

Guidelines and Procedures for the Application of Special Tax Incentive under the National Economic Recovery Plan (PENJANA)

1. BACKGROUND:

- 1.1. The Special Tax Incentive was announced by the Government through the announcement of PENJANA on 5 June 2020.
- 1.2. The main objective of this incentive is to attract investors to relocate their businesses into Malaysia by addressing the risk of re-shoring.

2. TYPE OF INCENTIVE:

2.1. For New Company

- i. 0% special tax rate for 10 years for new investment in manufacturing sector with capital investment between RM300 million to RM500 million
- ii. 0% special tax rate for 15 years for new investment in manufacturing sector with capital investment above RM500 million

2.2. For Existing Company

100% Investment Tax Allowance (ITA) for 5 years for existing company in Malaysia relocating overseas facilities into Malaysia with capital investment above RM300 million. The allowance is offset against 100% of statutory income for each assessment year.

2.3. Definition of 'New Company' and 'Existing Company'

- i. New Company
 - Company relocating manufacturing facility for eligible activities from any country to Malaysia; or
 - Company establishing new operation in Malaysia; and
 - Do not have existing manufacturing operation in Malaysia
- ii. Existing Company

Foreign or locally owned company that has existing manufacturing operation in Malaysia and relocate its manufacturing operation from outside Malaysia for new business segment. The products from the new business segment are not of expansion project for existing products.

2.4. The Special Tax Incentive is aimed to encourage quality investments that will contribute to the following investment agenda:

- i. Vendor Development Programme;
- ii. Employment (e.g: job creation);
- iii. Utilization of local auxiliary services;
- iv. Internships to Malaysian graduates;
- v. Cooperation with local universities in relevant fields.

Companies are advised to share and discuss their level of commitment and compliance pertaining to the above agenda with MIDA. Specific conditions related to the agenda shall be imposed upon the incentive approval.

3. ELIGIBILITY CRITERIA:

- 3.1. Company meet the definition of 'new company' or 'existing company' under the incentive.
- 3.2. The company to undertake manufacturing activities other than manufacturing activities listed in Appendix A.
- 3.3. The new company or existing company to incur the first capital expenditure within 1 year from the approval date.

- 3.4. The Company to incur the minimum capital expenditure (not including land) within 3 years from the date of the first capital expenditure incurred as follows:
- i. For New Company
 - a) 0% special tax rate for 10 years: between RM300 million to RM500 million; and
 - b) 0% special tax rate for 15 years: above RM500 million.
 - ii. For Existing Company : above RM300 million.
- 3.5. The Company will be subjected to the following conditions:
- i. Fixed Asset Investment; and
 - ii. 80% Malaysians employment by the third year of the company's production.
- 3.6. Existing company applying for this incentive to keep separate accounts for products/activities with Tax Incentive and for products/activities without Tax Incentive; or to set up new entities to carry out the project.
- 3.7. The company is required to have a paid up capital of more than RM2.5 million.

4. MECHANISM:

Subsidiary Legislation under Income Tax Act, 1967

5. EFFECTIVE DATE OF APPLICATION:

Applications received by MIDA from 1 July 2020 until 31 December 2021 are eligible to be considered for this incentive.

6. APPLICATION SUBMISSION:

6.1. The application should be made online through MIDA e-Incentive portal at following URL:

<https://eml.mida.gov.my/incentive/>

6.2. For enquiries and clarification, please refer to : -

MIDA Website : www.mida.gov.my
Tel : (603) – 2267 3633
Fax : (603) – 2273 4208
Email : investmalaysia@mida.gov.my

APPENDIX A**LIST OF ACTIVITIES/ PRODUCTS NOT ELIGIBLE FOR SPECIAL TAX INCENTIVE UNDER NATIONAL ECONOMIC RECOVERY PLAN (PENJANA)**

NO.	PRODUCTS/ACTIVITIES	INDUSTRIES
1.	All products for iron & steel considered sensitive except products listed in the Promoted Activities / Products Under the PIA 1986 under the category of Manufacture of Iron and Steel, and Manufacture of Non-Ferrous Metal and their Products	Iron & Steel
2.	Weapon and ammunitions	Machinery & Equipment
3.	Electricals products supplied to generate power for consumption of TNB and Petronas such as general cables, wire harness, distribution boards, control panels, switching apparatus, transformers	Electrical
4.	Liquor and alcoholic beverages	Beverages & Tobacco
5.	Tobacco and tobacco products including cigarette	Beverages & Tobacco
6.	Palm Oil milling and refining	Palm Oil
7.	Production of food products that only involve mixing, blending and cooking. Example: sauces, paste, premix food products	Food Manufacturing
8.	Beverages	Beverages & Tobacco
9.	Sugar	Food Manufacturing
10.	Pineapple Canning	Food Manufacturing
11.	Paper-based packaging materials from waste paper except for coated duplex board	Paper, Printing & Publishing
12.	Wood-based products including furniture, plywood, sawn timber and others	Wood & Wood Products
13.	Printing and Publishing	Paper, Printing & Publishing
14.	Remanufacturing/ reconditioning/ reassembly of motor vehicles and related components	Automotive / Motor vehicle
15.	Non-EEV	Automotive / Motor vehicle

NO.	PRODUCTS/ACTIVITIES	INDUSTRIES
16.	Drones and rocket Aerospace related products for Military/Defense application (Non-commercial segment)	Aerospace for Military/Defense Application
17.	Recycling of any types of waste	All
18.	Refinery of crude petroleum oil	Petroleum
19.	Passengers car tires	Rubber
20.	General plastic products such as plastic bags, bottles	Plastic
21.	Gloves	All
22.	Manufacturing of construction material except for following products: <ul style="list-style-type: none"> • Industrial Building System (IBS) • Panels • Boards • Tiles • Blocks or similar articles of natural and synthetic fiber agglomerated with cement plaster or other mineral binding substance 	Construction
23.	Textiles products except for following activities: <ul style="list-style-type: none"> • Natural or man-made fibres • Yarn of natural or man-made fibres • Woven fabrics • Knitted fabrics • Non-woven fabrics • Finishing of fabrics such as bleaching, dyeing and printing • Specialised Apparel • Technical or functional textiles and textile products 	Textile