

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

1. BACKGROUND

- 1.1 The 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 at attracting 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 at least RM500 million in the manufacturing sector;**
 - i. **Tier 1: 5% Special Tax Rate for up to 10 years**
 - ii. **Tier 2: 10% Special Tax Rate for up to 10 years**

or

Income tax exemption equivalent to **Investment Tax Allowance (ITA)** for **a company with capital investment (excluding land) of at least RM500 million 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 fulfil 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 the 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 a **principle 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 principle approval letter will indicate a **tiering approach and outcome-based tax incentives** with minimum and additional conditions imposed for each Tier as per Appendix II.

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.

- 5.3 The company shall submit the application for determination of the commencement year of assessment (YA) not later than 24 months from the date of the principle approval letter.
- 5.4 The commencement YA of the incentive will be determined based on the YA company commencing the operation for the approved activity.
- 5.5 The company is required to submit an Annual Compliance Report (ACR) to MIDA within seven (7) months after the end of each year of assessment throughout the incentive period.
- 5.6 The compliance of minimum conditions will entitle the company to enjoy a Tier 2 tax incentive for the particular year of assessment. Whereas, compliance with both minimum and additional conditions will entitle the company to enjoy a Tier 1 tax incentive for that particular year of assessment.
- 5.7 In the event that the company fails to comply with the minimum conditions, the company is not entitled to claim the tax incentive for the particular year of assessment and will be subject to tax at prevailing rates.
- 5.8 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

- 5.9 The company must **submit the application to MIDA before the 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)**.
- 5.10 MIDA will issue a **principle 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 principle approval letter will indicate a **tiering approach and outcome-based tax incentives** with minimum and additional conditions imposed for each Tier as per Appendix III.

- 5.11 The commencement date of the tax incentive will be determined based on the **date of first qualifying capital expenditures (CAPEX)**² incurred for the approved product(s) / activity (ies) one day after the date of submission of application, **but shall not be earlier than 14 October 2023.**
- 5.12 The company shall submit the following not later than 36 months from the date of the principle approval letter:
- i) application for determination of tax incentive commencement date; and
 - ii) declaration on the compliance of minimum conditions as verified by the external auditors.
- 5.13 In the event that the company fails to submit the application as in para (5.12) within the stipulated period, the principle approval letter is automatically cancelled.
- 5.14 The company shall submit the **declaration of compliance with all minimum and additional conditions** as stated in the principle approval letter and verified by the external auditors to MIDA not later than **seven (7) months after the expiry of the 5-year tax incentive** and/or for **the 10-year tax incentive.**
- 5.15 The compliance of minimum conditions will entitle the company to enjoy a Tier 2 tax incentive. Whereas, compliance with both minimum and additional conditions will entitle the company to enjoy a Tier 1 tax incentive.
- 5.16 The investment tax allowance is to be provided through **subsidiary Legislation** under Section 127(3)(b) of the Income Tax Act, 1967 and to be considered in the National Committee of Investment (NCI).

III. Stamp Duty

- 5.17 The company must **submit the application to the Ministry of Finance** upon receiving the principle approval letter from MIDA on the tax incentive.
- 5.18 The stamp duty exemption is to be provided through subsidiary legislation under the Stamp Act 1949.

² Company may incur capital expenditure before the date of submission of application to MIDA. Nevertheless, the capital expenditure incurred is not to be deemed as a qualifying capital expenditure.

IV. Import Duty

- 5.19 Companies can be considered import duty and/or sales tax exemption on machinery, equipment and components which are imported directly or purchased locally.
- 5.20 The machinery, equipment and components are new, unused and used directly in companies' activities.
- 5.21 Application must be submitted to MIDA prior to the importation or purchase of the machinery, equipment and components.
- 5.22 Only application with a total duty and/or tax exemption value of RM5,000 and above (per submission) will be considered for exemption.
- 5.23 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 subsection 35(3) of the Sales Tax Act 2018 subject to consideration at the Jawatankuasa Pengecualian Cukai (JPC).

