

# INFORMATION AND COMMUNICATION TECHNOLOGY 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](http://www.mida.gov.my) and follow us on Twitter, Instagram, Facebook, LinkedIn, TikTok and YouTube channel.*

*For the latest updates, please visit MIDA's website at [www.mida.gov.my](http://www.mida.gov.my).*

# INFORMATION AND COMMUNICATION TECHNOLOGY SERVICES

BOOKLET

# 6

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# INFORMATION AND COMMUNICATION TECHNOLOGY SERVICES

The Government continues to encourage the involvement of people and businesses in developing the digital economy in Malaysia in the face of the Fourth Industrial Revolution. Malaysia has also introduced initiatives such as JENDELA and MyDIGITAL to boost the digitalisation agenda of the nation. JENDELA will assist in setting the foundation for 5G implementation across the country, while MyDIGITAL has set the direction of digital economy and built the foundation to drive digitalisation across the nation. Multiple agencies work together to drive the country towards digital adoption, digital entrepreneurship, and innovation.

The information and communication technology (ICT)-related services include the following:

- Hardware and software consultancies;
- Database activities;
- Content development;
- Internet-based business application services;
- Provision of e-commerce services/solutions;
- System integration;
- Computer-assisted manufacturing services;
- Operation of call centres and centralised helplines; and
- Other ICT services.

## **1. HARDWARE AND SOFTWARE CONSULTANCIES, DATABASE ACTIVITIES, CONTENT DEVELOPMENT, INTERNET BASED BUSINESS APPLICATION SERVICES, E-COMMERCE SERVICES/SOLUTIONS, SYSTEMS INTEGRATION, COMPUTER ASSISTED MANUFACTURING SERVICES, CALL CENTRES AND CENTRALISED HELPLINES**

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### **1.1 Understanding The Sub-Sector**

Hardware and software consultancies provide services such as supporting and developing strategies in the application of servers, networks, computers, etc.

Database activities include data management, data security and data retrieval services.

Content development services include producing educational medias, providing on-line news and information, gaming software etc.

Internet-based business application services include e-mail services, application service provider (ASP) services, hosting services etc.

Electronic commerce (e-Commerce) is a commercial transaction between parties entered into an electronic medium without the physical presence of the parties. E-Commerce transactions can be concluded anytime and anywhere, regardless of national boundaries. E-Commerce services/solutions include Electronic Government (e-Government), Business-to-Business, Business-to-Consumers etc.

System integration services include Electronic Database Information (EDI), data warehousing, and Electronics Application Integration (EAI).

Computer-assisted manufacturing services include process automation, robotics, automated material handling systems, and supply chain integration/management.

## **1.2 Setting Up Your Business**

Applicants intending to provide ICT consultancy services are required to incorporate their companies under the Companies Act 2016.

These companies include those providing consultancy services regarding the purchase of computers, the implementation of software development, and the selection of a systems integrator, as well as other consultancy services that involve the provision of independent professional services and advice, including advice on business strategies, organisational set-ups, and future directions of the company.

## **1.3 Employing Expatriate Professionals**

Companies granted the 'MSC Malaysia' status and incentives are allowed to employ expatriate knowledge workers without any restriction. A *knowledge worker* is an individual who holds one of the following:

- Tertiary qualification from an institution of higher learning (in any field); or
- Diploma in multimedia/ICT or specialised ICT certification plus at least two (2) years' relevant experience in multimedia/ICT or in a field that is a heavy user of ICT; or
- Professional, executive, management, and technical work categories in information technology (IT) enabled services e.g. IT/IS Professionals, Finance/Accounting, Business Administration.

