

**GUIDELINE AND PROCEDURES FOR THE APPLICATION OF
INCENTIVE FOR REINVESTMENT UNDER THE NEW INDUSTRIAL
MASTER PLAN 2030**

1. BACKGROUND

- 1.1. The Government through the Budget 2024 has introduced the incentive for reinvestment under the New Industrial Master Plan (NIMP) 2030 with a tiered and outcome-based approach. This provides an opportunity for existing companies that have exhausted their Reinvestment Allowance (RA) under the Schedule 7A of the Income Tax Act 1967, to continue to increase their capacity and investment in the country.
- 1.2. The intended objectives of the incentive are:
- i. To encourage companies to invest in high-growth and high-value areas.
 - ii. To ensure that the tax incentives offered by the Government contribute to the outcomes targeted under the NIMP 2030 and further drive the national economy.

2. TYPE OF INCENTIVES

- 2.1. The tax incentives are as follows:

Tier 1:

Investment Tax Allowance of 100% on the qualifying capital expenditure (excluding land cost) incurred for a period of 5 years. The allowance can be offset against up to 100% of statutory income for each assessment year until fully utilised,

OR

Tier 2:

Investment Tax Allowance of 60% on the qualifying capital expenditure (excluding land cost) incurred for a period of 5 years. The allowance can be

offset against up to 70% of statutory income for each assessment year until fully utilised.

3. ELIGIBLE APPLICANT

- 3.1. The company must be incorporated under the Companies Act, 2016 and resident in Malaysia.
- 3.2. The company is an **existing manufacturing company**¹ that **may or may not have enjoyed tax incentives**² **previously**. For a company that had been approved with a tax incentive, the tax incentive period for the approved product(s) / activity(ies) has ended.
- 3.3. The company must undertake **expansion**³ or **diversification**⁴ projects in the manufacturing sector.
- 3.4. A company having a related company⁵ that has been approved for the incentive for Reinvestment under the New Industrial Master Plan 2030, is eligible for the incentive subject to the condition that the related company undertakes different products / activities.
- 3.5. The company is eligible for only **one (1) round** of incentive for reinvestment to undertake the expansion or diversification⁶ projects under the NIMP 2030.

4. ELIGIBILITY CRITERIA

- 4.1. The eligible product(s) / activity(ies) for the incentive for reinvestment are in relation to the manufacturing subsectors under the coverage of the NIMP 2030, as follows:
 - Aerospace
 - Automotive
 - Chemical including biotechnology
 - Electrical & Electronics
 - Food Processing

¹ **Existing Company** refers to company which has been in operation for not less than 36 months

² **Tax incentives** refer to tax incentives under the Promotion of Investment Act, 1986 and/or under the Income Tax Act, 1967 (excluding Reinvestment Allowance under Schedule 7A of Income Tax Act 1967). Companies which are yet to commence their Reinvestment Allowance claims are not eligible for this incentive.

³ **Expansion** refers to the same products/activity to increase of production volume or market with or without changes in process/technology.

⁴ **Diversification** refers to different new products/new activity that involves different sets of knowledge/skills/machinery or others.

⁵ **Related company** is as defined in the Section 2 of the Promotion of Investments Act, 1986.

⁶ Company undertaking reinvestment activity for diversification projects of more than one (1) round may avail themselves with other existing incentives (if available).

- Halal
- Machinery & Equipment
- Medical Devices
- Metal
- Mineral
- Palm Oil-based Products
- Pharmaceutical including biotechnology
- Petroleum Products and Petrochemicals
- Rail
- Rubber-based Products
- Shipbuilding and Ship Repair
- Textile, Apparel and Footwear
- Wood, Paper and Furniture

4.2. The tiering tax incentive will be based on an outcome-based approach as follows:

Investment Tax Allowance	Tier 1	Tier 2
	100% on qualifying CAPEX for 5 years, offset against 100% of statutory income.	60% on qualifying CAPEX for 5 years, offset against 70% of statutory income.
Minimum Conditions	i) Qualifying capital expenditure (excluding land) to be realised within 3 years as proposed; ii) Adoption of Industrial Revolution 4.0 (IR4.0)⁷ Technologies ; and iii) R&D expenditures⁸ as proposed.	
Additional Conditions	Subject to the following outcomes (but not limited to): <ul style="list-style-type: none"> • Adequate⁹ number of new full-time Malaysian 	

⁷ Adoption of Industrial Revolution 4.0 Technologies 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.

⁸ Adequate expenditures in relation to R&D activity including expenditures related to product and technology improvement.

⁹ Proposals submitted by companies will be evaluated in detail by MIDA and will be deliberated in the National Committee on Investments (NCI) for decision.

Investment Tax Allowance	Tier 1	Tier 2
	100% on qualifying CAPEX for 5 years, offset against 100% of statutory income.	60% on qualifying CAPEX for 5 years, offset against 70% of statutory income.
	<p>employees with high-value jobs¹⁰;</p> <ul style="list-style-type: none"> • Number of local suppliers¹¹ and/or local service providers¹² appointed as proposed; • Adoption of green technology (generation of renewable energy or utilisation of energy efficiency equipment); and • any other conditions related to sustainable economic development such as education, social, acceleration Malaysian SMEs and as stated in the principle approval letter 	

4.3. The company will need to propose its commitment to MIDA and evaluation on tiering determination will be done based on an outcome-based approach.

4.4. The company currently claiming Reinvestment Allowance (RA) under Schedule 7A of the Income Tax Act, 1967 can opt to claim the reinvestment incentive provided that either one of these two incentives is claimed in the particular year of assessment. The 15 years period of RA will continue even though the company has opted for this incentive. Companies which are yet to commence their RA claims under schedule 7A are not eligible for this incentive.

¹⁰ **High-value jobs** refer to the minimum basic salary of RM10,000 per month.

¹¹ **Local suppliers** refer to the companies incorporated in Malaysia and manufacture goods locally (raw materials, consumables, machinery, equipment, parts and components).

¹² **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.

5. **MECHANISM**

- 5.1 The company must **submit the incentive application to MIDA before the commencement of the proposed project**. The 'commencement' is defined as the **first sales invoice issued by the company for the proposed project**.
- 5.2 MIDA will issue a **principle approval letter** to the company on the tax incentive for the proposed project as approved by the National Committee on Investment (NCI). The principle approval letter will indicate the **tiering approach and outcome-based tax incentives**.
- 5.3 The commencement date of the tax incentive will be determined based on the **date of the first qualifying capital expenditures (CAPEX)**¹³ incurred for the approved product / activity, referred to **one (1) day after the date of submission of the application**.
- 5.4 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 of compliance with minimum conditions as verified by the external auditors.
- 5.5 In the event that the company fails to submit the application as in para (5.4) within the stipulated period, the principle approval letter is automatically cancelled.
- 5.6 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.
- 5.7 The compliance with minimum conditions will entitle the company to enjoy a Tier 2 tax incentive. Whereas, the compliance with both minimum and additional conditions will entitle the company to enjoy a Tier 1 tax incentive.
- 5.8 The incentive is to be provided under the subsidiary legislation of Section 127(3)(b) of the Income Tax Act, 1967 and to be considered in the National Committee of Investment (NCI).

¹³ 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

6. EFFECTIVE DATE OF APPLICATION

Applications received by MIDA from **1 January 2024 until 31 December 2028** are eligible to be considered for this incentive.

7. APPLICATION SUBMISSION:

- 7.1. The application should be made 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