

**GUIDELINES AND PROCEDURES FOR THE APPLICATION OF THE
PENGERANG INTEGRATED PETROLEUM COMPLEX (PIPC)
SPECIAL INCENTIVE PACKAGE FOR THE MANUFACTURING SECTOR**

1. BACKGROUND

- 1.1 Pengerang Integrated Petroleum Complex (PIPC) is planned as a downstream oil and gas hub accommodating oil refineries, oil storage facilities and petrochemical product manufacturing plants. The PIPC spans across 22,904 acres (equivalent to 9,269 hectares or 92.7 sq. km) of land. The detailed Concept Masterplan/area coverage is as per Appendix I.
- 1.2 During the Budget 2024 announcement by the Prime Minister of Malaysia, a Special Incentive Package was given to the Pengerang Integrated Petroleum Complex (PIPC) area for companies manufacturing qualifying products.
- 1.3 The Special Incentive Package for the PIPC is aimed to attract more potential investors in the chemicals and petrochemical industry. The development of the PIPC is also important in order to achieve desired social and environmental outcomes, which are key to supporting the overall strategic growth of the economy.

2. TYPE OF INCENTIVE

- 2.1 The incentive package comprises:
 - A. **Special Tax Rate for a company with capital investment (excluding land) of RM500 million and above in the manufacturing sector;**
 - i. **Tier 1: 5% Special Tax Rate for up to 10 years (5 years + 5 years)**
 - ii. **Tier 2: 10% Special Tax Rate for up to 10 years (5 years + 5 years)**

or

Income tax exemption equivalent to **Investment Tax Allowance (ITA) for a company with capital investment (excluding land) of RM500 million and above in the manufacturing sector;**

- i. **Tier 1:** Income tax exemption equivalent to **Investment Tax Allowance (ITA) of 100%** on the qualifying capital investment (excluding land) for **up to 10 years (5 years + 5 years)**. The allowance can be offset against up to **100%** of statutory income for each assessment year.
- ii. **Tier 2:** Income tax exemption equivalent to **Investment Tax Allowance (ITA) of 60%** on the qualifying capital investment (excluding land) for **up to 10 years (5 years + 5 years)**. The allowance can be offset against up to **100%** of statutory income for each assessment year.

B. Stamp Duty

Stamp duty exemption on instrument for transfer of land/building or rental agreement of land/building for qualifying project/activity.

C. Import Duty

Import duty exemption for raw material, machinery, components, spare parts, and consumables that are used directly for qualifying project/activity.

3. ELIGIBILITY APPLICANT

- 3.1 The company must be incorporated under the Companies Act 2016 and resident in Malaysia.
- 3.2 A new company or an existing company undertaking **diversification activities** in relation to the eligible activities/products under this cluster.
- 3.3 The company is required to have a minimum paid-up capital of RM2.5 million at the point of submission of application to MIDA.

4. **ELIGIBILITY CRITERIA**

- 4.1 The **eligible product(s) / activity(ies)** under this cluster are chemical and petrochemical product(s)¹ as below:
- i. Base chemical – Methanol, Ethylene, Propylene, Benzene, Aromatics
 - ii. Organic intermediates – C1 to C6
 - iii. Specialty chemical
 - iv. Fertilisers
 - v. Polymers/plastics
 - vi. Oleochemical/biochemical
- 4.2 The **tiering tax incentive will be based on an outcome-based approach** and the company is required to fulfill the criteria as per **Appendix II** or **Appendix III**.
- 4.3 The company will need to propose its commitment to MIDA and the evaluation of tiering determination will be on outcome-based approach.

5. **TAX TREATMENT MECHANISM**

I. **Special Tax Rate**

- 5.1 The company must **submit the application to MIDA before commencement of operation for the proposed product(s) / activity(ies)**. The commencement of operation is **defined as the first sales invoice issued by the company for the proposed product(s) / activity(ies)**.
- 5.2 MIDA will issue **an interim approval letter** to the company on the tax incentive for the proposed product(s) / activity(ies) as approved by the National Committee on Investment (NCI). The interim approval letter will indicate **tiering approach and outcome-based tax incentives**.
- 5.3 The determination of the effective date will be **based on the year of assessment company commences the operation** of the approved product(s) / activity(ies).

¹ Product(s)/activity(ies) which involve simple manufacturing process (such as mixing and blending) is not eligible for the incentive. The eligible product(s)/activity(ies) may also be subjected to the discretion of both the Minister of Finance and Minister of Investment, Trade and Industry.

