

## Guidelines for Incentive for Manufacturers of Pharmaceutical Products Including Vaccines Under the 2021 Budget

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### 1. Background:

- 1.1. The incentive was announced by the government through the announcement of Budget 2021 on 6 November 2020.
- 1.2. The main objective of this incentive is to attract investment in pharmaceutical products including vaccines.

### 2. Type of Incentive:

- 2.1. The incentive is for both new and existing companies:
  - Income tax rate of 0% to 10% for a period of 10 years
  - Income tax rate of 10% for the subsequent period of 10 years
- 2.2. Companies approved for this incentive are required to comply with conditions as specified by the Ministry of Finance.

### 3. Eligibility Criteria:

- 3.1. The manufacturing company is to be incorporated under the Companies Act, 2016.
- 3.2. The company is to possess a Manufacturing Licence from MITI or Confirmation Letter of Exemption from Manufacturing Licence from MIDA.
- 3.3. The company to undertake manufacturing of pharmaceutical products including formulation in Malaysia (not including fill and finish activity).

- 3.4. The company is to incur the first capital expenditure within 1 year of the approval date.
- 3.5. The company is to commit its full capital expenditure as stated in the approval letter within 5 years of its initial capital expenditure.
- 3.6. The applicant company will be subjected to the following conditions:
  - a. The company must carry out development of drug formulation and submit its drug formulation registration to the National Pharmaceutical Regulatory Agency (NPRA) in Malaysia within 10 years of the incentive approval.
  - b. The company is required to undertake R&D activities. The company must also establish collaborative programmes with higher learning institutions on related R&D programmes.
  - c. The company must carry out manufacturing activities to produce the developed and formulated product in Malaysia.
  - d. Company which carry out fill and finished activity is not eligible for this incentive.
  - e. Value added for the product shall be at least 40%.
  - f. The number of staff holding a degree in Science and Technical fields or Diploma shall consist of at least 20% of the company's manpower.
  - g. The company's full-time employees shall consist of at least 80% Malaysian.
  - h. The company is to employ at least 15% of its total full-time employees with a basic salary of at least RM5,000.00 per month.
  - i. The company is to undertake internship programmes with local universities and/or polytechnics or industrial training placement at TVET institutions for at least 6 Malaysian interns per year with a minimum training period of 3 months throughout the incentive period.

- j. The company is required to carry out annual CSR activities with at least one hospital or health institution in Malaysia recognised by Ministry of Health Malaysia.

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

The incentive to be provided through P.U.(A) 34/2022 of the Income Tax Act, 1967 and to be read together with section 65B of the Income Tax Act, 1967.

#### **5. Application Process:**

- 5.1. The application should be submitted in three (3) sets of ICA/JA-1 or ICA/JA-2 Form to:

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

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

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

MIDA Website : [www.mida.gov.my](http://www.mida.gov.my)  
Tel : (603) – 2267 3633  
Fax : 603-2274 7970 / 2273 4204  
Email : [investment@mida.gov.my](mailto:investment@mida.gov.my)

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

Applications received by MIDA from 1 January 2021 are eligible to be considered for this incentive until 31 December 2022.