



INCENTIVES & GOVERNMENT FACILITIES FOR FURNITURE & WOOD-BASED INDUSTRY

TABLE OF CONTENT

Introduction of MIDA

Ecosystem Of Wood-Based Industry In Sabah

Major Companies In Furniture & Wood Based Industry

Investment Incentives In Wood-Based Industry

Other Facilities/Assistance

Industry4wrd



Introduction of MIDA





ABOUT MIDA





WHO ARE WE?

The principal Malaysian Government agency responsible for the promotion of investments and coordination of industrial development in the country

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

FUNCTION OF MIDA



WOOD BASED INDUSTRY ECOSYSTEM IN SABAH



UPSTREAM

MID-STREAM

DOWN STREAM

Forest plantation

Harvesting of logs, Veneer, plywood & sawn timber

- Sabah Softwoods Berhad
- Pacific Hardwoods Sdn Bhd
- > Tropical Wood Plantation Sdn Bhd
- Hijauan Bengkoka Chipmill Sdn Bhd
- > K.T.S. Sdn Bhd
- > Sanbumi Sawmill Sdn Bhd
- > Focus Lumber Bhd
- > Sinora Sdn Bhd
- Priceworth International Bhd

Particleboard, medium density fibreboard, blockboard & wood composite

► Jayakuik Sdn Bhd

Wooden furniture, moldings, BJC, LVL and floorings

- Innovatory Furniture Sdn Bhd
- World Trend Garden Furniture Sdn Bhd
- Superwood Industries Sdn Bhd
- ➤ Borneo Benar Sdn Bhd
- Bidasari Sdn Bhd
- Priceworth International Bhd



















MAJOR COMPANIES



No	Foreign Companies	Products	Country
1.	Daiken Miri Sdn. Bhd.	Medium Density Fiberboard (MDF)	Japan
2.	Donghwa Fibreboard Sdn. Bhd. Dongwha	Medium Density Fiberboard (MDF)	Korea
3.	BSSB Leather And FURNITURE	Wooden Furniture	Britain
4.	Steelcase Manufacturing Steelcase (M) Sdn. Bhd.	Office / School Furniture & Components	USA
5.	Segamat Panel Boards Sdn. Bhd.	MDF & Particleboard	Singapore
No.	Domestic Companies	Products	
1.	Deep Furniture Sdn. Bhd.	Deep Wooden Furniture	
2.	Lii Hen Furniture Sdn. Bhd.	Wooden Furniture	
3.	Weng Meng Industries Sdn. Bhd.	WENG MENG Engineered Door	
4.	Home Upholstery Ind. Sdn. Bhd.	ロアルプ Upholstered Furniture	
5.	Pioneer OSB Sdn. Bhd. Pior	neer SB Oriented Strand Board	l (OSB)
6.	Woodsfield Glulam Mfg Sdn Bhd	Engineered Wood	

Investment Incentives In Furniture & WoodBased Industry







PROMOTED MANUFACTURING PRODUCT\$ UNDER PROMOTION OF INVESTMENT ACT 1986

Processing of Agricultural Produce



Forestry Products

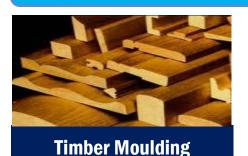


Furniture & Furniture
Parts



Metal, Plastic & Wooden Furniture

Manufacture of Wood & Wood Products







Engineered Wood Products
Excluding Plywood



Pellet, Briquette & Charcoal





Incentives For New Investment Under Promotion of Investment Act 1986

- ❖ PIONEER STATUS (PS)
 Income tax exemption of 70% of statutory income for 5 years; or
- ❖ INVESTMENT TAX ALLOWANCE (ITA)

Investment tax allowance of 60% on the qualifying capital expenditure incurred within a period of 5 to be utilized against 70% of statutory income for each assessment year.

INCENTIVES



Incentives For Small Scale Companies Under Promotion of Investment Act 1986

❖ PIONEER STATUS (PS) Income tax exemption of 100% of statutory income for 5 years; or

❖ INVESTMENT TAX ALLOWANCE (ITA)

Investment tax allowance of 60% on the qualifying capital expenditure incurred within a period of 5 to be utilized against 100% of statutory income for each assessment year.

*Definition of Small Scale Companies

Companies with shareholders fund not exceeding RM2.5 million and having 60% or 100% Malaysian equity.