6. **EFFECTIVE DATE OF APPLICATION**

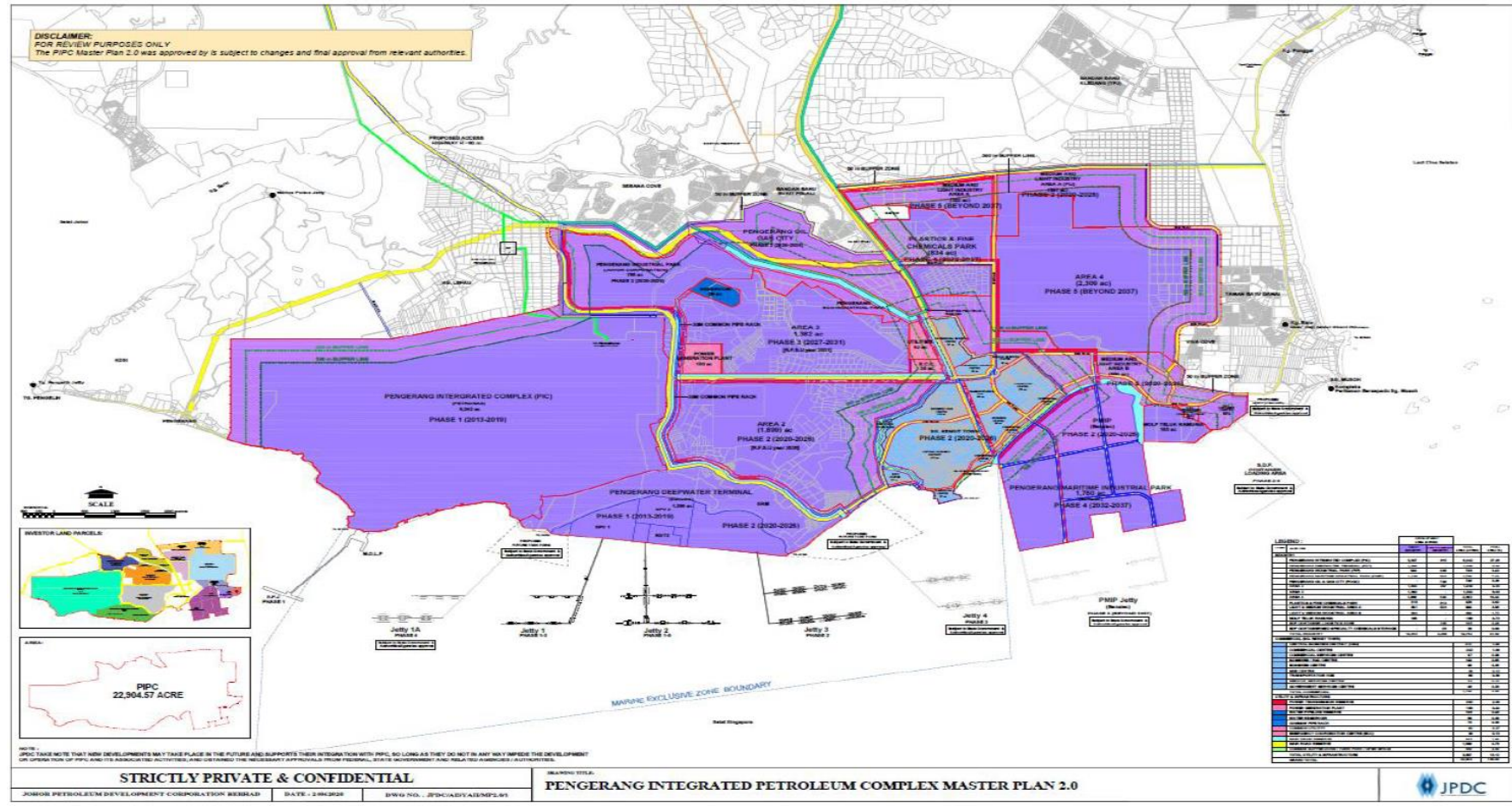
- 6.1 Applications for the PIPC Tax Incentive Package received by MIDA from **14 October 2023 until 31 December 2028** are eligible to be considered for this incentive.

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



Appendix II

Eligibility Criteria for the Special Tax Rate

Special Tax Rate	First Five (5) Years	Second Five (5) Years
<p>Tier 2 (10% Tax Rate)</p> <p>The company is required to comply to the specified minimum conditions</p>	<p>i) Capital expenditure (excluding land) to be realised as proposed by the company at the point of submission of the determination of the effective date and cumulative capital expenditure (excluding land) shall be at least RM500 million by the end of the 5th year of the incentive period.</p> <p>ii) Adequate³ number of full-time Malaysian employees with high-value jobs⁴ as proposed.</p> <p>iii) Number of Managerial, Technical and Supervisory levels shall be at least 25% of overall manpower.</p> <p>iv) Adoption of Industrial Revolution 4.0 (IR4.0) Technology⁵.</p> <p><i>Note:</i></p> <ul style="list-style-type: none"> <i>Minimum conditions need to be complied with not later than 24 months from the date of principle approval letter until the expiry of the first five years.</i> 	<p>i) Incremental cumulative capital expenditure (excluding land) as proposed by the company; <u>OR</u> at least RM500 million capital expenditure incurred in the first 5 years to be maintained throughout the second 5 years period.</p> <p>ii) Substantial increase in the number of full-time Malaysian employees with high-value jobs as proposed.</p> <p>iii) Substantial increase in the number of Managerial, Technical and Supervisory levels from the total manpower.</p> <p><i>Note:</i></p> <ul style="list-style-type: none"> <i>For conditions (ii) and (iii), the determination of a substantial increase will be evaluated by MIDA.</i>

³ Proposals submitted by companies for the number of employees will be evaluated in detail by MIDA and will be deliberated in the National Committee on Investments (NCI) for decision.

