

## Promotion Of Investment Act 1986

Kemaskini pada : Isnin, Jan 06 2020

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### PIONEER STATUS (PS)

A company that is granted Pioneer Status (PS) will enjoy different degree of tax exemption depending on the types of promoted products/activities as follows:

1. **Promoted product/activity:** Company will be granted tax exemption on 70% of the statutory income for 5 years. The balance 30% of that statutory income will be taxed at the prevailing company tax rate.
2. **Promoted product/activity in promoted area:** Company located in Sabah, Sarawak, the Federal Territory of Labuan\* and the designated Eastern Corridor of Peninsular Malaysia [which covers Kelantan, Terengganu, Pahang and the district of Mersing in Johor] will be granted tax exemption on 85% of the statutory income for 5 years. The balance 15% of that statutory income will be taxed at the prevailing company tax rate. This incentive is applicable for all applications received by 31 December 2005. \* Only applicable to the hotel and tourism industry.
3. **Promoted product/activity for high technology companies:** Company will be granted full tax exemption on 100% of the statutory income for 5 years.
4. **Promoted product in an approved industrial linkage scheme (SMIs producing intermediate goods):** Company will be granted full tax exemption on 100% of the statutory income for 5 years.
5. **Promoted product/activity of national and strategic importance including the MSC status companies and product/activity in the approved linkage programmed which achieve world class status:**  
Company will be granted full tax exemption on 100% of the statutory income for 5 years and is eligible for extension for another 5 years. Companies that have started operation are also eligible but the incentives will only be given on the additional income. For companies currently enjoying PS may apply for the incentives at the end of the existing incentive period. Companies accorded MSC status are also eligible other incentives under the Bill of Guarantees. However, multimedia faculties outside the MSC that have been accorded MSC status companies are only eligible for the tax incentives. A multimedia faculty is referred to as a centre of learning which provides courses in media, computer, information technology, telecommunications, communications and contents relating to data, voice, graphics and images.
6. **Contract Research and Development company (R&D):** (A company that provides R&D services in Malaysia to a company other than its related company. Company will be granted full tax exemption on 100% of the statutory income for 5 years. Terms and conditions for companies enjoying PS:
  - a. Company granted PS must within 6 months request for a pioneer certificate, specifying among others the date of production from which the partial exemption/full exemption will be granted.

- b. Capital allowances have to be utilized during the pioneer period and will not be allowed to be carried forward to the post pioneer period.
- c. Losses unabsorbed during the pioneer period will not be allowed to be carried forward to the post pioneer period except for PS for Contract Research and Development Company.
- d. Dividends paid out of tax-exempt income to shareholders will also be exempted from tax.

## **INVESTMENT TAX ALLOWANCE (ITA)**

The Investment Tax Allowance (ITA) is an alternative incentive that companies can opt for other than the Pioneer Status. ITA is designed to cater for projects which have large capital investments with long gestation period.

As in the case of PS, a company granted ITA will enjoy different degree of exemption depending on the types of promoted products/activities as follows:

### **A. Promoted product/activity;**

Company will be granted an allowance of 60% in respect of qualifying capital expenditure (such as factory, plant, machinery or other equipment used for approved project) incurred within 5 years from the date the first capital expenditure is incurred. The allowance can be utilized to set off (exempt) up to 70% of the statutory income in the assessment year. The balance of that statutory income will be taxed at the prevailing company tax rate. Any unutilized allowance can be carried forward to subsequent years until the whole amount has been fully utilized;

### **B. Promoted product/activity in promoted area;**

Company located in Sabah, Sarawak, the Federal Territory of Labuan\* and designated eastern corridor of Peninsular Malaysia (which covers Kelantan, Terengganu, Pahang and the district of Mersing in Johor) will be granted an allowance of 80% in respect of qualifying capital expenditure incurred within 5 years from the date the first capital expenditure is incurred. The allowance can be utilized to set off (exempt) up to 85% of the statutory income in the assessment year. The balance of that statutory income will be taxed at the prevailing company tax rate. Any unutilized allowance can be carried forward to subsequent years until the whole amount has been fully utilized. This incentive is applicable for all applications received by 31 December 2005.

In Budget 2002, the Government agreed to expand this incentive for rearing of chicken and ducks in the Eastern Corridor of Peninsular Malaysia, Sabah and Sarawak. \*Only applicable to the hotel and tourism industry

### **Promoted product/activity for high technology companies**

Company will be granted an allowance of 60% in respect of qualifying capital expenditure incurred within 5 years from the date from which the first capital expenditure is incurred. The allowance can be utilized to set off (exempt) 100% of

statutory income in the assessment year. Any unutilized allowance can be carried forward to subsequent years until the whole amount has been fully utilized.

**Promoted product in an approved industrial linkage programmer.**

Company will be granted an allowance of 100% in respect of qualifying capital expenditure incurred within 5 years from the date from which the first capital expenditure is incurred. The allowance can be utilized to set off (exempt) 100% of statutory income in the assessment year. Any unutilized allowance can be carried forward to subsequent years until the whole amount has been fully utilized.

