

## **GUIDELINES FOR SECOND ROUND OF INTEGRATED LOGISTICS SERVICES (ILS) INCENTIVE FOR EXPANSION / DIVERSIFICATION BY EXISTING APPROVED ILS COMPANIES**

### **1. INTRODUCTION**

The Logistics and Trade Facilitation Masterplan was developed to provide the strategic direction for the development of the logistics industry to further improve its productivity and competitiveness. In line with the Masterplan, one of the initiatives by the Government is to enhance the capabilities of local logistics service providers. **An existing approved logistics company that has enjoyed the ILS incentive** can be considered for **2<sup>nd</sup> round of the ILS incentive** to undertake expansion and/or diversification for Integrated Logistics Services (ILS) activity as follows:

- Income tax exemption of 70% of statutory income for a period of five years; **or**
- Income tax exemption equivalent with Investment Tax Allowance of 60% on qualifying capital expenditure incurred within five years. The allowance can be offset against 70% of statutory income for each year of assessment. Unutilised allowances can be carried forward until fully absorbed.

### **2. QUALIFYING CRITERIA**

- 2.1 The company must be incorporated under the Companies Act 2016 and resident in Malaysia.
- 2.2 The company must be an existing approved logistics company which has already enjoyed the ILS incentive.
- 2.3 At least 60% of the equity of the company must be held by Malaysians.\*  
(\*Note: This condition is not applicable to public listed companies undertaking expansion and /or diversification project).

### 3. ELIGIBILITY CRITERIA

ACTIVITIES	CRITERIA
<b>Expansion</b>	<p>(i) Increase fixed asset investments of at least 50% on top of existing fixed asset investments related to logistics;</p> <p>(ii) Maintain minimum commitments on fixed asset investments and activities as approved in the first round of tax incentive; such as:</p> <ul style="list-style-type: none"> <li>• The company must own minimum infrastructure as follows: <ul style="list-style-type: none"> <li>○ Commercial vehicles<sup>1</sup> : 20 units</li> <li>○ Warehouse facilities<sup>2</sup>: 5,000 sq. metres.</li> </ul> </li> <li>• Undertake three (3) principal activities as follows: <ul style="list-style-type: none"> <li>○ Freight forwarding (including customs clearance)</li> <li>○ Warehousing</li> <li>○ Transportation</li> </ul> </li> </ul> <p>and at least one of the following activities:</p> <ul style="list-style-type: none"> <li>○ Distribution</li> <li>○ Other related and value-added services/ activities (e.g. bulk breaking, consolidation, packaging/re-packaging, procurement, quality control, labelling/ relabeling, testing, etc.)</li> <li>○ Supply chain management</li> </ul> <p>(iii) Company must maintain separate accounts for the new activities and only the new activities are eligible for income tax exemption (Pioneer Status);</p> <p>(iv) If the ILS expansion activity only involves having additional assets of the company, the company is only eligible to claim Investment Tax Allowance (ITA) up to 60% from the qualifying capital expenditure and 70% can be offset against the statutory income of approved activities.</p>

<sup>1</sup> Commercial vehicles include goods vehicles, where:

"Vehicle of goods" means-

- a. Any motor vehicle constructed or adapted for the purpose of carrying goods; or
- b. Any motor vehicle that is not constructed or so adapted when used to carry merchandise exclusively or other than passengers

<sup>2</sup> Warehouse services are activities carried out by warehouse operators to provide various facilities and services covering small dock-off depots to large scale warehouses and distribution centers.

