MALAYSIA

INVESTMENT IN THE MANUFACTURING SECTOR

Policies, Incentives and Facilities

FACTS ON MALAYSIA

TOTAL AREA
330,000 square kilometres
(127,000 square miles)

POLITICAL STRUCTURE
A federation of 13 states

SYSTEM OF GOVERNMENT
Parliamentary democracy with a constitutional monarch

FEDERAL CAPITAL
Kuala Lumpur

ADMINISTRATIVE CENTRE
Putrajaya

POPULATION
25 million

MAJOR ETHNIC GROUPS
Malays, Chinese, Indians, Kadazans, Ibans

MAJOR LANGUAGES
Malay (official language), English, Mandarin, Tamil

MAJOR RELIGIONS
Islam, Buddhism, Christianity, Hinduism

TIME
GMT + 8 hours
US Eastern Standard Time + 13 hours

CLIMATE
Tropical - warm and sunny throughout the year.
Daily temperatures range from 33°C (90°F) in the afternoon to 22°C (70°F) during the night.

CURRENCY
Ringgit Malaysia (RM) which is divided into 100 sen

EXCHANGE RATE
Pegged at US$1=RM3.80
on 2 September 1998

January 2004

For latest updates, please visit MIDA's website http://www.mida.gov.my

THE LOCATION

Malaysia lies just above the equator, right in the heart of South-East Asia. Peninsular Malaysia, with 11 states, is at the southernmost tip of the Asian Continent, while the states of Sabah and Sarawak are located on the northern and western coasts of the island of Borneo.

Location of MIDA’s offices

The Ministry of International Trade & Industry (MITI) spearheads the development of industrial activities to further enhance Malaysia's economic growth. As an agency under MITI, the Malaysian Industrial Development Authority (MIDA) is in charge of the promotion and coordination of industrial development in the country.

MIDA is the first point of contact for investors who intend to set up projects in the manufacturing and its related support services sectors in Malaysia. With its headquarters in Malaysia's capital city of Kuala Lumpur, MIDA has established a global network of 16 overseas offices covering North America, Europe and the Asia Pacific to assist investors interested in locating manufacturing bases in the ASEAN region. Within Malaysia, MIDA has 10 branch offices in the various states to facilitate investors in the implementation and operation of their projects.

If you wish to investigate investment opportunities in Malaysia, please contact MIDA for more information as well as assistance in your decision-making (please see the last page for contact details of MIDA's headquarters and state and overseas offices.)

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Chapter 1

GETTING STARTED

1. APPROVAL OF MANUFACTURING PROJECTS

1.1 The Industrial Co-ordination Act 1975

Malaysia's Industrial Co-ordination Act 1975 (ICA) aims to secure orderly development and growth in the country's manufacturing sector.

The ICA requires manufacturing companies with shareholders' funds of RM2.5 million and above or engaging 75 or more full-time employees to apply for a manufacturing licence for approval by the Ministry of International Trade and Industry (MITI).

Applications for manufacturing licences are to be submitted to the Malaysian Industrial Development Authority (MIDA), an agency under MITI in charge of the promotion and coordination of industrial development in Malaysia.

The ICA defines:

- "Manufacturing activity" as the making, altering, blending, ornamenting, finishing or otherwise treating or adapting any article or substance with a view to its use, sale, transport, delivery or disposal; and includes the assembly of parts and ship repairing but shall not include any activity normally associated with retail or wholesale trade.

- "Shareholders' funds" as the aggregate amount of a company's paid-up capital, reserves, balance of share premium account and balance of profit and loss appropriation account, where:

  - Paid-up capital shall be in respect of preference shares and ordinary shares and not including any amount in respect of bonus shares to the extent they were issued out of capital reserve created by revaluation of fixed assets.

  - Reserves shall be reserves other than any capital reserve created by revaluation of fixed assets and provisions for depreciation, renewals or replacements and diminution in value of assets.

  - Balance of share premium account shall not include any amount credited therein at the instance of issuing bonus shares at premium out of capital reserve by revaluation of fixed assets.

- "Full-time paid employees" as all persons normally working in the establishment for at least six hours a day and at least 20 days a month for 12 months during the year and who receive a salary.

This includes traveling sales, engineering, maintenance and repair personnel who are paid by and are under the control of the establishment.

It also includes directors of incorporated enterprises except those paid solely for their attendance at board of directors meetings. The definition encompasses family workers who receive regular salaries or allowances and who contribute to the Employees Provident Fund (EPF) or other superannuation funds.

1.2 Guidelines for Approval of Industrial Projects

Malaysia's industrial growth has been rapid over the last decade. This has created a high demand for labour in the manufacturing sector which, in turn, has caused a tightening in the labour market situation.

In view of this, the government's guidelines for approval of industrial projects in Malaysia are based on the Capital Investment Per Employee (C/E) Ratio. Projects with a C/E Ratio of less than RM55,000 are categorised as labour-intensive and thus will not qualify for a manufacturing licence or for tax incentives. Nevertheless, a project will be exempted from the above guidelines if it fulfils one of the following criteria:

- The value-added is 30%
- The Managerial, Technical and Supervisory (MTS) Index is 15% or more
- The project undertakes promoted activities or products as listed in the Appendix III: List of Promoted Activities and Products for High Technology Companies
- It is located in the Eastern Corridor of Peninsular Malaysia (the states of Kelantan, Terengganu, Pahang and the district of Mersing in Johor), Sabah and Sarawak.

Expansion of Production Capacity and Product Diversification

A licensed company which desires to expand its production capacity or diversify its product range by manufacturing additional products will need to apply to MIDA.

2. INCORPORATING A COMPANY

2.1 Methods of Conducting Business in Malaysia

In Malaysia, a business may be conducted:

- By an individual operating as a sole proprietor, or
- By two or more (but not more than 20) persons in partnership, or
- By a locally incorporated company or by a foreign company registered under the provisions of the Companies Act 1965.

All sole proprietorships and partnerships must be registered with the Companies Commission of Malaysia (CCM) under the Registration of Businesses Ordinance 1956. In the case of partnerships, partners are both jointly and severally liable for the debts and obligations of the partnership should its assets be insufficient. Formal partnership deeds may be drawn up governing the rights and obligations of each partner but this is not obligatory.

2.1.1 Company Structure

The Companies Act 1965 governs all companies in Malaysia. The Act stipulates that a person must register a company with the CCM in order to engage in any business activity. It provides for three types of companies:

- A company limited by shares where the personal liability of its members is limited to the par value of their shares and the number of shares taken or agreed to be taken by them

- A company limited by guarantee where the members guarantee to meet liability up to an amount nominated in the Memorandum and Articles of Association in the event of the company being wound up

- An unlimited company, where there is no limit to the members' liability.

2.1.2 Company Limited by Shares

The most common company structure in Malaysia is a company limited by shares. Such limited companies may be either private (Sendirian Berhad or Sdn. Bhd.) or public (Berhad or Bhd.) companies.

A company having a share capital may be incorporated as a private company if its Memorandum and Articles of Association:

- Restricts the right to transfer its shares

- Limits the number of its members to 50, excluding employees and some former employees

- Prohibits any invitation to the public to subscribe for its shares and debentures

- Prohibits any invitation to the public to deposit money with the company.

A public company can be formed or, alternatively, a private company can be converted into a public company subject to Section 26 of the Companies Act 1965. Such a company can offer shares to the public provided:

- It has registered a prospectus with the Securities Commission

- It has lodged a copy of the prospectus with the CCM on or before the date of its issue.

A public company can apply to have its shares quoted on the Kuala Lumpur Stock Exchange (KLSE) subject to compliance with the requirements laid down by the exchange. Any subsequent issue of securities (e.g. issue by way of rights or bonus, or issue arising from an acquisition, etc.) requires the approval of the Securities Commission.

2.2 Procedure for Incorporation

To incorporate a company, a person must apply to the CCM using Form 13A together with a payment of RM30 in order to determine if the proposed name of the intended company is available. If it is, the application will be approved and the proposed name reserved for the applicant for three months.

A person must then lodge the following documents with the CCM within the three months to secure the use of the proposed name:

- Memorandum and Articles of Association

- Declaration of Compliance (Form 6)

- Statutory declaration by a person before appointment as a director, or by a promoter before incorporation of a company (Form 48A).

The Memorandum of Association documents the company's name, the objects, the amount of its authorised capital (if any) proposed for registration and its division into shares of a fixed amount.

The Articles of Association describes the regulations governing the internal management of the affairs of the company and the conduct of its business.

Once the Certificate of Incorporation is issued, the subscribers to the Memorandum together with such other persons as may from time to time become members of the company shall be a body corporate, capable of exercising the functions of an incorporated company and of suing and being sued. It has a perpetual succession under common seal with power to hold land, but with such liability on the part of the members to contribute to its assets in the event of it being wound up, as provided for in the Companies Act.

2.2.1 Requirements of a Locally Incorporated Company

A company must maintain a registered office in Malaysia where all books and documents required under the provisions of the Act are kept. The name of the company shall appear in legible romanised letters, together with the company number, on its seal and documents.

A company cannot deal with its own shares or hold shares in its holding company. Each equity share of a public company carries only one vote at a poll at any general meeting of the company. A private company may, however, provide for varying voting rights for its shareholders.

The secretary of a company must be a natural person of full age who has his principal or only place of residence in Malaysia. He must be a member of a prescribed body or is licensed by the Registrar of Companies. The company must also appoint an approved company auditor to be the company auditor in Malaysia.

In addition, the company shall have at least two directors who each has his principal or only place of residence within Malaysia. Directors of public companies or subsidiaries of public companies normally must not exceed 70 years of age. It is not incumbent that a company director also be a shareholder.

