

## **GUIDELINES FOR APPLICATION FOR TAX INCENTIVE FOR SOFTWARE DEVELOPMENT**

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### 1. INTRODUCTION

Companies undertaking computer software development are eligible to apply for Pioneer Status with income tax exemption of 70% (100% for promoted areas) of statutory income for 5 years Under the Promotion of Investments Act, 1986.

### 2. GUIDELINES FOR THE CONSIDERATION OF INCENTIVE

Guidelines for granting incentive (pioneer status) are as follows:

- ( i ) The computer software must be for general purpose and not custom-made for a specific customer.
- ( ii ) Both original software development and major modifications of existing software are eligible for incentive. For companies undertaking modifications of existing software packages, the cost of acquiring the existing packages must not exceed 25% of the modification expenditure which includes software tools, labour and equipment costs.
- (iii) A list of software packages which are deemed to be already established in Malaysia has been drawn up as a negative list as in Appendix I will not be eligible for incentive. However, a company undertaking to develop packages in the negative list may still be considered for incentives if the Government is satisfied that there are special merits to the case.
- (iv) Companies applying for pioneer status for software development should indicate the field of application, title, and if possible, trade name of each package. A company may apply for more than

one software package at the same application. In this case, the Production Day for all the approved packages will be the same. The company may also apply for incentives for different packages in separate applications at different times, in which case separate Production days may be considered. (Production Day is the day on which tax relief commences. It is determined as the date of the invoice for the first sale of the package approved or the second anniversary of the date of the approval, whichever is earlier. However, if the date of the invoice for the first sale is earlier than the date of approval for pioneer status, the Production Day will be determined as the date of the approval).

- (v) Companies must submit progress reports in the prescribed form (viz Progress Report for Software Development and Production) every 6 months after approval until implementation.
- (vi) After the first sale transaction, companies need to apply for a Pioneer Certificate. Companies are to submit their applications in prescribed forms obtainable from the Ministry of International Trade and Industry. Completed forms are to be submitted to:-

Secretary General  
Ministry of International Trade and Industry  
7<sup>th</sup> Floor, Block 10  
Government Offices Complex  
Jalan Duta  
50622 Kuala Lumpur

Tel: 03-62016022/62010033/62018044  
Fax: 03-62012337/62031303

(u/p: Senior Director  
Industry Services & Sectoral Policy Division)

- (vii) Appropriate documentation (such as log books, source codes and specifications, etc.) to record the development and/or modification activities must be kept. The records shall be made

available upon request for inspection by the Ministry of International Trade and Industry.

3. Expatriate Post(s)

Companies which undertake software development activities may also apply for expatriate post(s). However, the company should endeavour to train Malaysians in the same fields.

4. PROCEDURE FOR APPLICATION

- The application should be made using the relevant forms as follows:-

(a) CSD / JA - 1

New packages

(b) CSD / JA - 2

Additional packages

- The application should be submitted in four (4) copies to:-

The Director General  
Malaysia Industrial Development Authority  
Plaza Sentral, Jalan Stesen Sentral 5  
Kuala Lumpur Sentral,  
50470 Kuala Lumpur  
P.O. Box 10618  
50720 Kuala Lumpur  
MALAYSIA

- For enquiries and clarification, please refer to :-

MIDA's website : [www.mida.gov.my](http://www.mida.gov.my)  
Tel. No. : 03 – 2267 3633  
Fax No. : 03 – 2274 7970 / 2273 4204  
Email : [investmalaysia@mida.gov.my](mailto:investmalaysia@mida.gov.my)

- Applicants/companies may be required to make a presentation of their applications to Malaysian Industrial Development Authority.

Negative List

A. Field : Accounting and Finance

Titles:

- ( i ) Accounting (basic)
- ( ii ) Accounting (intergrated)
- ( iii ) Accounting – Accounts Payable
- ( iv ) Accounting – Accounts Receivable
- ( v ) Accounting – General Ledgers
- ( vi ) Amortization
- ( vii ) Billing/Invoice
- ( viii ) Costing
- ( ix ) Fixed Assets
- ( x ) Inventory Control
- ( xi ) Purchasing
- ( xii ) Sales Analysis/Reporting
- ( xiii ) Tax Preparation & Reporting
- ( xiv ) Credit & Collection
- ( xv ) Professional Time Accounting

B. Field : Human Resource Management

Titles:

- ( i ) Personnel Management
- ( ii ) Payroll/Personnel

C. Field : Insurance

Titles:

- ( i ) Insurance - general
- ( ii ) Insurance – agents & agency management

**APPLICATION FOR PIONEER STATUS INCENTIVE AND / OR EXPATRIATE POSTS  
FOR NEW SOFTWARE PACKAGES**

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**A. PARTICULARS OF APPLICANT/COMPANY**

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1. (i) Name of applicant:

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(ii) Address of applicant:

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Telephone No.: .....

