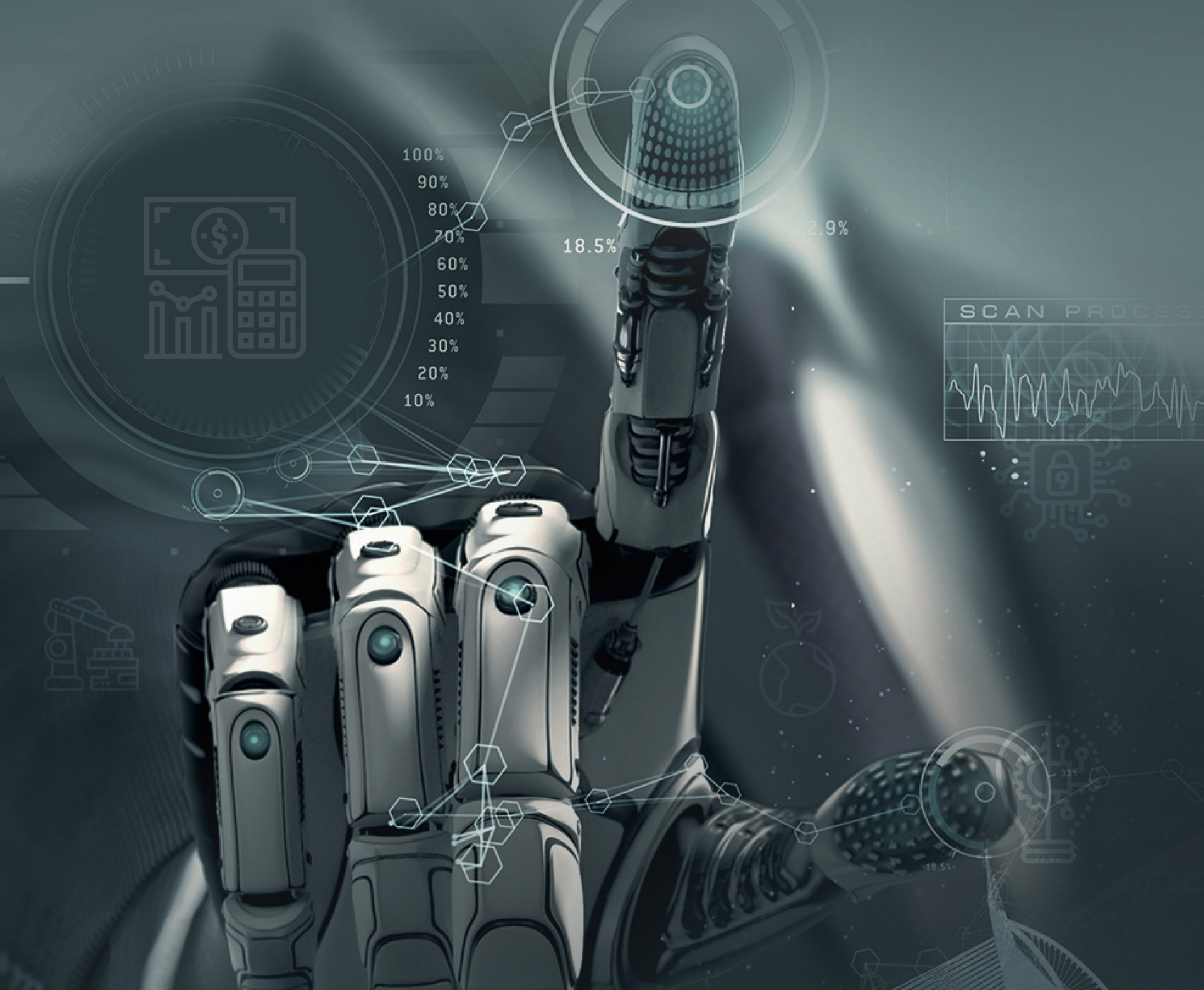
MALAYSIA

Investment in the Manufacturing Sector



Policies, Incentives and Facilities

MIDA
MALAYSIAN INVESTMENT DEVELOPMENT AUTHORITY

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For the latest updates, please visit MIDA's website at www.mida.gov.my

THE LOCATION

Malaysia lies just about the equator, right in the heart of Southeast Asia. Peninsular Malaysia, with 11 states, is at the southernmost tip of the Asian Continent, while the autonomous states of Sabah and Sarawak are located on the northern and western coasts of the island of Borneo.

MIDA is the Government's principal investment promotion and development agency under the Ministry of International Trade and Industry (MITI) to oversee and drive investments into the manufacturing and services sectors in Malaysia. Headquartered in Kuala Lumpur Sentral, MIDA has 12 regional and 21 overseas offices. MIDA continues to be the strategic partner to businesses in seizing the opportunities arising from the technology revolution of this era. For more information, please visit www.mida.gov.my and follow us on Twitter, Instagram, Facebook, LinkedIn, TikTok and YouTube channel.

MALAYSIA: THRIVING OPPORTUNITIES AWAIT YOU

Strategic Location

Malaysia lies right in the heart of Southeast Asia. Strategically located between the Indian Ocean and the South China Sea, Malaysia is well serviced by all primary air and shipping lines. Coupled with the country's sustainable and solid economic foundation, comprehensive business-ready environment, future-forward focus, and dynamic skilled workforce, Malaysia is an attractive cost-competitive investment location in the region and is fast becoming a preferred centre for shared services and leading technology industries.

Total Area

330,000 square kilometres
(127,000 square miles)

Population

32.7 million
(2020e)

Currency

RM

Ringgit Malaysia (RM) which is divided into 100 sen

Major Languages

Business English is widely used. The multilingual population is fluent in English, Mandarin, Hindi and Tamil.

Climate

Tropical - warm and sunny throughout the year.
Daily temperatures range from 33°C (90°F) in the late evening to 22°C (70°F)

System of Government

Parliamentary democracy with a constitutional monarch

Major States

A country with 13 states and 3 federal territories

Major Religions

Freedom of religion guaranteed by the Constitution, Islam, Buddhism, Christianity and Hinduism widely practised.

Economic Influence

Malaysia has a highly-diversified economic and export structure, supportive labour market, low and stable inflation, a strong and well-capitalised financial sector, and a healthy current account vis-à-vis balance of payments.

Businesses in Malaysia cater to a local market of 32.7 million people, and the ASEAN market of over 600 million people.

Malaysia's major export-oriented products in 2021 were:

1. Electrical & Electronic Products
2. Petroleum Products
3. Rubber Products
4. Chemicals & Chemical Products
5. Manufactures of Metal
6. Palm Oil
7. Machinery, Equipment and Parts
8. Optical & Scientific Equipment
9. LNG
10. Palm Oil-Based Manufactured Products

Dynamic and Skilled Workforce

Malaysia's talent pool of trainable, well-educated, multilingual, and diverse workforce is the foundation of our economic growth. Malaysia has 20 public and over 50 private tertiary institutions, in addition to over 1,400 technical and vocational education and training (TVET) colleges that have been established under different ministries to support the growth of the talent pool in Malaysia.

The labour force in Malaysia is largely dominated by a young demographic of ages 25-29, comprising 18% of the total population or 2.8 million persons. This is followed by the age groups of 30-34 and 35-39 with a contribution of 15.8% and 13.5% respectively.

In total Malaysia is home to a talent pool of 15.7 million workers; with 9.1 million males and 5.8 million females in the workforce. Up to 4.8% of the workforce is tertiary-educated, with 28.2% of the workforce holding skilled positions.

Due to the nation's multi-racial makeup, Malaysia's workforce is multi-lingual, with Bahasa Malaysia (the official language of Malaysia), English, Mandarin, and Tamil being the main languages in use.

Monetary and Financial System

Malaysia's official currency is the Ringgit Malaysia (RM), which is divided into 100 sen.

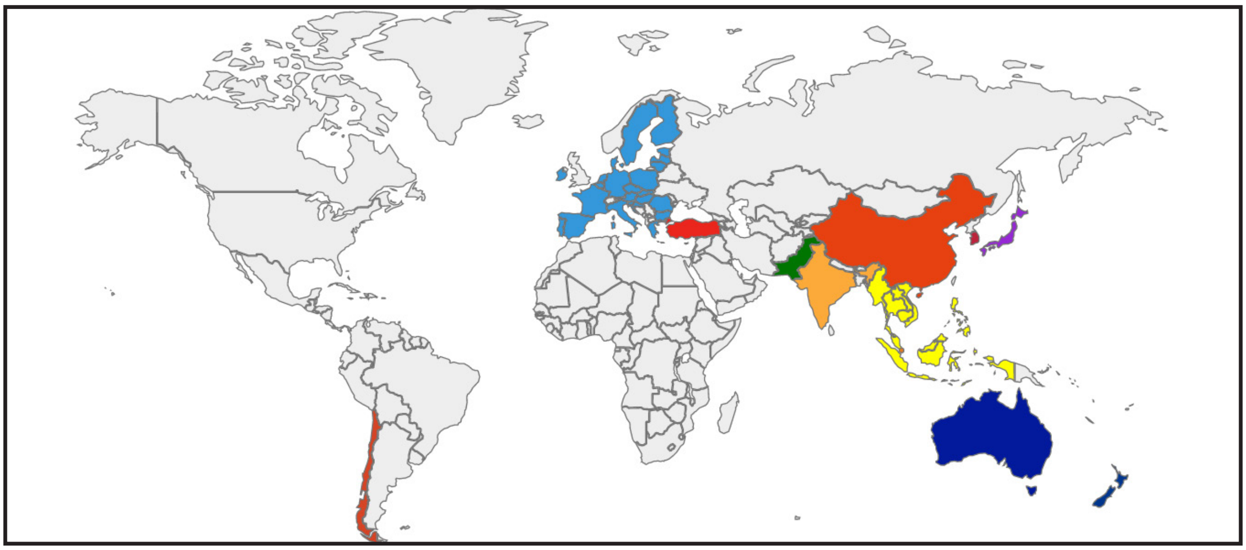
The ringgit exchange rate operates on a managed-float regime against a trade-weighted basket of currencies.

Trade Partnerships

Malaysia's major trading partners across the world in 2021 were:

1. ASEAN
2. People's Republic of China
3. United States of America (USA)
4. European Union
5. Japan

In addition, Malaysia has signed a total of 16 Free Trade Agreements (FTAs) and implemented 14 of those, including:



Bilateral FTAs

- Malaysia-Japan Economic Partnership Agreement (MJEPA)
- Malaysia-Pakistan Closer Economic Partnership Agreement (MPCEPA)
- Malaysia-New Zealand Free Trade Agreement (MNZFTA)
- Malaysia-India Comprehensive Economic Cooperation Agreement (MICECA)
- Malaysia-Chile Free Trade Agreement (MCFTA)
- Malaysia-Australia Free Trade Agreement (MAFTA)
- Malaysia-Turkey Free Trade Agreement (MTFTA)

Regional FTAs

- ASEAN Free Trade Area (AFTA)
- ASEAN-China Free Trade Agreement
- ASEAN- Korea Free Trade Agreement (AKFTA)
- ASEAN-Japan Comprehensive Economic Partnership (AJCEP)
- ASEAN-India Free Trade Agreement (AIFTA)
- ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA)
- ASEAN-Hong Kong Free Trade Agreement (AHKFTA)

In addition, Malaysia is also a signatory to:

Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)

and

Regional Comprehensive Economic Partnership (RCEP)

Malaysia's Global Standing

Malaysia is one of the world's fastest-growing regions. The nation is ranked among the top emerging markets for investment, and recognised for its protection of investors as well as its responsiveness to facilitating business need.

2nd
Trade and Connectivity in Southeast Asia

(DHL Global Connectedness Index 2020)

2nd
Ease of Doing Business within ASEAN

(World Bank Doing Business Report 2020)

2nd
Ease of Protecting Minority Investors

(Global Innovation Index 2021, World Intellectual Property Organisation, WIPO)

2nd
Protecting Investors

(World Bank Doing Business Report 2020)

4th
Most Competitive as A Manufacturing Hub (among 17 economies)

(Cost of Manufacturing Operations, KPMG and The Manufacturing Institute, 2020)

5th
Most Attractive Emerging Market in 2021

(Bloomberg, 2020)

6th
Talent Employability

(Global Talent Competitiveness Index 2020, GTCI 2020)

13th
State of Cluster Development and Depth

(Global Innovation Index 2021, World Intellectual Property Organisation, WIPO)

25th
University & Industry Research Collaboration

(Global Innovation Index 2021, World Intellectual Property Organisation, WIPO)

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CHAPTER

I

ESTABLISHING YOUR BUSINESS PRESENCE IN MALAYSIA

ESTABLISHING YOUR BUSINESS PRESENCE IN MALAYSIA

Malaysia is an ideal place to set up a business, with a range of business entities that can be registered to suit everyone's needs. Whether you are just testing the waters, or intend to commit wholeheartedly into creating a manufacturing facility, there is an appropriate business entity to allow you to get started on your business journey in Malaysia.

1. APPROVAL OF MANUFACTURING PROJECTS

1.1 The Industrial Co-ordination Act 1975

Under the Industrial Co-ordination Act 1975 (ICA), manufacturing companies are required to apply for a manufacturing licence approved by the Ministry of International Trade and Industry (MITI). This refers to manufacturing companies with shareholders' funds of RM2.5 million and above, or engage 75 or more full-time paid employees.

Applications for manufacturing licences are to be submitted to the Malaysian Investment Development Authority (MIDA).

The ICA, which was introduced to maintain an orderly development and growth of the country's manufacturing sector, defines:

- "Manufacturing activity" as the making, altering, blending, ornamenting, finishing or otherwise treating or adapting any article or substance with a view to its use, sale, transport, delivery or disposal; and includes the assembly of parts and ship repairing but does not include any activity usually associated with retail or wholesale trade.

- "Shareholders' funds" as the aggregate amount of a company's paid-up capital, reserves, balance of share premium account and balance of profit and loss appropriation account:

    ❖ Paid-up capital shall be in respect of preference shares and ordinary shares and not including any amount in respect of bonus shares to the extent they were issued out of capital reserve created by revaluation of fixed assets.

    ❖ Reserves shall be reserves other than any capital reserve created by revaluation of fixed assets and provisions for depreciation, renewals or replacements and diminution in value of assets.

- "Full-time paid employees" as all persons normally working in the establishment for at least 6 hours a day and at least 20 days a month for 12 months during the year and receiving salary. This includes travelling sales, engineering, maintenance, and repair personnel who are paid by and are under the control of the establishment. It also includes directors of incorporated enterprises, except those paid solely for their attendance at board of directors meetings.

1.2 Guidelines f or Approval of Manufacturing Projects

The Government's guidelines for the approval of manufacturing projects in Malaysia are based on the following criteria:

✓ Projects must have Capital Investment Per Employee (CIPE) of at least RM140,000.00; and

✓ The total full-time workforce of the company must comprise at least 80% Malaysians. Employment of foreign workers including outsourced workers is subject to current policies; and

✓ Total number of managerial, technical and supervisory levels (MTS) is at least 25% of total employment or having a value-add (VA) of at least 40%.

Expansion of Production Capacity and Product Diversification

A licensed company which desires to expand its production capacity or diversify its product range by manufacturing additional products will need to apply to MIDA.

2. REGISTERING BUSINESS ENTITIES IN MALAYSIA

Methods of Conducting Business in Malaysia

In Malaysia, a business may be conducted:

❖ By an individual operating as a sole proprietor, or

❖ By two or more (but not more than 20) persons in partnership, or

❖ By a locally incorporated company, or

❖ By a foreign company, or

❖ By a limited liability partnership (LLP)

2.1 Registration of Sole Proprietor & Partnership

The first two business entities, i.e. sole proprietor and partnership, must be registered with the Companies Commission of Malaysia (SSM) under the Registration of Businesses Act 1956. In the case of partnerships, partners are both jointly and severally liable for the debts and obligations of the partnership should its assets be insufficient. A formal partnership deed may be drawn up governing the rights and obligations of each partner, but this is not obligatory. The sole proprietor and partnership entities can only be owned by citizens or permanent residents.

2.2 Registration of Company

The Companies Act 2016 (CA 2016) governs all companies in Malaysia. The Act stipulates that a company must be registered with SSM to engage in any business activity.

2.2.1 Types of Companies

There are three types of companies that can be incorporated under the CA 2016:

a. A company limited by shares is a company formed on the principle that the members' liability is limited to the amount, if any, unpaid on the shares taken up by them;

b. A company limited by guarantee is a company where the liability of the members is limited to the amount which the members have undertaken to contribute to the assets of the company in the event the company is wound up; or

c. An unlimited company is a company formed on the principle of having no limitation on the liability of its members.

2.2.2 Company Limited by Shares

The most common company structure in Malaysia is a company limited by shares, which may be incorporated either as a private or public company. These two entities could be distinguished by the end of the company's name i.e. "Sendirian Berhad" or "Sdn. Bhd." for private companies and "Berhad" or "Bhd." for public companies.

A company having a share capital may be incorporated and remain as a private company if it:

❖ Restricts the right to transfer its shares;

❖ Limits the number of its members to 50, excluding employees in the employment of the company or its subsidiary and some former employees of the company or its subsidiary;

❖ Prohibits any invitation to the public to subscribe for its shares and debentures;

❖ Prohibits any invitation to the public to deposit money with the company for fixed periods payable at call, whether interest-bearing or interest-free.

A public company can be formed, or alternatively, a private company can be converted into a public company, subject to Section 41 of the CA 2016. Such a company can offer shares to the public provided:

❖ It has registered a prospectus with the Securities Commission under the Capital Markets and Services Act 2007; and

❖ It has lodged a copy of the prospectus with the SSM on or before the date of its issue.

2.2.3 Procedure for Incorporation

To incorporate a company, an application must be made to SSM through the MyCoID 2016 Portal by providing the following information:

✓ The name of the proposed company;

✓ Whether the company will be private or public;

✓ The nature of business of the proposed company;

✓ The proposed registered address;

✓ The name, identification, nationality, and ordinary place of residence of every member of the company;

✓ The name, identification, nationality and ordinary place of residence of every person who is to be director;

✓ In the case of a company limited by shares, the details of class and number of shares to be taken by every member;

✓ In the case of a company limited by guarantee, the amount up to which every member undertakes to contribute to the assets of the company in the event of its being wound up.

The application must be accompanied by a fee of RM1,000 in the case of a company limited by shares, or RM3,000 in the case of a company limited by guarantee.

Once the Registrar is satisfied with the information provided, a notice of registration will be emailed to the applicant. The notice serves as conclusive evidence that the requirements with respect to registration, and matters precedent and incidental to the registration, have been complied with.

2.2.4 MyCoID

MyCoID enables the automatic population of data and simultaneous registration with the Employees Provident Fund (EPF), the Inland Revenue Board of Malaysia (IRB), the Social Security Organisation (SOCSO), Small and Medium Enterprise Corporation (SME Corp), and the Human Resources Development Fund (HRDF), once a company is incorporated at SSM via a single submission.

2.2.5 Client's Charter

SSM undertakes to process, approve, and register a complete application in a speedy and efficient manner within the time period stated:

Activity	Time
COMPANY REGISTRATION	
*Incorporation of a company	1 working day
Conversion of status	1 working day
Change of company name	1 working day
Commencement of business for public companies	1 working day
Registration of charge	2 working days
Approval of a trust deed	5 working days
Registration of prospectus	3 working days
Uncertified copy of company documents	30 minutes
Certified copy of company documents	1 hour

Note: Time taken begins from the moment payment is received until the certificate is issued.

**Application for the availability and reservation of a company's name may be made separately prior to incorporating the company.*

2.2.6 Requirements of a Locally Incorporated Company

A company must maintain a registered office in Malaysia where all books and documents required under the provisions of the Act are kept. The name of the company shall appear in legible Romanised letters, together with the company number, on its seal, official documents, publications, and website, if any.

A company cannot deal with its own shares or hold shares in its holding company. A holder of a share has the right to vote on a show of hands on any resolution of a company at a general meeting. In the case of a poll, each equity share of a company carries the right to one vote.

The secretary of a company must be a natural person of full age who has his principal or only place of residence in Malaysia. He must be a member of a prescribed body or is licensed by the Registrar of Companies. The company must also appoint an approved company auditor to be the company auditor in Malaysia.

In addition, a private company is required to have at least one director, while a public company must have at least two directors. Each of the minimum director(s) must have his principal or only place of residence within Malaysia. The minimum age of a director is 18 years and the CA 2016 does not specify any maximum age. A director of the company need not necessarily be a shareholder of the company.

2.3 Registration of Foreign Companies

A foreign company may carry on business in Malaysia by either:

- Incorporating a local company; or
- Registering a branch in Malaysia.

A foreign company is defined under the CA 2016 as:

- A company, corporation, society, association or other body incorporated outside Malaysia; or
- An unincorporated society, association, or other body which under the law of its place of origin may sue or be sued or hold property in the name of the secretary or other officer of the body or association duly appointed for that purpose and which does not have its head office or principal place of business in Malaysia.

2.3.1 Registration Procedures

a. An applicant must first conduct a name search in order to determine if the proposed name for the intended company is available. The name used to register the foreign company should be the same as that registered in its country of origin.

   Applications for name reservations should be submitted to SSM through the MyCoID 2016 Portal, with a payment of RM50 for each name applied. When the proposed company's name is approved by SSM, it shall be reserved for 30 days from the date of approval.

b. Upon receiving the company's name approval, applicants must submit the following registration documents to SSM within 30 days from the date of approval:

   ✓ Application for registration of foreign company under section 562(1) CA 2016;
   ✓ A certified copy of the certificate of incorporation or registration of the foreign company;
   ✓ A certified copy of the foreign company's charter, statute, or Memorandum, and Articles of Association or any other instrument defining its Constitution;

- ✓ For directors who reside in Malaysia, and are members of the local board of directors of the foreign company, a memorandum stating that their powers can be executed by or on behalf of the foreign company should be submitted to SSM;
- ✓ A memorandum of appointment or power of attorney, authorising the person(s) (agent) residing in Malaysia to accept on behalf of the foreign company any notices required to be served on such foreign company;
- ✓ Additional documents consisting of a copy of the application of reservation of name and a copy of the email from SSM approving the name of the foreign company;

Note: If any of the described registration documents are in languages other than Bahasa Malaysia or English, a certified translation of such documents in Bahasa Malaysia or English shall be required.

c. Registration fees shall be made to the SSM as per the following schedule:

Share Capital (RM)	Fees Payable (RM)
Up to 1,000,000	5,000
1,000,001 – 10,000,000	20,000
10,000,001 – 50,000,000	40,000
50,000,001 - 100,000,000	60,000
100,000,001 and above	70,000

In determining the amount of registration fees, the share capital of the foreign company should first be converted to Ringgit Malaysia at the prevailing exchange rate.

In the event a foreign company does not have any share capital, a flat rate of RM70,000 shall be paid to SSM.

d. A Notice of Registration will be issued by SSM upon compliance with the registration procedures and submission of duly completed registration documents;

e. Upon approval, the company or its agent is responsible for ensuring compliance of the CA 2016. Any change in the particulars of the company or in the company's name must be filed with SSM within 14 days from the date of change, together with the appropriate fees. Any change in the share capital of the company must be notified to SSM within 14 days of such change. Every company is required to keep proper accounting records. Annual returns must be lodged with SSM once in every calendar year not later than 30 days from the anniversary of its registration date.

Note: Foreigners are advised to seek the services of an advocate and solicitor, an accountant, or a practicing company secretary for further assistance.

2.4 Limited Liability Partnership (LLP)

2.4.1 Features of an LLP

A Limited Liability Partnership (LLP) is an alternative business vehicle regulated under the Limited Liability Partnerships Act 2012, which combines the characteristics of a company and a conventional partnership.

An LLP is a body corporate and has a legal personality separate from its partners. Like any other body corporate, an LLP has perpetual succession. Any changes in the partners will not affect the existence, rights, or liabilities of the LLP. An LLP has unlimited capacity, and is capable of suing and being sued, as well as acquiring, owning, holding, and developing or disposing of property. An LLP may do and suffer such other acts and things as bodies corporate may lawfully do and suffer. An LLP is a business vehicle that would offer simple and flexible procedures in terms of its formation, maintenance, and termination.

The registration fee for a new LLP and conversion is RM500. The fee for the application of reservation of name is RM30.

2.4.2 Who may form LLPs?

An LLP may be formed by a minimum of two persons (wholly or partly individuals or bodies corporate) for any lawful business with a view of profit, and in accordance with the terms of the LLP agreement. Any individual or body corporate can be a partner.

However, an LLP formed for professional practice must consist of natural persons of the same profession, and have in force professional indemnity insurance as approved by the Registrar.

Thus, LLPs may be set up by the following:

- ❖ Start Ups; or
- ❖ Small & Medium Sized Businesses; or
- ❖ Professionals; or
- ❖ Joint Ventures; or
- ❖ Venture Capitalists.

2.4.3 Procedure for Registration

To register an LLP, all applications should be submitted via the MyLLP portal. The applicant must provide the following information together with a fee of RM500:

- ✓ Proposed name of the LLP;

- ✓ Nature of business;
- ✓ Address of the registered office;
- ✓ Name and details of the partners;
- ✓ Name and details of the compliance officer;
- ✓ The approval letter (in the case of professional practices).

Upon satisfaction that the application has complied with the requirement of registration, a notice of registration is issued together with its registration number. Notice of registration serves as conclusive evidence that the LLP has been registered. Registration does not mean that requirements of other written laws relating to the business of the LLP have been fulfilled. The name of the LLP shall end with "Perkongsian Liabiliti Terhad" or the abbreviation "PLT".

2.4.4 Conversion to LLP

Apart from new registration, existing entities may also convert to an LLP. The entities which are allowed to convert are:

- Conventional partnerships which have been registered under the Registration of Businesses Act 1956 or any partnership established by two or more persons for the carrying on any professional practice; or
- Private companies incorporated under the CA 2016 or any previous corresponding law.

The eligibility criteria for a conventional partnership to convert into an LLP are as follows:

- ❖ Same partners and no one else;
- ❖ At the date of application, the conventional partnership appears to be able to pay its debts;
- ❖ In cases of professional practice, the approval letter from the governing body.

The eligibility criteria for a private company for conversion are:

- ❖ Same shareholders and no one else;
- ❖ There are no subsisting security interests in its assets;
- ❖ At the date of application, the private company is solvent;
- ❖ All outstanding statutory fees to government agencies have been settled;
- ❖ Advertisement has been placed in a widely circulated newspaper and the Gazette;
- ❖ All creditors agreed to the conversion.

The effects of conversion are as follows:

- Vesting of assets, rights, privileges, obligations, and liabilities of the conventional partnership or the private company into the LLP;
- Pending proceedings may be continued, completed, and enforced against or by the LLP;
- Existing agreements and contracts shall have effect as though the LLP were a party;
- In the case of the conversion of a conventional partnership, the partners shall continue to be personally liable (jointly and severally with the LLP) for liabilities and obligations incurred prior to the conversion.
- In the case of the conversion of a private company, the LLP will continue to be liable for the liabilities and obligations incurred prior to the conversion.

2.4.5 Requirements of an LLP

An LLP must appoint at least one compliance officer who may be either one of the partners or persons qualified to act as a secretary under the CA 2016. The compliance officer must be either a citizen or permanent resident of Malaysia who ordinarily resides in Malaysia. A person is disqualified to act as a compliance officer if he is an undercharged bankrupt, or is disqualified to act as a director or secretary under the CA 1965.

An LLP must maintain a registered office in Malaysia where communications and notices may be addressed. The LLP has the obligation to keep at the registered office a notice of registration issued under this Act, a copy of the LLP agreement, the register of name and address of each partner and compliance officer, a copy of the latest annual declaration, and if any, a copy of any instrument creating a charge.

An LLP is required to keep accounting records as to show the true and fair view of the state of affairs of the LLP. There is no requirement for the appointment of an auditor unless specifically provided for in the LLP agreement.

2.5 E-Services

Besides over the counter services, SSM introduces E-Services as an alternative for online submissions and product purchases. Among E-Services portals are:

- Ezbiz Online for registration of business, renewal, changes of particulars, and termination;
- MyCoID for registration of a company, changes of particulars, and charges;

- MyLLP for registration of an LLP, changes of particulars, Annual Declaration, and winding up;

- SSM e-info and MyData for product purchases such as corporate and business information document images and Digital Certified True Copies (DCTC); and

- MBRS for submission of a company's Annual Return, Financial Statements, and Reports.

For further information please visit SSM's website at www.ssm.com.my.

3. GUIDELINES REGARDING THE EQUITY POLICY IN THE MANUFACTURING SECTOR

Malaysia has always welcomed investments in its manufacturing sector. Desirous of increasing local participation in this sector, the Government encourages joint ventures between foreign investors and Malaysians.

Equity Policy for New, Expansion, or Diversification Projects

Since June 2003, foreign investors can hold 100% of the equity in all investments in new projects, as well as investments in expansion/diversification projects by existing companies, irrespective of the level of exports.

The equity policy also applies to:

- Companies previously exempted from obtaining a manufacturing licence, but whose shareholders' funds have now reached RM2.5 million, or have now engaged 75 or more full-time employees, and are thus required to be licensed;

- Existing licensed companies previously exempted from complying with equity conditions, as their shareholders' funds had not reached RM2.5 million.

Equity Policy Applicable to Existing Companies

Equity and export conditions imposed on companies prior to 17 June 2003 will be maintained.

However, companies can request for these conditions to be removed and approval will be given based on the merit of each case.

Equity Ownership

A company whose equity participation has been approved will not be required to restructure its equity at any time if the company continues to comply with the original conditions of approval and retain the original features of the project.

4. ESTABLISHMENT OF REPRESENTATIVE OFFICE (RE)/REGIONAL OFFICE (RO)

A Representative Office/Regional Office is a temporary office established in Malaysia by a foreign company/ organisation to perform permissible activities for its head office/principal. The Representative Office/Regional Office serves to assess business viability prior to incorporating permanent business entities in Malaysia. The setting up of a Representative Office/Regional Office requires approval by the Government of Malaysia.

A Representative Office/Regional Office is eligible to apply for expatriate posts. The expatriates will only be considered for managerial and technical posts, and the number of posts allowed will depend on the functions and activities of the Representative Office/Regional Office.

4.1 Representative Office (RE)

A Representative Office is an office of a foreign company/ organisation which serves to collect relevant information on investment opportunities in the country especially in the manufacturing and services sector, enhance bilateral trade relations, promote the export of Malaysian goods and services and carry out research and development (R&D).

4.2 Regional Office (RO)

A Regional Office is an office of a foreign company/ organisation that serves as the coordination centre for its affiliates, subsidiaries, and agents in Southeast Asia and Asia Pacific. The Regional Office established is responsible for the designated activities of the company/organisation within the region it operates.

Application for the establishment of the RE/RO for manufacturing and services sub-sectors (excluding banking and financial services) must be submitted to MIDA.

CHAPTER

II

OBTAINING INVESTMENT INCENTIVES AND FACILITATIVE SERVICES FOR YOUR BUSINESS IN MALAYSIA

OBTAINING INVESTMENT INCENTIVES AND FACILITATIVE SERVICES FOR YOUR BUSINESS IN MALAYSIA

In Malaysia, both direct and indirect tax incentives are provided for via the **Promotion of Investments Act 1986, Income Tax Act 1967, Customs Act 1967, Excise Act 1976, and Free Zones Act 1990**. These Acts cover investments in the manufacturing, agriculture, tourism (including hotels), and approved services sectors, as well as R&D, training, and environmental protection activities.

Direct tax incentives grant partial or total relief from income tax payment for a specified period, while indirect tax incentives take the form of exemptions from import and excise duties.

1. INCENTIVES FOR THE GENERAL MANUFACTURING SECTOR

1.1 Main Incentives for Manufacturing Companies

The major tax incentives for companies investing in the manufacturing sector are the **Pioneer Status (PS) and the Investment Tax Allowance (ITA)**. These incentives are **mutually exclusive** – companies may apply for one or the other, but not both at the same time.

Eligibility for PS and ITA is based on certain priorities, including the level of value added, technology used, and industrial linkages. Eligible activities and products are termed as 'promoted activities' or 'promoted products' (see Appendix I: List of Promoted Activities and Products – General).

The company must submit its applications for either of these incentives to MIDA **before commencing its operations/production.**

1.1.1 Pioneer Status

A company granted PS enjoys a 5-year partial income tax exemption on 70% of its statutory income[1]. It pays tax on 30% of its statutory income , with the exemption period commencing from its Production Day (defined as the day its production level reaches 30% of its capacity).

Unabsorbed capital allowances incurred during the pioneer period can be carried forward and deducted from the post-PS income of the company. Accumulated losses incurred during the PS period can be carried forward and deducted from the post-PS income of the company for a period of 7 consecutive years.

Applications for PS should be submitted to MIDA online via the InvestMalaysia portal. For more information, visit the Forms and Guidelines section on MIDA's website.

