MALAYSIAN INVESTMENT DEVELOPMENT AUTHORITY

Guidelines on the Incentive for Supply Chain Resilience Initiative (SCRI) as at 15.07.2026

www.mida.gov.my

GUIDELINE AND PROCEDURES FOR THE APPLICATION OF SPECIAL INCENTIVES PACKAGE FOR STRATEGIC ANCHORS AND LOCAL VENDORS IN THE SUPPLY CHAIN RESILIENCE INITIATIVE

1. BACKGROUND

1.1. The Government, through the **Budget 2025,** has announced the New Investment Incentive Framework focusing on high-value activities. One of the new incentives introduced under the framework is the **Special Incentives Package for Strategic Anchors and Local Vendors in the Supply Chain Resilience Initiative.**

1.2. The intended objectives of the incentive are:

i. To strengthen the local supply chain and sector ecosystem;

ii. To encourage anchor companies to source from local suppliers while providing local vendors with the resources and support necessary to scale up, innovate, and fulfil the global standards requirement;

iii. To mitigate the gaps in the industry ecosystems by creating more global players among the local companies;

iv. To elevate domestic investment.

2. TYPE OF INCENTIVES & ELIGIBLE APPLICANTS

The tax incentives and eligible applicants are as follows:

A. Incentive for Strategic Anchor

No.	Type of Incentives	Eligible Applicant
1.	**Double tax deduction** on expenditures incurred by the **Strategic Anchor**, up to **RM2 million** per year for **3 consecutive years**	1. The Strategic Anchor must be **incorporated** under the Companies Act, 2016 and resident in Malaysia. 2. The Strategic Anchor refers to a **new or an existing Multinational Company (MNC)**[1] and **Large Local Corporation (LLC)**[2] in the strategic sectors such as: i. Electrical & Electronics, ii. Pharmaceutical, iii. Medical Device, iv. Machinery & Equipment, v. Aerospace, vi. Automotive, vii. Data centre, and viii. Other sectors covered in the NIMP 2030 (case-to-case basis). 3. The Strategic Anchor is required to have **a formal agreement with the Local Vendor**. The Local Vendor refers to: (a) incorporated under the Companies Act 2016; **and** (b) resident in Malaysia; **and** (c) a supplier of raw materials, components, machinery and equipments to the strategic anchor company; **and** (d) at the beginning of the basis period for a year of assessment, at

[1] A Multinational Corporation (MNC) is a company that has business operations in at least one country other than its home country and generates revenue outside of its home country

[2] A Large Local Companies is a company with Malaysian equity that possess substantial influence over the national economy, demonstrated by their extensive operations, revenue generation, and employment contributions

No.	Type of Incentives	Eligible Applicant
		least **fifty per cent of the issued share capital** of the local vendor company is owned: i. directly by a Malaysian citizen; **<u>or</u>** ii. by a body corporate which administers and manages a fund established under any written law; **<u>or</u>** iii. by a company which is— • incorporated under the Companies Act 2016 and resident in Malaysia in the basis period for that year of assessment; **<u>and</u>** • at least fifty per cent of the issued share capital of the company is owned by a Malaysian citizen or a body corporate which administers and manages a fund established under any written law.
2.	**Tax deduction** on investment by the **<u>Strategic Anchor</u>** or **<u>its suppliers</u>** in establishing a joint venture with Local Companies.	1. The **Strategic Anchor** or **its suppliers** must be **incorporated** under the Companies Act, 2016 and resident in Malaysia. 2. The Strategic Anchor refers to a **new or an existing Multinational Company (MNC)**[3] and **Large Local Corporation (LLC)**[4] in the strategic sectors such as: i. Electrical & Electronics, ii. Pharmaceutical, iii. Medical Device, iv. Machinery & Equipment, v. Aerospace, vi. Automotive, vii. Data centre, and viii. Other sectors covered in the NIMP 2030 (case-to-case basis).

[3] A Multinational Corporation (MNC) is a company that has business operations in at least one country other than its home country and generates revenue outside of its home country

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<table>
<tr><th>No.</th><th>Type of Incentives</th><th>Eligible Applicant</th></tr>
<tr><td></td><td></td><td>3. Supplier of Strategic Anchor refers to:
A new or an existing foreign-based company that currently supplying the raw materials / components / machinery / equipments to the Strategic Anchors and <u>do not have</u> an existing manufacturing operation in Malaysia. The joint venture with local company would allow the supplier to establish their presence in Malaysia;

<u>Or</u>
A new or an existing foreign-based company that currently supplying the raw materials / components / machinery / equipments to the Strategic Anchors and <u>have an existing</u> manufacturing operation in Malaysia. The joint venture with local company would accelerate their expansion activities.
4. Supplier of Strategic Anchor must be a Tier-1 & Tier-2 supplier to the eligible Strategic Anchor.

