

# Investment Incentives Related to Industry4WRD

Advanced Technology And R&D Division  
Malaysian Investment Development Authority  
(MIDA)



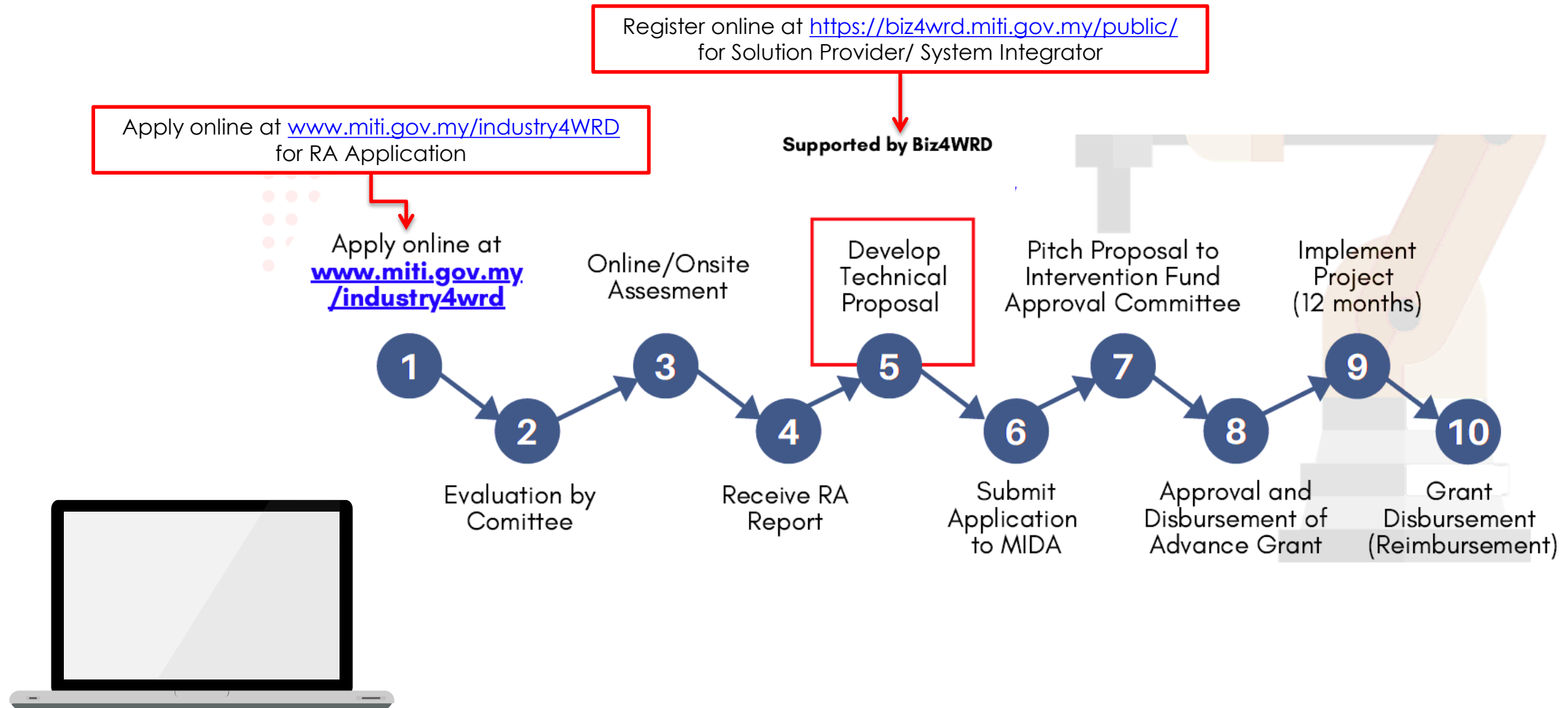
# Contents

- 
- 01** Industry4WRD Intervention Fund
  - 02** Industry4WRD Domestic Investment Strategic Fund (DISF)
  - 03** Automation Capital Allowance (ACA)
  - 04** MIDA Smart Automation Grant (SAG)



# Industry4WRD Intervention Fund

# How to start applying for Industry 4WRD Grant/Incentive?



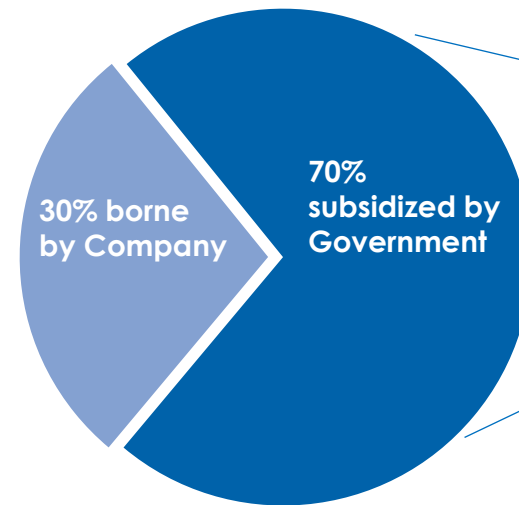
# Industry 4WRD Intervention Fund

- The Industry4WRD Intervention Fund is a financial support facility for Malaysian Small and Medium Enterprises (SMEs) in the manufacturing and related services sectors to embrace Industry 4.0.
- The Fund is provided to support companies in implementing intervention projects based on the recommendation of Industry4WRD Readiness Assessment (RA) Report on the shift factors of people, process and technology.
- The applications of this fund will be **evaluated by MIDA**.



