



INCENTIVES IN THE SERVICES SECTOR OFFERED BY MIDA

MITI SHARING SESSION

PRAVINGANESHA

SENIOR ASSISTANT DIRECTOR
MALAYSIAN INVESTMENT DEVELOPMENT AUTHORITY (MIDA)

ABOUT MIDA



The principal Malaysian Government agency responsible for the promotion of investments and coordination of industrial development and selected services sectors in the country



Promotion

- Foreign Direct Investment
- Domestic Investment
- Manufacturing & Selected Services



Evaluation

- Manufacturing Licenses
- Tax Incentives
- Expatriate Posts
- Duty Exemption
- Principal Hub & selected services



Planning

- Planning for industrial development
- Recommend policies & strategies
- Formulation of strategies, programmes and initiatives for international economic cooperation



Follow Up/ Monitoring

- Assist companies in the implementation & operation
- Facilitate exchange & coordination among institutions
- Advisory Services

20 overseas offices & 12 state offices



- London
- Stockholm
- Munich
- Frankfurt
- Milan
- Paris

- Dubai
- Mumbai

- Beijing
- Guangzhou
- Shanghai
- Taiwan

- Singapore
- Sydney

- Tokyo
- Osaka
- Seoul

KEY GROWTH AREAS



INCENTIVES
OFFERED
BY

MIDA



INCENTIVE CATEGORISATION

Pioneer Status

Income tax exemption ranging from 70% or 100% for a period of 5 or 10 years

Investment Tax Allowance

60% or 100% on qualifying capital expenditure for 5 years or 10 years

Reinvestment Allowance

60% on qualifying capital expenditure for 15 consecutive years

Import Duty Exemption

For raw materials / components and machinery and equipment

TOTAL OFFERING

33
Incentives

29

TAX INCENTIVES

GRANT

1

3

OTHERS

Facilitation

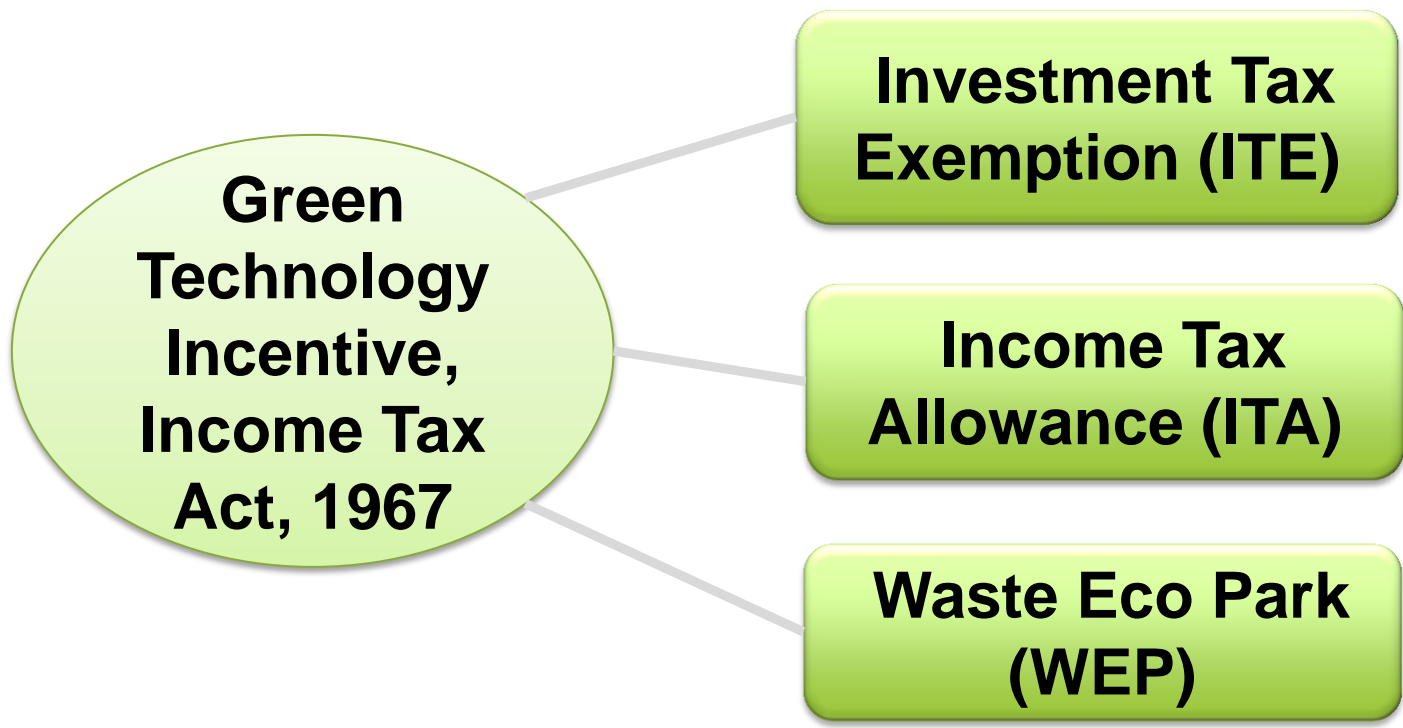
- Expatriate Post
- Status Approvals

INCENTIVES FOR
GREEN
TECHNOLOGY

MIDA



Incentives for GREEN TECHNOLOGY INDUSTRY



GREEN TECHNOLOGY PROJECTS

Income Tax Exemption (ITE)

Industry	Project
Renewable Energy (RE)	Feasibility study, system design & advisory & consultancy and etc.
Energy Efficiency (EE)	Advisory & consultancy, energy audit & management and etc.
Green Building	Design & consultancy, testing & commissioning of equipment/system
Green Data Centre	Green certification of products, equipment and buildings
Certification or Verification Bodies	Services Related to certification or verification
