitute 10.5% (RM31.4 billion) of market share of total insurance and takaful sector as at end-2018. The penetration rate for the family takaful market is recorded at 15.2%, signifying a growing public acceptance of the benefits provided by takaful scheme.

To support further development of the Islamic finance in Malaysia, investment accounts were introduced pursuant to the Islamic Financial Services Act 2013 (IFSA) to provide customers the opportunity to invest and share profit from Shariah-compliant investment activities. Investment accounts also provides additional avenue for businesses to access financing. Presently, 9 Islamic banks are offering investment accounts.

At the global front, Malaysia remains as a leading global hub for Islamic finance marketplace. It is home to the world's largest sukuk market with a 50.4% share of global sukuk outstanding, amounting to USD215.2 billion as at end-2018.

**Islamic Funds Asset under Management  
(AuM) by  
Domiciled (as at end-2018)**



Source: MIFC Estimates, Thomson Reuters

In terms of Islamic wealth management, Malaysia is the top domicile for Islamic funds, accounting for 37.2% of global market share with assets under management (AuM) of USD27.3 billion as at end-2018. Malaysia also ranked first globally in terms of number of funds, accounted for 28.2% of global share with a total of 409 funds registered. Currently, there are 53 fund management companies managing Islamic funds in Malaysia.

### 1.2.2 Development Financial Institutions

The Development Financial Institutions (DFIs) in Malaysia are specialised financial institutions established by the Government with a specific mandate to develop and promote key sectors that are considered of strategic importance to the overall socio-economic development objectives of the country. These strategic sectors include the agricultural, SMEs, infrastructure, maritime and export-oriented sectors, as well as capital-intensive and high-technology industries.

As specialised institutions, DFIs provide a range of specialised financial products and services to suit the specific needs of the targeted strategic sectors. Ancillary services in the form of consultation and advisory services are also provided by DFIs to nurture and develop the identified sectors. DFIs therefore complement the banking institutions and act as a strategic conduit to bridge the gaps in the supply of financial products and services to the identified strategic areas for the purpose of long-term economic development.

In 2002, the Development Financial Institutions Act 2002 (the DFIA) was enacted to promote the financial and operational soundness of the DFIs through sustainable practices and the requisite regulatory and supervisory framework, allowing the institutions to perform their mandated roles in a prudent, efficient and effective manner. With the enactment of DFIA, the Bank was appointed as the central regulatory and supervisory body for DFIs.

Six DFIs are prescribed under the DFIA as follows:

- Small Medium Enterprise Development Bank Malaysia Berhad or SME Bank, which provides financing and advisory services to small and medium sized enterprises involved in manufacturing, services and construction sectors;
- Bank Pembangunan Malaysia Berhad, which provides medium-and long-term financing for infrastructure projects, maritime, capital-intensive and high-technology industries and other sectors in line with the national development policy;
- Bank Kerjasama Rakyat Malaysia Berhad, a cooperative bank that encourages savings and provides financial services to members and non-members;
- Export-Import Bank of Malaysia Berhad or EXIM Bank, which provides credit facilities to support the exports and imports of goods and overseas projects as well as to provide export credit insurance and guarantee services;
- Bank Simpanan Nasional focuses on retail banking and personal finance especially for small savers, and supports the financial inclusion agenda by providing microfinance and agent banking services; and
- Bank Pertanian Malaysia Berhad or Agrobank, which accepts savings deposits and provides financing and advisory services to support the development of the agricultural sector and communities.

In continuing efforts to further strengthen the DFIs, the DFIA was amended to further enhance the institutions' intermediary role in supporting the strategic economic sectors amid challenging operating environment. The amendments focused on further strengthening the corporate governance practices and to increase the operational efficiency as well as the capacity and capability of DFIs to perform mandated roles more effectively. Amendments to the DFIA were passed in Parliament in July 2015 and took effect on 31 January 2016.

## 2. EXPORT CREDIT REFINANCING-I

The Export Credit Refinancing-i (ECR-i) provides short-term Pre and Post-shipment financing to Direct or Indirect exporters. It is made available to a Manufacturer or a Trading Company that are incorporated in Malaysia who are directly or indirectly involved in export activity and international trade. Companies with ECR-i credit line duly established with participating financial institution (ECR-i Bank) are eligible for the following types of facilities:-

- (i) Pre-shipment ECR-i; and
- (ii) Post-shipment ECR-i.

The Pre-shipment ECR-i facility is a financing advance by EXIM Bank to facilitate the export of Malaysian products and trade prior to shipment and to encourage the backward linkages between the exporters and local suppliers in export oriented industries.

The Post-shipment ECR-i facility is a financing advance to exporters to finance the export or trade after shipment.

### 2.1 Method of Financing

Under Pre-shipment ECR-i facility, there are two (2) methods of financing extended to direct/ indirect exporter:-

#### i. Order-based method:-

For a direct exporter, the Pre-shipment ECR-i financing is an advance against evidence of an export order whilst for indirect exporter, is an advance against an ECR-i Domestic Letter of Credit (DLC), ECR-i Domestic Purchase Order (DPO) or Local Purchase Order (LPO) issued in exporter's favour.

#### ii. Certificate of Performance (CP) method:-

For direct/ indirect exporter, the Pre-shipment is made against CP issued by EXIM Bank. The limit of financing is based on CP limit for a validity period of one year.

Under Post-shipment ECR-i facility, method of financing used is via purchasing the export bill at discount, whereby financing is extended against presentation of export documents to ECR-i Bank.

## 2.2 Period and Margin of Financing

The maximum period of financing under Pre-shipment and Post-Shipment is 4 months (120 days) and 6 months (183 days) respectively.

For Pre-shipment Order-based method, the eligible amount of financing for Direct Exporter is up to ninety five (95) percent of the value of the export order or ninety five (95) percent of ECR-i DLC, ECR-i DPO or LPO for Indirect Exporter.

For Pre-shipment CP-based method, the CP limit would be the amount eligible for financing. The CP limit is segregated into three periods where each period comprises of 4 months. The eligible amount of financing for Direct Exporter involved in manufacturing and trading is one hundred percent (100%) of Export Value of preceding 12 months. Whereas, the eligible amount of financing for Indirect Exporter involved in manufacturing and trading is eighty percent (80%) of Export Value of preceding 12 months.

Under Post-shipment, the amount of financing is one hundred percent (100%) of the export invoice value.

## 2.3 Payment

For direct exporter, source of payment for Pre-shipment financing shall be from export proceeds received from the overseas buyers/ post-shipment proceeds received from the ECR-i banks. For indirect exporter, source of payment for Pre-shipment financing should be made from local sales proceeds received from the ECR-i users, Free Trade Zone (FTZ)/ License Manufacturer Warehouse (LMW) companies.

For the Post-shipment financing, payment due shall be liquidated upon receipt of export proceeds or on maturity of the Post-shipment bill whichever is earlier.

The facility is available in Islamic financing based on Shariah contract/concept of Murabahah or Tawarruq (Pre-shipment) and Tawarruq (Post-shipment) either in Malaysia Ringgit (MYR) or United States Dollar (USD).

For more information on Export Credit Refinancing-i (ECR-i), please visit [www.exim.com.my](http://www.exim.com.my)

## 3. THE CAPITAL MARKET IN MALAYSIA

### 3.1 Securities Commission Malaysia

The Securities Commission Malaysia (SC) is responsible for the regulation and development of the Malaysian capital market. As a self-funding regulatory agency, it has investigative and enforcement powers.

Tasked to advance an innovative, competitive and vibrant capital market, the SC continues to pursue inclusive and sustainable growth. It is committed to develop a capital market and regulatory institution that are accessible, agile and accountable.

### Developing the Malaysian Capital Market

In 2018, Malaysia's capital market stood at RM3.1 trillion, equivalent to 2.2 times the size of the domestic economy. Malaysia is a global leader in the Islamic capital market with RM1.9 trillion in Shariah-compliant equity and sukuk outstanding, and continues to be the world's largest sukuk market.

Building on our strength in the Islamic capital market, the SC has led efforts to establish Malaysia as a regional centre for sustainable finance. Following the internationally recognised issuance of the world's first green sukuk in 2017, the SC has established a RM6 million Green SRI Sukuk Grant Scheme in 2018 to incentivise issuances of green sustainable and responsible investment (SRI) Sukuk. As at end 2018, a total of five green SRI sukuk have been issued, supporting RM2.4 billion in funds raised.

### Supporting the Real Economy

The Malaysian capital market provides financing for the real economy. In 2018, total funds raised through bond, sukuk and equity issuances amounted to RM114.6 billion. Alternative fundraising channels for micro, small and medium enterprises such as equity crowdfunding and peer-to-peer financing stood at RM261.5 million raised by 693 issuers.

The SC is focused on building an enabling ecosystem which provides accessibility, while ensuring investor protection and intermediation efficiency. Its core mandates to regulate and ensure market growth is carried out with the objective of protecting investors, including initiatives to raise financial and investment literacies.

For more information, visit [www.sc.com.my](http://www.sc.com.my).

### 3.2 Bursa Malaysia

Bursa Malaysia is an exchange holding company established in 1973 and listed in 2005. Today, it is one of the largest bourses in ASEAN, hosting more than 900 companies across 60 economic activities. Companies are listed either on the Main Market for large-cap established companies, or on the ACE Market for emerging companies of all sizes. In 2017, a new market called LEAP was introduced to provide the small and medium sized enterprises an avenue to raise funds in the capital market. LEAP is the first of its kind in ASEAN, putting Malaysia ahead of the curve in the region in terms of capital market innovation.



As a fully integrated exchange, Bursa Malaysia offers a comprehensive range of products which includes equities, derivatives, futures and options, offshore and Islamic assets, as well as exchange-related services such as listing, trading, clearing, settlement and depository. In addition, Bursa Malaysia offers other investment choices which include collective investment schemes such as Exchange Traded Funds (ETFs), Real Estate Investment Trusts (REITs), Exchange Traded Bonds and Sukuks (ETBS) and Business Trusts.

Bursa Malaysia adopts the FTSE Bursa Malaysia KLCI as its main index. For the past 10 years (2009-2018), the benchmark index FBMKLCI has increased by 93% while the total market capitalisation of all listed companies on Bursa Malaysia has grown by 156%. The Malaysian equity market has continued to record growth despite the increased volatility in the global equity markets. The Average Daily Value of shares traded had also charted an increase of 112% over the same period. Interest of foreign investors in the Malaysian market remained stable with the percentage of foreign ownership consistently recorded above 22%. Sustainable growth was also seen in the Islamic assets where the value of sukuk listed on Bursa Malaysia has recorded an increase of 204% since 2009.

Bursa Malaysia is also the world's biggest palm oil futures trading hub, and the Crude Palm Oil Futures (FCPO) contract, launched 35 years ago, has long been recognised and referenced as the global price benchmark for the palm oil industry.

Bursa Malaysia's key focus in Islamic capital market has allowed the Exchange to be a key differentiator in offering products that stands above the rest. A leading exchange in the Islamic capital market space, Bursa Malaysia has pioneered several innovations including Bursa Malaysia-i – the world's first end-to-end Shariah investing platform, and Bursa Suq-Al-Sila' – the world's first end-to-end Shariah-compliant commodity trading platform.