Special exemptions are given to foreign knowledge workers who does not meet the above but are to be employed in the following clusters:

- Shared Services and Outsourcing cluster - foreign workers with knowledge-based skills that are not prevalent in Malaysia, required by MSC Malaysia Status companies;
- Creative Multimedia Content cluster - workers who are utilised for their creative talents to produce value-added creative works for MSC Malaysia Status companies;

'MSC Malaysia' status companies can contact MSC Malaysia e-Xpats Centre or refer to its website [www.expats.com.my](http://www.expats.com.my) for more information on applying to employ expatriate knowledge workers.

## 1.4 Obtaining Tax Incentives

### (i) Incentives for MSC Malaysia Status Companies

Updates and information regarding MSC Status are available in MDEC's website at <https://mdec.my/malaysiadigital/apply>.

### (ii) Accelerated Capital Allowance (ACA)

Companies are eligible for the ACA that provides an initial allowance of 20 per cent and an annual allowance of 40 per cent for expenditure incurred in acquiring computers and ICT assets, including software. The cost of developing websites is allowed as an annual deduction of 20 per cent over a period of five (5) years.

Claims should be submitted to Inland Revenue Board (IRB) online at <https://www.hasil.gov.my/en/forms/download-forms/download-form-incentive-claim>.

### (iii) Deduction of Operating Expenditure

Companies enjoy a single deduction of operating expenditure, including payments to consultants related to IT usage for improving management and production processes.

Claims should be submitted to IRB online at [https://www.hasil.gov.my/en/forms/download-form-incentive-claim](https://www.hasil.gov.my/en/forms/download-forms/download-form-incentive-claim).

## 2. OTHER ICT SERVICES

### 2.1 Setting Up Your Business

#### Class and Individual Licences

Under the Communications and Multimedia Act 1998 (CMA), there are four (4) categories of licensable activities. Within the activity categories, there are two (2) key types of licences:

- (i) The individual licence requires a high degree of regulatory control, which is for a specified person to conduct a specified activity and may include special conditions; and
- (ii) The class licence is a 'light-handed' form of regulation, which is designed to promote industry growth and development with easy market access.

LICENCE	TYPE OF LICENCE
Individual	Network Facilities Provider (NFP) Network Services Provider (NSP) Content Applications Service Provider (CASP)
Class	Network Facilities Provider (NFP) Network Services Provider (NSP) Content Applications Service Provider (CASP) Applications Service Provider (ASP)

- (a) **Network Facilities Providers** are the owners/providers of network facilities infrastructure such as cables, towers, satellite earth stations, broadband fibre-optic cables, telecommunications lines and exchanges, radio communications transmission equipment, mobile communications base stations, and broadcasting transmission towers and equipment. They are the fundamental building blocks of the convergence model upon which network, applications, and content services are provided.
- (b) **Network Service Providers** provide the basic connectivity and bandwidth to support a variety of applications. Network services enable connectivity or transport between different networks. A network service provider is generally also the owner of the network facilities. However, a connectivity service may be provided by a person using network facilities owned by another licensee.
- (c) **Application Service Providers** – provide particular functions such as voice services, data services, content-based services, e-commerce, and other transmission services. Application services are essentially the functions or capabilities that are delivered to end-users.
- (d) **Content Applications Service Providers** represent a special subset of applications service providers, including television and radio broadcast services, and services such as online publishing (currently exempt from licencing requirements) and information services.

An individual who wishes to provide network facilities and/or network services and/or content application services which requires an individual licence will have to submit to the Ministry of Communication and Multimedia. Special or additional licence conditions may be imposed, and such licence conditions are declared by the Ministry. The Ministry also has the power to modify, vary, revoke, or impose further special or additional conditions at any time. However, the affected licensees will be notified of the intention to do so to enable them to make the appropriate submissions.

The Ministry may grant a class licence in respect of any matter requiring a licence under the CMA. Unlike an individual licence, a class licence merely requires registration, which is an administrative process.