It is a **matching grant (70:30)** on **reimbursable basis** based on eligible expenditures, up to a maximum grant of Ringgit Malaysia Five Hundred Thousand (RM500,000.00)

## Total Expenditures



Maximum of 30% will be provided in advanced (upfront)



Start

Received upfront grant (maximum 30%) from MIDA

The initial expenditures to be utilised by the upfront grant

The following expenditures to be borne by company

Claim the remaining grant from MIDA

End

# What are the eligible criteria?



1. Manufacturing or manufacturing-related-services (MRS) companies incorporated under the Companies Act, 2016.



2. Small Medium Enterprises (SMEs):

**Manufacturing:** Sales turnover from RM300,000 to not more than RM50 Million and/or employee from 5 to not more than 200

**MRS:** Sales turnover from RM300,000 to not more than RM20 Million and/or employee from 5 to not more than 75



3. In operation for at least 3 years in the current business line.



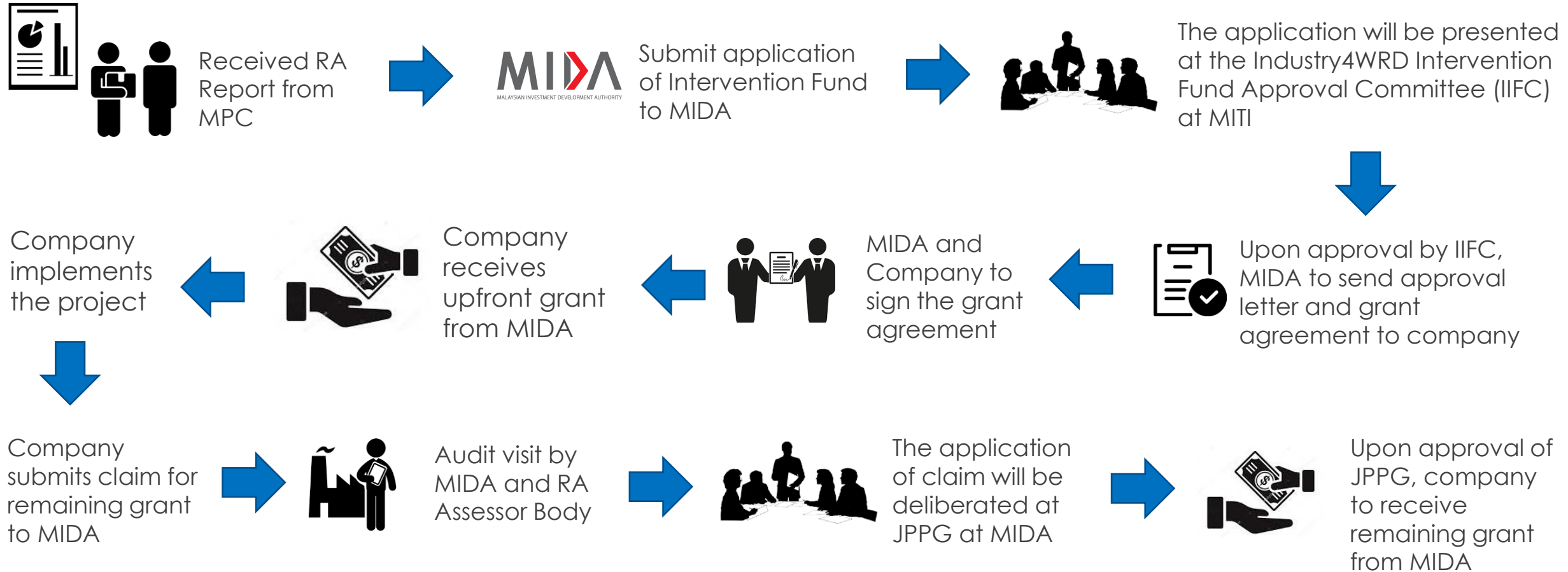
4. Possess a valid business licence and/or Manufacturing Licence.



5. Completed the Government-funded Industry4WRD Readiness Assessment (RA) Programme – *received report from the Malaysia Productivity Corporation (MPC)*