In the space of corporate governance and sustainability, Bursa Malaysia is making a name for itself at the forefront of the region as a responsible exchange, strong advocate of corporate governance and champion of the sustainability agenda. In 2014, it introduced the FTSE4Good Bursa Malaysia Index to measure the performance of companies demonstrating good environmental, social and governance (ESG) practices, and further strengthened its commitment to promote sustainable strategies among issuers and the marketplace in May 2015 when it joined the United Nations Sustainable Stock Exchanges (SSE) initiative.

As Bursa Malaysia advances towards fulfilling its vision to be ASEAN's leading, responsible and globally-connected marketplace, it will continue to remain focused on initiatives to widen its reach and offerings, and foster a conducive capital market ecosystem that creates ample opportunities for market participants to grow and achieve the value they seek.

For more information on Bursa Malaysia, visit [www.bursamalaysia.com](http://www.bursamalaysia.com)

## **i. Market Participants**

### **a) Stockbroking Companies**

As at 31 December 2018, there are 30 stock broking companies, of which 10 are categorised as Investment Banks. These banks offer services in the dealing of securities listed on Bursa Malaysia Securities. Investment banks hold a merchant banking licence issued by Bank Negara Malaysia under the Banking and Financial Institutions Act 1989 (BAFIA) as well as a Capital Markets Services licence issued by the Securities Commission under the Capital Markets & Services Act 2007. As such, investment banks are able to offer a full scope of integrated capital market and financial services which include corporate finance, debt securities trading and dealing in securities. One stock broking company still holds the universal broker status. A universal broker is able to offer integrated capital market services.

### **b) Trading Participants**

A Trading Participant is a company which owns at least one Preference Share of Bursa Malaysia Derivatives. They conduct business as a futures broker licensed by the Securities Commission under the Capital Markets & Services Act 2007. As at 31 December 2018, there are 18 Trading Participants licensed to conduct derivatives trading.

## **ii. Investor Protection**

Bursa Malaysia places utmost importance on investor protection and market integrity to ensure a well-functioning and sustainable capital market. It achieves this by maintaining a comprehensive and robust regulatory framework to govern the market and its participants in a fair, orderly and efficient manner.

To this end, Bursa Malaysia has in place clear, comprehensive and accessible rules which are reviewed from time to time to ensure that they remain relevant, effective and benchmarked against international standards of market regulation. This is aimed at ensuring the rules provide adequate levels of investor protection, but do not result in burdensome compliance costs nor impede ease of doing business and growth.

In undertaking its regulatory functions, Bursa Malaysia also places significant focus on ensuring adequate transparency in the marketplace as well as improving the governance and conduct of listed companies and intermediaries. It continues to elevate the standards of disclosures as well as corporate governance and sustainability practices through, amongst others, its supervisory approach and outreach education programme. In addition, vigilant monitoring and pro-active measures ensure timely detection and management of irregular or unwarranted corporate and trading activities.

These have contributed to a well-regulated market underpinned by adequate levels of investor protection where the culture of self-regulation and quality of practices by market participants continue to strengthen, and the market continues to operate in a fair and orderly manner.

The strength of market regulation has gained international recognition and some of the notable achievements include the following:

- In the corporate governance space, Malaysia rose strongly from 7th to 4th place in the CG Watch 2018, a regional corporate governance ranking maintained by the Asian Corporate Governance Association.
- Malaysia was ranked 2nd among 190 countries for Protecting Minority Investors based on the World Bank Ranking & Ease of Doing Business Score as at May 2018.

### iii. Risk Management

Bursa Malaysia has established a centralised risk management function integrated with a compliance function to provide a holistic and enterprise-wide view of the risk and compliance management within the Group.

Bursa Malaysia adopts the Guidelines on Financial Market Infrastructures issued by the Securities Commission of Malaysia; best practices such as ISO 31000:2009 Risk Management - Principles and Guidelines; and Principles for Financial Market Infrastructures (PFMI) frameworks issued by the International Organisation of Securities Commissions (IOSCO) to manage the risks of its business and operations.

One of the key features of Bursa Malaysia's enterprise risk management framework is the implementation of the three lines of defence comprising established and clear functional responsibilities and accountabilities for the management of risk. This is to ensure there is clear delineation of the risk management and compliance responsibilities under each line of defence to ensure there are adequate levels of checks and balances as well as greater independence.

Bursa Malaysia's risk management framework is embedded in the Enterprise Risk Management and Principles & Framework (ERMPF) document which is applicable to all the business entities within Bursa Malaysia. With the establishment of the risk management framework, the accountability, authority and responsibilities of the relevant parties in Bursa Malaysia for managing risk, including implementing and maintaining the risk management process as well as ensuring the adequacy, effectiveness and efficiency of any controls have been clearly outlined. Within the framework, there is an established and structured process for the identification, assessment, communication, monitoring as well as continual review of risks and effectiveness of risk mitigation strategies and controls at the divisional and enterprise levels. The analysis and evaluation of Bursa Malaysia's risks are guided by the approved risk parameters.

## 4. LABUAN FINANCIAL SERVICES

### 4.1 Labuan Financial Services Authority (Labuan FSA)

Labuan Financial Services Authority (Labuan FSA) is the statutory body responsible for the development and administration of the Labuan International Business and Financial Centre (Labuan IBFC). The key role of Labuan FSA is to license and regulate the licensed entities operating within Labuan IBFC and to ensure all such entities remain in compliance with internal and international best standards adopted by the jurisdiction. This is to safeguard investors' interests as well as to maintain the soundness of the regulatory environment in Labuan IBFC.

As the regulatory authority for the Labuan IBFC, Labuan FSA is committed to maintain the position of Labuan IBFC as a well regulated and reputable international financial centre in Asia Pacific while the promotion of the IBFC is undertaken by the marketing arm of Labuan FSA, the Labuan IBFC Incorporated Sdn. Bhd. (Labuan IBFC Inc). Labuan IBFC Inc. has a team of resources and specialists to assist investors regarding the jurisdiction and its vast range of financial services solutions, both conventional and Islamic.

## 4.2 Doing Business in the Labuan IBFC

Labuan IBFC is strategically located in the centre of Asia Pacific and positioned as the gateway for investments into and out of the region, presents investors an ideal balance of fiscal neutrality and certainly in a mid-shore jurisdiction. Well supported by a robust and comprehensive legal framework, Labuan IBFC provides clear legal provisions and complemented by a wide range of business and investment structures for cross border transactions, business dealings and wealth management needs.

The various Labuan company structures as well as comprehensive conventional and Islamic products and services catering to the diverse needs of investors contributed in making Labuan an attractive international business centre and a platform for residents and non-residents to invest abroad. The efficient delivery system as well as its customer oriented client charter further facilitates business needs of the investors.

Entities incorporated/registered in Labuan IBFC enjoy many advantages, from low operational costs to facilitative tax incentives and access to extensive double tax treaty agreements through the Malaysian double tax treaty network. Under the Labuan taxation system, a Labuan entity carrying on Labuan trading activity:

- i. pay tax each year at the rate of 3% of its audited net profits. There is currently no tax imposed on a Labuan entity conducting non-trading activities;
- ii. could also make an irrevocable election to pay tax under the Income Tax Act 1967. This would give Labuan entity more flexibility to structure their business transactions effectively, and create a more favourable tax conditions for the investors operating in or through the Labuan IBFC; and
- iii. A Labuan entity could also pay Business Zakat in lieu of tax. The Government has also granted various tax exemptions to further entice investors and professional services to establish their presence in Labuan IBFC.

## 4.3 Business Activities of Labuan IBFC

Labuan IBFC offers a comprehensive financial solution in both conventional and Shariah-based principles-covering banking, insurance and insurance-related products, trust company business and capital market activities.

In addition, the IBFC has continued to offer other niche products including wealth management (foundations), reinsurance/retakaful, leasing and commodity trading. A wide range of cost-effective business structures such as the Labuan Holding Company, Labuan Protected Cell Companies, Labuan Limited Liability Partnership and Special Trust are also available.

The Labuan International Commodity Trading Company (LITC) introduced in 2011 under the Global Incentive for Trading Programme provides incentives to international trading companies to set up LITC in Labuan IBFC and to trade on petroleum/petroleum related products, including liquefied natural gas (LNG).

The Labuan International Financial Exchange (LFX) complements the traditional banking facilities through its offer of full-fledge capital raising services with unlimited access to international markets through the activities of listing, trading and settlement of financial instruments or facilities.

For more information on Labuan IBFC, please visit [www.labuanibfc.com](http://www.labuanibfc.com).

## 5. FOREIGN EXCHANGE ADMINISTRATION RULES

Malaysia continues to maintain a progressive foreign exchange administration (FEA) regime. FEA rules are part of the broader prudential toolkit used by Bank Negara Malaysia (BNM) to ensure financial stability, specifically to safeguard the balance of payment position and the value of the Malaysian ringgit. At the same time, FEA rules also aim to facilitate cross-border activities by entities in Malaysia in order to strengthen Malaysia's competitiveness given the high degree of openness of the economy in terms of trade, investment and financial flows.

### 5.1 Rules applicable to Non-Residents

#### 5.1.1 Investments into Malaysia

The Malaysian markets are easily accessible by global investors, with free mobility of inflows and outflows of capital for investments in Malaysia.

- Non-residents are free to invest in any form of ringgit assets either as direct or portfolio investments;
- The investments can be funded through conversion of foreign currency into ringgit with licensed onshore banks<sup>1</sup> (excluding licensed international Islamic banks) or appointed overseas<sup>2</sup> offices of the licensed onshore banks; and

<sup>1</sup> Licensed onshore bank means a licensed bank and a licensed investment bank under the Financial Services Act 2013 and under the Islamic Financial Services Act 2013

<sup>2</sup> List of appointed overseas office can be found at [http://www.bnm.gov.my/documents/aoo/list\\_of\\_aoo\\_country\\_20190419.pdf](http://www.bnm.gov.my/documents/aoo/list_of_aoo_country_20190419.pdf)

- Non-residents are free to repatriate divestment proceeds, profits, dividends or any income arising from investments in Malaysia provided that the funds are repatriated in foreign currency.

### **5.1.2 Accessibility to domestic financing**

#### **i. Borrowing in foreign currency**

- (a) Non-resident are free to borrow any amount of foreign currency from licensed onshore banks. Proceeds of the borrowing can be utilised offshore or onshore; and
- (b) Non-residents are also free to issue foreign-currency denominated sukuk/bonds in Malaysia for use onshore or abroad.

#### **ii. Borrowing in ringgit**

- (a) Non-financial institution non-residents are free to borrow any amount in ringgit from licensed onshore banks (excluding licensed international Islamic bank), resident companies and resident individuals to finance activities in the real sector in Malaysia;
- (b) Non-financial institution non-residents are free to borrow in ringgit for margin financing from resident entities with a stockbroking license issued under the Capital Market and Services Act 2007 to finance purchases of securities and financial instruments traded on Bursa Malaysia; and
- (c) Upon approval from BNM, non-residents may raise ringgit financing in Malaysia through the issuance of ringgit-denominated sukuk/bonds<sup>3</sup>. The proceeds may be used onshore or offshore, subject to consideration on case-to-case basis.