⁴ **High-value jobs** refer to the minimum basic salary of RM10,000 per month.

⁵ Adoption of **Industrial Revolution 4.0 (IR4.0) Technology** refers to machinery / equipment that adapts at least one of Industry 4.0 pillars namely big data analytics, cloud computing, augmented reality, cybersecurity, artificial intelligence, additive manufacturing, system integration, simulation, internet of things (IoT), autonomous robots and advanced materials.

Special Tax Rate	First Five (5) Years	Second Five (5) Years
	<ul style="list-style-type: none"> The compliance of minimum conditions will entitle the company to enjoy a Tier 2 tax incentive for the particular year of assessment. 	
<p>Tier 1 (5% Tax Rate)</p> <p>The company is required to comply to the specified minimum and additional conditions</p>	<ul style="list-style-type: none"> i) Capital expenditure (excluding land) to be realised as proposed by the company at the point of submission of the determination of the effective date and cumulative capital expenditure (excluding land) shall be at least RM500 million by the end of the 5th year of the incentive period. ii) Adequate⁶ number of full-time Malaysian employees with high-value jobs⁷ as proposed. iii) Number of Managerial, Technical and Supervisory levels shall be at least 25% of overall manpower. iv) Adoption of Industrial Revolution 4.0 (IR4.0) Technology⁸. 	<ul style="list-style-type: none"> i) Incremental cumulative capital expenditure (excluding land) as proposed by the company; <u>OR</u> at least RM500 million capital expenditure incurred in the first 5 years to be maintained throughout the second 5 years period. ii) Substantial increase in the number of full-time Malaysian employees with high-value jobs as proposed. iii) Substantial increase in the number of Managerial, Technical and Supervisory levels from the total manpower. iv) Substantial increase in the number of local suppliers⁹ or local service providers¹⁰ appointed as proposed.

⁶ Proposals submitted by companies for the number of employees will be evaluated in detail by MIDA and will be deliberated in the National Committee on Investments (NCI) for decision.

⁷ **High-value jobs** refer to the minimum basic salary of RM10,000 per month.

⁸ Adoption of **Industrial Revolution 4.0 (IR4.0) Technology** refers to machinery / equipment that adapts at least one of Industry 4.0 pillars namely big data analytics, cloud computing, augmented reality, cybersecurity, artificial intelligence, additive manufacturing, system integration, simulation, internet of things (IoT), autonomous robots and advanced materials.

⁹ **Local suppliers** refer to the companies incorporated in Malaysia and manufacture goods locally (raw materials, consumables, machinery, equipment, parts and components).

¹⁰ **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.

Special Tax Rate	First Five (5) Years	Second Five (5) Years
	<p>v) 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 labour practices as a key area in its ESG commitment.</p> <p>vi) Number of local suppliers⁹ or local service providers¹⁰ appointed as proposed.</p> <p>vii) Other conditions related to sustainable economic development such as education, social, accelerate Malaysian SMEs and as stated in the principle approval letter. (e.g. collaboration with higher education institution/TVET, number of interns, vendor development)</p>	<p>v) Substantial increase on other conditions related to the sustainable economy development such as education, social, accelerate Malaysian SMEs and as stated in the principle approval letter. (e.g. collaboration with higher education institution/TVET, number of interns, vendor development)</p> <p><i>Note:</i></p> <ul style="list-style-type: none"> • For condition (ii until v), the determination of a substantial increase will be evaluated by MIDA.