2.3 Registration of Foreign Companies

A foreign company desiring to conduct business or establish a place for one in Malaysia must register with the CCM. The same registration procedure applies whereby an application must be submitted on Form 13A to the CCM in Kuala Lumpur or any of its branch offices in Malaysia, with a payment of RM30. If the intended name of the foreign company is available, the application will be approved and the name reserved for three months.

Upon approval, applicants must lodge the following documents with the CCM:

i. A certified copy of its Certificate of Incorporation (or a document of similar effect) from the country of origin

ii. A certified copy of its Charter, Statute or Memorandum and Articles of Association or other instrument constituting or defining its constitution

iii. A list of its directors and certain statutory particulars regarding them (Form 79)

iv. Where there are local directors, a memorandum stating the powers of those directors

v. A memorandum of appointment or power of attorney authorising one or more persons resident in Malaysia to accept on behalf of the company, service of process and any notices required to be served on the company

vi. A statutory declaration in the prescribed form made by the agent of the company (Form 80).

The appointed agent undertakes all acts required to be done by the company under the Companies Act 1965. Any change in agents must be reported to the CCM.

Every foreign company shall, within a month of establishing a place of business or commencing business within Malaysia, lodge with the CCM for registration notice of the situation of its registered office in Malaysia using the prescribed form.

A foreign incorporated company must file a copy of the annual return each year within one month of its annual general meeting. Within two months of its annual general meeting, the company must file a copy of the balance sheet of the head office, a duly audited statement of assets used in and liabilities arising out of its operations in Malaysia, and a duly audited profit and loss account.

3. GUIDELINES ON EQUITY POLICY

3.1 Equity Policy in the Manufacturing Sector

Malaysia has always welcomed investments in its manufacturing sector. Desirous of increasing local participation in this activity, the government encourages joint-ventures between Malaysian and foreign investors.

Equity Policy for New, Expansion or Diversification Projects

The level of exports had been used to determine foreign equity participation in manufacturing projects. However, since 31 July 1998, the Malaysian government had relaxed the equity policy guidelines for all applications for investments in new as well as expansion/diversification projects in the manufacturing sector. Under this relaxation, foreign investors could hold 100% of the equity irrespective of the level of exports.

However, this relaxation only applied to applications that were received by 31 December 2003. In addition, it did not apply to specific activities and products where Malaysian companies had the capabilities and expertise. These activities and products were paper packaging, plastic packaging (bottles, films, sheets and bags), plastic injection moulded components, metal stamping and metal fabrication, wire harness, printing and steel service centres. In these cases, specific equity guidelines prevailed.

To further enhance Malaysia's investment climate, equity holdings in all manufacturing projects were fully liberalised effective from 17 June 2003. Foreign investors can now hold 100% of the equity in all investments in new projects, as well as investments in expansion/diversification projects by existing companies, irrespective of the level of exports and without any product/activity being excluded.

The new equity policy also applies to:

i) Companies previously exempted from obtaining a manufacturing licence but whose shareholders' funds have now reached RM2.5 million or have now engaged 75 or more full-time employees and are thus required to be licensed.

ii) Existing licensed companies previously exempted from complying with equity conditions, but are now required to comply due to their shareholders' funds having reached RM2.5 million.

Equity Policy Applicable to Existing Companies

Equity and export conditions imposed on companies prior to 17 June 2003 will be maintained.

However, companies can request for these conditions to be removed. The government will be flexible in considering such requests and approval will be given based on the merits of each case. Companies with export conditions can apply for approval from MIDA to sell in the domestic market based on the following guidelines:

- Up to 100% of their output for those products with nil duty or those not produced locally

- Up to 80% of their output if the domestic supply is inadequate or there has been an increase in imports from ASEAN for products with Common Effective Preferential Tariff (CEPT) duties of 5% and below.

3.2 Protection of Foreign Investment

Malaysia's commitment in creating a safe investment environment has persuaded more than 4,000 international companies from over 50 countries to make Malaysia their offshore base.

Equity Ownership

A company whose equity participation has been approved will not be required to restructure its equity at any time as long as the company continues to comply with the original conditions of approval and retain the original features of the project.

Investment Guarantee Agreements

Malaysia's readiness to conclude Investment Guarantee Agreements (IGAs) is a testimony of the government's desire to increase foreign investor confidence in Malaysia.

IGAs will:

- Protect against nationalisation and expropriation

- Ensure prompt and adequate compensation in the event of nationalisation or expropriation

- Provide free transfer of profits, capital and other fees

- Ensure settlement of investment disputes under the Convention on the Settlement of Investment Disputes of which Malaysia has been a member since 1966.

Malaysia has concluded Investment Guarantee Agreements with the following groupings and countries (in alphabetical order):

Groupings

* Association of South-East Asian Nations (ASEAN)
* Organisation of Islamic Countries (OIC)

Countries

Albania
Algeria
Argentina
Austria
Bahrain
Bangladesh
Belgo-Luxembourg
Bosnia Herzegovina
Botswana
Burkina Faso
Cambodia
Canada
Chile
China
Croatia
Cuba
Czech Republic
Denmark
Djibouti
Egypt
Ethiopia
Finland
France
Germany
Ghana
Guinea
Hungary
India
Indonesia
Iran
Italy
Jordan
Kazakhstan
Korea, North
Korea, South
Kuwait
Kyrgyz Republic
Laos
Lebanon
Macedonia
Malawi
Mongolia
Morocco
Namibia
Netherlands
Norway
Pakistan
Papua New Guinea
Peru
Poland
Romania
Saudi Arabia
Senegal
Spain
Sri Lanka
Sudan
Sweden
Switzerland
Taiwan
Turkey
Turkmenistan
United Arab Emirates
United Kingdom
United States of America
Uruguay
Uzbekistan
Vietnam
Yemen
Zimbabwe

Convention on the Settlement of Investment Disputes

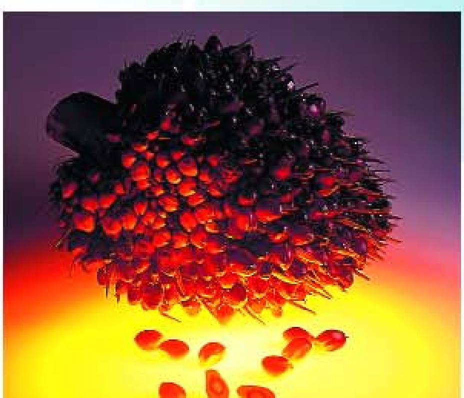
In the interest of promoting and protecting foreign investment, the Malaysian government ratified the provisions of the Convention on the Settlement of Investment Disputes in 1966. The Convention, established under the auspices of the International Bank for Reconstruction and Development (IBRD), provides international conciliation or arbitration through the International Centre for Settlement of Investment Disputes located at IBRD's principal office in Washington.

Kuala Lumpur Regional Centre for Arbitration

The Kuala Lumpur Regional Centre for Arbitration was established in 1978 under the auspices of the Asian-African Legal Consultative Committee (AALCC) - an inter-governmental organisation cooperating with and assisted by the Malaysian government.

A non-profit organisation, the Centre serves the Asia Pacific region. It aims to provide a system to settle disputes for the benefit of parties engaged in trade, commerce and investments with and within the region.

Any dispute, controversy or claim arising out of or relating to a contract, or the breach, termination or invalidity shall be decided by arbitration in accordance with the Rules for Arbitration of the Kuala Lumpur Regional Centre for Arbitration.

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Chapter 2

INCENTIVES FOR INVESTMENT

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 come in the form of exemptions from import duty, sales tax and excise duty.

1. INCENTIVES FOR THE MANUFACTURING SECTOR

1.1 Main Incentives for Manufacturing Companies

The major tax incentives for companies investing in the manufacturing sector are the Pioneer Status or Investment Tax Allowance.
Eligibility for Pioneer Status or Investment Tax Allowance is based on certain priorities, including the levels of value-added, technology used and industrial linkages. Such eligible projects are termed as "promoted activities" or "promoted products" (see Appendix 1: List of Promoted Activities and Products - General)

(i) Pioneer Status

A company granted Pioneer Status enjoys a 5-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).

To encourage investment in the promoted areas i.e. the States of Sabah and Sarawak and the designated "Eastern Corridor"+ of Peninsular Malaysia, applications received from 13 September 2003 from companies located in these areas will enjoy a 100% tax exemption on their statutory income during their 5-year exemption period. Companies which have been granted approval for this incentive but have not commenced commercial production, or applications under consideration, are also eligible. All project applications received by 31 December 2005 will be eligible for this enhanced incentive.

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

(ii) Investment Tax Allowance

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

To encourage investment in the promoted areas i.e. the States of Sabah and Sarawak and the designated "Eastern Corridor" of Peninsular Malaysia, applications received from 13 September 2003 from companies located in these areas will enjoy an allowance of 100% on the qualifying capital expenditure incurred within a period of five years. The allowance can be utilised to offset against 100% of the statutory income for each year of assessment. Companies which have been granted approval for this incentive but have not commenced commercial production, or applications under consideration, are also eligible. All project applications received by 31 December 2005 will be eligible for this enhanced incentive.

Applications should be submitted to MIDA.

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

\+ *The "Eastern Corridor" of Peninsular Malaysia covers the States of Kelantan, Terengganu and Pahang, and the district of Mersing in the State of Johor.*

1.2 Incentives for High Technology Companies

A high technology company is a company engaged in promoted activities or in the production of promoted products in areas of new and emerging technologies, (see Appendix III: List of Promoted Activities and Products - High Technology Companies). A high technology company qualifies for:

i. Pioneer Status with a tax exemption of 100% of the statutory income for a period of five years; or

ii. Investment Tax Allowance of 60% on the qualifying capital expenditure incurred within five years from the date the first qualifying capital expenditure is incurred. Any unutilised allowance can be carried forward to subsequent years until the whole amount has been fully utilised. The allowance can be utilised to offset against 100% of the statutory income for each year of assessment.