### **5.1.3 Settlement for trade in goods and services**

Non-residents may undertake settlements for international trade in goods and services with residents in foreign currency or ringgit via licensed onshore banks or appointed overseas office.

### **5.1.4 Hedging**

Non-residents are free to hedge their ringgit exposures for current and financial account transactions with licensed onshore banks (excluding licensed international Islamic banks) and appointed overseas offices.

### **5.1.5 Ringgit and foreign currency accounts**

There are no restrictions for non-residents to open –

- i. foreign currency accounts with any licensed onshore banks to facilitate investments and business operations in Malaysia. Funds in these accounts are free to be remitted abroad; and
- ii. ringgit accounts with any financial institution. The accounts can be funded with ringgit from the sale of foreign currency on spot<sup>4</sup> basis or any income earned from their investments in Malaysia including interest, rental, profits, dividend or proceeds from divestments of their ringgit assets. Funds in these accounts can be remitted abroad once converted into foreign currency with the licensed onshore banks.

## **5.2 Rules applicable to Residents**

### **5.2.1 Investment in foreign currency assets**

- i. Residents without domestic ringgit borrowing<sup>5</sup> are free to undertake investment in foreign currency asset onshore or abroad of any amount.
- ii. Resident entities with domestic ringgit borrowing are free to undertake investment in foreign currency asset onshore or abroad up to a prudential limit of RM50 million equivalent in aggregate per calendar year on a corporate group basis using foreign currency funds sourced from the conversion of ringgit. Trade Foreign Currency Account, foreign currency borrowing obtained from a licensed onshore bank for purposes other than direct investment abroad or through the swapping of financial assets.

<sup>3</sup> Further information on issuances of ringgit and foreign currency-denominated sukuk/bonds can be found at <http://www.bnm.gov.my/microsite/fxadmin/notices/JointinfoNote.pdf>

<sup>4</sup> Spot means the buying and selling of any currency for delivery within two business days

<sup>5</sup> Domestic ringgit borrowing means borrowing in ringgit obtained by a resident from another resident, excluding borrowing from related resident entities but includes credit card facility obtained from licensed onshore banks

### **5.2.2 Borrowing onshore and offshore**

#### **i. Borrowing in foreign currency**

- a) Resident entities are free to borrow any amount of foreign currency borrowing from:
  - Licensed onshore banks;
  - Resident and non-resident companies within its corporate group of entities;
  - Resident and non-resident direct shareholders; and
  - Another resident through the issuance of foreign currency-denominated debt securities.
- b) Foreign currency borrowing by resident entities from non-resident financial institutions and non-resident entities, which are not part of their corporate group of entities, is subject to a prudential limit of RM100 million equivalent in aggregate on a corporate group basis.

#### **ii. Borrowing in ringgit**

Resident entities are free to obtain ringgit borrowing of:

- a) Any amount from non-resident companies within its corporate group of entities and non-resident direct shareholders to finance activities in the real sector in Malaysia; or
- b) Up to RM1 million in aggregate from any non-resident other than non-resident financial institutions for use in Malaysia.

### **5.2.3 Import and export of goods and services**

All proceeds from the export of goods must be received and repatriated directly and immediately to Malaysia in full as per the export sales contract which must not exceed six months from the date of export shipment. Settlement with the non-residents can be undertaken in ringgit or foreign currency.

#### **5.2.4 Hedging**

Residents are allowed to sell ringgit against foreign currency on forward basis with licensed onshore banks (excluding licensed International Islamic banks) to hedge their foreign currency exposures up to twelve (12) months of their foreign currency obligations<sup>6</sup>.

#### **5.2.5 Foreign currency accounts**

Residents are free to open foreign currency accounts with licensed onshore banks and non-resident financial institutions.

For further details on the foreign exchange administration rules of Malaysia, please visit <http://www.bnm.gov.my/fxadmin>.

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<sup>6</sup> Foreign currency obligation refers to foreign currency import payment, foreign currency loan repayment and other current account transactions in foreign currency with a non-resident



CHAPTER

7

**INTELLECTUAL  
PROPERTY  
PROTECTION**

**REGISTER**

**LAW**

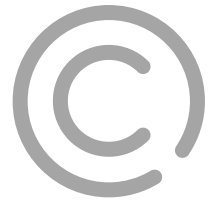
**PROPERTY**

**COPYRIGHT**

**IDEA**

**LICENSE**

**PATENT**



## **1. INTELLECTUAL PROPERTY PROTECTION**

- 1.1 Patents
- 1.2 Trade Marks
- 1.3 Industrial Designs
- 1.4 Copyright
- 1.5 Layout Design of Integrated Circuit
- 1.6 Geographical Indications
- 1.7 Intellectual Property (IP) Valuation
- 1.8 IP Financing
- 1.9 IP Rights Marketplace



# INTELLECTUAL PROPERTY PROTECTION

## 1. INTELLECTUAL PROPERTY PROTECTION

Intellectual property system in Malaysia is administered by the Intellectual Property Corporation of Malaysia (MyIPO), an agency under the Ministry of Domestic Trade and Consumer Affairs. Intellectual property protection in Malaysia comprises of patents, trade marks, industrial designs, copyright, geographical indications and layout designs of integrated circuits. Malaysia is a member of the World Intellectual Property Organisation (WIPO) and a signatory to the Paris Convention and Berne Convention which govern these intellectual property rights.

In addition, Malaysia is also a signatory to the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) signed under the auspices of the World Trade Organisation (WTO). Malaysia provides adequate protection to both local and foreign investors. Malaysia's intellectual property laws are in conformance with international standards and have been reviewed by the TRIPs Council periodically.

### 1.1 Patents

The Patents Act 1983 and the Patents Regulations 1986 govern patent protection in Malaysia. An applicant may file a patent application directly if he is domicile or resident in Malaysia. A foreign application can only be filed through a registered patent agent in Malaysia acting on behalf of the applicant.

Similar to legislations in other countries, an invention is patentable if it is new, involves an inventive step and is industrially applicable. In accordance with TRIPS, the Patents Act stipulates a protection period of 20 years from the date of filing of an application. Under the Act, the utility innovation certificate provides for an initial duration of ten years protection from the date of filing of the application and renewable for further two consecutive terms of five years each subject to use. The owner of a patent has the right to exploit the patented invention, to assign or transmit the patent, and to conclude a licensed contract. However, exception to patent such as compulsory licence and parallel import are also included.

### 1.2 Trade Marks

Trade mark protection is governed by the Trade Marks Act 1976 and the Trade Marks Regulations 1997.

The Act provides protection for registered trade marks and service marks in Malaysia. Once registered, no person or enterprise other than its proprietor or authorised users may use them. Infringement action can be initiated against abusers. The period of protection is ten years, renewable for a period of every ten years thereafter. The proprietor of the trade mark or service mark has the right to deal or assign as well as to license its use.

As with patents, while local applicant may file applications on their own, foreign applicants will have to do so through registered trade mark agents.

### 1.3 Industrial Designs

Industrial design protection in Malaysia is governed by the Industrial Designs Act 1996 and Industrial Designs Regulations 1999. The Act provides the rights of registered industrial designs as that of a personal property capable of assignment and transmission by operation of the law.

To be eligible for registration, industrial designs must be new and do not include a method of construction or design that is dictated solely by function. In addition, the design of the article must not be dependent upon the appearance of another article of which it forms an integral part.

Local applicants can file registrations individually or through a registered industrial designs agent. However, foreign applicants will need to seek the services of a registered industrial designs agent. Registered industrial designs are protected for an initial period of five years which may be extended for a further four consecutive terms, providing a total protection period of 25 years.

Malaysia has amended the Industrial Designs Act 1996 which entered into force on 1 July 2013. The amendments include worldwide novelty, increase term of protection, introduce IP Journal System and provision on monetization and securitization of industrial designs.

### 1.4 Copyright

The Copyright Act 1987 provides comprehensive protection for copyright works. The Act outlines the nature of works eligible for copyright (which includes computer programs), the scope of protection, and the manner in which the protection is accorded. Copyright subsists in every work eligible for copyright protection of which the author is a qualified person.

Copyright protection for literary, musical or artistic works is for the duration of the life of the author and 50 years after his death. In sound recordings, broadcasts and films, copyright protection is for 50 years after the works are first published or made.

The Act also provides protection for the performer's rights in a live performance which shall continue to subsist for 50 years from the beginning of the calendar year following the year in which the live performance was given or was fixed in a sound recording.



A unique feature of the Act is the inclusion of provisions for its enforcement. The amendment of the Copyright Act 1987, which was enforced on 1 October 2003, confers power of arrest (including arrest without warrant) to enforcement officers of the Ministry of Domestic Trade and Consumer Affairs (MDTCA). This special team of officer of the MDTCA is appointed to enforce the Act and is empowered to enter premises suspected of having infringing copies and to search and seize infringing copies and contrivances.

The Copyright (Amendment) Act 2012 entered into force on 1 March 2012. The Act was amended to be in line with technological development and to adhere to the international IP conventions/treaties relating to copyright and related rights. Among major amendments are the introduction of copyright voluntary notification system, regulating the collective management organisation (CMO) and expansion of the Copyright Tribunal's function. Beginning from 1 June 2012, copyright owner may apply for voluntary notification at the Intellectual Property Corporation of Malaysia (MyIPO) and CMO can be registered at MyIPO.

### **1.5 Layout Design of Integrated Circuit**

The Layout Design of Integrated Circuits Act 2000 provides for the protection of layout designs of integrated circuits based on originality, creator's own invention and the fact that the creation is freely created. There is no registration for the layout design of an integrated Circuit.

The duration of protection is 10 years from the date of its commercial exploitation or 15 years from the date of creation if not commercially exploited. The Act also allows for action to be taken by the owner if such rights recognised under the Act have been infringed. The right can also be transferred either partly or wholly by way of assignment, licence, wills or through the enforcement of law.

The Act is implemented in compliance with the TRIPS Agreement to provide a guarantee to investors in Malaysia's electronic industry and to ensure the growth of technology in the country.

### **1.6 Geographical Indications**

Geographical Indications Act 2000 provides protection to goods following the name of the place where goods are produced, where a given quality, reputation or other characteristic of the goods is essentially attributable to their geographical origin. This protection is applicable to goods such as natural or agricultural products or any product of handicraft or industry. Geographical indications which are contrary to public order or morality shall not be protected under the Act.

Local applicants can file registrations individually or through a registered geographical indication agent. However, foreign applicants will need to seek the services of a registered geographical indication agent. The period of protection is ten years and renewable for a period of every ten years thereafter.