INCENTIVES



Reinvestment Incentives For Resource Based Industries Under Section 4F, Promotion of Investment Act 1986

- ❖ PIONEER STATUS (PS)
 Income tax exemption of 70% of statutory income for 5 years; or
- Investment tax allowance of 60% on the qualifying capital expenditure incurred within a period of 5 to be utilized against 70% of statutory income for each assessment year.







Special Incentives For <u>Selected Industries</u>, Section 4D Promotion of Investment Act 1986

- ❖ PIONEER STATUS (PS)
 Income tax exemption of 100% of statutory income for 10 years; or
- INVESTMENT TAX ALLOWANCE (ITA)
 Investment tax allowance of 100% on the qualifying capital expenditure incurred within a period of 5 to be utilized against 100% of statutory income for each assessment year.

Promoted Products/Activities

Oil Palm Biomass
 Utilization of Oil Palm Biomass to Produce Value Added Products

Tax Computation "With" or "Without" Tax Incentive



Assumption: PS equivalent to income tax exemption of 70% of statutory income

	WITHOUT TAX INCENTIVE (RM)	WITH TAX INCENTIVE (RM)
Profit Before Tax (+/-) Tax Adjustments	1,000,000 200,000	1,000,000 200,000
Adjusted Income Less: Capital Allowances	1,200,000 (500,000)	1,200,000 (500,000)
Statutory Income	700,000	700,000
Percentage (%)		490,000 (70% exemption)
Chargeable Income	700,000	210,000
Tax Liability @ 24%	168,000	50,400

Tax Computation "With" or "Without" Tax Incentive



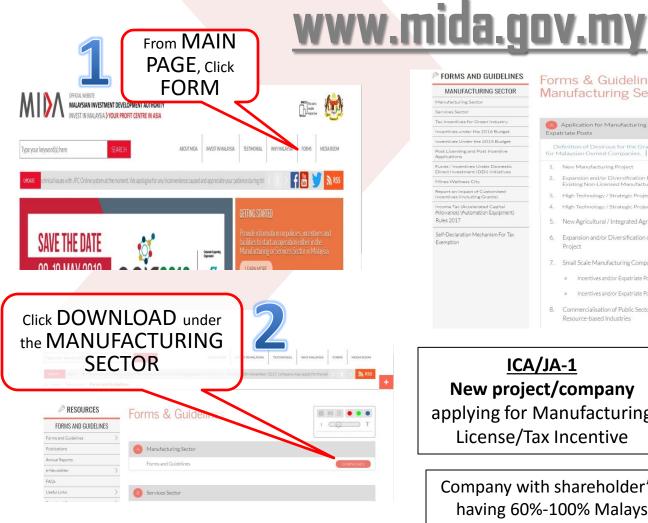
Assumption: ITA: RM10 million

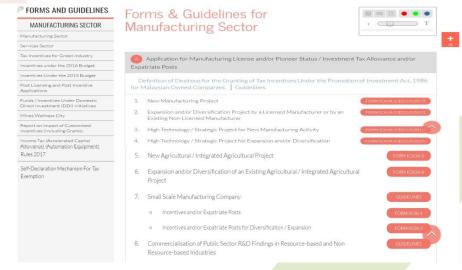
	WITHOUT TAX INCENTIVE (RM)		INCENTIVE M)
Profit Before Tax (+/-) Tax Adjustments	10,000,000 2,000,000	10,000,000 2,000,000	
Adjusted Income Less: Capital Allowances	12,000,000 (5,000,000)	12,000,000 (5,000,000)	
Statutory Income	7,000,000 7,000,000		0,000
Percentage (%)		70%	30%
		4,900,000	2,100,000
(-) ITA	Nil	*10,000,000	-
		0	2,100,000
Chargeable Income	7,000,000	2,100,000	
Tax Liability @ 24%	1,680,000	504,000	
ITA balance to be carried forward	5,100,000		

^{*} Assumption: The allowance can be offset against <u>70%</u> of the statutory income for each year of assessment. Thus, only RM4.9 million will be utilised.