The following table provides a summary of licensable activities and the types of licences required for the relevant activity:

Licencing Category	Individual Licence	Class Licence	Exempt/ Unlicensed
Network Facility Provider	<ul style="list-style-type: none"> <li>• Earth Stations</li> <li>• Fixed links and cables</li> <li>• Radio communications transmitters and links</li> <li>• Satellite hubs</li> <li>• Satellite control station</li> <li>• Space station</li> <li>• Submarine cable landing centre</li> <li>• Towers, poles, ducts, and pits used in conjunction with other network facilities</li> <li>• Such other network facilities which are not exempt under the CMA or not subject to a class licence under Part IV of the (Licencing) Regulations 2000 or not listed in this subparagraph</li> </ul>	<ul style="list-style-type: none"> <li>• Niche or limited-purpose network facilities</li> </ul>	<ul style="list-style-type: none"> <li>• Broadcasting and production studios</li> <li>• Incidental network facilities</li> <li>• Private network facilities</li> </ul>
Network Service Provider	<ul style="list-style-type: none"> <li>• Bandwidth services</li> <li>• Broadcasting distribution services</li> <li>• Cellular mobile services</li> <li>• Access applications service</li> <li>• Space services</li> <li>• Switching services</li> <li>• Gateway services</li> <li>• Such other network services which are not exempt under the CMA or not subject to a class licence under Part IV of the (Licencing) Regulations 2000 or not listed in this subparagraph</li> </ul>	<ul style="list-style-type: none"> <li>• Niche customer access</li> <li>• Niche connection services</li> </ul>	<ul style="list-style-type: none"> <li>• Incidental network services</li> <li>• LAN services</li> <li>• Private network services</li> </ul>



Licencing Category	Individual Licence	Class Licence	Exempt/ Unlicensed
Applications Service Provider		<ul style="list-style-type: none"> <li>• PSTN telephony</li> <li>• Public cellular services</li> <li>• IP telephony</li> <li>• Public payphone services</li> <li>• Public switched data services</li> <li>• Audiotext hosting services provided on an opt-in basis</li> <li>• Directory services</li> <li>• Internet access services</li> <li>• Messaging services</li> </ul>	<ul style="list-style-type: none"> <li>• Interactive transaction service</li> <li>• Networked advertising boards and Cineplex</li> <li>• Web hosting or client server</li> </ul>

Licencing Category	Individual Licence	Class Licence	Exempt/ Unlicensed
Content Applications Service Provider	<ul style="list-style-type: none"> <li>• Satellite broadcasting</li> <li>• Subscription broadcasting</li> <li>• Terrestrial free-to-air TV</li> <li>• Terrestrial radio broadcasting</li> <li>• Such other content applications services which are not exempt under the CMA or not subject to a class licence under Part IV of the Licencing Regulations or not listed in this subparagraph</li> </ul>	<p>Content applications service limited in its availability to:</p> <ul style="list-style-type: none"> <li>• Vehicles, vessels, railway or aircraft used for hire or reward or for any other valuable consideration.</li> <li>• A single commercial or residential building: or a restricted geographical area</li> <li>• A content applications service of limited appeal or which is targeted to a special interest group and available through subscription by persons using equipment specifically designed for receiving the said service.</li> <li>• A content applications service where the content is remotely generated and distributed through a network service and displayed on a screen.</li> <li>• A content applications service for distance learning purposes.</li> <li>• A content applications service linked or associated specifically to a sporting, cultural, or other one-off event.</li> </ul>	<ul style="list-style-type: none"> <li>• Internet content applications services.</li> </ul>

For additional information on licencing matters, please refer to the [Licencing Guide Book](#).

## 2.2 Employing Expatriate Professionals

Companies granted MSC status and incentives are allowed to employ expatriate knowledge workers without restrictions. Please refer to section 1.3 for definition of knowledge workers.

ICT companies located outside the MSC are required to submit their applications for expatriate posts directly to the Immigration Department at [www.imi.gov.my](http://www.imi.gov.my).

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

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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](http://www.miti.gov.my).



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