



Incentives for Research and Development



MIDA

Malaysian Industrial Development Authority

The Promotion of Investments Act 1986 defines research and development (R&D) as "any systematic or intensive study carried out in the field of science or technology with the objective of using the results of the study for the production or improvement of materials, devices, products, produce or processes but **DOES NOT INCLUDE:**

- quality control of products or routine testing of materials, devices, products or produce;
- research in the social sciences or humanities;
- routine data collection;
- efficiency surveys or management studies; and
- market research or sales promotion."

To further strengthen Malaysia's foundation for more integrated R&D, companies which carry out design, development and prototyping as independent activities are eligible for incentives.

In-house Research

A company that undertakes in-house R&D to further its business can apply for an Investment Tax Allowance (ITA) of 50% of the qualifying capital expenditure incurred within ten years. The company can offset the allowance against 70% of its statutory income for each year of assessment. Any un-utilised allowances can be carried forward to subsequent years until fully utilised.

Incentives for Commercialisation of Public Sector R&D

To encourage commercialisation of resource-based R&D findings of public research institutes, the following incentives are given:

- a. A company that invests in its subsidiary company engaged in the commercialisation of the R&D findings is eligible for a tax deduction equivalent to the amount of investment made in the subsidiary company; and
- b. The subsidiary company that undertakes the commercialisation of the R&D findings is eligible for Pioneer Status with income tax exemption of 100% of statutory income for 10 years.



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The incentive is provided on the following conditions:

- i. At least 70% of the investing company (holding company) and the company undertaking the commercialisation projects are owned by Malaysians;
- ii. The company which invests should own at least 70% of the equity of the company that commercialises the R&D findings;
- iii. The commercialisation of the R&D findings should be implemented within one year from the date of approval of the incentive.

Application procedure

Application and inquiries are to be directed to MIDA

For more information, please contact

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

Tel: 603-2267 3633

Website: www.mida.gov.my



Incentives for Research and Development



INLAND REVENUE BOARD MALAYSIA

Double Deduction for Research and Development

A company can enjoy a double deduction on its revenue (non-capital) expenditure for research which is directly undertaken and approved by the Minister of Finance.

Double deduction can also be claimed for cash contributions or donations to approved research institutes, and payments for the use of the services of approved research institutes, approved research companies, R&D companies or contract R&D companies.

Approved R&D expenditure incurred during the tax relief period for companies granted Pioneer Status can be accumulated and deducted after the tax relief period.

Expenditure on R&D activities undertaken overseas, including the training of Malaysian staff, will be considered for double deduction on a case-by-case basis.

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



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Malaysian Technology Development Corporation Sdn. Bhd.

Commercialization of Public Sector R & D (CRDF 3)

This incentive is for commercialisation of science, technology and innovation developed by start-up companies.

Maximum tenure: 2 years

Maximum financing: Max. of 70% or RM 500,000 whichever is lower

Purpose of financing

- Feasibility study, rental, cost of technology, training, equipment
- Insurance, raw material, intellectual property protection
- Utility cost, marketing & promotion, standard & regulatory compliance

Commercialization of Research & Development Fund (CRDF) 4a

This incentive is for commercial production of any locally generated R&D results by SMEs

Eligible expenses

- a. Feasibility Study (if applicable);
- b. Cost of Technology;
- c. Cost of training;
- d. Purchase of core equipment related to commercialisation;
- e. Standard and Regulatory Compliance;
- f. Modifications/fine-tuning related costs;
- g. Process optimisation costs;
- h. Intellectual Property Protection (IPP); and
- i. Marketing & promotion related costs.

Funding Quantum

A maximum of 70% or RM4 million whichever is lower depending on the merits of each application.

Project Duration

Two years for project implementation and product roll-out and 2 years for project monitoring/impact study.



