



Incentives for Product, Production and Process Improvements



Matching Grant for Enhancing Product Packaging

The Scheme provides assistance to small and medium enterprises (SMEs) to acquire and improve product packaging, design and labelling, thus enabling companies to enhance product appearance and comply with market requirements.

Form of Assistance

Assistance is given in the form of a matching grant where 50% of the approved project cost is borne by the Government and the remainder by the applicant. For enterprises in the manufacturing sector, incorporated under the Registration of Business Ordinance 1956, assistance is given up to 80% of the approved cost. The maximum grant allocated per application is RM 200,000.

Eligible Expenses

Expenses incurred in acquiring and improving product packaging, design and labelling such as:

- Costs and services for designing, packaging, marking and labelling

- Trade mark and patent registration

- Purchase of related machinery and equipment

Matching Grant for Product and Process Improvement

The Scheme provides matching grant to SMEs for improvement and upgrading of existing products, product design and processes upgrading.



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Form of Assistance

Assistance is given in the form of a matching grant where 50% of approved project cost is borne by the Government and the remainder by the applicant. The maximum grant allocated per application is RM500,000.

Eligible Expenses

Expenses related in improving and upgrading of existing products, product design and processes including:

- Technology feasibility studies
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- Fees for technology transfer
-
- Development of prototypes and system design
-
- Product testing
-
- Product registration
-
- Marking and labeling
-
- Machine & equipment testing and calibration
-
- Development & designing of equipment and machinery
-
- Purchase of machinery and equipment
-
- Initial patent registration/patent search/ IP Protection
-
- Specific Project Mission for technology study
-
- Cleaner Production and Waste Treatment Project including Energy Efficiency Audit
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* Machine & Equipment utilisation is crucial to assist SMEs to improve their production capacity, reduce cycle-time and increase the quality of products. In order to assist SMEs in purchasing the relevant machinery and equipment, SMIDEC provides a list (available at SMIDEC website) of related companies/distributors of new & used machineries & equipments according to sector.

Application procedure

Application and inquiries are to be directed to SMIDEC.

For more information, please contact

Small and Medium Industries Development Corporation (SMIDEC)
Aras 10, West Wing, MEnara MATRADE, Jalan Khidmat Usaha
Off Jalan Duta, 50480 Kuala Lumpur

Tel: 03-62076000

Website: www.smidec.gov.my



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Incentives for Manufacturing Related Services

Companies providing the following value-added** manufacturing related services are eligible for the Pioneer Status or Investment Tax Allowance

- Integrated logistic services which comprise the entire supply chain management, including the procurement of software and hardware, warehousing, distribution (transportation and freight services), packaging activities and customs clearance
- Integrated market support services which comprise the activities of brand development, consumer development, packaging design, advertising and promotion
- Integrated central utility facilities which provide services such as the supply of steam, demineralised water and industrial gas
- Cold chain facilities that provide a wide range of services including cold room, refrigerated truck and other related services such as the collection, storage and distribution of perishable locally produced food products

(i) Pioneer Status

Companies undertaking these manufacturing related services are eligible for Pioneer Status with income tax exemption of 70% (100% for promoted areas) of the statutory income for a period of five years. Unabsorbed capital allowances as well as accumulated losses incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company

Applications received by 31 December 2010 are eligible for this incentive.



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(ii) Investment Tax Allowance

As an alternative to Pioneer Status, companies may apply for Investment Tax Allowance (ITA). Companies granted the ITA get an allowance of 60% (100% for promoted areas) on the qualifying capital expenditure incurred within five years from the date the first qualifying capital expenditure is incurred.

Companies can offset this allowance against 70% (100% for promoted areas) of their statutory income in the year of assessment. Any un-utilised allowances can be carried forward to subsequent years until fully utilized. The remaining 30% of the statutory income will be taxed at the prevailing company tax rate.

**List of promoted value-added activities for manufacturing related services is available on MIDA's website

Applications received by 31 December 2010 will be eligible for this incentive.

Incentives for Relocating Manufacturing Activities to Promoted Areas

In order to reduce the costs of doing business and to provide a competitive business environment, existing companies which relocate their manufacturing activities to the promoted areas, are eligible for the following incentives:

(i) Pioneer Status with income tax exemption of 100% of statutory income for a period of five years; Unabsorbed capital allowances as well as accumulated losses incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company; or

(ii) Investment Tax Allowance of 100% on the qualifying capital expenditure incurred within a period of five years. The allowance can be utilised to offset against 100% of the statutory income for each year of assessment. Any un-utilised allowances can be carried forward to subsequent years until fully utilised.