Green Township	Advisory & consultancy , design & feasibility study in green township and etc.

Investment Tax Allowance (ITA)

Industry	Project
Renewable Energy (RE)	Solar, Biomass, biogas, mini-hydro and geothermal
Energy Efficiency (EE)	Investment in energy efficient equipment or technologies
Green Building	Buildings with green building certificates
Green Data Centre	Purchase of any energy efficient product or solution for data center
Integrated Waste Management	Waste recycling / recovery / treatment activities

GREEN TECHNOLOGY PROJECTS (cont.)

Establishment of Waste Eco Park (WEP)

Developer

- Income Tax Exemption of 70% of statutory income
- Effective for Y.A. 2016 until Y.A. 2025

Operator

- Income Tax Exemption of 100% of statutory income (ITE)
- or
- Income Tax Exemption equivalent to 100% of qualifying capital expenditure (ITA)

Manager

- Income Tax Exemption of 70% of statutory income
- Effective for Y.A. 2016 until Y.A. 2025



INCENTIVES FOR
**RESEARCH &
DEVELOPMENT**

MIDA

R&D STATUS

- ❑ R&D companies may apply for the fulfillment of definition as **R&D STATUS COMPANY**
- ❑ Related and unrelated companies which make payments to the R&D Status Company for the use of their services are eligible to claim **DOUBLE DEDUCTION** on approved R&D expenditure

R&D COMPANY

- ❑ A company that provides R&D services in Malaysia to its **RELATED and/or UNRELATED COMPANIES** can enjoy :-
 - **INVESTMENT TAX ALLOWANCE (ITA)** of 100% of qualifying capital expenditure incurred within a period of **10 years** and can be offset against 70% of statutory income for each year of assessment
- ❑ Only **UNRELATED COMPANIES** can claim **DOUBLE DEDUCTION** for the payment made to the R&D Company for the use of their R&D services

CONTRACT R&D

- ❑ A company that provides R&D services in Malaysia to its **UNRELATED companies** can enjoy :-
 - **PIONEER STATUS (PS)** with Income Tax exemption of 100% on statutory income for 5 years
 - OR**
 - **INVESTMENT TAX ALLOWANCE (ITA)** of 100% of qualifying capital expenditure incurred within a period of **10 years** and can be offset against 70% of statutory income for each year of assessment

- ❑ Only **UNRELATED COMPANIES** can claim **DOUBLE DEDUCTION** for the payment made to the R&D Company for the use of their R&D services

