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MANUFACTURING SECTOR

INCENTIVES

Promoted Activities & Products

Incentives

Investment Opportunities



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Incentives in Manufacturing Sector

In Malaysia, tax incentives, both direct and indirect, are provided for in the Promotion of Investments Act 1986, Income Tax Act 1967, Customs Act 1967, Sales Tax Act 1972, Excise Act 1976 and Free Zones Act 1990.

These Acts cover investments in the manufacturing, agriculture, tourism (including hotel) and approved services sectors as well as R&D, training and environmental protection activities.

The direct tax incentives grant partial or total relief from income tax payment for a specified period, while indirect tax incentives are in the form of exemptions from import duty, sales tax and excise duty.

1 Incentives for the Manufacturing Sector

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— Main Incentives for Manufacturing Companies

The major tax incentives for companies investing in the manufacturing sector are the Pioneer Status and the Investment Tax Allowance.

Eligibility for Pioneer Status and Investment Tax Allowance is based on certain priorities, including the level of value-added, technology used and industrial linkages. Eligible activities and products are termed as "promoted activities" or "promoted products". (See List of Promoted Activities and Products - General)

1. Pioneer Status

A company granted Pioneer Status enjoys a five year partial exemption from the payment of income tax. It pays tax on 30% of its statutory income*, with the exemption period commencing from its Production Day (defined as the day its production level reaches 30% of its capacity).

Unabsorbed capital allowances as well as accumulated losses incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company.

Applications for Pioneer Status should be submitted to the Malaysian Investment Development Authority (MIDA).

* Statutory Income is derived after deducting revenue expenditure and capital allowances from the gross income.

2. Investment Tax Allowance

As an alternative to Pioneer Status, a company may apply for Investment Tax Allowance (ITA). A company granted ITA is entitled to an allowance of 60% on its qualifying capital expenditure (factory, plant, machinery or other equipment used for the approved project) incurred within five years from the date the first qualifying capital expenditure is incurred.

The company can offset this allowance against 70% of its statutory income for each year of assessment. Any unutilised allowance can be carried forward to subsequent years until fully utilised. The remaining 30% of its statutory income will be taxed at the prevailing company tax rate.

Applications should be submitted to MIDA.

+ Incentives for High Technology Companies

+ Incentives for Strategic Projects

+ Incentives for Small and Medium Enterprises

- + Incentives for Investment in Selected Industries
- + Incentives for the Automotive Industry
- + Incentives for the Utilisation of Oil Palm Biomass
- + Additional Incentives for the Manufacturing Sector

2 Incentives for the Agricultural Sector

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The Promotion of Investments Act 1986 states that the term "company" in relation to agriculture includes:

- Agro-based cooperative societies and associations;and
- Sole proprietorships and partnerships engaged in agriculture.

Companies producing promoted products or engaged in promoted activities (See List of Promoted Activities and Products - General) the agricultural sector qualify for the following incentives:

- + Main Incentives for the Agricultural Sector
- + Incentives for 'Halal' Products
- + Additional Incentives for the Agricultural Sector

3 Incentives for the Biotechnology Industry

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+ INCENTIVES FOR THE BIOTECHNOLOGY INDUSTRY

4 Principal Hub

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- + Definition Of Principal Hub
- + Eligibility Criteria For Principal Hub Incentive
- + Specific immigration Procedures
- + Other Incentives.

5 Other Incentives

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This section covers other incentives not mentioned elsewhere and may be applicable to the following sectors: manufacturing, agriculture, aerospace, tourism, environmental management, research and development, training, information and communication technology, Approved Service Projects and manufacturing related services.

- + Industrial Building Allowance
- + Industrial Building Allowance for Buildings in MSC Malaysia

- + Deduction of Audit Fees
- + Tax Incentives for Venture Capital Industry
- + Tax Incentive on Costs of Dismantling and Removing Assets
- + Incentive for Acquiring Proprietary Rights
- + Tax Incentives for Small and Medium Enterprises to Register Patents and Trademarks
- + Tariff Related Incentives
- + Incentive for the Use of Environmental Protection Equipment
- + Donations for Environmental Protection
- + Incentive for Employees' Accommodation
- + Incentives for Employees' Child Care Facilities

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PROMOTED ACTIVITIES AND PRODUCTS FOR
MANUFACTURING SECTOR

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