ACTIVITIES	CRITERIA
<b>Diversification</b>	<p>(i) Increase fixed asset investments of 30% on top of existing assets; or the amount for investment's commitments are set to be as proposed by the company;</p> <p>(ii) Maintain minimum commitment on fixed asset investments and activities as approved in the first round of tax incentive i.e.:</p> <ul style="list-style-type: none"> <li>• The company must own minimum infrastructure as follows: <ul style="list-style-type: none"> <li>○ Commercial vehicles<sup>1</sup> : 20 units</li> <li>○ Warehouse facilities<sup>2</sup>: 5,000 sq. metres.</li> </ul> </li> <li>• Undertake three (3) principal activities as follows: <ul style="list-style-type: none"> <li>○ Freight forwarding (including customs clearance)</li> <li>○ Warehousing</li> <li>○ Transportation</li> </ul> </li> </ul> <p>and at least one of the following activities:</p> <ul style="list-style-type: none"> <li>○ Distribution</li> <li>○ Other related and value-added services/ activities (e.g. bulk breaking, consolidation, packaging/ re-packaging, procurement, quality control, labelling/relabeling, testing, etc.)</li> <li>○ Supply chain management</li> </ul> <p>(iii) Increase the number of local skilled workers to at least 5 persons with monthly minimum wage of RM4,000 before the expiry of the second round ILS tax incentive;</p> <p>(iv) The company must maintain separate accounts for new activities and only new activities are eligible for income tax exemption (Pioneer Status);</p> <p>(v) For companies that are unable to maintain separate accounts, the company is only eligible to claim Investment Tax Allowance (ITA) up to 60% from the qualifying capital expenditure and 70% can be offset against the statutory income of the approved activities;</p> <p>(vi) The diversification activities implemented must be for logistic-related services.</p>

ACTIVITIES	CRITERIA
<b>Both Expansion and Diversification</b>	<ul style="list-style-type: none"> <li>(i) Increase fixed asset investments of 30% on top of existing fixed asset investments related to logistics;</li> <li>(ii) Maintain the minimum commitments on fixed asset investments and activities as approved in the first round of tax incentive i.e.:               <ul style="list-style-type: none"> <li>• The company must own minimum infrastructure as follows:                   <ul style="list-style-type: none"> <li>○ Commercial vehicles<sup>1</sup> : 20 units</li> <li>○ Warehouse facilities<sup>2</sup>: 5,000 sq. metres.</li> </ul> </li> <li>• Undertake three (3) principal activities as follows:                   <ul style="list-style-type: none"> <li>○ Freight forwarding (including customs clearance)</li> <li>○ Warehousing</li> <li>○ Transportation</li> </ul> </li> </ul> <p style="margin-left: 40px;">and at least one of the following activities:</p> <ul style="list-style-type: none"> <li>○ Distribution</li> <li>○ Other related and value-added services/activities (e.g. bulk breaking, consolidation, packaging/re-packaging, procurement, quality control, labelling/ relabeling, testing, etc.)</li> <li>○ Supply chain management</li> </ul> </li> <li>(iii) Increase the number of local skilled workers to at least 5 persons with monthly minimum wage of RM4,000 before the expiry of the second round ILS tax incentive;</li> <li>(iv) The company must maintain separate accounts for new activities and only new activities are eligible for income tax exemption (Pioneer Status);</li> <li>(v) For companies that are unable to maintain separate accounts, the company is only eligible to claim Investment Tax Allowance (ITA) up to 60% from the qualifying capital expenditure and 70% can be offset against the statutory income of the approved activities;</li> <li>(vi) The diversification activities implemented must be for logistic-related services.</li> </ul>

#### **4. EFFECTIVE DATE OF APPLICATION**

Applications to be submitted to MIDA and received by 31 December 2020 are eligible to be considered for the incentive.

#### **5. MECHANISM**

The tax incentive for the Integrated Logistics Services (ILS) activity to be provided under the **P.U.(A) 112 Income Tax (Exemption) (No. 11) Order 2006 Income Tax Act 1967** and **P.U.(A) 113 Income Tax (Exemption) (No. 12) Order 2006 Income Tax Act 1967** and to be deliberated in the National Committee on Investments (NCI).

#### **6. PROCEDURE FOR APPLICATION**

6.1 Applications should be submitted in three (3) copies using the ILS form to:

**Chief Executive Officer**  
**Malaysian Investment Development Authority (MIDA)**  
MIDA Sentral  
No. 5 Jalan Stesen Sentral 5  
Kuala Lumpur Sentral  
50470 Kuala Lumpur  
Malaysia  
**(Attn.: Director, Oil and Gas, Maritime and Logistics Services Division)**

6.2 Application with incomplete information will not be accepted and will be returned to the company.

6.3 For enquiries and clarification, please refer to:

Website	:	<a href="http://www.mida.gov.my">www.mida.gov.my</a>
Tel	:	(603) 2267 3633
Fax	:	(603) 2274 7970
E-mail	:	<a href="mailto:investmalaysia@mida.gov.my">investmalaysia@mida.gov.my</a>