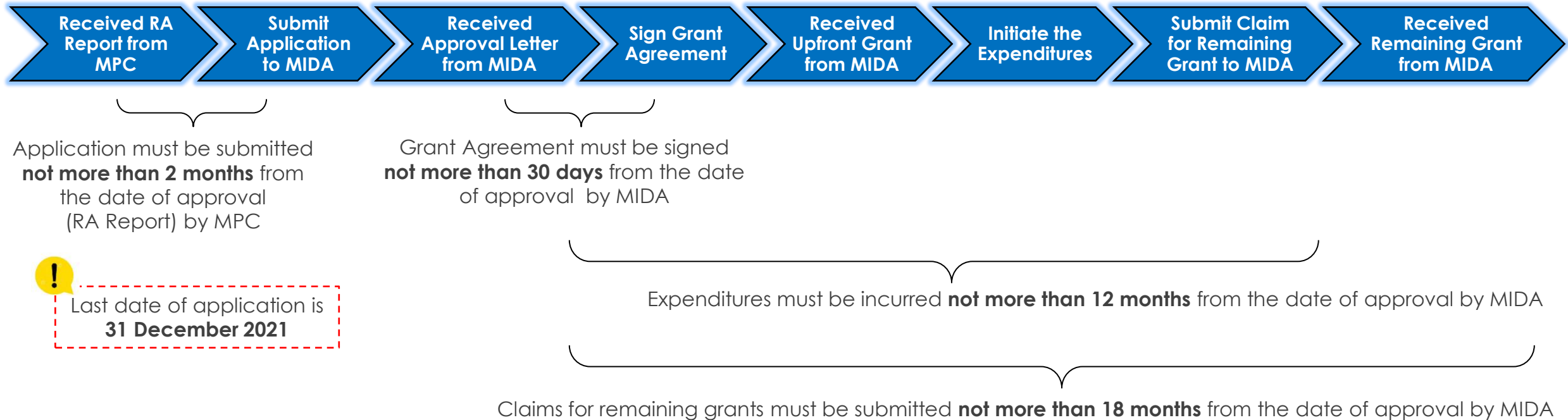


# What is the process workflow?



JPPG = Coordination & Disbursement of Gants Committee

# What are the important timelines?



Last date of application is **31 December 2021**



Any request for extension is required to be made at least 2 months before end of period of the above (subject to the approval of Committee)



# What are the eligible expenditures?

1. Only expenditures based on the recommendations of RA report will be considered.
2. The following expenditures **will not be eligible**:
  - ✗ Purchase or rental of land, building, vehicles and furniture;
  - ✗ Premise renovation;
  - ✗ Collateral or loan for any purpose;
  - ✗ Marketing/ promotional activities;
  - ✗ Operation expenditure including salary, employee benefits, travelling expenditures;
  - ✗ Expenditures on R&D activities; and
  - ✗ Working capital not related to the project.

# What documents are needed?

- ✓ Application Form
- ✓ Industry4WRD Readiness Assessment (RA) Report (with MPC's cover letter)
- ✓ Technical Proposal
- ✓ Financial Statements (audited) for the past three (3) years
- ✓ Manufacturing Licence from MITI or a Confirmation Letter for Exempted from Manufacturing Licence from MIDA



Submit applications (hardcopies) to:

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

## What to put in the Technical Proposal?

1. Project Description
2. Scope of Project
3. Duration of Project
4. Method of execution (solution providers)
5. Source of Technology
6. Expected Deliverables
7. Breakdown of Expenditures



# Do's and Don'ts for Intervention Fund Application



**Register with Biz4WRD Portal**

Engage and source technologies and solutions for local solution providers/ system integrators

**Shareholder Structure**

Single Customer Limit. One company within a group of related companies may be granted with the IF subject that the amount granted to the group not exceed RM1 million.

**Follow RA Recommendation**

Follow the recommendations based of the RA report

**Industry 4.0 Element**

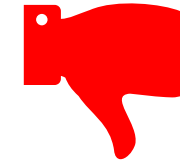
At least one Industry 4.0 element must be included in the technical proposal for IF application

**List of Grant/Incentive(s)**

List of grant/incentive(s) currently enjoyed (if any)

**Diagrams of proposed plant/software/hardware**

Diagram of the existing production line with proposed addition/retrofitting of hardware/software & diagram/picture of hardware and software in the proposed project



**Solution Provider/ System Integrator Cost**

Not eligible for:

- Accommodation
- Transportation
- Professional Fees

**Simple Automation**

- Automation expenditure is not allowed
- Kindly have the element of smart system, integrated solution, and connectivity

**Grant are not meant for the same project**

- Approval of IF is mutually exclusive for the project only

**Other cost**

Not eligible for:

- Basic ERP on account/finance/HR Management
- Smart TV
- IT infrastructure and networking



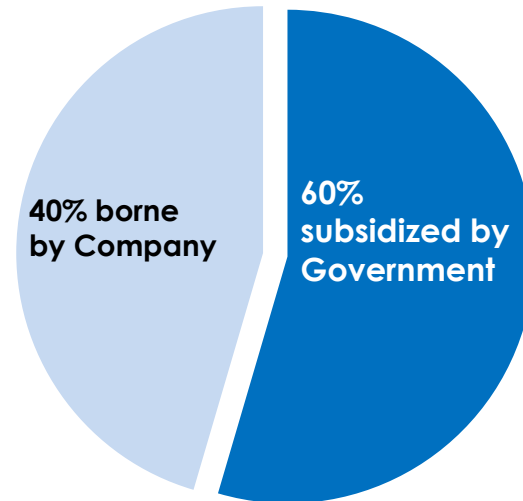
# Domestic Investment Strategic Fund (DISF) and Industry4WRD DISF