Applications should be submitted to MIDA.

The high technology company must fulfil the following criteria:

i. The percentage of local R & D expenditure to gross sales should be at least 1% on an annual basis. The company has three years from its date of operation or commencement of business to comply with this requirement.

ii. Scientific and technical staff having degrees or diplomas with a minimum of 5 years experience in related fields should comprise at least 7% of the company's total workforce.

1.3 Incentives For Strategic Projects

Strategic projects involve products or activities of national importance. They generally involve heavy capital investments with long gestation periods, have high levels of technology, and are integrated, generate extensive linkages, and have significant impact on the economy. Such projects qualify for:

i. Pioneer Status with a tax exemption of 100% of the statutory income for a period of 10 years; or

ii. Investment Tax Allowance of 100% on the qualifying capital expenditure incurred within five years from the date the first qualifying capital expenditure is incurred. This allowance can be offset against 100% of the statutory income for each year of assessment.

Applications should be submitted to MIDA.

1.4 Incentives for Small- and Medium- Scale Companies

Effective from the year of assessment 2003, small- and medium-scale companies with a paid-up capital of RM2.5 million and below are eligible for a reduced corporate tax of 20% on the chargeable income of up to RM100,000. The tax rate on the remaining chargeable income is maintained at 28%. Dividends distributed will be given a tax credit of 20% in the hands of the shareholders.

The threshold for chargeable income eligible for the reduced corporate tax rate of 20% is increased from RM100,000 to RM500,000 effective from the year of assessment 2004.

Small-scale manufacturing companies incorporated in Malaysia with shareholders' funds not exceeding RM500,000 and having at least 60% Malaysian equity are eligible for the following incentives:

i. Pioneer Status with an income tax exemption of 100% of the statutory income for a period of five years; or

ii. Investment Tax Allowance of 60% on the qualifying capital expenditure incurred within five years. This allowance can be offset against 100% of the statutory income for each year of assessment.

A sole proprietorship or partnership is eligible to apply for this incentive provided a new private limited/limited company is formed to take over the existing production/activities.

To qualify for the incentive, a small-scale company has to comply with any 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.

The company shall carry out the manufacturing of products or participate in activities listed as promoted products and activities for small-scale companies (see Appendix IV: List of Promoted Activities and Products - Small Scale Companies).

Applications should be submitted to MIDA.

1.5 Incentives to Strengthen Industrial Linkages

To encourage large companies to participate in an Industrial Linkage Programme (ILP), expenditure incurred in the training of employees, product development and testing, and factory auditing to ensure the quality of vendors' products, will be allowed as a deduction in the computation of income tax.

Vendors, including small- and medium-scale companies that propose to manufacture promoted products or participate in promoted activities in an ILP (see Appendix V: List of Promoted Activities and Products - Industrial Linkage Programme), are eligible for the following incentives:

i. Pioneer Status with a tax exemption of 100% of the statutory income for a period of five years; or

ii. Investment Tax Allowance of 100% on the qualifying capital expenditure incurred within five years from the date the first qualifying capital expenditure is incurred. This allowance can be offset against 100% of the statutory income for each year of assessment.

To encourage vendors to manufacture promoted products or participate in activities for the international market, vendors in an approved ILP who are capable of achieving world-class standards in terms of price, quality and capacity, will be eligible for the following incentives:

i. Pioneer Status with a tax exemption of 100% of the statutory income for a period of 10 years; or

ii. Investment Tax Allowance of 100% on the qualifying capital expenditure incurred within a period of five years which the company can offset against 100% of the statutory income for each year of assessment.

Applications should be submitted to MIDA.

1.6 Incentives for the Machinery and Equipment Industry

1.6.1 Incentives for the Production of Specialised Machinery and Equipment

Companies undertaking activities in the production of specialised machinery and equipment, namely, machine tools, plastic injection machines, plastic extrusion machinery, material handling equipment, packaging machinery, robotics and factory automation equipment, specialised /process machinery or equipment for specific industries, and parts and components of the mentioned machinery and equipment, are eligible for:

i. Pioneer Status with a tax exemption of 100% of the statutory income for a period of 10 years; or

ii. Investment Tax Allowance of 100% on the qualifying capital expenditure incurred within five years from the date on which the first qualifying capital expenditure is incurred. This allowance can be offset against 100% of the statutory income for each year of assessment.

Applications should be submitted to MIDA.

1.6.2 Additional Incentives for the Production of Heavy Machinery

Applications received from 13 September 2003 from existing locally-owned companies that reinvest in the production of heavy machinery such as cranes, quarry machinery, batching plant and port material handling equipment, are eligible for the following incentives:

i. Pioneer Status with a tax exemption of 70% (100% for promoted areas) on the increased statutory income arising from the reinvestment for a period of five years; or

ii. Investment Tax Allowance of 60% (100% for promoted areas) on the additional qualifying capital expenditure incurred within a period of five years. The allowance can be offset against 70% (100% for promoted areas) of the statutory income for each year of assessment.

Applications should be submitted to MIDA.

1.6.3 Additional Incentives for the Production of Machinery and Equipment

Applications received from 13 September 2003 from existing locally-owned companies that reinvest in the production of machinery and equipment, including specialised machinery and equipment and machine tools, are eligible for the following incentives:

i. Pioneer Status with a tax exemption of 70% (100% for promoted areas) on the increased statutory income arising from the reinvestment for a period of five years; or

ii. Investment Tax Allowance of 60% (100% for promoted areas) on the additional qualifying capital expenditure incurred within a period of five years. The allowance can be offset against 70% (100% for promoted areas) of the statutory income for each year of assessment.

Applications should be submitted to MIDA.

1.7 Incentives for Automotive Component Modules

New and existing companies that undertake design, R&D and production of qualifying automotive component modules or systems are eligible for:

i. Pioneer Status with a tax exemption of 100% of the statutory income for a period of five years; or

ii. Investment Tax Allowance of 60% on the qualifying capital expenditure incurred within five years from the date the first capital expenditure is incurred. The allowance can be offset against 100% of the statutory income for each year of assessment.

The qualifying modules or systems are front corner modules, rear corner modules, instrument panel modules, struts and absorbers and spring assembly modules, bumper modules, front cross member modules, function integrated door modules, fuel tank modules, seat modules, pedal modules, door trim modules, floor console modules, tyre and wheel modules, brake systems, wiper systems, airbag systems, audio systems, heater ventilation air-conditioning systems, power and signal distribution systems, alarm systems, seat belt systems, exterior lighting systems, body in white modules, engine management systems, safety systems, telematics, navigational systems, engine fuel injection systems, and vehicle intelligence systems.

This incentive is for applications received by MIDA from 21 September 2002.

1.8 Enhanced Incentives for the Utilisation of Oil Palm Biomass

Applications received from 13 September 2003 from companies that utilise oil palm biomass to produce value-added products such as particleboard, medium density fibreboard, plywood, pulp and paper are eligible for the following incentives:

(i) New Companies

(a) Pioneer Status with a tax exemption of 100% of the statutory income for a period of 10 years; or
(b) Investment Tax Allowance of 100% on the qualifying capital expenditure incurred within a period of five years. The allowance can be used to offset against 100% of the statutory income for each year of assessment.

However, companies which have been granted approval for these incentives but have not commenced commercial production, or applications under consideration, are also eligible for these incentives.

(ii) Existing Companies that Reinvest

(a) Pioneer Status with a tax exemption of 100% on the increased statutory income arising from the reinvestment for a period of 10 years; or
(b) Investment Tax Allowance of 100% on the additional qualifying capital expenditure incurred within a period of five years. The allowance can be used to offset against 100% of the statutory income for each year of assessment.

1.9 Additional Incentives for the Manufacturing Sector

(i) Reinvestment Allowance

A manufacturing company that has been in operation for at least 12 months and incurs qualifying capital expenditure to expand, modernise or automate its existing business or diversify its existing business into any related products within the same industry can apply for Reinvestment Allowance (RA).

The RA is given at the rate of 60% on the qualifying capital expenditure incurred by the company, and can be offset against 70% of its statutory income for the year of assessment. Any unutilised allowance can be carried forward to subsequent years until fully utilised.

A company can offset the RA against 100% of its statutory income for the year of assessment if:

- The company undertakes reinvestment projects in the promoted areas i.e. the States of Sabah, Sarawak and the designated "Eastern Corridor" of Peninsular Malaysia; or

- The company attains a productivity level exceeding the level determined by the Ministry of Finance. For further details on the prescribed productivity level for each sub-sector, please contact the Inland Revenue Board (see Useful Addresses – Relevant Organisations)

The RA will be given for a period of 15 consecutive years beginning from the year the first reinvestment is made. Companies can only claim the RA upon the completion of the qualifying project, i.e. after the building is completed or when the plant/machinery is put to operational use. Assets acquired for the reinvestment cannot be disposed of within a period of two years from the time of the reinvestment.

Effective from 21 September 2002, a company that intends to reinvest before the expiry of its Pioneer Status can surrender its Pioneer Status for cancellation and be eligible for RA.
Applications for RA should be submitted to the Inland Revenue Board (IRB), while applications for the surrender of Pioneer Status for RA should be submitted to MIDA.

(ii) Accelerated Capital Allowance

After the 15-year period of eligibility for RA, companies that reinvest in the manufacture of promoted products are eligible to apply for Accelerated Capital Allowance (ACA). The ACA on capital expenditure is to be utilised within three years, i.e. an initial allowance of 40% and an annual allowance of 20%.

Applications should be submitted to the IRB accompanied by a letter from MIDA certifying that the companies are manufacturing promoted products.

(iii) Tax Exemption on the Value of Increased Exports

To promote exports, manufacturing companies in Malaysia qualify for:

- A tax exemption on the statutory income equivalent to 10% of the value of increased exports, provided that the goods exported attain at least 30% value-added; or

- A tax exemption on the statutory income equivalent to 15% of the value of increased exports, provided that the goods exported attain at least 50% value-added.