- 5.4 The **Special Tax Rate incentive** is to be provided through **subsidiary Legislation under the Income Tax Act, 1967 under Section 65B, Subsection 6(1A), Paragraph 6(1)(m), Schedule 1 Part XVII, Income Tax Act 1967** and to be considered in the National Committee of Investment (NCI).

II. Income Tax Exemption Equivalent to Investment Tax Allowance

- 5.5 The company must **submit the application to MIDA before commencement of operation for the proposed product(s) / activity(ies)**. The commencement of operation is **defined as the first sales invoice issued by the company for the proposed product(s) / activity(ies)**.
- 5.6 MIDA will issue **an interim approval letter** to the company on the tax incentive for the proposed product(s) / activity(ies) as approved by the National Committee on Investment (NCI). The interim approval letter will indicate **tiering approach and outcome-based tax incentives**.
- 5.7 The determination of the effective date will be based on the **first qualifying capital expenditures incurred after the application is received by MIDA** for the approved product(s) / activity(ies) **but shall not be earlier than 14 October 2023**.
- 5.8 The investment tax allowance is to be provided through **subsidiary Legislation** under the Section 127(3)(b) of Income Tax Act, 1967 and to be considered in the National Committee of Investment (NCI).

III. Stamp Duty

- 5.9 The company must **submit the application to MOF** upon receiving approval letter from MIDA on the tax incentive.
- 5.10 The stamp duty exemption to be provided through subsidiary legislation under the Stamp Act 1949.

IV. Import Duty

- 5.11 Companies can be considered import duty and/or sales tax exemption on machinery, equipment and components which are imported directly or purchased locally.
- 5.12 The machinery, equipment and components are new, unused and used directly in companies' activities.
- 5.13 Application must be submitted to MIDA prior to the importation or purchase of the machinery, equipment and components.
- 5.14 Only application with total duty and/or tax exemption value of RM5,000 and above (per submission) will be considered for exemption
- 5.15 The import duty exemption is to be provided under subsection 14(2) of the Customs Act 1967 and the sales tax exemption is to be provided under the subsection 35(3) of the Sales Tax Act 2018 subject to consideration at the Jawatankuasa Pengecualian Cukai (JPC).

6. **EFFECTIVE DATE OF APPLICATION**

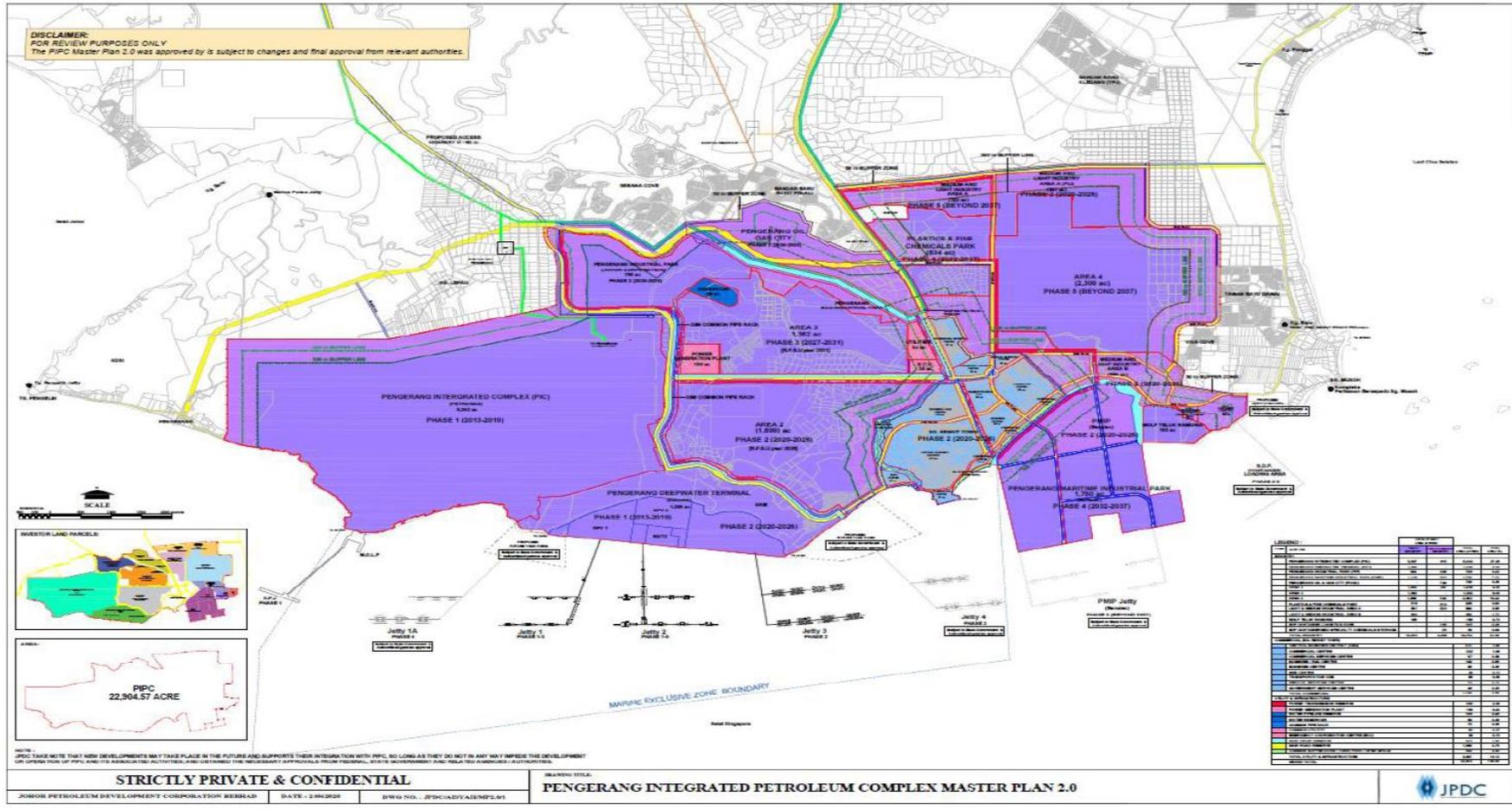
- 6.1 Applications for the PIPC Tax Incentive Package received by MIDA from **14 October 2023 until 31 December 2028** are eligible to be considered for this incentive.