# What are the incentives?

## Industry4WRD DISF

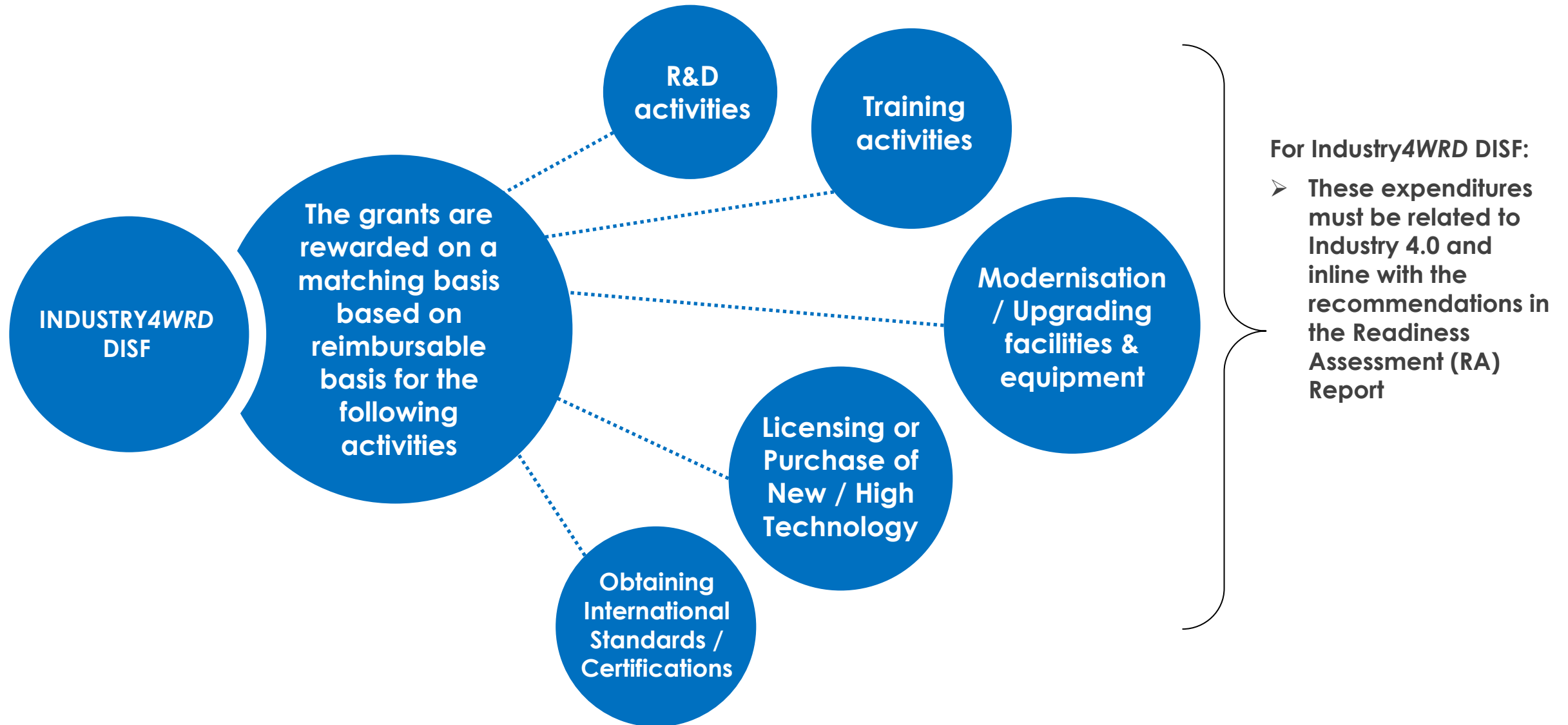
- ❑ Introduced in Budget 2019
- ❑ Objective is to assist companies that have undergone the Industry4WRD Readiness Assessment (RA) programme to migrate into Industry 4.0.

Matching grant **(60:40)** on reimbursable basis for the eligible expenditures



- ❑ Eligible only to companies that have undergone the Industry4WRD Readiness Assessment (RA) programme with Malaysian equity ownership of at least 60%
- ❑ Effective date of application is from the date of approval of Industry4WRD RA Report (MPC's letter) until 31 December 2021

# What are the eligible expenditures?



# What are the priority sectors?

## Manufacturing Sector



Aerospace



Medical  
Devices



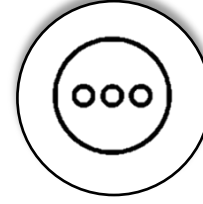
Pharmaceuticals



Advanced  
Electronics



Machinery &  
Equipment



Other industries  
(case-to-case  
basis)

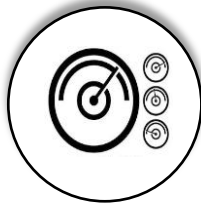
## Services Sector



Design &  
Development



Research &  
Development



Testing /  
Calibration



Quality/  
Standard  
Certification



Architectural  
/ Engineering  
Services



Technical  
/ Skills  
Training



Logistic  
Service  
Provider (3PL)

