

LOGISTIC SERVICES





Introduction

This booklet is one of a series of 20 booklets prepared by MIDA for the purpose of providing investors with relevant information on establishing projects in the identified services sub-sectors in Malaysia. The complete list of booklets is as follows:

- Booklet 1:** General Policies, Facilities and Guidelines
- Booklet 2:** Regional Operations
- Booklet 3:** Research and Development (R&D) Services
- Booklet 4:** Logistics Services
- Booklet 5:** Specialised Technical Support Services
- Booklet 6:** Information and Communication Technology Services
- Booklet 7:** Environmental Management Services
- Booklet 8:** Distributive Trade Services
- Booklet 9:** Tourism and Travel Related Services
- Booklet 10:** Education and Industrial Training Services
- Booklet 11:** Legal Services
- Booklet 12:** Accounting, Auditing and Taxation Services
- Booklet 13:** Architectural Consultancy Services
- Booklet 14:** Surveying Consultancy Services
- Booklet 15:** Medical and Healthcare Services
- Booklet 16:** Engineering and Energy Consultancy Services
- Booklet 17:** Management Consultancy Services
- Booklet 18:** Market Research Services
- Booklet 19:** Advertising Services
- Booklet 20:** Quick Reference

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.

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LOGISTICS SERVICES

The Malaysian Government supports the logistics subsector as the service enabler for all forms of trade and distribution activities, which has seen positive growth over the years in light of the explosive growth of Industry 4.0 technologies in the region, and especially in the wake of COVID-19 pandemic.

The explosive growth of e-Commerce encourages logistic companies in Malaysia to undergo digital transformation to form seamless e-fulfilment hubs in the country, empowering them to serve global supply chain activities more efficiently. Today's online consumers not only have high expectations on the quality and flexibility of services; they also demand unique and personalised options. Malaysia's logistics industry is poised to capitalise on the evolving digital landscape.

The term Logistics Services refers to a supply chain management process that plans, implements and controls the efficient and effective flow and storage of goods, services and related information between the point of origin and the point of consumption in order to meet customers' requirements.

The main services in this area is as follows:

- Warehousing, storage and inventory management services.
- Transportation services.
- Freight forwarding/customs clearance and shipping services.
- Integrated Logistics Services (ILS).
- International Integrated Logistics Services (IILS).
- Cold Chain Facilities.

1. WAREHOUSING, STORAGE AND INVENTORY MANAGEMENT SERVICES

1.1 Understanding The Sub-Sector

There are three types of licences, depending on the warehousing requirements of the operator. An operator can choose to operate as an ordinary warehouse, a Public Bonded Warehouse, or a Private Bonded Warehouse.

Investors intending to provide warehousing services are required to incorporate a company under the Companies Act 2016.

1.2 Setting Up Your Business

(i) Ordinary Warehouse Licence

A company that wishes to provide ordinary warehousing services must apply for a licence to the relevant Local Authority.

The following approvals must be obtained before applying to the Local Authority:-

- Approval from the Department of Environment (DOE) when operators store hazardous goods.
- Approval from the Fire and Rescue Department and other Technical Agencies to ensure that the premise is equipped with an adequate number of fire extinguishers and safety alarm systems.
- Certificate of Completion and Compliance (CCC) from the Local Authority, which is an official document to acknowledge that the building is safe for occupation.
 - The CCC is issued by the project's Principal Submitting Person (PSP), who is a Professional Architect, Professional Engineer, or a Registered Building Draughtsman.

(ii) Public Bonded Warehouse Licence

- A Public Bonded Warehouse operates as a central storage for the distribution of bonded goods (i.e. goods on which Customs duties and taxes have not been paid) in the country and for international trade, catering for the general public.
- Public Bonded Warehouses that store different categories of goods must comply with the following conditions:-

Category of Goods	Minimum Warehouse Space (square feet)	Minimum Paid-up Capital (RM)	Minimum Value of Goods Warehoused
Critical Goods	50,000	1,000,000	NA
Non-Critical Goods	20,000	250,000	NA

(iii) Private Bonded Warehouse Licence

- A Private Bonded Warehouse is a central storage and distribution centre for bonded goods (i.e. goods on which Customs duties and taxes have not been paid), of the companies and its related companies.
- Private Bonded Warehouses that store different categories of goods must comply with the following conditions:-

Category of Goods	Minimum Warehouse Space (square feet)	Minimum Paid-up Capital (RM)	Minimum Value of Goods Warehoused
Critical Goods	NA	150,000	5,000,000
Non-Critical Goods	NA	100,000	2,000,000

Activities that can be carried out in these warehouses are as follows:

- Warehousing
- Bulk breaking
- Re-packaging
- Re-labelling of imported goods
- Consolidation
- Entreport
- Devending

A company that wishes to provide public or private bonded warehousing services must apply to the Royal Malaysian Customs Department.