MyIPO also provides online search and filing services for patents, trade marks, industrial designs and geographical indications; and online search for notification of copyright works. For further information on intellectual property protection, please visit [www.myipo.gov.my](http://www.myipo.gov.my)

### **1.7 Intellectual Property (IP) Valuation**

In tandem with the IP Valuation Model, an Intellectual Property Valuation Training program was created with the cooperation of the World Trade Institute (WTI), University of Berne, Switzerland, and launched on the 7th of March 2013 with the training of the pioneer batch. The availability of local IP valuers will assist in reducing the cost and complexity of appointing foreign IP valuers in providing valuations for financing and lending purposes and thus make it more accessible to SMEs and IP owners in getting their IP valued. This in turn will contribute to the overall vibrancy of the ecosystem.

### **1.8 IP Financing**

As part of the Government's overall strategy to improve and boost the competitiveness of local SMEs, MyIPO has been working with various stakeholders and key players in the industry especially the lenders and financial institutions to expand their financial and loan products by providing financing based on SMEs IP rights as part of the requisite collateral to secure lending by SMEs.

### **1.9 IP Rights Marketplace**

As part of the overall thrust in strengthening the IP Ecosystem, ensuring healthy demand and supply of IP is critical to encourage continued investments in the creation of IP and other forms of know-how and intangible assets. MyIPO has developed and launched a pilot platform called the IP Rights Marketplace to improve access and visibility for IP owners who wish to license and sell their rights. This portal is created to counter the difficulty IP owners faced in making their IP known and gaining access to potential licensees and buyers. With this platform, MyIPO has entered into strategic partnerships with other IP marketplaces in Hong Kong, Singapore and several regions in China to expand the reach of our local IP rights. More suitable marketplaces globally will be added to the network in the near future.

To know more about the IP marketplace and how you can participate, visit [www.iprmarketplace.com.my](http://www.iprmarketplace.com.my).



CHAPTER

# 8

## ENVIRONMENTAL MANAGEMENT







## **1. POLICY**

## **2. ENVIRONMENTAL REQUIREMENTS**

- 2.1 Environmental Impact Assessment for Prescribed Activities
- 2.2 Site Suitability Assessment



# ENVIROMENTAL MANAGEMENT

To promote environmentally sound and sustainable development, the Malaysian government has established the legal and institutional framework for environmental protection. Investors are encouraged to consider the environmental factors during the early stages of their project planning. Aspects of pollution control include possible modifications in the process line to minimise waste generation, seeing pollution prevention as part of the production process, and focusing on recycling options including self-regulation culture.

## 1. POLICY

National Policy on the Environment (DASN) has been established for continuous economic, social and cultural progress and enhancement of the quality of life of Malaysians through environmentally sound and sustainable development. The objectives of DASN are to achieve:

- i. A clean environment, safe, healthy and productive environment for present and future generations;
- ii. Conservation of country's unique and diverse cultural and natural heritage with effective participation by all sectors of society; and
- iii. Sustainable lifestyles and patterns of consumption and production.

There are eight (8) principles listed under DASN to harmonize economic development goals with environmental imperatives:

- Stewardship of the Environment
- Conservation of Nature's Vitality and Diversity
- Continuous Improvement in the Quality of the Environment
- Sustainable Use of Natural Resources
- Integrated Decision-Making
- Role of the Private Sector
- Commitment and Accountability
- Active Participation in the International Community

DASN seeks to integrate environmental considerations into development activities and in all related decision-making processes, to foster long-term economic growth and human development, and to protect and enhance the environment. It complements and enhances the environmental dimensions of other national policies, such as those on forestry and industry, and takes cognizance of international conventions on global concerns.

## 2. ENVIRONMENTAL REQUIREMENTS

The Environmental Quality Act 1974, and its accompanying regulations call for environmental impact assessment, site suitability assessment, pollution control assessment, monitoring and self-regulation in compliance. Industrial activities are required to obtain the following approvals from the Director-General of Environmental Quality prior to project implementation:

- i. Environmental impact assessment for Prescribed Activities
- ii. Written notification or permission to construct
- iii. Written approval for installation of incinerator, fuel burning equipment and chimney
- iv. Licence to occupy and operate prescribed premises and prescribed conveyances.

### 2.1 Environmental Impact Assessment for Prescribed Activities

An investor should first of all check whether an environmental impact assessment (EIA) is required for his proposed industrial activities. The following are activities prescribed under the Environmental Quality (Prescribed Activities) (Environmental Impact Assessment) Order 2015, which require an EIA before project approval:

#### FIRST SCHEDULE

##### 1. Agriculture:

- i. Land development schemes covering an area of 20 hectares or more but less than 500 hectares to bring forest into agricultural production.
- ii. Development of agricultural estates covering an area of 500 hectares or more involving changes in types of agricultural use.

##### 2. Aerodrome:

Expansion of an aerodrome involving a runway of 1,000 metres or longer.

### 3. Drainage And Irrigation:

- i. Construction of man-made lakes and enlargement of artificial lakes with surface areas of 100 hectares or more.
- ii. Irrigation schemes covering an area of 500 hectares or more.

### 4. Fisheries:

Land based aquaculture projects accompanied by clearing of mangrove forest, peat swamp forest or fresh water swamp forest covering an area of 20 hectares or more but less than 50 hectares.

### 5. Forestry:

- i. Conversion of forest at 300 meters or more above mean sea level to other land use covering an area of 20 hectares or more but less than 100 hectares.
- ii. Logging, or cutting or taking of timber for the purpose of conversion from forest to other land use covering an area of 100 hectares or more but less than 500 hectares.
- iii. Logging, or cutting or taking of timber from forest at less than 300 meters above mean sea level covering an area of 100 hectares or more, outside permanent reserved forest.
- iv. Conversion of an area of —
  - a) mangrove forest;
  - b) peat swamp forest; or
  - c) fresh water swamp forest,

for industrial, housing or agricultural use covering an area of 20 hectares or more but less than 50 hectares.

- v. Development of planted forest covering an area of 100 hectares or more but less than 500 hectares.

### 6. Industry:

- i. Chemical:

Production capacity of each product or combined products of 100 tonnes or more per day.
- ii. Cement:

Cement grinding plant with cement production capacity of 200 tonnes or more per day.

### iii. Lime:

Production of 100 tonnes or more per day of burnt lime using rotary kiln or 50 tonnes or more per day of burnt lime using vertical kiln.

### iv. Petrochemicals:

Production capacity of each product or combined product of less than 50 tonnes per day.

### v. Shipyards:

Dead weight tonnage of 5,000 tonnes or more.

### 7. Land Reclamation:

Coastal reclamation or land reclamation along river banks involving an area of less than 50 hectares.

### 8. Mining:

- i. Ore processing outside mineral tenement area, including concentrating of aluminium, copper, gold, iron, tantalum or rare earth element.
- ii. Sand mining on land or river or in coastal area or in territorial waters not exceeding 3 nautical miles measured from the low-water line, involving an area of 20 hectares or more.
- iii. Sand mining in continental shelf area.

### 9. Petroleum:

- i. Development of—
  - a) oil field;
  - b) gas field; or
  - c) oil and gas field.
- ii. Construction of 30 kilometres or more in length of—
  - a) off-shore pipelines;
  - b) on-shore pipelines; or
  - c) off-shore pipelines and on-shore pipelines.

iii. Construction of—

- a) oil separation, processing, handling and storage facilities;
  - b) gas separation, processing, handling and storage facilities; or
  - c) oil and gas separation, processing, handling and storage facilities.
- iv. Construction of product depot for the storage of petrol, gas or diesel which has the combined storage capacity of 60,000 barrels or more (excluding service station) within 3 kilometres from any commercial, industrial or residential area.

**10. Ports:**

- i. Expansion of port involving an increase of 50 percent or more in handling capacity per annum.
- ii. Expansion of fishing port involving an increase of 50 percent or more in fish landing capacity per annum.

**11. Power Generation And Transmission:**

- i. Construction of steam generated power station using fossil fuels (other than coal) and having the capacity of 10 megawatts or more, with or without transmission line.
- ii. Construction of combined cycle power station, with or without transmission line.
- iii. Construction of transmission line in environmentally sensitive area.

**12. Development In Coastal And Hill Area:**

- i. Construction of building or facilities with 80 rooms or more in coastal area.
- ii. Construction of hill-station resort or hotel at 300 meters or more above mean sea level covering an area of 20 hectares or more.

**13. Development In Slope Area:**

Development or land clearing less than 50 per cent of an area with slope greater than or equal to 25° but less than 35°.

**14. Waste Treatment And Disposal:**

- i. Scheduled waste:
  - a) Construction of recovery plant (off-site).
  - b) Construction of wastewater treatment plant (off-site).
  - c) Construction of storage facility (off-site).
- ii. Solid waste:
  - a) Construction of composting plant.
  - b) Construction of recovery plant or recycling plant.
- iii. Sewage:
  - a) Construction of sewage treatment plant with 20,000 population equivalent or more.
  - b) Sludge treatment facilities.

**15. Dredging:**

- i. Capital dredging.
- ii. Disposal of waste dredged materials.

**16. Housing:**

Housing development covering an area of 50 hectares or more.

**17. Industrial Estate Development:**

Development of industrial estate covering an area of 20 hectares or more.

**18. New Township:**

Construction of new township consisting of 2,000 housing accommodation units or more or covering an area of 100 hectares or more.

**19. Quarry:**

Quarrying of rock material.

**20. Road:**

- i. Construction of expressways.
- ii. Construction of highways.
- iii. Construction of road, tunnel or bridge traversing or adjacent or near to environmentally sensitive areas.

**21. Water Supply:**

Groundwater development for industrial, agricultural or urban water supply of 4,500 cubic metres or more per day.

**SECOND SCHEDULE****1. Agriculture:**

- i. Land development schemes covering an area of 500 hectares or more to bring forest into agricultural production.
- ii. New pig farming area of 2,000 or more standing pig population.

**2. Aerodrome:**

- i. Construction of a new aerodrome involving a runway of 1,000 metres or longer.
- ii. Construction of aerodrome in or adjacent or near to any state park, national park, national marine park, island surrounding marine park or environmentally sensitive area.

**3. Drainage And Irrigation:**

- i. Construction of man-made lakes and artificial enlargement of lakes with surface areas of 50 hectares or more in or adjacent or near to environmentally sensitive area.
- ii. Any drainage of wetland, wild-life habitat or of dry inland forest covering an area of 20 hectares or more.

**4. Fisheries:**

Land based aquaculture projects accompanied by clearing of mangrove forest, peat swamp forest or fresh water swamp forest covering an area of 50 hectares or more.

**5. Forestry:**

- i. Conversion of forest at 300 meters or more above mean sea level to other land use covering an area of 100 hectares or more.
- ii. Logging or conversion of forest to other land use within—
  - a) a catchment area of reservoirs used for municipal water supply, irrigation or hydro-power;
  - b) an area adjacent or near to any state park, national park or national marine park;
  - c) any state park, national park or national marine park; or
  - d) an area gazetted as water catchment forest under the National Forestry Act 1984 [Act 313].
- iii. Logging, or cutting or taking of timber from forest at 300 meters or more above mean sea level covering an area of 100 hectares or more, outside permanent reserved forest.
- iv. Logging, or cutting or taking of timber covering an area of 500 hectares or more.
- v. Development of planted forest covering an area of 500 hectares or more.
- vi. Conversion of an area of—
  - a) mangrove forest;
  - b) peat swamp forest; or
  - c) fresh water swamp forest,

for industrial, housing or agricultural use covering an area of 50 hectares or more.
- vii. Clearing of mangrove forest, peat swamp forest or fresh water swamp forest on islands adjacent to any national marine park.