IN-HOUSE R&D

- ❑ A company carries **out R&D within the company** in Malaysia for the purpose of its own business, can enjoy :-
 - **INVESTMENT TAX ALLOWANCE (ITA)** of 50% of qualifying capital expenditure incurred within a period of 10 years, the ITA can offset against 70% of statutory income each year of assessment

INCENTIVES FOR HOSPITALITY INDUSTRY

MIDA



HOTEL & TOURISM PROJECTS

Promoted Activities

**Medium And
Low-cost Hotel
(up to 3 stars)**

**4 and 5 Stars
Hotel (up to
December 18)**

**Expansion or
Modernisation
(Hotels/
Tourism)**

**Recreational
Camps**

**Convention
Centres**

**Tourism
Projects**

HOTEL PROJECT

New

Pioneer Status equivalent to income tax exemption of 70% for a period of 5 years; or

Investment Tax Allowance of 60% on qualifying capital expenditure incurred for a period of 5 years. The allowance can be offset against 70% of the statutory income for each year of assessment.

Existing

Investment Tax Allowance of 60% on qualifying capital expenditure incurred for a period of 5 years. The allowance can be offset against 70% of the statutory income for each year of assessment.

- ❖ Received by **31 December 2020** (4 – 5 star only)
- ❖ 1 - 3 star hotel (No sunset clause)
- ❖ 1 - 5 star hotel expansion/ modernisation (No sunset clause)

TOURISM PROJECTS

New / Existing



- **Pioneer Status equivalent to income tax exemption of 70% of statutory income for 5 years;**
or
- **Investment Tax Allowance of 60% on qualifying capital expenditure incurred for 5 years. Offset against 70% of the statutory income for each assessment year.**



Fixed assets and other conditions:-

Tourism, Theme Park & Convention centre : RM10 million

Recreational : RM500,000

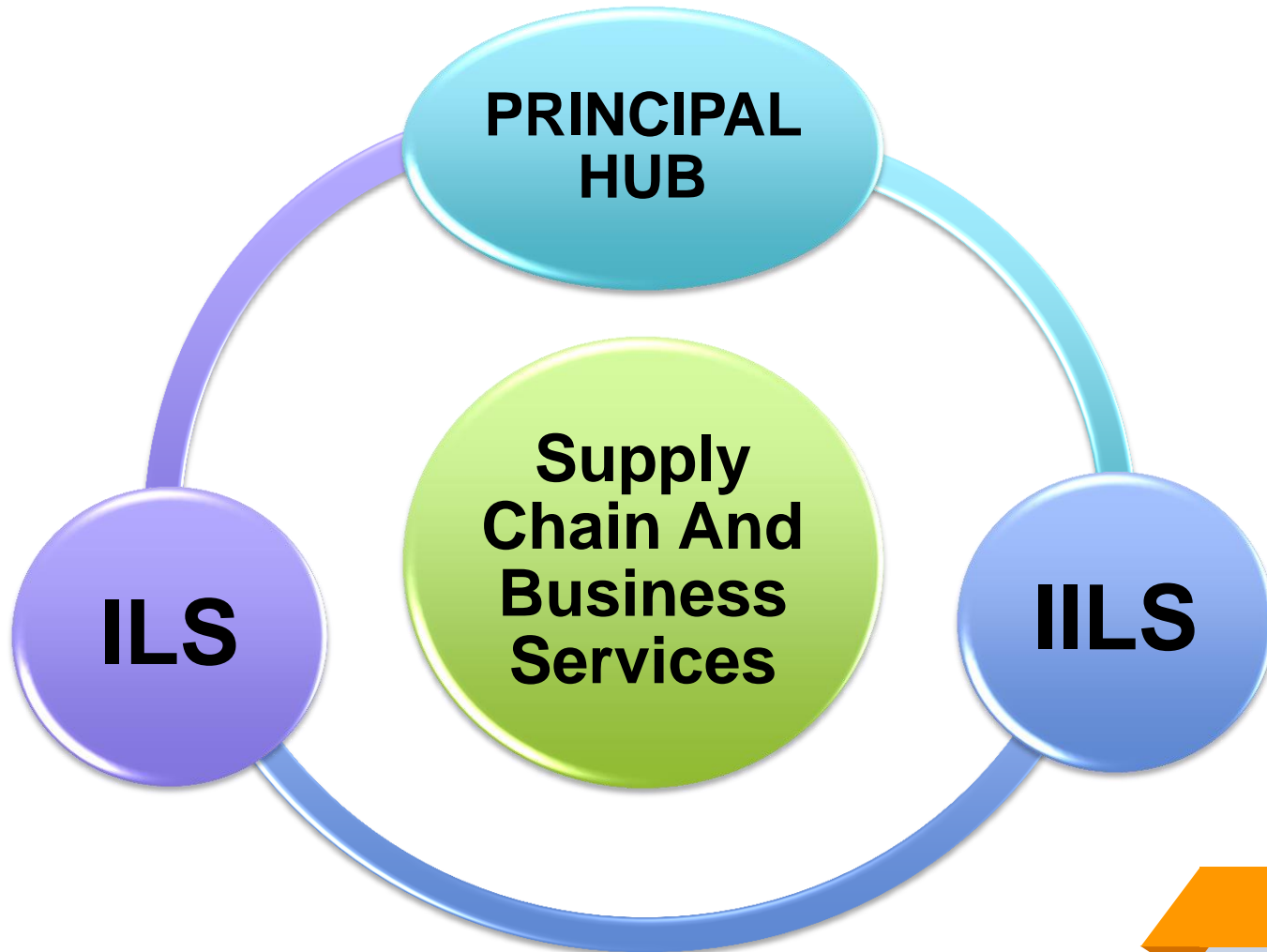
Convention centre: exceed 3,000 seating capacity