Claims should be submitted to the IRB.

To further encourage the export of Malaysian goods, a locally-owned manufacturing company with Malaysian equity of at least 60% is eligible for:

- A tax exemption on the statutory income equivalent to 30% of the value of increased exports, provided the company achieves a significant increase in exports;
- A tax exemption on the statutory income equivalent to 50% of the value of increased exports, provided the company succeeds in penetrating new markets;
- A full tax exemption on the value of increased exports, provided the company achieves the highest increase in export in its category.

These incentives are effective from the year of assessment 2003.

Note: Please refer to Section 17 for other incentives related to the manufacturing sector.

2. INCENTIVES FOR THE AGRICULTURAL SECTOR

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

- Agro-based cooperative societies and associations

- Sole proprietorships and partnerships engaged in agriculture.

Companies producing promoted products or engaged in promoted activities (see Appendix 1: List of Promoted Activities and Products – General) in the agricultural sector qualify for the following incentives:

2.1. Main Incentives for the Agricultural Sector

(i) Pioneer Status

As in the manufacturing sector, companies producing promoted products or engaged in promoted activities are eligible for Pioneer Status.

A Pioneer Status company enjoys a partial exemption from income tax. It pays tax on 30% of its statutory income for five years, commencing from its Production Day (defined as the day of first sale of the agriculture produce).

Applications received from 13 September 2003 from companies located in the promoted areas i.e. the States of Sabah and Sarawak and the designated "Eastern Corridor" of Peninsular Malaysia, will enjoy a 100% tax exemption on their statutory income during their 5-year exemption period. Companies which have been granted approval for this incentive but have not commenced commercial production, or applications under consideration, are also eligible. All project applications received by 31 December 2005 will be eligible for this enhanced incentive.

Applications should be submitted to MIDA.

(ii) Investment Tax Allowance

As an alternative to Pioneer Status, companies producing promoted products or engaged in promoted activities can apply for Investment Tax Allowance (ITA). A company granted ITA is eligible for an allowance of 60% on its qualifying capital expenditure incurred within five years from the date on which the first qualifying capital expenditure is incurred.

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

Applications received from 13 September 2003 from companies located in the promoted areas i.e. the States of Sabah and Sarawak, and the designated "Eastern Corridor" of Peninsular Malaysia, will enjoy an allowance of 100% on the qualifying capital expenditure incurred within a period of five years. The allowance can be utilised to offset against 100% of the statutory income for each year of assessment. Companies which have been granted approval for this incentive but have not commenced commercial production, or applications under consideration, are also eligible. All project applications received by 31 December 2005 will be eligible for this enhanced incentive.

Applications should be submitted to MIDA.

To increase the benefits to agricultural projects, the government has broadened the definition of qualifying capital expenditure to include expenditure incurred on:

- Clearing and preparation of land

- Planting of crops

- Provision of plant and machinery used in Malaysia for the purpose of crop cultivation, animal farming, aquaculture, inland fishing or deep-sea fishing, and other agricultural or pastoral pursuits

- Construction of access roads including bridges, construction or purchase of buildings (including those provided for the welfare of people or as living accommodation), and structural improvements on land or other structures which are used for crop cultivation, animal farming, aquaculture, inland fishing and other agricultural or pastoral pursuits. Such roads, bridges, buildings, structural improvements on land and other structures should be on land forming part of the land used for the purpose of such crop cultivation, animal farming, aquaculture, inland fishing and other agricultural or pastoral pursuits

In view of the time lag between start-up and processing of the produce, integrated agricultural projects qualify for ITA for an additional five years for expenditure incurred for processing or manufacturing operations.

Applications should be submitted to MIDA.

(iii) Incentives for Food Production

Incentives for New Projects

To encourage food production, a company which invests in a subsidiary company engaged in food production, together with the subsidiary company, qualifies for one of the following incentive packages:

Incentive Package A:

a) A company which takes up a 100% equity in a subsidiary company engaged in food production receives a tax deduction equivalent to the amount of investment made in that subsidiary; and

b) The subsidiary company enjoys full income tax exemption on its statutory income for 10 years commencing from the first year the company enjoys profits, in which:

   - losses incurred before and during the exemption period can be brought forward after the exemption period of 10 years;
   - dividends paid from the exempt income are exempted in the hands of the shareholders.

Incentive Package B:

a) A company which takes up 100% equity in a subsidiary company engaged in food production will be given group relief for the losses incurred by the subsidiary company before it records any profit, and

b) The subsidiary company enjoys full income tax exemption on its statutory income for 10 years. This commences from the first year the company enjoys profits, in which:

   - losses incurred during the tax exemption period can be brought forward after the exemption period of 10 years; and

   - dividends paid from the exempt income are exempted in the hands of the shareholders.

The eligible food products are as approved by the Minister of Finance. These include kenaf, vegetables, fruits, herbs, spices, aquaculture, and the rearing of cattle, goats and sheep. Effective from 21 September 2002, deep-sea fishing enjoys the same incentives under packages A and B.

Incentives for Existing Companies which Reinvest

An existing company that reinvests in the production of the above food products also qualifies for the same incentives for a period of five years.

The food production project for both new and existing companies should commence within a year from the date the incentive is approved. Applications should be submitted to the Ministry of Agriculture by 31 December 2005.

(iv) Incentives for Reinvestment in Food Processing Activities

A locally-owned manufacturing company with Malaysian equity of at least 60% that reinvests in promoted food processing activities is eligible for another round of the Pioneer Status or Investment Tax Allowance (ITA) incentive. Activities located in the promoted areas, i.e. the States of Sabah, Sarawak and the "Eastern Corridor" of Peninsular Malaysia, are eligible for the Pioneer Status and ITA incentives in accordance with that given to promoted areas.

This incentive is for applications received by MIDA from 21 September 2002.

2.2 Additional Incentives for the Agricultural Sector

(i) Reinvestment Allowance

Persons or companies engaged for at least 12 months in the production of essential food such as rice, maize, vegetables, tubers, livestock, aquatic products, and any other activities approved by the Minister of Finance can enjoy the Reinvestment Allowance (RA). The qualifying capital expenditure includes expenditure incurred on:

- Clearing and preparation of land

- Planting of crops

- Provision of plant and machinery used in Malaysia for the purpose of crop cultivation, animal farming, aquaculture, inland fishing or deep-sea fishing, and other agricultural or pastoral pursuits

- Construction of access roads including bridges, construction or purchase of buildings (including those provided for the welfare of people or as living accommodation), and structural improvements on land or other structures which are used for crop cultivation, animal farming, aquaculture, inland fishing and other agricultural or pastoral pursuits. Such roads, bridges, buildings, structural improvements on land and other structures should be on land forming part of the land used for the purpose of such crop cultivation, animal farming, aquaculture, inland fishing and other agricultural or pastoral pursuits

The RA is in the form of an allowance of 60% of the qualifying capital expenditure incurred within a period of 15 years beginning from the year the first reinvestment is made. The allowance can be offset against 70% of the statutory income in the year of assessment. Untilised allowances can be carried forward to the following years until fully utilised. Companies that undertake reinvestment projects in the promoted areas i.e. the States of Sabah, Sarawak and the designated "Eastern Corridor" of Peninsular Malaysia, can offset the allowance fully against their statutory income for that year of assessment.

Claims should be submitted to the IRB.

(ii) Reinvestment Incentives for Resource-Based Industries

This incentive is offered to companies that are at least 51% Malaysian-owned and are in the rubber, oil palm and wood-based industries producing products which have export potential. Companies in these industries reinvesting for expansion purposes are eligible for another round of Pioneer Status or Investment Tax Allowance (ITA). Activities located in the promoted areas i.e. the States of Sabah, Sarawak and the designated "Eastern Corridor" of Peninsular Malaysia are eligible for higher levels of exemption/ allowance under Pioneer Status or ITA in accordance with that given for promoted areas.

Applications should be submitted to MIDA.

(iii) Incentives for Modernising Chicken and Duck Rearing

To promote modernisation and the usage of environment-friendly practices in the agricultural sector, chicken and duck rearers who reinvest for the purpose of shifting from the opened house system to the closed house system will be eligible for RA for a period of 15 consecutive years commencing from the first year the reinvestment is made.

This incentive is given on condition that the minimum rearing capacity of the closed house system is as follows:

- 20,000 broiler chickens/broiler ducks per cycle; or

- 50,000 layer chickens/layer ducks per cycle.

This incentive is effective from the year of assessment 2003. All projects must be verified by the Ministry of Agriculture.

Claims should be submitted to the IRB.

(iv) Accelerated Capital Allowance

Upon the expiry of the Reinvestment Allowance (RA), companies that reinvest in promoted agricultural activities and food products are eligible to apply for the Accelerated Capital Allowance (ACA). These activities include the cultivation of rice, maize, vegetables, tubers, livestock, aquatic products and any other activities approved by the Minister of Finance.

The ACA on the capital expenditure is to be utilised within three years, i.e. an initial allowance of 40% in the first year and an annual allowance of 20%.

Claims should be submitted to the IRB, accompanied by a letter from MIDA certifying that the companies are undertaking promoted agricultural activities or producing promoted food products.

(v) Agricultural Allowance

A person or a company carrying on an agricultural activity can claim capital allowances and special industrial building allowances under the Income Tax Act 1967 for certain capital expenditure. Capital expenditure which qualifies includes expenditure incurred on:

- Clearing and preparation of land

- Planting of crops

- Provision of plant and machinery used in Malaysia for the purpose of crop cultivation, animal farming, aquaculture, inland fishing or deep-sea fishing, and other agricultural or pastoral pursuits

- Construction of access roads including bridges, construction or purchase of buildings (including those provided for the welfare of people or as living accommodation), and structural improvements on land or other structures which are used for crop cultivation, animal farming, aquaculture, inland fishing and other agricultural or pastoral pursuits. Such roads, bridges, buildings, structural improvements on land and other structures should be on land forming part of the land used for the purpose of such crop cultivation, animal farming, aquaculture, inland fishing and other agricultural or pastoral pursuits

A company continues to get the allowance for as long as it incurs the expenditure, regardless of whether it already enjoys Pioneer Status or ITA.