5. The Strategic Anchor/ supplier of the Strategic Anchor is required to have a formal agreement for the joint venture with the Local Companies.</td></tr>
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3. <u>ELIGIBILITY CRITERIA</u>

The eligibility criteria for each incentive are outlined below:

A. Incentive for Strategic Anchor

No.	Type Of Incentives	Eligibility Criteria
1.	**Double tax deduction** on **expenditures incurred** by the **Strategic Anchor**, up to **RM2 million** per year for 3 consecutive years	1. The eligible expenditures are expenditures incurred **to support and develop Local Vendors**. These expenditures include: i. Activities in relation to capacity building, namely **certification programme, technology collaboration and business process re-engineering**:. ii. Activities in relation to product development, **namely product/services quality upgrading, product/services innovation or research and development;** iii. Activities in relation to human capital development, namely **technical skill training for Malaysian employees**. 2. These expenditures aim to ensure that local vendors can produce high-quality products/services that meet the requirements of MNCs. 3. Expenditure in relation to capital expenditure incurred on plant, machinery, fixtures, land, premises, buildings, structures or works of a permanent nature or on alterations, additions or extensions thereof or in the acquisition of any rights in or over any property, **is not eligible for the deduction.** 4. The Strategic Anchor is required to have **a formal agreement with the Local Vendor.** The agreement must be **signed within the period of 1 January 2025 to 31 December 2030.** 5. The supply chain programme between the Strategic Anchor and Local Vendor **must be verified by MIDA.**

<table>
<tr><th>No.</th><th>Type Of Incentives</th><th>Eligibility Criteria</th></tr>
<tr><td>2.</td><td>Tax deduction on total investment made by the Strategic Anchor or its suppliers in establishing a joint venture with Local Companies.

A deduction equivalent to 20% of the total investment, up to RM100 million, may be claimed annually over a periof of five (5) years, commencing in the relevant year of assessment and continue for the subsequent four years.</td><td>1. The investment in a joint venture with local vendors can either be in the form of:

i. Equity Investment:

▪ The strategic anchor or its supplier contributes capital in exchange for ownership shares in the joint venture. The ownership shares can be up to 50% and must be held for at least 5 years.

▪ Equity Investment refers to capital funded through shareholders' equity (share ownership) and excludes shareholders loans

<u>OR</u>

ii. Non-repayable Investment:

▪ The Strategic Anchor or its supplier provides non-repayable financing to scale up local vendors. Loans or advances made by the Strategic Anchor are not eligible for the deduction.

▪ Example of Non-Repayable Investment are cash or machinery/equipment from the strategic anchor or its suppliers to the local vendors

2. For the purpose of qualifying for the deduction, the strategic anchor company or its supplier shall make an investment on or after 1 January 2025 but not later than 31 December 2030.</td></tr>
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4. APPLICATION PROCESS FLOW

No.	Type Of Incentives	Application Process Flow
1.	**Double tax deduction** on expenditures incurred by the **Strategic Anchor**, up to **RM2 million** per year for 3 consecutive years	1. Company submits **an online application for verification of the supply chain programme to MIDA**. The application to be submitted together with the required **supporting documents based on SCRI checklist** available in the MIDA's website. 2. MIDA issues a **Verification Letter of the Supply Chain Programme** to the applicant company and copied to the Ministry of Investment, Trade & Industry (MITI), Ministry of Finance (MOF) and Inland Revenue Board of Malaysia (IRBM). 3. Company shall **claim the deduction in their income tax return** based on self-assessment. 4. Company is required to maintain a proper records of the **Verification Letter for the Supply Chain Programme** and the **formal agreement between the strategic anchor and the local vendor** for audit purposes by the IRBM.
2.	**Tax deduction** on total investment made by the **Strategic Anchor or its suppliers** in establishing a joint venture with Local Companies	1. Strategic Anchor or its supplier shall make an investment on or after **1 January 2025 but not later than 31 December 2030** 2. Company shall claim the deduction in their income tax return based on self-assessment. 3. Company is required to maintain a proper record of the **investment incurred** and the **formal agreement between the strategic anchor and the local vendor** for audit purposes by the IRBM.
3.	**Incentive for Local Companies (Vendors)**	Company to assess the **guideline of the New Incentive Framework** available in the MIDA's website for the application process flow.

5. EFFECTIVE DATE OF APPLICATION

Incentive for Strategic Anchor: Application received by MIDA from **1 January 2025 until 31 December 2030.**

6. MALAYSIA'S PARTICIPATION IN THE GLOBAL ANTI-BASE EROSION (GLOBE) MODEL RULES (PILLAR TWO) INITIATIVE

6.1. On 8 October 2021, 136 members of the OECD/G20 Inclusive Framework on Base Erosion Profit Shifting (BEPS) have joined the Statement on the Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy. The Two-Pillar Solution is comprises Pillar One and Pillar Two.

6.2. Pillar One aims to ensure a fairer distribution of profits and taxing rights among countries with respect to the largest multinational enterprises (MNEs). Meanwhile, Pillar Two puts a floor on tax competition on corporate income tax through the introduction of a global minimum corporate tax rate that countries can use to protect their tax bases.

6.3. The Global Anti-Base Erosion (GloBE) Rules are the main Pillar Two Rules, which set out the scope and mechanism of the new global minimum effective tax rate (ETR) of 15%. A top-up tax will be charged when the group’s ETR in a jurisdiction falls below the 15% level.

6.4. Malaysia implements the Global Minimum Tax (GMT) starting from 2025 in line with international taxation standards as announced by the Malaysian Government through Budget 2024. Companies with annual global revenue of at least 750 million EURO can be subject to top-up tax if the ETR in Malaysia is below 15 per cent. This top-up tax can be collected through the Domestic Top Up Tax (DTT) mechanism which will be enforced on January 1, 2025.

6.5. For enquiries and clarification, please refer to:

MIDA Website	**:**	**www.mida.gov.my**
Tel	**:**	**(603) – 2267 3633**