

# INFORMATION AND COMMUNICATION TECHNOLOGY





# Introduction

This booklet is one of a series of 20 booklets prepared by MIDA for the purpose of providing investors with relevant information on establishing projects in the identified services sub-sectors in Malaysia. The complete list of booklets is as follows:

- Booklet 1:** General Policies, Facilities and Guidelines
- Booklet 2:** Regional Operations
- Booklet 3:** Research and Development (R&D) Services
- Booklet 4:** Logistics Services
- Booklet 5:** Specialised Technical Support Services
- Booklet 6:** Information and Communication Technology Services
- Booklet 7:** Environmental Management Services
- Booklet 8:** Distributive Trade Services
- Booklet 9:** Tourism and Travel Related Services
- Booklet 10:** Education and Industrial Training Services
- Booklet 11:** Legal Services
- Booklet 12:** Accounting, Auditing and Taxation Services
- Booklet 13:** Architectural Consultancy Services
- Booklet 14:** Surveying Consultancy Services
- Booklet 15:** Medical and Health Care Services
- Booklet 16:** Engineering and Energy Consultancy Services
- Booklet 17:** Management Consultancy Services
- Booklet 18:** Market Research Services
- Booklet 19:** Advertising Services
- Booklet 20:** Quick Reference

*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 manufacturing and services sector 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 the Asia Pacific to assist investors interested in establishing manufacturing projects and services activities in Malaysia. Within Malaysia, MIDA has 12 branch offices in the various states to facilitate investors in the implementation and operation of their projects.*

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

# INFORMATION AND COMMUNICATION TECHNOLOGY SERVICES

BOOKLET

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<b>1</b>	<b>HARDWARE AND SOFTWARE CONSULTANCIES, DATABASE ACTIVITIES, CONTENT DEVELOPMENT, INTERNET BASED BUSINESS APPLICATION SERVICES, E-COMMERCE SERVICES/SOLUTIONS, SYSTEMS INTEGRATION, COMPUTER ASSISTED MANUFACTURING SERVICES, CALL CENTRES AND CENTRALISED HELP- LINES</b>	<b>3</b>
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# INFORMATION AND COMMUNICATION TECHNOLOGY

Information and Communication Technology (ICT)-related services include the following:

- Hardware and software consultancies
- Database activities
- Content development
- Internet-based business application services
- Provision of e-commerce services/solutions
- System integration
- Computer-assisted manufacturing services
- Operation of call centres and centralised help-lines
- Other ICT services

Hardware and software consultancies provide services such as supporting and developing strategies in the application of servers, networks, computers, etc.

Database activities include data management, data security and data retrieval services. Content development services include producing educational CD-Rom, providing on-line news and information, gaming software, etc.

Internet-based business application services include e-mail services, Application Service Provider (ASP) services, hosting services, etc.

Electronic commerce (e-commerce) is a commercial transaction between parties entered into an electronic medium without the physical presence of the parties. E-commerce transactions can be concluded anytime and anywhere, regardless of national boundaries. E-commerce services/solutions include Electronic Government (e-Government), Business-to-Business, Business-to-Consumers, etc.

System integration services include Electronic Database Information (EDI), data warehousing and Electronics Application Integration (EAI).

Computer-assisted manufacturing services include process automation, robotics, automated material handling systems and supply chain integration/management.

# **1. HARDWARE AND SOFTWARE CONSULTANCIES, DATABASE ACTIVITIES, CONTENT DEVELOPMENT, INTERNET BASED BUSINESS APPLICATION SERVICES, E-COMMERCE SERVICES/ SOLUTIONS, SYSTEMS INTEGRATION, COMPUTER ASSISTED MANUFACTURING SERVICES, CALL CENTRES AND CENTRALISED HELP-LINES**

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## **1.1 Licensing and Registration**

Applicants intending to provide an ICT consultancy services are required to incorporate a company under the Companies Act, 2016.

These companies include those providing consultancy services in the purchase of computers, the implementation of software development, and the selection of a systems integrator, as well as other consultancy services that involve the provision of independent professional services and advice, including advice on business strategies, organisational set-ups and future directions of the company.

## **1.2 Equity Policy**

The Government had announced on 22 April 2009 that computer and related services are among the 27 services sub-sectors that would be liberalised. The activities liberalised are as follows:

- (i) Consultancy services relating to the installation of computer hardware (CPC 841);
- (ii) Software implementation services - systems and software consulting services, systems analysis services, systems design services, programming services and systems maintenance services (CPC 842);
- (iii) Data processing services - input preparation services, data processing and tabulation services, time sharing services and other data processing services (CPC 843);
- (iv) Data base services (CPC 844);
- (v) Maintenance and repair services of computers (CPC 845); and
- (vi) Other services - data preparation services, training services, data recovery services and development of creative content (CPC 849).

Please refer to MITI website [www.miti.gov.my](http://www.miti.gov.my) for information on liberalisation.