2. (i) Name of company which will undertake the project:

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(ii) Date of incorporation of company: .....

(iii) Company registration no. : .....

(iv) Income tax reference no. : .....

(v) Income tax branch office : .....

(vi) Address of registered office:

.....

Telephone No.: .....

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**B. PARTICULARS OF DIRECTORS**

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Name	Identity Card No. / Pasport No.	Nationality	Residential Address

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**C. PROJECT COST**


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Total in the first 12 months

- ( i ) Premise rental \*
- ( ii ) Computer hardware
- ( iii ) Software (including cost of purchase, licence or royalty)
- ( iv ) Software development tools
- ( v ) Labour
- ( vi ) Other equipment
- ( vii ) Pre-operational expenditure
- ( viii ) Other working capital requirement

\* (Where the premise is purchased, indicated the cost)

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**D. FINANCING**


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	Proposed (\$)
1. Authorised capital	.....
2. Sources of fund:	.....
(i) Paid-up capital:	
Malaysians:	
(a) Bumiputera:	.....
(b) Non-Bumiputera	.....
Total	.....
Foreign Nationals (specify country):	
(a) .....	.....
(b) .....	.....
Total	.....
(ii) Loan:	
(a) Foreign:	.....
(b) Domestic:	.....

- (iii) Other sources of funds :
  - (a) ..... ..
  - (b) ..... ..
  - Total ..... ..

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**E. PARTICULARS OF SOFTWARE TO BE DEVELOPED**

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1. Describe the proposed software to be developed and explain the difference from existing software (if any). If an existing software is to be modified or enhanced, describe the nature and extent of the changes or additions.

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2. (i) Type of software and operating system.

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(ii) Type of hardware which can use the software concerned.

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(iii) Programming language to be used.

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(iv) Type of machine to be used for development

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(v) Period of development

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(vi) Market comparison.

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**F. SALES SCHEDULE**

Indicate the estimated annual sales for the first 3 years.

Proposed software	Sales Schedule					
	Year 1		Year 2		Year 3	
	Qty.	Value	Qty.	Value	Qty.	Value



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**G. MARKET**


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## 1. Domestic Market:

Proposed software	Estimate of Malaysian market		Major uses	Principal users
	Qty.	Value		

## 2. Export:

Proposed software	% of software to be exported			Principal export destinations
	Year 1	Year 2	Year 3	

**H. PRODUCT PRICING**

For each software to be developed, provide the estimated percentage cost breakdown in terms of price for the following items:

	Name of Software:	Name of Software:
Particulars	% of price	% of price
( i ) Cost of acquired software		
( ii ) Cost of software development tools		
( iii ) Cost of manpower		
( iv ) Cost of contracted services		
( v ) Depreciation		
( vi ) Interest payments, indirect taxes, etc.		
( vii ) Cost of consumables		
( viii ) Administration and marketing costs		
( ix ) Cost of technology/royalty/licence		
( x ) Profit		
Total		

**I. LOCATION OF PREMISE**

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**J. EMPLOYMENT**


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Employment Category		Full-time Employment	
		Malaysians	Foreign Nationals
1. Management Staff	a) Professional/with degree qualification b) Non-professional/without degree qualification		
2. Professional and Technical staff	a) Professional/with degree qualification b) Non-professional/without degree qualification		
3. Sales/marketing/Support Staff	a) Professional/with degree qualification b) Non-professional/without degree qualification		
4. Other Workers			
Total			

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**K. PROFIT ESTIMATES**


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Provide an estimate of the net profit before tax during the first 5 years of operation.

Year	Net profit before tax (\$)
1	.....
2	.....
3	.....
4	.....
5	.....

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**L. SOURCE OF TECHNICAL KNOW-HOW**


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Provide details including name and experience of the company/individuals providing the technical know-how.

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**M. DETAILS OF EXPATRIATE POSTS**


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Please complete this section if the applicant is applying for expatriate posts. Please exclude the expatriate posts that have been directly applied for to the Immigration Department or any other department.

