

GUIDELINE AND PROCEDURES FOR INCENTIVE OF AEROSPACE INDUSTRY

1. BACKGROUND

- 1.1. The aerospace industry was identified in the Twelfth Malaysia Plan as one of the strategic industries propelling Malaysia into a high-technology trajectory and guided by the Malaysian Aerospace Industry Blueprint 2030 (MAIB 2030).
- 1.2. Towards achieving the objective in the Twelfth Malaysia Plan and MAIB 2030, a competitive tax incentive will be a strategic tool to attract investments from global OEMs and domestic companies. It will also encourage existing industry players in Malaysia to expand their operations.
- 1.3. Thus, the existing incentive for the aerospace industry which was introduced in 2016 is extended under the National Budget 2023. The introduced incentive will facilitate to drive the agenda of making Malaysia as the main aerospace nation in the Southeast Asia as well as an integral part of the global market by 2030.

2. TYPE OF INCENTIVE

2.1. For new company

i. Income Tax Exemption

Income tax exemption of **70% or 100%** on statutory income for a period of **5 or 10 years**. Unabsorbed lossess can be carried forward for seven (7) consecutive year of assessment.

OR

ii. Income Tax Exemption Equivalent to Investment Tax Allowance (ITA)

60% or 100% of the qualifying capital expenditure incurred within 5 years. The allowance can be offset against 70% or 100% of statutory income for each year of assessment. The utilised allowances can be carried forward until fully absorbed.

2.2. For existing company undertaking expansion and diversification project

i. Income Tax Exemption Equivalent to Investment Tax Allowance (ITA)

60% of the qualifying capital expenditure incurred within **5 years**. The **allowance** can be offset against 70% of statutory income for each year of assessment. The utilised allowances can be carried forward until fully absorbed.

3. ELIGIBILITY CRITERIA

3.1. The company must be incorporated under the Companies Act, 2016.

3.2. The manufacturing company has a Manufacturing Licence from MITI or Confirmation Letter of Exemption from Manufacturing Licence from MIDA (whichever applicable).

3.3. The aerospace company must engage/undertake in high value added activities as following :-

- i. manufacturing or assemble of systems, devices, parts or components; or
- ii. maintenance, repair and overhaul for aircraft (MRO), system, devices, parts or components; or
- iii. engineering & design/services related.

3.4. The qualifying activities to be undertaken would benefit Malaysia in the following areas:

- i. Development of supporting engineering manufacturing companies such as special processing activities, jigs & tooling manufacturers, components & parts companies;
- ii. Localisation of supply chain;
- iii. Value added for the company's product(s) / activity (ies);
- iv. Training programme for Malaysian;
- v. Research and development or design and development;

The company is advised to share and discuss with MIDA on their level of commitment and compliance on the above agenda. Specific conditions related to the agenda shall be imposed on the incentive approval.

3.5. The company to incur an **adequate investment level and operating business expenditures** for the proposed project. The company is advised to share and discuss their level of commitment with MIDA.

3.6. Company's full time employees shall comprise of at least 80% Malaysians.

- 3.7. Managerial, technical and supervisory staff index (MTS index) must be at least 25% of the company's full time workforce;

or

Science and technical staff index (S&T index) with degree or diploma or special / specific certification / licensing bodies recognised by the Government / International Bodies must be at least 40% of the company's full time workforce.

4. MECHANISM

The incentive to be provided under the Income Tax (Exemption) (No.11) Order 2006 [P.U.(A) 112/2006], Income Tax Act 1967 or Income Tax (Exemption) (No.12) Order 2006 [P.U. (A) 113/2006], Income Tax Act 1967 and to be considered in the National Committee of Investment (NCI).

5. EFFECTIVE DATE OF APPLICATION

Applications received by MIDA from **1st January 2023 until 31st December 2025** are eligible to be considered for this incentive.

6. APPLICATION SUBMISSION

- 6.1. The application should be made online at <https://investmalaysia.mida.gov.my>
- 6.2. Application with incomplete information will not be accepted and will be returned to the applicant company.
- 6.3. For enquiries and clarification, please refer to : -

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Tel	:	(603) – 2267 3633
Fax	:	603-2274 7970 / 2273 4204
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