## **1.3 Specific Immigration Procedures**

Companies granted MSC Malaysia-status and incentives are allowed to employ expatriate knowledge workers without any restriction. A “knowledge worker” is an individual who holds one of the following:

- Tertiary qualification from an institution of higher learning (in any field); or
- Diploma in multimedia/ICT or specialised ICT certification plus at least 2 years relevant experience in multimedia/ICT or in a field that is a heavy user of ICT; or

- Professional, executive, management and technical, work categories in information technology (IT) enabled services eg. IT/IS Professionals, Finance/Accounting, Business Administration,

Special exemptions are given to foreign knowledge worker who does not meet the above but to be employed in the following clusters:

- Shared Services and Outsourcing cluster - foreign workers with knowledge-based skills that are not prevalent in Malaysia, required by MSC Malaysia Status companies.
- Creative Multimedia Content cluster - workers who are utilised for their creative talent to produce value-added creative work for MSC Malaysia Status companies.

MSC Malaysia-status companies can contact MSC Malaysia e-Xpats Centre or refer to its website [www.expats.com.my](http://www.expats.com.my) for application of expatriate knowledge worker.

## **1.4 Tax Incentives**

### **(i) Incentives for MSC Malaysia**

“The updates and information on MSC Status is available in MDeC’s website <https://www.mdec.my/news/important-updates-and-changes-on-msc-malaysia-bog-5>”

### **(ii) Accelerated Capital Allowance**

Companies are eligible for Accelerated Capital Allowance (ACA) that provides an initial allowance of 20% and an annual allowance of 40% for expenditure incurred in acquiring computers and information technology assets, including software. Effective for the year of assessment 2009 to the year of assessment 2013, the period to claim ACA on expenses incurred on ICT equipment including computer and software is accelerated from two years to one year. The cost of developing websites is allowed as an annual deduction of 20% for a period of five (5) years.

In line with the evolution of technology and to further encourage the use of ICT by companies, the Budget has proposed an extension of the ACA effective from year of assessment 2014 until year of assessment 2016.

Claims should be submitted to Inland Revenue Board (IRB).

### **(iii) Deduction of Operating Expenditure**

Companies enjoy a single deduction of operating expenditure including payments to consultants related to IT usage for improving management and production processes.

Claims should be submitted to IRB.

## 2. OTHER ICT SERVICES

### 2.1 Licensing and Registration

#### (a) Class and Individual Licences

Under the Communications and Multimedia Act, 1998 (CMA), there are four (4) categories of licensable activities. Within the activity categories, there are two (2) key types of licences:

- (i) Individual licence requires a high degree of regulatory control which is for a specified person to conduct a specified activity and may include special conditions; and
- (ii) Class licence is a 'light-handed' form of regulation which is designed to promote industry growth and development with easy market access.

LICENCE	TYPE OF LICENCE
Individual	Network Facilities Provider (NFP) Network Services Provider (NSP) Content Applications Service Provider (CASP)
Class	Network Facilities Provider (NFP) Network Services Provider (NSP) Content Applications Service Provider (CASP) Applications Service Provider (ASP)

- (a) **Network Facilities Providers** – are the owners/providers of network facilities infrastructure such as cables, towers, satellite earth stations, broadband fibre optic cables, telecommunications lines and exchanges, radio communications transmission equipment, mobile communications base stations and broadcasting transmission towers and equipment. They are the fundamental building block of the convergence model upon which network, applications and content services are provided.
- (b) **Network Services Providers** – provide the basic connectivity and bandwidth to support a variety of applications. Network services enable connectivity or transport between different networks. A network service provider is generally also the owner of the network facilities. However, a connectivity service may be provided by a person using network facilities owned by another licensee.
- (c) **Application Service Providers** – provide particular functions such as voice services, data services, content based services, electronic commerce and other transmission services. Applications services are essentially the functions or capabilities, which are delivered to end-users.
- (d) **Content Applications Service Providers** – represent a special subset of applications service providers including television and radio broadcast services and services such as online publishing (currently exempt from licensing requirements) and information services.

Individual licences must be applied for and are granted by the Minister of Information, Communications and Multimedia . Special or additional licence conditions may be imposed and such licence conditions are declared by the Minister. The Minister also has the power to modify, vary, revoke or impose further special or additional conditions at any time. However, the affected licensees will be notified of the intention to do so to enable them to make the appropriate submissions.

The Minister may grant a class licence in respect of any matter requiring a licence under the CMA. Unlike an individual licence, a class licence merely requires registration, which is an administrative process.