## **6. Industry:**

- i. Non-ferrous:
  - a) Primary smelting aluminium (all sizes).
  - b) Primary smelting copper (all sizes).
  - c) Primary smelting other non-ferrous (producing 50 tonnes product or more per day).
- ii. Cement:

With clinker production capacity of 30 tonnes or more per hour.
- iii. Iron and steel:
  - a) Using iron ore as raw materials for production of 100 tonnes or more per day.
  - b) Using scrap iron as raw materials for production of 200 tonnes or more per day.
- iv. Petrochemicals:

Production capacity of each product or combined product of 50 tonnes or more per day.
- v. Pulp, or pulp and paper:

Production capacity of 50 tonnes or more per day.
- vi. Recycle paper industry:

Production capacity of 50 tonnes or more per day.

## **7. Land Reclamation:**

- i. Coastal reclamation or land reclamation along river banks involving an area of 50 hectares or more.
- ii. Coastal reclamation or land reclamation along river banks within or adjacent or near to environmentally sensitive areas.
- iii. Reclamation for man-made island.

## **8. Mining:**

- i. Mining of minerals in new areas involving large scale operation.
- ii. Mining of minerals within or adjacent or near to environmentally sensitive area.

## **9. Petroleum:**

- i. Construction of oil refineries.
- ii. Construction of gas refineries.
- iii. Construction of oil and gas refineries.

## **10. Ports:**

- i. Construction of a new port.
- ii. Construction of a new fishing port.

## **11. Power Generation And Transmission:**

- i. Construction of coal fired power station and having the capacity of 10 megawatts or more with or without transmission line.
- ii. Construction of nuclear-fuel power station with or without transmission line.

## **12. Development In Coastal Area, National Park And State Park:**

Development of tourist facilities, recreational facilities or other facilities—

- i. in any national park or state park; or
- ii. on any island in surrounding waters which has been gazetted as a national marine park or marine reserve under the Fisheries Act 1985 [Act 317].

## **13. Development In Slope Area:**

- i. Development or land clearing of 50 per cent or more of an area with slope greater than or equal to 25° but lesser than 35°.
- ii. Construction of road, tunnel or bridge traversing an area with slope greater than or equal to 35°.

## **14. Waste Treatment And Disposal:**

- i. Scheduled waste:
  - a) Construction of thermal treatment plant.
  - b) Construction of off-site recovery plant for lead acid battery wastes.
  - c) Construction of off-site recovery plant or treatment facility that generates significant amount of wastewater which is located at the upstream of public water supply intake.
  - d) Construction of secure landfill facility.

- ii. Solid waste:
  - a) Construction of thermal treatment plant.
  - b) Construction of sanitary landfill facility.
  - c) Construction of transfer station.

#### **15. Construction Of Dam:**

- i. Construction of dam or impounding reservoir for the purpose of irrigation, flood mitigation, control of siltation, recreational, water supply or any other reason with a surface area of 100 hectares or more.
- ii. Dam and hydro-electric power scheme with either or both of the following:
  - a) dam of 15 metres or more in height and ancillary structures covering a total area of 40 hectares or more;
  - b) reservoir with a surface area of 100 hectares or more.

#### **16. Transportation:**

- i. Construction of new routes or branch line for a mass rapid transport project.
- ii. Construction of new railway route or railway branch lines.

#### **17. Radioactive Materials And Radioactives Waste:**

Any activity specified in this schedule and the First Schedule using radioactive materials and generating radioactive wastes.

#### **2 stages of EIA Report Submission:**

- i. Submission of TOR for endorsement
- ii. Submission of EIA Report for Approval

Both documents must be prepared by qualified person (Registered EIA Consultant with DOE).

## **2.2 Site Suitability Assessment**

Before an industrial project is planned, care must be taken in ensuring the proposed site location is suitable for its purpose and any environmental concerns must be addressed either by design and/or planning. Avoidance of conflict(s) through proper siting, and more importantly, with consideration of environmental controls and pollution prevention is important for long-term sustainability of an industrial activity. This would help to reduce unnecessary investment costs that may be required especially on pollution control and to improve public perception of the project or activity.

The 'Environmental Essentials for the Siting of Industries in Malaysia' (EESIM) 2017, published by the Department of Environment Malaysia serves as a guidance document for Project Developers, when selecting a suitable site for the setting up of a manufacturing or industrial facility. Proposed industrial activity shall be sited within an industrial estate and be developed and managed with environmentally- sound control measures. In considering the suitability of the proposed site, the site of interest is evaluated in terms of its compatibility with respect to the gazetted Structure and Local plans, surrounding land use, provision of set-backs or buffer zones set by PLANMalaysia (Jabatan Perancangan Bandar Dan Desa), the capacity of the area to receive additional pollution load and waste disposal requirements.

CHAPTER

9

## INFRASTRUCTURE SUPPORT





## **1. INDUSTRIAL LAND**

- 1.1 Industrial Estates
- 1.2 Free Zones
  - 1.2.1 *Free Commercial Zones (FCZs)*
  - 1.2.2 *Free Industrial Zones (FIZs)*
- 1.3 Licenced Manufacturing Warehouses

## **2. ELECTRICITY SUPPLY**

## **3. WATER SUPPLY**

## **4. TELECOMMUNICATION SERVICES**

## **5. AIR CARGO FACILITIES**

## **6. SEA PORTS**

## **7. CARGO TRANSPORTATION**

- 7.1 Container Haulage
- 7.2 Freight Forwarding

## **8. HIGHWAYS**

## **9. RAILWAY SERVICES**

## **10. MSC MALAYSIA**



# INFRASTRUCTURE MANAGEMENT

## 1. INDUSTRIAL LAND

### 1.1 Industrial Estates

Malaysia has over 600 industrial estates throughout the country with world-class infrastructure and excellent connectivity, making Malaysia as the most sought-after, sustainable and conducive workplace for locals as well as foreign investors.

Specialised industrial estates have been developed in Malaysia to cater the needs of specific industries such as small-scale industries, Halal industries, furniture park, biotechnology park, technology-intensive industries and R&D activities. Kulim Hi-Tech Park and Batu Kawan Industrial Park in the northern part of Peninsular Malaysia, the country's first, fully integrated high technology park, i-Park Johor has created a unique concept of an 'industrial resort' and Selangor Halal Hub in the Pulau Indah, Westport focusing on Halal products activities. Built on an idea that fuses a resort-like or industrial-city concept integrated with amenities such as shopping centre, hospital, educational institutions and recreational facilities entice investors to come and invest in Malaysia.

### 1.2 Free Zones

A Free Zone is an area in any part of Malaysia declared by the Minister of Finance under the provision of Section 3(1) of the Free Zones Act 1990 to be a Free Commercial Zone or Free Industrial Zone. It is mainly designed to promote entrepore trade and specially established for manufacturing companies that produce or assemble products mainly for export.

The activities and industries therein are subject to minimal customs formalities as it is deemed under Section 2 (1A) of the customs Act 1967 to be a place outside the Principal Custom Area except in respect of Prohibition of Imports and Exports under Section 31 of the Customs Act 1967.

#### 1.2.1 Free Commercial Zones (FCZs)

A Free Zone allocated for carrying out of commercial activities which include trading (except retail trading), breaking bulk, grading, repacking, relabeling, transshipment and transit.

To-date there are 21 FCZs located at North, South and West Port of Port Klang, Port Klang Free Zone, Pulau Indah MILS Logistic Hub, Butterworth, Bayan Lepas, KLIA, Rantau Panjang, Pengkalan Kubor, Stulang Laut, Johor Port and

Port of Tanjung Pelepas.

#### 1.2.2 Free Industrial Zones (FIZs)

Other than minimal customs formalities, FIZs enable export-oriented manufacturing companies to enjoy duty free import of raw materials, component parts, machinery and equipment required directly in the manufacturing process, as well as minimal formalities in exporting their finished products.

To-date there are 22 FIZs located at Pasir Gudang, Tanjung Pelepas, Batu Berendam I, Batu Berendam II, Tanjung Kling, Telok Panglima Garang, Pulau Indah (PKFZ), Sungai Way I, Sungai Way II, Ulu Kelang, Jelapang II, Kinta, Bayan Lepas I, II, III, IV, Seberang Perai and Sama Jaya.

#### Eligibility

Companies can be located within FIZs when:

- their entire production or not less than 80% of their products are meant for export
- their raw materials/components are mainly imported. Nevertheless, the government encourages FIZ companies to use local raw materials/components

### 1.3 Licensed Manufacturing Warehouses

To enable companies to enjoy FIZ facilities in areas where it is neither practical nor desirable to establish FIZs, companies can set up Licensed Manufacturing Warehouses (LMWs). Facilities accorded to LMWs are similar to factories operating in the FIZs.

#### Eligibility

Companies normally approved for LMWs are those:

- whose entire production or not less than 80% are meant for export
- whose raw materials/components are mainly imported

#### Payment of Duty

Effective 1 January 2011, FIZ and LMW companies are eligible to enjoy import duty exemptions equivalent to ATIGA (ASEAN Trade in Goods Agreement) rates if they comply with the following conditions;

- achieve 40% of value from local content, and
- if the local content value does not reach 40%, consideration can be given if the FIZ/LMW companies can prove that the non-originating raw material to the end products produced had undergone substantive transformation process through a mechanism which has been set.



## 2. ELECTRICITY SUPPLY

Electricity supply in Malaysia is adequate and of high quality and reliability, compatible to other utilities in the region and globally.

The power supply to West Malaysia is provided by Tenaga Nasional Berhad, a national utility company, whereas in East Malaysia, i.e. Sabah and Sarawak is provided by Sabah Electricity Sendirian Berhad (SESB) and Sarawak Energy Berhad (SEB) respectively.