1.1.2 Investment Tax Allowance

As an alternative to PS, a company may apply for ITA. A company granted ITA is entitled to an allowance of 60% on its qualifying capital expenditure (factory, plant, machinery, or other equipment used for the approved project) incurred within 5 years from the date the first qualifying capital expenditure is incurred.

The company can offset this allowance against 70% of its statutory income for each year of assessment. Any unutilised allowance can be carried forward to subsequent years until fully utilised. The remaining 30% of its statutory income will be taxed at the prevailing company tax rate.

Applications for ITA should be submitted to MIDA online via the InvestMalaysia portal. For more information, visit the Forms and Guidelines section on MIDA's website.

1.1.3 Definition of 'Desirous' for the Granting of Tax Incentives under the Promotion of Investments Act 1986

Under the Promotion of Investments Act (PIA) 1986, the main criterion for a company to enjoy tax incentives is that the company must be 'desirous' in establishing or participating in a promoted activity or producing a promoted product **which has not started production.**

1.1.3.1 Definition of establishing/participating/producing refers to:

a. *Manufacturing Company – The company must submit its application to MIDA before commencing operations/production, which includes trial production.*

b. *Services Company – The company must submit its application to MIDA before commencing operations**

** Commencing operations refer to the issuance of first invoice for the proposed projects.*

[1] Statutory Income is derived after deducting expenditure and capital allowances from the gross income

1.1.3.2 'Definition of 'Desirous' for the Granting of Tax Incentives under the Promotion of Investments Act 1986 for Malaysian-Owned Companies.

Malaysian-owned manufacturing and services companies that are already in commercial production are not considered 'desirous' under the PIA 1986. However, effective from 3 July 2012, Malaysian-owned companies that have commenced production within a year from the date of application to MIDA are eligible to be considered for tax incentives.

1.1.3.3 Incentives

Tax exemptions equivalent to PS or ITA based on the prevailing rates and eligibility criteria under the PIA 1986.

1.2 Incentives for High Technology Companies

'High technology' companies are eligible for the following incentives:

i PS with income tax exemption of 100% of the statutory income for a period of 5 years. Unabsorbed capital allowances incurred during the PS period can be carried forward and deducted from the post-PS income of the company.

Accumulated losses incurred during the PS period can be carried forward and deducted from the post-PS income of the company for a period of 7 consecutive years.

OR

ii ITA of 60% on the qualifying capital expenditure incurred within 5 years from the date the first qualifying capital expenditure is incurred. The allowance can be utilised to offset 100% of the statutory income for each year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised.

Where

iii 'High technology' refers to being engaged in promoted activities or in the production of promoted products in areas of new and emerging technologies.

(See Appendix II: List of Promoted Activities and Products – High Technology Companies)

Applications should be submitted to MIDA online via the InvestMalaysia portal. For more information, visit the Forms and Guidelines section on MIDA's website.

1.3 Incentives for Strategic Projects

Strategic projects involve products or activities of national importance. They generally involve heavy capital investments with long gestation periods, have high levels of technology, are integrated, generate extensive linkages, and have significant impact on the economy.

Strategic projects are eligible for the following incentives:

i PS with income tax exemption of 100% of the statutory income for a period of 10 years; unabsorbed capital allowances incurred during the PS period can be carried forward and deducted from the post pioneer income of the company.

Accumulated losses incurred during the PS period can be carried forward and deducted from the post-PS income of the company for a period of 7 consecutive years.

OR

ii ITA of 100% on the qualifying capital expenditure incurred within 5 years from the date the first qualifying capital expenditure is incurred. This allowance can be offset against 100% of the statutory income for each year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised.

Applications should be submitted to MIDA online via the InvestMalaysia portal. For more information, visit the Forms and Guidelines section on MIDA's website.

1.4 Incentives for Small Scale Companies

Small scale companies incorporated in Malaysia with shareholders' funds not exceeding RM500,000 and having at least 60% Malaysian equity are eligible for tax incentives for small-scale companies under the Promotion of Investments Act (PIA) 1986. Effective from 3 July 2012, small-scale companies have been redefined as companies incorporated in Malaysia with shareholders' funds not exceeding RM2.5 million, and having 60% to 100% Malaysian equity.

The small scale company must fulfil the following criteria:-

i Incorporated under the Companies Act, 1965.

ii Shareholders' funds not exceeding RM2.5 million with the following Malaysian equity ownership:

- Companies with shareholders' fund of up to RM500,000 with at least 60% Malaysian equity.
- Companies with shareholders' fund of above RM500,000 and not exceeding RM2.5 million with 100% Malaysian equity.

A small scale company is eligible for the following incentives:

i PS with income tax exemption of 100% of the statutory income for a period of 5 years. Unabsorbed capital incurred during the PS period can be carried forward and deducted from the post-PS income of the company.

Accumulated losses incurred during the PS period can be carried forward and deducted from the post-PS income of the company for a period of 7 consecutive years.

OR

ii ITA of 60% on the qualifying capital expenditure incurred within 5 years. This allowance can be offset against 100% of the statutory income for each year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised.

A sole proprietorship or partnership is eligible to apply for this incentive, provided a new private limited/limited company is formed to take over the existing production/activities.

i For small-scale companies with shareholders' funds of RM500,000 or less, and are engaged in promoted activities or producing promoted products in the small company promoted list (see Appendix III: Small Scale Companies) or in the General List (see Appendix I: List of Promoted Activities and Products – General).

ii For small-scale companies with shareholders' funds of above RM500,000 and not exceeding RM2.5 million, and are engaged in promoted activities or producing promoted products in the small company promoted list (see Appendix III: Small Scale Companies).

iii For small-scale companies with shareholders' funds of above RM500,000 and not exceeding RM2.5 million, and are engaged in promoted activities or producing promoted products in the general promoted list (see Appendix I: List of Promoted Activities and Products – General).

Applications should be submitted to MIDA online via the InvestMalaysia portal. For more information, visit the Forms and Guidelines section on MIDA's website.

1.5 Additional Incentives for the Manufacturing Sector

1.5.1 Reinvestment Allowance

The Reinvestment Allowance (RA) is available for existing companies engaged in manufacturing and selected agricultural activities that reinvest for the purposes of expansion, automation, modernisation, or diversification, into any related products within the same industry; on the condition that such companies have **been in operation for at least 36 months.**

The RA will be given for a period of 15 consecutive years beginning from the year the first reinvestment is made. Companies can only claim the RA upon the completion of the qualifying project, i.e. after the building is completed or when the plant/machinery is put to operational use. With effect from YA 2009, a company purchasing an asset from a related company within the same group where RA has been claimed on that asset is not allowed to claim RA on the same asset.

Assets acquired for the reinvestment cannot be disposed of within a period of 5 years from the date of acquisition. The RA is given at the rate of 60% on the qualifying capital expenditure incurred by the company, and can be offset against 70% of its statutory income for the year of assessment. Any unutilised allowance at the end of the 15th YA can be carried forward for a maximum of 7 consecutive YA, commencing immediately after the end of that 15th YA. A company can offset the RA against 100% of its statutory income for the year of assessment if the company attains a productivity level exceeding the level determined by the Ministry of Finance (MOF). For further details on the prescribed productivity level for each sub-sector, please contact the Inland Revenue Board (IRB) (see Useful Addresses – Relevant Organisations).

Companies that intend to reinvest before the expiry of their tax relief period can surrender their PS or Pioneer Certificate for the purpose of cancellation and be eligible for RA.

Companies can only apply for RA, **OR** Accelerated Capital Allowance (see Section 1.5.5), **OR** Automation Capital Allowance (see Section 1.5.8) in any given YA.

Applications for RA should be submitted to IRB online at www.hasil.gov.my while applications for the surrender of PS or Pioneer Certificate for RA should be submitted to MIDA online via the InvestMalaysia portal. For more information, visit the Forms and Guidelines section on MIDA's website.

1.5.2 Special Tax Incentive under PENJANA (the National Economic Recovery Plan)

The main objective of this incentive is to assist companies intending to relocate their operations to Malaysia following the global economic crisis due to the COVID-19 pandemic, which has led to major disruptions of global supply chains.

The types of incentives offered under the Special Tax Incentive are as follows:

a) For new manufacturing companies

- 0% special tax rate for 10 years for new investments in the manufacturing sector, with a capital investment of between RM300 million to RM500 million;
- 0% special tax rate for 15 years for new investments in the manufacturing sector, with a capital investment above RM500 million.

b) For existing manufacturing companies

- 100% ITA for 5 years for existing companies in Malaysia relocating overseas facilities into Malaysia with a capital investment above RM300 million. The allowance is offset against 100% of the statutory income for each assessment year.

The incentive is effective from 1 July 2020 until 31 December 2022.

1.5.3 *Incentives for the Pharmaceutical Industry under PENJANA*

Manufacturers of pharmaceutical products including vaccines are eligible for the following incentives:

i Income tax rate of 0% to 10% for the first 10 years; and

ii Income tax rate of 10% for the subsequent period of 10 years.

Strategic investments by manufacturers may be considered for other facilities, including grants and import duty/sales tax exemption for M&E as well as raw materials.

Applications should be submitted to MIDA online via the InvestMalaysia portal. For more information, visit the Forms and Guidelines section on MIDA's website.

This incentive expires on 31 December 2022, and applications should be submitted to (and received by) MIDA on or before this date.

1.5.4 *Additional RA under PENJANA*

Under PENJANA, the Additional RA is given to companies undertaking reinvestment projects for their existing manufacturing and selected agricultural activities.

The Additional RA is given at the rate of 60% on qualifying capital expenditures incurred for reinvestment activities made within 3 years of assessment (YA 2020 – YA 2022), provided the manufacturing projects' or selected agricultural activities' RA incentives period (as per 1.5.1) have expired prior to these years of assessment.

Applications for Additional RA should be submitted to IRB online at www.hasil.gov.my on qualifying capital expenditures incurred for reinvestment activities made from YA 2020 to YA 2022.

1.5.5 *Accelerated Capital Allowance*

a) Reinvestment for promoted activities or products

After the 15-year period of eligibility for RA, companies that reinvest in the manufacture of promoted products are eligible to apply for Accelerated Capital Allowance (ACA). The ACA provides a special allowance, where the capital expenditure is written off within 3 years, i.e. an initial allowance of 40% and an annual allowance of 20%.

Applications for ACA should be submitted to the IRB accompanied by a letter from MIDA certifying that the companies are manufacturing promoted activities or products.

b) Waste Recycling

Effective from YA 2001, a manufacturing company which has incurred qualifying expenditure for the purpose of its business may claim ACA on the plants and machinery which are: -

- Used exclusively or otherwise for the recycling of waste, or

- Used for the further processing of the waste into finished products.

Companies can only apply for RA (see Section 1.5.1), **OR** Accelerated Capital Allowance, **OR** Automation Capital Allowance (see Section 1.5.8) in any given YA.

Applications should be submitted to IRB online at www.hasil.gov.my

1.5.6 *Incentive for Industrialised Building System (IBS)*

Companies which incur expenses on the purchase of moulds used in the production of IBS components are eligible for ACA with effect from YA 2006 at rate of 40% for Initial Allowance and 20% for Annual Allowance.

Applications should be submitted to IRB online at www.hasil.gov.my

1.5.7 *Group Relief*

Group relief is provided under the Income Tax Act 1967 to all locally-incorporated resident companies. Effective from YA 2019, a company that qualifies for group relief may surrender a maximum of 70% of its adjusted losses to be offset against the income of another company within the same group for 3 consecutive years of assessment. The following conditions must be met by both the claimant and surrendering companies:

i The claimant and the surrendering companies each has paid-up capital of ordinary shares exceeding RM2.5 million at the beginning of the basis period;

ii Both the claimant and the surrendering companies must have the same accounting period;

iii The shareholding, whether direct or indirect of the claimant and the surrendering companies in the group must not be less than 70%;

iv The 70% shareholding must be on a continuous basis during the preceding year and the relevant year;

v Losses resulting from the acquisition of proprietary rights or foreign-owned companies should be disregarded for the purpose of group relief;

Companies currently enjoying the following incentives are not eligible for group relief:

- PS
- ITA/Investment Allowance
- RA
- Exemption of shipping profits
- Exemption of Income Tax under Section 127 of the Income Tax Act 1967

Claims should be submitted to IRB online at www.hasil.gov.my

1.5.8 Automation Capital Allowance (Automation CA)

Manufacturing companies that have been operating for at least 36 months in Malaysia, and have incurred qualifying capital expenditure on automation equipment for the purpose of automating/modernising their existing business, are eligible for the Automation CA as follows:

High labour-intensive industries (rubber products, plastics, wood, furniture, and textiles) may claim Automation CA of 200% on the first RM4 million of qualifying capital expenditure incurred from YA 2015 to YA 2023.

All other manufacturing industries may claim Automation CA of 200% on the first RM2 million of qualifying capital expenditure incurred from YA 2015 to YA 2023.

Companies can only apply for RA (see Section 1.5.1), **OR** Accelerated Capital Allowance (see Section 1.5.5), **OR** Automation Capital Allowance in any given YA.

Applications should be submitted to MIDA online via the InvestMalaysia portal. For more information, visit the Forms and Guidelines section on MIDA's website.

2. INVESTMENT INCENTIVES FOR SPECIFIC INDUSTRIES

2.1 Incentives for the Aerospace Industry

Aerospace industry development was one of the strategic and high-technology areas identified by the Government. This includes activities that directly and indirectly contribute to maintenance, repair & overhaul (MRO), aero-manufacturing, systems integration, and engineering & design.

Companies that are planning to undertake activities in the aerospace industry are eligible for either of the following incentives for a period of 5 or 10 years:

i. Income tax exemption

OR

ii. Income tax exemption equivalent of ITA

Where

i 'Aerospace industry' refers to the activities of aerospace manufacturing; system integration; MRO; and aero-related services.

Applications should be submitted to MIDA online via the InvestMalaysia portal. For more information, visit the Forms and Guidelines section on MIDA's website.

This incentive expires on 31 December 2022, and applications should be submitted to (and received by) MIDA on or before this date.

2.2 Incentives for the Automotive Industry

Promoting the assembly and manufacturing of Energy Efficient Vehicles (EEVs) and their critical components/systems is crucial to enhance the development of Malaysia's automotive industry.

Companies that are planning to undertake activities in the assembly and manufacturing of EEVs or their critical components/systems are eligible for either of the following incentives for a period of 5 or 10 years:

- Income tax exemption

OR

- Income tax exemption equivalent of ITA

Where

'Assembly and manufacturing of EEVs or their critical components/systems' refers to the following:

i Assembly of EEVs;

ii Assembly of Next Generation Vehicles (NxGVs);

iii Critical Components/Systems for EEVs or Non-EEVs not limited to the following; transmissions and/or part thereof (except clutch pedals), engines and/or part thereof (except spark plugs, alternators, timing belts and timing chains, electronic control units), airbags and/or par thereof, handling and control mechanisms (suspension, brakes, steering system, corner module), brake mechanisms and/or part thereof (except brake pads, drum brakes, brake shoes, and hand brakes), body in white and/or components and parts with new lightweight materials contributing to EEV manufacturing (advanced high-strength steel, ultra-high-strength steel, boron. martensite, high-strength aluminium, magnesium, carbon-fibre reinforced plastic, composites, etc.), turbochargers and/or part thereof;

iv Components for hybrid and electric vehicles not limited to the following; electric motors, electric batteries, battery management systems, EV chassis, on-board charger modules, thermal management systems, battery packs;

v Components for NxGV not limited to the following; advanced driver assistance system (ADAS), light detection and ranging (LIDAR) and/or part thereof, complex network of radio detection and ranging (RADAR), telematics devices and/or part thereof, master controller and critical components of AACV (e.g sensors, V2X modules, etc.).

Applications should be submitted to MIDA online via the InvestMalaysia portal. For more information, visit the Forms and Guidelines section on MIDA's website.

This incentive expires on 31 December 2025, and applications should be submitted to (and received by) MIDA on or before this date.

2.3 Incentives for the Shipbuilding & Ship Repair (SBSR) Industry

2.3.1 Tax Incentive for the SBSR Industry

New SBSR projects are eligible for either of the following incentives:

i Income tax exemption of 70% for a period of 5 or 10 years. Unabsorbed capital allowances and accumulated losses incurred during the period can be carried forward and deducted from the post-PS income of the company.

OR

ii Income tax exemption equivalent to ITA of 60% on the qualifying capital expenditure incurred within 5 years.

The allowance can be used to offset against 70% of statutory income for the year of assessment.

Expansion projects by existing companies are eligible for income tax exemption equivalent to ITA of 60% on the qualifying capital expenditure incurred within 5 years. The allowance can be used to offset against 70% of statutory income for the year of assessment.

Applications should be submitted to MIDA online via the InvestMalaysia portal. For more information, visit the Forms and Guidelines section on MIDA's website.

This incentive expires on 31 December 2022, and applications should be submitted to (and received by) MIDA on or before this date.

2.4 Incentives for the Machinery and Equipment (M&E) Industry

Companies undertaking activities in the production of M&E and specialised M&E are eligible for either of the following incentives:

i PS with income tax exemption of 100% of the statutory income for a period of 10 years. Unabsorbed capital allowances incurred during the PS period can be carried forward and deducted from the post-PS income of the company.

Accumulated losses incurred during the PS period can be carried forward and deducted from the post-PS income of the company for a period of 7 consecutive years.

OR

ii ITA of 100% on qualifying capital expenditures incurred within 5 years from the date the first qualifying capital expenditure is incurred. This allowance can be offset against 100% of the statutory income for each year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised.

Where

i 'M&E' refers to machine tools, material handling equipment, robotic and factory automation equipment and modules, as well as components for machine tools and robotic and factory automation equipment.

ii 'Specialised M&E' refers to specialised process machinery or equipment for specific industries, packaging machinery and modules, as well as components for specialised process machinery or equipment for specific industries and packaging machinery.

Applications should be submitted to MIDA online via the InvestMalaysia portal. For more information, visit the Forms and Guidelines section on MIDA's website (see Appendix IV: List of Promoted Activities and Products for Selected Industries).

2.5 Incentive for Industrialised Building System (IBS)

The use of IBS will enhance the quality of construction, create a safer and cleaner working environment, and reduce dependence on foreign workers.

Companies undertaking activities in the manufacturing of IBS are eligible for the income tax exemption equivalent of ITA of 60% on qualifying capital expenditure incurred within 5 years from the date of the first qualifying capital expenditure is incurred. This allowance can be offset against 70% of the statutory income for each year of assessment.

Where

i 'IBS' refers to basic components/products and systems consisting of columns, beams, slabs, walls, roof trusses, precast concrete systems, formwork systems, steel framing systems, blockwork systems, timber framing systems, and innovative systems.

Note: the IBS manufacturer is required to manufacture at least three of the basic components of IBS, or any IBS system that uses at least three of the basic IBS components.

Applications should be submitted to MIDA online via the InvestMalaysia portal. For more information, visit the Forms and Guidelines section on MIDA's website.

This incentive expires on 31 December 2025, and applications should be submitted to (and received by) MIDA on or before this date.

2.6 Incentives for the Biotechnology and Bio-Based Industry

2.6.1 Incentives for BioNexus Status Companies

A company undertaking biotechnology activity and has been approved for the BioNexus Status by the Malaysian Bioeconomy Development Corporation Sdn. Bhd. (Bioeconomy Corporation) are eligible for the following incentives:

i An exemption of 70% of statutory income:

   a. For a period of 10 consecutive years of assessment from the first year of assessment that the company derived statutory income from non-intellectual property of the new business; or

   b. For a period of 5 consecutive years of assessment commencing from the first year of assessment the company derived statutory income upon the completion of its expansion project. The tax exemption is on statutory income from non-intellectual property of the existing business and expansion project;

OR

ii An allowance of 100% of the qualifying capital expenditure (QCE) incurred within 5 years from the date of first QCE is incurred. The allowance can be offset against 70% of the statutory income from a new business or an expansion project.

A BioNexus Status company is entitled to a concessionary tax rate of 20% on statutory income from non-intellectual property of the approved qualifying activities for a period of 10 consecutive years upon the expiry of the income tax exemption.

Other incentives that a BioNexus Status company may be entitled to are:

i Exemption of import duty and sales tax on imported raw materials/components and machinery and equipment.

ii Double deduction on expenditure incurred for R&D.

iii Double deduction on expenditure incurred for the promotion of exports.

iv With effect from 2 September 2006, qualifying buildings used solely for the purpose of biotechnology activities will be eligible for the Industrial Building Allowance to be claimed over a period of 10 years.

v A company or an individual (that carries on business) investing in a BioNexus Status company is eligible for a tax deduction equivalent to the value of the investment made for the sole purpose of financing activities at the initiation of the commercialisation stage of a new business.

Applicants must fulfil all the following eligibility criteria at the point of application for BioNexus Status:

i Proposed QA (product/services) must have a biotechnology element and technology ready to be commercialised;

ii Proposed QA must be undertaken in Malaysia;

iii Undertakes continual research & development (R&D) activity; and

iv Company is incorporated in Malaysia with a minimum paid-up capital of RM250,000 (for new and existing businesses alike).

Kindly refer to Bioeconomy Corporation website (BNX Framework) for further details.

2.6.2 Biotechnology and Bio-Based Funding

In the second half of year 2021, Bioeconomy Corporation will be launching two distinctive types of funding programmes under RMK-12, the first being an equity funding programme, and the second being a dynamic debt financing programme for a wider target audience.

For the proposed equity funding programme, Bioeconomy Corporation will not only provide financial assistance but also technical, networking, marketing, and promotion, as well as human capital development and recruitment assistance where applicable and available. Bioeconomy Corporation will provide both funds and management assistance to a certain extent, save for partaking in any guarantees obliged by the equity funding programme recipient to third parties.

For the upcoming debt financing programme, the pricing, principal grace period, repayment tenure, and utilisation of financing proceeds have been revised and relaxed to accommodate a wider purpose of applicable debt financing requirements, including viable initial commercialisation initiatives, working capital financing for existing operations, as well as capital expansion requirements, ranging from the purchase of used machineries to acquisition of business properties.

Both funding programmes are no longer limited to Malaysian-controlled companies.

Kindly refer to Bioeconomy Corporation website (Funding) for further details.

2.7 Incentives for the Agricultural Sector

PIA 1986 states that the term 'company' in relation to agriculture includes:

i Agro-based cooperative societies and associations; and

ii Sole proprietorships and partnerships engaged in agriculture.

Companies producing promoted products or engaged in promoted activities (see Appendix I: List of Promoted Activities and Products – General and Appendix III: Small Scale Companies) in the agricultural sector are eligible for the following incentives:

2.7.1 Main Incentives for the Agricultural Sector

Agricultural companies as defined above are eligible for the following incentives:

i PS with income tax exemption of 70% of the statutory income for a period of 5 years, commencing from its Production Day (defined as the day of first sale of the agriculture produce). Unabsorbed capital allowances incurred during the PS period can be carried forward and deducted from the post-PS income of the company.

  Accumulated losses incurred during the PS period can be carried forward and deducted from the post-PS income of the company for a period of 7 consecutive years.

OR

ii ITA of 60% on the qualifying capital expenditure incurred within 5 years from the date the first qualifying capital expenditure is incurred. The allowance can be utilised to offset 70% of the statutory income for each year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised. The remaining 30% of the statutory income is taxed at the prevailing company tax rate.

Applications should be submitted to the Ministry of Agriculture & Food Industries via www.mafi.gov.my/insentif-/-geran-/-dana-/-pelaburan.

2.7.2 Incentives for Agricultural Produce (Food Production)

Incentives for New Projects

Specific incentives are introduced to attract investments into food projects both at the farm level as well as at the production/processing level. These will enhance the supply of raw material for the food processing sector, and thus reducing reliance on imports of such raw material.

Tax incentives are given to both the company which invests in a subsidiary company engaged in an approved food production project, and its subsidiary company undertaking the food production activities. The tax incentives given are as follows:

i A company which invests in a subsidiary company engaged in food production activities can be considered for a tax deduction equivalent to the amount of investment made in that subsidiary for that year of assessment; and

ii The subsidiary company undertaking food production activities can be considered for a full tax exemption on its statutory income for 10 years of assessment for new projects or 5 years of assessment for expansion projects.

Applications should be submitted to the Ministry of Agriculture & Food Industries via
www.mafi.gov.my/insentif-/-geran-/-dana-/-pelaburan

This incentive expires on 31 December 2022, and applications should be submitted to (and received by) the Ministry of Agriculture & Food Industries on or before this date.

2.7.3 Incentives for Halal Products

a. Incentives for Production of Halal Food

To encourage new investments in halal food production, and to increase the use of modern and state-of-the-art M&E to produce high-quality halal food that complies with international standards, companies which invest in halal food production, and have already obtained halal certification from the Department of Islamic Development Malaysia (JAKIM) in compliance with MS 1500:2004, are eligible for ITA of 100% of qualifying capital expenditure incurred within a period of 5 years.

The allowance can be set-off against 100% of statutory income in the year of assessment. Any unutilised allowance can be carried forward to subsequent years until the whole amount has been fully utilised.

For further information on obtaining halal certification from JAKIM, please visit www.halal.gov.my

Applications should be submitted to the Halal Development Corporation (HDC), or MIDA online via the InvestMalaysia portal.

b. Incentives for Other Halal Activities

- **Incentives for Halal Park Operators**

  In an effort to promote the attractiveness of the Halal Parks, halal park operators are eligible for the following incentives:

  i PS with income tax exemption of 100% of the statutory income for a period of 10 years. Unabsorbed capital allowances incurred during the PS period can be carried forward and deducted from the post-PS income of the company.

  Accumulated losses incurred during the PS period can be carried forward and deducted from the post-PS income of the company for a period of 7 consecutive years.

  OR

  ii ITA of 100% on qualifying capital expenditures incurred within 5 years. The allowance can be offset against 100% of the statutory income for each year of assessment. Any unutilised allowances can be carried forward to subsequent years until they are fully utilised.

- **Incentives for Halal Industry Players**

  Companies proposing to undertake projects in the designated Halal Parks are eligible for: -

  i ITA of 100% on qualifying capital expenditures incurred within a period of 10 years. This allowance can be offset against 100% of the statutory income for each year of assessment. Any unutilised allowances can be carried forward to subsequent years until they are fully utilised; or

  ii Exemption from import duty and sales tax on raw materials used for the development and production of halal promoted products.

  iii Double deduction on expenses incurred in obtaining international quality standards such as HACCP, GMP, Codex Alimentarius (food standard guidelines of FAO & WHO), Sanitation Standard Operating Procedure, and regulations for compliance for export markets such as Food Traceability from farmed pork.

- **Incentives for Halal Logistics Operators**

  In an effort to promote the halal industry and halal supply chain in Malaysia, the following incentives are granted to halal logistics operators:

  i Income tax exemption of 100% of the statutory income for a period of 5 years. Unabsorbed capital allowances incurred during the PS period can be carried forward and deducted from the post-PS income of the company.

  Accumulated losses incurred during the PS period can be carried forward and deducted from the post pioneer income of the company for a period of 7 consecutive years.

  OR

  - ITA of 100% on qualifying capital expenditures incurred within 5 years. The allowance can be offset against 100% of the statutory income for each year of assessment. Any unutilised allowances can be carried forward to subsequent years until they are fully utilised.

Applications should be submitted to HDC via www.halal.gov.my

For further information, please visit www.hdcglobal.com

2.7.4 Additional Incentives for the Agricultural and Resource-Based Sectors

a. Reinvestment Allowance

Companies engaged for at least 36 months in the production of essential food such as rice, maize, vegetables, tubers, livestock, aquatic products, and any other activities approved by the Minister of Finance, are eligible for RA.

The RA is in the form of an allowance of 60% of the qualifying capital expenditure incurred within a period of 15 years beginning from the year the first reinvestment is made. The allowance can be offset against 70% of the statutory income in the year of assessment. Any unutilised allowance can be carried forward to a maximum period of 7 consecutive years of assessments and the period commences immediately after the end of the 15th year.

Claims should be submitted to IRB online at www.hasil.gov.my

b. Incentives for Reinvestment in Resource-Based Industries

These incentives are offered to companies that are at least 51% Malaysian-owned and are in the rubber, oil palm, and wood-based industries producing products which have export potential. Companies in these industries reinvesting for expansion purposes are eligible for the following incentives:

i PS with income tax exemption of 70% of statutory income for a period of 5 years. Unabsorbed capital allowances incurred during the PS period can be carried forward and deducted from the post-PS income of the company.

  Accumulated losses incurred during the PS period can be carried forward and deducted from the post-PS income of the company for a period of 7 consecutive years.

OR

ii ITA of 60% on the additional qualifying capital expenditures incurred within a period of 5 years. The allowance can be offset against 70% of the statutory income for each year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised.

(See Appendix V: List of Promoted Activities and Products – Reinvestment)

Applications should be submitted to MIDA online via the InvestMalaysia portal. For more information, visit the Forms and Guidelines section on MIDA's website.

c. Incentives for Reinvestment in Food Processing Activities

A locally-owned manufacturing company with Malaysian equity of at least 60% that reinvests in promoted food processing activities is eligible for:

- PS with income tax exemption of 70% of statutory income for a period of 5 years. Unabsorbed capital allowances incurred during the PS period can be carried forward and deducted from the post-PS income of the company.

  Accumulated losses incurred during the PS period can be carried forward and deducted from the post-PS income of the company for a period of 7 consecutive years.

OR

- ITA of 60% on the additional qualifying capital expenditure incurred within a period of 5 years. The allowance can be offset against 70% of the statutory income for each year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised.

(See Appendix V: List of Promoted Activities and Products – Reinvestment)

d. Accelerated Capital Allowance

Upon the expiry of the RA, companies that reinvest in promoted agricultural activities and food products are eligible to apply for the ACA. These activities include the cultivation of rice, maize, vegetables, tubers, livestock, aquatic products, and any other activities approved by the Minister of Finance.

The ACA provides a special allowance to write off the capital expenditure within 2 years, i.e. an initial allowance of 20% in the first year and an annual allowance of 40%.

Claims should be submitted to IRB online at www.hasil.gov.my accompanied by a letter from MIDA certifying that the companies are undertaking promoted agricultural activities or producing promoted food products.

e. Agricultural Allowance

A person or company carrying on an agricultural activity can claim Capital Allowances and special Industrial Building Allowances under the Income Tax Act 1967 for certain capital expenditures.

Claims should be submitted to IRB online at www.hasil.gov.my

f. 100% Allowance on Capital Expenditure for Approved Agricultural Projects

Schedule 4A of the Income Tax Act 1967 provides for a 100% allowance on capital expenditure for approved agricultural projects as approved by the Minister of Finance. This covers any qualifying capital expenditure incurred within a specific time frame for a farm that cultivates and utilises a specified minimum acreage as stipulated by the Minister of Finance.

Approved agricultural projects are those for the cultivation of vegetables, fruits (papayas, bananas, passionfruit, starfruit, guava, and mangosteen), tubers, roots, herbs, spices, crops for animal feed, and hydroponic-based products; ornamental fish culture; fish and prawn rearing (pond culture, tank culture, marine cage culture, and off-shore marine cage culture); cockles, oysters, mussels, and seaweed culture; shrimp, prawn, and fish hatchery; and certain species of forest plantations. The incentive enables a person carrying on such a project to elect to deduct the qualifying capital expenditure incurred in respect of that project from his aggregate income, including income from other sources. Where there is insufficient aggregate income, the unabsorbed expenditure can be carried forward to subsequent years of assessment. Where he so elects, he will not be entitled to any capital allowance or agricultural allowance on the same capital expenditure.

This incentive is not available to companies that have been granted incentives under the Promotion of

Investments Act 1986, and whose tax relief periods have not started or have not expired.

Claims should be submitted to IRB online at www.hasil.gov.my

2.8 Incentives for the Utilisation of Oil Palm Biomass to Produce Value-Added Products

Companies that utilise oil palm biomass to produce value-added products such as bio-based chemicals, biofuel, particleboard, medium density fibreboard, plywood, and pulp and paper are eligible for the following incentives:

a. New Companies

i PS with income tax exemption of 100% of statutory income for a period of 10 years. Unabsorbed capital allowances incurred during the PS period can be carried forward and deducted from the post-PS income of the company.

Accumulated losses incurred during the PS period can be carried forward and deducted from the post-PS income of the company for a period of 7 consecutive years.

OR

ii ITA of 100% on qualifying capital expenditure incurred within a period of 5 years. The allowance can be offset against 100% of the statutory income for each year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised.

b. Existing Companies that Reinvest

i PS with income tax exemption of 100% of the increased statutory income arising from the reinvestment for a period of 10 years. Unabsorbed capital allowances incurred during the PS period can be carried forward and deducted from the post-PS income of the company.

Accumulated losses incurred during the PS period can be carried forward and deducted from the post-PS income of the company for a period of 7 consecutive years.

OR

ii ITA of 100% on the additional qualifying capital expenditure incurred within a period of 5 years. The allowance can be offset against 100% of the statutory income for each year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised.

