

**GUIDELINES AND PROCEDURES FOR APPLYING TAX INCENTIVE FOR
SMALL SCALE MANUFACTURING COMPANIES UNDER THE PROMOTION
OF INVESTMENTS ACT, 1986**

1. Introduction

Under the Promotion of Investments Act 1986, small scale manufacturing companies which fulfill certain criteria, are eligible for the following tax incentives to manufacture promoted products or activities:

- (a) Pioneer Status with full tax exemption for 5 years, or
- (b) Investment Tax Allowance of 60% (100% for promoted areas) on qualifying capital expenditure incurred within 5 years, which can be offset against 100% of statutory income for each year of assessment.

2. Conditions for eligibility

- (i) The company must be incorporated in Malaysia under the Companies Act, 1965
- (ii) Shareholders' fund do not exceed RM500,000
- (iii) At least 60% of the shares of the company must be held by Malaysian citizens
- (iv) Not more than 20% of the equity of the applicant company is owned (whether directly or indirectly controlled) by a holding company or related company having a shareholders' fund of more than RM500,000
- (v) Producing products/engaging in activities listed in the list of promoted products/activities for small-scale companies or general promoted list
- (vi) A sole proprietorship or partnership is eligible to apply for the incentive by forming a new private limited/limited company to take over existing production/activities.

3. Criteria for eligibility

The company must comply with at least one of the following criteria:-

- (i) The value added must be at least 15%, or
- (ii) The project contributes towards the socio-economic development of the rural population

4. Expatriate Post(s)

The company which undertakes manufacturing activities may also apply for expatriate post(s). However, the company should endeavour to train Malaysians in the same fields.

5. Application Procedure

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

(i) New Manufacturing projects
IK/JA-1

(ii) Expansion and/or Diversification Projects by existing manufacturers
IK/JA-2

(b) The above application should be accompanied with a copy of the following documents duly certified by the Companies Commission of Malaysia CCM (Registrar of Companies):-

(i) Form 9 or 13
(Certificate of Incorporation of Company or Change of Company's Name)

(ii) Form 24
(Return of Allotment of Shares)

(iii) Form 49
(Particulars of Directors, Managers and Secretaries and Changes of Particulars)

(iv) Latest annual report of corporate shareholders

(c) The application should be submitted in three (3) copies to :-

Director-General
Malaysian Industrial Development Authority (MIDA)
5th Floor, Block 4, Plaza Sentral
Jalan Stesen Sentral 5
50470 Kuala Lumpur
P.O. Box 10618
50720 Kuala Lumpur
Malaysia

- (d) For projects in Sabah and Sarawak, three (3) copies of the form should also be submitted to the relevant MIDA offices as follows :-

Sabah

Director
MIDA Sabah Office
Lot D9.4 & D9.5
9th Floor, Block D
Bangunan KWSP
Karamuning
88100 Kota Kinabalu
Sabah, Malaysia

Sarawak

Director
MIDA Sarawak State Office
Room 404, 4th Fl.
Bangunan Bank Negara Malaysia
No. 147 Jalan Satok
PO Box 716
93714 Kuching
Sarawak, Malaysia

- (e) For enquiries and clarification, please refer to:-

MIDA's website : www.mida.gov.my
Tel : 603-2267 3633
Fax : 603-2274 7970 / 2273 4204
E-mail : investmalaysia@mida.gov.my