**C. Promoted product/activity of national and strategic importance including MSC companies and product/activity in the approved linkage programmed which achieve world class status.**

Company will be granted an allowance of 100% in respect of qualifying capital expenditure incurred within 5 years from the date from which the first capital expenditure is incurred. The allowance can be utilized to set off (exempt) 100% of statutory income in the assessment year. Companies that have started operation are also eligible but the incentives will only be given on the additional investment. For companies currently enjoying ITA may apply for the incentives at the end of the existing incentive period.

Companies accorded MSC Status are also eligible other incentives under the Bill of Guarantees. However, multimedia faculties outside the MSC that have been accorded MSC status companies are only eligible for the tax incentives. A multimedia faculty is referred to as a centre of learning which provides courses in media, computer, information technology, telecommunications, communications and contents relating to data, voice, graphics and images.

**D. Research and Development Activities;**

Different incentives are given to companies specializing in R & D activities, i.e. incentives for R& D company and incentives for Contract R & D Company.

1. R & D Company (a company that provides R&D services in Malaysia to its related company or to any other company). Company will be granted an allowance of 100% in respect of qualifying capital expenditure incurred within 10 years from the date from which the first capital expenditure is incurred. The allowance can be utilized to set off (exempt) up to 70% of the statutory income in the assessment year. The balance of that statutory income will be taxed at the prevailing company tax rate. Any unutilised allowance can be carried forward to the subsequent years until it is fully utilized.
2. Contract R&D Company (a company that provides R&D services in Malaysia to a company other than its related company)
3. Apart from full tax exemption for 5 years, contract R&D company can also opt for an allowance of 100% in respect of qualifying capital expenditure incurred within 10 years from the date from which the first capital expenditure was incurred. The allowance can be utilized to set off up to 70% of the statutory income in the assessment year. The balance of that statutory income will be

taxed at the prevailing company tax rate. Any unutilized allowance can be carried forward to the subsequent years until it is fully utilized. In-house R &D (research and development carried on in Malaysia within a company for the purpose of its own business).

Company will be granted an allowance of 50% in respect of qualifying capital expenditure incurred within 10 years from the date from which the first capital expenditure is incurred. The allowance can be utilized to set off (exempt) up to 70% of the statutory income in the assessment year. The balance of that statutory income will be taxed at the prevailing company tax rate. Any unutilized allowance can be carried forward to subsequent years until the whole amount is fully utilized.

#### **E. Technical or Vocational Training Company.**

Company will be granted an allowance of 100% in respect of qualifying capital expenditure incurred within 10 years from the date from which the first capital expenditure is incurred. The allowance can be utilised to set off (exempt) up to 70% of the statutory income in the assessment year. The balance of that statutory income will be taxed at the prevailing company tax rate. Any unutilized allowance can be carried forward to subsequent years of assessment until the whole amount is fully utilized.

Company will be granted an allowance of 50% in respect of qualifying capital expenditure incurred within 10 years from the date from which the first capital expenditure is incurred. The allowance can be utilised to set off (exempt) up to 70% of the statutory income in the assessment year. The balance of that statutory income will be taxed at the prevailing company tax rate. Any unutilized allowance can be carried forward to subsequent years until the whole amount is fully utilized.

## **INDUSTRIAL ADJUSTMENT ALLOWANCE (IAA)**

Industrial Adjustment Allowance (IAA) is available to companies in selected manufacturing sector\* which are in existence before 31.12.1990 and were already participating in certain industrial adjustment activities such as reorganization, reconstruction or amalgamation within the sector. \* wood based, textile, machinery and engineering, stamping, mould, tools and dies and machinery sector.

Companies will be granted an allowance of 60% to 100% based on the industrial adjustment activities undertaken. The allowance will be given in respect of qualifying capital expenditure incurred within 5 years. The allowance can be utilized to set off against 100% of adjusted income in the year of assessment.

Terms and conditions for companies enjoying ITA and IAA:

1. Any unutilised allowance can be carried forward to the subsequent years until it is fully utilized.
2. Dividends paid out of tax-exempt income to shareholders will also be exempted.

## **INFRASTRUCTURE ALLOWANCE (IA)**

Infrastructure Allowance (IA) is available to any company resided in Malaysia engaged in manufacturing, agriculture, hotel, tourist or other industrial/commercial activity in Sabah, Sarawak and the designated Eastern Corridor of Peninsular Malaysia.

Company will be granted an allowance of 100% in respect of capital expenditure on infrastructure (such as reconstruction, extension, or improvement of any permanent structure including a bridge, jetty, port or road). The allowance can be utilized to set off (exempt) up to 85% of statutory income in the year of assessment. The balance of that statutory income will be taxed at the prevailing company tax rate. Any unutilized allowance can be carried forward to the subsequent years until it is fully utilized.