INCENTIVES FOR
**SUPPLY CHAIN
AND BUSINESS
SERVICES**



MIDA

Incentives for SUPPLY CHAIN AND BUSINESS SERVICES



PRINCIPAL HUB NEW OPERATIONS



DEFINITION

A new locally incorporated company which does not have an existing entity or related entity in Malaysia;

or

A new locally incorporated company which has an existing entity or related entity in Malaysia but has not undertaken any PH qualifying services in Malaysia.

CORPORATE TAXATION RATE

Blocks (years)	5	+5	5	+5	5	+5
Tax rate	10%		5%		0%	



**High Value Jobs Creation
Business Spending
Number of Countries Served**

INCOME TAX EXEMPTION

Manufacturing & Services company

- Tax exemption on **trading & services** income

-

Commodity based company

- Tax exemption for **services** income only

PRINCIPAL HUB EXISTING OPERATIONS



Existing Company

Full Tax exemption On Value Added Income

Approved OHQ/IPC/RDC Status with/without incentive Company

DURATION

Status without incentive

- years (5+5)

Status with incentive

- 5 years only

Manufacturing & Services Company

Commodity based companies

integrates the supply chain management for upstream & downstream

INCOME TAX EXEMPTION

Manufacturing & Services company

- Tax exemption on **trading & services** income

Commodity based company

- Tax exemption for **services** income only

SUPPLY CHAIN AND BUSINESS SERVICES

ILS INCENTIVE

- Pioneer Status - tax exemption (70%) on statutory income – 5 years
- Investment Tax Allowance (60% of qualifying capital expenditure) – 5 years

IILS STATUS

- Custom agent license

ELIGIBILITY CRITERIA

- Locally incorporated (60% Malaysian)
- Provide integrated logistics services
- Must OWN minimum assets & operate all activities in integrated manner

- Locally incorporated
- No equity condition
- Managing integrated & seamless logistics services (door-to-door)
- On regional or global scale.
- Must manage minimum assets & operate all activities in integrated manner



**INCENTIVES FOR
HEALTHCARE**

MIDA

HEALTHCARE SECTOR

PRIVATE HOSPITAL

&

**PRIVATE AMBULATORY
CARE CENTRE**

Investment Tax Allowance (ITA) of 100% on the qualifying capital expenditure incurred within a period of 5 years. Offset against 100% of statutory income for each year of assessment.

Main conditions :

- i. Registered with the Malaysia Healthcare Travel Council**
- ii. Obtained operating license from the Ministry of Health.**
- iii. For each private healthcare facility:**
 - a) The healthcare travellers shall form not less than 10% of its total patients for each year of assessment; and**
 - b) At least 10% of its gross income from that qualifying project for each year of assessment is generated from healthcare travellers.**

INCENTIVES FOR EDUCATION & TRAINING

MIDA



Investment Tax Allowance (ITA) of 100% of the **qualifying capital expenditure** incurred within a period of 10 years. The allowance can be offset against 70% of statutory income for each year of assessment.