Claims should be submitted to the IRB.

(vi) Accelerated Agriculture Allowance for the Planting of Rubberwood Trees

To ensure a regular supply of rubberwood for the furniture industry, a non-rubber plantation company that plants at least 10% of its plantation with rubberwood trees is eligible for the Accelerated Agriculture Allowance whereby the write-off period on the capital expenditure incurred for land preparation, planting and maintenance of rubberwood cultivation is accelerated from two years to one year. This incentive is for project applications received by the Ministry of Primary Industries from 21 September 2002.

Applications should be submitted to the Ministry of Primary Industries.

(vii) 100% Allowance on Capital Expenditure for Approved Agricultural Projects

Schedule 4A of the Income Tax Act 1967 provides for a 100% allowance on capital expenditure for Approved Agricultural Projects as approved by the Minister of Finance. This covers qualifying capital expenditure incurred within a specific time frame for a farm that cultivates and utilises a specified minimum acreage as stipulated by the Minister of Finance.

Approved agricultural projects are those for the cultivation of vegetables, fruits (papaya, banana, passion fruit, star fruit, guava and mangosteen), tubers, roots, herbs, spices, crops for animal feed and hydroponic-based products; ornamental fish culture; fish and prawn rearing (pond culture, tank culture, marine cage culture, and off-shore marine cage culture); cockles, oysters, mussels, and seaweed culture; shrimp, prawn and fish hatchery; and certain species of forest plantations.

The incentive enables a person carrying on such a project to elect to deduct the qualifying capital expenditure incurred in respect of that project from his aggregate income, including income from other sources. Where there is insufficient aggregate income, the unabsorbed expenditure can be carried forward to subsequent years of assessment. Where he so elects, he will not be entitled to any capital allowance or agricultural allowance on the same capital expenditure.

The qualifying capital expenditure eligible for deduction includes expenditure incurred on:

- Clearing and preparation of land

- Planting of crops

- Provision of plant and machinery used in Malaysia for the purpose of crop cultivation, animal farming, aquaculture, inland fishing or deep-sea fishing, and other agricultural or pastoral pursuits

- Construction of access roads including bridges, construction or purchase of buildings (including those provided for the welfare of people or as living accommodation), and structural improvements on land or other structures which are used for crop cultivation, animal farming, aquaculture, inland fishing and other agricultural or pastoral pursuits. Such roads, bridges, buildings, structural improvements on land and other structures should be on land forming part of the land used for the purpose of such crop cultivation, animal farming, aquaculture, inland fishing and other agricultural or pastoral pursuits

This incentive is not available to companies that have been granted incentives under the Promotion of Investments Act 1986 and whose tax relief periods have not started or have not expired.

Claims should be submitted to the IRB.

(viii) Tax Exemption on the Value of Increased Exports

A company which exports fresh and dried fruits, fresh and dried flowers, ornamental plants and ornamental fish enjoys a tax exemption of its statutory income equivalent to 10% of the value of its increased exports.
Claims should be submitted to the IRB.

(ix) Incentives for Companies providing Cold Chain Facilities and Services for Food Products

Companies providing cold room and refrigerated truck facilities and related services such as the collection and treatment of locally produced perishable food products qualify for Pioneer Status or Investment Tax Allowance (ITA). Activities located in the promoted areas are offered more attractive levels of Pioneer Status or ITA.

Applications received from 13 September 2003 from existing locally owned companies to reinvest in cold chain facilities and services for perishable agricultural produce are eligible for the following incentives:

(i) Pioneer Status with a tax exemption of 70% (100% for promoted areas) on the increased statutory income arising from the reinvestment for a period of five years; or
(ii) Investment Tax Allowance of 60% (100% for promoted areas) on the additional qualifying capital expenditure incurred within a period of five years. The allowance can be offset against 70% (100% for promoted areas) of the statutory income in each year of assessment.

Applications should be submitted to MIDA

(x) Deduction for Expenses to Obtain "Halal" Certification and Quality Certification and Accreditation

To enhance the competitiveness of Malaysian companies in the global market for "halal" products (products suitable for consumption by Muslims) including "halal" food, expenses incurred by these companies in obtaining "halal" and quality certification and accreditation are allowed as deductions in the computation of income tax.

Claims should be submitted to the IRB.

Note: Please refer to Section 17 for other incentives related to the agricultural sector

3. INCENTIVES FOR THE TOURISM INDUSTRY

Tourism projects, including eco-tourism and agro-tourism projects, enjoy tax incentives. These include hotel businesses, construction of holiday camps, recreational projects including summer camps, and construction of convention centres with a capacity to accommodate at least 3,000 participants.
Hotel businesses refer to the following:

- Construction of medium and low-cost hotels (up to a three-star category hotel as certified by the Ministry of Culture, Arts and Tourism); and

- Expansion/modernisation of existing hotels.

3.1 Main Incentives for the Tourism Industry

(i) Pioneer Status

A company granted Pioneer Status enjoys a 5-year partial exemption from the payment of income tax. It will only have to pay tax on 30% of its statutory income, commencing from its Production Day which is determined by the Minister of International Trade and Industry.

As an added incentive, applications received from 13 September 2003 from companies located in the promoted areas i.e. the States of Sabah, Sarawak, the Federal Territory of Labuan and the designated "Eastern Corridor" of Peninsular Malaysia will enjoy a 100% tax exemption of their statutory income during the 5-year exemption period. Companies which have been granted approval for this incentive but have not commenced commercial production, or applications under consideration, are also eligible. This enhanced incentive applies to all applications received by 31 December 2005.

Applications should be submitted to MIDA.

(ii) Investment Tax Allowance

As an alternative to Pioneer Status, a company may apply for Investment Tax Allowance (ITA). A company granted the ITA gets an allowance of 60% of the qualifying capital expenditure incurred within five years from the date on which the first qualifying capital expenditure is incurred.

Companies can offset this allowance against 70% of their statutory income in the year of assessment. Any unutilised allowance can be carried forward to subsequent years until the whole amount has been used up. The remaining 30% of the statutory income will be taxed at the prevailing company tax rate.

Applications received from 13 September 2003 from companies located in the promoted areas i.e. the States of Sabah and Sarawak, the Federal Territory of Labuan and the designated "Eastern Corridor" of Peninsular Malaysia, will enjoy an allowance of 100% on the qualifying capital expenditure incurred within a period of five years. The allowance can be utilised to offset against 100% of the statutory income for each year of assessment. Companies which have been granted approval for this incentive but have not commenced commercial production, or applications under consideration, are also eligible. All project applications received by 31 December 2005 will be eligible for this enhanced incentive.

Applications should be submitted to MIDA.

(iii) Additional Incentives For Hotels and Tourism Projects

Applications received by MIDA from 13 September 2003 from companies to reinvest in the expansion, modernisation and renovation of hotels and tourism projects will be given another round of Pioneer Status or Investment Tax Allowance. However, hotels and tourism projects located in the promoted areas will enjoy the following enhanced incentives:

a. Pioneer Status, with a 100% income tax exemption; or

b. Investment Tax Allowance of 100%. The allowance can be offset against 100% of the statutory income in each year of assessment.

(iv) Incentives for the Luxury Yacht Industry

The luxury yacht industry is promoted as part of tourism products and is eligible for the following incentives:

- Companies that construct luxury yachts are eligible for the Pioneer Status incentive

Applications should be submitted to MIDA

- Companies that carry out repair and maintenance activities for luxury yachts in the island of Langkawi, Malaysia are eligible for an income tax exemption of 100% for five years.

Applications should be submitted to the Ministry of Finance.

- Companies that provide chartering services of luxury yachts in the country are eligible for an income tax exemption of 100% for a period of five years.

Claims should be submitted to the IRB.

3.2 Additional Incentives for the Tourism Industry

(i) Double Deduction on Overseas Promotion

Hotels and tour operators qualify for a double deduction on the expenditure incurred for promotional activities overseas. The qualifying expenditure are:

- expenditure on publicity and advertisements in any mass media outside Malaysia;

- expenditure on the publication of brochures, magazines and guide books, including delivery costs that are not charged to the overseas customers;

- expenditure on market research into new markets overseas, subject to the prior approval of the Minister of Culture, Arts and Tourism;

- expenditure that includes fares to any country outside Malaysia to negotiate or secure a contract for advertising or participating in trade fairs, conferences or forums approved by the Minister of Culture, Arts and Tourism. Such expenses are subject to a maximum of RM300 per day for lodging and RM150 per day for food for the duration of the stay overseas;

- expenditure in organising trade fairs, conferences or forums approved by the Minister of Culture, Arts and Tourism; and

- expenditure on the maintenance of sales offices overseas for purposes of promoting tourism in Malaysia.

Claims should be submitted to the IRB.

(ii) Double Deduction on Approved Trade Fairs

Companies also enjoy a double deduction for expenditure incurred in participating in an approved international trade fair in Malaysia.

Claims should be submitted to the IRB.

(iii) Tax Exemption for Tour Operators

Foreign Tourists

Tour operators who bring in at least 500 foreign tourists a year through groups, inclusive of tours that enter and exit the country by air, sea or land transportation, will be exempted from tax in respect of income derived from the business of operating such tours. This incentive applies to tour operators licensed by the Ministry of Culture, Arts and Tourism.

