

GUIDELINE AND PROCEDURE FOR THE APPLICATION OF AUTOMATION CAPITAL ALLOWANCE (AUTOMATION CA) FOR SERVICES SECTOR – FOR EXISTING COMPANY ONLY

BACKGROUND

1. The Automation Capital Allowance (Automation CA) incentive for services sector was introduced in the National Budget 2020. The existing Automation CA for Category 2 of the manufacturing sector has been expanded to the services sector in order to drive the services sector towards automation. This incentive falls under the First Thrust of the Budget 2020: Driving Economic Growth in the New Economy and Digital Era.
2. The main objectives of the Automation CA incentive for services sector are:
 - (i) To encourage services companies to engage in innovative and productive activities;
 - (ii) To encourage quick adoption of automation;
 - (iii) To spur automation initiatives; and
 - (iv) To enhance productivity in services sector.

TYPE OF INCENTIVE

Automation Capital Allowance of 200% on the first RM2 million expenditures incurred for the year of assessment 2020 until the year of assessment 2023.

Note: “Incurred” refers to machinery or equipment purchased and used directly for the purpose of the business in the approved Year of Assessment (YA).

ELIGIBILITY CRITERIA

1. The company must be incorporated under the **Companies Act, 2016** and **resident in Malaysia**.
2. The company is engaged in services activities and incurred expenditures on **machinery / equipment / software that fulfill eligibility criteria in Appendix A**.

3. Automation machinery / equipment / software is **used directly** in the process of carrying out the services and **adopts technology that is more advanced** in improving services delivery.
4. The machinery / equipment / software must be used at least for 1 month after installation for the purpose of technical verification by SIRIM. The assets should not be disposed within 5 years.
5. The company has been in operation for at least 36 months.
6. The company possesses a valid Business License from Local Authority.
7. The company possesses a permit / licence / registration / accreditation / certificate / approval letter / supporting letter¹ from the relevant Ministry / Agency / Regulator (whichever applicable).
8. This incentive is mutually exclusive with other incentives i.e companies can only enjoy either one of the incentives that include Pioneer Status (PS) or Investment Tax Allowance (ITA) under the Promotion of Investments Act, 1986 and Income Tax Exemption under the Income Tax Act, 1967

MECHANISM (GAZETTE ORDERS)

The approval to be provided under the Subsection 154(1)(b) of the Income Tax Act 1967 and Seksyen 127(3)(b) of the Income Tax Act, 1967.

REQUIRED DOCUMENTS

1. Three (3) sets of Application Form (Services-Automation CA form).
2. A copy of Business Licence (mandatory requirement).
3. A copy of permit / licence / registration / accreditation / certificate / approval letter / supporting letter¹ from the relevant Ministry / Agency / Regulator (whichever applicable) (mandatory requirement).

¹ Supporting letter must consist of the following information:

- a) The company's activity is regulated or governed by **...(name of ministry / agency / regulator)...**
- b) The company's activity does not required specific permit or licence from **...(name of ministry / agency / regulator)...**
- c) **...(name of ministry / agency / regulator)...** supports the company's automation initiatives as proposed.

4. A copy of tax incentive approval letter(s) (if applicable).
5. The following documents which must be certified by External Auditor:
 - (i) List of purchased and installed machinery / equipment / software;
 - (ii) Invoices/Purchased Orders and Delivery Orders for the machinery / equipment / software; and
 - (iii) Proof of documents to indicate that the entire cost of the machinery / equipment / software has been paid.

APPLICATION PROCESS

1. Company submits application with complete information using the 'Services-Automation CA Form'. Application with incomplete information will not be accepted and will be returned to the company.
2. MIDA evaluates the non-technical eligibility criteria and sends supporting letter with the application form and other relevant documents to SIRIM.
3. SIRIM undertakes the technical verifications to verify eligibility criteria of machinery / equipment as in Appendix A. Verification process are including site visit.
4. SIRIM submits technical verification report to MIDA.
5. 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.
6. Company is required to keep the 'Consideration Letter' and copy of other documents submitted to MIDA & SIRIM for the purpose of audit by IRB.
7. Company is required to declare the expenditures to IRB to enjoy the incentive.

EFFECTIVE DATE OF APPLICATION

Application received by MIDA from **1 January 2020 until 31 December 2023** is eligible to be considered for this incentive.

PROCEDURE FOR APPLICATION

The application with completed information should be submitted in three (3) copies of Services-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
(Attn.: Director, Relevant Industries/Services Division)

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

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
9th Floor, Block D, Bangunan KWSP
Karamuning
88100 Kota Kinabalu
Sabah, Malaysia

Sarawak:
Director
MIDA Sarawak Office
Room 404, 4th 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 : www.mida.gov.my
Tel : (603) 2267-3633
Fax : (603) 2273-4208
E-mail : investmalaysia@mida.gov.my

Appendix A: General Eligibility of Machinery / Equipment

Eligible	Non-Eligible
<p>The machinery / equipment / software embedded in the machinery and equipment are eligible for the incentive subject to the following criteria:-</p> <ul style="list-style-type: none"> • Used directly in the process of carrying out the services; • Adopts technology that is more advanced in improving services delivery; • Used at least for 1 month after installation/commissioning for the purpose of technical verification by SIRIM; and • Contribute to productivity enhancement: <ul style="list-style-type: none"> (i) Reduction in number of workers/operators involved in operation; or (ii) Reduction in number of man-hours; or (iii) Increase in efficiency by reducing human errors or reducing time taken to complete task; or (iv) Reduction in accident/complaint rate 	<ul style="list-style-type: none"> • Standard software applications installed on the computer, i.e. basic programs for everyday use, such as; <ul style="list-style-type: none"> - Office suites - Accounting packages - Graphics software - Media player - Enterprise software • Mobile apps for gaming and entertainment, travel-related, online shopping and online booking system for hotel, flights, restaurants, etc. • Retail and restaurant self-ordering / self-payment kiosk. • New machinery/equipment to replace existing machinery/ equipment with same specification.