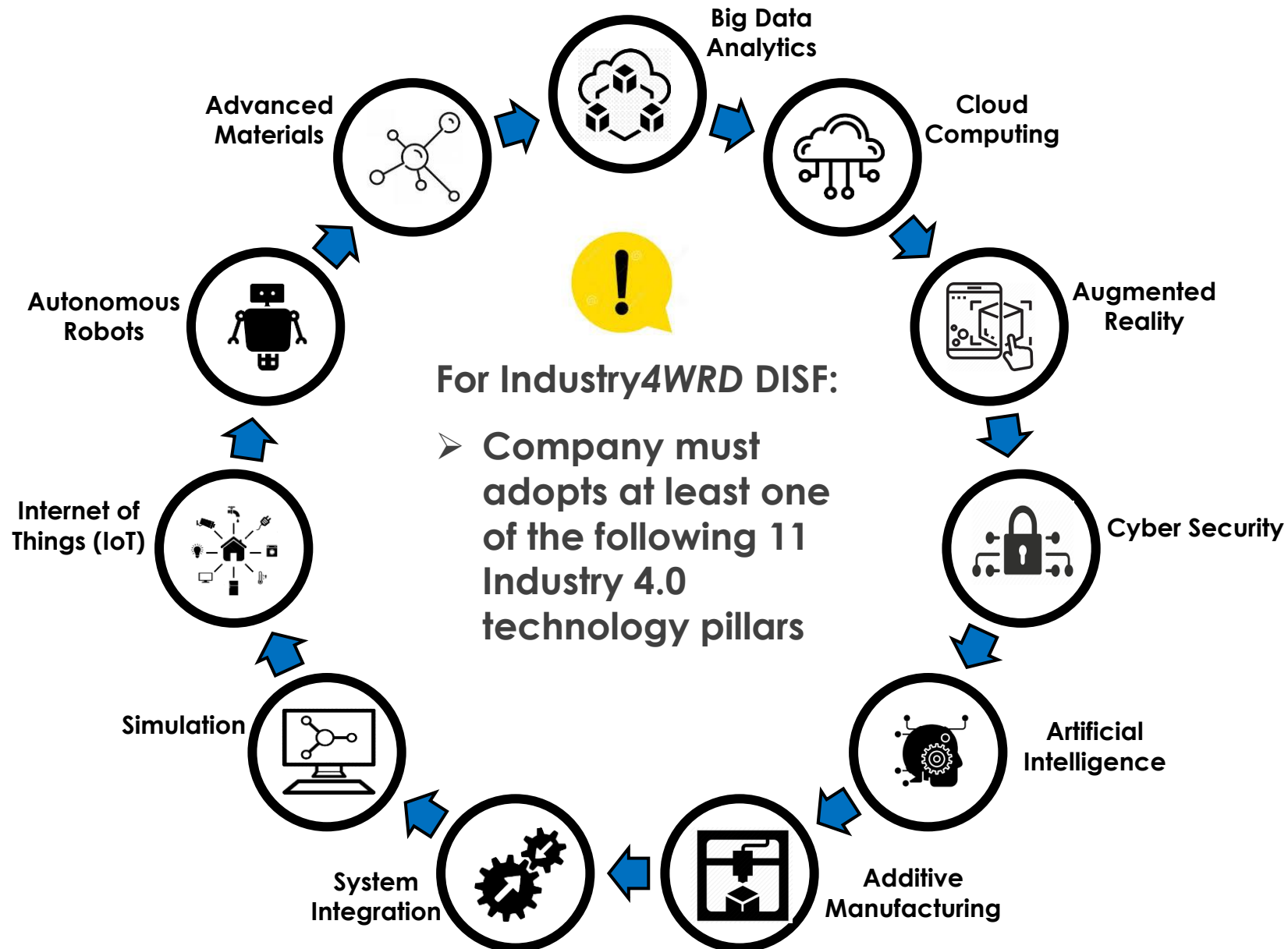


ICT Solution  
Provider  
(related to  
Automation/  
Industry 4.0)



Integrated  
Green  
Technology

# What is the main condition for Industry4WRD DISF?







# Automation Capital Allowance (ACA)

# What is the background of ACA?



## 01 Introduced under the National Budget 2015

- Adopted based on the recommendations by the 'Study on Transformation Strategy for Labour Intensive Manufacturing Industries in Malaysia' in 2014.
- Among the objectives are:
  - ✓ To encourage manufacturing companies to engage in innovative and productive activities
  - ✓ To encourage quick adoption of automation specifically for labour - intensive industries
  - ✓ To further spur automation initiatives
  - ✓ To enhance productivity in manufacturing sector

## 02 Collaboration with SIRIM

- Applications for the Automation CA are jointly evaluated by MIDA (non-technical) and SIRIM (technical).
- SIRIM undertakes technical verification based on the following productivity measures:
  - i. Reduction in number of workers / operators
  - ii. Reduction in number of man hours
  - iii. Increase of production volume
  - iv. Quality improvement
  - v. Other factors (i.e: energy efficiency, worker safety, smart manufacturing)

# What are the incentives?

## CATEGORY 1 – Labour-intensive industries



Rubber Products



Plastic Products



Wood Products



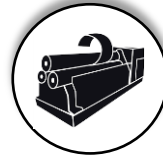
Furniture Products



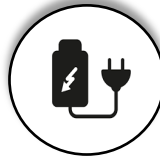
Textile Products

Automation Capital Allowance of **200%** on the first RM4 million expenditure incurred\* within **8 years** of assessment from 2015 to 2023.

## CATEGORY 2 – Other industries



Fabricated Metal Products



E&E Products



Chemical Products



Transport Equipment



Food Products



Others

Automation Capital Allowance of **200%** on the first RM2 million expenditure incurred\* within **8 years** of assessment from 2015 to 2023.



***Automation Capital Allowance has been expanded to Services Sectors as announced by the Government in National Budget 2020 on 11 October 2019***

\* 'Incurred' refers to plant and machinery purchased and used for the purpose of the business in the approved Year of Assessment

# Who are eligible?



Manufacturing companies incorporated under the Companies Act, 1965 / 2016 and resident in Malaysia.



Possess a valid Business Licence from Local Authority and Manufacturing Licence from MITI or a Confirmation Letter for Exempted from Manufacturing Licence from MIDA  
*(whichever is applicable).*

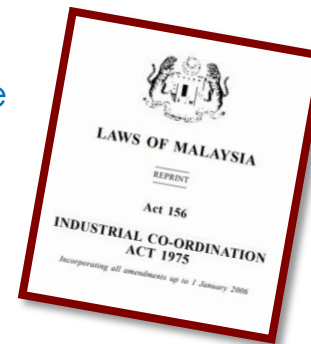


Companies have been in operation for at least 36 months.



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



# What are the criteria of automation machine/equipment?



Automation machine/equipment is used directly in the manufacturing activity.



Automation machine/equipment should enhance the productivity such as reducing man hours, reducing workers and increasing volume of output and to be verified by SIRIM.



Automation machine/equipment adopts technology that is more advanced than the technology currently used by the company and to be verified by SIRIM.



Machine should be used at least one (1) month after installation / commissioning.