Local Tourists

Companies that organise domestic tour packages for at least 1,200 local tourists per year get a tax exemption on the income earned. A domestic tour means any tour package within Malaysia participated by local tourists (excluding inbound tourists) by air, land or sea transportation involving at least one night's accommodation.

These incentives apply until the year of assessment 2006.

Claims should be submitted to the IRB.

(iv)Tax Exemption for Promoting International Conferences and Trade Exhibitions

- Local companies which promote international conferences in Malaysia qualify for tax exemption on the income earned from bringing at least 500 foreign participants into the country.

- Income earned from organising international trade exhibitions in Malaysia qualifies for tax exemption as long as the exhibitions are approved by MATRADE and the organisers bring in at least 500 foreign visitors per year.

Claims should be submitted to the IRB.

(v) Deduction on Cultural Performances

Expenditure incurred by companies on establishing and managing a musical or cultural group and sponsoring local and/or foreign cultural performances as approved by the Ministry of Culture, Arts and Tourism, qualifies for a single deduction.

Claims should be submitted to the IRB.

(vi) Incentive for Car Rental Operators

Operators of car rental services for tourists are eligible for excise duty exemption on the purchase of national cars.

Applications should be submitted to the Ministry of Finance.

Note: Please refer to Section 17 for other incentives related to the tourism sector.

4. INCENTIVES FOR ENVIRONMENTAL MANAGEMENT

4.1 Incentives for Forest Plantation Projects

Companies that undertake forest plantation projects are eligible for the following incentives:

- Pioneer Status with a tax exemption of 100% of the statutory income for 10 years; or

- Investment Tax Allowance (ITA) of 100% on the qualifying capital expenditure incurred within five years, which can be offset against 100% of the statutory income for each year of assessment.

Applications should be submitted to MIDA.

4.2 Incentives for the Storage, Treatment and Disposal of Toxic and Hazardous Wastes

Incentives are offered to encourage the setting up of proper facilities to store, treat and dispose of toxic and hazardous wastes. Companies that are directly involved in these three activities in an integrated manner qualify for:

- Pioneer Status with a tax exemption of 70% of the statutory income for five years; or

- ITA of 60% on the qualifying capital expenditure incurred within five years, which can be offset against 70% of the statutory income in the year of assessment. Any unutilised allowance can be carried forward to subsequent years until the whole amount has been used up.

Activities located in the States of Sabah and Sarawak and the "Eastern Corridor" of Peninsular Malaysia are eligible for higher exemptions/allowances under Pioneer Status or Investment Tax Allowance in accordance with that given for promoted areas.

Applications should be submitted to MIDA.

4.3 Incentives for Energy Conservation

In order to reduce operation costs and at the same time promote environmental preservation, companies providing energy conservation services qualify for Pioneer Status or Investment Tax Allowance. Activities located in the promoted areas i.e. the States of Sabah and Sarawak and the designated "Eastern Corridor" of Peninsular Malaysia are eligible for higher exemptions/ allowances under Pioneer Status or ITA in accordance with that given for promoted areas. The companies must implement their projects within one year of approval.

The incentives apply to applications received by 31 December 2005.

Applications should be submitted to MIDA.

4.4 Incentives for Waste Recycling Activities

Companies undertaking waste recycling activities that are high value-added and use high technology are eligible for Pioneer Status or ITA. These activities include the recycling of agricultural wastes or agricultural by-products, recycling of chemicals and the production of reconstituted wood-based panel boards or products. Activities located in the States of Sabah and Sarawak and the designated "Eastern Corridor" of Peninsular Malaysia are eligible for higher exemptions/ allowances under Pioneer Status or ITA in accordance with that given for promoted areas.

Applications should be submitted to MIDA.

4.5 Incentives for the Use of Renewable Energy Resources

To encourage the generation of energy using biomass that is renewable and environmentally friendly, companies that undertake such activities are eligible for Pioneer Status or ITA. Activities located in the promoted areas are eligible for higher exemptions/allowances under Pioneer Status or ITA. These incentives are for applications received by 31 December 2005. Companies must implement their projects within one year from the date of approval.

For the purpose of this incentive, ‘biomass sources’ refer to palm oil mill/estate waste, rice mill waste, sugar cane mill waste, timber/sawmill waste, paper recycling mill waste, municipal waste and biogas (from landfill, palm oil mill effluent (POME), animal waste and others), while energy forms refer to electricity, steam, chilled water, and heat.

To further promote the use of renewable energy, the above incentives are also extended to the use of hydro power (not exceeding 10 megawatts) and solar power. These incentives are for project applications received from 21 September 2002 until 31 December 2005. The company is required to implement the project within one year from the date of approval.

Applications should be submitted to MIDA.

4.6 Additional Incentives for Environmental Management

Accelerated Capital Allowance

This incentive provides for a special allowance at an initial rate of 40% and an annual rate of 20% (to be written off within a period of 3 years) for capital expenditure on related machinery and equipment incurred by:

- Companies that are waste generators and wish to establish facilities to store, treat and dispose of their wastes, either on-site or off-site; and

- Companies undertaking waste recycling activities.

Applications should be submitted to IRB.

In the case of companies that incur capital expenditure for conserving their own energy consumption, the write-off period is accelerated to one year effective from the year of assessment 2003. Applications should be submitted to the IRB with a letter from the Ministry of Energy, Communications and Multimedia certifying that the related equipment is used exclusively for the purpose of energy conservation. Note: Please refer to Section 17 for other incentives related to environmental management.

5. INCENTIVES FOR RESEARCH AND DEVELOPMENT

The Promotion of Investments Act 1986 defines research and development (R&D) as "any systematic or intensive study carried out in the field of science or technology with the object of using the results of the study for the production or improvement of materials, devices, products, produce or processes but does not include:

- quality control of products or routine testing of materials, devices, products or produce

- research in the social sciences or humanities

- routine data collection

- efficiency surveys or management studies

- market research or sales promotion."

To further strengthen Malaysia’s foundation for more integrated R&D, companies which carry out design and prototyping as independent activities are also eligible for incentives.

5.1 Main Incentives for Research and Development

(i) Contract R&D Company

A contract R&D company, i.e., a company that provides R&D services in Malaysia to a company other than its related company, is eligible for:

- Pioneer Status with a tax exemption of 100% of the statutory income for five years; or
- Investment Tax Allowance (ITA) of 100% on the qualifying capital expenditure incurred within 10 years, which can be offset against 70% of the statutory income in the year of assessment.

Applications should be submitted to MIDA.

(ii) R&D Company

A R&D company, i.e., a company that provides R&D services in Malaysia to its related company or to any other company, is eligible for an ITA of 100% on the qualifying capital expenditure incurred within 10 years. The allowance can be offset against 70% of the statutory income in the year of assessment. Should the R&D company opt not to avail itself of the allowance, its related companies can enjoy a double deduction for payments made to the R&D company for services rendered.

Applications should be submitted to MIDA.

Eligibility:

Contract R&D and R&D companies can apply for the various incentives as long as they fulfil the following criteria:

i. Research undertaken should be in accordance with the needs of the country and bring benefit to the economy;
ii. At least 70% of the income of the company should be derived from R&D activities;
iii. For manufacturing-based R&D, at least 50% of the workforce of the company must be appropriately qualified personnel performing research and technical functions; and
iv. For agriculture-based R&D, at least 5% of the workforce of the company must be appropriately qualified personnel performing research and technical functions.

(iii) In-house Research

A company that undertakes in-house R&D to further its business can apply for an ITA of 50% on the qualifying capital expenditure incurred within 10 years. The company can offset the allowance against 70% of its statutory income in the year of assessment.

Applications should be submitted to MIDA

(iv) Second Round Incentives

Effective from 21 May 2003, R & D companies/activities mentioned in categories (i) – (iii) will be eligible for a second round of Pioneer Status for another five years, or ITA for a further 10 years, where applicable.

Applications should be submitted to MIDA.

5.2 Additional Incentives for Research and Development

(i) Double Deduction for Research & Development

- A company can enjoy a double deduction on its revenue (non-capital) expenditure for research which is directly undertaken and approved by the Minister of Finance.
- Double deduction can also be claimed for cash contributions or donations to approved research institutes, and payments for the use of the services of approved research institutes, approved research companies, R&D companies or contract R&D companies.
- Effective from 21 May 2003, approved R & D expenditure incurred during the Pioneer Status period will be allowed to be accumulated and brought forward and be given another deduction after the Pioneer Status period.
- Expenditure on R&D activities undertaken overseas, including the training of Malaysian staff, will be considered for double deduction on a case-by-case basis.

Claims should be submitted to the IRB.

(ii) Incentives for Researchers to Commercialise Research Findings

Effective from the year of assessment 2004, researchers who undertake research focused on value creation will be given a 50% tax exemption for five years on the income that they receive from the commercialisation of their research findings.
The undertaking has to be verified by the Ministry of Science, Technology and Environment.

Claims should be submitted to the IRB.

Note: Please refer to Section 17 for other incentives related to R&D.

6. INCENTIVES FOR TRAINING

To encourage human resource development, the following incentives are available:

6.1 Main Incentive for Training

Investment Tax Allowance

Companies that establish technical or vocational training institutions are eligible for an Investment Tax Allowance of 100% for 10 years. This allowance can be offset against 70% of the statutory income for each year of assessment.
Existing companies providing technical or vocational training that undertake new investments to upgrade their training equipment or expand their training capacities also qualify for this incentive.

Applications should be submitted to MIDA.

6.2 Additional Incentives for Training

(i) Special Industrial Building Allowance

Companies that incur expenditure on buildings used for approved industrial, technical or vocational training can claim a special annual Industrial Building Allowance (IBA) of 10% for 10 years.

Claims should be submitted to the IRB.

(ii) Tax Exemption on Educational Equipment

Besides approved training institutes and in-house training projects, all private institutions of higher learning are eligible for import duty, sales tax and excise duty exemptions on all educational equipment including laboratory equipment for workshops, studios and language laboratories.