The following approvals must be obtained before applying to the Royal Malaysian Customs Department:

- Approval from DOE when operators store hazardous goods.
- Approval from the Fire and Rescue Department and other Technical Agencies.
- CCC from the Local Authority.

(iv) Other Licencing and Registration

A Public or Private Bonded Warehouse operator that is licensed under Section 65 of the Customs Act 1967 can be given permission to act as an agent for transacting businesses relating to the import or export of goods that are stored in the licensed warehouse. For this purpose, a warehouse operator is required to obtain a Freight Forwarding Agent/ Customs Agent Licence and/or Shipping Agent Licence.

Applications for the above licences (except for the Customs Agent Licence) should be submitted directly to the Royal Malaysian Customs Department. Before acquiring a Freight Forwarding Agent/Customs Agent Licence from the Royal Malaysian Customs Department, the company must obtain the International Integrated Logistics Services (IILS) status from MIDA.

1.3 Equity Policy

- Ordinary Warehouse: There is no equity condition imposed by the Royal Malaysian Customs Department. Investors only need to obtain licence from the local authority.
- Public Bonded Warehouse: A company must have at least 30 per cent Bumiputera equity.
- Private Bonded Warehouse: There is no equity condition imposed by the Royal Malaysian Customs Department.

1.4 Employing Expatriate Professionals

Companies or firms providing warehousing services in Malaysia may employ expatriates by submitting their applications for Employment Passes to the Immigration Department.

However, they must first apply for approval to employ expatriates from the Expatriate Committee of the Immigration Department prior to submitting the Employment Pass applications.

Spouses and children of expatriates can apply for Dependant Passes once the expatriates have been issued with the Employment Pass. The Dependant Passes may be applied for either together with the application for the Employment Pass or after the Employment Pass has been approved. Spouses and children of expatriates who enter the country on visit (temporary employment or professional) passes will be issued visit (social) passes.

2. TRANSPORTATION SERVICES

2.1 Setting Up Your Business

Investors intending to provide transportation services are required to incorporate a company under the Companies Act 2016.

The following licences are required to be obtained:

(i) Licence for Commercial Vehicle and Haulage

- **Transportation Services**

Companies intending to provide transportation services to third parties using commercial vehicles are required to obtain Carrier Licence A and companies that provide services for their own use are required to obtain Carrier Licence C. Both licences must be obtained from the Land Public Transport Commission (SPAD) for operators in Peninsular Malaysia and Commercial Vehicles Licencing Board (CVLB) for operators in Sabah and Sarawak, in accordance with the Commercial Vehicles Licencing Board Act, 1987.

Applications should be submitted to APAD/CVLB.

- **Transportation of Container Bulk, Bulk Liquid and General Haulage**

Commercial vehicles that are used in the transportation of container bulk, bulk liquid and general haulage and freight, must be registered with the Road Transport Department Malaysia (JPJ).

To register with JPJ, the following documents are required:

- Registration licence with APAD/CVLB.
- Inspection and weighing reports from the Computerised Vehicle Inspection Centre (PUSPAKOM).
- An Ad Valorem Registration Fee (AVRF) certificate and valuation (for trailers and semi-trailers in Peninsular Malaysia).

A separate application should be submitted to JPJ for each commercial vehicle.

(ii) Licence for Transporting Scheduled Wastes

In accordance with the Environmental Quality (Scheduled Wastes) Regulations, 1989, a company transporting scheduled wastes is required to obtain a licence from Department Of Environment (DOE). The licence is valid for one (1) year and is renewable.

(iii) Licence for Transportation of Radioactive and Nuclear Materials

Companies that wish to transport nuclear and radioactive materials are required to obtain a Class D Licence from the Atomic Energy Licensing Board (AELB).

2.2 Equity Policy

Companies intending to provide transportation services are required to comply with the equity conditions imposed by SPAD/CVLB as follows:

- Licence A application: The company must have at least 51 per cent Malaysian equity (including 30 per cent Bumiputera equity) and up to 49 per cent foreign equity ownership is allowed. The approval will be subjected to the decision by the Licensing Committee. For courier services providers, up to 100 per cent foreign equity ownership is allowed.
- Licence C application: Up to 100 per cent foreign equity ownership is allowed.

2.3 Employing Expatriate Professionals

Companies or firms providing transportation services in Malaysia may employ expatriates by submitting their applications for Employment Passes to the Immigration Department.

However, they must first apply for approval to employ expatriates from the Expatriate Committee of the Immigration Department prior to submitting the Employment Pass applications.