Definition of Qualifying Capital Expenditure (CAPEX)

For the purpose of ITA in relation to TVET centre, qualifying capital expenditure means **capital expenditure incurred on building, plant and machinery used in Malaysia in connection with and for the purposes of TVET training activities.**

CRITERIA:

- ✓ Approved by MOHE / MOHR / Licensing Body / Registrar.
- ✓ Min 70% of students enrolled are registered in technical/ vocational/ science training.
- ✓ Min 70% of students sitting for examinations must be in the technical or vocational or science field of studies.

EQUITY POLICIES

Promoted Activities	Equity Restriction
Private Higher Education Centres*	<ul style="list-style-type: none"> • College, College University – 51% Foreign (41% Local including 30% reserved) • University – 100% Foreign allowed
Technical, Vocational Education and Training (TVET) Centres	<ul style="list-style-type: none"> • 100% Foreign allowed

*Moratorium is not applied for the following:-

- i. Private higher education centres to be **located in Iskandar, Johor**;
- ii. Private higher education centres are among the **top 100 ranks** in the world based on **QS University Rankings**; or
- iii. **Expansion** of existing private higher education centres.



**DOMESTIC INVESTMENT
STRATEGIC FUND**

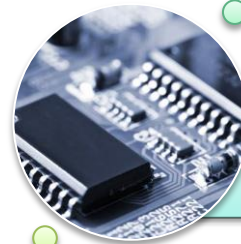
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DOMESTIC INVESTMENT STRATEGIC FUND (DISF)

- Announced by the Prime Minister on 3rd July 2012 - allocation of RM1 billion.
- Additional allocation of RM1 billion under the 11th Malaysia Plan (2016 - 2020)
- Matching grants (1:1) on reimbursable basis.



Accelerate the shift of Malaysian-owned companies in targeted industries



Intensify Technology Acquisition by Malaysian-owned companies



Harness & Leverage on Outsourcing opportunities

ELIGIBILITY

New / Existing companies in the Services Sector

Malaysian equity at least 60%

Promoted activities in targeted sectors

New Company

- › A subsidiary of an existing company operating in the relevant industry
- › Malaysian equity of at least 60%
- › The parent company must have proven track record in the relevant industry

Existing Company

- › Undertakes reinvestments in the form of expansion / modernisation / diversification
- › The company must have the capability and proven track record in the relevant industry



Training of Malaysians

Modernisation



Standards / Certification

Purchase of Technology



R&D

PRIORITY SECTORS



Quality & Standard
Certification



Testing /
Calibration



Research &
Development



Design &
Development



Architectural /
Engineering
Services



Logistics



Skills Training



ICT for Industry
4.0



INDUSTRY 4.0

MIDA

Incentives for ICT Equipment & Software



Accelerated Capital Allowance

To assist companies to **remain competitive** in the **digital era** and **adopt latest technology**, companies are allowed to claim **capital expenses** on **qualifying expenditure** as follows:

	Qualifying Expenditure	Capital Allowance Rates
1	Expenditure incurred on the purchase of ICT equipment and computer software packages.	Initial Allowance: 20% Annual Allowance: 20%
2	Expenditure incurred on the development of customized software comprising of consultation fee, licensing fee and incidental fee related to software development.	

1: From year of assessment 2017

2: From year of assessment 2018



Incentives for transformation to Industry 4.0

Industry 4.0 Capital Allowance



The following incentive is provided to encourage the transformation to **Industry 4.0** which involves the adoption of **key technology drivers (Big Data Analytics, Autonomous Robots, Simulation, IoT, Cyber Security, System Integration, Cloud Computing, Additive Manufacturing, Augmented Reality and Artificial Intelligence)**:

- **Accelerated Capital Allowance (ACA) of 100% and Automation Equipment Allowance (AE) of 100% on the first RM10 million qualifying capital expenditure incurred within YA 2018-2020**
- **Fully claimable within 2 years of assessment.**





THANK YOU

MALAYSIAN
INVESTMENT
DEVELOPMENT
AUTHORITY

MIDA

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