For new products, the machine should be in operation for at least three (3) months after the production of the first batch of that new product.

# What are the criteria of incentives?



Companies currently claiming Reinvestment Allowance (RA) can opt to claim the Automation CA provided that only one of these two incentives is claimed in the same year of assessment. The 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 (Category 1) or RM2 million (Category 2) before it continues to claim RA.

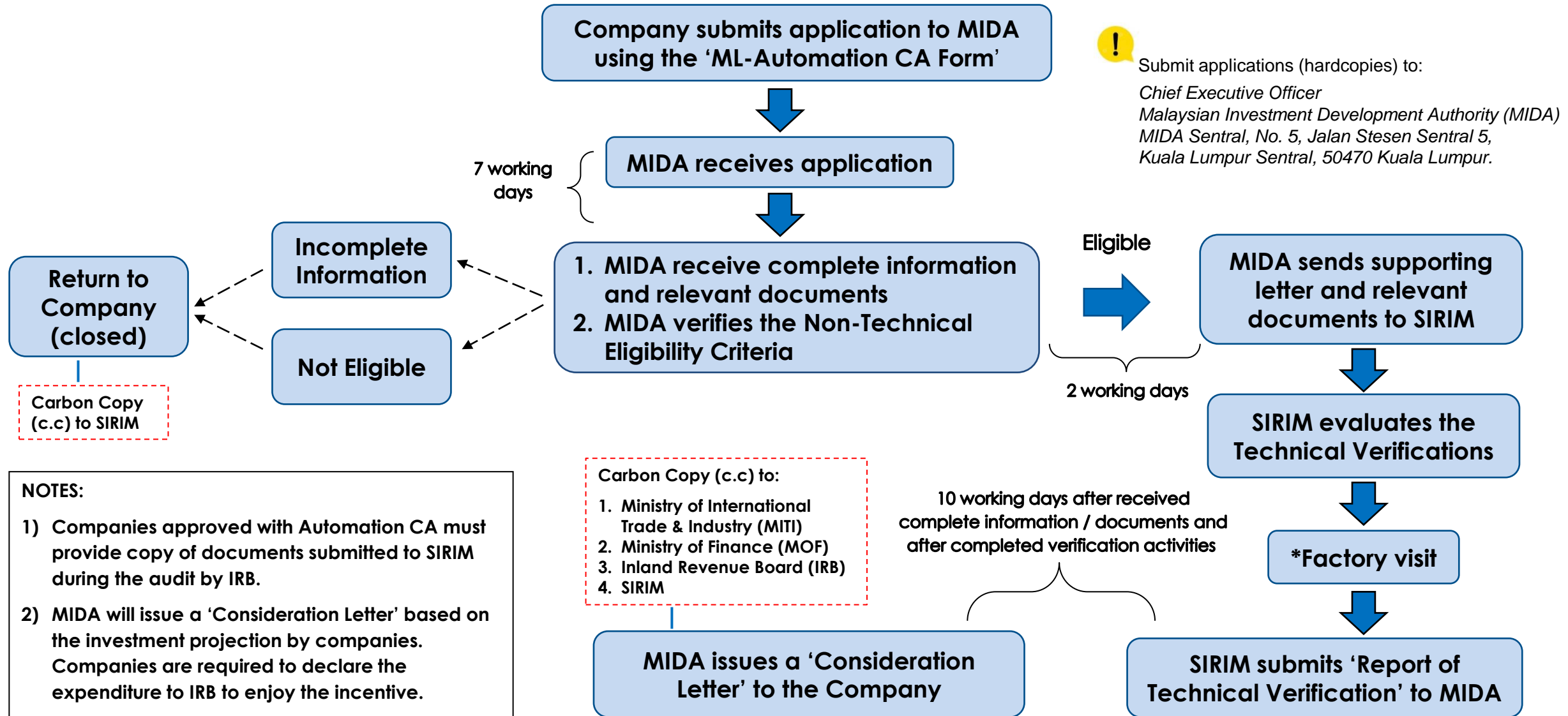


If a company decides to claim the Automation CA first before claiming RA, the incentive period for both Category 1 and Category 2 (YA 2015 – 2023) will form part of the 15-year period of RA.



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).

# What is the process workflow?



\*Visit date will depend on companies' readiness and availability



# **MIDA Smart Automation Grant (SAG)**

**Introduced in the National Economic Recovery Plan or Pelan  
Jana Semula Ekonomi Negara (PENJANA) in June 2020**



# MIDA Smart Automation Grant (SAG)

- The Smart Automation Grant will be given on a matching basis (1:1) based on eligible expenditures, up to a maximum grant of Ringgit Malaysia One Million(RM1,000,000)per company.



## **ASISSTING LOCAL SMEs AND MTCs**

Incentivise Small and Medium Enterprises (SMEs) and Mid-Tier Companies (MTCs) to automate and digitalise operations, production and trade channels.

