

## FAQ

### **ANNOUNCEMENT: UPDATE OF MSC MALAYSIA TAX INCENTIVE**

#### **1. What is the announcement about?**

This is to notify that the **MSC Malaysia Services Incentive** has been approved by the Government of Malaysia and companies can apply for the incentive starting from 2 April 2019.

The incentive will be granted under the Income Tax (Exemption) (No. 10) Order 2018 [P.U.(A) 389/2018] which has been gazetted on 31 December 2018.

#### **2. Who is eligible to apply for MSC Malaysia Status and the Services Incentive?**

To be eligible to apply for the award of MSC Malaysia Status and the Services Incentive, an applicant is required to meet all the following criteria:

- (a) The applicant is a company incorporated in Malaysia;
- (b) The applicant is proposing to carry out one or more of the MSC Malaysia Promoted Activities and has not issued any invoice for such proposed activities in Malaysia on the date of application;

(An applicant with at least 60% Malaysian equity ownership may be eligible if it has issued invoice for such proposed activities in Malaysia not more than 12 months prior to the date of application. Such applicant will need to maintain at least 60% Malaysian equity ownership during the exemption period);

- (c) The applicant is not enjoying any income tax exemption in respect of any activity granted by the Government of Malaysia on the date of application.

#### **3. What are the MSC Malaysia Promoted Activities?**

The MSC Malaysia Promoted Activities refer to:

Provision of services in relation to any of the following:

- Big data analytics (BDA);
- Artificial intelligence (AI);
- Financial technology (FinTech);
- Internet of things (IOT);
- Cybersecurity (technology/software/design and support);
- Data centre and cloud (technology/software/design and support);
- Blockchain;
- Creative media technology;
- Sharing economy platform;
- User interface and user experience (UI/UX);
- Integrated circuit (IC) design and embedded software;
- 3D printing (technology/software/design and support);
- Robotics (technology/software/design);

- Autonomous (technology/software/design and support);
- Systems/network architecture design and support; or
- Global business services or knowledge process outsourcing excluding non-technical and/or low value call center; data entry; and recruitment process outsourcing.

Please be informed that the following activities do not fall under the MSC Malaysia Promoted Activities:

- a) Trading;
- b) Manufacturing; and
- c) Provision of telecommunication services.

#### **4. What is being offered under the Services Incentive?**

Company may choose whether to enjoy Tier 1 or Tier 2 category which allows 100% or Tier 3 category which allows 70% income tax exemption on statutory income derived from approved MSC Malaysia Promoted Activities, for a period of 5 years, renewable for another period of 5 years (for Tier 1 and Tier 2 category only). The income tax exemption is subject to compliance of applicable terms and conditions, including minimum paid-up capital, minimum full time employees / Knowledge Workers, minimum monthly base salary, minimum annual OPEX and investment in fixed asset and minimum percentage of Malaysian Knowledge Workers.

#### **5. How can my company apply for the MSC Malaysia Status and the Services Incentive?**

To apply for **MSC Malaysia Status** and the **Services Incentive**, an applicant must complete an Application Form (<https://bit.ly/2uBWqlx>) and submit to [mscapplication@mdec.com.my](mailto:mscapplication@mdec.com.my). A copy of the Application Form and the Application Guidelines can be obtained from <https://www.mdec.my/msc-malaysia>

#### **6. What are the compulsory documents required to be submitted for MSC Malaysia Status and Services Incentive application?**

When submitting the Application Form (<https://bit.ly/2uBWqlx>), you are also required to submit certified true copy of the following documents:

- i. Companies Commission of Malaysia (CCM)
  - Certification of registration - Section 17
  - Return of allotment of shares - Section 78
  - Certified true copy register of members /shareholders - Section 51
- ii. Certified true copy of company's past years financial audited report (3 year) and/or management account (year to date)

Please be informed that additional document(s) may be required if deem necessary, eg. CCM change of name - Section 28 and etc.

#### **7. Is there any application fee required?**

Yes, the application fees is RM2,120/=.

**8. How long does it take for the application to be approved?**

It will take approximately 30 working days (from the submission of complete application) for the application to be approved by the approval committee.

**9. Can my company apply under the MSC Malaysia IP incentive?**

Not at the moment. The policy details for MSC Malaysia IP incentive are still being reviewed by the Government of Malaysia. MDEC will be releasing further information on this in due course.

**10. Can my company apply for MSC Malaysia Status and the Services Incentive if our proposed activities include both services and IP activities?**

Yes, you may proceed to submit an application for Services activities only. The policy details for MSC Malaysia IP incentive is still being reviewed by the Government of Malaysia. MDEC will be releasing further information in due course.

**11. If my company has issued invoice(s) for the proposed promoted activity(ies) prior to the date of application, can my company still eligible to apply?**

A company is not eligible to apply if they have issued invoice(s) for the proposed promoted activities prior to the date of application. However, a flexibility is given to company having at least 60% Malaysian equity ownership and they will be eligible even if they have issued invoice if the date of issuance is not more than 12 months from the date of application.

**12. What does “date of application” refer to?**

The date of application refers to the date of formal submission to [mscapplication@mdec.com.my](mailto:mscapplication@mdec.com.my) and acknowledgement receipt by MDEC on the submission of application.

**13. Can a 100% foreign-owned company be eligible to apply for MSC Malaysia Status and Services Incentive?**

Yes.

**14. If my company has previously enjoyed tax incentive from the Government of Malaysia, is my company still eligible to apply for MSC Malaysia Status and the Services Incentive?**

Company will be eligible to apply if the previous tax incentive has already ended or expired at the date of MSC Malaysia Status application. However, the proposed promoted activity(ies) must be different from the activities that has been incentivised before.

**15. If my company is currently enjoying tax incentive from the Government of Malaysia for activity A, can we apply for MSC Malaysia Status for a new promoted activity i.e activity B?**

As long as the company is enjoying tax incentive from the Government of Malaysia on any activities (regardless whether new or existing) on the date of application, such company will not be eligible.

**16. What happens to my application that has been submitted to MDEC prior to 1 July 2018?**

Applicants who have submitted an application for MSC Malaysia Status before 1 July 2018, may re-submit new application for MSC Malaysia Status and Services Incentive. The application may be prioritised for processing, subject to a completed submission or; you may choose to withdraw your company's application should you feel that you are no longer interested to apply for MSC Malaysia Status.

**17. Can my company get a refund of the application fee after we have withdrawn our MSC application?**

Applicants who have made payment for the processing fee may request for a refund. However please be informed that the refund will exclude the GST amount.

For cancellation/withdrawal of MSC Malaysia Status application and/or refund, you are required to notify to MDEC officially via [mscapplication@mdec.com.my](mailto:mscapplication@mdec.com.my).

**18. How long does my company have to activate the tax incentive after approval of the MSC Malaysia Status?**

Company will be given 24 months from the date of MSC Malaysia Status approval to activate the tax incentive. No extension of time for the 24-month period will be granted.

**19. What happens if my company did not activate the tax incentive within the 24-month period after the MSC Malaysia Status approval?**

The tax incentive will be withdrawn and if company did not meet the conditions as specified in the approval letter, the MSC Malaysia Status may be revoked.

**20. Is there any grace period given to comply with the location requirement?**

Companies are given a flexibility of 24 months from date of MSC Malaysia Status approval to comply with conditions on location (for those applicable)

**21. Can my company change tier after the MSC Malaysia Status approval?**

Company may choose Tier category either Tier 1, Tier 2 or Tier 3 at the time of application. Once the MSC Malaysia Status application is approved, company will not be able to change the tier during the tax exemption period.