Applications should be submitted to MIDA online via the InvestMalaysia portal. For more information, visit the Forms and Guidelines section on MIDA's website.

3. INCENTIVES FOR ENVIRONMENTAL MANAGEMENT

3.1 Incentives for Waste Recycling Activities

Companies undertaking waste recycling activities that are high-value-added and use high technology are eligible for the following incentives:

i PS, with income tax exemption of 70% of the statutory income for a period of 5 years. Unabsorbed capital allowances incurred during the PS period can be carried forward and deducted from the post-PS income of the company.

Accumulated losses incurred during the PS period can be carried forward and deducted from the post-PS income of the company for a period of 7 consecutive years.

OR

ii ITA of 60% on the qualifying capital expenditure incurred within a period of 5 years. The allowance can be offset against 70% of the statutory income in each year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised.

Where

i 'Waste recycling activities that are high-value-added and use high technology' refers to the recycling of agricultural wastes or agricultural by-products, recycling of chemicals, and the production of reconstituted wood-based panel boards or products

Companies are only allowed to recycle waste/scrap obtained within Malaysia, including Free Industrial Zones/Licensed Manufacturing Warehouses (FIZs/LMWs). Companies are not allowed to import scrap/waste from overseas.

Applications should be submitted to MIDA online via the InvestMalaysia portal. For more information, visit the Forms and Guidelines section on MIDA's website.

3.2 Green Technology Incentives

The Malaysian Green Technology and Climate Change Centre (MGTC) is the government agency mandated in driving the nation in the areas of green growth and implementing the Green Technology Master Plan.

At present, MIDA is working hand-in-hand with MGTC in supporting the green growth agenda by promoting investments in green, sustainable, and environmentally-related activities through the provision of incentives as well as facilitation.

Several incentives, including financing schemes, have been introduced under Budget 2020 and Budget 2021 to promote the Green Technology.

A. Incentives under the purview of MIDA

In Budget 2020, the Government had announced the extension of ITA for the purchase of green technology assets, and Income Tax Exemption (ITE) on the use of green technology services and systems. The ITE is also extended for companies undertaking solar leasing activity.

The extension of the incentive is expected to further boost the Malaysian green economy, and to attain the nation's goal to generate 20% its energy from renewable sources by 2025. This is also in line with Malaysia's commitment to reduce its greenhouse gas (GHG) emission intensity by 45% by 2030.

The objectives of the incentives are:

i To encourage investment in the green technology industry on a project basis either for business purposes or own consumption, and the adoption of green technology by selected services/system providers;

ii To encourage companies to acquire/purchase assets that have been verified as green technology assets by MGTC and listed under MyHijau Directory; and

iii To widen the coverage of green services to include solar leasing activity.

Green Investment Tax Allowance (GITA - Project)

i ITA of 100% of qualifying capital expenditure incurred by green technology projects for 3 years from the date of the first qualifying capital expenditure (CAPEX) incurred.

ii The date of first qualifying CAPEX shall not be earlier than the date of the application received by MIDA.

iii The allowance can be offset against 70% of statutory income in the year of assessment.

iv Green technology projects include those related to renewable energy, energy efficiency, green buildings, green data centres, and integrated waste management.

Applications should be submitted to MIDA online via the InvestMalaysia portal. For more information, visit the Forms and Guidelines section on MIDA's website.

This incentive expires on 31 December 2023, and applications should be submitted to (and received by) MIDA on or before this date.

Green Income Tax Exemption (GITE)

i ITE of 70% on statutory income for qualifying green services where:-
- The period of the incentive is for 3 years starting from the assessment year of the first invoice related to green technology services issued; and
- The date of the first invoice shall not be earlier than the date of the application received by MIDA.

ii The qualifying green services activities include renewable energy, energy efficiency, electric vehicles (EVs), green buildings, green data centres, green certification and verification, as well as green townships.

Applications should be submitted to MIDA online via the InvestMalaysia portal. For more information, visit the Forms and Guidelines section on MIDA's website.

This incentive expires on 31 December 2023, and applications should be submitted to (and received by) MIDA on or before this date.

Solar Leasing

i ITE of 70% on statutory income for solar leasing activity for a period of up to 10 years of assessment. This incentive will be considered based on tiers as follows:

Capacity (MW)	Incentive Period
>3MW - <10MW	5 years
>10MW - <30MW	10 YEARS

ii The incentive period shall commence from the date of the first invoice issued, and this date shall not be earlier than the date of the application received by MIDA.

Applications should be submitted to MIDA online via the InvestMalaysia portal. For more information, visit the Forms and Guidelines section on MIDA's website.

This incentive expires on 31 December 2023, and applications should be submitted to (and received by) MIDA on or before this date.

B. Incentives under the purview of MGTC

GITA Assets

The GITA Assets incentive has been extended from YA 2020 to YA 2023 under Budget 2020. A company which purchases green technology assets listed in the MyHijau Directory (www.greendirectory.com) is eligible for ITA of 100% of qualifying capital expenditure incurred by the approved green technology assets. The allowance can be offset against 70% of statutory income in the year of assessment.

Applications should be submitted to MGTC online at www.mgtc.gov.my/our-services/green-investment-tax-incentives-gita-gite/.

Green Technology Financing Scheme (GTFS)

The Government has announced the continuation of the Green Technology Financing Scheme 3.0 or GTFS 3.0 under the Budget 2021 with a fund size of RM2 billion for 2 years up to 2022, which will be guaranteed by Danajamin.

Applications should be submitted to MGTC online at gtfs.my/page/submit-gtfs-application.

4. INCENTIVES FOR RESEARCH AND DEVELOPMENT

PIA 1986 defines R&D as "any systematic, investigative and experimental study that involves novelty or technical risk carried out in the field of science or technology with the objective of acquiring new knowledge or using the results of the study for the production or improvement of materials, devices, products, produce or processes", but does not include:

- quality control or routine testing of materials, devices or products;
- research in the social sciences or humanities;
- routine data collection;
- efficiency surveys or management studies;
- market research or sales promotion;
- routine modifications or changes to materials, devices, products, processes or production methods; or
- cosmetic modifications or stylistic changes to materials, devices, products, processes or production methods.

To further strengthen Malaysia's foundation for more integrated R&D, companies which carry out design, development, and prototyping as independent activities are also eligible for incentives.

4.1 Main Incentives for R&D

a. Contract R&D Company

A contract R&D company is a company which provides R&D services in Malaysia to companies other than its related companies. Under the PIA, 1986, a related company is defined as a company where at least 20% of its issued share capital is owned (directly or indirectly) by another company. The contract R&D company is eligible for:

i PS with income tax exemption of 100% of the statutory income for 5 years. Unabsorbed losses after the end of the PS period are allowed to be carried forward for 7 consecutive years of assessments;

OR

ii ITA of 100% of qualifying capital expenditure incurred within 10 years. The ITA can be offset against 70% of the statutory income in each year of assessment. Any unutilised capital allowances can be carried forward until fully utilised.

Applications should be submitted to MIDA online via the InvestMalaysia portal. For more information, visit the Forms and Guidelines section on MIDA's website.

b. R&D Company

An R&D company, defined as a company which provides R&D services in Malaysia to its related company or to any other company, is eligible for an ITA of 100% on the qualifying capital expenditure incurred within 10 years. The allowance can be offset against 70% of the statutory income for each year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised. The related companies concerned will not enjoy double deduction for payments made to the R&D company for the use of its services, unless the R&D company opts not to avail itself of the ITA.

Applications should be submitted to MIDA online via the InvestMalaysia portal. For more information, visit the Forms and Guidelines section on MIDA's website.

c. In-house Research

A company that carries out R&D within the company in Malaysia for the purpose of its own business can apply for an ITA of 50% of the qualifying capital expenditure incurred within 10 years. The ITA can be offset against 70% of the statutory income for each year of assessment. Any unutilised allowances can be carried forward until fully absorbed.

Applications should be submitted to MIDA online via the InvestMalaysia portal. For more information, visit the Forms and Guidelines section on MIDA's website.

d. Incentives for Reinvestment in R&D Activities

Existing R&D companies undertaking reinvestments are eligible for PS or ITA as follows:

- **Contract R&D companies**

i PS with full tax exemption (100%) of statutory income for a period of 5 years. Unabsorbed income losses after the end of income period are allowed to be carried forward for 7 consecutive years of assessment;

OR

ii ITA of 100% of additional qualifying capital expenditure incurred within a period of 10 years from the date the first qualifying capital expenditure is incurred. The allowance can be offset against 70% of the statutory income for each year of assessment. Unutilised allowances can be carried forward until fully utilised.

- R&D Companies:

  ITA of 100% of additional qualifying capital expenditure incurred within a period of 10 years from the date the first qualifying capital expenditure is incurred. The allowance can be offset against 70% of statutory income for each year of assessment. Unutilised allowances can be carried forward until fully utilised.

- In-house R&D:

  ITA of 50% of additional qualifying capital expenditure incurred within a period of 10 years from the date the first qualifying capital expenditure is incurred. The allowance can be offset against 70% of the statutory income for each year of assessment. Unutilised allowances can be carried forward until fully utilised.

  (See Appendix V: List of Promoted Activities and Products for Reinvestment)

  Applications should be submitted to MIDA.

e. Incentives for Commercialisation of Public Sector and Private Sector R&D

To encourage commercialisation of resource-based and non-resource-based R&D findings of public and private and research institutes, the following incentives are given:

- A company that invests in its subsidiary company engaged in the commercialisation of the R&D findings is eligible for a tax deduction equivalent to the amount of investment made in the subsidiary company; and

- The subsidiary company that undertakes the commercialisation of the R&D findings is eligible for PS with income tax exemption of 100% of statutory income for 10 years. Unabsorbed capital incurred during the PS period can be carried forward and deducted from the post-PS income of the company. Unabsorbed losses after the end of the PS period are allowed to be carried forward for 7 consecutive years of assessment.

  The commercialisation of resource-based and non-resource-based findings is subject to the list of promoted activities/products under the Promotion Investment Act, 1986.

Effective Date

- For commercialisation of resource-based R&D findings, the incentives are effective for applications received by MIDA from 11 September 2004.

- For commercialisation of non-resource-based R&D findings, the incentives are effective for applications received by MIDA from 7 November 2020 to 31 December 2025.

f. Incentives for Commercialisation of Public Sector and Private Sector R&D Research Findings

Researchers who undertake research focused on value creation will be given a 50% tax exemption for 5 years on the income that they receive from the commercialisation of their research findings. The undertaking has to be verified by the Ministry of Science, Technology, and Innovation.

Claims should be submitted to IRB online at www.hasil.gov.my

4.2 Additional Incentive for R&D

Double Deduction Incentive for R&D

In Malaysia, companies across a broad spectrum of industries have been encouraged by the Government to embark on R&D in order to remain globally competitive. One of the measures to encourage R&D among businesses in Malaysia is the double deduction incentive.

The incentive is in the form of: -

i A special provision under subsection 34(7) of the Income Tax Act 1967 for expenditure that is non-capital in nature;

ii A special deduction under Section 34A of the Income Tax Act 1967 for in-house research expenditure;

iii A special deduction under Section 34B of the Income Tax Act 1967 for contributions in cash to an approved research institute, or payment for use of the services of an approved research institute or company, or an R&D company, or a contract R&D company.

Type of deduction	Section 34(7) Single	Section 34A Double	Section 34B Double
Eligible applicant	A person undertaking R&D activity himself or outsources the said activity, which does not qualify for deduction under Section 34A & 34B. i.e. Related company of an R&D company which has been approved for ITA incentive	A person undertaking an in-house R&D activity	A person who contributes in cash to an approved research institute; A person who outsources qualifying R&D activity related to his business to an approved R&D service provider

Claims should be submitted to IRB online at
www.hasil.gov.my

5. INCENTIVES FOR TRAINING

5.1 Deduction for Cost of Recruitment of Workers

The cost of recruitment of workers is allowed as a deduction for the purpose of tax computation.

Cost includes expenses incurred in participation in job fairs, payment to employment agencies, and head-hunters. These expenses must be incurred within 1 year prior to the commencement of the business.

Claims should be submitted to IRB online at
www.hasil.gov.my

5.2 Deduction for Pre-Employment Training

Training expenses incurred before the commencement of business qualify for a single deduction. Nevertheless, companies must prove that they will employ the trainees.

Claims should be submitted to IRB online at
www.hasil.gov.my

5.3 Deduction for Non-Employee Training

Expenses incurred in providing practical training to residents who are not employees of the company can be considered for single deduction.

Claims should be submitted to IRB online at
www.hasil.gov.my

5.4 Special Industrial Building Allowance

Companies that incur capital expenditures on the construction or purchase of a building used for the purpose of an approved industrial, technical, or vocational training are eligible to claim an annual industrial building allowance at a special rate of 10%.

Claims should be submitted to IRB online at
www.hasil.gov.my

5.5 Tax Exemption on Educational Equipment

Approved training institutes, in-house training projects, and all private institutions of higher learning are eligible for import duty and excise duty exemptions on all educational equipment, including laboratory equipment for workshops, studios, and language laboratories.

Applications should be submitted to MIDA online via the InvestMalaysia portal. For more information, visit the Forms and Guidelines section on MIDA's website.

5.6 Tax Exemption on Royalty Payments

Royalty payments made by private higher educational institutions to non-residents (franchisors) for franchised education programmes that are approved by the Ministry of Education are eligible for tax exemption.

Claims should be submitted to IRB online at
www.hasil.gov.my

5.7 Human Resource Development Fund (HRDF)

Please refer to Chapter V on Recruiting Your Talent Pool in Malaysia.

Claims should be submitted to IRB online at
www.hasil.gov.my

5.8 Double Deduction for Approved Training

Manufacturing companies that do not contribute to the Human Resource Development Fund (HRDF) qualify for double deduction on expenses incurred for approved training. Manufacturing companies are allowed to claim training expenses before or after commencement of business.

Deductible expenditures are those incurred in training their employees for the purpose of upgrade and developing the employees' craft, supervisory, and technical skills, or increasing the productivity or quality of their products, under training programmes approved by MIDA or training programmes conducted by training institutions.

Claims should be submitted to IRB online at www.hasil.gov.my

5.9 Tax Incentive for Structured Internship Programme (SIP)

A company that hires Malaysian full-time undergraduates and Technical and Vocational Education and Training (TVET) talents from local higher educational institution (IPTA and IPTS), which has conducted Talent Corporation Malaysia Berhad-endorsed SIP, is eligible for double tax deduction incentive. The types of expenditure that qualify for double tax deductions include:

a. Internship allowance not less than RM500/month for every intern/student;

b. Provision of training, meals, and travelling for each intern/student not exceeding RM5,000 per year.

This incentive is applicable YA 2017 until YA 2021, and claims should be submitted to IRB online at www.hasil.gov.my

6. INCENTIVES FOR AUTOMATION AND DIGITAL TRANSFORMATION

6.1 Capital Allowance for ICT Equipment and Software

To assist companies to remain competitive in the digital era and adopt the latest technology, companies are allowed to claim capital allowances on qualifying expenditure as follows:

Qualifying Expenditure	Capital Allowance Rates
Expenditure incurred on the purchase of ICT equipment and computer software packages.	Initial allowance : 20% Annual allowance : 20% * (*Annual allowance increased to 40% for qualifying capital expenditure incurred from 1 March 2020 to 31 December 2021)
Expenditure incurred on the development of customised software comprising of consultation fees, licensing fees, and incidental fees related to software development.	

Claims should be submitted to IRB online at www.hasil.gov.my

6.2 Smart Automation Grant (SAG)

The SAG was introduced in the National Economic Recovery Plan or PENJANA in June 2020. The SAG will be given on a matching basis (1:1) based on eligible expenditures, up to a maximum grant of RM1,000,000 per company.

The main objectives of the SAG are:

- To assist as well as incentivise SMEs and Mid-Tier Companies (MTCs) to automate and digitalise operations, production, and trade channels;
- To improve efficiency in the manufacturing and services sectors;
- To reduce reliance on low-skilled foreign workers;
- To provide job opportunities in high-value-added sectors;
- To enhance SME competitiveness on an international level;
- To be aligned with the National Policy on Industry 4.0;
- To boost domestic investment.

The company must engage in manufacturing activities in compliance with the Industrial Coordination Act 1975.

Applications should be submitted to MIDA online via the InvestMalaysia portal. For more information, visit the Forms and Guidelines section on MIDA's website.

7. OTHER INCENTIVES

This section covers other incentives not mentioned elsewhere and may be applicable to the following sectors: manufacturing, agriculture, aerospace, tourism, environmental management, R&D, training, ICT, Approved Service Projects, and manufacturing-related services.

7.1 Industrial Building Allowance (IBA)

An IBA is granted to companies incurring capital expenditure on the construction or purchase of a building that is used for specific purposes, including:

- Manufacturing, agriculture, mining, infrastructure facilities, research, Approved Service Projects, and hotels that are registered with the Ministry of Tourism.
- Industrial, technical, or vocational training, school or educational institution, kindergartens approved by the Minister of Education or any relevant authority.
- Private childcare centres registered with the Department of Social Welfare.

Claims should be submitted to IRB online at www.hasil.gov.my

7.2 IBA for Buildings in MSC Malaysia

To encourage the construction of more buildings in Cyberjaya for use by MSC Malaysia-status companies, an IBA for a period of 10 years will be given to owners of new buildings occupied by MSC Malaysia-status companies in Cyberjaya. Such new buildings include completed buildings but are yet to be occupied by MSC Malaysia-status companies.

Claims should be submitted to IRB online at www.hasil.gov.my

7.3 Deduction of Audit Fees

To reduce the cost of doing business and enhance corporate compliance, expenses incurred on audit fees by companies are deemed as allowable expenses for deduction in the computation of income tax.

Claims should be submitted to IRB online at www.hasil.gov.my

7.4 Tax Incentive for Angel Investors

An angel investor who invests in a venture company at seed capital financing, start-up financing, and early-stage financing is eligible to claim deductions on the total value of investment. To attract more angel investors to provide funding to venture companies, effective from 1 January 2013, the total investment by angel investors in a venture company is allowed as a deduction against all income.

This incentive expires on 31 December 2023, and applications should be submitted to (and received by) MOF on or before this date.

Applications should be submitted to MOF via mastic.mosti.gov.my/sti-incentive/angel-tax-incentive.

7.5 Tax incentive on Costs of Dismantling and Removing Assets

Costs of dismantling and removing assets, including plants and machinery as well as restoring the site where the asset was located, do not qualify for any allowance under the Schedule 3, Income Tax Act 1967, since this expenditure is not deemed as part of the cost of the assets. However, Financial Reporting Standards 116 (FRS 116) stipulates that the cost of an asset includes the estimated cost required to be incurred relating to the obligation to dismantle and remove the asset, and to restore the site on which the asset was located.

Therefore, to streamline the tax treatment under the Income Tax Act 1967 and FRS 116, a special provision is introduced in Schedule 3, Income Tax Act 1967 to provide for a balancing allowance[2] on the cost of dismantling and removing assets, including plant and machinery as well as restoring the site where the asset was located.
Claim should be submitted to IRB online at www.hasil.gov.my

7.6 Incentive for Acquiring Proprietary Rights

Manufacturing companies that are at least 70% owned by Malaysian citizens are eligible for an incentive on the costs of acquiring proprietary rights such as patents, industrial designs, or trademarks granted or registered under the relevant written laws.

Such costs are inclusive of consultancy fees, legal fees, and stamp duties incurred, but do not include any payment of royalty.

The incentive comes in the form of a deduction of an annual amount equal to 20% over a period of 5 years of the costs incurred to acquire these proprietary rights. Claims should be submitted to IRB online at www.hasil.gov.my

7.7 Import Duty and/or Sales Tax Exemption

a. Applications for Import Duty and/or Sales Tax Exemption on Machinery/Equipment/Raw Materials/Components

Companies engaged in **selected activities in the agriculture sector** may be eligible for import duty and/or sales tax exemption on **M&E** that are not produced locally and imported directly.

Companies engaged in **manufacturing activities** can be considered for import duty and/or sales tax exemption on **raw materials and components** which are used directly in the production of finished products and are imported directly.

Applications should be submitted to MIDA online via the InvestMalaysia portal prior to the importation or purchase of the machinery/equipment/raw materials/components.

b. MIDA Confirmation Letter [Surat Pengesahan MIDA (SPM)] for Import Duty and/or Sales Tax Exemption

Manufacturers in Principal Customs Areas (PCAs) may be eligible for import duty and/or sales tax exemption on machinery/equipment/spare parts/prime movers/container trailers.

Eligible companies should apply to MIDA for the SPM, and subsequently submit it to the Royal Malaysian Customs Department (Customs), along with the list of machinery/equipment/spare parts/prime movers/container trailers to be imported or purchased, to obtain permission from Customs to claim the exemption.

Application for the SPM should be submitted to MIDA online via the InvestMalaysia portal prior to the importation or purchase of the machinery/equipment/spare parts/prime movers/container trailers.

Permission to claim the import duty exemption should be manually submitted to the State Customs Control Station (Industrial Section); sales tax exemption applications have to be submitted online to Customs via mysst.customs.gov.my/

[2] *The total balancing allowance is determined by adding the cost of dismantling and removing the plants and machinery, as well as restoring the site, to the balance of expenditure on the plants and machinery at the time of the disposal of the asset.*

c. Import Duty and Sales Tax Exemption for MRO Activities

Sales Tax Exemption for MRO Activities

Under Schedule A, Sales Tax (Persons Exempted From Payment Of Tax) (Amendment) (No.2) Order 2018, a registered aerospace MRO company in Malaysia is allowed to claim for sales tax exemption on:

- ❖ Machinery, equipment, specialised tools under item 33A; and
- ❖ Spare parts, components, materials, and specialised consumables goods under item 33B

that are directly used in MRO activities within Malaysia. The application, which is done through a self-declaration process, requires the company to apply for the SPM from MIDA prior to importation or purchase. The company will then submit the SPM and the list of machinery, equipment, specialised tools, spare parts, components, materials, and specialised consumables goods to Customs for the sales tax exemption.

Applications for the SPM should be submitted online to MIDA via the InvestMalaysia portal.

Applications for sales tax exemption should be submitted online via the Customs portal MySST.

Import Duty Exemption for MRO Activities

Any registered aerospace MRO company in Malaysia is also eligible for import duty exemption on machinery, equipment, specialised tools, spare parts, components, materials, and specialised consumables goods.

Applications for import duty exemption should be submitted to MOF.

d. Double Deduction on Freight Charges

Manufacturers that ship their goods from Sabah or Sarawak to any port in Peninsular Malaysia qualify for double deduction on freight charges.

e. Double Deduction for the Promotion of Malaysian Brand Names

To promote Malaysian brand names, a company that is at least 70% Malaysian-owned and is a registered proprietor of a Malaysian brand, or a related company that is more than 50%-owned by the registered proprietor of the Malaysian brand name, is entitled to claim double deduction on expenditures incurred while advertising Malaysian brand name goods, subject to the following conditions:

- ✓ the company must be more than 50%-owned by the registered proprietor of the Malaysian brand name;
- ✓ the deduction can only be claimed by one company in a year of assessment; and
- ✓ the products meet export-quality standards.

Claims should be submitted to IRB online at www.hasil.gov.my

7.8 Donations for Environmental Protection

Donations to an approved organisation exclusively for the protection and conservation of the environment qualify for single deduction.

Claims should be submitted to IRB online at www.hasil.gov.my

7.9 Incentive for Employees' Accommodation

Buildings used for employees for the purpose of living accommodation in a manufacturing operation, an Approved Service Project, or a hotel or tourism business, are eligible for a special IBA of 10% of the expenditure incurred on the construction/purchase of the building for 10 years.

Claims should be submitted to IRB online at www.hasil.gov.my

8. FACILITATION AND INCENTIVES FOR THE SERVICES SECTOR

Aside from the manufacturing sector, Malaysia also has favourable policies for companies preparing to undertake activities in selected industries in the services sector. Several of these favourable policies (in the form of facilitation and incentives) fall under the purview of MIDA.

8.1 Regional Operations

Companies that set up regional operations in Malaysia, whether in the form of Representative Offices (RE), Regional Offices (RO), Principal Hubs, or Global Shared Services, may be eligible for facilitation services from MIDA, various tax incentives, and/or customs duty exemptions.

For more information on Regional Operations policies, please read MALAYSIA: INVESTMENT IN THE SERVICES SECTOR Booklet 2: Regional Operations.

8.2 Research and Development (R&D)

Companies that perform R&D services in Malaysia may be eligible for facilitation services from MIDA, financial assistance from the Government, various tax incentives, and/or customs duty exemptions.

For more information on R&D policies, please read MALAYSIA: INVESTMENT IN THE SERVICES SECTOR Booklet 3 Research and Development (R&D) Services.

8.3 Oil and Gas (O&G) Services

Companies that perform O&G services in Malaysia may be eligible for facilitation services from MIDA, and/or various tax incentives.

For more information on O&G policies, please read Malaysia Tax Incentives: Compilation and Guide for Oil and Gas Services and Equipment (OGSE) Sector and Malaysia's Oil and Gas.

8.4 Hospitality Services

Companies in the hospitality industry in Malaysia may be eligible for facilitation services from MIDA, financial assistance from the Government and/or various tax incentives.

For more information on Hospitality policies, please read MALAYSIA: INVESTMENT IN THE SERVICES SECTOR Booklet 9: Tourism and Travel Related Services.

8.5 Education and Industrial Training Services

Companies that provide education and industrial training services in Malaysia may be eligible for facilitation services from MIDA, various tax incentives, and/or customs duty exemptions.

For more information on Education and Industrial Training policies, please read MALAYSIA: INVESTMENT IN THE SERVICES SECTOR Booklet 10: Education and Industrial Training Services.

8.6 Medical and Health Care Services

Companies in the medical and health care industry in Malaysia may be eligible for facilitation services from MIDA, and/or various tax incentives.

For more information on Medical and Health Care Services policies, please read MALAYSIA: INVESTMENT IN THE SERVICES SECTOR Booklet 15: Medical and Health Care Services.

8.7 Logistics and Supply Chain Services

Companies in the logistics and supply chain industry in Malaysia may be eligible for facilitation services from MIDA, various tax incentives, and/or customs duty exemptions.

For more information on Logistics and Supply Chain policies, please read MALAYSIA: INVESTMENT IN THE SERVICES SECTOR Booklet 4: Logistics Services.

8.8 Environmental Management

Companies that provide environmental management services in Malaysia may be eligible for facilitation services from MIDA, various tax incentives, and/or customs duty exemptions.

For more information on Environmental Management policies, please read MALAYSIA: INVESTMENT IN THE SERVICES SECTOR Booklet 7: Environmental Management Services and Malaysia's Green Technology.

8.9 Incentive for IP Development

Companies that own the rights of qualifying IP assets and are receiving income from qualifying IP activities are eligible for full income tax exemption on qualifying IP income for a period of up to 10 years, subject to the guidelines on Modified Nexus Approach to ensure that only income derived from IP developed in Malaysia is eligible for the incentive.

Where

- 'Qualifying IP assets' refers to patents or utility innovations under the Patents Act, 1983 [Act 291] or the equivalent law of any country or territory; copyrighted software under the Copyright Act 1987; or family qualifying IPs (two or more qualifying IPRs that are inter-linked in such a way that it is not possible to identify either which part of any expenditure incurred in the R&D resulting in the creation of those rights is incurred solely in the creation of a particular right, or which part of any income derived using those rights is derived solely from using a particular right).
- 'Qualifying IP income' refers to royalties and licensing fees.

Companies currently enjoying incentives under Section 34A/34B of the Income Tax Act are not eligible for this incentive.

Applications should be submitted to MIDA online via the InvestMalaysia portal. For more information, visit the Forms and Guidelines section on MIDA's website.

This incentive expires on 31 December 2022, and applications should be submitted to (and received by) MIDA on or before this date.

8.10 Digital Services

Companies in the digital services industry in Malaysia may be eligible for facilitation services from MIDA and MDEC via the Malaysia, Heart of Digital ASEAN (MHODA) portal. The portal was set up under the auspices of the Digital Investment Office (DIO) to coordinate, assess and evaluate digital investment projects, thus ensuring a quicker and more streamlined process for digital investment applications. Through this platform, investors can submit their investment interest through a single-entry point, easing entry and facilitation and enabling quality digital investment opportunities in line with the goals of MyDIGITAL.

MHODA is available at
www.heartofdigitalasean.my.

For more information on Digital Services policies, please visit mdec.my/dio/

8.11 Other Service Industries

In addition to the above, MIDA has also prepared booklets on other industries in the services sector to assist companies intending to undertake activities in those industries:

Specialised Technical Support Services
Booklet 5

Information and Communication Technology Services
Booklet 6

Distributive Trade Services
Booklet 8

Legal Services
Booklet 11

Accounting, Auditing and Taxation Services
Booklet 12

Architectural Consultancy Services
Booklet 13

Surveying Consultancy Services
Booklet 14

Management Consultancy Services
Booklet 17

Market Research Services
Booklet 18

Advertising Services
Booklet 19

All of these booklets are available at MIDA's website:
www.mida.gov.my/publications/malaysia-investment-in-the-services-sector/

Other publications are also available at MIDA's website:
www.mida.gov.my/publications/

CHAPTER

III

OPTIMISING YOUR BUSINESS TAX OBLIGATIONS IN MALAYSIA

OPTIMISING YOUR BUSINESS TAX OBLIGATIONS IN MALAYSIA

Like all other countries in the world, Malaysia has to balance between attracting investments into the country and obtaining sufficient tax revenue to fund necessary Government expenditures. By understanding how income is taxed in Malaysia, as well as the various deductions and allowances provided under the law, you can ensure that you pay the appropriate amount of tax you are legally required to.

1. TAXATION IN MALAYSIA

Income of any person – including a company – accruing in or derived from Malaysia, or received in Malaysia from outside Malaysia, is subject to income tax.

However, income received in Malaysia by any person (other than a resident company carrying on the business of banking, insurance, or sea or air transport) for a year of assessment (YA), which is derived from sources outside Malaysia, is exempted from tax.

In an effort to modernise and streamline the tax administration system, the self-assessment system was implemented for companies, sole proprietors, partnerships, cooperatives, and salaried groups, and the assessment of income tax is based on a current-year basis.

2. CLASSES OF INCOME ON WHICH TAX IS CHARGEABLE

The income on which tax is chargeable is income in respect of:

- ❖ gains or profits from a business, for whatever period of time carried on;
- ❖ gains or profits from employment (salaries, remunerations, etc.);
- ❖ dividends, interests, or discounts;
- ❖ rents, royalties, or premium;
- ❖ pensions, annuities, or other periodical payments;
- ❖ other gains or profits of an income nature.

3. COMPANY TAX

3.1 Resident status

A company is deemed tax-resident in Malaysia if its business management and control are exercised in Malaysia. Management and control are normally considered to be exercised at the place where the directors' meetings concerning management and control of the company are held.

3.2 Income Tax Rates

Effective from YA 2016, the corporate tax rate is 24%. This rate is also applicable to the following entities:

- ❖ a trust body;
- ❖ an executor of an estate of an individual who was domiciled outside Malaysia at the time of his death;
- ❖ a receiver appointed by the court; and
- ❖ a limited liability partnership (LLP).

Resident companies and LLPs with paid-up capital/capital contribution of RM2.5 million or less at the beginning of the basis period for a YA, and with annual sales of not more than RM50 million, will be taxed at the following rates:

On the first RM600,000 chargeable income	-	17%
On subsequent chargeable income	-	24%

A person carrying on petroleum upstream operations is subject to a Petroleum Income Tax of 38%.

3.3 Collection of tax

An estimate of a company's tax payable (CP204) for a YA must be furnished to the Director General of Inland Revenue (DGIR) not later than 30 days before the beginning of the basis period, except for the following:

- A newly-established company with a paid-up capital of RM2.5 million and less (SME) is exempted from this requirement for 2 years, beginning from the YA in which the company commences operation, subject to certain conditions.
- A company commencing operations in a YA is not required to furnish an estimate of tax payable or make instalment payments if the basis period for the YA in which the company commences operations is less than 6 months.

The estimate of the tax payable is generally payable in 12 equal monthly instalments, beginning from the 2nd month of the company's basis period.

The balance of the tax payable is due to be paid on or before the due date for submission of the company's Return Form.

3.4 Tax Deductions

In general, the adjusted income is ascertained by deducting from the gross income all outflows and expenses wholly and exclusively incurred in the production of gross income.

Payment of zakat perniagaan is allowed as a deduction in ascertaining the total income of a company. However, the amount deducted shall not exceed 2.5% of its aggregate income in the relevant YA.

Other deductions allowed for contributions includes:

- ✓ the Government, State Government, local authorities; or
- ✓ institutions or organisations approved by the Director General of Inland Revenue Board Malaysia (DGIR); or
- ✓ sports activities approved by the Minister of Finance or Commissioner of Sports; or
- ✓ projects of national interest approved by the Minister of Finance.