Appendix III

Eligibility Criteria for Investment Tax Allowance

Investment Tax Allowance	First Five (5) Years	Second Five (5) Years
<p>Tier 2 (60% of Qualifying CAPEX, offset against 100% of statutory income)</p> <p>The company is required to comply to the specified minimum conditions</p>	<p>i) Capital expenditure (excluding land) to be realised as proposed by the company at the point of submission of the determination of the effective date and cumulative capital expenditure (excluding land) should be at least RM500 million by the end of the 5th year.</p> <p>ii) Adequate¹¹ number of full-time Malaysian employees with high-value jobs¹² as proposed.</p> <p>iii) Number of Managerial, Technical and Supervisory levels shall be at least 25% of overall manpower.</p> <p>iv) Adoption of Industrial Revolution 4.0 (IR4.0) Technology¹³.</p> <p><i>Note:</i></p> <ul style="list-style-type: none"> • <i>Minimum conditions need to be complied with not later than 36 months from the date of principle approval letter until the expiry of the first five years.</i> 	<p>i) Incremental increase of cumulative capital expenditure (excluding land) as proposed by the company.</p> <p>ii) Substantial increase in number of full-time Malaysian employees with high-value jobs as proposed.</p> <p>iii) Substantial increase in the number of Managerial, Technical and Supervisory levels from the total manpower.</p> <p><i>Note:</i></p> <ul style="list-style-type: none"> • <i>For conditions (ii) and (iii), the determination of a substantial increase will be evaluated by MIDA.</i>

¹¹ Proposals submitted by companies for the number of employees will be evaluated in detail by MIDA and will be deliberated in the National Committee on Investments (NCI) for decision.

¹² **High-value jobs** refer to the minimum basic salary of RM10,000 per month.

¹³ Adoption of **Industrial Revolution 4.0 (IR4.0) Technology** refers to machinery / equipment that adapts at least one of Industry 4.0 pillars namely big data analytics, cloud computing, augmented reality, cybersecurity, artificial intelligence, additive manufacturing, system integration, simulation, internet of things (IoT), autonomous robots and advanced materials.

Investment Tax Allowance	First Five (5) Years	Second Five (5) Years
	<ul style="list-style-type: none"> The compliance of minimum conditions will entitle the company to enjoy a Tier 2 tax incentive during the incentive period. 	
<p>Tier 1 (100% of Qualifying CAPEX, offset against 100% of statutory income)</p> <p>The company is required to comply to the specified minimum and additional conditions</p>	<p>i) Capital expenditure (excluding land) to be realised as proposed by the company at the point of submission of the determination of the effective date and cumulative capital expenditure (excluding land) should be at least RM500 million by the end of the 5th year.</p> <p>ii) Adequate¹⁴ number of full-time Malaysian employees with high-value jobs¹⁵ as proposed.</p> <p>iii) Number of Managerial, Technical and Supervisory levels shall be at least 25% of overall manpower.</p> <p>iv) Adoption of Industrial Revolution 4.0 (IR4.0) Technology¹⁶.</p>	<p>i) Incremental increase of cumulative capital expenditure (excluding land) as proposed by the company.</p> <p>ii) Substantial increase in number of full-time Malaysian employees with high-value jobs as proposed.</p> <p>iii) Substantial increase in the number of Managerial, Technical and Supervisory levels from the total manpower.</p> <p>iv) Substantial increase in the number of local suppliers¹⁷ or local service providers¹⁸ appointed as proposed.</p> <p>v) Substantial increase on other conditions related to sustainable economic development such as education, social,</p>

¹⁴ Proposals submitted by companies for the number of employees will be evaluated in detail by MIDA and will be deliberated in the National Committee on Investments (NCI) for decision.

¹⁵ **High-value jobs** refer to the minimum basic salary of RM10,000 per month.

¹⁶ Adoption of **Industrial Revolution 4.0 (IR4.0) Technology** refers to machinery / equipment that adapt at least one of the Industry 4.0 pillars namely big data analytics, cloud computing, augmented reality, cybersecurity, artificial intelligence, additive manufacturing, system integration, simulation, internet of things (IoT), autonomous robots and advanced materials.

¹⁷ **Local suppliers** refer to the companies incorporated in Malaysia and manufacture goods locally (raw materials, consumables, machinery, equipment, parts and components).

¹⁸ **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.

Investment Tax Allowance	First Five (5) Years	Second Five (5) Years
	<p>v) 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 labour practices as a key area in its ESG commitment.</p> <p>vi) Number of local suppliers¹⁷ or local service providers¹⁸ appointed as proposed.</p> <p>vii) Other conditions related to sustainable economic development such as education, social, accelerate Malaysian SMEs and as stated in the principle approval letter. (e.g. collaboration with higher education institution/TVET, number of interns, vendor development)</p>	<p>accelerate Malaysian SMEs and as stated in the principle approval letter. (e.g. collaboration with higher education institution/TVET, number of interns, vendor development)</p> <p><i>Note:</i></p> <ul style="list-style-type: none"> • <i>For condition (ii until v), the determination of a substantial increase will be evaluated by MIDA.</i>