Spouses and children of expatriates can apply for Dependant Passes once the expatriates have been issued with the Employment Pass. The Dependant Passes may be applied for either together with the application for the Employment Pass or after the Employment Pass has been approved. Spouses and children of expatriates who enter the country on visit (temporary employment or professional) passes will be issued visit (social) passes.

3. FREIGHT FORWARDING/CUSTOMS CLEARANCE AND SHIPPING SERVICES

3.1 Setting Up Your Business

Investors intending to undertake freight forwarding and shipping services are required to incorporate a company under the Companies Act 2016.

- (a) Companies planning to operate as Freight Forwarding Agents/Customs Agents and Shipping Agents are required to obtain the relevant licences from the Royal Malaysian Customs Department in accordance with Section 90 of the Customs Act 1967.
- (b) For a company to qualify for a Freight Forwarding Agent/Customs Agent Licence, it must obtain the International Integrated Logistics Services (IILS) status from MIDA before acquiring the licence from the Royal Malaysian Customs Department.

Paid-up Capital Requirement

The paid-up capital requirement for different categories of Freight Forwarding Agents/Customs Agents and Shipping Agents are as follows:

Activity	Paid-up Capital	Approval Period for New Application
Freight forwarding/ customs clearance and shipping	Not less than RM100,000 (Ringgit Malaysia) - for companies registered under Companies Act 2016	1 year (renewable)
	RM50,000 (Ringgit Malaysia) - for companies registered under Registration of Businesses Act 1956	1 year (renewable)

Applications should be submitted to the Royal Malaysian Customs Department.

3.2 Equity Policy

- **Freight Forwarding Agent/Customs Agent**
 - Before acquiring a Freight Forwarding Agent/Customs Agent Licence from the Royal Malaysian Customs Department, the company must obtain an International Integrated Logistics Services (IILS) status from MIDA.
- **Shipping Agent**
 - 100 per cent foreign equity ownerships is allowed.

4. INTEGRATED LOGISTICS SERVICES (ILS)

4.1 Understanding The Sub-Sector

The main activities in the Integrated Logistics Services (ILS) are freight forwarding, warehousing, transportation and other related value-added services such as distribution, procurement, and supply chain management in an integrated manner.

4.2 Setting Up Your Business

Companies intending to undertake ILS activities are required to obtain the respective operating licences from the various Licencing agencies.

4.3 Obtaining Tax Incentives

Companies undertaking ILS are eligible for either Pioneer Status (PS) or Investment Tax Allowance (ITA). An existing approved logistics company that has enjoyed the ILS incentive can be considered for a second round of the ILS incentive. The objective of granting the incentive is to create an efficient and competitive logistics industry and encourage the integration and consolidation of the various transport intermediaries along the logistics supply chain in Malaysia. In this regard, Malaysian companies are encouraged to expand and venture into higher value-added services to enable them to compete globally.

New and existing companies providing the above services are eligible to apply for incentives under the Promotion of Investments Act 1986.

The tax incentives are as follows:

- PS with income tax exemption of 70 per cent of the statutory income for a period of five (5) years.
- ITA of 60 per cent on the qualifying capital expenditure incurred within a period of five (5) years. The allowance can be utilised to offset against 70 per cent of the statutory income for each year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised.

Companies that meet the following criteria can apply for the ILS incentives:

- Incorporated under the Companies Act 2016
- ILS providers should undertake the following three principal activities:
 - Warehousing;
 - Transportation; and
 - Freight forwarding.

In addition to the above activities, the company should undertake at least one of the following activities:

- Distribution;
- Other related and value-added services (e.g. palletising, product assembly/installation, bulk breaking, consolidation, packaging/re-packaging, procurement, quality control, labelling/re-labelling, testing); or
- Supply chain management.

Companies should have the following minimum infrastructure:

- Commercial Vehicles: 20 units
- Warehousing facilities: 5,000 m²

Applications should be submitted to MIDA online via the [InvestMalaysia Portal](#). For more information, visit the [Forms and Guidelines](#) section on <https://www.mida.gov.my>.

4.4 Equity Policy

An ILS company that is approved for tax incentives under the Promotion of Investments Act 1986 must have at least 60 per cent Malaysian equity.

4.5 Employing Expatriate Professionals

Companies that have been approved for incentives to provide ILS can apply for expatriate posts 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. Upon approval, companies should forward their applications for Employment Passes to the Immigration Department for endorsement.

Applications for incentives and expatriate posts should be submitted to MIDA.

Effective 1 January 2021, employers who intend to employ expatriates are required to advertise job vacancies for a minimum of 30 days on the <https://myfuturejobs.gov.my> under the purview of the Ministry of Human Resources before applying for expatriate posts to MIDA.

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

5. INTERNATIONAL INTEGRATED LOGISTICS SERVICES (IILS)

5.1 Understanding The Sub-Sector

An International Integrated Logistics Services (IILS) provider is a company that provides integrated and seamless logistics services (door-to-door) along the logistics supply chain as a single entity on a regional or global scale.