4. PERSONAL INCOME TAX

4.1 Resident status

An individual's tax-resident status is determined by the duration of his stay in Malaysia as stipulated under Section 7 of the Income Tax Act 1967. Generally, an individual who is in Malaysia for at least 182 days in a calendar year is regarded as a tax resident.

4.2 Rates of tax for Resident Individual

A resident individual is taxed on his chargeable income after deducting personal reliefs at a scaled rate from 0% to 30% with effect from YA 2020.

4.2.1 Personal Relief

The chargeable income of resident individuals is computed by deducting personal reliefs from the total income. The types of relief available are as follows:

No.	Individual Relief Types	YA 2021 (RM)
1.	Self and Dependent	9,000
2.	Medical treatment, special needs or carer expenses for parents	8,000 (Limited)
3.	Purchase of basic supporting equipment for disabled individual, spouse, children, or parents	6,000 (Limited)
4.	Disabled Individual	6,000
5.	Education Fees	7,000 (Limited)
6.	Medical expenses for individual, spouse, and children on treatment for serious diseases and fertility treatment on individual or spouse (including up to RM1,000 for a complete medical examination and up to RM1,000 for vaccination)	8,000(Limited)
7.	Lifestyle: ✓ Purchase or subscription of books, journals, magazines, publications, and electronic newspapers; ✓ Purchase of personal computers, smartphones, or tablets; ✓ Purchase of sport equipment for sport activities; and ✓ Subscription fees for broadband Internet registered in the name of the individual	2,500 (Limited)
8	Net saving in SSPN's scheme (until YA 2022)	8,000 (Limited)
9	Husband/Wife/Alimony Payments	4,000 (Limited)
10	Disabled Wife/Husband	5,000
11	Ordinary Child relief	2,000 (Limited)
12	Each unmarried child of 18 years old and above who is receiving full-time education (A-Level, certificate, matriculation, or preparatory courses).	2,000 (Limited)

13	Each unmarried child of 18 years old and above that is: ❖ receiving further education in Malaysia in respect of an award of diploma or higher (excluding matriculation/ preparatory courses). ❖ receiving further education outside Malaysia in respect of an award of degree or its equivalent (including Masters or Doctorate). The instruction and educational establishment shall be approved by the relevant Government authority.	8,000 (Limited)
14	Disabled child Additional exemption of RM 8,000 for each disabled child aged 18 years old and above, not married, and pursuing diplomas or higher qualification in Malaysia, or a bachelor degree or higher outside Malaysia in a Higher Education Institute that is accredited by related Government authorities	6,000 (Limited)
15	Life insurance and EPF	Life Insurance : 3,000 (Limited) EPF : 4,000 (Limited) Civil Servants who have opted for pension retirement scheme: 7,000 (Limited)
16	Contribution for Private Retirement Scheme approved by Securities Commission and deferred annuity	3,000 (Limited)
17	Insurance premium for education or medical benefit	3,000 (Limited)
18	Contribution for Social Security Organisation (SOCSO)	250 (Limited)
19	Purchase of breastfeeding equipment	1,000 (Limited)
20	Fees paid to child care centres and kindergartens	3,000 (Limited)
21	Purchase of sports equipment, rental/entry fees for sports facilities and registration fees in sports competition	500 (Limited)
22	Domestic travelling expenses (until YA 2021) (amount expended between 1.3.2020 and 31.12.2021)	1,000 (Limited)

4.2.2 Tax Rebate

The tax imposed on a resident individual is reduced by way of the following rebates:

- Income Tax Rebates for Resident Individual With Chargeable Income Less Than RM35,000

An individual with a chargeable income not exceeding RM35,000 enjoys a rebate of RM400. Where the spouse is not working or the spouse's income is jointly assessed, that individual also enjoys a further rebate of RM400.

No.	Tax Rebate	RM
a	Separate Assessment Wife Husband	 400 400
b	Combined Assessment Wife Husband	 400 400
	Total	800
c	Assessment Where Husband Or Wife Does Not Have Any Total Income Wife Husband	 400 400
	Total	800

- Other Tax Rebates

No.	Tax Rebate	(RM)
a	Zakat/Fitrah	Subject to the maximum of tax charged
b	Departure levy paid for performing umrah and pilgrimage to holy places (twice in a life time)	Actual amount expended

4.3 Non-Resident Individual

Effective from YA 2020, a non-resident individual is liable to tax at the rate of 30% without any personal relief.

5. WITHHOLDING TAX

Non-resident individuals are subject to a withholding tax of:

10% on special classes of income such as:

a. in consideration of services rendered by the person or his employee in connection with the use of property or rights, installation of or operation of any plant, machinery, or other apparatus;

b. in consideration of any advice given, or assistance or services rendered in connection with the management or administration of any scientific, industrial, or commercial undertaking, venture, project, or scheme;

c. rent or other payments made under any agreement or arrangement for the use of any moveable property.

Withholding tax will not be applicable for income received in respect of the services (a) and (b) rendered or performed outside Malaysia.

Effective from 1 January 2009, to reduce the cost of technical services provided by non-residents, reimbursements or disbursement relating to hotel accommodation in Malaysia will not be included in the computation of gross technical fees for the purpose of withholding tax.

In the case of withholding tax not paid, a penalty of 10% is imposed only on the amount of unpaid tax and not on the total payment made to a non-resident.

6. REAL PROPERTY GAINS TAX

Capital gains are not subject to income tax in Malaysia. However, real property gains tax (RPGT) is charged on chargeable gains arising from the disposal of chargeable assets situated in Malaysia such as houses, commercial buildings, farms, and vacant land. Chargeable assets include any 'land' situated in Malaysia and any interest, option, or other right in or over such land, as well as the disposal of shares in real property companies.

Effective from 1 January 2021, gains from the disposal of chargeable assets are taxed between 5% and 30% depending on the holding period of real properties as follows:

Disposal.	RPGT Rates		
	Part I	Part II	Part III
	Other than Part II and Part III. (Example: Individual)	Company Incorporated in Malaysia or trustee of a trust or society registered under the Societies Act 1966	Not a Citizen and Not a Permanent Resident or an executor of the estate of a deceased person who is not a citizen and not a permanent resident or a company not incorporated in Malaysia
Within 3 Years	30%	30%	30%
In The 4th Year	20%	20%	30%
In The 5th Year	15%	15%	30%
In The 6th & Subsequent Years	5%	10%	10%

Generally, RPGT is charged on chargeable gains after deducting permitted expenses. Aside from that, there are some tax privileges granted as follows:

- A once-in-a-lifetime tax exemption of one private residence disposed by an individual who is a citizen or a permanent resident.
- An exemption of RM10,000 or 10% of the chargeable gain (whichever is greater) on the disposal of chargeable assets by an individual.
- No gain and/or loss for the disposal of a chargeable asset by way of a gift between husband and wife, parent and child, or grandparent and grandchild, provided that the donor is a citizen.

For further information on company and individual tax, visit www.hasil.gov.my

7. SALES AND SERVICE TAX

Effective from 1 September 2018, the Sales Tax Act 2018 and the Service Tax Act 2018, together with their respective subsidiary legislations, are introduced to replace the Goods and Services Tax (GST) Act 2014.

7.1 Sales Tax

Under the Sales Tax Act 2018, sales tax is charged and levied on imported and locally-manufactured goods either at the time of importation, or at the time the goods are sold or otherwise disposed of by the registered manufacturer.

Sales tax as administered in Malaysia is a single stage tax imposed on the finished goods manufactured in Malaysia and goods imported into Malaysia.

Sales tax is imposed on taxable goods manufactured in Malaysia by any registered manufacturer at the time the goods are sold, disposed of other than by sales, or used other than as a material in the manufacture of goods.

Sales tax on imported goods is charged when the goods have been declared, any duty paid, and released from Customs control.

Manufacturers who manufacture taxable goods with a sales value exceeding RM500,000 within the period of 12 months are required to be registered pursuant to Section 12 Sales Tax Act 2018.

Manufacturers who manufacture taxable goods with a sales value of RM500,000 and below have the option to be registered on a voluntary basis under Section 14 of the Sales Tax Act 2018 to enable them to enjoy the facilities given under the Act.

Manufacturers who carry out business as subcontractors, and where the total labour charge of the subcontracted work exceeds RM500,000 within 12 months, are required to be registered pursuant to Section 12 of the Sales Tax Act 2018.

7.1.1 Rates of Sales Tax

Sales tax is an ad valorem tax and different rates apply (5% and 10%) based on the grouping of the taxable goods as indicated in the provision.

Sales tax for petroleum is charged at a specific rate that is different from other taxable goods.

7.2 Service Tax

Service tax in Malaysia is a form of indirect single stage tax imposed on specified services termed as "taxable services". The service tax cannot be levied on any service which is not included in the list of taxable services prescribed by the Minister under the First Schedule of Service Tax Regulations 2018.

The Service Tax Act 2018 (STA 2018) applies throughout Malaysia excluding designated areas, free zones, licensed warehouses, licensed manufacturing warehouses (LMWs), and Joint Development Areas (JDAs).

7.2.1 Taxable Service

Taxable services are any services which are listed in the various categories in the First Schedule of Service Tax Regulations 2018. Any taxable person providing taxable services and exceeding the respective thresholds is required to be registered. The categories are accommodation, food and beverage operator, night-clubs, dance halls, health and wellness centres, private clubs, golf clubs and golf driving ranges, betting and gaming services, professional services, and other service providers such as insurance, telecommunications, parking operators, advertising etc.

7.2.2 Charge to Tax

Service tax is charged on any provision of taxable services provided in Malaysia by a registered person in carrying on his business.

The service tax is due and payable when payment is received for any taxable service provided to a customer by the registered person.

7.2.3 Rate of Service Tax

The rate of service tax is fixed under the Service Tax (Rate of Tax) Order 2018 and came into force on 1 September 2018. The rate of service tax is 6% of the price or premium for insurance policy, value of betting and gaming etc. of the taxable service as determined under Section 9 of STA 2018.

7.2.4 Rate of Service Tax for Credit and Charge Cards

The rate of service tax on the provision of credit card or charge card services is RM25 per year on principal and supplementary cards alike. The service tax is chargeable on the date of the issuance of the card and every 12 months thereafter or part thereof after the issuance of the card, or on the date of the renewal of the card and every 12 months thereafter or part thereof after the renewal of the card.

For more information, please visit mysst.customs.gov.my.

8. IMPORT DUTY

In Malaysia, import duty is mostly imposed ad valorem although specific duties are also imposed on several items. Nevertheless, in line with trade liberalisation, import duties on a wide range of goods have been reduced or abolished.

Furthermore, Malaysia is committed to the ASEAN Trade in Goods Agreement (ATIGA), under which import duties on more than 99% of goods traded within ASEAN have been effectively eliminated on 1 January 2010.

Malaysia continues to participate in negotiations of free trade arrangements in areas of trade in goods, rules of origin, and investments. To date, Malaysia has concluded bilateral free trade agreements with Japan, Pakistan, New Zealand and India, Chile and Australia, and also regional agreements under ASEAN with PRC, Japan, Republic of Korea, Australia/New Zealand, Hong Kong SAR, and India. Under these agreements, import duties will be reduced or eliminated according to the agreed schedules.

The Regional Comprehensive Economic Partnership (RCEP), which was launched in November 2012, was signed on 15 November 2020 by 10 ASEAN Member States (AMS) and five ASEAN FTA Partners (Australia, PRC, Japan, Republic of Korea, and New Zealand).

Currently, AMS and AFP are working towards ratifying the RCEP, which is expected to enter into force by the 4th quarter of 2022. The Agreement stipulates that at least six AMS and three AFPs would have to ratify the Agreement for it to enter into force.

9. EXCISE DUTY

Excise duties are levied on selected products manufactured in or imported into Malaysia; namely, cigarettes, tobacco products, alcoholic beverages, playing cards, mah-jong tiles, and motor vehicles. While excise duties are charged at ad valorem rates for motor vehicles, playing cards, and mah-jong tiles, they are imposed at a combination of specific and ad valorem rates for cigarettes, tobacco products, and alcoholic beverages.

The Government has implemented an excise duty on sugary beverages effective from 1 July 2019 as per the following schedule: -

Tariff No.	Category	Total Sugar	Excise Duty	Example
2009	Fruit Juices, Vegetable Juices	>12 gram/ 100m	RM0.40/ litre	Orange Juice, Lime Juice
2202	a) Carbonated drinks, non-alcoholic beverages other than beverages based on milk	>5 gram/ 100m	RM0.40/ litre	Cola drinks, Isotonic drinks, Carbonated drinks
2202	b) Beverages based on milk	>7 gram/ 100m	RM0.40/ litre	Chocolate-flavoured milk drink

Effective 1 January 2021, the Government has implemented an excise duty on electronic cigarettes, vapes, and smoking devices as per the following schedule:

Tariff No.	Category	Excise Duty	Example
3824.99.9910	Preparation used for smoking through electronic and vaporising device, in the form of liquid or gel, not containing nicotine	RM 0.40 per millilitre	Vape liquid
8573.70.9010	Electronic cigarettes and similar personal electric vaporising devices	10%	e-cigarette devices, vaping devices
9614.00.9010	Smoking pipes (including pipe bowls)	10%	Smoking Pipes

For more details on excisable goods and the duty rate, please refer to the Excise Duties Order 2017.

10. DOUBLE TAXATION AGREEMENT

A Double Taxation Agreement (DTA) is an agreement between two countries seeking to avoid double taxation, by defining the taxing rights of each country with regards to cross-border flows of income and providing for tax credits or exemptions to eliminate double taxation.

The objectives of Malaysian DTA are as follows:

- ✓ to create a favourable climate for both inbound and outbound investments;
- ✓ to make Malaysia's special tax incentives fully effective for taxpayers of capital-exporting countries;
- ✓ to obtain a more effective relief from double taxation compared to relief gained under unilateral measures; and
- ✓ to prevent evasion and avoidance of tax.

Like many other countries in the developed as well as the developing world, Malaysia too cannot absolve herself from the need to facilitate her trade and investments with the outside world through an international tax treaty network with other countries. The increased pace of industrialisation, coupled with increased foreign direct investment in the country, necessitated tax treaty arrangements with other countries to provide investors with certainty and guarantees in the area of taxation. As at 31 January 2019, Malaysia's effective DTAs are with the following countries:

Countries

Albania	France	Mauritius	Slovak Republic
Argentina*	Germany	Mongolia	South Africa
Australia	Hong Kong	Morocco	Spain
Austria	Hungary	Myanmar	Sri Lanka
Bahrain	India	Namibia	Sudan
Bangladesh	Indonesia	Netherlands	Sweden
Belgium	Iran	New Zealand	Switzerland
Bosnia Herzegovina	Ireland	Norway	Syria
Brunei	Italy	Pakistan	Thailand
Cambodia	Japan	Papua New Guinea	Turkey
Canada	Jordan	Philippines	Turkmenistan
China	Kazakhstan	Poland	United Arab Emirates
Chile	Korea	Qatar	United Kingdom
Croatia	Kuwait	Romania	United States of America*
Czech Republic	Kyrgyz, Republic	Russia	Uzbekistan
Denmark	Laos	San Marino	Vietnam
Egypt	Lebanon	Saudi Arabia	Venezuela
Fiji	Luxembourg	Seychelles	Zimbabwe
Finland	Malta	Singapore	

** Limited Agreement*

In the case of Taiwan [represented by the Taipei Economic and Cultural Office in Malaysia (TECO)] double taxation relief is given by way of the following Income Tax Exemption Order:

- P.U.(A) 201 (1998)
- P.U.(A) 202 (1998)

For detailed information on taxation in Malaysia, please visit www.hasil.gov.my or email lhdn_int@hasil.gov.my

CHAPTER

IV ENTERING AND WORKING IN MALAYSIA

ENTERING AND WORKING IN MALAYSIA

Malaysia welcomes business visitors and expatriate workers to her shores, as they contribute meaningfully to the country's economy and enriches her multicultural make-up. A variety of visas and travel passes for both short-term stay and long-term employment can be applied for, depending on specific needs and circumstances. The expatriate community in Malaysia is a vibrant one, adding to the nation's diverse, inclusive society.

1. ENTRY REQUIREMENTS INTO MALAYSIA

1.1 Passport or Travel Document

All persons entering Malaysia must possess valid passports or other internationally recognised travel documents valid for travelling to Malaysia. These documents must be valid for at least 6 months from the date of entry into Malaysia.

Those with passports not recognised by Malaysia must apply for a document in lieu of the passport, as well as a visa issued by the Malaysian Representative Office abroad. Applications for visas can be made at the nearest Malaysian Representative Office in the respective countries.

1.2 Visa Requirement

A visa is an endorsement in a foreigner's passport or other recognised travel document indicating that the holder has applied for permission to enter Malaysia, and that permission has been granted.

Foreign nationals who require a visa to enter Malaysia must apply and obtain a visa in advance at any Malaysian Representative Office abroad before entering the country.

Nationals of the following countries are required to obtain visas to enter Malaysia:

• Afghanistan *	• Hong Kong SAR (Certificate of Identity or Document of Identity)
• Angola	• India
• Bangladesh	• Ivory Coast
• Bhutan	• Kosovo
• Burkina Faso	• Liberia
• Burundi	• Mali
• Cameroon	• Mozambique
• Central African Republic	• Myanmar
• People's Republic of China	• Nepal
• Colombia	• Nigeria
• Congo Democratic Republic	• Niger
• Congo Republic	• Pakistan
• Cote D'Ivoire	• Rwanda
• Djibouti	• Serbia
• Equatorial Guinea	• Montenegro
• Eritrea	• Sri Lanka
• Ethiopia	• United Nations (Laissez Passer)
• Ghana	• Western Sahara
• Guinea-Bissau	

For nationals of Israel and North Korea, prior permission must be obtained from Malaysia's Ministry of Home Affairs.

Nationals from other countries other than those stated above (except Israel and North Korea), are allowed to enter Malaysia without visa for social or business visits only.

Note:
** Visa With Reference i.e. with the approval of Malaysia's Immigration Department is required.*

1.3 Pass Requirements

Other than application for entry for the purpose of social or business visits, application for passes must be made before the arrival in the country.

A pass is an endorsement in the passport constituting permission to stay for an approved duration. Foreigners who visit Malaysia must obtain the pass at the point of entry, which allows them to stay temporarily in Malaysia.

All such applications must have sponsorship in Malaysia, whereby the sponsors agree to be responsible for the maintenance and repatriation of the visitors from Malaysia if necessary.

Passes given to foreign visitors upon arrival are as follows:

1.3.1 Visit Pass (Social) Short Term

A Visit Pass is issued to foreigners for the purpose of a social or/and business visit, such as:

- Owners and company representatives entering Malaysia to attend a company meeting, conference, or seminar, to inspect the company's accounts, or to ensure the smooth running of the company.
- Investors or businessmen entering to explore business and investment opportunities, or setting up manufacturing plants.
- Foreign representatives of companies entering to introduce goods for manufacture in Malaysia, but not to engage in direct selling or distribution.
- Property owners entering to negotiate, sell, or lease properties.
- Foreign journalists or reporters from mass media agencies entering to cover any event in Malaysia (prior approval from Malaysia Ministry of Home Affairs is required).
- Participants in sporting events.
- Students sitting for examinations in a local university or on goodwill missions.
- Visitor entering on other activities than above as approved by the Director General of Immigration.

These passes cannot be used for employment, or for supervising the installation of new machinery or the construction of a factory.

1.3.2 Visit Pass (Social) Long Term

A long-term social visit pass may be issued to a foreigner for temporary stay in Malaysia under specific categories; e.g. spouses or children of Malaysians. Extensions will be given based on visitors' eligibility and upon fulfilling certain conditions.

Foreign spouses to Malaysians holding a long-term social visit pass are allowed to be engaged on any form of paid employment, or in any business or professional occupation, without converting their Social Visit Pass status to an Employment Pass or Visit Pass (Temporary Employment), but subject to permission from the Immigration Department of Malaysia. Permission to work will be endorsed upon approval.

1.3.3 Visit Pass (Temporary Employment)

This is issued to foreigners who enter the country to take up employment for fewer than 24 months.

1.3.4 Employment Pass

This is issued to foreigners who enter the country to take up employment for a minimum period of 2 years. The employment pass is issued after the applicant has obtained the approval for an expatriate post from the relevant authorised agencies.

1.3.5 Professional Visit Pass (PVP)

This is issued to foreigners for the purpose of engaging on short-term contract with any agency.

The Professional Visit Pass (PVP) is given to expatriates who wish to work and carry out special (Professional) work for a short time in Malaysia, with their salaries paid by overseas employers. This pass is also given to students or overseas workers who wish to undergo practical training in Malaysia.

The pass approval period may not exceed 12 months.

The categories of foreigners who are eligible are:

Professionals	• Expertise transfer; • Research • Training etc. • esd.imi.gov.my
Artistes	• Those entering for filming or performance; those entering for promotion of albums or new products; etc. • epuspal.kkmm.gov.my
Missionaries (Islam or other religions)	• Those entering for religious purposes • Visa, Pass and Permit Division, Immigration Department of Putrajaya

The validity of the pass varies, but it does not exceed 12 months at any one time.

Applications should be made by the agency concerned.

1.3.6 Dependant Pass

This facility is accorded to families of expatriate officials. The Dependant Pass is issued to legal spouses and children (biological, stepchild, legally adopted) below 18 years old of the Employment Pass holders.

The Social Visit Pass (Long Term) is issued to children (biological, stepchild, legally adopted) above 18 years old, parents, parents-in-law, and common-law spouse of the Employment Pass holders.

This pass may be applied together with the application for an Employment Pass or after the Employment Pass is issued.

The Visit Pass (Temporary Employment) is provided for foreign maid Employment Pass holders.

1.3.7 Student's Pass

A Student's Pass is issued to a foreigner who wishes to study in Malaysia in any educational institution whose courses have been approved by Malaysia's Ministry of Higher Education/ Ministry of Education, and the intake of the foreign student has the approval from Malaysia's Ministry of Home Affairs.

For further information, please visit educationmalaysia.gov.my.

2. EMPLOYMENT OF EXPATRIATE PERSONNEL

The Malaysian Government aspires for all Malaysians to be eventually trained and employed at all levels of employment. Thus, companies are encouraged to train more Malaysians so that the employment pattern at all levels of the organisation reflects the multi-racial composition of the country.

Notwithstanding this, where there is a shortage of trained Malaysians, companies are allowed to bring in expatriate personnel via the 'key posts' or 'term posts'. Key posts are posts that are permanently filled by foreigners, while term posts are positions filled within a specified period.

2.1 Types of Expatriate Posts

Expatriates are foreigners who are qualified to fulfil the following positions:

2.1.1 Key Posts

These are high-level managerial posts in foreign-owned private companies and firms operating in Malaysia. Key posts are critical posts for companies to safeguard their interests and investments. The expatriates are responsible for determining the company's policies in achieving its goal and objectives.

2.1.2 Term Posts

a. Executive Posts

These are intermediate-level managerial and professional posts. The posts require professional qualifications, practical experience, skills, and expertise related to the respective jobs. The expatriates are responsible in implementing the company's policies and supervision of staff.

b. Non-Executive Posts

These are posts for the performance of technical jobs that require specific technical or practical skills and experience.

2.2 Guidelines on the Employment of Expatriate Personnel

There are two stages in the employment of expatriates:

❖ Application for an expatriate post from relevant authorised bodies determined by the nature of the business.

❖ Upon approval of the expatriate posts by the respective approving bodies, the company must submit an application to the Immigration Department for endorsement of the employment pass.

a. Companies undertaking Manufacturing Activities, R&D Activities, and Medical Devices Testing Laboratories; and applying Tax Incentives under MIDA's Purview.

Companies that are undertaking manufacturing activities or R&D activities, and Medical Devices Testing Laboratories, and are applying for the tax incentives under MIDA's purview, are eligible to be considered for expatriate posts with minimum paid-up capital requirements as follows:

- 100% Malaysian-owned company: RM250,000
- Jointly-owned by foreigners and Malaysians: RM350,000
- 100% foreign-owned company: RM500,000

The approval of key posts will be subjected to the condition that the company must be incorporated in Malaysia, and must deposit its foreign paid-up capital of at least RM1,000,000. However; the number of key posts cannot be linked directly with the foreign paid-up capital.

The approval for the term posts is subject to the following conditions:

✓ Minimum basic salary of at least RM5,000;

✓ Minimum academic qualification and minimum experience;

Academic Qualification Requirements:-

Manufacturing company: -

- Degree with at least 3 years' experience in the relevant field; and/or

- Diploma with at least 5 years' experience in the relevant field; and/or

- Technical Certification with at least 10 years' experience in the relevant field; or academic qualifications/experience proposed by companies, whichever is higher.

Contract R&D Company, R&D Company and in-house R&D company:-

- Degree with at least 3 years' experience in the relevant field; and/or

- Diploma with at least 5 years' experience in the relevant field; or academic qualifications/experience proposed by companies, whichever is higher.

The number of expatriate posts will be considered based on the merits of each case. However, a wholly- and majority-foreign-owned contract R&D Company, R&D Company, and in-house R&D Company, will be subjected to the maximum number of expatriate posts of 50% of total R&D personnel, i.e. in the ratio of one expatriate to one Malaysian R&D personnel. The duration of term post can be considered for a maximum of 5 years.

Applications should be submitted to MIDA.

b. Operational Headquarters (OHQs), Regional Development Corporations (RDCs), International Procurement Centres (IPCs), and Principal Hubs

The applications for expatriate posts for OHQs, RDCs, IPCs, and Principal Hubs can be considered based on the criteria as follows:

❖ OHQs, RDCs, IPCs can be considered with a minimum paid-up capital of RM500,000;

❖ Principal Hubs can be considered with a minimum paid-up capital of RM2.5 million.

The number of expatriate posts will be considered based on the company's requirements, and the duration of term posts is for a maximum of 5 years.

The approval of expatriate posts for OHQs, RDCs, IPCs, and Principal Hubs is subject to the following conditions:

✓ Minimum basic salary of at least RM5,000 for expatriate posts.

✓ Degree with at least 5 years' experience in the relevant field; or academic qualifications/experience proposed by companies, whichever is higher.

✓ For Malaysian-owned OHQs, RDCs, IPCs, companies can be considered for key posts subject to a minimum paid-up capital of at least RM500,000.

Applications should be submitted to MIDA.

c. Regional Establishments (REs)/Regional Office(ROs)

The applications for expatriate posts (term posts) for REs/ROs can be considered based on the following criteria:

✓ Minimum operating expenditure of at least RM300,000 per annum.

✓ Minimum basic salary of at least RM5,000 for expatriate posts.

Nevertheless, upon approval, the operating expenditure and basic salary will be imposed as proposed by the RE/RO.

The number of term posts will be considered based on the merits of each case. The duration for the term post approval will be in line with the duration of the RE/RO status approval given by MIDA.

Application for expatriate posts of the RE/RO should be submitted to MIDA.

d. Agriculture – including horticulture and floriculture

The applications for expatriate posts for new companies (without incentives) and existing companies in the fisheries, livestock, and agriculture industries should be submitted to MIDA.

The approval of expatriate posts will be considered subject to similar guidelines and conditions stipulated for the manufacturing sector.

3. APPLYING FOR EXPATRIATE POSTS

All applications for expatriate posts from new and existing companies (including those not involving expansion or diversification) in the manufacturing and related service sectors should be submitted to MIDA. This includes companies required to obtain manufacturing licences as well as companies exempted from manufacturing licences.

Effective 1 January 2021, employers who intend to employ expatriates are required to advertise job vacancies for a minimum of 30 days on the MYFutureJobs portal under the purview of the Ministry of Human Resources before applying for expatriate posts to MIDA.

3.1 MyFutureJobs

To ensure Malaysians are given priority in hiring by both private and public sectors, the Ministry of Human Resources (MOHR) has announced new initiatives based on a Cabinet decision on 4 June 2020, where they are required to advertise each vacancy in MyFutureJobs for a minimum of 30 days.

In view of the importance of foreign investment into the country, exemptions from advertising job vacancies are allowed for the following categories:

a. Important positions

For (C-Suite & Key Posts) or expatriate(s) with monthly income of RM15,000 and above.

b. (RE/RO)

The RE/RO of overseas organisations/companies in the manufacturing and services sectors that are established in Malaysia to carry out activities for the company/organisation headquarters. The RE/RO are not involved in any commercial activities. For operational RE/RO, the company is not required to be registered under the Companies Act 1965. The approval/confirmation letter from MIDA is required for applications to employ expatriates under this category.

c. Investors/Shareholders/Owners

Investors are individuals who invest funds in Malaysia to achieve returns on investments and are directly involved in the company's operations.

Shareholders, meanwhile, must hold at least 30% equity shares and appointed as the company's Directors and/or hold positions of interest in the company.

d. Corporate Transfers/ Placements / Trade Agreements

Expatriates are assigned by the parent company to work in a branch company in Malaysia or group of companies for the purpose of training or knowledge/experience sharing between companies, and to meet the needs of the company's workforce.

e. International Organisations

Organisations subject to the International Organization Act (Privileges and Immunities) (Act 485) may appoint Foreign Recruited Staff (FRS) from foreign nationals.

Vacancies for specialised skilled positions are not automatically excluded from being advertised on MYFutureJobs. Specialised skilled positions include specific and unique skills as well as strategic competencies to carry out tasks stipulated by the company. The company may apply for consideration from the Social Security Organisation (SOCSO) to be exempted from advertising on the MYFutureJobs portal.

The company must complete the PDKK Form (specialised skilled Expatriates) via bit.ly/PDKKPERKESO and provide detailed justification in the PDKK Form why such positions require specialised skilled exemptions.

The company will be exempted from advertising on MYFutureJobs if the position is considered for exemption by SOCSO. If the position is found not to be a specialised skilled position, the company must advertise the vacancy for the position on MYFutureJobs for a minimum period of 30 days and conduct the interview process to source for local talents. For specialised skilled positions, the notification of the exemption status will be sent to the company via email.

For any inquiries regards to MYFutureJobs, please contact SOCSO's Customer Services Centre at 1-300-22-8000/03-8091 5300 or email papd@perkeso.gov.my

4. EMPLOYMENT OF FOREIGN WORKERS

In Malaysia, limited foreign workers can be employed in the following sectors: manufacturing, construction, plantation, agriculture, mining and quarry, services, and domestic help.

For the services sector, employment of foreign workers is only limited to six sub sectors: (restaurant, cleaning services, cargo handling, caddy in golf club (male only), wholesale/retail, and hotel/resort island).

Approval is based on the merits of each case and is subject to conditions that will be determined from time to time. Applications to employ foreign workers will only be considered when efforts to find qualified local citizens and permanent residents have failed.

An annual levy on foreign workers is imposed as follows:

Approved Sectors	Annual Levy (Peninsular) RM	Annual Levy (Sabah/ Sarawak) RM
Manufacturing	1,850	1,010
Construction	1,850	1,010
Plantation	640	590
Agricultural	640	410
Mining and quarry	1,850	1,490
Services	1,850	1,490
Services (Island resorts)	1,850	1,010
Domestic helper	410	410

All applications for foreign workers should be submitted to the One Stop Centre, Ministry of Home Affairs, except for applications for foreign domestic helpers which should be submitted to Malaysia's Immigration Department.

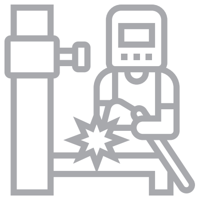
For further information on employment of foreign workers, please visit the Ministry of Home Affairs website at www.moha.gov.my

Note: The information contained above is intended only as a general guide to assist the business community in locating and navigating publicly available information. However, in view of the rapidly evolving nature of the COVID-19 situation and policy responses, the above information may be overtaken by events. Kindly seek confirmation and also refer to www.imi.gov.my for further clarification.

CHAPTER

V

RECRUITING YOUR TALENT POOL IN MALAYSIA



RECRUITING YOUR TALENT POOL IN MALAYSIA

Malaysia offers prospective investors a diligent, disciplined, educated, and trainable labour force. Malaysian youths who enter the labour market would have undergone at least 11 years of school education, i.e. up to secondary school level, and are therefore easy to be trained in new skills. In addition, 27% of the labour force has tertiary education.

To cater to the manufacturing sector's expanding demand for technically-trained workers, the Malaysian Government has taken measures to increase the number of engineers, technicians, and other skilled personnel. Emphasis is given to Technical and Vocational Education and Training (TVET), with industries being given platforms to collaborate with TVET providers to ensure the supply of graduates meets industry requirements.

In addition, Malaysia enjoys a free and competitive labour market, where the employer-employee relationship is cordial and harmonious. The Government continually reviews labour-related legislation to meet labour market requirements. Upskilling and reskilling programmes are available to ensure stable employer-employee relations.

Labour costs in Malaysia are relatively low, while productivity levels remain high in comparison with industrialised countries. Many programmes and facilitative initiatives are available for productivity improvements, including productivity-linked wage systems, automation, and skills training.

