

**GUIDELINE AND PROCEDURES FOR SHIPBUILDING AND SHIP
REPAIRING (SBSR) INCENTIVE
(AS AT 29 NOVEMBER 2023)**

1. BACKGROUND

1.1 The tax incentive for the Shipbuilding and Ship Repairing (SBSR) industry was introduced in 2016 to encourage the industry players to build their capabilities and capacities to meet the ever challenging and competitive global landscapes. The tax incentive for SBSR was extended in Budget 2023 until 31 December 2027.

1.2 The main objectives of this tax incentive are to:

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

2. TYPE OF INCENTIVES

2.1 Companies intending to venture, expand or diversify their businesses in the shipbuilding and ship repairing activities can be considered for tax incentive as follows:

(i) New Company

Income Tax Exemption of 70% on the statutory income for a period of 5 years. Unabsorbed pioneer losses after the end of pioneer period are allowed to be carried forward for 10 consecutive year of assessment,

OR

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

(ii) Existing companies* undertaking expansion or diversification

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

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

3. QUALIFYING CRITERIA

- 3.1 The company must be incorporated under the Companies Act, 2016 and resident in Malaysia.
- 3.2 Company's full-time employees shall comprise of at least 80% Malaysians.
- 3.3 Value added for the ship building activity must be at least 40%.
- 3.4 Managerial, technical and supervisory staff index (MTS index) must be at least 25%.
- 3.5 The company to incur an adequate capital investment and business expenditure for the proposed project. The company is advised to share and discuss their level of commitment with MIDA.
- 3.6 The company has a Manufacturing Licence¹ (ML) from MITI or Confirmation Letter for Exemption from Manufacturing Licence from MIDA (whichever is applicable).

4. QUALIFYING ACTIVITIES

4.1 Ship building

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

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

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

4.3 Services: Component maintenance, repair and overhaul

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

5. MECHANISM

The tax incentive is provided under the P.U.(A) 112/2006 and P.U.(A) 113/2006 Income Tax Act, 1967.

6. EFFECTIVE DATE OF APPLICATION

For application received by MIDA from **1 January 2023 until 31 December 2027.**

7. PROCEDURE FOR APPLICATION

- 7.1 Applications should be made online at <https://investmalaysia.mida.gov.my>
- 7.2 Applications with incomplete information will not be accepted and will be returned to the applicant company.
- 7.3 For enquiries and clarification please refer to:-

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

Note¹:

Companies undertaking manufacturing activities with shareholders' funds of RM2.5 million and above or employing 75 or more full-time paid employees are required to apply for a Manufacturing Licence under the Industrial Coordination Act, 1975.