

GUIDELINES AND PROCEDURES FOR A MANUFACTURER IN THE PRINCIPAL CUSTOMS AREA (PCA) TO CLAIM EXEMPTION FOR:

- a) **Import Duty on Machinery and Equipment Excluding Spare Parts and Consumables Imported Or Purchased from a Licensed Manufacturing Warehouse (LMW), Bonded Warehouse Or Free Zone under Item 112 Customs Duties (Exemption) Order 2017**
- b) **Sales Tax on Machinery, Equipment and Spare Parts Imported Or Purchased from a Licensed Manufacturing Warehouse (LMW), Bonded Warehouse Or Free Zone Or a Manufacturer Approved by the Director General of Customs under Item 55 Schedule A Sales Tax (Persons Exempted From Payment Of Tax) Order 2018**

INTRODUCTION

The implementation of the self-declaration mechanism for import duty and/or sales tax exemption on machinery/equipment/spare parts is provided under the provisions of Customs Duties (Exemption) Order 2013 effective 2nd May 2014 (later updated to **Customs Duties (Exemption) Order 2017**) and under **Sales Tax (Persons Exempted From Payment Of Tax) Order 2018** effective 1st October 2018.

Manufacturers in Principal Customs Area (PCA) are allowed to claim for the exemption on import duty and/or sales tax on **machinery/equipment/spare parts** under Customs Duties (Exemption) Order 2017 and Sales Tax (Persons Exempted From Payment Of Tax) Order 2018 through a self-declaration process.

Under this mechanism, **prior to the importation or purchase** a company is required to submit to **Royal Malaysian Customs Department** the confirmation letter issued by MIDA and the list of machinery/equipment/spare parts to be imported or purchased for permission to claim the exemption. Application for import duty exemption should be **manually submitted to the State Customs Control Station (Industrial Section)** whereas for sales tax exemption it has to be **submitted online** via <https://mysst.customs.gov.my/>

ELIGIBILITY

- 1) The Customs Duties (Exemption) Order 2017 and/or Sales Tax (Persons Exempted From Payment Of Tax) Order 2018 **provide an exemption** for the followings:
 - a) **Import duty exemption on machinery and equipment excluding spare parts and consumables** imported or purchased from a Licensed Manufacturing Warehouse (LMW), Bonded Warehouse or Free Zone under **Item 112 Customs Duties (Exemption) Order 2017**
 - b) **Sales tax exemption on machinery, equipment and spare parts** imported or purchased from a Licensed Manufacturing Warehouse (LMW), Bonded Warehouse or Free Zone or a Manufacturer Approved by the Director General of Customs under **Item 55 Schedule A Sales Tax (Persons Exempted From Payment Of Tax) Order 2018**
- 2) To **qualify for the exemption**, the machinery, equipment and spare parts must be **new, unused and directly used in the manufacturing process** of the finished product(s) at the approved manufacturer's premise(s).

SUBMISSION OF DOCUMENTS

The application for a confirmation letter and permission to claim the exemption must be submitted **prior to the importation or purchase of the machinery/equipment/spare parts**. The self-declaration mechanism would reduce the costs of doing business without the necessity of obtaining bank guarantee facilities for the clearance of goods. Companies are advised to take into consideration the duration needed for the whole process to claim for the exemption.

i) SUBMISSION TO MIDA FOR THE CONFIRMATION LETTER AS A MANUFACTURER IN PCA

- Online application accompanied by scanned copies of the following documents should be submitted to MIDA:

Documents to be Submitted		New App.	Ext. App.
1	Manufacturing License issued under the Industrial Coordination Act 1975, or Confirmation Letter for a Company Exempted from Manufacturing License under the Industrial Coordination Act, 1975 from MIDA;	✓	✓
2	Business Premise License from the local authority. This is applicable to a company exempted from Manufacturing License under the Industrial Coordination Act, 1975;	✓	
3	Registration Certificate or letter of acknowledgement if the application for registration certificate is pending approval from Department of Occupational Safety and Health (DOSH);	✓	
4	SSM Company Profile (e-info) latest printout from Companies Commission of Malaysia (SSM);	✓	✓
5	Flow chart of manufacturing process;	✓	
6	Layout plan for machinery and equipment in approved manufacturer's premise and to indicate where the machinery and equipment will be located;	✓	
7	All copies of previous <i>Surat Pengesahan MIDA</i> ; and		✓
8	<i>Kelulusan Pendaftaran di bawah Seksyen 13 Akta Cukai Jualan 2018</i> issued by Royal Malaysian Customs Department (if applicable)	✓	✓