1. MANPOWER DEVELOPMENT

Currently, the Manpower Department of the Ministry of Human Resources runs 32 Skills Training Institutes; i.e. 23 Industrial Training Institutes (ITIs), eight Advanced Technology and Training Centres (ADTEC), and the Japan Malaysia Technical Institute (JMTI). The ITIs offer industrial skills training programmes at basic, intermediate, and advanced levels for pre-employment or job entry. The programmes cover five fields; namely, Mechanical, Electrical & Electronic, Printing, Building Technology, ICT, and Non Metal Technology. In addition, the Ministry also conducts programmes to upgrade the skills of the existing workforce, as well as provide training for the instructors, under the Centre for Instructors and Advanced Skills Training (CIAST).

1.1 Facilities for Training in Industrial Skills

In Malaysia, vocational colleges and technical institutes, polytechnics, and industrial training institutions prepare youths for employment in various industrial trades. While they are mostly run by government agencies, several private initiatives complement the Government's efforts to produce the skilled workers needed by industry.

Aside from the Manpower Department of the Ministry of Human Resources, other main government agencies involved in training are:

- **The Ministry of Education** (MOE) runs more than 85 vocational colleges offering technical and vocational courses. School leavers from technical institutes can either seek employment at the entry level or pursue their post-secondary education at the diploma level in Polytechnics, or the certificate level in community colleges or other training institutions under the supervision of other ministries.
- **The Ministry of Youth and Sports**, which provides basic, intermediate and advanced levels of industrial skills training through its 22 National Youth Skills Training Centres and Higher National Youth Skills Training Centres. Short-term courses and skills upgrading programmes are also being conducted.
- **Majlis Amanah Rakyat (MARA)**, or the Council of Trust for the Indigenous People under the purview of the Ministry of Rural and Regional Development, operates more than 230 skills training institutes in different parts of the country offering programmes at the basic, intermediate, advanced, and professional levels.

Tailoring Talents To Industry Needs

MIDA continues to foster partnerships between local academia, technical and vocational institutions, as well as industry captains on a regional basis, to develop industry-ready graduates. This is to ensure the ready availability of knowledge-equipped skilled talent in the right industries to meet the needs of the emerging Industry 4.0 landscape.

As part of its talent pipeline initiative, MIDA has launched a few initiatives:

➢ **Manufacturing Internship Program (Manufactship)**

In collaboration with the Ministry of Higher Education (MOHE), manufacturers and service companies will be able to choose the programmes that MOHE is currently offering, such as the Structured Internship Program (SIP), Work-Based Learning (WBL), and 2u2i (2 years in university and 2 years in industry).

As part of this effort, MOHE will assist the companies in developing an internship framework that will be integrated into the company's work environment until the student interns are hired successfully for internships.

- **One-To-One Facilitation Programme**

MIDA also provide end-to-end facilitation in supplying high levels of local talent to the industry via facilitating internship programmes. The programmes will provide an experiential learning opportunity for the students. Upon completion of the internship programmes, MIDA hopes that the students will be presented with permanent positions in their respective companies.

- **MIDA Apprenticeship Programme**

With the political support and will to push TVET as a game-changer, MIDA played a vital role to bring the national TVET agenda to the forefront. One such initiative is the MIDA Apprenticeship Programme, a collaboration between MIDA, the Federation of Malaysian Manufacturers (FMM), and MOE.

The Apprenticeship Programme is aimed at addressing the shortage of technical skills highlighted by FMM members. The programme is a fast-track effort to develop skilled vocational workers that can be directly assimilated into industry.

The programme enables students to undergo 6 months of academic study followed by another 6 months of industrial training for each year of the 2-year programme. Students would be trained up to level two or three of the Malaysian Skills Certification (MSC) through courses conducted by the vocational colleges under the purview of MOE.

- **Train-the-Trainer Programme**

A total of 23 Master Trainers from seven TVET institutions located in Johor participated in the intensive programme where these trainers were exposed to the use of the latest precision machinery and technical software, such as NX Unigraphics (UG) and CAD/CAM applications. The seven TVET institutions were as follows:

- Johor Skills Development Centre (PUSPATRI)
- Polytechnic Ibrahim Sultan (PIS)
- Industrial Training Institute (ILP) Pasir Gudang
- Industrial Training Institute (ILP) Ledang
- Higher National Youth Skills Institute (IKTBN) Pagoh
- MARA Skills Institute (IKM) Johor Bahru
- Advanced Technology Training Center (ADTEC) Batu Pahat

A series of 'Cascading Workshops' is being conducted after the Train-the-Trainer Programme, which leads to a 'multiplier effect', and empowers the trainers to transfer the new technical knowledge to other trainers. This will reduce the skills gap, moving the industry forward into high-technology areas such as medical devices and aerospace.

1.2 Human Resources Development Corporation (HRD Corp)

The Human Resource Development Corporation (HRD Corp), an agency under the purview of the Ministry of Human Resources, is governed by the Pembangunan Sumber Manusia Berhad Act 2001, and is responsible for driving Malaysia's talent development aspirations through the collection of levies from employers and the funding of training and development programmes for the Malaysian workforce.

In recent years, HRD Corp has evolved its mission to also include driving employment and industrial training placements, career coaching and counselling, and developing income-generating opportunities for Malaysians from a diverse range of skillsets, backgrounds, and capabilities.

Pembangunan Sumber Manusia Berhad Act 2001

The Pembangunan Sumber Manusia Act 2001 (Act 612) is the Act that governs the role, responsibility, function, and authority of HRD Corp. The Act maps out the provisions for the imposition and collection of the human resources development levy for the purposes of funding the training and development of employees, apprentices, and trainees; the establishment and the administration of the Fund by the Corporation; and all other related matters.

Every employer covered under the First Schedule of the Act is required to pay the human resources development levy for its employees at the rate of 1% of their monthly wages.

- Eligibility Criteria for Employer Registration

Mandatory Category (1% Levy)	Employers with 10 Malaysian Employees and above
Voluntary Category (0.5% Levy)	Employers with **five to nine** Malaysian Employees

As of 1 March 2021, the Act was expanded to cover more sectors and subsectors. The full list of sectors can be found at www.hrdcorp.gov.my.

2. LABOUR COSTS

Salary and fringe benefits for employees vary according to industry, location, and employment size. The common types of leave provided by companies include annual leave, public holidays, sick leave, hospitalisation leave, maternity leave, and compassionate leave. In some companies, additional benefits include the provision of uniforms, transport, incentive payments, shift allowances, and insurance coverage. Bonus payments are given by some companies based on the companies' performance and individual performance.

The Minimum Wages Order 2020 [P.U. (A) 5/2020] took effect on 1 February 2020. With this amendment, all employers in the private sector, irrespective of the number of employees under their employment, will have to comply with new minimum wage rates.

The minimum wage rates effective from 1 February 2020 are as follows:-

Minimum Wage Rates

Monthly	Daily		
	Number of days worked		Hourly
RM1,200	6	RM46.15	RM5.77
	5	RM55.38	
	4	RM69.23	

For more information on salaries and fringe benefits in the manufacturing sector, please visit Malaysia Employers Federation (MEF) at www.mef.org.my.

3. FACILITIES FOR RECRUITMENT

Besides registered private employment agencies, employers and job seekers can register for free through the MYFutureJobs portal (www.myfuturejobs.gov.my/) in order to seek suitable candidates and available vacancies throughout Malaysia.

4. LABOUR STANDARDS

The Department of Labour is responsible for the administration of labour laws in order to maintain industrial harmony. The labour laws stipulate the minimum requirements that must be followed by the employers to protect employee rights and benefits. Some flexibility in the operation of businesses is facilitated by applying for exemptions to the Director of Labour, Department of Labour.

4.1 Employment Act 1955

As the main legislation of the labour law framework, the Employment Act 1955 applies to all employees in Peninsular Malaysia and the Federal Territory of Labuan whose monthly wages do not exceed RM2,000, as well as all manual labourers irrespective of their wages. Employers may draw up the employment contracts, so long as these contracts do not contravene or provide less than the minimum benefits stipulated under the law. Employees have the right to make monetary claims through the Labour Court if there is argument between employers and employees regarding their benefits such as wages, overtime claims, termination benefits, maternity benefits etc. Besides that, employees who earn between RM2,001 and RM5,000 a month can also seek redress at the Labour Court regarding the terms and conditions in their employment contracts.

Some of the obligations of an employer under the Employment Act 1955 are as follows:

- Every employee must be given a written contract containing the terms and conditions of the employment, including provisions relating to the termination of contract.
- Maintaining a labour register pertaining to the personal particulars of employees, payment of wages, and deduction of wages.
- Special provisions for the protection of female employees pertaining to night work and maternity benefits.
- Normal hours of work and other provisions relating to numbers of working hours.
- Entitlement of paid annual leave, sick leave, hospitalisation leave, and public holidays, as well as the rate of payment for overtime.
- Responsibility of the employer regarding the employment of foreign employees.
- Special provision with respect to sexual harassment at workplace.

4.2 The Labour Ordinance, Sabah and the Labour Ordinance, Sarawak

The Labour Ordinance (Sabah Cap. 67) and the Labour Ordinance (Sarawak Cap. 76) regulate the administration of Labour Laws in these respective states. The provisions of the Labour Ordinance, Sabah and the Labour Ordinance, Sarawak are similar to the provisions of the Employment Act 1955. However, there are some provisions which are different and pertinent to note:

These provisions are:-

Coverage

The Employment Act 1955 covers employees whose wage does not exceed RM2,000.00 per month, whereas the Labour Ordinance Sarawak covers up to RM2,500.00 per month. As far as the Labour Ordinance of Sabah is concerned, employees covered are persons who have entered into contract of service with an employer and receive wages not more than RM2,500.00 a month, and persons (regardless of wages received) engaged in manual labour; or in the operation and maintenance of any mechanically-propelled vehicle for the purpose of transport or commercial purposes; or engaged as supervisors of manual-labour employees; or engaged on any vessel registered in Malaysia with certain exceptions; or domestic servants.

Special Provisions Relating to the Employment of Children and Young Persons

The Ordinances prescribe the conditions under which a "child" and "young person" may be employed. A "child" is a person under the age of 15 years and a "young person" is a person who has attained 15 years of age but is below 18 years old. The Ordinances apply the same provisions as the Children and Young Person (Employment) Act 1966 that is used in Peninsular Malaysia.

Employment of Non-Resident Employees

It is mandatory for any employer wishing to employ any "non-resident employee" to first obtain a licence to employ a "non-resident employee" from the Director of Labour Sabah/Sarawak. A "non-resident employee" is defined as any person who does not belong to Sabah/Sarawak as provided for under Section 71 of the Immigration Act, 1959/1963.

Information Relating To Supply of Employees

The Employment Act 1955 requires an employer who employed foreign workers to inform the Director General in the prescribed form within 14 days of the employment.

4.3 Employees Provident Fund Act 1991

The statutory contributions under the Employees Provident Fund (EPF) Act 1991 effective 1 January 2021 is:

Age Group 60 Years and Below

- Employer's share - (a) **Monthly Wages RM5,000 (US$1,171) and below** Statutory rate of 13% of the employees' monthly wages.

  (b) **Monthly Wages Exceeding RM5,000 (US$1,171)** Statutory rate of 12% of the employees' monthly wages.

- Employee's share - Statutory rate of 9% of the employees' monthly wages

[Refer to Third Schedule (Part A) of the EPF Act 1991]

Age Group 60 – 75 Years

Malaysian citizens

• Employer's share -	Statutory rate of 4% of the employers' monthly wages.
• Employee's share -	Statutory rate of 0% of the employees' monthly wages.
[Refer to Third Schedule (Part E) of the EPF Act 1991]	

Permanent residents

• Employer's share -	(a)	**Monthly Wages RM5,000 (US$1,171) and below** Statutory rate of 6.5% of the employees' monthly wages
	(b)	**Monthly Wages Exceed RM5,000 (US$1,171)** Statutory rate of 6% of the employees' monthly wages
• Employee's share -	Statutory rate of 5.5% of the employee's monthly wages	
[Refer to Third Schedule (Part C) of the EPF Act 1991]		

All foreign workers and expatriates and their employers are exempted from statutory contributions. They can, however, choose to contribute and the applicable rates are as follows:-

Age Group 60 Years and Below

• Employer's share -	RM5.00 (US$1.17) per employee per month
• Employee's share -	9% of the employees' monthly wages
[Refer to Third Schedule (Part B) of the EPF Act 1991]	

Age Group 60 – 75 Years

• Employer's share -	RM5.00 (US$1.17) per employee per month
• Employee's share -	5.5% of the employees' monthly wages
[Refer to Third Schedule (Part D) of the EPF Act 1991]	

4.4 Employees' Social Security Act 1969

The Social Security Organisation (SOCSO) provides two social security schemes to protect the welfare of employees and their dependents under the Employees' Social Security Act 1969 (Act 4). The two social security schemes are:

a. Employment Injury Scheme

The Employment Injury Scheme provides protection to employees who suffer from work-related accidents or occupational diseases arising out of and in the course of employment in an industry. The benefits provided under the Employment Injury Insurance Scheme consists of the Medical Benefit, Temporary Disablement Benefit, Permanent Disablement Benefit, Constant-attendance Allowance, Dependants' Benefit, Funeral Benefit, Rehabilitation Benefit, and Education Benefit.

b. Invalidity Scheme

The Invalidity Scheme provides 24-hour coverage to employees against invalidity or death due to any cause not connected with their employment. However, the employees must fulfil the condition to be eligible for the invalidity pension. Benefits provided under the Invalidity Scheme are the Invalidity Pension, Invalidity Grant, Constant-attendance Allowance, Survivors' Pension, Funeral Benefit, Rehabilitation Benefit, and Education Benefit.

Contributions

Contributions to SOCSO are compulsory under the Act for eligible employers and employees.

These schemes are classified into 2 categories of contribution:

- **First Category**

The Employment Injury Insurance Scheme and Invalidity Pension Scheme. Contribution payments are made by both employer and employee. The rate of contribution under this category comprises 1.75% as the employer's share and 0.5% of the employees' monthly wages according to the contribution schedule.

- **Second Category**

The rate of contribution under this category is 1.25% of employees' monthly wages, payable by the employer, based on the contribution schedule. All employees who have reached the age of 60 must be covered under this category for the Employment Injury Scheme only.

Employer Eligibility

Any employer who hires one or more employees as defined under the Act is required to register and make contributions to SOCSO.

Employee Eligibility

All employees who are employed under a contract of service or apprenticeship in the private sector, and contractual/temporary staff of the Federal/State Government as well as Federal/State Statutory Bodies, need to be registered and covered by SOCSO. The rate of contribution is capped at a monthly wage ceiling of RM4,000.00.

Employees exempted from the coverage of the Employees' Social Security Act, 1969 are as follows:

- Federal and State Government permanent civil servants
- Domestic servants
- Self-employed
- Sole proprietor or partner in a partnership

Self-Employment Social Security Act 2017 (Act 789)

The Self-Employment Social Security Act 2017 (Act 789) came into force on 1 June 2017. In the beginning, this scheme provides protection under the Self-Employment Social Security Scheme to self-employed taxi drivers and individuals providing similar services including e-hailing drivers such as GrabCar, as well as self-employed bus drivers such as stage busses and charter busses. This scheme was later extended to 19 more informal sectors starting 1st January 2020. The scheme provides protection to insured self-employed persons and their dependants from employment injuries, including occupational diseases and accidents during work-related activities. It provides cash benefits to taxi drivers and their dependants besides providing medical care, physical rehabilitation, and vocational training. The duration of protection is 12 months from the date and time the contribution is paid. The contribution rate stipulated is 1.25% per month of the insured salary option.

Employment Insurance System Act 2017 (Act 800)

The Employment Insurance System (EIS) was implemented in January 2018 to provide immediate financial assistance to insured workers who lost their employment. The affected workers will also be assisted to find new jobs, and if necessary, they are given training to improve their employability.

EIS Objectives

- ❖ Provide immediate financial assistance to contributing employees who have lost their jobs.
- ❖ Help unemployed workers find new employment through the Re-Employment Placement Program.
- ❖ Increase the employability of unemployed workers through vocational training.

EIS Coverage

- ❖ All employers in the private sector are required to pay monthly contributions for each of their employees.
- ❖ An employee is defined as a person who is employed for wages under a contract of service or apprenticeship with an employer. The contract of service or apprenticeship may be expressed or implied, and may be oral or in writing.
- ❖ All employees aged 18 to 60 are required to contribute. However, employees aged 57 and above who have no prior contributions before the age of 57 are exempted.
- ❖ Contribution rates are capped at the insured salary of RM4000.00.

EIS Contribution Rate

Employer: 0.2%

Employee: 0.2%

EIS Benefits

- ✓ Job Search Allowance (JSA)
- ✓ Reduced Income Allowance (RIA)
- ✓ Training Fee (TF)
- ✓ Training Allowance (TA)
- ✓ Early Re-Employment Allowance (ERA)
- ✓ Re-Employment Placement Program
- ✓ Career Counselling

Extension of Social Security Coverage

- **Spouse**

As of 1 July 2018, SOCSO has expanded social security protection to a spouse working with his or her spouse in an enterprise under Act 4 and Act 800. With the extension of the social security protection, qualified wives or husbands who are employed by their respective spouses to work for their spouses under Act 4 and Act 800 will be covered by social security under both Acts.

- **Foreign Workers**

SOCSO has also extended its coverage for all legal foreign workers (excluding domestic servants) in Malaysia, effective 1 January 2019, under the Employment Injury (EI) Scheme under Act 4. The rate of contribution is 1.25% of the insured monthly wages, to be paid for by the employer. The EI Scheme provides protection to an employee against accident or an occupational disease arising out of and in the course of his employment, as well as commuting accidents.

Return to Work Programme

The Return to Work programme was introduced in 2007 as a proactive approach in helping SOCSO's Insured Persons suffering from employment injury or illness. Injured or sick workers who have successfully undergone this programme are now able to continue financially supporting themselves and their families, as well as become part of the nation's productive workforce again, thus contributing to the country's economic growth.

The Tun Razak Rehabilitation Centre supports the programme by providing comprehensive facilities to referred participants until the Insured Persons are able to get back actively into the working world, contributing to the socioeconomic development of families, communities, and the country.

Health Screening Programme (HSP)

SOCSO introduced the Health Screening Programme (HSP) in 2013, where it distributes health screening vouchers to insured workers once they turn 40. The HSP programme is part of an effort to promote healthy lifestyle practices, and subsequently address the non-communicable diseases among workers.

4.5 Workmen's Compensation Act 1952

The Act obliges employers to insure workers and provide compensation for injuries sustained by workers in accidents arising out of and in the course of the employment. There are three types of protection under this Act, i.e. for permanent total disablement, permanent partial disablement, and death.

4.6 Occupational Safety and Health Act 1994 (OSHA) 1994

The Department of Occupational Safety and Health (DOSH) under the Ministry of Human Resources is responsible for administrating and enforcing legislation related to occupational safety and health. DOSH ensures that the safety, health, and welfare of people at work, as well as others, are protected from hazards resulting from occupational activities in the various economic sectors such as:

- manufacturing;
- mining and quarrying;
- construction;
- agriculture, forestry and fishing;
- utilities (gas, electricity, water and sanitary services);
- transport, storage and communication;
- wholesale and retail trades;
- hotels and restaurants;
- finance, insurance, real estate and business services; and
- public services and statutory authorities.

This enforcement activity is governed by three legislations; namely:

- OSHA 1994
- Factories and Machinery Act 1967; and
- Petroleum (Safety Measures) Act 1984.

The OSHA 1994 provides the legislative framework to promote, stimulate, and encourage high standards of health and a safe working culture amongst all Malaysian employers and employees, through a self-regulation approach designed to suit the particular industry or organisation.

OSHA 1994 defines the responsibilities of employers, employees, self-employed persons, designers, manufacturers, importers, and suppliers of plants or substances. Under OSHA 1994, employers must safeguard, so far as is practicable, the health, safety, and welfare of the people who work for them. This applies in particular to the provision and maintenance of a safe plant and system of work.

Arrangements must be made to ensure safety and health in the use, handling, storage, and transport of plants and substances. 'Plants' include any machinery, equipment, appliance, tool, and component, whilst 'substances' include any natural or artificial substance whether in the form of solid, liquid, gas, vapour, or a combination thereof.

Risks to health from the use, storage, or transportation of substances must be minimised. Employers must provide necessary information, instruction, training, and supervision for safe work practices, including information on the legal requirements with particular reference to processes with special hazards.

Employers employing 40 or more persons must establish a safety and health committee at the workplace. The main function of the committee is to ensure that safety and health measures are regularly reviewed; additionally, investigation of matters related to safety and health are carried out by the committee.

Employers must notify the nearest DOSH office of any accident, dangerous occurrence, occupational poisoning, and/or disease which has occurred or is likely to occur at the workplace.

Processes that use hazardous chemicals require competent persons to conduct the chemical health risk assessment, personal monitoring, and safety, while occupational health doctors are required to conduct proper medical surveillance of the related workers.

There are eight regulations under OSHA 1994 enforced by DOSH which are:

1) Employers' Safety and Health General Policy Statements (Exception) Regulations, 1995.
2) Control of Industrial Major Accident Hazards Regulations, 1996.
3) Safety and Health Committee Regulations, 1996
4) Safety and Health Officer Regulations, 1997.
5) Use and Standards of Exposure of Chemicals Hazardous to Health Regulations, 2000.
6) Notification of Accident, Dangerous Occurrence, Occupational Poisoning and Occupational Disease Regulations, 2004.
7) Classification, Labelling and Safety Data Sheet of Hazardous Chemicals Regulation, 2013.
8) Noise Exposure Regulations, 2019.

Contravention of the requirements in the law may lead to prosecution in court.

The objective of the Factories and Machinery Act (FMA) 1967, on the other hand, is to provide for the control of factories on matters relating to the safety, health, and welfare of persons, as well as the registration and inspection of machinery. All certified machinery such as boilers, unfired pressure vessels, passenger hoists, overhead travelling cranes, and gondolas must be approved in terms of design requirements, technical specifications, testing, and inspection. The manufacturer should submit the drawings, technical calculations, manufacturer certificates, and other supporting documents on-line through the Sistem Kawal Urus Dokumen system (www.dosh.gov.my) to acquire design approval from DOSH.

All factories and general machinery must be registered with DOSH before they can be installed and operated in Malaysia.

The operation, installation, maintenance, and dismantling of specific equipment and processes requires the service of competent persons. Thus, during the installation of M&E such as cranes, lifts, and scaffolding, the service of competent persons is compulsory to ensure safe erection. Other competent persons such as boiler men and steam engineers are required to operate high-risk equipment such as steam boilers.

DOSH enforces 15 regulations under FMA 1967:

1) Electric Passenger and Goods Lift Regulations, 1970.
2) Fencing of Machinery and Safety Regulations, 1970.
3) Notification, Certification of Fitness and Inspection Regulations, 1970.
4) Persons-In-charge Regulations, 1970.
5) Safety, Health and Welfare Regulations, 1970.
6) Steam Boilers and Unfired Pressure Vessel Regulations, 1970.
7) Certificates of Competency – Examinations Regulations, 1970.
8) Administration Regulation, 1970.

9) Compoundable Offences Regulations, 1978.

10) Compounding of Offences Rules, 1978.

11) Lead Regulations, 1984.

12) Asbestos Process Regulations, 1986.

13) Building Operations and Works of Engineering Construction (Safety) Regulations, 1986.

14) Mineral Dust Regulations, 1989.

15) Special Scheme of Inspection (Risk-Based Inspection) Regulations, 2014.

The Petroleum (Safety Measures) Act has been enforced since 1984. The objective of this Act is to regulate the safety of the transportation, storage, and utilisation of petroleum. The scope of this Act covers the transportation of petroleum by road and railway, water, pipelines, as well as the storage and handling of petroleum.

With regards to transportation of petroleum, two regulations were enacted under this Act:

1) Transportation of Petroleum by Pipelines Regulations, 1985.

2) Transportation of Petroleum by Water Regulations, 1985.

5. INDUSTRIAL RELATIONS

5.1 Trade Unions

Generally, employers and employees both have the right to form and join their own unions to safeguard their interest, and must satisfy the conditions within any particular establishment, trade, occupation, or industry. Union membership is limited geographically. For instance, employees or employers in Peninsular Malaysia shall only join a union where all members are based in the Peninsular, whereas employees or employers in Sabah or Sarawak shall only be members of unions established in Sabah or Sarawak respectively.

The main objectives of trade unions are as follows:

- Regulation of relations between workmen and employers for the purpose of promoting good industrial relations between workmen and employers, improving working conditions, or enhancing their economic and social status, or increasing productivity;
- Regulation of relations between workmen and workmen or between employers and employers;
- Representation of either workmen or employers in trade disputes;
- Conducting of, or dealing with, trade disputes and matters relating thereto; or
- Promotion or organisation or financing of strikes or lockouts in any trade or industry or the provision of pay or other benefits for its members during a strike or lockout

Policies and guidelines for the formations, functions, obligations, and activities of trade unions are generally featured in the Trade Unions Act 1959 and Trade Unions Regulations 1959, which come under the purview of the Trade Unions Affairs Department, Ministry of Human Resources.

5.2 Industrial Relations Act 1967

The industrial relations system in Malaysia operates within the legal framework of the Industrial Relations Act 1967 (Act 177). The Act is enforced by the Department of Industrial Relations, Malaysia (DIRM) and it regulates the relations between employers and their workmen' and their trade unions in the country. The Act, among others, outlines the following:

- Provisions outlining the process relating to claims for recognition and scope of representation of trade unions;
- Provisions relating to the facilitation of effective collective bargaining between the trade union and the employer, and subsequent conclusion of a collective agreement;
- Provisions relating to prevention and settlement of trade disputes, including referral to the Minister of Human Resources and Industrial Court for a decision;
- Provisions relating to industrial action such as pickets, strikes, and lockouts;
- Provisions relating to the representations for claims for reinstatement by workmen;
- Provisions relating to the operation of the Industrial Court; and
- Provisions relating to the investigative powers of DIRM officers.

In addition, DIRM also provides advisory services on all issues and questions relating to employment relations via its branch offices located throughout the country.

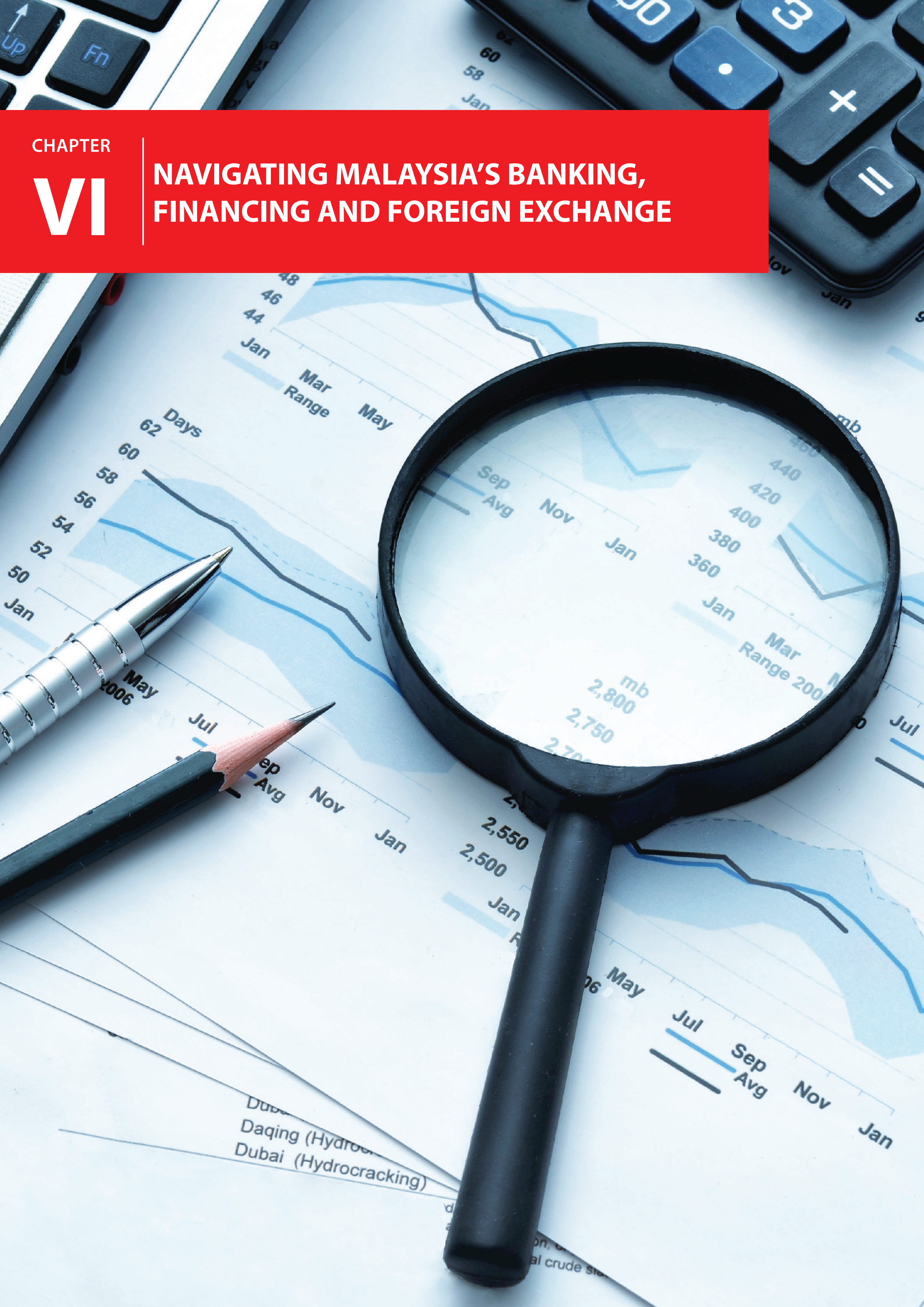
5.3 Relations in Non-Unionised Establishments

In a non-unionised establishment, the normal practice for settling disputes is for the employee to try to obtain redress from his supervisor, foreman, or employer directly. An employee can also lodge a complaint with the Ministry of Human Resources, which will then conduct an investigation.

CHAPTER

VI

NAVIGATING MALAYSIA'S BANKING, FINANCING AND FOREIGN EXCHANGE



NAVIGATING MALAYSIA'S BANKING, FINANCING AND FOREIGN EXCHANGE

Malaysia has a holistic and well-developed financial infrastructure, comprising both conventional and Islamic financial institutions, the capital markets, offshore banking, and the foreign exchange markets, amongst others. From multinational corporations to micro-enterprises, investors need look no further to obtain financing for their capital and operational expenditures in Malaysia.

1. THE FINANCIAL SYSTEM IN MALAYSIA

Investors may rest assured that their financing needs can be amply met by Malaysia's mature and integrated financial system, which comprises a diversified range of institutions to serve the increasingly more varied and complex needs of the domestic economy. The financial system includes both the conventional financial system as well as the Islamic financial system, both of which operate in parallel.

1.1 The Central Bank

The principal objective of Bank Negara Malaysia (BNM), the Central Bank of Malaysia, is to promote monetary stability and financial stability conducive to the sustainable growth of the Malaysian economy. Its primary functions as set out in the Central Bank of Malaysia Act 2009 are to:

- Formulate and conduct monetary policy in Malaysia;
- Issue currency in Malaysia;
- Regulate and supervise financial institutions which are subject to the laws enforced by BNM;
- Provide oversight over money and foreign exchange markets;
- Exercise oversight over payment systems;
- Promote a sound, progressive and inclusive financial system;
- Hold and manage the foreign reserves of Malaysia;
- Manage the country's foreign exchange administration regime; and
- Act as adviser, to the Government, particularly on macroeconomic policies.

1.2 Financial Institutions

The following table provides an overview of the number of financial institutions under the purview of BNM as at end December 2020:

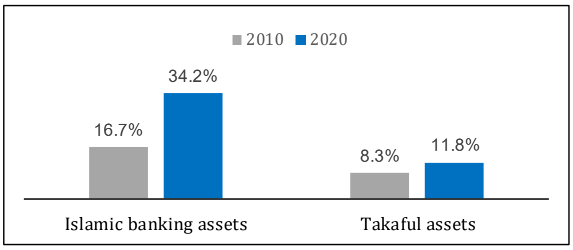
	Total	Malaysian-Controlled Institutions	Foreign-Controlled Institutions
Commercial Banks	26	8	8
Islamic Banks	16	11	3
International Islamic Banks	1	0	1
Investment Banks	11	11	0
Insurers	36	13	23
Takaful Operators (Islamic Insurers)	15	11	4
Reinsurers	7	2	5
Retakaful Operators (Islamic Reinsurers)	2	0	2
Development Financial Institutions	6	6	0

The banking system, comprising commercial banks, investment banks, and Islamic banks, is the primary mobiliser of funds, and the main source of financing that supports economic activities in Malaysia. Banking institutions operate through a network of more than 2,316 branches and 5,085 agent banks across the country. There are also 18 foreign banks in Malaysia. A total of eight Malaysian banking groups have established their presence in 19 countries, through branches, representative offices, subsidiaries, equity participation, and joint ventures worldwide, including in all ASEAN countries.