## **DOUBLE DEDUCTION ON EXPENSES FOR PROMOTION OF EXPORTS**

This incentive is available to any company resided in Malaysia seeking opportunities for exports of manufactured products and agricultural produce.

Expenses eligible are:

1. Overseas advertising;
2. Supply of free samples abroad;
3. Export market research;
4. Preparation of tenders for the supply of goods overseas;
5. Supply of technical information abroad;
6. Exhibits and/or participation required in trade or industrial exhibitions held locally or abroad approved by the Ministry of International Trade and Industry;
7. Fares in respect of travel overseas by employees of companies for business;
8. Accommodation expenses up to RM300 per day and sustenance expenses up to RM150 per day for company representatives who travel overseas for business;
9. Expenses for services rendered for public relations work connected with export;
10. Cost of maintaining sales office overseas for the promotion of exports;
11. Professional service fees for designing the package of products for export subject to the conditions that the product is of export quality and the company uses local professional services;
12. Participation in virtual trade show

## **INCENTIVE FOR STORAGE, TREATMENT AND DISPOSAL OF TOXIC AND HAZARDOUS WASTE**

This incentive is applicable for applications received by Malaysian Industrial Development Authority (MIDA) from 20 October 2001.

## **INCENTIVE FOR WASTE RECYCLING ACTIVITIES**

Companies undertaking waste recycling activities of high value added using high technology are granted:

1. Income tax exemption on 70% of statutory income for 5 years; or
2. Investment Tax Allowance of 60% of capital expenditure incurred within a period of 5 years to be set off against 70% of the statutory income in the assessment year. Any unutilized allowance can be carried forward to subsequent years until it is fully utilized.
3. Activities located in the promoted areas are eligible for income tax exemption or Investment Tax Allowance in accordance with that given for promoted areas.

## **INCENTIVE FOR CONSERVATION OF ENERGY**

1. Companies providing energy conservation services are granted:
  - a. Income tax exemption on 70% of statutory income for 5 years; or
  - b. Investment Tax Allowance of 60% of capital expenditure incurred within a period of 5 years to be set off against 70% of the statutory income in the assessment year. Any underutilized allowance can be carried forward to subsequent years until it is fully utilized.

Activities located in the promoted areas are eligible for income tax exemption or Investment Tax Allowance in accordance with that given for promoted areas. This incentive is applicable for applications received from 28 October 2000 until 31 December 2002, on condition that the company must implement the project within one year from the date the incentive is approved.

2. Companies which incur capital expenditure for purpose of energy conservation measures in their own company are granted Accelerated Depreciation Allowance to be written off within a period of 3 years. This incentive is effective from the year of assessment 2001.

## **INCENTIVE FOR UTILISING BIOMASS AS A NEW ENERGY SOURCE**

Companies intending to generate energy from biomass sources are granted:

1. Income tax exemption of 70% of statutory income for 5 years; or
2. Investment Tax Allowance of 60% to be set off against 70% of statutory income for 5 years. Any underutilized allowance can be carried forward to subsequent years until it is fully utilized.

Activities located in the promoted areas are eligible for income tax exemption or Investment Tax Allowance in accordance with that given for promoted areas.

This incentive is applicable for applications received from 28 October 2000 until 31 December 2002, on condition that company must implement the project within one year from the date the incentive is approved.

For purposes of this incentive, biomass sources refer to the following:

1. Palm oil mill/estates waste
2. Rice mill waste
3. Sugar cane mill waste
4. Timber / sawmill waste
5. Paper recycling mill waste
6. Municipal waste
7. Biogas (from landfill, palm oil mill effluent (POME), animal waste, etc.)

Energy forms in this incentive refers to the following:

1. Electricity
2. Steam
3. Chilled water
4. Heat

## **INCENTIVE FOR COMPANIES PROVIDING COLD CHAIN FACILITIES AND SERVICES FOR FOOD PRODUCTS**

To encourage companies to provide cold room and refrigerated facilities and related services such as collection and treatment of locally produced perishable food products, companies will be granted the following incentives:

1. Income tax exemption of 70% of statutory income for 5 years; or
2. Investment Tax Allowance of 60% to be set off against 70% of statutory income for 5 years. Any unutilised allowance can be carried forward to subsequent years until it is fully utilized.
3. Activities located in the promoted areas are eligible for income tax exemption or Investment Tax Allowance in accordance with that given for promoted areas.



## **INCENTIVES FOR MANUFACTURING RELATED SERVICES**

To increase the efficiency in distribution, to promote more aggressive marketing and to reduce production costs by adopting Just in Time practice, integrated logistics, marketing support and utility services be given the following tax incentives:

1. Income tax exemption of 70% of the statutory income for a period of 5 years;  
or
2. Income tax exemption of 85% of the statutory income for a period of 5 years for projects in the Eastern Corridor of Peninsular Malaysia, Sabah and Sarawak.
3. Exemption of import duty and sales tax on equipment in the related projects.

This incentive is applicable for applications received by Malaysian Industrial Development Authority (MIDA) from 20 October 2001.