- A company with **multiple locations** must indicate a single State Customs Control Station in the application form for the purpose of obtaining the permission to claim the exemption, record keeping and audit.
- The application form for ***Surat Pengesahan MIDA (SPM)*** is available **online** via <https://investmalaysia.mida.gov.my>

ii) SUBMISSION TO CUSTOMS FOR PERMISSION TO CLAIM THE EXEMPTION

Import Duty Exemption

- Provide complete information on the machinery and equipment to be imported or purchased in the Appendix I (SPM1) sheet downloaded from <https://www.customs.gov.my> as follows:

a)	Appendix I (SPM1)	Import duty exemption on machinery and equipment <u>excluding spare parts and consumables</u> imported or purchased from a Licensed Manufacturing Warehouse, Bonded Warehouse or Free Zone under item 112 Customs Duties (Exemption) Order 2017
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- The appendix (hard copy and soft copy) should be accompanied by the following documents and submitted to the State Customs Control Station (Industrial Section) as indicated in the SPM form to obtain the permission to import or purchase the machinery and equipment:
 - a) Company's covering letter
 - b) Confirmation letter issued once by MIDA

Sales Tax Exemption

- Application for **sales tax exemption** on machinery, equipment and spare parts under Item 55 Schedule A Sales Tax (Persons Exempted From Payment Of Tax) Order 2018 has to be **submitted online** via <https://mysst.customs.gov.my>

PROCEDURE TO CLAIM EXEMPTION UNDER THE CUSTOMS DUTIES (EXEMPTION) ORDER 2017 AND/OR SALES TAX (PERSONS EXEMPTED FROM PAYMENT OF TAX) ORDER 2018

APPLICANT

- Submit the SPM form online via <https://investmalaysia.mida.gov.my> to obtain the confirmation letter from MIDA

MIDA

- Accept complete SPM form and supporting documents
- Issuance of the confirmation letter via online

APPLICANT

- View and download the confirmation letter via <https://investmalaysia.mida.gov.my>
- For import duty exemption, applicant need to provide complete information on the machinery and equipment to be imported or purchased in Appendix I (SPM1) sheet downloaded from <https://www.customs.gov.my>
- Submit the following documents to the State Customs Control Station (Industrial Section) to obtain the permission to import or purchase the machinery and equipment:
 - a) Company's covering letter
 - b) Confirmation letter
 - c) Appendix I (SPM1)
- For sales tax exemption on machinery, equipment and spare parts, application must be made online via <https://mysst.customs.gov.my/>

**STATE CUSTOMS CONTROL STATION
(INDUSTRIAL SECTION/SST DIVISION)**

- Verify the confirmation letter issued by MIDA and other company's documents via <https://investmalaysia.mida.gov.my>
- **Import duty exemption:**
Accept complete Appendix I (SPM1) and supporting documents
Issuance of **permission letter** for the importation or purchase of the machinery and equipment from a Licensed Manufacturing Warehouse (LMW), Bonded Warehouse or Free Zone
- **Sales Tax exemption:**
Issuance of ***Sijil Di Bawah Perintah Cukai Jualan (Orang Yang Dikecualikan Daripada Pembayaran Cukai) 2018*** for the importation or purchase of the machinery, equipment and spare parts from a Licensed Manufacturing Warehouse (LMW), Bonded Warehouse, Free Zone or a registered manufacturer under the Sales Tax Act 2018

APPLICANT

- Submit the permission letter to the Customs Import/Export and Border Control Branch for the clearance of goods
Purchase the machinery/equipment/spare parts from a manufacturer approved by the Director General of Customs
- Notify MIDA and the related State Customs Control Station (Industrial Section) when a company ceases operation or winds up

For enquiries and clarification, please contact:-

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