The non-bank financial institutions; namely development financial institutions, insurance companies and takaful operators, complement the banking institutions in mobilising savings and meeting the financial needs of the economy. The insurance companies and takaful operators, which operate through a network of 932 offices and 192,006 registered agents nationwide, provide solutions for risk management and financial planning for both businesses and individuals.

1.2.1 The Islamic Financial Industry

Islamic finance in Malaysia continues to demonstrate robust growth, supported by comprehensive regulatory, legal, and Shariah governance frameworks; diverse industry players; and professional ancillary service providers, as well as high-quality talent.



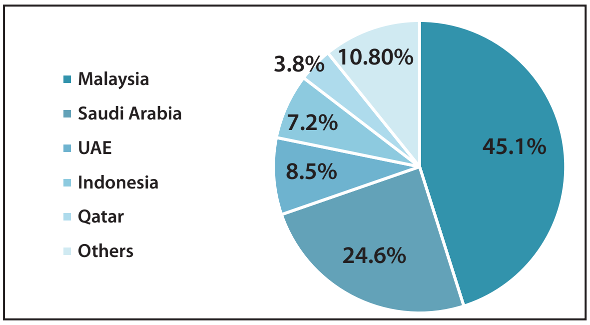
Source: Bank Negara Malaysia

The Islamic banking industry accounts for 34.2%[1] (RM1089.8 billion) of total banking assets as at end-2020, further expanding its role as a major component of the overall financial system in Malaysia since the implementation of the Financial Sector Blueprint 2011-2020. A wide range of competitive and innovative products are offered by over 40 financial institutions (these include Islamic banks, Islamic windows of conventional and investment banks, international Islamic banks, and Development Financial Institutions), all aiming to deliver a positive and sustainable impact on the community, economy and environment.

As for the takaful sector, total takaful funds' assets constitute a market share of 13.7% (RM53.7 billion) of the total insurance and takaful sector as at end-2020. The penetration rate for the family takaful market is 16.9%, signifying a growing public acceptance of the benefits provided by takaful schemes.

To support the further development of Islamic finance in Malaysia, investment accounts were introduced pursuant to the Islamic Financial Services Act 2013 (IFSA) to provide customers the opportunity to invest and share profit from Shariah-compliant investment activities. Investment accounts also provide additional avenues for businesses to access financing. Presently, seven Islamic banks are offering investment accounts.

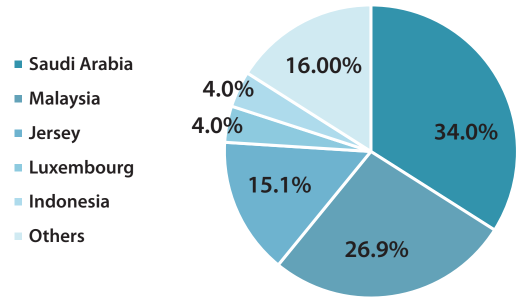
Sukuk Outstanding by Domicile (as at end-2020)



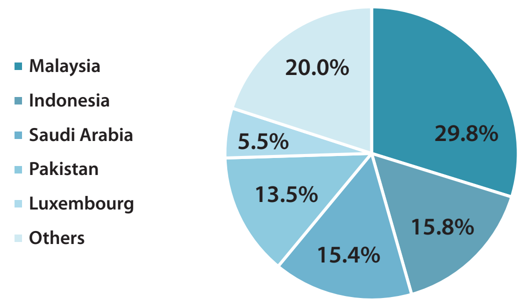
Source: MIFC estimates

On the global front, Malaysia remains as a leading global hub for Islamic finance. It is home to the world's largest sukuk market, with a 45.1% share of global sukuk outstanding, amounting to USD258.4 billion as at end-2020. Malaysia also contributed 45.4% of the total global corporate sukuk issuance in 2020.

Islamic Funds Asset under Management (AuM) by Domicile (as at end-2020)



Number of Islamic Funds by Domicile (as at end-2020)



Source: MIFC estimates

In terms of Islamic wealth management, Malaysia accounts for 26.9% of the global market share, with assets under management (AuM) of USD35.1 billion as at end-2020. Malaysia ranked first globally in terms of number of funds, accounting for 29.8% of the global share with a total of 394 funds registered. Currently, there are 23 Islamic fund management companies and 34 fund management companies with Islamic windows in Malaysia.

[1] *Includes Development Financial Institutions (DFIs)*

1.2.2 Development Financial Institutions

Development Financial Institutions (DFIs) in Malaysia are specialised financial institutions established by the Government with a specific mandate to develop and promote key sectors that are considered of strategic importance to the overall socio-economic development objectives of the country. These strategic sectors include the agricultural, SMEs, infrastructure, maritime, and export-oriented sectors, as well as capital-intensive and high-technology industries.

As specialised institutions, DFIs provide a range of specialised financial products and services to suit the specific needs of the targeted strategic sectors. Ancillary services in the form of consultation and advisory services are also provided by DFIs to nurture and develop the identified sectors. DFIs therefore complement the banking institutions and act as a strategic conduit to bridge the gaps in the supply of financial products and services to the identified strategic areas for the purpose of long-term economic development.

In 2002, the Development Financial Institutions Act 2002 (DFIA) was enacted to promote the financial and operational soundness of the DFIs through sustainable practices and the requisite regulatory and supervisory framework, allowing the institutions to perform their mandated roles in a prudent, efficient, and effective manner. With the enactment of the DFIA, BNM was appointed as the central regulatory and supervisory body for DFIs.

There are six DFIs prescribed under the DFIA:

- Small Medium Enterprise Development Bank Malaysia Berhad or SME Bank, which provides financing and advisory services to SMEs involved in the manufacturing, services, and construction sectors:
- Bank Pembangunan Malaysia Berhad, which provides medium- and long-term financing for infrastructure projects, maritime, capital-intensive, and high-technology industries, and other sectors in line with the national development policy;
- Bank Kerjasama Rakyat Malaysia Berhad, a cooperative bank that encourages savings and provides financial services to both members and non-members;
- Export-Import Bank of Malaysia Berhad or EXIM Bank, which provides credit facilities to support the export and import of goods and overseas projects, as well as to provide export credit insurance and guarantee services;
- Bank Simpanan Nasional, which focuses on retail banking and personal finance, especially for small savers, and supports the financial inclusion agenda by providing microfinancing and agent banking services; and
- Bank Pertanian Malaysia Berhad or Agrobank, which accepts savings deposits, providing financing and advisory services to support the development of the agricultural sector and communities.

In its continuing efforts to further strengthen the DFIs, the DFIA was amended to further enhance the institutions' intermediary role of supporting the strategic economic sectors amidst a challenging operating environment. The amendments focused on further strengthening corporate governance practices, and on increasing operational efficiency as well as the capacity and capability of DFIs to perform their mandated roles more effectively. Amendments to the DFIA were passed in Parliament in July 2015 and took effect on 31 January 2016.

2. EXPORT CREDIT REFINANCING-i

Export Credit Refinancing (ECR) provides Shariah-compliant and conventional short-term pre- and post-shipment financing to Direct or Indirect exporters either in RM or US dollars. It is made available to a manufacturer or a trading company that is incorporated in Malaysia that is directly or indirectly involved in exports and international trade. Companies with ECR credit lines duly established with participating financial institutions (ECR Banks) are eligible for the following types of facilities:-

- Pre-shipment ECR

The Pre-shipment ECR facility is a financing advance by EXIM Bank to facilitate purchases/imports prior to the export shipment of Malaysian products, and to encourage the backward linkages between the exporters and local suppliers in export-oriented industries.

- Post-shipment ECR.

The Post-shipment ECR facility is a financing advance to exporters to finance their export or trade after shipment.

2.1 Methods of Financing

Under the Pre-shipment ECR facility, there are two methods of financing extended to direct/ indirect exporters:-

a. Order-based method:-

For a direct exporter, the Pre-shipment ECR financing is an advance against evidence of an export order, whilst for indirect exporters, it is an advance against an ECR-i Domestic Letter of Credit (DLC), ECR Domestic Purchase Order (DPO) or Local Purchase Order (LPO) issued in the exporter's favour.

b. Certificate of Performance (CP) method:-

For both direct and indirect exporters, the Pre-shipment is made against a CP issued by EXIM Bank. The limit of financing is based on the CP limit for a validity period of 1 year.

Under the Post-shipment ECR facility, the method of financing used is via purchasing the export bill at a discount, where financing is extended upon presentation of export documents to the ECR Bank.

2.2 Period and Margin of Financing

The maximum period of financing under Pre-shipment and Post-shipment is 4 months (120 days) and 6 months (183 days) respectively.

For the Pre-shipment Order-based method, the eligible amount of financing for direct exporters is up to 95% of the value of the export order, or 95% of the ECR DLC, ECR DPO, or LPO for indirect exporters.

For the Pre-shipment CP-based method, the CP limit would be the eligible amount eligible for financing. The CP limit is segregated into three periods, with each period comprising 4 months. The eligible amount of financing for direct exporters involved in manufacturing and trading is 100% of the export value of the preceding 12 months. The eligible amount of financing for indirect exporters involved in manufacturing and trading is 80% of the export value of the preceding 12 months.

For Post-shipment, the amount of financing is 100% of the export invoice value.

2.3 Payment

For direct exporters, the source of payment for Pre-shipment financing shall be from export proceeds received from the overseas buyers/post-shipment proceeds received from the ECR banks. For indirect exporters, the source of payment for Pre-shipment financing should be made from local sales proceeds received from the ECR users, Free Trade Zone (FTZ)/ Licensed Manufacturing Warehouse (LMW) companies.

For the Post-shipment financing, payment due shall be liquidated upon receipt of export proceeds, or on maturity of the Post-shipment bill, whichever is earlier.

For more information on ECR, please visit www.exim.com.my

3. THE CAPITAL MARKET IN MALAYSIA

3.1 Securities Commission Malaysia

The Securities Commission Malaysia (SC) is responsible for the regulation and development of the Malaysian capital market. It is a self-funded statutory body that has both investigative and enforcement powers.

The SC's aim is to promote and maintain fair, efficient, secure, and transparent securities and derivatives markets, as well as to facilitate the orderly development of an innovative and competitive capital market. It is committed to developing a capital market that is accessible, agile, and accountable.

Developing the Malaysian Capital Market

Malaysia has become a well-diversified capital market that includes an equity market with over 900 listed companies, a bond market that is the third largest in Asia, an innovative Islamic capital market that is well-regarded globally, a derivatives market that is the leading price discovery centre for crude palm oil (CPO), and a domestic unit trust industry that is one of the largest in the region.

In 2020, Malaysia's capital market stood at RM3.4 trillion, equivalent to 2.4 times the size of the domestic economy. Malaysia is a global leader in the Islamic capital market, with RM2.3 trillion in Shariah-compliant equities and sukuk outstanding, and continues to be the world's largest sukuk market. The total fund management industry's AUM grew to RM905.5 billion in 2020, with total Islamic AUM comprising RM216.8 billion.

Building on the strength in the Islamic capital market, the SC has led efforts to establish Malaysia as a regional centre for sustainable finance. Following the internationally recognised issuance of the world's first green sukuk in 2017, the SC has expanded the Green SRI Sukuk Grant Scheme to cover all sukuk issued under the SC's SRI Sukuk Framework and bonds issued under the ASEAN Green, Social and Sustainability Bond Standards. As at end 2020, a total of eight green SRI sukuk grants have been approved, supporting RM3.1 billion in funds raised.

Supporting the Real Economy

The Malaysian capital market provides financing to enable the growth of the economy. In 2020, total funds raised through bonds, sukuk, and equity issuances amounted to RM376.7 billion. Alternative fundraising channels for micro, small, and medium enterprises, such as equity crowdfunding and peer-to-peer financing, stood at RM631 million raised through 7,840 campaigns.

The SC is focused on building an enabling ecosystem which provides accessibility, while ensuring investor protection and intermediation efficiency. Its core mandates, i.e. to regulate and ensure market growth, are carried out with the objective of protecting investors. This includes initiatives to raise financial and investment literacy.

For more information, visit www.sc.com.my.

3.2 Bursa Malaysia

Since its establishment in 1976, Bursa Malaysia has grown to become one of the largest bourses in ASEAN, with more than 900 listed companies raising capital across 50 economic activities. As an inclusive marketplace, Bursa Malaysia provides easy access to many investment products and services, connecting domestic and foreign market participants to all types of opportunities to help them expand or invest. Its diverse product range includes equities, derivatives, futures and options, offshore, and Islamic assets, as well as other investment choices including Exchange Traded Bonds and Sukuks (ETBS) and collective investment schemes such as Exchange Traded Funds (ETFs) and Real Estate Investment Trusts (REITs). In addition, Bursa Malaysia also offers exchange-related services such as listing, trading, clearing, settlement and depository.

As one of ASEAN's preferred fund-raising destinations, Bursa Malaysia offers efficient access to issuers in terms of fulfilling their capital raising needs. Companies are listed either on the Main Market for large cap established companies, or on the ACE Market for emerging companies of all sizes. In 2017, a new market called LEAP was introduced to provide the SMEs an avenue to raise funds and visibility in the capital market. LEAP is the first of its kind in ASEAN, putting Malaysia ahead of the curve in the region in terms of capital market innovation. Today, Bursa Malaysia is proud to be home to regional companies and some of the largest companies in natural resource-based sectors.

Bursa Malaysia adopts the FTSE Bursa Malaysia KLCI (FBMKLCI) as its benchmark index. Over the past 10 years (2011-2020), the benchmark index FBMKLCI has grown by 7%, while the total market capitalisation of all listed companies on Bursa Malaysia has grown by 42%. The Malaysian equity market has continued to record growth despite the increased volatility and challenges in the global equity markets. Interest of foreign investors in the Malaysian market remained fairly stable, with foreign ownership consistently above 20%.

Since Bursa Malaysia's transformation into a public listed company on 18 March 2005, the exchange has achieved several notable milestones. Today, Bursa Malaysia is globally recognised as the best, most innovative exchange in Shariah investment – a distinction earned from pioneering various innovations in Islamic finance, such as Bursa Malaysia-i – the world's first end-to-end Shariah securities investing platform, and Bursa Suq-Al-Sila'– the world's first end-to-end Shariah-compliant commodity-trading platform. Bursa Malaysia is also the world's biggest palm oil futures trading hub. Its Crude Palm Oil Futures contract has long been recognised and referenced as the global price benchmark for the palm oil industry.

In terms of corporate governance and sustainability, Bursa Malaysia is making a name for itself at the forefront of the region as a responsible exchange, strong advocate of corporate governance, and champion of the sustainability agenda. In 2014, it introduced the FTSE4Good Bursa Malaysia Index to measure the performance of companies demonstrating good environmental, social, and governance practices, and further strengthened its commitment to promote sustainable strategies among issuers and the marketplace in 2015 when it joined the United Nations Sustainable Stock Exchanges initiative. In 2018, Bursa Malaysia launched BursaSUSTAIN, a one-stop online knowledge repository on corporate governance, sustainability, and responsible investment, to spread understanding of these topics to a wider group of stakeholders.

As Bursa Malaysia advances towards fulfilling its vision to be ASEAN's leading sustainable and globally-connected marketplace, it will continue to remain focused on initiatives to widen its reach and offerings, and foster a conducive capital market ecosystem that provides ample opportunities for all market participants to grow.

For more information on Bursa Malaysia, visit www.bursamalaysia.com.

Market Participants

a. Stockbroking Companies

As of 31 December 2020, there are 29 stockbroking companies, of which nine are categorised as Investment Banks. These stockbroking companies offer services in the dealing of securities listed on Bursa Malaysia Securities. Investment banks hold merchant banking licences issued by BNM under the Financial Services Act 2013 (FSA) and the IFSA, as well as Capital Markets Services licences issued by the Securities Commission under the Capital Markets & Services Act 2007. As such, investment banks able to offer the full scope of integrated capital market and financial services, which include corporate finance, debt securities trading and dealing in securities. There remains one stockbroking company that still holds a universal broker status (a universal broker able to offer integrated capital market services).

b. Trading Participants

A Trading Participant is a company that carries out the business of dealing in derivatives, and is admitted as a Trading Participant under the Rules of Bursa Malaysia Derivatives. Trading Participants conduct business as futures brokers licensed by the Securities Commission under the Capital Markets & Services Act 2007. As of 31 December 2020, there are 17 Trading Participants licensed to conduct derivatives trading.

Investor Education and Protection

Bursa Malaysia places utmost importance on investor education, protection, and market integrity to ensure a well-functioning, vibrant, and sustainable capital market. It achieves this by providing continual education, and maintaining a comprehensive and robust regulatory framework to govern the market and its participants in a fair and orderly manner.

As part of its continual effort to educate and help investors make informed decisions on investments, Bursa Malaysia recently launched "Bursa Academy" in June 2020, an e-learning platform targeting primarily retail investors across the Securities Market, Derivatives Market, and Islamic Capital Market. Bursa Academy provides investors with a holistic learning journey that caters to their differing needs, expertise, and skill levels. A free-to-access and comprehensive one-stop learning portal, it combines both knowledge sessions and interactive gamification through a user-friendly platform. The platform strengthens the education initiatives of the Exchange, and complements other digital tools available to investors – such as the Bursa Marketplace app that has market data and trading ideas, and the Bursa Anywhere app that simplifies Central Depository System account management transactions.

To safeguard investor protection, Bursa Malaysia has put clear, comprehensive, and accessible rules in place that are reviewed from time to time to ensure they remain relevant, effective, and benchmarked against international standards of market regulation. This is aimed at ensuring the rules provide adequate levels of investor protection, but, at the same time, do not result in burdensome compliance costs nor impede ease of doing business and growth.

In undertaking its regulatory functions, Bursa Malaysia also places significant focus on ensuring adequate transparency in the marketplace, as well as improving the governance and conduct of listed companies and intermediaries. It continues to elevate the standards of disclosures, as well as corporate governance and sustainability practices, through (amongst others) its supervisory approach and outreach education programmes. In addition, vigilant monitoring and pro-active measures undertaken by Bursa Malaysia's Regulation department ensure timely detection and management of irregular or unwarranted corporate and trading activities.

These have contributed to a well-regulated market underpinned by adequate levels of investor protection, where the culture of self-regulation and quality of practices by market participants continue to strengthen, and the markets are fair, orderly, and vibrant.

The strength of market regulation has gained international recognition, and some of the notable achievements include the following:

- In the corporate governance space, Malaysia rose strongly from seventh to fourth place in the CG Watch 2018, a regional corporate governance ranking maintained by the Asian Corporate Governance Association.

- Malaysia has made considerable improvement in the Average Score for the top 100 Malaysian publicly listed companies, from 80.41 points in 2015 to 98.40 points in 2019 based on the 2019 corporate governance assessment conducted by the Minority Shareholders Watch Group.

- Malaysia was the country with the highest number of publicly listed companies (i.e. 7) in the Top 20 ASEAN Publicly Listed Companies, based on the ASEAN Corporate Governance Awards 2019 announced in December 2020, by the ASEAN Capital Markets Forum.

- Malaysia was ranked second among 190 countries for Protecting Minority Investors based on the World Bank's Ease of Doing Business Ranking as of May 2019.

Risk Management

Bursa Malaysia adopts the Guidelines on Financial Market Infrastructures and the Malaysian Code on Corporate Governance issued by the Securities Commission of Malaysia. These are aligned with best practices such as ISO 31000:2018 Risk Management - Principles and Guidelines, and Principles for Financial Market Infrastructures frameworks issued by the Committee on Payments and Markets Infrastructures and International Organisation of Securities Commissions to manage the risks of its business, operations and to ensure it operates in a safe and efficient manner.

To provide a holistic and integrated enterprise-wide view of the risk, integrity, governance, and compliance management within the Group, Bursa Malaysia has established a centralised risk management function. Additionally, the establishment of the Integrity Governance Unit in 2020 pursuant to the Prime Minister's Directive (No. 1 of 2018), reaffirms Bursa Malaysia's commitment to safeguard integrity and institutionalise good governance and ethics, which is essential for a market operator and front-line regulator.

One of the key features of Bursa Malaysia's enterprise risk management framework is the implementation of three lines of defence comprising established and clear functional responsibilities and accountabilities for the management of risk. Bursa Malaysia's risk management framework is embedded in the Enterprise Risk Management Principles and Framework (ERMPF) document which is applicable to all business entities within Bursa Malaysia. The ERMPF is reviewed at least once a year to ensure relevance.

The accountability, authority, and responsibilities of the relevant parties in Bursa Malaysia for managing risk, including implementing and maintaining the risk management process, as well as ensuring the adequacy, effectiveness, and efficiency of any controls, have been clearly outlined. There is an established and structured process for the identification, assessment, communication, monitoring, and continual review of risks, as well as the effectiveness of risk mitigation strategies and controls.

4. LABUAN FINANCIAL SERVICES

4.1 Labuan Financial Services Authority (Labuan FSA)

Labuan Financial Services Authority (Labuan FSA) is a statutory body under MOF, which is responsible for the development and administration of the Labuan International Business and Financial Centre (Labuan IBFC).

The key role of Labuan FSA is to license and regulate licensed entities operating within Labuan IBFC, and to ensure all such entities remain in compliance with internal and international best standards as adopted by the jurisdiction. This is to safeguard investors' interests as well as to maintain the soundness of the regulatory environment in Labuan IBFC.

As the regulatory authority for Labuan IBFC, Labuan FSA is committed to maintain the position of Labuan IBFC as a well-regulated and reputable international financial centre, while the promotion of the centre is undertaken by Labuan IBFC Incorporated Sdn. Bhd. (Labuan IBFC Inc.), a wholly-owned subsidiary of Labuan FSA.

Labuan IBFC Inc. boasts a dedicated marketing team that works closely with the regulator, market players, and industry specialists in facilitating both global businesses that look at penetrating Asia, as well as Asian entities aiming to go global. Its ultimate aim is to ensure the sustainability of the centre, by ensuring that Labuan IBFC's key value propositions are understood as well as appreciated.

4.2 Doing Business in the Labuan IBFC

Labuan IBFC is strategically located in the centre of Asia Pacific and is the gateway for investments into and out of the region. Labuan IBFC being a mid-shore jurisdiction offers global investors and businesses the benefits of being in a well-regulated and supervised jurisdiction, which adheres to international standards and best practices. The centre also provides fiscal neutrality and certainty in a currency-neutral operating environment.

Well supported by a robust, internationally-recognised yet business-conducive legal framework, Labuan IBFC offers a wide range of structures and solutions for cross-border transactions and international businesses in conventional, Shariah-compliant, and digital forms.

Labuan IBFC's role as a wholesale financial intermediation centre continues to attract investors with its pragmatic mid-shore proposition – offering the ease of doing business combined with the high international standards of regulation and supervision found onshore. Coupled with the cost-efficiency of the jurisdiction, it makes the centre an ideal base for global business trailblazers seeking innovative growth in Asia.

Entities incorporated/registered in Labuan IBFC enjoy many advantages, from cost-efficient substance creation to facilitative tax incentives and access to extensive double tax treaty agreements through the Malaysian double tax treaty network.

Under the Labuan IBFC's taxation framework, a Labuan entity carrying on Labuan trading activity pays tax each year at the rate of 3% of its audited net profits, subject to compliance with the economic substance requirements. Labuan entities carrying on non-trading activities are not subject to tax. The Government has also granted various tax exemptions to further entice investors to establish their presence in Labuan IBFC, such as exemptions for withholding tax and stamp duty.

Labuan entities could also make an irrevocable election to be taxed under the Malaysia Income Tax Act 1967. This would give them more flexibility to structure their business transactions effectively, and create a more favourable tax condition for the investors.

4.3 Business Activities of Labuan IBFC

Labuan IBFC offers a wide range of business structures and investment solutions catering to cross-border transactions and international business dealings, including digital-related solutions. The Centre provides services and solutions in niche areas such as risk management, commodity trading, wealth management, international business companies, Islamic financial services, and digital financial services.

Labuan IBFC is the only jurisdiction in Asia that offers private foundations as a wealth management solution, and among the few jurisdictions in the world to offer protected cell company for captives, a self-insurance solution.

For more information on Labuan IBFC, please visit www.labuanibfc.com.

5. FOREIGN EXCHANGE POLICY

Malaysia maintains a liberal Foreign Exchange policy (FEP) regime that forms a part of BNM's broader prudential toolkit to ensure monetary and financial stability. The FEP safeguards the balance of payment position and value of the national currency, whilst supporting the competitiveness of its economy through facilitation of a more conducive environment for cross-border real economic activities.

Further details of the FEP are available at www.bnm.gov.my/fep.

5.1 Rules applicable to Non-Residents

5.1.1 Investments into Malaysia

The Malaysian markets are easily accessible by global investors, with free mobility of inflows and outflows of capital for investments in Malaysia.

- Non-residents are free to invest in any type of RM or foreign currency assets in the form of direct investment or portfolio investment;
- Non-residents are free to repatriate divestment proceeds, profits, dividends, or any income arising from investments in Malaysia in foreign currency.

5.1.2 Accessibility to domestic financing

a. Borrowing in foreign currency

   - Non-resident are free to borrow any amount of foreign currency from licensed onshore banks.

Proceeds of the borrowing can be utilised offshore or onshore; and

❖ Non-residents are free to issue foreign-currency denominated sukuk/bonds in Malaysia for use onshore or abroad.

b. Borrowing in RM

Non-residents (excluding financial institutions) are free to borrow any amount in RM from licensed onshore banks (excluding licensed international Islamic banks) and other residents to finance real sector activities in Malaysia.

5.1.3 Payment and receipt

Non-residents may undertake settlement in RM or foreign currency for international trade in goods or services, as well as any income earned or expense incurred in Malaysia with residents, through licensed onshore banks or their Appointed Overseas Office (AOOs).

5.1.4 Foreign Exchange (FX) hedging

Non-residents are free to hedge FX exposures arising from current and financial account transactions on their own account, or on behalf of their related entities, with licensed onshore banks (excluding licensed international Islamic banks) or their AOOs.

5.1.5 Ringgit and foreign currency accounts

Non-residents are free to open RM or foreign currency accounts with any licensed onshore banks to facilitate business operations and investments in Malaysia. They can also remit the funds in these accounts freely abroad.

5.2 Rules applicable to Residents

5.2.1 Investment in foreign currency assets

❖ Residents without domestic RM borrowing[2] are free to undertake any amount of investment in foreign currency assets onshore or abroad.

❖ Resident entities with domestic RM borrowing are free to undertake investment in foreign currency assets onshore or abroad up to a prudential limit of RM50 million equivalent in aggregate per calendar year on a corporate group basis using foreign currency funds sourced from :–

a. Conversion of RM into foreign currency;

b. Trade Foreign Currency Account (FCA);

c. Foreign currency borrowing obtained from a licensed onshore bank for purposes other than direct investment abroad; or

d. Swapping of a financial asset in Malaysia for a financial asset outside Malaysia.

5.2.2 Borrowing onshore and offshore

a. Borrowing in foreign currency

❖ Resident entities are free to borrow any amount of foreign currency from:

- Licensed onshore banks;
- Resident and non-resident companies within their corporate group;
- Resident and non-resident direct shareholders; and
- Other residents via the issuance of foreign-currency-denominated debt securities.

❖ Resident entities are free to borrow foreign currencies from non-resident financial institutions and non-resident entities outside their corporate group up to a prudential limit of RM100 million equivalent in aggregate on a corporate group basis.

b. Borrowing in RM

Resident entities are free to obtain RM borrowing of:

❖ Any amount from :–

a. Non-resident entities within their corporate group and non-resident direct shareholders to finance activities in the real sector in Malaysia; or

b. Any non-resident via the issuance of redeemable preferences shares for use in Malaysia or corporate debt securities (excluding non-tradable corporate debt securities issued to non-related non-resident entities or non-resident financial institutions); or

❖ Up to RM1 million in aggregate from any non-resident (excluding financial institutions) for use in Malaysia.

5.2.3 Payment and receipt

❖ Residents may undertake settlement in RM or foreign currency for international trade in goods or services, as well as any income earned or expense incurred in Malaysia with non-residents.

❖ Resident exporters shall repatriate all export of goods proceeds in full value back to Malaysia within 6 months from the date of shipment. Resident exporters are accorded flexibility to:–

- Repatriate export of goods proceeds beyond 6 months and up to 24 months for permitted reasons beyond the resident exporters' control; and
- Net-Off or write-off export of goods proceeds against permitted transactions or reasons.

[2] Domestic RM borrowing means borrowing in RM obtained by a resident from another resident, or any obligation considered or deemed as domestic RM borrowing under any of the FE Notices.

- Resident exporters may settle domestic trade in goods or services in foreign currency with other residents operating in the global supply chain[3], directly or through resident intermediate entities. Such payments must be undertaken between the resident payer and payee's Trade FCAs, and must not be sourced from conversion of RM.

5.2.4 FX hedging

Residents are free to hedge FX exposures arising from current and financial account transactions on their own account, or on behalf of their related entities, with licensed onshore banks (excluding licensed international Islamic banks).

5.2.5 Foreign currency accounts

Residents are free to open foreign currency accounts with licensed onshore banks and non-resident financial institutions.

[3] *Defined as a business activity where a resident importer purchases goods or services from overseas to support production and distribution of goods or services by a resident exporter for its export activities.*

CHAPTER

VII SAFEGUARDING YOUR INTELLECTUAL PROPERTY RIGHTS IN MALAYSIA

1. Patents
2. Trademarks
3. Industrial Designs
4. Copyrights
5. Layout Designs of Integrated Circuits
6. Geographical Indications
7. IP Valuation
8. IP Financing
9. IP Rights Marketplace
10. IP Development Incentivisation

SAFEGUARDING YOUR INTELLECTUAL PROPERTY RIGHTS IN MALAYSIA

Malaysia takes the protection of proprietary knowledge and intellectual property (IP) very seriously. IP oversight in Malaysia is administered by the Intellectual Property Corporation of Malaysia (MyIPO), an agency under the Ministry of Domestic Trade and Consumer Affairs. IP protection in Malaysia comprises of patents, trademarks, industrial designs, copyrights, geographical indications, and layout designs of integrated circuits. Malaysia is a member of the World Intellectual Property Organisation (WIPO), and a signatory to the Paris Convention and Berne Convention, which govern these intellectual property rights.

In addition, Malaysia is also a signatory to the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), under the auspices of the World Trade Organisation (WTO). Malaysia provides adequate protection to both local and foreign investors. Malaysia's IP laws are in conformance with international standards, and have been reviewed by the TRIPs Council periodically.

1. Patents

The Patents Act 1983 and the Patents Regulations 1986 govern patent protection in Malaysia. An applicant may file a patent application directly if he is domiciled or resident in Malaysia. A foreign application can only be filed through a registered patent agent in Malaysia acting on behalf of the applicant.

Similar to legislations in other countries, an invention is patentable if it is new, involves an inventive step, and is industrially applicable. In accordance with TRIPS, the Patents Act stipulates a protection period of 20 years from the date of filing of an application. Under the Act, the utility innovation certificate provides for an initial duration of 10 years of protection from the date of filing of the application, which is renewable for further two consecutive terms of 5 years each; subject to use. The owner of a patent has the right to exploit the patented invention, to assign or transmit the patent, and to conclude a licensed contract. However, exception to patents, such as compulsory licences and parallel imports, are also included.

2. Trademarks

Trademark protection is governed by the Trademarks Act 2019 and the Trademarks Regulations 2019.

The Act provides protection for registered trademarks and service marks in Malaysia. Once registered, no person or enterprise other than its proprietor or authorised users may use them. Infringement action can be initiated against abusers. The period of protection is 10 years, renewable for a period of every 10 years thereafter. The proprietor of the trade mark or service mark has the right to deal or assign, as well as to license its use.

As with patents, while local applicants may file applications on their own, foreign applicants will have to do so through registered trademark agents.

3. Industrial Designs

Industrial design protection in Malaysia is governed by the Industrial Designs Act 1996 and Industrial Designs Regulations 1999. The Act provides for the rights of registered industrial designs as that of a personal property capable of assignment and transmission by operation of the law.

To be eligible for registration, industrial designs must be new and do not include a method of construction or design that is dictated solely by function. In addition, the design of the article must not be dependent upon the appearance of another article of which it forms an integral part.

Local applicants can file registrations individually or through a registered industrial designs agent. However, foreign applicants will need to seek the services of a registered industrial designs agent. Registered industrial designs are protected for an initial period of 5 years, which may be extended for four further consecutive terms of 5 years, providing a total protection period of 25 years.

Malaysia has amended the Industrial Designs Act 1996, which entered into force on 1 July 2013. The amendments include worldwide novelty, an increased term of protection, introduced an IP Journal System, and provisions regarding monetisation and securitisation of industrial designs.

4. Copyrights

The Copyright Act 1987 provides comprehensive protection for copyrighted works. The Act outlines the nature of works eligible for copyright (which includes computer programmes), the scope of protection, and the manner in which the protection is accorded. Copyright subsists in every work eligible for copyright protection of which the author is a qualified person.