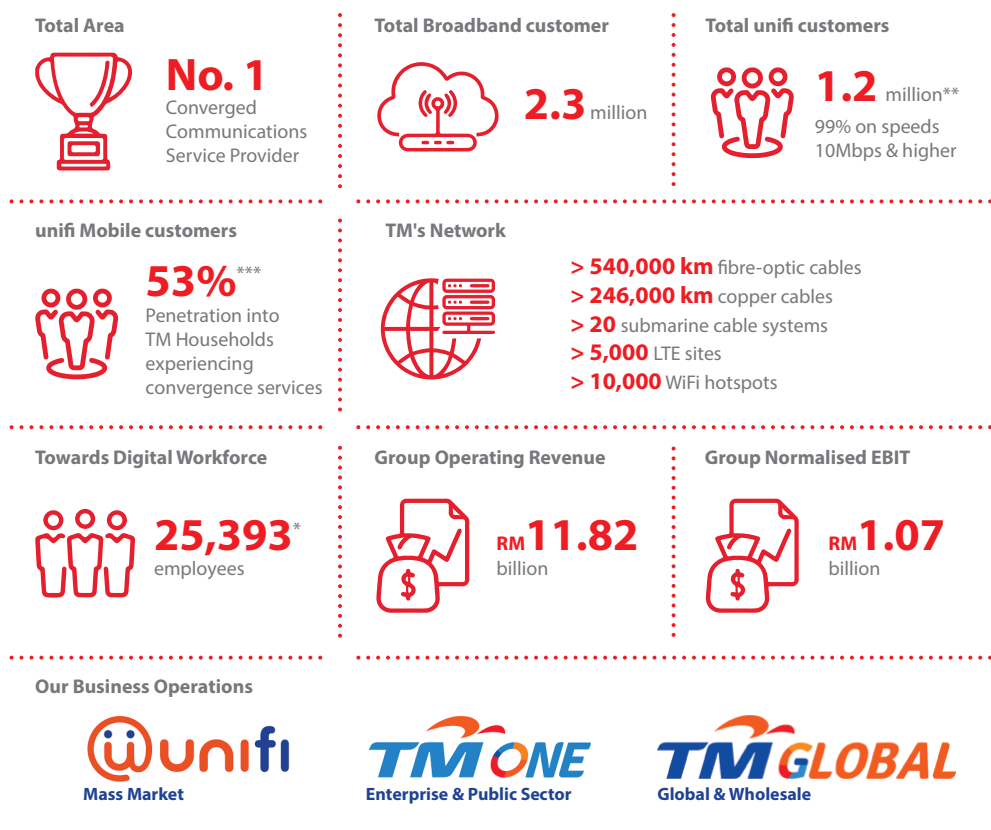
The power generation in Malaysia is mainly a mixture of thermal, gas and hydro. The generation plants are owned by both the utilities and Independent Power Producers (IPP). Renewable energy from solar, small hydro, biogas and biomass are being promoted too as part of the green technology initiative of Malaysia.

The transmission voltages in Malaysia are at 500 kV, 275 kV and 132 kV while the distribution voltages are at 33 kV, 11 kV and 400/230 V.

## 3. WATER SUPPLY

Water supply and services in Peninsular Malaysia and the Federal Territory of Labuan is under the concurrent jurisdiction of the Federal Government of Malaysia. In order to increase the country's water services quality particularly protecting consumers' rights, two Federal legislative frameworks; namely the Suruhanjaya Perkhidmatan Air Negara 2006 Act (Act 654) and Water Services Industry Act 2006 (Act 655) have been enforced since 2007 and 2008 respectively. With a well-regulated water services in place, this will help to promote efficiency and long term sustainability of the water industry to benefit the consumers, investors as well as the operators. Consumers in Peninsular Malaysia and the Federal Territory of Labuan enjoy continuous water supply which is reliable and safe. Close monitoring and routine testing are carried out by the Ministry of Health (MOH) to ensure all water operators comply with the World Health Organization (WHO) guidelines for drinking water quality. All domestic, commercial and industrial users are metered. Water tariffs vary from state to state.

## 4. TELECOMMUNICATION SERVICES



Completed and launched a Commercial Uptime Institute Tier-III Certified Data Centre in Malaysia

**Data Centre**  
 10 Data Centre nationwide, 2 regional – HK & US Contact Centre

**Contact Centre**  
 >8,000 agents in 2 countries

**Malaysia's 1st Integrated IoT Operation Centre**  
 >Nationwide coverage

**TM ONE Experience Centre**  
 >20,000 square-feet of immersive environment

**Malaysia Best Brand**  
 Award recipient for 2018

\*Workforce Report Aua 2018 \*\*As per 1H18 announcement \*\*\*As of 26th February 2019

## Core Business & Focus

### Our Managed Services Offerings

#### Smart Services

- Smart Infra Services
- Smart Parking Management
- Digital Signage
- Smart Energy
- FM Services
- Safety Security Services

- 
- *Intelligent end devices*
  - *Automated systems*

#### Turn On Services

- Public SaaS
- Enterprise SaaS
- Vertical Apples
- Enterprise Mobility
- UCC
- Tele Presence
- XaaS
- IaaS
- PaaS

- 
- *Modular*

#### Value Added Services

- Video On Demand (VoD)
- Voice/Video (VoIP)
- IPTV
- Cloud Computing
- Tele Presence
- High Definition (HD) Content
- IT Security
- Managed Services

- 
- *Enhances IT performance & provides better communication experience*

#### Connectivity

- Unifi High Speed Broadband
- IP VPN (MPLS)
- Global Connectivity
- Wifi & Hotspots
- Neutral Carrier Data Center
- Internet Exchange

- 
- *Basic amenities required by all buildings*

## 5. AIR CARGO FACILITIES

Malaysia's central position at the crossroads of South-East Asia makes her particularly attractive as a trans-shipment centre. Air cargo facilities are well developed, especially in the six international airports in Malaysia.

The highly sophisticated Kuala Lumpur International Airport (KLIA) in Sepang, Selangor, has a current capacity of 40 million passengers and more than 1.2 million tonnes of cargo per year.

However, KLIA's 10,000 hectares of land is planned to accommodate up to 60 million passengers and three million tonnes of cargo per year by the year 2020, and in the future, up to 100 million passengers and five to six million tonnes of cargo per year.

The other international airports are the Penang International Airport, Langkawi International Airport, and Senai International Airport in Peninsular Malaysia, Kota Kinabalu International Airport in Sabah, and Kuching International Airport in Sarawak.

MASKargo is the main cargo division of its parent company Malaysia Airlines (MAS) which operates scheduled, chartered air cargo services, ground handling services as well as airport to seaport cargo logistics via ground transportation.

In addition, MASKargo also offers belly space capacity on its holding company's aircrafts, MAS and its other subsidiaries via the national carrier's 100 international destinations across six continents.

MASKargo operates a state-of-the-art Advanced Cargo Centre (ACC) at the Kuala Lumpur International Airport within a Free Commercial Zone (FCZ). This centre features a secure and sophisticated security system with the latest technology including fully automated procedures, ensuring real-time data tracking and the smooth flow of communication. Among the facilities at the centre are the Animal Hotel, the one-stop Perishable Centre and the world's first Priority Business Centre (PBC) for key forwarding agents.

Currently it provides scheduled freighter services from Kuala Lumpur, Penang and Kuching (Malaysia) to Sydney, Shanghai, Taipei, Bangkok, Hong Kong, Manila, Jakarta, Surabaya, Tokyo, Osaka, Frankfurt, Amsterdam, and Sharjah. Currently MASKargo operates its own freighter fleet, two Boeing B747-400F and two Airbus A330-200F.

Recently, the company has been certified with the IATA Secure Freight Programme, which aims to a secure supply chain program, strengthening cargo security. The company also has a product called I-Port, the world's first airport within a seaport trans-shipment service. This service allows fast handling of sea and air cargo shipment through KLIA from Port Klang. In addition, MASKargo also provides airport-to-airport trucking services in the country.

Air cargo services in Malaysia are complemented by Transmile Air which serves six domestic destinations in Sabah, Sarawak and peninsular Malaysia and 2 scheduled and international destinations namely, Hong Kong and Singapore. The domestic flights to Labuan and Bintulu in East Malaysia cater mainly to the oil and gas industry which requires special handling facilities. In addition to scheduled services, Transmile Air also provides air charter services to the ASEAN and Asia Pacific region and it has the capability to fly to India, the Middle East and China.

For further information on MASKargo, please visit the company's website at [www.maskargo.com](http://www.maskargo.com).

## 6. SEA PORTS

Ports in Malaysia can be classified as federal ports and state ports. All federal ports are under the jurisdiction of the Ministry of Transport. At present there are seven major federal ports, namely, Port Klang, Penang Port, Johor Port, Port of Tanjung Pelepas, Kuantan Port, Kemaman Port, Labuan Port and Bintulu Port. All these federal ports are equipped with modern facilities. Bintulu Port is the only port which handles liquefied natural gas.

In tandem with the expansion of the economy and trade, ports in the country registered impressive growth in recent years. Two of the ports; Port Klang and the Port of Tanjung Pelepas, are ranked among the top 20 container ports in the world.

The government's policy on ports focuses on:

- i. Being supply-driven, i.e., the provision of ample capacity in ports to ensure that there is zero waiting time for ships.
- ii. Enhancing the utilisation of ports through:
  - improving efficiency and productivity of port operations;
  - port privatisation;
  - development and improvement of ancillary services; and
  - development and improvement of land-side transportation.
- iii. Load centering, Port Klang has been made the national load centre and the transshipment centre.

Whereas the Port of Tanjung Pelepas has been recognised as a regional transshipment hub.

## 7. CARGO TRANSPORTATION

Various companies provide comprehensive containerised cargo transportation services in Malaysia. These include container haulage, freight forwarding, warehousing, bunkering, distribution related services, port and customs clearance, container repair, leasing and maintenance.

Consignees and clients in Malaysia enjoy speedy, efficient and reliable cargo transportation through a network of local branches and offices. Most companies also offer a good international network of agents.

### 7.1 Container Haulage

The Malaysian government regulates inland container haulage through the Land Public Transport Agency.

Sixty two hauliers cater to varied cargo needs through a diversified fleet of trailers and prime movers which also include modified vehicles. Some equipped with modern tracking systems to enable contact with haulage vehicles on the road.

Numerous other medium and small-sized operators truck conventional cargoes to destinations in the country. Meanwhile, a block rail feeder service operates to specific destinations and a freight liner service takes care of container deliveries to outstation clients.

This multi-modal (road and rail) transportation system assures prompt delivery of cargo.

## 7.2 Freight Forwarding

Hundreds of freight forwarding agents stationed throughout Malaysia offer nationwide freight forwarding services, while cargo bound for international destinations can be forwarded through various international freight forwarders.

Freight forwarders can also provide assistance to manufacturers in the processing of applications for required permits, licences and duty/tax exemption for the clearance of goods from the Customs authorities.

## 8. HIGHWAYS

The Malaysian Highway Authority supervises and executes the design, construction, regulation, operation and maintenance of inter-urban highways in Malaysia. These comfortable expressways link all major townships and potential development areas, and have catalysed industrial growth by enabling efficient transportation.

The country's successful privatisation programme coupled with its strong economic growth has also induced more highway development projects in the last few years.

Today, the North-South Expressway together with the Penang Bridge, the Kuala Lumpur-Karak Highway and East Coast Highway form the backbone of Malaysia's road infrastructure, contributing to the country's rapid socio-economic development.

## 9. RAILWAY SERVICES

Keretapi Tanah Melayu Bhd (KTMB), which operates in Peninsular Malaysia, is a corporation wholly-owned by the Malaysian government. As the single largest transport organisation in the country, KTMB has the capacity to transport several classifications of goods, ranging from grains to machinery.