Eligible companies can apply for the IILS status and upon approval be issued the Freight Forwarding Agent/Customs Agent licence by the Royal Malaysian Customs Department. However, this status is not a guarantee for the consideration of tax incentives under the Promotion of Investments Act 1986.

5.2 Setting Up Your Business

- (i) Local incorporation under the Companies Act 2016.
- (ii) Must undertake the following three (3) principal activities:
 - Warehousing;
 - Transportation; and
 - Freight forwarding, including customs clearance.

And at least one of the following activities:

- Distribution;
 - Other related and value-added logistics services/activities; or
 - Supply chain management.
- (iii) Have the following minimum infrastructure:
 - Commercial Vehicles: 20 units
 - Warehousing facilities: 5,000 m²
 - (iv) Employ Malaysians as a majority of their workforce, and preference must be given to local professionals.
 - (v) Use Malaysia as a hub for logistics supply chain services in the region.
 - (vi) Have good networks with logistics service providers abroad, in order to provide seamless integrated logistics services for the regional market.

- (vii) Substantial usage of ICT infrastructure throughout the logistics chain and value-added activities.
- (viii) Compulsory attendance of the Customs Agent course conducted by the Royal Malaysian Customs Department. However, staffs who have attended this course are exempted from this requirement.

5.3 Equity Policy

A company that is approved with ILS status is allowed 100 per cent foreign equity ownership.

6. COLD CHAIN FACILITIES

6.1 Understanding The Sub-Sector

Companies undertaking cold chain facilities provide a wide range of services, including cold rooms, refrigerated trucks, and other related services such as the collection, storage, and distribution of perishable local agricultural produce.

6.2 Setting Up Your Business

Investors intending to provide cold room and refrigerated truck facilities and related services that involving warehousing and transportation services are required to:-

- Incorporate a company under the Companies Act 2016.
- Obtain operating licences for:
 - Public/Private Bonded Warehouse.
 - Licences for Commercial Vehicles and Haulage (Class A Licence).

6.3 Obtaining Tax Incentives

Companies providing cold chain facilities and services for perishable agricultural produce such as fruits, vegetables, flowers, ferns, meat, and aquatic products are eligible for either PS or ITA.

Companies must engage in the following activities to be eligible for consideration:

- The provision of cold room facilities or refrigerated transportation for local agriculture produce, with or without other post-harvest activities including cleaning, washing, grading, freezing/chilling, and packing; and
- The provision of cold room facilities or refrigerated transportation for locally produced processed products.

Companies must fulfil the following criteria:

- Incorporate a company under the Companies Act 2016.
- The applicant must be an independent service provider.
- At least 60 per cent of the company's revenue must be derived from the provision of cold room facilities, refrigerated transportation, and other related services for local agricultural produce.

The tax incentives are as follows:

(a) New Company

- PS with tax exemption of 70 per cent of statutory income for five (5) years; or
- ITA of 60 per cent of qualifying capital expenditure incurred within five (5) years. The allowance can be offset against 70 per cent of the statutory income for each year of assessment. Unutilised allowances can be carried forward until fully absorbed.

(b) Existing Company

- PS with tax exemption of 70 per cent on the increased statutory income arising from reinvestment for a period of five (5) years; or
- ITA of 60 per cent of the additional qualifying capital expenditure incurred within a period of five (5) years. The allowance can be offset against 70 per cent of the statutory income in each year of assessment. Unutilised allowances can be carried forward until fully absorbed.

Exemption from Import Duty on Machinery and Equipment

Companies providing cold chain facilities may be eligible for import duty and/or sales tax exemption on machinery and equipment that are not produced locally and imported directly.

Applications should be submitted to MIDA online via the [InvestMalaysia Portal](#) prior to the importation or purchase of the machinery/equipment.

6.4 Employing Expatriate Professionals

Companies applying for incentives to provide cold chain facilities can also apply for expatriate posts 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. Upon approval, companies should forward their applications for Employment Passes to the Immigration Department for endorsement.

Applications for incentives and expatriate posts should be submitted to MIDA.

Effective 1 January 2021, employers who intend to employ expatriates are required to advertise job vacancies for a minimum of 30 days on the <https://myfuturejobs.gov.my> under the purview of the Ministry of Human Resources before applying for expatriate posts to MIDA.

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7. GENERAL AGREEMENT ON TRADE IN SERVICES (GATS), ASEAN FRAMEWORK AGREEMENT ON SERVICES (AFAS) AND FREE TRADE AGREEMENTS (FTAs)

Updates and information regarding the Schedule of Specific Commitments of GATS, AFAS, and FTAs are available from MITI's website at www.miti.gov.my.



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