Copyright protection for literary, musical, or artistic works is for the duration of the life of the author and 50 years after his death. In sound recordings, broadcasts, and films, copyright protection is for 50 years after the works are first published or made.

The Act also provides protection for the performer's rights in a live performance, which shall continue to subsist for 50 years from the beginning of the calendar year following the year in which the live performance was given or was fixed in a sound recording.

A unique feature of the Act is the inclusion of provisions for its enforcement. The amendment of the Copyright Act 1987, which came into force on 1 October 2003, confers power of arrest (including arrest without warrant) to enforcement officers of the Ministry of Domestic Trade and Consumer Affairs (MDTCA). This special team of MDTCA officers is appointed to enforce the Act, and is empowered to enter premises suspected of having infringing copies, and to search and seize infringing copies and contrivances.

The Copyright (Amendment) Act 2012 entered into force on 1 March 2012. The Act was amended to be in line with technological development, and to adhere to international IP conventions/treaties relating to copyright and related rights. Amongst these major amendments are the introduction of a copyright voluntary notification system, the regulation of the collective management organisation (CMO), and the expansion of the Copyright Tribunal's function. Beginning from 2 February 2021, copyright owners may apply for voluntary notification via online at iponline2u.myipo.gov.my.

5. Layout Designs of Integrated Circuits

The Layout Design of Integrated Circuits Act 2000 provides for the protection of layout designs of integrated circuits based on originality, the creator's own invention, and the fact that the creation is freely created. There is no registration for the layout design of an integrated circuit.

The duration of protection is 10 years from the date of its commercial exploitation, or 15 years from the date of creation if not commercially exploited. The Act also allows for action to be taken by the owner if such rights recognised under the Act have been infringed. The right can also be transferred either partly or wholly by way of assignment, licence, wills, or through the enforcement of law.

The Act is implemented in compliance with the TRIPS Agreement to provide a guarantee to investors in Malaysia's electronic industry, and to ensure the growth of technology in the country.

6. Geographical Indications

The Geographical Indications Act 2000 provides protection to goods following the name of the place where goods are produced, where a given quality, reputation, or other characteristic of the goods is essentially attributable to their geographical origin. This protection is applicable to goods such as natural or agricultural products, or any product of handicraft or industry. Geographical indications which are contrary to public order or morality shall not be protected under the Act.

Local applicants can file registrations individually or through a registered geographical indication agent. However, foreign applicants will need to seek the services of a registered geographical indication agent. The period of protection is 10 years, and is renewable for a period of every 10 years thereafter.

MyIPO also provides online search and filing services for patents, trademarks, industrial designs and geographical indications; and online search for notification of copyright works. For further information on intellectual property protection, please visit www.myipo.gov.my.

7. IP Valuation

Investors may elect to conduct valuations of their IP using local IP valuers, who have been trained via the Intellectual Property Valuation Training programme created with the cooperation of the World Trade Institute, University of Berne, Switzerland. Doing so will assist in reducing the cost and complexity of appointing foreign IP valuers to provide valuations for financing and lending purposes, thus making it more accessible to SMEs and IP owners in getting their IP valued. This in turn will contribute to the overall vibrancy of the ecosystem.

8. IP Financing

As part of the Government's overall strategy to improve and boost the competitiveness of local SMEs, MyIPO has been working with various stakeholders and key players in the industry, especially lenders and financial institutions, to expand their financial and loan products by providing financing based on SMEs' IP rights as part of the requisite collateral to secure their loans.

9. IP Rights Marketplace

As part of the overall thrust to strengthen the IP Ecosystem, ensuring healthy demand and supply of IP is critical to encourage continued investments in the creation of IP and other forms of know-how and intangible assets. MyIPO has developed and launched a pilot platform called the IP Rights Marketplace to improve access and visibility for IP owners who wish to license and sell their rights. This portal is created to counter the difficulties IP owners face in terms of making their IP known and gaining access to potential licensees and buyers. With this platform, MyIPO has entered into strategic partnerships with other IP marketplaces in Hong Kong, Singapore, and several regions in PRC to expand the reach of our local IP rights. More suitable marketplaces globally will be added to the network in the near future.

To know more about the IP Rights Marketplace and how you can participate, visit www.iprmarketplace.com.my.

10. IP Development Incentivisation

The objective of incentivising IP development is to encourage researchers to exploit IP through the licensing of patented knowledge, to encourage enterprises to invest in research and knowledge creation, and to support the exploitation of IP.

Apart from attracting companies to conduct R&D activities in Malaysia and facilitating the commercialisation of IP arising from local R&D, this will also anchor more post-R&D economic activities, thereby creating jobs and new products/services.

Companies that own the rights of qualifying IP assets and are receiving income from qualifying IP activities are eligible for full income tax exemption on qualifying IP income for a period of up to 10 years, subject to the guidelines on Modified Nexus Approach to ensure only income derived from IP developed in Malaysia is eligible for the incentive.

Where

- 'Qualifying IP assets' refers to patents or utility innovations under the Patents Act, 1983 [Act 291] or the equivalent law of any country or territory; copyrighted software under the Copyright Act 1987; or family qualifying IPs (two or more qualifying IPRs that are inter-linked in such a way that it is not possible to identify either which part of any expenditure incurred in the R&D resulting in the creation of those rights is incurred solely in the creation of a particular right, or which part of any income derived using those rights is derived solely from using a particular right).
- 'Qualifying IP income' refers to royalties and licensing fees.

Companies currently enjoying incentives under Section 34A/34B of the Income Tax Act are not eligible for this incentive.

Applications should be submitted to MIDA online via the InvestMalaysia portal. For more information, visit the Forms and Guidelines section on MIDA's website.

This incentive expires on 31 December 2022, and applications should be submitted to (and received by) MIDA on or before this date.

CHAPTER

VIII ENSURING ENVIRONMENTAL SUSTAINABILITY

ENSURING ENVIRONMENTAL SUSTAINABILITY

To promote environmentally-sound and sustainable development, the Malaysian Government has established a legal and institutional framework for environmental protection. Investors are encouraged to consider environmental factors during the early stages of their project planning. Aspects of pollution control include possible modifications in the process line to minimise waste generation, seeing pollution prevention as part of the production process, and focussing on recycling options, including inculcating a self-regulation culture throughout the business.

Environmental protection is overseen by the Department of Environment under the Ministry of Environment and Water. Businesses should refer to Malaysia's DOE for more information on procedures and guidance on how to ensure that their projects are environmentally sound and sustainable.

DOE has published an investor guide on environmental requirements for various industrial development projects located at:

www.doe.gov.my/portalv1/wp-content/uploads/2010/12/A-Guide-For-Investors.pdf

1. POLICY

The National Policy on the Environment (DASN) has been established for continuous economic, social, and cultural progress, and enhancement of Malaysians' quality of life, through environmentally-sound and sustainable development. The objectives of DASN are to achieve:

- A clean, safe, healthy, and productive environment for present and future generations;
- Conservation of the country's unique and diverse cultural and natural heritage, with effective participation by all sectors of society; and
- Sustainable lifestyles and patterns of consumption and production.

There are eight principles listed under DASN to harmonise economic development goals with environmental imperatives:

- Stewardship of the Environment
- Conservation of Nature's Vitality and Diversity
- Continuous Improvement in the Quality of the Environment
- Sustainable Use of Natural Resources
- Integrated Decision-Making
- Role of the Private Sector
- Commitment and Accountability
- Active Participation in the International Community

DASN seeks to integrate environmental considerations into development activities, and in all related decision-making processes, to foster long-term economic growth and human development, as well as to protect and enhance the environment. It complements and enhances the environmental dimensions of other national policies, such as those on forestry and industry, and takes cognisance of international conventions on global concerns.

2. ENVIRONMENTAL REQUIREMENTS

The Environmental Quality Act 1974 and its accompanying regulations call for Environmental Impact Assessment (EIA), site suitability assessment, pollution control assessment, monitoring, and self-regulation in compliance. Industrial activities are required to obtain the following approvals from the Director-General of Environmental Quality prior to project implementation:-

- ✓ EIA for Prescribed Activities;
- ✓ Written notification to construct any facility to result in a new source of discharge of industrial effluent or mixed effluent and a new source of emission;
- ✓ Written Permission and Licence to construct, occupy, and operate prescribed premises and prescribed conveyances.

2.1 EIA for Prescribed Activities

An investor should first of all check whether an EIA is required for his proposed industrial activities. An EIA study normally forms a second-level approval necessary to obtain Project Approval under evaluation by the Project Approving Authority. The EIA Approval obtained for a project is then to be submitted to the Project Approving Authority via the One-Stop Centre (OSC), together with other approval requirements of related technical agencies. The following are activities prescribed under the Environmental Quality (Prescribed Activities) (Environmental Impact Assessment) Order 2015, which require an EIA.

FIRST SCHEDULE

1. Agriculture:

(a) Land development schemes covering an area of 20 hectares or more but less than 500 hectares to bring forest into agricultural production.

(b) Development of agricultural estates covering an area of 500 hectares or more involving changes in types of agricultural use.

2. Aerodrome:

Expansion of an aerodrome involving a runway of 1,000 metres or longer.

3. Drainage and Irrigation:

(a) Construction of man-made lakes and enlargement of artificial lakes with surface areas of 100 hectares or more.

(b) Irrigation schemes covering an area of 500 hectares or more.

4. Fisheries:

Land based aquaculture projects accompanied by clearing of mangrove forest, peat swamp forest or fresh water swamp forest covering an area of 20 hectares or more but less than 50 hectares.

5. Forestry:

(a) Conversion of forest at 300 meters or more above mean sea level to other land use covering an area of 20 hectares or more but less than 100 hectares.

(b) Logging, or cutting or taking of timber for the purpose of conversion from forest to other land use covering an area of 100 hectares or more but less than 500 hectares.

(c) Logging, or cutting or taking of timber from forest at less than 300 meters above mean sea level covering an area of 100 hectares or more, outside permanent reserved forest.

(d) Conversion of an area of —

(i) mangrove forest;

(ii) peat swamp forest; or

(iii) fresh water swamp forest

for industrial, housing or agricultural use covering an area of 20 hectares or more but less than 50 hectares.

(e) Development of planted forest covering an area of 100 hectares or more but less than 500 hectares.

6. Industry:

(a) Chemical:

Production capacity of each product or combined products of 100 tonnes or more per day.

(b) Cement:

Cement grinding plant with cement production capacity of 200 tonnes or more per day.

(c) Lime

Production of 100 tonnes or more per day of burnt lime using rotary kiln or 50 tonnes or more per day of burnt lime using vertical kiln.

(d) Petrochemicals:

Production capacity of each product or combined product or less than 50 tonnes per day.

(e) Shipyards:

Dead weight tonnage of 5,000 tonnes or more.

7. Land Reclamation:

Coastal reclamation or land reclamation along river banks involving an area of less than 50 hectares.

8. Mining:

(a) One processing outside mineral tenement area, including concentrating of aluminium, copper, gold, iron, tantalum or rare earth element.

(b) Sand mining on land or river or in coastal area or in territorial waters not exceeding 3 nautical miles measured from the low-water line, involving an area of 20 hectares or more.

(c) Sand mining in continental shelf area.

9. Petroleum:

(a) Development of —

(i) oil field;

(ii) gas field; or

(iii) oil and gas field.

(b) Construction of 30 kilometres or more in length of —

(i) off-shore pipelines;

(ii) on-shore pipelines; or

(iii) off-shore pipelines and on-shore pipelines.

(c) Construction of —

(i) oil separation, processing, handling and storage facilities;

(ii) gas separation, processing, handling and storage facilities; or

(iii) oil and gas separation, processing, handling and storage facilities.

(d) Construction of product depot for the storage of petrol, gas or diesel which has the combined storage capacity of 60,000 barrels or more (excluding service station) within 3 kilometres from any commercial, industrial or residential area.

10. Ports:

(a) Expansion of port involving an increase of 50 percent or more in handling capacity per annum.

(b) Expansion of fishing port involving an increase of 50 percent or more in fish landing capacity per annum.

11. Power Generation and Transmission:

(a) Construction of steam generated power station using fossil fuel (other than coal) and having the capacity of 10 megawatts or more, with or without transmission line.

(b) Construction of combined cycle power station, with or without transmission line.

(c) Construction of transmission line in environmentally sensitive area.

12. Development in Coastal and Hill Area:

(a) Construction of building or facilities with 80 rooms or more in coastal area.

(b) Construction of hill-station resort or hotel at 300 meters or more above mean sea level covering an area of 20 hectares or more.

13. Development in Slope Area:

Development or land clearing less than 50 per cent of an area with slope greater than or equal to 25^0 but less than 35^0.

14. Waste Treatment and Disposal:

(a) Scheduled waste:

(i) Construction of recovery plant (off-site).

(ii) Construction of wastewater treatment plant (off-site).

(iii) Construction of storage facility (off-site).

(b) Solid waste:

(i) Construction of composting plant.

(ii) Construction of recovery plant or recycling plant.

(c) Sewage:

(i) Construction of sewage treatment plant with 20,000 population equivalent or more.

(ii) Sludge treatment facilities.

15. Dredging:

(a) Capital dredging.

(b) Disposal of waste dredged materials

16. Housing:

Housing development covering an area of 50 hectares or more.

17. Industrial Estate Development:

Development of industrial estate covering an area of 20 hectares or more.

18. New Township:

Construction of new township consisting of 2,000 housing accommodation units or more or covering an area of 100 hectares or more.

19. Quarry:

Quarrying of rock material.

20. Road:

(a) Construction of expressway.

(b) Construction of highway.

(c) Construction of road, tunnel or bridge traversing or adjacent or near to environmentally sensitive areas.

21. Water Supply:

Groundwater development for industrial, agricultural or urban water supply of 4,500 cubic metres or more per day.

SECOND SCHEDULE

1. Agriculture:

(a) Land development schemes covering an area of 500 hectares or more to bring forest into agricultural production.

(b) New pig farming area of 2,000 or more standing pig population.

2. Aerodrome:

(a) Construction of a new aerodrome involving a runway of 1,000 metres or longer.

(b) Construction of aerodrome in or adjacent or near to any state park, national park, national marine park, island surrounding marine park or environmentally sensitive area.

3. Drainage and Irrigation:

(a) Construction of man-made lakes and artificial enlargement of lakes with surface areas of 50 hectares or more in or adjacent or near to environmentally sensitive area.

(b) Any drainage of wetland, wild-life habitat or of dry inland forest covering an area of 20 hectares or more.

4. Fisheries:

Land based aquaculture projects accompanied by clearing of mangrove forest, peat swamp forest or fresh water swamp forest covering an area of 50 hectares or more.

5. Forestry:

(a) Conversion of forest at 300 meters or more above mean sea level to other land use covering an area of 100 hectares or more.

(b) Logging or conversion of forest to other land use within —

(i) a catchment area of reservoirs used for municipal water supply, irrigation or hydro-power;

(ii) an area adjacent or near to any state park, national park or national marine park;

(iii) any state park, national park or national marine park; or

(iv) an area gazetted as water catchment forest under the National Forestry Act 1984 [Act 313].

(c) Logging or cutting or taking of timber from forest at 300 meters or more above mean sea level covering an area of 100 hectares or more, outside permanent reserved forest.

(d) Logging or cutting or taking of timber covering an area of 500 hectares or more.

(e) Development of planted forest covering an area of 500 hectares or more.

(f) Conversion of an area of —

(i) mangrove forest;

(ii) peat swamp forest; or

(iii) fresh water swamp forest;

for industrial, housing or agricultural use covering an area of 50 hectares or more.

(g) Clearing of mangrove forest, peat swamp forest or fresh water swamp forest on islands adjacent to any national marine park.

6. Industry:

(a) Non-ferrous:

(i) Primary smelting aluminium (all sizes).

(ii) Primary smelting copper (all sizes).

(iii) Primary smelting other non-ferrous (producing 50 tonnes product or more per day).

(b) Cement:

With clinker production capacity of 30 tonnes or more per hour.

(c) Iron and steel:

(i) Using iron ore as raw materials for production of 100 tonnes or more per day.

(ii) Using scrap iron as raw materials for production of 200 tonnes or more per day.

(d) Petrochemicals:

Production capacity of each product or combined product of 50 tonnes or more per day.

(e) Pulp, or pulp and paper:

Production capacity of 50 tonnes or more per day.

(f) Recycle paper industry:

Production capacity of 50 tonnes or more per day.

7. Land Reclamation:

(a) Coastal reclamation or land reclamation along river banks involving an area of 50 hectares or more.

(b) Coastal reclamation or land reclamation along river banks within or adjacent or near to environmentally sensitive areas.

(c) Reclamation for man-made island.

8. Mining:

(a) Mining of minerals in new areas involving large scale operation.

(b) Mining of minerals within or adjacent or near to environmentally sensitive area.

9. Petroleum:

(a) Construction of oil refineries.

(b) Construction of gas refineries.

(c) Construction of oil and gas refineries.

10. Ports:

(a) Construction of a new port.

(b) Construction of a new fishing port.

11. Power Generation and Transmission:

(a) Construction of coal fired power station and having the capacity of 10 megawatts or more with or without transmission line.

(b) Construction of nuclear-fuel power station with or without transmission line.

12. Development in Coastal Area, National Park and State Park:

Development of tourist facilities, recreational facilities or other facilities –

(a) in any national park or state park; or

(b) on any island in surrounding waters which has been gazetted as a national marine park or marine reserve under the Fisheries Act 1985 [Act 317].

13. Development in Slope Area:

(a) Development or land clearing of 50 per cent or more of an area with slope greater than or equal to 25^0 but lesser than 35^0.

(b) Construction of road, tunnel or bridge traversing an area with slope greater than or equal to 35^0.

14. Waste Treatment and Disposal:

(a) Scheduled waste:

(i) Construction of thermal treatment plant.

(ii) Construction of off-site recovery plant for lead acid battery wastes.

(iii) Construction of off-site recovery plant or treatment facility that generates significant amount of wastewater which is located at the upstream of public water supply intake.

(iv) Construction of secure landfill facility.

(b) Solid waste:

(i) Construction of thermal treatment plant.

(ii) Construction of sanitary landfill facility.

(iii) Construction of transfer station.

15. Construction of Dam:

(a) Construction of dam or impounding reservoir for the purpose of irrigation, flood mitigation, control of siltation, recreational, water supply or any other reason with a surface area of 100 hectares or more.

(b) Dam and hydro-electric power scheme with either or both of the following:

(i) dam of 15 metres or more in height and ancillary structures covering a total area of 40 hectares or more;

(ii) reservoir with a surface area of 100 hectares or more.

16. Transportation:

(a) Construction of new routes or branch line for a mass rapid transport project.

(b) Construction of new railway route or railway branch lines.

17. Radioactive Materials and Radioactive Waste:

Any activity specified in this Schedule and the First Schedule using radioactive materials and generating radioactive waste.

Submission Stage of EIA Report:

i. Submission of TOR for endorsement (for activities that fall under Second Schedule)

ii. Submission of EIA Report for Approval (for activities that fall under First Schedule or Second Schedule)

Both documents must be prepared by a qualified person

(Registered EIA Consultant with DOE) and shall be in accordance with the guidelines prescribed by the Director General of Environment and other relevant guidelines published by other agencies. **The Environmental Impact Assessment Guideline in Malaysia, 2016** has been prepared to assist project proponents to understand the objectives of the EIA, procedures for carrying out EIA studies, and guidelines on preparation of EIA reports.

2.2 Site Suitability Assessment

Before an industrial project is planned, care must be taken in ensuring the proposed site location is suitable for its purpose, and any environmental concerns must be addressed by design and/or planning. Avoidance of conflict(s) through proper siting, and more importantly, with consideration of environmental controls and pollution prevention, is important for long-term sustainability of any industrial activity. This would help to reduce unnecessary investment costs that may be required, especially with regards to pollution control, and to improve public perception of the project or activity.

The Guidelines for the Siting and Zoning of Industries and Residential Areas (SZIRA) 2012 and the Environmental Essentials for the Siting of Industries in Malaysia (EESIM) 2017, published by DOE, serves as a guidance document for project developers when selecting a suitable site for the setting up of a manufacturing or industrial facility. Proposed industrial activity shall be sited within an industrial estate, and be developed and managed with environmentally-sound control measures. In considering the suitability of the proposed site, the site of interest is evaluated in terms of its compatibility with respect to the gazetted Structure and Local plans, surrounding land use, provision of set-backs or buffer zones set by PLANMalaysia (Jabatan Perancangan Bandar dan Desa), the capacity of the area to receive additional pollution load, and waste disposal requirements.

CHAPTER

IX

CONNECTING YOUR BUSINESS TO INFRASTRUCTURE AND AMENITIES IN MALAYSIA

CONNECTING YOUR BUSINESS TO INFRASTRUCTURE AND AMENITIES IN MALAYSIA

1. INDUSTRIAL LAND

1.1 Industrial Estates

World-class infrastructure and ease of doing business remain among the key criteria for investors while making investment decisions. Malaysia has over 600 industrial estates that cater to the needs of companies across a broad range of industries, such as small-scale industries, halal industries, biotechnology, and 'high technology'. These industrial estates are developed to provide a conducive and business-friendly environment for investors. Excellent infrastructure and amenities such as easy access to major towns, sufficient electricity and water supply, high-speed broadband (HSBB) up to 1Gbps, gas pipelines, logistics and storage facilities, factory security, ready-built multi-storey facilities, and "plug and play" zones are readily available. These facilities reduce start-up costs for investors and also ease the implementation of projects in Malaysia.

Major industrial estates in Malaysia are cluster-based bases, where end-to-end services are readily available to cater to the needs of the whole industrial value chain. Some of the prominent cluster-based industrial estates are:

- **Kulim Hi Tech Park (KHTP)**
KHTP is the first high-tech industrial park with intermodal logistics connectivity and excellent industrial infrastructure, focussing on capital-intensive high-tech manufacturing, advanced technologies, and R&D activities. It is also known as one of the most preferred investment locations in Asia for companies in the high-tech, advanced technologies, and medical industries.

- **Batu Kawan Industrial Park (BKIP)**
BKIP is a premier technological hub in the country, and developed specifically for high-technology and high-value-added investments, including R&D investments in the electronics and automation cluster. This comprehensively equipped park, with high-quality infrastructure facilities and easy accessibility to the airport and seaport, has attracted many Malaysian-owned companies and prominent multinational companies (MNCs) to establish their presence in BKIP.

- **I-Park**

I-Park is an innovative and sustainable park concept developed in Johor. To date, three I-parks have been developed; namely, I-Park SILC, I-Park Senai@airport City, and I-Park Kulai. These parks were built to international standards, perfectly integrated with excellent amenities, and provide a one-stop solution to investors, offering plug-and-play facilities such as a readily-available natural gas connection, workers' dormitory, and access to HSBB, to facilitate investors by streamlining their business operations.

I-Park is the perfect destination for both local and multinational companies involved in hi-tech manufacturing, research, logistics, and innovation activities. In addition, it is easily accessible by air via Senai International Airport and Singapore Changi Airport. These parks are ready to cater to the requirements of MNCs keen to reinvest in Malaysia.

- **POIC, Lahad Datu**

POIC Lahad Datu is the dedicated zone for palm oil industrial cluster. It is an integrated industrial complex specifically designed to cater light, medium, and heavy palm-oil-based industries. Facilities such as container terminals, dry bulk terminals, liquid bulk terminals, and a barge berth are also readily available in POIC.

Aside from investments directly linked to palm oil, POIC Lahad Datu also offers business opportunities in a wide range of supporting services, such as ports & logistics, biomass, bio refineries, O&G, and other services related to SMEs.

- **Samalaju Industrial Park (SIP)**

Samalaju Industrial Park (SIP) in Bintulu, Sarawak, is a 7,000-hectare dedicated industrial park for energy-intensive and heavy industries such as aluminium smelting, iron and steel, oil refining, silica-based industries, marine engineering, and a wide range of industrial and supporting services.

Apart from excellent facilities and utilities, this park is also served by a dedicated port facility known as Samalaju Industrial Port, which is equipped with efficient and modern cargo handling equipment. The port serves as a logistical hub for many MNCs and local companies located in the Samalaju Industrial Park.

For a more comprehensive listing of industrial estates in Malaysia, please read the Malaysia Industrial Park Directory jointly published by MIDA and the Federation of Malaysian Manufacturers at:

www.fmm.org.my/images/articles/publication/Malaysia%20Industrial%20Park%20Directory.pdf

1.2 Free Zones

A Free Zone is an area in any part of Malaysia declared by the Minister of Finance under the provision of Section 3(1) of the Free Zones Act 1960 to be either a Free Commercial Zone or a Free Industrial Zone. It is mainly designed to promote entreport trade, and is specially established for manufacturing companies that produce or assemble products mainly for export.

The activities and industries in Free Zones are subject to minimal customs formalities as they are deemed under Section 2 (1A) of the Customs Act 1967 to be outside the Principle Customs Area. Prohibition of Imports and Exports under Section 31, Transit and Transhipment under Part IVA, Port Clearances under Part V, General Provisions Affecting Vessels in Territorial Waters under Part VI, and Manifests under Part VII of the Customs Act 1967 also apply to a free zone.

1.2.1 Free Commercial Zones (FCZs)

A FCZ is a free zone allocated for carrying out commercial activities which include trading (except retail trade), breaking bulk, grading, repacking, and relabelling. Retail trade is approved by the Minister of Finance under Section 6A of the Free Zones Act 1990 for certain free zones.

To date there are 23 FCZs that are located at North, South and West Port of Port Klang; Pulau Indah (Port Klang Free Zone-PKFZ); MILS Logistik Hub (MLH); Butterworth; Bayan Lepas; KLIA; Rantau Panjang; Pengkalan Kubor; Stulang Laut; Bukit Kayu Hitam; Tasik Kenyir; Port of Kuantan; Port of Pasir Gudang; and Port of Tanjung Pelepas.

1.2.2 Free Industrial Zones (FIZs)

Other than minimal customs formalities, FIZs enable export-oriented manufacturing companies to enjoy duty-free imports of raw materials, component parts, and machinery and equipment required directly in the manufacturing process, as well as minimal formalities in exporting their finish products.

To date there are 22 FIZs that are located at Pasir Gudang; Tanjung Pelepas; Batu Berendam; Tanjung Kling; Telok Panglima Garang; Pulau Indah (PKFZ); Sg. Way; Ulu Klang; Jelapang; Kinta; Bayan Lepas; Seberang Perai; and Sama Jaya.

Companies can be located within FIZs when

- ✓ Their entire production or not less than 80% of their products are meant for export
- ✓ Their raw material/component are mainly imported. Nevertheless, the Government encourages FIZ companies to use local raw materials/components.

1.3 Licensed Manufacturing Warehouses

To enable companies to enjoy FIZ facilities in areas where it is neither practical nor desirable to establish FIZs, companies can set up Licensed Manufacturing Warehouses (LMWs). Facilities accorded to LMWs are similar to factories operating in the FIZs.

Companies normally approved for LMWs are those:

- ✓ whose entire production or not less than 80% are meant for export
- ✓ whose raw materials/components are mainly imported

Payment of Duty

Effective 1 January 2011, FIZ and LMW companies are eligible to enjoy import duty exemptions equivalent to ATIGA (ASEAN Trade in Goods Agreement) rates if they comply with the following conditions for sales of finished goods in the Principal Customs Areas;

- ✓ achieve 40% of value from local content, and
- ✓ if the local content value does not reach 40%, consideration can be given if the FIZ/LMW companies can prove that the non-originating raw materials of the end products produced had undergone a substantive transformation process through a mechanism which has been set.

2. ELECTRICITY SUPPLY

Electricity supply in Malaysia is adequate and of high quality and reliability, comparable to other utilities in the region and globally.

The power supply to West Malaysia is provided by Tenaga Nasional Berhad, a national utility company, whereas in East Malaysia, i.e. Sabah and Sarawak, electricity is provided by Sabah Electricity Sendirian Berhad (SESB) and Sarawak Energy Berhad (SEB) respectively.

The power generation in Malaysia is mainly a mixture of thermal, gas, and hydro. The generation plants are owned by both the utilities and Independent Power Producers (IPPs). Renewable energy from solar, small hydro, biogas, and biomass are being promoted as part of the nation's green technology initiative.

The transmission voltages in Malaysia are at 500 kV, 275 kV, and 132 kV, while the distribution voltages are at 33 kV, 11 kV, and 400/230 V.

For more information on electricity connectivity, regulations, and tariffs/rates, visit:

- ❖ Tenaga Nasional Berhad
- ❖ Sabah Electricity Sendirian Berhad
- ❖ Sarawak Energy Berhad

3. WATER SUPPLY

Water supply and related services in Peninsular Malaysia and the Federal Territory of Labuan is under the concurrent jurisdiction of the Federal Government of Malaysia and the various State Governments. In order to increase the quality of water services, particularly in protecting consumers' rights, two Federal legislative frameworks; namely, the Suruhanjaya Perkhidmatan Air Negara 2006 Act (Act 654) and Water Services Industry Act 2006 (Act 655), have been enforced since 2007 and 2008 respectively. Consumers in Peninsular Malaysia and the Federal Territory of Labuan enjoy continuous water supply which is reliable and safe. The Ministry of Health (MOH) carries out close monitoring and routine testing to ensure all water operators comply with the World Health Organisation (WHO) guidelines for drinking water quality. All domestic, commercial, and industrial users are metered. Water tariffs vary from state to state.

In East Malaysia, water supply is the responsibility of various government bodies and agencies. The Sabah State Water Department oversees the state's water supply, while in Sarawak, multiple bodies are responsible for overseeing the supply of water to their respective areas.

4. TELECOMMUNICATION SERVICES

Malaysia has a plethora of telecommunications providers (telcos) providing both fixed-line and mobile telecommunications that cover virtually the entire country. The industry is regulated by the Malaysian Communications and Multimedia Commission (MCMC).

The primary fixed-line telco in Malaysia is Telekom Malaysia Berhad, using the Unifi brand for retail and business users, and the TM ONE brand for enterprise and public-sector users. Telekom Malaysia Berhad provides voice and data services, with speeds of up to 10 Gbps. In addition, it also offers wireless coverage solutions and managed IT services, as well as mobile phone service via the Unifi Mobile brand.

For more information on telecommunications connectivity, regulations, and rates, visit:

- MCMC
- Telekom Malaysia Berhad

Aside from Unifi Mobile, Malaysia is also home to several other mobile phone service providers, including virtual mobile network operators. Most service providers provide both postpaid and prepaid mobile plans. It is compulsory for users of local SIMs to register themselves using the appropriate identity documents (e.g. passport or identity card).

Following the release of the Jalinan Digital Negara Plan (JENDELA), the major mobile network operators in Malaysia have announced that their existing 3G networks will be shut down by the end of 2021, requiring mobile phone users to ensure that their devices either support 4G/LTE or 2G (GSM).

The 5G network is scheduled to begin operation within the Klang Valley by the end of 2021.

Business travellers should contact their local mobile phone service providers for more information on international roaming coverage and rates while in Malaysia.

5. AIR CARGO FACILITIES

Malaysia's central position at the crossroads of Southeast Asia makes her particularly attractive as a transhipment centre. Air cargo facilities are well-developed, especially in the six international airports in Malaysia.

The highly-sophisticated Kuala Lumpur International Airport (KLIA) in Sepang, Selangor, has a current capacity of 70 million passengers and 2.9 million tonnes of cargo per year. In the future, KLIA's 10,000 hectares of land is planned to accommodate up to 140 million passengers and 5.4 million tonnes of cargo per year.

The other international airports are the Penang International Airport, Langkawi International Airport, and Senai International Airport in Peninsular Malaysia, Kota Kinabalu International Airport in Sabah, and Kuching International Airport in Sarawak.

MAB Kargo Sdn Bhd (MASkargo) is Malaysia Airlines' cargo arm and a subsidiary of the Malaysia Aviation Group. MASkargo operates as a cargo airline under the MH airline code, providing scheduled and chartered air cargo services to almost 100 destinations worldwide. MASkargo also functions as a cargo terminal operator, providing ground handling services via its 11 air cargo warehouses.

MASkargo operates its 108-acre main hub, the state-of-the-art Advanced Cargo Centre (ACC) at KLIA, within the FCZ in Sepang, Malaysia. This centre is capable of handling up to 1 million tonnes of cargo per annum, and features a secured and sophisticated security system coupled with the latest technologies, including semi-automated warehousing, ensuring real-time data tracking and smooth flow of communication. Among the facilities at the ACC are the Halal Logistics Zone (HAL Zone), the Mail and eCommerce Centre, the 6-star Animal Hotel, the one-stop Perishable Centre, and the world's first Priority Business Centre (PBC) for key forwarding agents.