Its network runs the length and breadth of Peninsular Malaysia from the northern terminal in Padang Besar to Pasir Gudang, Johor in the south. The same northerly line serves wharves and port facilities in Penang.

## 10. MSC MALAYSIA

MSC Malaysia was established by the Malaysian government to accelerate the growth of the nation's Digital Economy, the MSC Malaysia status provides eligible ICT-related businesses, both local and foreign, with a wide range of incentives, rights and privileges to promote continued growth. Since its inception in 1996, the MSC Malaysia programme has managed to drive the nation's Digital Economy to new heights.

With over 2,000 companies and counting, the MSC Malaysia status is a designation that is highly sought after by many IT establishments in the country. Being recognised as a MSC Malaysia Status Company provides a company access to exclusive incentives that can give them the edge necessary in the hyper-competitive IT industry.

### MSC MALAYSIA CYBERCITIES AND CYBERCENTRES

MSC Malaysia Cybercities and Cybercentres are designated MSC Malaysia areas with conducive business environment that provides the ecosystem to attract ICT investors and promote the growth of local ICT companies, in which companies from the same sector are placed together to spur rapid growth.

These companies are housed within a conducive ecosystem to grow their businesses within the framework of Malaysia's developed Digital Economy vision. An environment fostering healthy competition will encourage innovation and development while increasing competencies on national and regional levels.

As of July 2019, there are 61 MSC Malaysia Cybercities & Cybercentres as per below list:

<b>KLANG VALLEY</b>			
1.	Cyberjaya	25.	Technology Park Malaysia
2.	UPM-MTDC	26.	KLCC
3.	KL Tower	27.	KL Sentral
4.	i-City	28.	TM Cybercentre Complex
5.	Mid Valley City	29.	Bandar Utama
6.	Bangsar South City	30.	GTower
7.	Symphony House	31.	Quill 9
8.	The Intermark	32.	Wisma Hamzah Kwong Hing
9.	Jaya 33	33.	Puchong Financial and Corporate Centre
10.	Menara Worldwide	34.	Menara Binjai
11.	Persoft Tower	35.	Menara OBYU
12.	Menara Maybank	36.	UOA Damansara
13.	Capsquare Tower	37.	Sunway Resort City
14.	Damansara Uptown	38.	One City
15.	Linde ROC	39.	iHubSentulPark
16.	Menara LGB	40.	Putrajaya
17.	Luxor Tech Centre	41.	The Paradigm
18.	Oasis Damansara	42.	Menara Mesiniaga
19.	UOA Business Park	43.	Icon City
20.	Plaza Hap Seng	44.	Neo Damansara
21.	APM Technology Centre	45.	Menara Ken TTDI
22.	Wisma E & C	46.	Damansara City
23.	JKG Tower	47.	Nucleus Tower
24.	Dataran Maybank		



PENANG		JOHOR	
1.	PCCI	1.	Menara MSC Cyberport
2.	Spansion	2.	Iskandar Malaysia Studios
3.	One Precinct	3.	MEDINI
4.	Albukhary Building		
5.	Menara Zurich		
6.	GMS@Mayang		
MELAKA		KEDAH	
1.	Melaka International Trade Centre	1.	Kulim Hi-Tech Park
PERAK		PAHANG	
1.	Meru Raya	1.	Putra Square
SARAWAK			
1.	Town Square Bintulu		

#### Incentives for MSC Malaysia

The updates and more information on MSC Status is available in MDEC's website <https://www.mdec.my/news/important-updates-and-changes-on-msc-malaysia-bog-5>.

# MINISTRIES

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## PRIME MINISTER'S OFFICE

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Website : [www.pmo.gov.my](http://www.pmo.gov.my)  
E-mail : [ppm@pmo.gov.my](mailto:ppm@pmo.gov.my)

## MINISTRY OF AGRICULTURE AND AGRO-BASED INDUSTRY

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Malaysia  
Tel : (603) 8870 1200/1400  
Fax : (603) 8888 6906  
Website : [www.moa.gov.my](http://www.moa.gov.my)  
E-mail : [pro@moa.gov.my](mailto:pro@moa.gov.my)

## MINISTRY OF DEFENCE

Wisma Pertahanan  
Jalan Padang Tembak  
50634 Kuala Lumpur  
Malaysia  
Tel : (603) 2059 8400  
Fax : (603) 2691 4163  
Website : [www.mod.gov.my](http://www.mod.gov.my)  
E-mail : [portal@mod.gov.my](mailto:portal@mod.gov.my)

## MINISTRY OF DOMESTIC TRADE, CO-OPERATIVES AND CONSUMERISM

No. 13, Persiaran Perdana, Precinct 2  
Federal Government Administrative Centre  
62623 Putrajaya  
Malaysia  
Tel : (603) 8000 8000  
Fax : (603) 8882 5983  
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## MINISTRY OF EDUCATION

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Federal Government Administrative Centre  
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Malaysia  
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Fax : (603) 8000 8001  
Website : [www.moe.gov.my](http://www.moe.gov.my)  
E-mail : [kpkkpm@moe.gov.my](mailto:kpkkpm@moe.gov.my)

## MINISTRY OF ENERGY, SCIENCE, TECHNOLOGY, ENVIRONMENT & CLIMATE

Level 1 – 7, Block C4, C5, & C7, Complex C  
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E-mail : [enquiry@mosti.gov.my](mailto:enquiry@mosti.gov.my)

## MINISTRY OF FEDERAL TERRITORIES

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# APPENDIX I

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LIST OF PROMOTED ACTIVITIES  
& PRODUCTS WHICH ARE  
ELIGIBLE FOR CONSIDERATION  
OF PIONEER STATUS AND  
INVESTMENT TAX ALLOWANCE  
UNDER THE PROMOTION OF  
INVESTMENT ACT 1986

**I. AGRICULTURAL PRODUCTION**

1. Floriculture

**II. PROCESSING OF AGRICULTURAL PRODUCE**

1. Chocolate and chocolate confectionery
2. Vegetables, tubers or roots & fruits
3. Livestock products
4. Agricultural waste or agricultural by-products
5. Aquatic products
6. Aquaculture feed
7. Plant extracts for pharmaceutical, perfumery, cosmetic or food industries and essentials oils
8. Food Supplements
9. Additives, flavours, colouring and functional ingredients

**III. MANUFACTURE OF RUBBER PRODUCTS**

1. Tyres for earthmover, agricultural vehicles, industries vehicles, commercial vehicles, motorcycle and aircraft.
2. Latex products:
  - a) Safety or special function gloves
3. Dry rubber products
  - a) Beltings
  - b) Hoses, pipes and tubings
  - c) Rubber profiles
  - d) Seals, gaskets, washers, packings, rings and rubber linings
  - e) Anti-vibration, damping and sound insulation products

**IV. MANUFACTURE OF PALM OIL PRODUCTS AND THEIR DERIVATIVES**

1. Oleochemicals or oleochemical derivatives or preparations
2. Palm based nutraceuticals, constituents of palm oil or palm kernel oil
3. Palm-based food products and ingredients
  - a) Specialty animal fat replacer
  - b) Palm-based mayonnaise and salad dressing
  - c) Milk or coconut powder substitute
  - d) Red palm oil and related products
  - e) Palm-based food ingredient
  - f) Modified palm oil and palm kernel oil products
  - g) Margarine, vanaspati, shortening or other manufactured fat products
  - h) Cocoa butter replacers, cocoa butter substitutes, cocoa butter equivalent, palm mid fraction or special olein
4. Processed products from:
  - a) Palm kernel cake
  - b) Palm oil mill effluent
  - c) Palm biomass

**V. MANUFACTURE OF CHEMICALS AND PETROCHEMICALS**

1. Chemical derivatives or preparations from organic or inorganic sources
2. Petrochemical products

**VI. MANUFACTURE OF PHARMACEUTICAL AND RELATED PRODUCTS**

1. Pharmaceuticals or Biopharmaceuticals
2. Nutraceuticals
3. Microbials and probiotics

**VII. MANUFACTURE OF WOOD-BASED PRODUCTS**

1. Design, development and production of wooden furniture
2. Engineered wood products excluding plywood

**VIII. MANUFACTURE OF PULP, PAPER AND PAPERBOARD**

1. Corrugated medium paper, testliner or kraftliner or kraft paper and paperboard

**IX. MANUFACTURE OF KENAF-BASED PRODUCTS**

1. Kenaf based products such as animal, feed, kenaf particle or fibre, reconstituted panel board or products (such as particleboard, Medium Density Fibreboard) and moulded products

**X. MANUFACTURE OF TEXTILES AND TEXTILE PRODUCTS**

1. Natural or man-made fibres
2. Yarn of natural or man-made fibres
3. Woven fabrics
4. Knitted fabrics
5. Non-woven fabrics
6. Finishing of fabrics such as bleaching, dyeing and printing
7. Specialised Apparel
8. Technical or functional textiles and textile products



## **XI. MANUFACTURE OF CLAY-BASED, SAND-BASED AND OTHER NON-METALLIC MINERAL PRODUCTS**

1. High alumina or basic refractories
2. Laboratory, chemical or industrial wares
3. Synthetic diamonds
4. Crystallised or moulded glass such as bricks, tiles, slabs, pellets, paving blocks and squares
5. Absorbent mineral clay
6. Marble and granite products
7. Panels, boards, tiles, blocks or similar articles of natural and synthetic fiber agglomerated with cement, plaster or other mineral binding substance

## **XII. MANUFACTURE OF IRON AND STEEL**

1. Blooms or slabs of steel
2. Shapes or sections of steel of height more than 200 mm
3. Plates, sheets, coils, hoops or strips of steel:
  - a) Hot rolled
  - b) Cold rolled or cold reduced
4. Seamless steel pipes
5. Ferromanganese, silicon manganese or ferrosilicon
6. Electrolytic galvanised steel sheet in coil

## **XIII. MANUFACTURE OF NON-FERROUS METAL AND THEIR PRODUCTS**

1. Primary ingots, billets or slabs of non-ferrous metals other than tin metals
2. Bars, rods, shapes or sections of non-ferrous metals except EC copper rods
3. Plates, sheets, coils, hoops or strips of non-ferrous metals
4. Pipes or tubes of non-ferrous metals
5. Aluminium composite panel

## **XIV. MANUFACTURE OF MACHINERY AND MACHINERY COMPONENTS**

1. Specialised machinery or equipment for specific industry
2. Power generating machinery or equipment
3. General industrial machinery or equipment
4. Modules for machinery or equipment and industrial parts or components
5. Metalworking machinery or equipment
6. Upgrading or reconditioning of machinery or equipment including heavy machinery

## **XV. SUPPORTING PRODUCTS OR SERVICES**

1. Metal castings
2. Metal forgings
3. Surface engineering
4. Machining, jigs and fixtures
5. Moulds, tools and dies
6. Heat treatment

