

## **Guidelines and Procedures for the Application of Special Investment Tax Allowance for the E&E Sector**

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### **1. Background:**

- 1.1. The Special Investment Tax Allowance for the Electrical & Electronic (E&E) Sector incentive was announced in the National Budget 2020.
- 1.2. The main objective of this incentive is to further promote high-value added activities in the E&E industry to transition into 5G digital economy and Industry 4.0.
- 1.3. This Special Investment Tax Allowance is to encourage companies in the E&E sector that have exhausted the Reinvestment Allowance in Malaysia to further reinvest in Malaysia.

### **2. Type of Incentive:**

- 2.1. Investment Tax Allowance of 50% on qualifying capital expenditure to be offset against 50% of Statutory Income.
- 2.2. The exemption period is valid for a period of 5 years starting from the date of the approval letter.

### **3. Eligibility Criteria:**

- 3.1. Manufacturing company incorporated under the Companies Act, 1965/2016, and residents in Malaysia.
- 3.2. Possess valid Business License from the relevant Local Authority.
- 3.3. Possess Manufacturing License (ML) from MITI or Confirmation Letter of Exempted from Manufacturing License from MIDA (*whichever is applicable*).

- 3.4. The applicant company is engaged in manufacturing activities in the E&E sector and intend to reinvest for the purpose of expansion, automation, diversification and modernization.
- 3.5. The applicant company has fully exhausted the eligibility period of fifteen years to claim Reinvestment Allowance (RA) under Schedule 7A ITA 1967 by 31 December 2019 and is currently not enjoying any other tax incentives approved by the Government.
- 3.6. The applicant company will be subjected to the following conditions:
- a. The minimum investment in the related proposed projects shall be at least RM1.5 million in capital expenditure within a period of five (5) years as proposed
  - b. The company to incur the minimum yearly operational expenses (as proposed by company); and
  - c. The company to hire minimum number of Malaysian full time workers (as proposed by company)

The applicant company shall at least satisfy **one (1)** of these following conditions:

d. Vendor Development Program

Must develop **at least 2 NEW** local vendor companies in one of following subsectors:

- Electronics components
- Electronics consumer
- Electronics industrial
- Electrical

**OR**

e. Human Capital Development Program

- i. Undertake internship programs with local universities and/or polytechnics or industrial training placement at TVET institutions for at least **five (5) Malaysian interns per year with a minimum training period of 3 months** throughout the incentive period **OR**
- ii. Collaborate with local universities on curriculum enhancement in related E&E syllabus; **OR**
- iii. Undertake up-skilling and/or re-skilling programs with local universities, polytechnics or technical institutions.

#### **4. Mechanism:**

Income Tax (Exemption) (No. X) Order 2019

#### **5. Required Documents:**

A copy of the following documents:

- i. Business License (*mandatory requirement*)
- ii. Manufacturing License\* (ML) or Confirmation Letter for being Exempted from Manufacturing License (*whichever is applicable*)
- iii. Previously obtained tax incentive approval letter (*if applicable*)

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

- Shareholders' funds of RM2.5 million and above; OR
- Employing 75 or more full-time employees

#### **6. Application Process:**

- 6.1. Company submits application to MIDA through MIDA e-Incentive portal.
- 6.2. MIDA evaluates the non-technical eligibility.
- 6.3. MIDA issues a 'Consideration Letter' to the Applicant Company and Carbon Copies (c.c.) to the Minister of International Trade & Industry (MITI), Ministry of Finance (MoF), and Inland Revenue Board (IRB).

#### **7. Effective Date of Application:**

Applications received by MIDA from 1 January 2020 until 31 December 2021 are eligible to be considered for this incentive.

#### **8. The procedure of Application:**

- 8.1. The application should be made online through MIDA e-Incentive portal at following URL:  
<https://eml.mida.gov.my/incentive/>

8.2. For enquiries and clarification, please refer to : -

MIDA Website : [www.mida.gov.my](http://www.mida.gov.my)  
Tel : (603) – 2267 3633  
Fax : (603) – 2273 4208  
Email : [investmalaysia@mida.gov.my](mailto:investmalaysia@mida.gov.my)