APPLICATION FORM & GUIDELINES (PS/ITA)

Application form and Guidelines are available on MIDA Website:





ICA/JA-1

New project/company applying for Manufacturing License/Tax Incentive

ICA/JA-2

Expansion/Diversification project applying for Manufacturing License/Tax Incentive

Company with shareholder's fund less than RM2.5 million and having 60%-100% Malaysian equity, eligible to apply small scale incentive by filling IK/JA-1 (New Project) or IK/JA-2 (Diversification Project)



Incentives Under Budget 2015





INCENTIVE FOR LESS DEVELOP AREA (LDA)



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

Objectives:

- ✓ Ensure continued promotion of investments in less developed areas
- ✓ Enhance private sector involvement in development of less developed areas
- ✓ Transform less developed areas into major business centres by enhancing local business activities

INCENTIVES FOR LESS DEVELOPED AREAS

Income Tax Exemption

- 100% up to 15 years of assessment (5+5+5), or

Investment Tax Allowance (ITA):

- 100% of qualifying capital expenditure incurred within 10 years

Stamp duty exemption on:

- Transfer or lease of land or building used for development in relation to manufacturing and services activities

INCENTIVES

Withholding tax exemption on

- Fees for technical advice, assistance or services or royalty in relation to manufacturing or services activities

Import duty exemption on

- Raw materials and components used directly in the manufacture of finished products
- Machinery and equipment used in the production process



AUTOMATION CAPITAL ALLOWANCE (ACA)



To encourage automation in the manufacturing sector.

Objectives:

- ✓ To encourage manufacturing companies to engage in innovative and productive activities;
- ✓ To encourage the quick adoption of automation especially for the most reliance foreign labour industries; and
- ✓ To spur automation initiatives even harder.

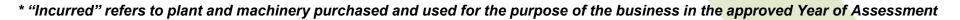
AUTOMATION CAPITAL ALLOWANCE (ACA)

CATEGORY 1

- Labour intensive industries
 (rubber products, plastics, wood, furniture and textiles):
 - ✓ Automation CA of 200% on the first RM4 million expenditure incurred* within 3 years of assessment from 2015 to 2017.

CATEGORY 2

- Other industries:
 - ✓ Automation CA of 200% on the first RM2 million expenditure incurred* within 5 years of assessment from 2015 to 2020.



Under the Budget 2018, the Government has announced the extension of Automation CA incentives until YA 2020, for Category 1.



ELIGIBILITY CRITERIA FOR ACA

- Manufacturing companies incorporated under the Companies Act, 1965 and are residents in Malaysia
- Possess a valid Business Licence from Local Authority and Manufacturing Licence from MITI (if applicable)*
- Companies have been in operation for at least 36 months
- Automation equipment is used directly in the manufacturing activity
- Automation equipment should enhance the productivity such as reducing man hours, reducing workers and increasing volume of output and to be verified by SIRIM
 - * Requirement for Manufacturing Licence (ML): Shareholders' funds of RM2.5 million and above or; Engaging 75 or more fulltime employees



EXAMPLE OF AUTOMATION

Areas of Automation System		
1.	Material Handling / Measurement System	
2.	Warehousing	
3.	Processing / Testing / Packaging Equipment	
4.	Others (to specify)	
Components of Automation		
1.	Motion Controllers / PLC / PAC / Pneumatic / Hydraulics	
2.	Computer/Industrial Software including CAD/CAM/CAE/PLM/CNC	
3.	Robot and Robotic System / Vision System / Sensors	
4.	Others (to specify)	