## **XVI. MANUFACTURE OF ELECTRICAL AND ELECTRONICS PRODUCTS AND COMPONENT AND PARTS THEREOF AND RELATED SERVICES**

1. Semiconductor:
  - a) Wafer fabrication
  - b) Semiconductor assembly
  - c) Semiconductor components and parts:
    - i) Advanced substrates
    - ii) Solder materials
    - iii) Bond pads
  - d) Semiconductor tools
    - i) Wafer carriers
    - ii) Integrated circuit (IC) carriers
    - iii) Photomask and mask blank
  - e) Semiconductor related services
    - i) Dies or wafer level preparation
    - ii) Integrated circuit (IC) testing
    - iii) Wafer probing or sorting
    - iv) Wafer bumping
2. Advanced display products and parts
  - a) Advanced display products
  - b) Advanced display modules
  - c) Backlighting systems
3. Information and Communication Technology (ICT) products, systems or devices
  - a) Digital convergence products or devices
  - b) Data storage systems or devices
4. Digital entertainment or Infotainment products
  - a) Digital TV
  - b) Digital home theatre system or products thereof
  - c) Digital audio or video or image recorders or players
5. Optoelectronic equipment, systems, devices or components
  - a) Photonics devices or components
  - b) Optoelectronics equipment or systems, devices or components
  - c) Optical fibres or optical fibre products
6. Electronic tracking or security systems or devices
  - a) Voice or pattern or vision recognition or synthesis equipments or systems or devices
  - b) Electronic navigational and tracking equipment or systems or devices
  - c) Radio frequency identification (RFID) systems or devices
7. Electronic components
  - a) Multilayer or flexible printed circuit boards
  - b) Advanced connectors
8. Alternative energy equipment, products, systems, devices or components
  - a) Solar cells or panels or module or systems
  - b) Rechargeable batteries or storage systems
  - c) Fuel cells
9. Energy saving lighting
10. Electrical products:
  - a) Uninterruptible power supplies
  - b) Inverters or converters

## **XVII. MANUFACTURE OF PROFESSIONAL, MEDICAL, SCIENTIFIC AND MEASURING DEVICES OR PARTS**

1. Medical, surgical, dental or veterinary devices or equipment and parts or components or accessories thereof
2. Testing, measuring or laboratory equipment or apparatus

## **XVIII. MANUFACTURE OF PLASTIC PRODUCTS**

1. Specialised plastic films or sheets
2. Geosystems products
3. Engineering plastic products
4. Products moulded under clean room conditions
5. Biopolymers or products thereof

## **XIX. PROTECTIVE EQUIPMENT AND DEVICES**

1. Coated or knitted safety gloves
2. Advance ballistic protection glass
3. Fall protection equipment

## **XX. MANUFACTURING RELATED SERVICES**

1. Integrated logistics services
2. Cold chain facilities and service for food products
3. Gas and radiation sterilisation services
4. Environmental management:
  - a) Recycling of waste such as:
    - i) toxic and non- toxic waste
    - ii) chemicals
    - iii) reclaimed rubber
5. Industrial design services

## **XXI. HOTEL BUSINESS AND TOURISM INDUSTRY**

1. Establishment of medium and low-cost hotels (up to a three-star hotel)
2. Establishment of 4 and 5 stars hotel
3. Expansion or modernisation of existing hotels
4. Establishment of tourism projects
5. Expansion or modernisation of tourism projects
6. Establishment of recreational camps
7. Establishment of convention centres

## **XXII. MISCELLANEOUS**

1. Sports goods or equipment
2. Jewellery of precious metal
3. Costume jewellery
4. Biodegradable disposable packaging products and household wares

# APPENDIX II

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LIST OF PROMOTED ACTIVITIES  
& PRODUCTS FOR  
HIGH TECHNOLOGIES  
COMPANIES WHICH ARE  
ELIGIBLE FOR CONSIDERATION  
OF PIONEER STATUS AND  
INVESTMENT TAX ALLOWANCE  
UNDER THE PROMOTION OF  
INVESTMENT ACT 1986

## **I. DESIGN, DEVELOPMENT AND MANUFACTURE OF ADVANCED ELECTRONICS AND COMPUTING**

1. Design, development and manufacture of:
  - a) High-density modules or systems
  - b) Advanced display
  - c) Advanced semiconductor devices
  - d) Advanced connectors
  - e) Data storage devices or systems
  - f) Advanced substrates
  - g) Information and telecommunication products, systems or devices
  - h) Digital entertainment or infotainment products
  - i) Optoelectronic equipment, systems or devices
  - j) Electronic security and surveillance systems or devices
  - k) Electronic machines, equipment system or devices
  - l) Advanced electronic components

## **II. PROFESSIONAL, MEDICAL, SCIENTIFIC AND MEASURING DEVICES OR PARTS**

1. Design, development and manufacture of:
  - a) Medical equipment, parts or components
  - b) Medical implant, medical devices, parts or components
  - c) Testing, measuring or laboratory equipment or apparatus

## **III. BIOTECHNOLOGY**

1. Development, testing and manufacture of:
  - a) Pharmaceuticals
  - b) Fine chemicals
  - c) Biodiagnostics

## **IV. ADVANCED MATERIALS**

1. Development and manufacture of:
  - a) Polymers or biopolymers
  - b) Fine ceramics or advanced ceramics
  - c) High strength composites
2. Nano particles and their formulations

## **V. ALTERNATIVE ENERGY TECHNOLOGY**

1. Design, development and manufacture of products, equipment, systems, devices or components for use in alternative energy sectors

## **VI. IRON AND STEEL**

1. Super fine wire of diameter 2.0 mm and below

# APPENDIX III

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LIST OF PROMOTED ACTIVITIES  
& PRODUCTS FOR  
SMALL SCALE COMPANIES  
WHICH ARE ELIGIBLE FOR  
CONSIDERATION OF  
PIONEER STATUS AND  
INVESTMENT TAX ALLOWANCE  
UNDER THE PROMOTION OF  
INVESTMENT ACT 1986



**I. AGRICULTURAL ACTIVITIES**

1. Aquaculture
2. Apiculture

**II. PROCESSING OF AGRICULTURAL PRODUCE**

1. Coffee
2. Tea
3. Fruits
4. Vegetables
5. Herbs or spices
6. Cocoa and cocoa products
7. Coconut products except copra and crude coconut oil
8. Starch and starch products
9. Cereal products
10. Sugar and confectionary products
11. Plant extracts
12. Apiculture products
13. Animal feed ingredients

**III. FORESTRY PRODUCTS**

1. Rattan products (excluding pole, peel and split)
2. Bamboo products
3. Other forestry products

**IV. MANUFACTURE OF RUBBER PRODUCTS**

1. Moulded rubber products
2. Extruded rubber products
3. General rubber goods

**V. MANUFACTURE OF OIL PALM PRODUCTS AND THEIR DERIVATIVES**

1. Processed products from palm oil
2. Processed products from palm biomass/waste/by-products

**VI. MANUFACTURE OF CHEMICALS AND PHARMACEUTICALS**

1. Pigment preparation, dispersions and specialty coatings
2. Desiccant
3. Bio-resin (biopolymer)
4. Inkjet inks

**VII. MANUFACTURE OF WOOD AND WOOD PRODUCTS**

1. Decorative panel boards (excluding plain plywood)
2. Timber mouldings
3. Builders' carpentry and joinery
4. Products derived from utilisation of wood waste (e.g. activated charcoal, wooden briquettes, wood wool)
5. Wooden household and office articles

**VIII. MANUFACTURE OF PAPER AND PAPERBOARD PRODUCTS**

1. Moulded paper products

**IX. MANUFACTURE OF TEXTILES AND TEXTILE PRODUCTS**

1. Batik or songket or pua
2. Accessories for the textile industry

**X. MANUFACTURE OF CLAY-BASED AND SAND-BASED PRODUCTS AND OTHER NON-METALLIC MINERAL PRODUCTS**

1. Artware, ornaments and articles of ceramic or glass
2. Abrasive products for grinding, polishing and sharpening

**XI. MANUFACTURE OF IRON AND STEEL PRODUCTS, NON-FERROUS METALS AND THEIR PRODUCTS**

1. Wire and wire products
2. Fabricated products

**XII. SUPPORTING PRODUCTS AND SERVICES**

1. Metal Stamping
2. Industrial seals or seal materials

### **XIII. MANUFACTURE OF TRANSPORT COMPONENTS PARTS AND ACCESSORIES**

1. Transport components, parts and accessories

### **XIV. MANUFACTURE OF PARTS AND COMPONENTS FOR MACHINERY AND EQUIPMENT**

1. Parts and components for machinery and equipment

### **XV. MANUFACTURE OF ELECTRICAL AND ELECTRONIC PRODUCTS, COMPONENTS AND PARTS THEREOF**

1. Consumer electrical products, parts and components
2. Consumer electronic products, parts and components
3. Industrial electrical products, parts and components
4. Industrial electronic products, parts and components

### **XVI. MANUFACTURE OF FURNITURE, PARTS AND COMPONENTS**

1. Furniture, parts and components

### **XVII. MANUFACTURE OF GAMES AND ACCESSORIES**

1. Games and accessories

### **XVIII. MANUFACTURE OF SOUVENIRS**

1. Souvenirs, giftwares and decorative wares

### **XIV. MANUFACTURE OF PLASTIC PRODUCTS**

1. Decorative panels and ornaments
2. Epoxy encapsulation moulding compound

# APPENDIX IV

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LIST OF PROMOTED ACTIVITIES  
& PRODUCTS FOR  
SELECTED INDUSTRIES  
WHICH ARE ELIGIBLE FOR  
CONSIDERATION OF PIONEER  
STATUS AND INVESTMENT TAX  
ALLOWANCE UNDER THE  
PROMOTION OF INVESTMENT  
ACT 1986

**I. MACHINERY AND EQUIPMENT**

1. Machine tools
2. Material handling equipment
3. Robotic and factory automation equipment
4. Modules and components for machine tools, material handling equipment and robotic and factory automation equipment

**II. SPECIALISED MACHINERY AND EQUIPMENT**

1. Specialised process machinery or equipment for specific industry
2. Packaging machinery
3. Modules and components for specialised process machinery or equipment for specific industry and packaging machinery

**III. OIL PALM BIOMASS**

1. Utilisation of oil palm biomass to produce value added products

**IV. RENEWABLE ENERGY**

1. Generation of renewable energy

**V. CONSERVATION OF ENERGY**

1. Conservation of energy

# APPENDIX V

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LIST OF PROMOTED ACTIVITIES  
AND PRODUCTS FOR  
REINVESTMENTS UNDER THE  
PROMOTION OF INVESTMENT  
ACT 1986



**I. RESOURCE-BASED**

1. a) Rubber
- b) Oil Palm
- c) Wood

**II. FOOD PROCESSING**

1. Food processing activity

**III. RESEARCH AND DEVELOPMENT ACTIVITY**

1. Research and development activity

**IV. HOTEL BUSINESS AND TOURISM INDUSTRY**

1. Hotel business and tourism activity

**V. OIL PALM BIOMASS**

1. Utilization of oil palm biomass to produce value added products

**VI. COLD-CHAIN FACILITIES AND SERVICES**

1. Provision of cold-chain facilities and services for perishable agriculture produce (fruits, vegetables, flowers, ferns, meat and aquatic products)

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