## **FOREIGN WORKERS**

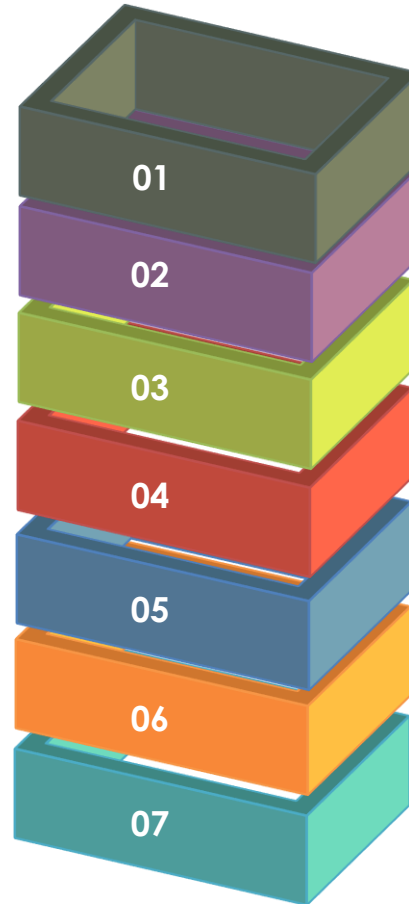
To reduce reliance on low-skilled foreign workers

## **INCREASE COMPETITIVENESS**

To enhance SME competitiveness on an international level.

## **LOCAL SPILLOVER**

To boost domestic investment



## **PRODUCTIVITY IMPROVEMENT**

To improve efficiency in the manufacturing and services sector

## **JOB CREATIONS**

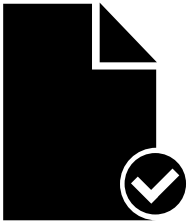
To provide job opportunities in high value-added sectors.

## **NATION OF THE FUTURE**

To be aligned with the National Policy on Industry 4.0.

# The Eligibilities of MIDA Smart Automation Grant (SAG)

## Eligible Applicants



- The company has been in operation for at least 12 months.
- Incorporated under Companies Act 1965/2016.
- Equity ownership of at least 51% owned by Malaysian.
- Possesses valid Business License from Local Authority.
- Engage in **Manufacturing/ Services** activities.

	Manufacturing	Services
SMEs	Sales turnover not exceeding RM50 million OR Employees not exceeding 200	Sales turnover not exceeding RM20 million OR Employees not exceeding 75
MTCs	Sales turnover from RM50 million to RM500 million	Sales turnover from RM20 million to RM500 million

# Expenditures under SAG

Eligible Expenditures	Non-eligible Expenditures
<p>✓ Eligible expenditures refer to the automation machine/ equipment/ software that are used directly in the overall value chain of manufacturing and services activities.</p> <p><b><i>*This list is not meant to be exhaustive and will be reviewed from time to time.</i></b></p>	<ul style="list-style-type: none"> <li>✗ Purchase or rental of land / building / office / vehicles / equipment</li> <li>✗ Purchase or rental of second hand or refurbish automation machinery / equipment / software</li> <li>✗ Maintenance and repair costs including renovation of premise</li> <li>✗ Wages paid to employees</li> <li>✗ Employee benefits programs</li> <li>✗ Legal and stamp duty fees</li> <li>✗ Insurance</li> <li>✗ Collateral or loan including its interest paid for purpose other than smart automation</li> <li>✗ Office expenses and supplies including general purpose computers &amp; peripherals and mobile phones</li> <li>✗ Utility expenses</li> <li>✗ Research &amp; development expenses</li> <li>✗ Advertising and marketing expenses</li> </ul>

# Smart Automation Grant (SAG) Application Workflow



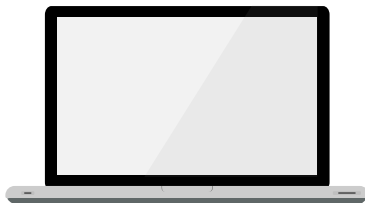
## Project Duration

- ✓ The project must be completed within 12 months from the date of the Approval Letter issued by MIDA.
- ✓ Any unutilised grant amount after 12 months will be withdrawn by MIDA.
- ✓ Any request for extension is required to be made at least 2 months before the project end date and is subjected to the approval of the Committee.



## Project Deliverables

- ✓ Reduction of Unskilled Workers
- ✓ Reduction in Man Hours
- ✓ Increase in Production Volume
- ✓ Quality Improvement – Reduction in Defect Rate
- ✓ Increase in Services Delivery
- ✓ Reduction of Man Hours in Delivering Services



For more information on SAG, please visit  
<https://www.mida.gov.my/forms-and-guidelines/>

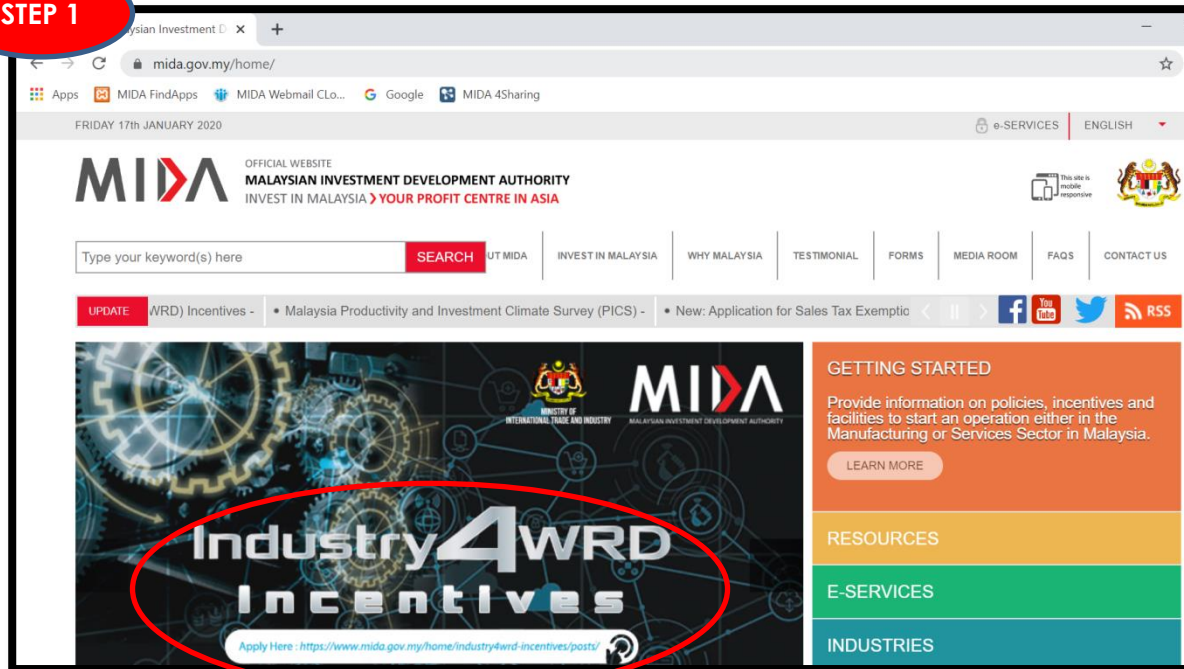
# How to get the documents?

