

## GUIDELINES AND PROCEDURES FOR THE APPLICATION OF AUTOMATION CAPITAL ALLOWANCE (AUTOMATION CA)

### **BACKGROUND:**

- i. The Automation Capital Allowance (Automation CA) incentive was introduced in the National Budget 2015. This incentive was categorised under the 'Strengthening Economic Growth' strategy and is expected to be the key factor to encourage automation in the manufacturing sector.
- ii. The main objectives of the Automation CA incentive are:
  - To encourage manufacturing companies to engage in innovative and productive activities;
  - To encourage quick adoption of automation specifically for labour-intensive industries;
  - To spur automation initiatives; and
  - To enhance productivity in manufacturing sector.
- iii. Applications for the Automation CA are jointly evaluated by MIDA (non-technical) and SIRIM (technical).

### **TYPE OF INCENTIVE:**

- i. **Category 1 - Labour intensive industries (rubber products, plastics, wood, furniture and textiles):**
  - Automation Capital Allowance of 200% on the first **RM4 million** expenditure incurred\* within 8 years of assessment from 2015 to 2023; and
- ii. **Category 2 - Other Industries:**
  - Automation Capital Allowance of 200% on the first **RM2 million** expenditure incurred\* within 8 years of assessment from 2015 to 2023.

*\*Note: "Incurred" refers to plant and machinery purchased and used for the purpose of the business in the approved Year of Assessment (YA).*

## **ELIGIBILITY CRITERIA:**

- i. Manufacturing companies incorporated under the Companies Act, 1965 / 2016 and resident in Malaysia.
- ii. Companies have been engaged in manufacturing activities for at least 36 months.
- iii. Possess a valid Business License from Local Authority.
- iv. Possess a Manufacturing License (ML) from MITI or Confirmation Letter for Exempted from Manufacturing License from MIDA (*whichever is applicable*).
- v. Automation machine/equipment is used directly in the manufacturing activities.
- vi. Companies currently claiming Reinvestment Allowance (RA) under Schedule 7A, Income Tax Act 1967 can opt to claim this incentive provided that either one of these two incentives is claimed in the same year of assessment. The 15 years period of RA will continue even though the company has opted for this incentive. However, the company must utilize the full amount of RM4 million for Category 1 or RM2 million for Category 2 before it continues to claim RA.
- vii. If a company decides to claim the Automation CA first before claiming RA, the incentive period for both Category 1 and 2 (year of assessment 2015 to 2023) will not form part of the 15 years period of RA.
- viii. This incentive is mutually exclusive to other incentives i.e companies can only enjoy either one of the incentives that include Automation Capital Allowance (Automation CA), Reinvestment Allowance (RA), Pioneer Status (PS), Investment Tax Allowance (ITA) **or** Allowance for Increased Exports (AIE).

## **MECHANISM (GAZETTE ORDERS):**

- i. Income Tax (Accelerated Capital Allowance) (Automation Equipment) Rules 2017 [P.U. (A) 252];
- ii. Income Tax (Accelerated Capital Allowance) (Automation Equipment) 2017 (Amendment) Rules 2020 [P.U. (A) 173];
- iii. Income Tax (Exemption) (No.8) Order 2017 [P.U. (A) 253]; and
- iv. Income Tax (Exemption) (No.8) 2017 (Amendment) Order 2020 [P.U. (A) 172].

*The gazette orders contain details of incentives such as mechanisms, usages, interpretations & eligibilities. Applicants can refer the gazette orders for their claims' submissions to IRB.*

## **REQUIRED DOCUMENTS:**

- i. Three (3) sets of Application Form (Automation CA form).
- ii. A copy of Business Licence (*mandatory requirement*).
- iii. A copy of \*Manufacturing Licence (ML) or Confirmation Letter for Exempted from Manufacturing License (*whichever is applicable*).
- iv. A copy of tax incentive approval letter(s) (*if applicable*).
- v. The following documents which must be certified by External Auditor:
  - List of purchased and installed machines/equipment;
  - Invoices/Purchased Orders and Delivery Orders for the machines/equipment; and
  - Proof of documents to indicate that the entire cost of the machines/equipment has been paid.

*\*Requirement for Manufacturing Licence (ML) under the Industrial Coordination Act (ICA)1975 :*

- ✓ *Shareholders' funds of RM2.5 million and above; **OR***
- ✓ *Employing 75 or more fulltime employees.*

## **APPLICATION PROCESS:**

- i. Company submits application to MIDA using the 'Automation CA Form'.
- ii. MIDA evaluates the non-technical eligibility.
- iii. SIRIM undertakes the technical verifications including site visits.
- iv. MIDA issues a 'Consideration Letter' to the Applicant Company and Carbon Copies (c.c) to to Ministry of International Trade & Industry (MITI), Ministry of Finance (MOF), Inland Revenue Board (IRB) and SIRIM.
- v. Company is required to keep the 'Consideration Letter' and copy of other documents submitted to MIDA & SIRIM for the purpose of audit by IRB.
- vi. Company is required to declare the expenditure to IRB to enjoy the incentive.

## **EFFECTIVE DATE OF APPLICATION:**

Application received by MIDA from **1 January 2015 until 31 December 2023** is **eligible** to be considered for this incentive.

## **PROCEDURE FOR APPLICATION:**

The application should be submitted in **three (3) copies** of **Automation CA Form** to:

### **Chief Executive Officer**

Malaysian Investment Development Authority (MIDA),  
MIDA Sentral, No. 5  
Jalan Stesen Sentral 5  
Kuala Lumpur Sentral  
50470 Kuala Lumpur.

For project in Sabah and Sarawak, **three (3) copies** of the form should also be submitted to the relevant MIDA office as follows:

### **Sabah**

Director  
MIDA Sabah Office  
Lot D9.4 & 9.5  
9<sup>th</sup> Floor, Block D, Bangunan KWSP  
Karamuning  
88100 Kota Kinabalu  
Sabah, Malaysia

### **Sarawak**

Director  
MIDA Sarawak Office  
Room 404, 4<sup>th</sup> Fl.  
Bangunan Bank Negara Malaysia  
No 147, Jalan Satok  
PO Box 716, 93714 Kuching,  
Sarawak, Malaysia

For enquiries and clarification, please refer to:-

MIDA's 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>