The following table provides a summary of licensable activities and the types of licence required for the relevant activity:

Licensing Category	Individual Licence	Class Licence	Exempt/ Unlicensed
Network Facility Provider	<ul style="list-style-type: none"> <li>• Earth Stations</li> <li>• Fixed links and cables</li> <li>• Radio communications transmitters and links</li> <li>• Satellite hubs</li> <li>• Satellite control station</li> <li>• Space station</li> <li>• Submarine cable landing centre</li> <li>• Towers, poles, ducts and pits used in conjunction with other network facilities</li> <li>• Such other network facilities which are not exempt under the CMA or not subject to a class licence under Part IV of the (Licensing) Regulations 2000 or not listed in this subparagraph</li> </ul>	<ul style="list-style-type: none"> <li>• Niche or limited purpose network facilities</li> </ul>	<ul style="list-style-type: none"> <li>• Broadcasting and production studios</li> <li>• Incidental network facilities</li> <li>• Private network facilities</li> </ul>
Network Service Provider	<ul style="list-style-type: none"> <li>• Bandwidth services</li> <li>• Broadcasting distribution services</li> <li>• Cellular mobile services</li> <li>• Access applications service</li> <li>• Space services</li> <li>• Switching services</li> <li>• Gateway services</li> <li>• Such other network services which are not exempt under the</li> </ul>	<ul style="list-style-type: none"> <li>• Niche customer access</li> <li>• Niche connection services</li> </ul>	<ul style="list-style-type: none"> <li>• Incidental network services</li> <li>• LAN services</li> <li>• Private network services</li> </ul>



Licensing Category	Individual Licence	Class Licence	Exempt/ Unlicensed
	CMA or not subject to a class licence under Part IV of the (Licensing) Regulations or not listed in this subparagraph 2000		
Applications Service Provider		<ul style="list-style-type: none"> <li>• PSTN telephony</li> <li>• Public cellular services</li> <li>• IP telephony</li> <li>• Public payphone services</li> <li>• Public switched data services</li> <li>• Audiotext hosting services provided on an opt-in basis</li> <li>• Directory services</li> <li>• Internet access services</li> <li>• Messaging services</li> </ul>	<ul style="list-style-type: none"> <li>• Electronic transaction service</li> <li>• Interactive transaction service</li> <li>• Networked advertising boards and Cineplex</li> <li>• Web hosting or client server</li> </ul>
Content Applications Service Provider	<ul style="list-style-type: none"> <li>• Satellite broadcasting</li> <li>• Subscription broadcasting</li> <li>• Terrestrial free to air TV</li> <li>• Terrestrial radio broadcasting</li> <li>• Such other content applications services which are not exempt under the CMA or not subject to a class licence under Part IV of the Licensing Regulations or not listed in this subparagraph</li> </ul>	<p>Following limited content applications service:</p> <ul style="list-style-type: none"> <li>• Content applications service limited in its availability to:</li> <li>• Vehicles, vessels, railway or aircraft used for hire or reward or for any other valuable consideration</li> <li>• A single commercial or residential building</li> <li>• A restricted geographical area</li> <li>• A content applications service of limited appeal or which is targeted to a special interest group and available through subscription by persons using equipment specifically designed for receiving the said service</li> </ul>	<ul style="list-style-type: none"> <li>• Internet content applications services</li> </ul>

Licensing Category	Individual Licence	Class Licence	Exempt/ Unlicensed
		<ul style="list-style-type: none"> <li>• A content applications service where the content is remotely generated and distributed through a network service and displayed on a screen</li> <li>• A content applications service for distance learning purpose</li> <li>• A content applications service linked or associated specifically to a sporting, cultural or other one-off event</li> </ul>	

For additional information on licensing matters, please refer to the Licensing Guide Book at [www.mcmc.gov.my/skmmgovmy/media/General/pdf/Licensing\\_Guidelines\\_Mar2018.pdf](http://www.mcmc.gov.my/skmmgovmy/media/General/pdf/Licensing_Guidelines_Mar2018.pdf)

## 2.2 Equity Policy

The Government had announced on 7 October 2011 that telecommunication services (Network Service Providers and Network Facilities Providers licences) would be among the 17 services sub-sectors that would be liberalised. Please refer to MITI website [www.miti.gov.my](http://www.miti.gov.my) for information on liberalisation.

## 2.3 Specific Immigration Procedures

Companies granted MSC status and incentives are allowed to employ expatriate knowledge workers without restrictions. Please refer to section 1.3 for definition of knowledge workers.

ICT companies located outside the MSC are required to submit their applications for expatriate posts directly to the Immigration Department.

## 3. GENERAL AGREEMENT ON TRADE IN SERVICES (GATS), ASEAN FRAMEWORK AGREEMENT ON SERVICES (AFAS) AND FREE TRADE AGREEMENTS (FTAS)

The updates and information on Schedule of Specific Commitments of GATS, AFAS and FTAs is available in MITI'S website [www.miti.gov.my](http://www.miti.gov.my)



**Malaysian Investment Development Authority**

MIDA Sentral, No.5, Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur, Malaysia

Tel: (603) 2267 3633 Fax: (603) 2274 7970 Website: [www.mida.gov.my](http://www.mida.gov.my)

E-mail: [investmalaysia@mida.gov.my](mailto:investmalaysia@mida.gov.my)

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