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Technology Acquisition Fund (TAF)

1. TAF 1

Provides funding to eligible Malaysian companies to acquire foreign technology for immediate incorporation into company's manufacturing activity. The acquisition of technology could be in the form of acquiring know-how / patent / design via the following methods:-

- Licensing of technology
- Purchase of technology; and
- Outright purchase of technology

Eligible Expenses

- Cost of technology acquisition; and
- Training.

Funding Quantum

A maximum of 50% or RM2 million whichever is lower depending on the merits of each application.

Project Duration

Two years for project implementation and product roll-out and two years for project monitoring/impact study.

Disbursement of Grant

Disbursement of grant will be made in accordance to the following:-

- Approved grant will be disbursed either on a matching or reimbursement basis according to the claims submitted by the grant recipient; and
- Approved grant will be disbursed in stages in accordance with the Grant Agreement and subject to the satisfactory progress of the project in terms of deliverables and milestones reached.

2. TAF 2

Provides funding to eligible **women** entrepreneurs to acquire equipment and machinery for immediate incorporation into company's manufacturing activity. The acquisition of the equipment and machinery must be for the improvement of the current production capacity or process.

Eligible Expenses

- Cost of acquisition of equipment and machinery; and
- Training.



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Funding Quantum

- Up to a maximum of 50% or RM500,000 whichever is lower depending on the merits of each application for 100% woman owned company; and
- Up to a maximum of 25% or RM250,000 whichever is lower depending on the merits of each application for majority woman owned company.

Project Duration

A maximum of:

- one year for project implementation and product roll-out
- one year for project monitoring/impact study.

Disbursement of Grant

Disbursement of grant will be made in accordance to the following:-

- Approved grant will be disbursed either on a matching or reimbursement basis according to the claims submitted by the grant recipient; and
- Approved grant will be disbursed in stages in accordance with the Grant Agreement and subject to the satisfactory progress of the project in terms of deliverables and milestones reached.

Application procedure

Application and inquiries are to be directed to MTDC

For more information, please contact

Malaysian Technology Development Corporation (MTDC)
Level 3-4, MIDF Building , 195A, Jalan Tun Razak,
50400 Kuala Lumpur, Malaysia

Tel: 603-2161 2000

Website: www.mtdc.com.my



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Techno-Fund

There are two types of funding:

1. Type A - Pre-Commercialization
 - Pre-commercialization activities comprise development of commercial ready prototypes/ pilot plants/clinical trials/up-scaling for demonstration and testing purposes but not commercial exploitation.
2. Type B - IP Acquisition.
 - Type B comprises acquisition of IP (academic/laboratory scale prototype) from overseas or local sources for further development up to pre-commercialization stage.

Collaboration

- Industry applicants are encouraged to collaborate with one or more Government Research Institute (GRI) / Institute of Higher Learning (IHL) (public or private); and
- GRI/IHL must identify industry partner(s) to undertake joint collaboration. In the collaboration, industry partner(s) should jointly contribute financial or non-financial resources to the project.

Funding Quantum

The quantum of funding and percentage of funding support under TechnoFund will be determined on the merit of each application.

Scope of Funding

The eligible expenditures are:

- Type A: Pre-Commercialization
 - Pilot plant set up/commercial ready prototype development/clinical trial;
 - IP preparation and registration excluding maintenance of IP;
 - Market testing of commercial ready prototypes (participation in trade fairs and exhibitions);
 - Regulatory and standard compliance;
 - Product documentation;
 - Equipment and materials for pre-commercialisation;*



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- Contract expenditure; and
- Expenditure for services (market survey, consultancy and testing).

- Type B: IP Acquisition
 - Acquisition of IP; and
 - Training (technology transfer)

**Not more than 40% of total project cost.*

Application procedure

Application and inquiries are to be directed to MOSTI

For more information, please contact

Technology Development Unit,
Ministry of Science, Technology and Innovations (MOSTI)
Aras 1 - 7, Blok C5,
Pusat Pentadbiran Kerajaan Persekutuan,
62662 Putrajaya

Tel: 603 - 8885 8810 / 8163 (Helpdesk)

Web Site: <http://www.mosti.gov.my>