Application Form, Template Technical Proposal, Guidelines & Process Workflow are available in MIDA Website:

<https://www.mida.gov.my/home/industry4wrd-incentives/posts/>

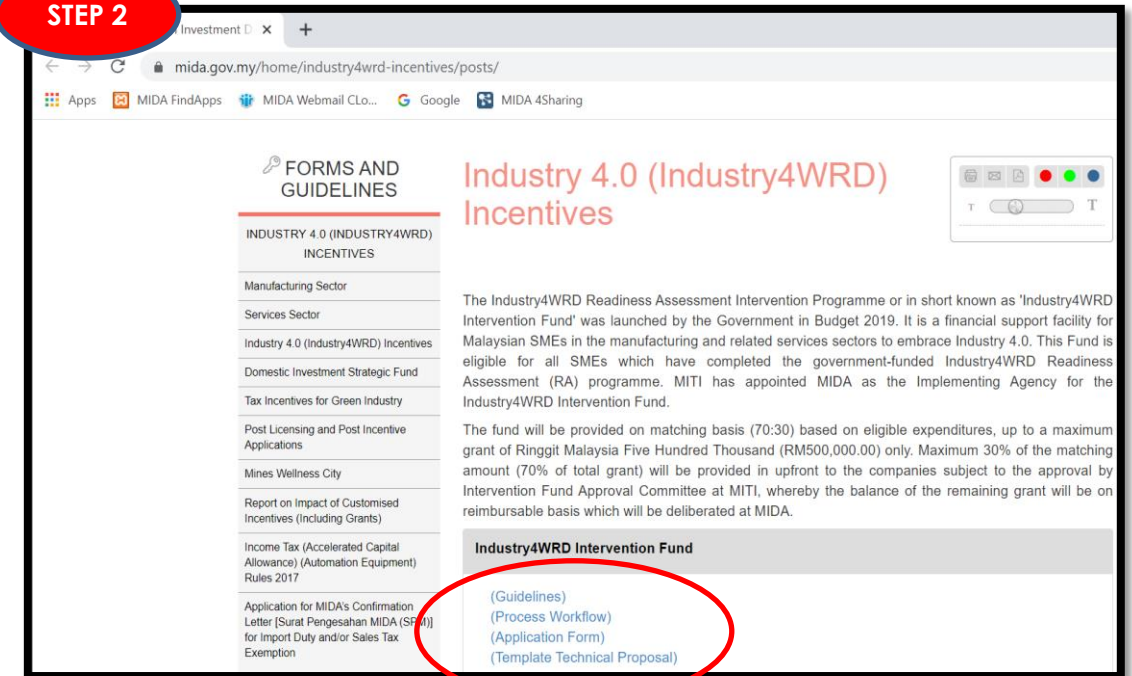
<https://www.mida.gov.my/home/penjana-incentives-and-grants/posts/>

## STEP 1



Click 'Industry4WRD Incentives'  
at the front page of MIDA Website

## STEP 2



All the application documents are available here



# How to contact us?

Visit our Business Information Centre (BIC) at  
2nd Floor, MIDA Sentral, KL Sentral

Opening hours:  
Monday - Friday  
8.30 a.m - 5.00 p.m



## MIDA HQ – ADVANCED TECHNOLOGY AND RESEARCH & DEVELOPMENT (ATRD) DIVISION

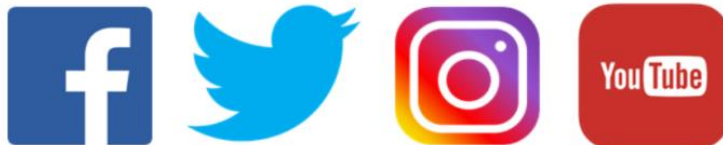
MIDA Sentral  
No. 5 Jalan Stesen Sentral 5, KL Sentral  
50470 Kuala Lumpur  
Tel: 03-2267 6611  
Fax: 03-2272 1779  
Email: [investmalaysia@mida.gov.my](mailto:investmalaysia@mida.gov.my)  
[www.mida.gov.my](http://www.mida.gov.my)

For more information, please visit [www.mida.gov.my](http://www.mida.gov.my) and follow our social platforms:

### Social Media

URL: @officialMIDA

MIDA is now on Facebook, Twitter, Instagram and Youtube! We're just a scan away! Follow us on our social media platforms for notifications and insights on our events as well as the latest news and information about the investment landscape of Malaysia.



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THANK YOU