7. **APPLICATION SUBMISSION**

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

MIDA Website : **www.mida.gov.my**
Tel : **(603) – 2267 3633**
Fax : **603-2274 7970 / 2273 4204**
Email : **investment@mida.gov.my**

Pengerang Integrated Petroleum Complex (PIPC) Masterplan



Eligibility Criteria for the Special Tax Rate

Tax Tiering	First five years (5 years)	Second five years (+5 years)
Tier 2: 10% Special Tax Rate Company to comply with condition on CAPEX and additional three (3) conditions out of total list of conditions	Subject to the following outcomes (but not limited to): i) Qualifying capital expenditure (excluding land to be realised within 3 years) as proposed. ii) Adequate ² number of full-time Malaysian employees with high-value jobs ³ as proposed; iii) Number of local suppliers ⁴ or local service providers ⁵ appointed as proposed; iv) Number of Managerial, Technical and Supervisory levels shall be at least 25% of overall manpower; v) Adoption of 4IR Technology ⁶	Subject to the following outcomes (but not limited to): i) Cumulative capital expenditure incurred (excluding land) of at least RM500 million. ⁷ ii) Adequate ² increase in number of full-time Malaysian employees with high-value jobs ³ as proposed; iii) Adequate ² increase in number of local suppliers ⁴ or local service providers ⁵ appointed as proposed; iv) Number of Managerial, Technical and Supervisory levels shall be at least 25% of overall manpower; v) Adoption of 4IR Technology ⁶
Tier 1: 5% Special Tax Rate		

² Proposals submitted by companies for number of employees will be evaluated in detail by MIDA and will be deliberated in the National Committee on Investments (NCI) for decision.

³ **High value job** refers to minimum basic salary of RM10,000 per month.

⁴ **Local suppliers** refer to the companies incorporated in Malaysia and manufacture goods locally (raw materials, consumables, machinery, equipment, parts and components).

⁵ **Local service providers** refer to the companies incorporated in Malaysia and provide services related to the company's proposed activities e.g. logistics, maintenance of plant/machinery/equipment, sterilisation and etc.

⁶ The company is required to adopt at least one of the foundational IR4.0 technologies, namely, artificial intelligence, internet of things, block chain, cloud computing and big data analytics, or advance materials and technologies (based on the National Fourth Industrial Revolution (4IR) Policy).