1. New/additional posts applied for

Designation*	Type of post (key/term post)	Number	Duration (years)

Note:

\* Please list according to priority

For each expatriate post applied for, please submit the following details:-

- (a) Job function
- (b) Minimum academic/professional qualification required
- (c) Minimum period of experience required
- (d) Justification for request
- (e) Proposed training scheme for Malaysian personnel to fill the relevant posts

## 2. Existing approved posts, if any

Designation	Name and nationality	Duration approved	Date post filled	Expiry date

For each existing approved expatriate post, please submit the following details:

- (a) Name of Malaysian who has taken over/will take over the post
- (b) If the post has not been/will not be Malaysianised, state reasons and the company's plan on the post.

3. Please attach the organisational structure of the company indicating the positions of the expatriate posts.

**N. DECLARATION:**

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I, \_\_\_\_\_, the Managing Director of

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(i) hereby declare that to the best of my knowledge, the particulars furnished in this application are true.

(ii)\* have engaged/is planning to engage the services of the following consultant for my application :

Company Name : \_\_\_\_\_

Address : \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

Contact Person : \_\_\_\_\_

Designation : \_\_\_\_\_

Telephone no. : \_\_\_\_\_

Fax no. : \_\_\_\_\_

E-mail : \_\_\_\_\_

\_\_\_\_\_

I take full responsibility for all information submitted by the consultant(s).

\_\_\_\_\_ Date

----- (Signature)

\*Please complete this section if the company has engaged/is planning to engage the services of consultant(s) to act on behalf of the company. Please provide information on a separate sheet of paper if space is insufficient

APPLICATION FOR PIONEER STATUS INCENTIVE AND/OR EXPATRIATE POST FOR  
SOFTWARE DEVELOPMENT  
(FOR ADDITIONAL PACKAGES)

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PROPOSED PACKAGES

(i) FIELD

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(ii) TITLE

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(iii) COMMERCIAL NAME  
(if available)

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(iv) PROPOSED DATE OF  
FIRST SALE

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**A. PARTICULARS OF APPLICANT COMPANY**

1. (i) Name of company

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(ii) Date of incorporation of company : .....

(iii) Company registration no. : .....

(iv) Income tax reference no. : .....

(v) Income tax branch office: .....

(vi) Address of registered office

.....

.....

Telephone No. ....

Fax No. ....

(vii) Location of premise

.....

.....

Telephone No. ....

Fax No. ....

(viii) Packages approved with Pioneer Status

For each package approved with Pioneer Status, indicate the stage of development., if not already being marketed)

Title of software	Approval date for Pioneer status	Stage of development (if not yet completed)	Production Day (as in Pioneer Certificate)



**B. PARTICULARS OF DIRECTORS**

Name	Identity Card No./ Passport No.	Nationality	Residential Address

**C. PROJECT COST**

	Total cumulative cost of existing project	Cost of proposed additional project for the first 12 month
i) Premise rental*		
ii) Computer hardware		
iii) Software (including cost of purchase, maintenance or licence)**		
iv) Software development tools		
v) Labour		
vi) Other equipment		
vii) Pre-operational expenditure		
viii) Other working capital requirement		
	_____	_____
Total :	_____	_____

\* (Where the premise is purchased, indicate the cost)

\*\* (If the software development involves modification, indicate the cost of the original software).

**D. FINANCING**

	<u>Existing (RM)</u>	<u>Additional (RM)</u>
1. Authorised capital	.....	.....
2. Sources of fund:	.....	.....
i) Paid-up capital:		
Malaysians:		
a) Bumiputera:	.....	.....
b) Non-Bumiputera	.....	.....
Total	.....	.....
Foreign Nationals (specify country):		
(a) .....	.....	.....
(b) .....	.....	.....
Total	.....	.....
ii) Loan:		
(a) Foreign:	.....	.....
(b) Domestic:	.....	.....
iii) Other sources of funds		
(a) .....	.....	.....
(b) .....	.....	.....
Total	.....	.....

**E. PARTICULARS OF SOFTWARE TO BE DEVELOPED**

- 1. Describe the proposed software to be developed. Explain the differences from existing software which is available in the market (if any). If an existing software is to be modified or enhanced, describe the nature and extent of the changes or enhancements.