CHECKLIST

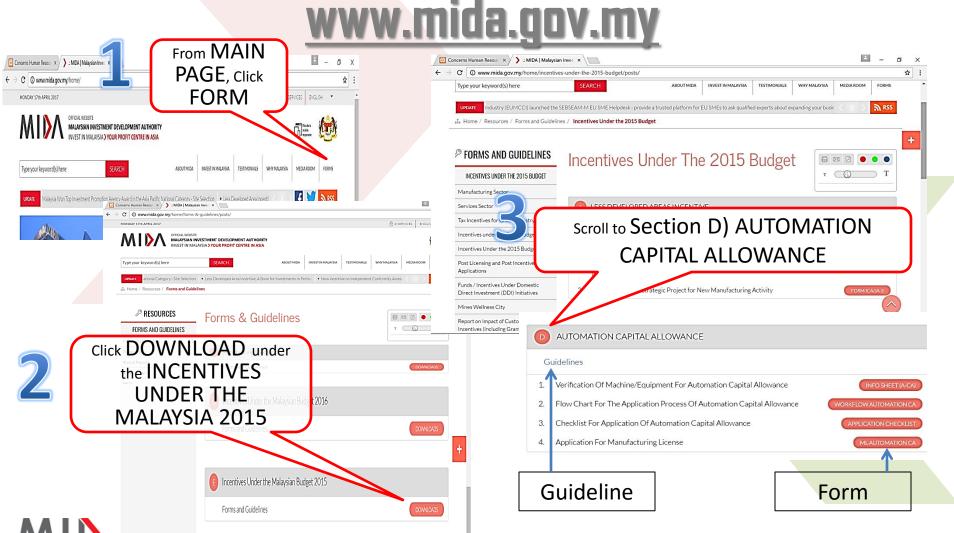
CHECKLIST FOR APPLICATION OF AUTOMATION CAPITAL ALLOWANCE

1.	Three sets of Application Form (ML-Automation CA Form)	
2.	A copy of Business Licence	
3.	A copy of Manufacturing Licence (if applicable)	
4.	A copy of tax incentive approval letter(s) (if applicable)	
Following documents are to be certified by External Auditor:		
5.	List of purchased and installed machines/equipment	
6.	Invoices and Delivery orders for the machines/equipment	
7.	Proof of documents to indicate that the entire cost of the machine/	
	equipment has been paid.	



APPLICATION FORM & GUIDELINES (ACA)

Application form and Guidelines are available on MIDA Website:



Other Facilities/ Assistance





IMPORT DUTY EXEMPTION



Exemption from import duty on <u>imported machinery & equipment</u> and <u>raw materials & components</u>.

CRITERIA

- Used directly for the manufacturing process
- Not manufactured locally
- For Sabah and Sarawak, items are not produced in the respective States
- Locally manufactured items cannot meet requirements (in terms of quantity or specifications)



EMPLOYMENT OF EXPATRIATE

Transfer of Technology & Technical Know-How

- Key Post (Permanent Post)
 - Managerial level
 - Number of post depends on total foreign equity
- **Term Post** (2 5 years)
 - Technical and supervisory level
 - Number of post depend on company requirement



APPLICATION FOR IMPORT DUTY EXEMPTION

Application form and Guidelines are available on MIDA Website:



Industry4wrd

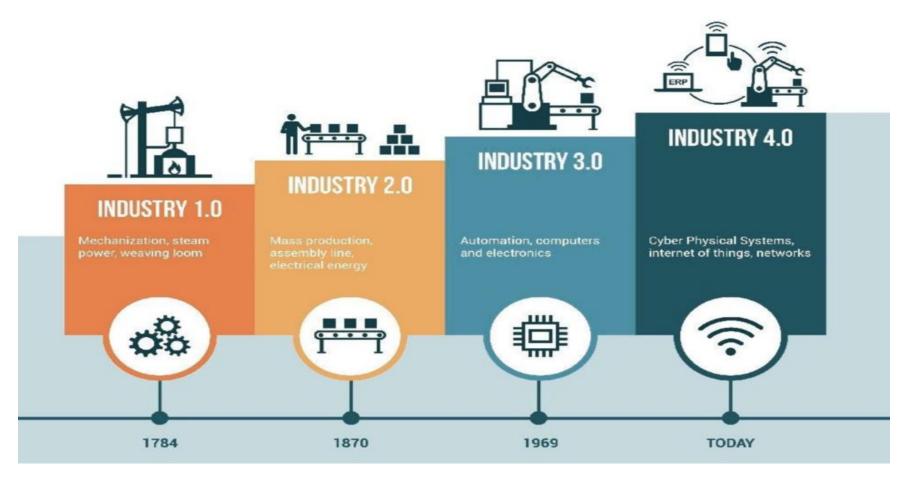




The Journey..



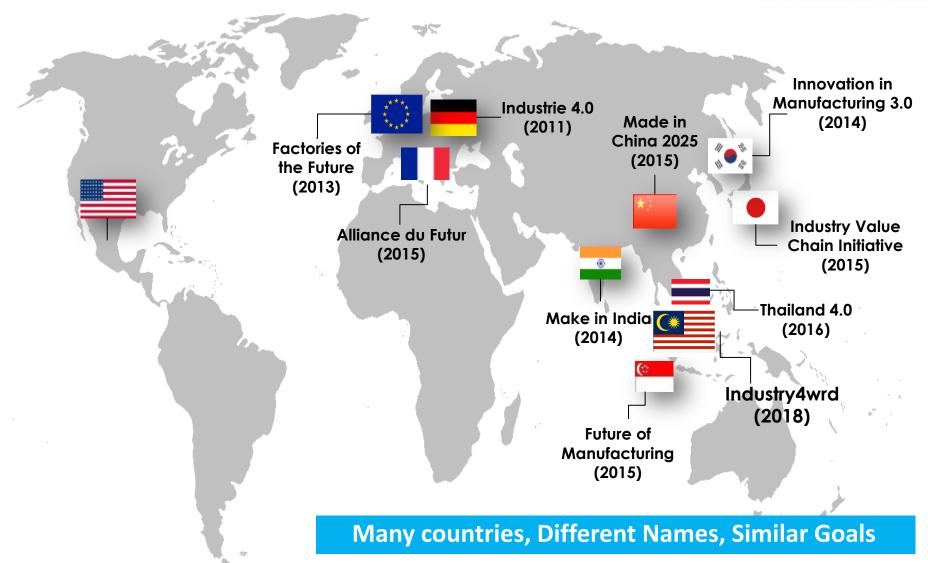
"Combination of the internet with a new ability to directly control the physical world, including the machines, factories and infrastructure that define the modern landscape" – WEF, 2016