⁷ Cumulative capital expenditure of at least RM500 million may be incurred in the first five years. Nevertheless, company will only be entitled to claim upon confirmation of conditions for the second five years.

Tax Tiering	First five years (5 years)	Second five years (+5 years)
All conditions	<p>vi) Adoption of Environmental, Social and Governance (ESG) programmes e.g. set energy consumption, recycling activity, implementing ethical supply chain management, ethical treatment of suppliers, and adherence to fair labor practices as a key area in its ESG commitment; and</p> <p>vii) Other conditions related to the sustainable economy development such as education, social, accelerate Malaysian SMEs and as stated in the approval letter. (e.g. collaboration with higher education institution/TVET, number of intern, vendor development)</p>	<p>vi) Adoption of Environmental, Social and Governance (ESG) programmes e.g. set energy consumption, recycling activity, implementing ethical supply chain management, ethical treatment of suppliers, and adherence to fair labor practices as a key area in its ESG commitment; and</p> <p>vii) Other conditions related to the sustainable economy development such as education, social, accelerate Malaysian SMEs and as stated in the approval letter. (e.g. collaboration with higher education institution/TVET, number of intern, vendor development)</p>

Eligibility Criteria for Investment Tax Allowance

Tax Tiering	First five years (5 years)	Second five years (+5 years)
Tier 2: 60% of Qualifying CAPEX, offset against 100% of statutory income Minimum Conditions	i) Qualifying capital expenditure (excluding land to be realised within 3 years) as proposed; ii) Adoption of 4IR Technology ⁹	i) Cumulative Capital expenditure incurred (excluding land) of at least RM500 million⁸; ii) Adoption of 4IR Technology ⁹
Tier 1: 100% of Qualifying CAPEX, offset against 100% of statutory income All Additional Conditions	Subject to the following outcomes (but not limited to): i) Adequate ¹⁰ number of full-time Malaysian employees with high-value jobs ¹¹ as proposed; ii) Number of local suppliers ¹² or local service providers ¹³ appointed as proposed;	Subject to the following outcomes (but not limited to): i) Adequate ¹⁰ increase in number of full-time Malaysian employees with high-value jobs ¹¹ as proposed; ii) Adequate ¹⁰ increase in number of local suppliers ¹² or local service providers ¹³ appointed as proposed;

⁸ Cumulative capital expenditure of at least RM500 million may be incurred in the first five years. Nevertheless, company will only entitle to claim upon confirmation of conditions for the second five years

⁹ The company is required to adopt at least one of the foundational IR4.0 technologies, namely, artificial intelligence, internet of things, block chain, cloud computing and big data analytics, or advance materials and technologies (based on the National Fourth Industrial Revolution (4IR) Policy)

¹⁰ Proposals submitted by companies for number of employees will be evaluated in detail by MIDA and will be deliberated in the National Committee on Investments (NCI) for decision.

¹¹ **High value job** refers to minimum basic salary of RM10,000 per month.

¹² **Local suppliers** refer to the companies incorporated in Malaysia and manufacture goods locally (raw materials, consumables, machinery, equipment, parts and components)

¹³ **Local service providers** refer to the companies incorporated in Malaysia and provide services related to the company's proposed activities e.g. logistics, maintenance of plant/machinery/equipment, sterilisation and etc.

Tax Tiering	First five years (5 years)	Second five years (+5 years)
	<p>iii) Number of Managerial, Technical and Supervisory levels shall be at least 25% of overall manpower;</p> <p>iv) Adoption of Environmental, Social and Governance (ESG) programmes e.g. set energy consumption, recycling activity, implementing ethical supply chain management, ethical treatment of suppliers, and adherence to fair labor practices as a key area in its ESG commitment; and</p> <p>v) Other conditions related to the sustainable economy development such as education, social, accelerate Malaysian SMEs and as stated in the approval letter. (e.g. collaboration with higher education institution/TVET, number of intern, vendor development)</p>	<p>iii) Number of Managerial, Technical and Supervisory levels shall be at least 25% of overall manpower;</p> <p>iv) Adoption of Environmental, Social and Governance (ESG) programmes e.g. set energy consumption, recycling activity, implementing ethical supply chain management, ethical treatment of suppliers, and adherence to fair labor practices as a key area in its ESG commitment; and</p> <p>v) Other conditions related to the sustainable economy development such as education, social, accelerate Malaysian SMEs and as stated in the approval letter. (e.g. collaboration with higher education institution/ TVET, number of intern, vendor development)</p>