Applications should be submitted to MIDA.

(iii) Tax Exemption on Royalty Payments

Royalty payments made by educational institutions to non-residents (franchisors) for franchised education programmes that are approved by the Ministry of Education are eligible for tax exemption.

Claims should be submitted to the IRB.

Note: Please refer to Section 17 for other incentives related to the training.

7. INCENTIVES FOR INFORMATION AND COMMUNICATION TECHNOLOGY

7.1 Main Incentives for Information and Communication Technology (ICT)

Incentive for Software Development

In line with the government's objective to encourage the development of computer software, companies that develop both original and/or undertake major modifications of existing software other than those deemed established are eligible for Pioneer Status with a tax exemption of 70% of the statutory income for five years. This incentive is given based on the following guidelines:

- The computer software must be for a general purpose and not for a specific customer
- For companies undertaking modifications of existing software packages, the cost of acquiring the existing packages must not exceed 25% of the modification expenditure, which includes software tools, labour and equipment costs.

Applications should be submitted to MIDA.

7.2 Additional Incentives for the Use of ICT

(i) Accelerated Capital Allowance

Companies receive an initial allowance of 20% and an annual allowance of 40% for expenditure incurred in acquiring computers and information technology assets, including software. Thus, the expenditure can be written off within two years.

The cost of developing websites is allowed as an annual deduction of 20% for a period of five years.

(ii) Other ICT Incentives

Companies enjoy a single deduction on:

- Operating expenditure including payments to consultants related to IT usage for improving management and production processes.
- Contributions in cash or kind for ICT acculturation projects at local community levels. This is effective until the year of assessment 2003.
- Computers given by employers to their employees until the year of assessment of 2003 are not deemed as income.

Claims should be submitted to the IRB.

(iii) Tax Exemption on the Value of Increased Exports

Companies in the ICT sector can apply for a tax exemption on their statutory income equivalent to 50% of the value of increased exports.

Claims should be submitted to the IRB.

Note: Please refer to Section 17 for other incentives related to the ICT sector.

8. INCENTIVES FOR APPROVED SERVICE PROJECTS

Approved Service Projects (ASPs) or projects in the transportation, communications and utilities sub-sectors approved by the Minister of Finance qualify for the following tax incentives:

8.1 Main Incentives for ASPs

(i) Exemption under Section 127 of the Income Tax Act 1967

Generally, under Section 127 of the Income Tax 1967, companies undertaking ASPs can apply for a tax exemption of 70% of their statutory income for five years. However, companies undertaking ASPs in Sabah, Sarawak and the designated "Eastern Corridor" of Peninsular Malaysia are eligible for a tax exemption of 85% of their statutory income for five years, while companies undertaking ASPs of national and strategic importance are eligible for a 100% tax exemption of their statutory income for 10 years.

Applications should be submitted to the Ministry of Finance.

(ii) Investment Allowance (IA) under Schedule 7B of the Income Tax Act 1967

The Investment Allowance (IA) under Schedule 7B of the Income Tax Act 1967 is an alternative to the incentive offered under Section 127. Generally, under IA, companies undertaking ASPs are eligible for an allowance amounting to 60% of the qualifying capital expenditure incurred within five years from the date the first capital expenditure is incurred. The allowance can be offset against 70% of the statutory income and any unutilised allowance can be carried forward to subsequent years until fully utilised.

However, companies undertaking ASPs in Sabah, Sarawak and the designated "Eastern Corridor" of Peninsular Malaysia, are eligible for an allowance of 80% on the qualifying expenditure which can be offset against 85% of the statutory income.

Companies undertaking ASPs of national and strategic importance will be granted an allowance of 100% on the qualifying capital expenditure incurred within five years. This allowance can be offset against 100% of the statutory income.

Applications should be submitted to the Ministry of Finance.

8.2 Additional Incentives for ASPs

Exemption from Import Duty, Sales Tax and Excise Duty on Raw Materials, Components, Machinery, Equipment, Spares and Consumables

Imports of raw materials and components not available locally and used directly to implement ASPs are eligible for exemption from import duty and sales tax, while locally purchased machinery or equipment are eligible for exemption from sales tax and excise duty.

Companies providing services in the transportation and telecommunications sectors, power plants and port operators can apply for import duty and sale tax exemption on spares and consumables that are not produced locally.

The above applications should be submitted to the Ministry of Finance.

Note: Please refer to Section 17 for other incentives related to ASPs.

9. INCENTIVES FOR THE SHIPPING AND TRANSPORTATION INDUSTRY

9.1 Tax Exemption for Shipping Operations

The income of a shipping company derived from the operation of Malaysian ships is exempted from tax. This incentive only applies to residents. A "Malaysian Ship" is defined as a sea-going ship registered as such under the Merchant Shipping Ordinance 1952 (Amended), other than a ferry, barge, tugboat, supply vessel, crew boat, lighter, dredger, fishing boat or other similar vessels.

The Income of any person derived from exercising an employment on board a "Malaysian Ship" is exempted from tax. Income received by non-residents from the rental of ISO containers to Malaysian shipping companies is also exempted from income tax.

Claims should be submitted to the IRB.

9.2 Exemption from Import Duty and Sales Tax on Prime Movers and Trailers

Container hauliers qualify for import duty and sales tax exemptions on prime movers and trailers that are not produced locally, while sales tax exemption can be considered for prime movers and trailers that are produced locally.

Applications should be submitted to the Ministry of Finance.

10. INCENTIVES FOR MANUFACTURING RELATED SERVICES

Companies eligible for incentives are those providing the following value-added manufacturing related services:

- Integrated logistic services comprising the entire supply chain management, including procurement of software and hardware, warehousing, distribution (transportation and freight services), packaging activities and customs clearance
- Integrated market support services comprising the activities of brand development, consumer development, packaging design, advertising and promotion
- Integrated central utility facilities which provide services such as the supply of steam, demineralised water and industrial gas

(i) Pioneer Status

Companies undertaking manufacturing related services are eligible for Pioneer Status which provides a tax exemption on 70% of the statutory income for a period of five years.

Applications received from 13 September 2003 from companies located in the promoted areas i.e. the States of Sabah and Sarawak and the designated "Eastern Corridor" of Peninsular Malaysia, will enjoy a 100% tax exemption on their statutory income during their 5-year exemption period. Companies which have been granted approval for this incentive but have not commenced commercial production, or applications under consideration, are also eligible. All project applications received by 31 December 2005 will be eligible for this enhanced incentive.

Applications should be submitted to MIDA.

(ii) Investment Tax Allowance

As an alternative to Pioneer status, a company may apply for Investment Tax Allowance (ITA). ITA provides for an allowance of 60% on the qualifying capital expenditure incurred within five years from the date the first qualifying capital expenditure was incurred. Companies can offset this allowance against 70% of the statutory income in the year of assessment. Any unutilised allowance can be carried forward to subsequent years until the whole amount is used up. The remaining 30% of the statutory income will be taxed at the prevailing company tax rate.

Applications received from 13 September 2003 from companies located in the promoted areas i.e. the States of Sabah and Sarawak, and the designated "Eastern Corridor" of Peninsular Malaysia, will enjoy an allowance of 100% on the qualifying capital expenditure incurred within a period of five years. The allowance can be utilised to offset against 100% of the statutory income for each year of assessment. Companies which have been granted approval for this incentive but have not commenced commercial production, or applications under consideration, are also eligible. All project applications received by 31 December 2005 will be eligible for this enhanced incentive.

Applications should be submitted to MIDA.

Note: Please refer to Section 17 for other incentives related to the manufacturing related services sector.

11. INCENTIVES FOR THE MULTIMEDIA SUPER CORRIDOR

The Multimedia Super Corridor (MSC), a 15-by-50 kilometre (9-by-30 mile) zone extending south from Malaysia's capital city and business hub, Kuala Lumpur, is a perfect environment for companies wanting to create, distribute and employ multimedia products and services.

MSC Status is the recognition by the Government of Malaysia through the Multimedia Development Corporation (MDC) to companies that participate and undertake ICT activities in the MSC. Companies with MSC Status enjoy a set of incentives and benefits that is backed by the Government of Malaysia's Bill of Guarantees.

Incentives

The incentives enjoyed by MSC Status companies are:

- Pioneer Status with a tax exemption of 100% of the statutory income for a period of five years for the first round, or an Investment Tax Allowance of 100%

- Eligibility for R&D grants (for majority Malaysian-owned MSC Status companies)

Applications for MSC Status should be submitted to the MDC

Other Benefits

- Duty-free import of multimedia equipment

- Intellectual property protection and a comprehensive framework of cyberlaws

- No censorship of the Internet

- World-class physical and IT infrastructure

- Globally competitive telecommunication tariffs and services

- High-powered implementation agency, the Multimedia Development Corporation, to provide consultancy and assistance within the MSC

- High quality, planned urban development

- Excellent R&D facilities

- Green and protected environment

12. INCENTIVES FOR A KNOWLEDGE-BASED ECONOMY

Malaysia is in the process of transforming itself from a production-based to a knowledge-based economy. To further encourage companies to invest in knowledge-intensive activities, certain companies that qualify will be granted "Strategic Knowledge-based Status". These companies must have the following characteristics:

- the potential to generate knowledge content

- high value-added operations

- usage of high technology

- a large number of knowledge workers

- possess a corporate knowledge-based master plan

Companies granted "Strategic Knowledge-based Status" are eligible for the following incentives:

a) Pioneer Status with a tax exemption of 100% of the statutory income for a period of five years; or

b) Investment Tax Allowance of 60% on the qualifying capital expenditure incurred within five years. The allowance can be offset against 100% of the statutory income in the year of assessment.

The incentives are for applications received by MIDA from 21 September 2002.