6. SEA PORTS

Ports in Malaysia can be classified as federal ports and state ports. All federal ports are under the jurisdiction of the Ministry of Transport. At present, there are eight major federal ports; namely, Port Klang, Penang Port, Johor Port, Port of Tanjung Pelepas (PTP), Kuantan Port, Kemaman Port, Labuan Port, and Bintulu Port. All these federal ports are equipped with modern facilities. Bintulu Port is the only port which handles liquefied natural gas.

In tandem with the expansion of the economy and trade, ports in the country have registered impressive growth in recent years. Two of the ports – Port Klang and PTP – are ranked among the top 20 container ports in the world.

The Government's policy on ports focuses on:

- Being supply-driven, i.e., the provision of ample capacity in ports to ensure there is zero waiting time for ships.
- Enhancing the utilisation of ports through:
    - improving efficiency and productivity of port operations;
    - port privatisation;
    - development and improvement of ancillary services; and
    - development and improvement of land-side transportation.
- Load centring: Port Klang has been made the national load centre and the transhipment centre, while PTP has been recognised as a regional transhipment hub.

7. CARGO TRANSPORTATION

Various companies provide comprehensive containerised cargo transportation services in Malaysia. These include container haulage, freight forwarding, warehousing, bunkering, distribution-related services, port and Customs clearance, and container repair, leasing, and maintenance.

Consignees and clients in Malaysia enjoy speedy, efficient, and reliable cargo transportation through a network of local branches and offices. Most companies also offer a good international network of agents.

7.1 Container Haulage

The Malaysian Government regulates inland container haulage through the Land Public Transport Agency.

A total of 62 hauliers cater to varied cargo needs through a diversified fleet of trailers and prime movers, which also include modified vehicles. Some are equipped with modern tracking systems to enable contact with haulage vehicles on the road.

Numerous other medium and small-sized operators truck conventional cargo to destinations throughout the country. Meanwhile, a block rail feeder service operates to specific destinations, and a freight liner service takes care of container deliveries to outstation clients.

This multi-modal (road and rail) transportation system assures prompt delivery of cargo.

7.2 Freight Forwarding

Hundreds of freight forwarding agents stationed throughout Malaysia offer nationwide freight forwarding services, while cargo bound for international destinations can be forwarded through various international freight forwarders.

Freight forwarders can also provide assistance to manufacturers in the processing of applications for the required permits, licences, and duty/tax exemptions for the clearance of goods from the Customs authorities.

8. HIGHWAYS

The Malaysian Highway Authority supervises and executes the design, construction, regulation, operation, and maintenance of inter-urban highways in Malaysia. These comfortable expressways link all major townships and potential development areas, and have catalysed industrial growth by enabling efficient transportation.

The country's successful privatisation programme, coupled with its strong economic growth, has also induced more highway development projects in the last few years.

Today, the North-South Expressway together with the Penang Bridge, the Kuala Lumpur-Karak Highway, and East Coast Highway form the backbone of Peninsular Malaysia's road infrastructure, contributing to the country's rapid socioeconomic development.

9. RAILWAY SERVICES

Keretapi Tanah Melayu Bhd (KTMB), which operates in Peninsular Malaysia, is a corporation wholly owned by the Malaysian Government. As the single largest transport organisation in the country, KTMB has the capacity to transport several classifications of goods, ranging from grains to machinery.

Its network runs the length and breadth of Peninsular Malaysia from the northern terminal in Padang Besar to Pasir Gudang, Johor in the south. The same northerly line serves wharves and port facilities in Penang.

For more information on other rail services in Malaysia, including passenger rail services, visit www.mot.gov.my/en/land/infrastructure/current-rail-services.

10. DIGITAL INFRASTRUCTURE

MSC Malaysia was established in 1996 by the Government of Malaysia to promote the development of the country's digital economy. The initiative started with a designated economic corridor aimed at attracting world-class companies to set up their operations in Malaysia. The MSC Malaysia Status is awarded to eligible local and foreign technology companies with a wide range of incentives, rights, and privileges from the Government to drive the digital economy forward. Over the past 25 years, MSC Malaysia continued to attract interest from various regional and global multi-national companies.

Moving forward, investment in the digital sector and emerging technologies will be key in realising Malaysia 5.0 as it gives greater shared prosperity for all citizens. Malaysia 5.0 directly addresses financial inclusion, access, performance, and growth through technologies that could decentralised authority and de-emphasise divisions along the lines of colour, creed, and country, such as financial technology, blockchain, and artificial intelligence.

With over 2,807 (as of March 2021) active companies and counting, the MSC Malaysia Status is a designation that is highly sought after by many local and foreign Information and Communications Technology (ICT) establishments in the country. Being recognised as an MSC Malaysia Status Company provides the company access to exclusive incentives that give them an essential edge in a hyper-competitive ICT industry.

MSC MALAYSIA CYBERCITIES AND CYBERCENTRES

MSC Malaysia Cybercities and Cybercentres are designated MSC Malaysia areas with a conducive business environment that provides the ecosystem to attract ICT investors and promote the growth of local ICT companies, in which companies from the same sector are placed together to spur rapid growth.

These companies are housed within a conducive ecosystem to grow their businesses within the framework of Malaysia's developed digital economy vision. An environment fostering healthy competition will encourage innovation and development, while increasing competencies on national and regional levels.

As of March 2021, there are 71 MSC Malaysia Cybercities & Cybercentres:

KLANG VALLEY	
1.	Cyberjaya
2.	UPM-MTDC
3.	KL Tower
4.	i-City
5.	Mid Valley City
6.	Bangsar South City
7.	Symphony House
8.	The Intermark
9.	Jaya 33
10.	Menara Worldwide
11.	Persoft Tower
12.	Menara Maybank
13.	Cap Square Tower
14.	Damansara Uptown
15.	Linde ROC
16.	Menara LGB
17.	Luxor Tech Centre
18.	Oasis Damansara
19.	UOA Business Park
20.	Plaza Hap Seng
21.	APM Technology Centre
22.	Wisma E&C
23.	JKG Tower
24.	Dataran Maybank
25.	Menara AIMS
26.	The Exchange 106
27.	Sunway Velocity
28.	IOI Resort City
29.	Technology Park Malaysia (TPM)
30.	Kuala Lumpur City Centre (KLCC)
31.	KL Sentral
32.	TM Cybercentre Complex
33	Bandar Utama
34.	GTower
35.	Quill 9
36.	Wisma Hamzah Kwong Hing
37.	Puchong Financial and Corporate Centre (PFCC)

38.	Menara Binjai
39.	Menara OBYU
40..	UOA Damansara
41..	Sunway Resort City
42.	One City
43.	iHubSentulPark
44.	Putrajaya
45.	The Paradigm
46.	Menara Mesiniaga
47.	Icon City
48.	Neo Damansara
49.	Menara KEN TTDI
50.	Damansara City
51.	Nucleus Tower
52.	Symphony Square
53.	K KYM Tower
54.	Platinum Park
55.	Menara Prudential

PENANG	
1.	Penang Cybercity 1 (PCC1)
2.	Cypress (formerly known as Spansion)
3.	One Precinct
4.	Albukhary Building
5.	Livingston Tower (formerly known as Menara Zurich)
6.	GBS@Mayang

JOHOR	
1.	Menara MSC Cyberport
2.	Iskandar Malaysia Studios
3.	Medini

MELAKA
Melaka International Trade Centre (MITC)

KEDAH
Kulim Hi-Tech Park (KHTP)

PERAK
Meru Raya

PAHANG
Putra Square
Pahang Technology Park (PTP)

SARAWAK
Town Square Bintulu

SABAH
ITCC-Penampang

Malaysia, the heart of digital ASEAN

The digital economy is expected to contribute significantly to the country's growth; an estimated 20% contribution to GDP in 2020 by the Department of Statistics Malaysia, and a forecast of 6.7% economic growth this year by the World Bank. To maintain an upward-growth trajectory, the Malaysia Digital Economy Corporation (MDEC) will continue to lead the digital economy forward by ensuring shared prosperity for the many, demonstrating Malaysia's ambition to be the heart of a 'Digital ASEAN'.

To establish this, MDEC will focus on its three strategic thrusts; namely, empowering digitally-skilled Malaysians, accelerating digitally-powered businesses, and attracting digital investments to ensure the society will be able to fully leverage and benefit from the Fourth Industrial Revolution technologies.

The Digital Investment Office (DIO)

The DIO coordinates, assesses, and evaluates digital investment projects, while providing end-to-end facilitation to investors. DIO will also put forward future-ready policies and guides on talent requirements and digital infrastructure networks, as well as address operational issues faced by businesses during the current pandemic and beyond.

At the centre of the DIO is the Malaysia, Heart of Digital ASEAN (MHODA) portal, a single platform to attract and facilitate digital investments into Malaysia. Through MHODA, the DIO can facilitate the transformation of new and existing economic clusters through digital enablers, high-income job creation, and digital upskilling of the local workforce and businesses. Investors will find it convenient to submit their investment interests through a single-entry point, easing entry and facilitation and enabling quality digital investment opportunities in line with the goals of MyDIGITAL.

More updates and information on digital infrastructure, facilities, and incentives can be found at MDEC's website:

What is MSC Malaysia
mdec.my/what-we-offer/msc-malaysia/

What is Cybercity & Cybercentre
mdec.my/what-we-offer/cybercities-cybercentres-digital-hubs/

The Digital Investment Office website.
mdec.my/dio/

Malaysia, Heart of Digital ASEAN
www.heartofdigitalasean.my

CHAPTER

X OTHER INVESTMENT PROMOTION AGENCIES

1. **BIOECONOMY CORPORATION**
2. **EAST COAST ECONOMIC REGION DEVELOPMENT COUNCIL (ECERDC)**
3. **HALAL DEVELOPMENT CORPORATION (HDC)**
4. **INVESTKL**
5. **ISKANDAR REGIONAL DEVELOPMENT AUTHORITY (IRDA)**
6. **MALAYSIA DIGITAL ECONOMY CORPORATION (MDEC)**
7. **NORTHERN CORRIDOR IMPLEMENTATION AUTHORITY (NCIA)**
8. **REGIONAL CORRIDOR DEVELOPMENT AUTHORITY (RECODA)**
9. **SABAH ECONOMIC DEVELOPMENT AND INVESTMENT AUTHORITY (SEDIA)**

OTHER INVESTMENT PROMOTION AGENCIES

While MIDA is the main Investment Promotion Agency (IPA) in Malaysia, the leading agency also works hand-in-hand with other IPAs to spearhead the country's national investment agenda. These entities complement MIDA's ongoing efforts to develop the various regions of the country, and nurture the development of talent and specific industries.

1. Bioeconomy Corporation

Bioeconomy Corporation is the lead development agency for the bio-based industry in Malaysia. It is responsible for executing the objectives of the National Biotechnology Policy (NBP) and acts to identify value propositions in both R&D and commerce, and to support these ventures via financial assistance and developmental services.

Amongst its other duties, Bioeconomy Corporation is responsible for acting as the central point in providing support, facilitation, and advisory services, as well as nurturing and accelerating the growth of Malaysian bio-based companies; actively promoting foreign direct investment in the bio-based industry, and creating a conducive environment for it.

For more information on Bioeconomy Corporation, visit www.bioeconomycorporation.my/.

2. East Coast Economic Region Development Council (ECERDC)

The ECERDC aims to spur the socioeconomic development of the ECER. The goal is to achieve balanced regional development, improve living standards of people in the region, and close the rural-urban gap.

The ECERDC's role is to accelerate the implementation of strategic high impact projects and programmes. This is done by complementing existing Government efforts through a consultative and collaborative approach to ensure all stakeholder issues are addressed and regional needs are met.

The ECER includes the states of Kelantan. Terengganu, Pahang, and Johor on the East Coast of Peninsular Malaysia.

For more information on the ECERDC, visit www.ecerdc.com.my/

3. Halal Development Corporation (HDC)

HDC spearheads the development of Malaysia's integrated and comprehensive halal ecosystem and infrastructure, and is the world's first government-backed halal industry development corporation. It is the central coordinator that promotes participation and facilitates growth of industry players in the development of Malaysia's halal ecosystem.

HDC has transformed Malaysia into a leader in the world's halal industry, through the creation of opportunities, investments, trade, employment, information sharing, and technology transfer, within the halal ecosystem.

For more information on HDC, visit www.hdcglobal.com/.

4. InvestKL

InvestKL focusses on attracting Fortune 500 and Forbes 2000 multinational companies, unicorns, fast growing, and 'hidden champion'-type companies to establish their regional hubs and undertake regional activities in Greater Kuala Lumpur.

InvestKL partners with various government agencies to attract MNCs from USA, Europe, and Asia Pacific to establish their innovation and talent hubs, and conduct their regional business and high-value business services activities within the Greater Kuala Lumpur region, to enhance their companies' growth in Asia.

For more information on InvestKL, visit www.investkl.gov.my/

5. Iskandar Regional Development Authority (IRDA)

IRDA is tasked with regulating and driving various stakeholders in both the public and private sectors towards realising the vision of developing Iskandar Malaysia into a strong and sustainable metropolis of international standing. Iskandar Malaysia is sited within Malaysia's southernmost state of Johor, with abundant land, natural and human resources, and enriched by a strong and sustainable living environment.

IRDA undertakes activities related to planning, promoting, and facilitating investments into Iskandar Malaysia.

For more information on the IRDA, visit www.irda.com.my/

6. Malaysia Digital Economy Corporation (MDEC)

MDEC has a nearly 25-year track record of successfully leading the ICT and digital economy growth in Malaysia. MDEC's aspiration is to firmly establish Malaysia as the Heart of Digital ASEAN, a regional digital powerhouse launching global champions to lead the Fourth Industrial Revolution, ensuring our digital economy will drive shared prosperity for all Malaysians.

MDEC is focused on accelerating the nation's digital economy growth, ensuring it is inclusive and rewarding for all, focused on the key drivers: empowering Malaysians with Digital Skills, enabling Digitally-Powered Businesses, and driving Digital Sector Investments.

For more information on MDEC, visit mdec.my

7. Northern Corridor Implementation Authority (NCIA)

NCIA) is the statutory body responsible for providing direction, devising policies and strategies that promote and accelerate the development of the Northern Corridor Economic Region (NCER). NCIA catalyses and implements high-value-added development projects and programmes, and also promotes private-sector participation in the region.

For more information on the NCIA, visit
www.ncer.com.my/about-ncer/about-ncia/

8. Regional Corridor Development Authority (RECODA)

RECODA oversees and manages the Sarawak Corridor of Renewable Energy (SCORE) project. RECODA's two main goals are to promote SCORE by creating and stimulating new and existing markets, and to work towards achieving Sarawak's ambitious investment and development goals.

SCORE features a land area of 70,000 square kilometres and a population of 600,000, spanning 8 million hectares of forest and 5 million hectares of arable and peat land suitable for agriculture. The abundance of renewable energy provided by SCORE's hydroelectric infrastructure is a key competitive advantage, especially for energy-hungry industries.

For more information on RECODA, visit
www.recoda.gov.my/

9. Sabah Economic Development and Investment Authority (SEDIA)

SEDIA is the one-stop authority to drive the Sabah Development Corridor (SDC), i.e. to plan, coordinate, promote, and accelerate the development of the SDC, while ensuring that social development and sustainable development are kept as priorities.

For more information on SEDIA, visit
www.sedia.com.my/

USEFUL CONTACTS

MINISTRIES

RELEVANT ORGANISATIONS

MITI OVERSEAS OFFICES

MIDA OVERSEAS OFFICES

MIDA STATE OFFICES

MATRADE OVERSEAS OFFICES

MATRADE STATE OFFICES

MINISTRIES

PRIME MINISTER'S OFFICE
Block B8, Prime Minister's Department Complex
62502 Putrajaya, Malaysia
Tel : (603) 8000 8000
Fax : (603) 8888 3904
Website : www.pmo.gov.my
E-mail : ppm@pmo.gov.my

MINISTRY OF AGRICULTURE AND AGRO-BASED INDUSTRY
Block 4 G1, Wisma Tani
No. 28, Persiaran Perdana, Precinct 4
Federal Government Administrative Centre
62624 Putrajaya, Malaysia
Tel : (603) 8870 1200 / 1400
Fax : (603) 8888 6906
Website : www.moa.gov.my
E-mail : pro@moa.gov.my

MINISTRY OF DEFENCE
Wisma Pertahanan
Jalan Padang Tembak
50634 Kuala Lumpur, Malaysia
Tel : (603) 2059 8400
Fax : (603) 2691 4163
Website : www.mod.gov.my
E-mail : portal@mod.gov.my

MINISTRY OF DOMESTIC TRADE, CO-OPERATIVES AND CONSUMERISM
No. 13, Persiaran Perdana, Precinct 2
Federal Government Administrative Centre
62623 Putrajaya, Malaysia
Tel : (603) 8000 8000
Fax : (603) 8882 5983
Website : www.kpdnkk.gov.my

MINISTRY OF EDUCATION
Block E8, Parcel E
Federal Government Administrative Centre
62604 Putrajaya, Malaysia
Tel : (603) 8000 8000
Fax : (603) 8000 8001
Website : www.moe.gov.my
E-mail : kpkkpm@moe.gov.my

MINISTRY OF ENERGY, SCIENCE, TECHNOLOGY, ENVIRONMENT & CLIMATE
Level 1 – 7, Block C4 , C5, & C7, Complex C
Federal Government Administration
62662 Putrajaya, Malaysia
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APPENDIX I

LIST OF PROMOTED ACTIVITIES & PRODUCTS WHICH ARE ELIGIBLE FOR CONSIDERATION OF PIONEER STATUS AND INVESTMENT TAX ALLOWANCE UNDER THE PROMOTION OF INVESTMENT ACT 1986

I. AGRICULTURAL PRODUCTION

1. Floriculture

II. PROCESSING OF AGRICULTURAL PRODUCE

1. Chocolate and chocolate confectionery
2. Vegetables, tubers or roots & fruits
3. Livestock products
4. Agricultural waste or agricultural by-products
5. Aquatic products
6. Aquaculture feed
7. Plant extracts for pharmaceutical, perfumery, cosmetic or food industries and essentials oils
8. Food Supplements
9. Additives, flavours, colouring and functional ingredients

III. MANUFACTURE OF RUBBER PRODUCTS

1. Tyres for earthmover, agricultural vehicles, industries vehicles, commercial vehicles, motorcycle and aircraft.
2. Latex products:
   a) Safety or special function gloves
3. Dry rubber products
   a) Beltings
   b) Hoses, pipes and tubings
   c) Rubber profiles
   d) Seals, gaskets, washers, packings, rings and rubber linings
   e) Anti-vibration, damping and sound insulation products

IV. MANUFACTURE OF PALM OIL PRODUCTS AND THEIR DERIVATIVES

1. Oleochemicals or oleochemical derivatives or preparations
2. Palm based nutraceuticals, constituents of palm oil or palm kernel oil
3. Palm-based food products and ingredients
   a) Specialty animal fat replacer
   b) Palm-based mayonnaise and salad dressing
   c) Milk or coconut powder substitute
   d) Red palm oil and related products
   e) Palm-based food ingredient
   f) Modified palm oil and palm kernel oil products
   g) Margarine, vanaspati, shortening or other manufactured fat products
   h) Cocoa butter replacers, cocoa butter substitutes, cocoa butter equivalent, palm mid fraction or special olein
4. Processed products from:
   a) Palm kernel cake
   b) Palm oil mill effluent
   c) Palm biomass

V. MANUFACTURE OF CHEMICALS AND PETROCHEMICALS

1. Chemical derivatives or preparations from organic or inorganic sources
2. Petrochemical products

VI. MANUFACTURE OF PHARMACEUTICAL AND RELATED PRODUCTS

1. Pharmaceuticals or Biopharmaceuticals
2. Nutraceuticals
3. Microbials and probiotics

VII. MANUFACTURE OF WOOD-BASED PRODUCTS

1. Design, development and production of wooden furniture
2. Engineered wood products excluding plywood

VIII. MANUFACTURE OF PULP, PAPER AND PAPERBOARD

1. Corrugated medium paper, testliner or kraftliner or kraft paper and paperboard

IX. MANUFACTURE OF KENAF-BASED PRODUCTS

1. Kenaf based products such as animal, feed, kenaf particle or fibre, reconstituted panel board or products (such as particleboard, Medium Density Fibreboard) and moulded products

X. MANUFACTURE OF TEXTILES AND TEXTILE PRODUCTS

1. Natural or man-made fibres
2. Yarn of natural or man-made fibres
3. Woven fabrics
4. Knitted fabrics
5. Non-woven fabrics
6. Finishing of fabrics such as bleaching, dyeing and printing
7. Specialised Apparel
8. Technical or functional textiles and textile products

XI. MANUFACTURE OF CLAY-BASED, SAND-BASED AND OTHER NON-METALLIC MINERAL PRODUCTS

1. High alumina or basic refractories
2. Laboratory, chemical or industrial wares
3. Synthetic diamonds
4. Crystallised or moulded glass such as bricks, tiles, slabs, pellets, paving blocks and squares
5. Absorbent mineral clay
6. Marble and granite products
7. Panels, boards, tiles, blocks or similar articles of natural and synthetic fiber agglomerated with cement, plaster or other mineral binding substance

XII. MANUFACTURE OF IRON AND STEEL

1. Blooms or slabs of steel
2. Shapes or sections of steel of height more than 200 mm
3. Plates, sheets, coils, hoops or strips of steel:
   a) Hot rolled
   b) Cold rolled or cold reduced
4. Seamless steel pipes
5. Ferromanganese, silicon manganese or ferrosilicon
6. Electrolytic galvanised steel sheet in coil

XIII. MANUFACTURE OF NON-FERROUS METAL AND THEIR PRODUCTS

1. Primary ingots, billets or slabs of non-ferrous metals other than tin metals
2. Bars, rods, shapes or sections of non-ferrous metals except EC copper rods
3. Plates, sheets, coils, hoops or strips of non-ferrous metals
4. Pipes or tubes of non-ferrous metals
5. Aluminium composite panel

XIV. MANUFACTURE OF MACHINERY AND MACHINERY COMPONENTS

1. Specialised machinery or equipment for specific industry
2. Power generating machinery or equipment
3. General industrial machinery or equipment
4. Modules for machinery or equipment and industrial parts or components
5. Metalworking machinery or equipment
6. Upgrading or reconditioning of machinery or equipment including heavy machinery

XV. SUPPORTING PRODUCTS OR SERVICES

1. Metal castings
2. Metal forgings
3. Surface engineering
4. Machining, jigs and fixtures
5. Moulds, tools and dies
6. Heat treatment

XVI. MANUFACTURE OF ELECTRICAL AND ECTRONICS PRODUCTS AND COMPONENT AND PARTS THEREOF AND RELATED SERVICES

1. Semiconductor:
   a) Wafer fabrication
   b) Semiconductor assembly
   c) Semiconductor components and parts:
      i) Advanced substrates
      ii) Solder materials
      iii) Bond pads
   d) Semiconductor tools
      i) Wafer carriers
      ii) Integrated circuit (IC) carriers
      iii) Photomask and mask blank
   e) Semiconductor related services
      i) Dies or wafer level preparation
      ii) Integrated circuit (IC) testing
      iii) Wafer probing or sorting
      iv) Wafer bumping
2. Advanced display products and parts
   a) Advanced display products
   b) Advanced display modules
   c) Backlighting systems
3. Information and Communication Technology (ICT) products, systems or devices
   a) Digital convergence products or devices
   b) Data storage systems or devices
4. Digital entertainment or Infotainment products
   a) Digital TV
   b) Digital home theatre system or products thereof
   c) Digital audio or video or image recorders or players
5. Optoelectronic equipment, systems, devices or components
   a) Photonics devices or components
   b) Optoelectronics equipment or systems, devices or components
   c) Optical fibres or optical fibre products
6. Electronic tracking or security systems or devices
   a) Voice or pattern or vision recognition or synthesis equipments or systems ordevices
   b) Electronic navigational and tracking equipment or systems or devices
   c) Radio frequency identification (RFID) systems or devices
7. Electronic components
   a) Multilayer or flexible printed circuit boards
   b) Advanced connectors
8. Alternative energy equipment, products, systems, devices or components
   a) Solar cells or panels or module or systems
   b) Rechargeable batteries or storage systems
   c) Fuel cells
9. Energy saving lighting
10. Electrical products:
    a) Uninterruptible power supplies
    b) Inverters or converters

XVII. MANUFACTURE OF PROFESSIONAL, MEDICAL, SCIENTIFIC AND MEASURING DEVICES OR PARTS

1. Medical, surgical, dental or veterinary devices or equipment and parts or components or accessories thereof
2. Testing, measuring or laboratory equipment or apparatus

XVIII. MANUFACTURE OF PLASTIC PRODUCTS

1. Specialised plastic films or sheets
2. Geosystems products
3. Engineering plastic products
4. Products moulded under clean room conditions
5. Biopolymers or products thereof

XIX. PROTECTIVE EQUIPMENT AND DEVICES

1. Coated or knitted safety gloves
2. Advance ballistic protection glass
3. Fall protection equipment

XX. MANUFACTURING RELATED SERVICES

1. Integrated logistics services
2. Cold chain facilities and service for food products
3. Gas and radiation sterilisation services
4. Environmental management:
   a) Recycling of waste such as:
      i) toxic and non- toxic waste
      ii) chemicals
      iii) reclaimed rubber
5. Industrial design services

XXI. HOTEL BUSINESS AND TOURISM INDUSTRY

1. Establishment of medium and low-cost hotels (up to a three-star hotel)
2. Establishment of 4 and 5 stars hotel
3. Expansion or modernisation of existing hotels
4. Establishment of tourism projects
5. Expansion or modernisation of tourism projects
6. Establishment of recreational camps
7. Establishment of convention centres

XXII. MISCELLANEOUS

1. Sports goods or equipment
2. Jewellery of precious metal
3. Costume jewellery
4. Biodegradable disposable packaging products and household wares

APPENDIX II

LIST OF PROMOTED ACTIVITIES & PRODUCTS FOR HIGH TECHNOLOGIES COMPANIES WHICH ARE ELIGIBLE FOR CONSIDERATION OF PIONEER STATUS AND INVESTMENT TAX ALLOWANCE UNDER THE PROMOTION OF INVESTMENT ACT 1986

I. DESIGN, DEVELOPMENT AND MANUFACTURE OF ADVANCED ELECTRONICS AND COMPUTING

1. Design, development and manufacture of:
    a) High-density modules or systems
    b) Advanced display
    c) Advanced semiconductor devices
    d) Advanced connectors
    e) Data storage devices or systems
    f) Advanced substrates
    g) Information and telecommunication products, systems or devices
    h) Digital entertainment or infotainment products
    i) Optoelectronic equipment, systems ordevices
    j) Electronic security and surveillance systems or devices
    k) Electronic machines, equipment system or devices
    l) Advanced electronic components

II. PROFESSIONAL, MEDICAL, SCIENTIFIC AND MEASURING DEVICES OR PARTS

1. Design, development and manufacture of:
    a) Medical equipment, parts or components
    b) Medical implant, medical devices, parts or omponents
    c) Testing, measuring or laboratory equipment or apparatus

III. BIOTECHNOLOGY

1. Development, testing and manufacture of:
    a) Pharmaceuticals
    b) Fine chemicals
    c) Biodiagnostics

IV. ADVANCED MATERIALS

1. Development and manufacture of:
    a) Polymers or biopolymers
    b) Fine ceramics or advanced ceramics
    c) High strength composites

2. Nano particles and their formulations

V. ALTERNATIVE ENERGY TECHNOLOGY

1. Design, development and manufacture of products, equipment, systems , devices or components for use in alternative energy sectors

VI. IRON AND STEEL

1. Super fine wire of diameter 2.0 mm and below

APPENDIX III

LIST OF PROMOTED ACTIVITIES
& PRODUCTS FOR
SMALL SCALE COMPANIES
WHICH ARE ELIGIBLE FOR
CONSIDERATION OF
PIONEER STATUS AND
INVESTMENT TAX ALLOWANCE
UNDER THE PROMOTION OF
INVESTMENT ACT 1986

I. AGRICULTURAL ACTIVITIES

1. Aquaculture
2. Apiculture

II. PROCESSING OF AGRICULTURAL PRODUCE

1. Coffee
2. Tea
3. Fruits
4. Vegetables
5. Herbs or spices
6. Cocoa and cocoa products
7. Coconut products except copra and crude coconut oil
8. Starch and starch products
9. Cereal products
10. Sugar and confectionary products
11. Plant extracts
12. Apiculture products
13. Animal feed ingredients

III. FORESTRY PRODUCTS

1. Rattan products (excluding pole, peel and split)
2. Bamboo products
3. Other forestry products

IV. MANUFACTURE OF RUBBER PRODUCTS

1. Moulded rubber products
2. Extruded rubber products
3. General rubber goods

V. MANUFACTURE OF OIL PALM PRODUCTS AND THEIR DERIVATIVES

1. Processed products from palm oil
2. Processed products from palm biomass/ waste/ by-products

VI. MANUFACTURE OF CHEMICALS AND PHARMACEUTICALS

1. Pigment preparation, dispersions and specialty coatings
2. Desiccant
3. Bio-resin (biopolymer)
4. Inkjet inks

VII. MANUFACTURE OF WOOD AND WOOD PRODUCTS

1. Decorative panel boards (excluding plain plywood)
2. Timber mouldings
3. Builders' carpentry and joinery
4. Products derived from utilisation of wood waste (e.g. activated charcoal, wooden briquettes, wood wool)
5. Wooden household and office articles

VIII. MANUFACTURE OF PAPER AND PAPERBOARD PRODUCTS

1. Moulded paper products

IX. MANUFACTURE OF TEXTILES AND TEXTILE PRODUCTS

1. Batik or songket or pua
2. Accessories for the textile industry

X. MANUFACTURE OF CLAY-BASED AND SAND-BASED PRODUCTS AND OTHER NON-METALLIC MINERAL PRODUCTS

1. Artware, ornaments and articles of ceramic or glass
2. Abrasive products for grinding, polishing and sharpening

XI. MANUFACTURE OF IRON AND STEEL PRODUCTS, NON-FERROUS METALS AND THEIR PRODUCTS

1. Wire and wire products
2. Fabricated products

XII. SUPPORTING PRODUCTS AND SERVICES

1. Metal Stamping
2. Industrial seals or seal materials

XIII. MANUFACTURE OF TRANSPORT COMPONENTS PARTS AND ACCESSORIES

1. Transport components, parts and accessories

XIV. MANUFACTURE OF PARTS AND COMPONENTS FOR MACHINERY AND EQUIPMENT

1. Parts and components for machinery and equipment

XV. MANUFACTURE OF ELECTRICAL AND ELECTRONIC PRODUCTS, COMPONENTS AND PARTS THEREOF

1. Consumer electrical products, parts and components
2. Consumer electronic products, parts and components
3. Industrial electrical products, parts and components
4. Industrial electronic products, parts and components

XVI. MANUFACTURE OF FURNITURE, PARTS AND COMPONENTS

1. Furniture, parts and components

XVII. MANUFACTURE OF GAMES AND ACCESSORIES

1. Games and accessories

XVIII. MANUFACTURE OF SOUVENIRS

1. Souvenirs, giftwares and decorative wares

XIV. MANUFACTURE OF PLASTIC PRODUCTS

1. Decorative panels and ornaments
2. Epoxy encapsulation moulding compound

APPENDIX IV

LIST OF PROMOTED ACTIVITIES & PRODUCTS FOR SELECTED INDUSTRIES WHICH ARE ELIGIBLE FOR CONSIDERATION OF PIONEER STATUS AND INVESTMENT TAX ALLOWANCE UNDER THE PROMOTION OF INVESTMENT ACT 1986

I. MACHINERY AND EQUIPMENT

1. Machine tools
2. Material handling equipment
3. Robotic and factory automation equipment
4. Modules and components for machine tools, material handling equipment and robotic and factory automation equipment

II. SPECIALISED MACHINERY AND EQUIPMENT

1. Specialised process machinery or equipment for specific industry
2. Packaging machinery
3. Modules and components for specialised process machinery or equipment for specific industry and packaging machinery

III. OIL PALM BIOMASS

1. Utilisation of oil palm biomass to produce value added products

IV. RENEWABLE ENERGY

1. Generation of renewable energy

V. CONSERVATION OF ENERGY

1. Conservation of energy

APPENDIX V

LIST OF PROMOTED ACTIVITIES AND PRODUCTS FOR REINVESTMENTS UNDER THE PROMOTION OF INVESTMENT ACT 1986

I. RESOURCE-BASED

1. a) Rubber
   b) Oil Palm
   c) Wood

II. FOOD PROCESSING

1. Food processing activity

III. RESEARCH AND DEVELOPMENT ACTIVITY

1. Research and development activity

IV. HOTEL BUSINESS AND TOURISM INDUSTRY

1. Hotel business and tourism activity

V. OIL PALM BIOMASS

1. Utilization of oil palm biomass to produce value added products

VI. COLD-CHAIN FACILITIES AND SERVICES

1. Provision of cold-chain facilities and services for perishable agriculture produce (fruits, vegetables, flowers, ferns, meat and aquatic products)

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