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- 2. Equipment and software for development

- i) Type of software and operating system

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- ii) Types of hardware

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iii) Programming language

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iv) Other equipment (if any)

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3. Targetted delivery hardware for software to be developed

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4. Period of development (indicate in man-months and calendar-months)

Title of proposed software	Period of development	
	'Man-months'	'Calendar-months'

5. Please provide the Gantt Chart

**F. SALES SCHEDULE**

Indicate the estimated annual sales for the first 3 years from  
(from first sale)

Title of proposed software	Sales Projection					
	Year 1		Year 2		Year 3	
	Qty.	Value (RM)	Qty.	Value (RM)	Qty.	Value (RM)

**G. MARKET**

## 1. Domestic Market

Title of proposed software	Targeted industry/user

## 2. Export:

Title of proposed software	Estimate of export market						Principal export destinations
	Year 1 (Calendar Year)		Year 2 (Calendar Year)		Year 3 (Calendar Year)		
	Qty.	Value (RM)	Qty.	Value (RM)	Qty.	Value (RM)	

**H. PRODUCT PRICING**

For each software to be developed, provide the cost breakdown as a percentage of price for the following items:

Particulars	Name of Software:
	..... % of price*
( i ) Cost of acquired software for modification (if relevant)	
( ii ) Cost of software development tools	
( iii ) Cost of manpower	
( iv ) Cost of contracted services	
( v ) Depreciation	
( vi ) Interest payments, indirect taxes, etc.	
( vii ) Cost of consumables	
( viii ) Administration and marketing costs	
( ix ) Cost of technology/royalty/licence	
( x ) Profit	
<b>Total</b>	<b>100%</b>

\* Based on expected selling price of software

**I. EMPLOYMENT**

Employment Category	Qualification	Existing		Proposed (additional)	
		Full-time Employment		Full-time Employment	
		Malaysians	Foreign Nationals	Malaysians	Foreign Nationals
1. Management	a) Professional/with degree qualification b) Non-professional/without degree qualification				
2. Professional and Technical	a) Professional/with degree qualification b) Non-professional/without degree qualification				
3. Sales/marketing/Support Staff	a) Professional/with degree qualification b) Non-professional/without degree qualification				
4. Other Workers					
Total					

**J. ADDITIONAL PROFIT ESTIMATES**

Provide an estimate of the net profit before tax during the first 5 years of operation (from the first sale).

Year	Additional Net profit before tax (\$)
1	.....
2	.....
3	.....
4	.....
5	.....

**K. SOURCE OF TECHNICAL KNOW-HOW**

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1. Details of the company/individuals providing the technical know-how.

i) Name

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.....  
.....

ii) Qualification

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iii) Experience

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2. Details of agreement for acquiring the technical know-how, if applicable

i) Title of agreement

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ii) Date and duration of agreement

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.....

iii) Name of Licensor

.....  
.....

iv) Cost of Licence

.....  
.....  
.....



v) Elaborate on the extent of technical assistance

.....

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.....

**L. DETAILS OF EXPATRIATE POSTS**

Please complete this section if the applicant is applying for expatriate posts. Please exclude the expatriate posts that have been directly applied for to the Immigration Department or any other department.

1. New/additional posts applied for

Designation*	Type of post (key/term post)	Number	Duration (years)

Note:

\* Please list according to priority

For each expatriate post applied for, please submit the following details:

- (a) Job function
- (b) Minimum academic/professional qualification required
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- (d) Justification for request
- (e) Proposed training scheme for Malaysian personnel to fill the relevant posts

## 2. Existing/approved posts (if any)

Designation	Name and nationality	Duration approved	Date post filled	Expiry date

For each existing/approved expatriate post, please submit the following details:

- (a) Name of Malaysian who has taken over/will take over the post
  - (b) If the post has not been/will not be Malaysianised, state reasons and the company's plan on the post.
3. Please attach the organisational structure of the company indicating the positions of the expatriate posts.

**M. DECLARATION:**

I, \_\_\_\_\_, the Managing Director of

- (i) hereby declare that to the best of my knowledge, the particulars furnished in this application are true.
- (ii)\* have engaged/is planning to engage the services of the following consultant for my application :

Company Name : \_\_\_\_\_

Address : \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Contact Person : \_\_\_\_\_

Designation : \_\_\_\_\_

Telephone no. : \_\_\_\_\_

Fax no. : \_\_\_\_\_

E-mail : \_\_\_\_\_

\_\_\_\_\_

I take full responsibility for all information submitted by the consultant(s).

\_\_\_\_\_

Date

\_\_\_\_\_

(Signature)

\*Please complete this section if the company has engaged/is planning to engage the services of consultant(s) to act on behalf of the company. Please provide information on a separate sheet of paper if space is insufficient