Source: German Research Centre for Artificial Intelligence (DFKI)

Global Industry 4.0 Initiatives

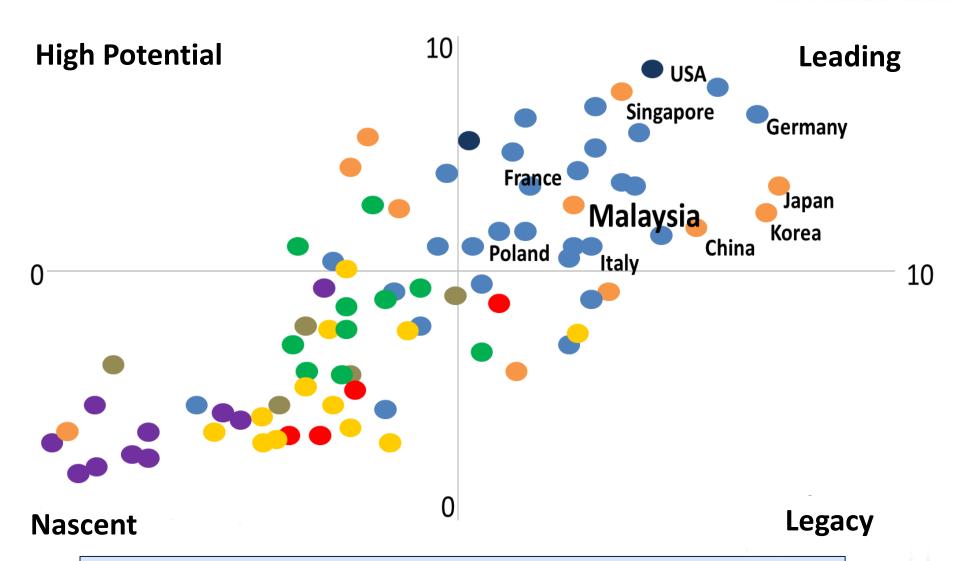




Source: IDC, Frost & Sullivan

Malaysia's Readiness for Industry 4.0





Malaysia has a strong current production base and is well-positioned for the future.

Industry4WRD - National Policy on Industry 4.0



National Goals

To increase the level of productivity in the manufacturing sector

To elevate the contribution of the manufacturing sector to the economy

To strengthen our innovation capacity and capability, reflected in global innovation rankings

To increase the number of high-skilled workers in the manufacturing industry

The targets by 2025, developed from 2016 baseline figures

Productivity of the manufacturing industry per person

From RM106,647
To increase by 30%

Absolute contribution in Ringgit Malaysia (RM) term from the manufacturing sector to the national economy

From RM 254 billion
To RM 392 billion

Global Innovation Index ranking

From **#35**To top **30** nations

Numbers of skilled workers employed in the manufacturing sector

From **18%** to **35%**

2019 Budget Announcement for Industry4WRD



Industry4WRD Fund

• RM210million (2019-2021) to support the transition and migration to Industry 4.0

Industry Digitalisation Transformation Fund

- RM3 billion for Automation, Robotics and AI
- Subsidised 2% interest rate
- Bank Pembangunan Scheme

Business Loan Guarantee Scheme

- RM2 billion for SMEs to invest in automation and modernisation
- Up to 70% guarantee
- Syarikat Jaminan Pembiayaan Perniagaan Sdn Bhd (SJPP) Scheme

High Impact Fund - MIDA

 Matching grant for activities such as R&D, international certification & standards, facility and tools upgrading or purchase

KRSTE.my

- RM2million for Knowledge Resource for Science & Technology
- Access to 250 facilities & 1,200 scientific equipment & research data for private sector
- Kickstart Researcher Mapping Programme

Double Tax Deduction – MOHR & MIDA

- Sponsorship for TVET, diploma and degree in engineering & technology
- Expenses for National Dual Training Scheme (SLDN)
- Structured training programme for engineering & technology

* Note: Details including mechanism and guideline are in the drafting stage

CONTACT US







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Thank you

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