

GUIDELINE FOR SHIPBUILDING AND SHIP REPAIRING (SBSR) INCENTIVE

1. BACKGROUND

1.1 The incentive for the Shipbuilding and Ship Repairing (SBSR) industry was introduced in 2016 to encourage the industry players to build their capabilities and capacities to meet the ever challenging and competitive global landscapes. The incentive for SBSR is extended until 31 December 2022 to drive investments in this sector and assisting companies to face future challenges. The extension of this incentive falls under Strategy 1: Driving Investments of Budget 2021.

1.2 The main objectives of the incentive are:

- (i) To further stimulate the growth of the SBSR industry;
- (ii) To promote and attract investments in SBSR's emerging technology; and
- (iii) To support and increase SBSR industry competitiveness in facing the changing demand of seaborne trade and environmental concern.

2. TYPES OF INCENTIVE

2.1 New entrants and existing companies intending to expand or diversify their businesses in the shipbuilding and ship repairing activities are eligible for this incentive.

(i) **New entrants**

Income tax exemption of 70% on the statutory income for a period of 5 years. Unabsorbed pioneer losses after the end of pioneer period are allowed to be carried forward for 7 consecutive year of assessment,

OR

Income tax exemption equivalent to Investment Tax Allowance (ITA) of 60% on the qualifying capital expenditure incurred within 5 years. The allowance can be offset against 70% of statutory income for the year of assessment. Unutilised allowances can be carried forward until fully absorbed.

(ii) **Expansion or diversification by existing companies***

Income tax exemption equivalent to Investment Tax Allowance of 60% on the **additional** qualifying capital expenditure incurred within a period of 5 years. The allowance can be offset against 70% of statutory income for the year of assessment. Unutilised allowances can be carried forward until fully absorbed.

**refers to companies which have not enjoyed the SBSR incentive*

3. **QUALIFYING CRITERIA**

- 3.1 The company must be incorporated under the Companies Act, 2016 and resident in Malaysia.
- 3.2 Company's full time employees shall comprise of at least 80% Malaysians.
- 3.3 Value added for the ship building activity must be at least 40%.
- 3.4 Managerial, technical and supervisory staff index (MTS index) must be at least 25%.
- 3.5 The company to incur adequate¹ capital investment and business expenditure for the proposed project. The company is advised to share and discuss their level of commitment with MIDA.
- 3.6 The company has a Manufacturing Licence² (ML) from MITI or Confirmation Letter for Exemption from Manufacturing Licence from MIDA (whichever is applicable).

4. **QUALIFYING ACTIVITIES**

4.1 **Ship building**

- Building of all types of ships, including floating type vessels i.e. barges, landing crafts, tugs, etc.

¹ Proposals submitted by companies will be evaluated in detail by MIDA and will be deliberated in the National Committee on Investments for decision.

² Requirement for Manufacturing Licence (ML) under the Industrial Coordination Act (ICA), 1975:

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

4.2 **Ship repair/ Conversion/ Upgrading/ Maintenance, Repair and Overhaul (MRO)**

- Covering yard that provide facilities, services, maintenance, repairing for ship structures i.e hull/ outfitting/ blasting and coating; and repair of main components / systems.
- Conversion / modification of tanker to Floating Storage Offloading (FSO)/ Floating Production Storage and Offloading (FPSO)/ Mobile Offloading Production Unit (MOPU) and other types of oil & gas support vessels.

4.3 **Services: Component maintenance, repair and overhaul**

- Ship's main and auxiliary equipment/ component/ system.

5. **MECHANISM**

The incentive to be provided under the P.U.(A) 112/2006 and P.U.(A) 113/2006 Income Tax Act, 1967 and to be approved by the National Committee on Investments (NCI).

6. **EFFECTIVE DATE OF APPLICATION**

Application received by MIDA from **1 January 2021 until 31 December 2022** is eligible to be considered for this incentive.

7. **PROCEDURE FOR APPLICATION**

7.1 Applications should be made online through MIDA e-TRANS portal at URL <https://investmalaysia.mida.gov.my>.

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

7.3 For enquiries and clarification please refer to:-

Website : www.mida.gov.my
Tel : (603) 2267 3633
Fax : (603) 2274 7970
E-mail : investmalaysia@mida.gov.my