Exemption from Import Duty and Sales Tax for Outsourcing Manufacturing Activities

To reduce the cost of doing business and enhance competitiveness, owners of Malaysian brands with at least 60% Malaysian equity ownership who outsource manufacturing activities are eligible for:



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- i. Import duty and sales tax exemptions on raw materials and components used in the manufacturing of finished products by their contract manufacturers locally or abroad
- ii. Import duty and sales tax exemptions on semi-finished goods from their contract manufacturers abroad, to be used by their local contract manufacturers to manufacture the finished products.

Exemption from Import Duty and Sales Tax on Spares and Consumables

Manufacturing companies qualify for import duty and sales tax exemptions on spares and consumables that are not produced locally and which are used directly in the manufacturing process.

Exemption from Import Duty on Raw Materials/Components

Full exemption from import duty can be considered for raw materials/components, regardless of whether the finished products are meant for the export or domestic market.

Where the finished products are for the export market, full exemption from import duty on raw materials/components is normally granted, provided the raw materials/components are not produced locally or, where they are produced locally, are not of acceptable quality and price.

Where the finished products are for the domestic market, full exemption from import duty on raw materials/components that are not produced locally can be considered. Full exemption can also be considered if the finished products made from dutiable raw materials/ components are not subject to any import duty.



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Exemption from Import Duty and Sales Tax on Machinery and Equipment

It is the policy of the government not to impose taxes on machinery and equipment used directly in the manufacturing process and not produced locally. Most categories of machinery and equipment are therefore, not subject to import duties. In cases where the imported machinery and equipment are taxable but are not available locally, full exemption is given on import duty and sales taxes. For locally purchased machinery and equipment, full exemption is given on sales tax.

Application procedure

Application and inquiries are to be directed to MIDA.

For more information, please contact

Malaysian Industrial Development Authority (MIDA)
Block 4, Plaza Sentral
Jalan Stesen Sentral 5
Kuala Lumpur Sentral
50470 Kuala Lumpur
Malaysia

Tel: 603-2267 3633

Website: www.mida.gov.my



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INLAND REVENUE BOARD MALAYSIA

Reinvestment Allowance

Reinvestment Allowance (RA) is given to companies engaged in manufacturing activities that reinvest for the purposes of expansion, automation, modernisation or diversification of its existing business into any related products within the same industry on condition that such companies have been in operation for at least 12 months. *This condition has been revised to at least 36 months, effective from the year of assessment 2009.*

The RA is given at the rate of 60% on the qualifying capital expenditure incurred by the company, and can be offset against 70% of its statutory income for the year of assessment. Any un-utilised allowance can be carried forward to subsequent years until fully utilised. A company can offset the RA against 100% of its statutory income for the year of assessment if:

The company undertakes reinvestment projects in the promoted areas i.e. the States of Perlis, Sabah, and Sarawak and the designated "Eastern Corridor" of Peninsular Malaysia; or

The company attains a productivity level exceeding the level determined by the Ministry of Finance. For further details on the prescribed productivity level for each sub-sector, please contact the Inland Revenue Board

The RA will be given for a period of 15 consecutive years beginning from the year the first reinvestment is made. Companies can only claim the RA upon the completion of the qualifying project, i.e. after the building is completed or when the plant/machinery is put to operational use. *With effect from the year of assessment 2009, company purchasing an asset from a related company within the same group where RA has been claimed on that asset is not allowed to claim RA on the same asset.*

Assets acquired for the reinvestment cannot be disposed off within a period of two years from the time of the reinvestment and with effect from the year of assessment 2009 this provision is extended to five years.



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Companies that intend to reinvest before the expiry of its tax relief period, can surrender their Pioneer Status or Pioneer Certificate for purpose of cancellation and be eligible for RA.

Applications for RA should be submitted to the Inland Revenue Board (IRB), while applications for the surrender of Pioneer Status or Pioneer Certificate for RA should be submitted to MIDA.

**With effect from year of assessment 2009, manufacturing activities will be given a more specific and clear definition under Schedule 7A, Income Tax Act 1967.*

Incentive for Acquiring Proprietary Rights

Capital expenditure incurred in acquiring patents, designs, models, plans, trademarks or brands and other similar rights from foreigners qualify as a deduction in the computation of income tax. This deduction is given in the form of an annual deduction of 20% over a period of five years.

Application procedure

Application and inquiries are to be directed to IRB

For more information, please contact

Lembaga Hasil Dalam Negeri Malaysia
Pusat Khidmat Pelanggan
Jabatan Pemprosesan
Aras 12, Menara C
Persiaran MPAJ, Jalan Pandan Utama
Pandan Indah, 55100 Kuala Lumpur.

Tel: 1-300-88-3010

Website: www.hasil.gov.my