Effective from the year of assessment 2003, the expenditure incurred by a company for drafting its corporate knowledge-based master plan is eligible for deduction in the computation of income tax. The deduction can be claimed when the company begins to implement its corporate knowledge-based master plan.

13. INCENTIVES FOR OPERATIONAL HEADQUARTERS

An approved operational headquarters (OHQ) refers to a locally incorporated company that carries on a business in Malaysia to provide qualifying services to its offices or related companies within and outside Malaysia. The OHQ is prohibited from providing treasury and fund management services and corporate financial advisory services to non-related companies in Malaysia. An approved OHQ set up by a financial institution is also prohibited from providing treasury and fund management services to its related companies in Malaysia unless the related companies are institutions licensed under the Banking and Financial Institutions Act 1989 (BAFIA).

13.1 Eligibility Criteria

To qualify as an approved OHQ, the company must fulfil the following criteria:

- Local incorporation under the Companies Act 1965
- A minimum paid-up capital of RM0.5 million
- A minimum total business spending (operating expenditure) of RM1.5 million per year
- Appoint at least three senior professional/ management personnel
- Serve at least three related companies outside Malaysia
- A sizeable network of companies outside Malaysia which includes the parent company or its head office and related companies
- A well-established network of companies with significant and substantial employment of qualified professionals and technical and supporting personnel
- Carry out three of the following qualifying services:
    - General management and administration
    - Business planning and coordination
    - Procurement of raw materials, components and finished products
    - Technical support and maintenance
    - Marketing control and sales promotion planning
    - Data/ information management and processing
    - Research and development work carried out in Malaysia on behalf of its offices or related companies within and outside Malaysia
    - Training and personnel management to its offices or related companies within and outside Malaysia
    - Treasury and fund management services to its offices or related companies outside Malaysia.

The permissible activities are:

- Providing credit facilities to related companies outside Malaysia in currencies other than the Malaysian Ringgit
- Transacting or investing in stocks and shares denominated in any currency other than the Malaysian Ringgit, and of companies not incorporated or resident in Malaysia
- Transacting or investing in securities other than stocks and shares denominated in any currency other than the Malaysian Ringgit (including bonds, notes, certificates of deposit and treasury bills) issued by foreign governments, foreign banks outside Malaysia, and companies which are neither incorporated nor resident in Malaysia

- Transacting or investing in certificates of deposit, notes and bonds denominated in any currency other than the Malaysian Ringgit issued by any offshore bank in Labuan

- Investing in foreign currency deposits with designated banks in Malaysia or with offshore banks in Labuan

- Foreign exchange transactions for hedging purposes only through authorised dealers and only in foreign currencies (not Malaysian Ringgit) with licensed offshore banks in Labuan

- Transactions involving interest rate/currency swaps for hedging purposes only through authorised dealers and only in foreign currencies (not Malaysian Ringgit) with licensed offshore banks in Labuan

- Transactions in financial futures contracts or options for hedging purposes only with a member of any exchange approved by the Central Bank of Malaysia.

The above treasury and fund management services are allowed provided that the funds for carrying out the treasury and fund management activities are denominated in foreign currency other than the Malaysian Ringgit and are obtained through:

- Borrowing from authorised banks in Malaysia and offshore banks in Labuan;

- Its paid-up capital

- Its accumulated profits derived from qualifying activities

- The accumulated profits of its offices

- Borrowing from outside Malaysia

The OHQs set up by financial institutions are prohibited from providing treasury and fund management services to their related companies in Malaysia unless the related companies are institutions licensed under BAFIA.

- Corporate financial advisory services to its offices or related companies outside Malaysia.

The permissible activities are:

- Provision of corporate financial advisory services

- Provision of credit administration denominated in currencies other than the Malaysian Ringgit for related companies

- Arrangement of credit facilities denominated in currencies other than the Malaysian Ringgit for related companies

- Arrangement of interest rate or currency swaps in currencies other than the Malaysian Ringgit

- An OHQ may take over claims held by related companies even from third parties outside Malaysia at a discounted price (factoring)

- All products and services which related companies invoice to each other can be reinvoiced by the OHQ (reinvoicing)

- Netting of payments, other than the export proceed for goods exported from Malaysia, among the related companies vis-à-vis the OHQ is freely allowed

- An OHQ may purchase machinery, equipment or real estate with a view to leasing them to its related companies (leasing)

- An OHQ may purchase machinery, equipment or real estate belonging to related companies with a view to leasing them back to the same related companies (sales and lease back arrangements).

13.2 Incentives

An approved OHQ will be exempted from income tax for a period of 10 years for the following sources of income:

- **Business Income**
  Income arising from services rendered by an OHQ to its offices or related companies outside Malaysia

- **Interest**
  Income derived from interest on foreign currency loans extended by an OHQ to its offices or related companies outside Malaysia

- **Royalties**
  Royalties received from research and development work carried out in Malaysia by an OHQ on behalf of its offices or related companies outside Malaysia.

In addition, expatriates working in an OHQ are taxed only on that portion of their chargeable income attributable to the number of days that they are in the country.

Effective from 21 May 2003, an existing OHQ will be given a 100% income tax exemption for its remaining exemption period.

Effective from the year of assessment 2003, income from qualifying services provided by an OHQ to its related companies in Malaysia during its tax exempt period is exempted from tax provided such income does not exceed 20% of the OHQ income from qualifying services.

13.3 Other Facilities

Other facilities accorded to an approved OHQ are as follows:

- Expatriate posts will be approved based on the requirements of the OHQ.

- Obtain credit facilities in foreign currency without the approval of Bank Negara Malaysia (BNM) to fund their treasury and fund management operations for their related companies outside Malaysia. These credit facilities can be obtained from any licensed commercial banks and merchant banks in Malaysia, including the licensed offshore banks in Labuan and any non-residents. The OHQ is not allowed to lend or raise funds in any currency on behalf of any resident.

- Borrow freely in Malaysian Ringgit up to RM50 million from domestic sources for use in Malaysia

- Invest freely in foreign securities and lend to its related companies outside Malaysia even if it has borrowed from domestic sources as long as the domestic borrowing in Malaysian Ringgit is within the RM50 million limit and the remittances are made in the foreign currency equivalent

- Approved OHQs can open foreign currency or multi-currency accounts with commercial banks in Malaysia to retain export proceeds in foreign currency up to an aggregate overnight balance equivalent to US$70 million regardless of the amount of export receipts.

- OHQs can also open foreign currency accounts with commercial banks in Malaysia, licensed offshore banks in Labuan or overseas banks for crediting foreign currency receivables, other than export proceeds, with no limit on the overnight balances.

- Use the professional services of a foreign firm provided that such services are not available locally

- A foreign-owned OHQ is allowed to acquire fixed assets as long as it is used for the purpose of carrying out the operations of the OHQ.

Applications should be made to MIDA.

14. INCENTIVES FOR REGIONAL DISTRIBUTION CENTRES

A regional distribution centre (RDC) is a collection and consolidation centre for finished goods, components and spare parts produced by its own group of companies for its own brand to be distributed to dealers, importers or its subsidiaries or other unrelated companies within or outside the country. Among the activities involved are bulk breaking, repackaging and labeling.

14.1 Eligibility Criteria for RDC Status

To be eligible, the company must fulfil the following criteria:

- Local incorporation under the Companies Act 1965

- A minimum paid-up capital of RM0.5 million

- A minimum total business spending (operating expenditure) of RM1.5 million per year

- Incremental usage of Malaysian ports and airports

- A minimum annual sales turnover of RM50 million by the third year of operation

- Location in free zones (free industrial zones or free commercial zones) or licensed warehouses (public and private) or licensed manufacturing warehouses

As a general rule, sales by an approved RDC to the domestic market are limited to not more than 20% of its annual sales value.

A RDC is also allowed to source goods from outside Malaysia for shipment to overseas destinations via drop shipment for up to 30% of its annual sales turnover.

14.2 Facilities Accorded to RDC

An approved RDC status company is accorded the following facilities:

- 100% equity holding by the promoter

- Expatriate posts based on the requirements of the RDC

- Open one or more foreign currency accounts with any licensed commercial bank to retain its export proceeds, without any limit imposed

- Enter into foreign exchange forward contracts with any licensed commercial bank to sell forward its export proceeds, based on its projected sales

- Customs duty exemption for raw materials, components or finished products brought into free industrial zones, licensed manufacturing warehouses, free commercial zones and bonded warehouses for repackaging, cargo consolidation and integration before distribution to its final consumers.

14.3 Incentives

An approved RDC status company is also eligible for the following tax incentives:

- Full tax exemption on its statutory income for 10 years

- Dividends paid from the exempt income are exempted from tax in the hands of its shareholders.

14.4 Eligibility Criteria for Incentives

However, to qualify for the above incentives, an approved RDC status company must also fulfil the following additional criteria:

- It must have an annual sales turnover of at least RM100 million

- Sales to the domestic market are limited to 20% of its sales turnover. If sales to the domestic market exceed 20%, the additional sales will not be tax exempt.

- Sales to free zones (FZs) and licensed manufacturing warehouses (LMWs) are considered as domestic sales

Applications should be made to MIDA.

15. INCENTIVES FOR INTERNATIONAL PROCUREMENT CENTRES

An international procurement centre (IPC) is a locally incorporated company, which carries on a business in Malaysia to undertake the procurement and sale of raw materials, components and finished products to its group of related companies and to unrelated companies in Malaysia and abroad.

15.1 Eligibility Criteria for IPC Status

To qualify for IPC status, the company must fulfil the following criteria:

- Local incorporation under the Companies Act 1965

- A minimum paid-up capital of RM0.5 million

- A minimum total business spending (operating expenditure) of RM1.5 million per year
- Incremental usage of Malaysian ports and airports
- A minimum annual sales turnover of RM50 million by the third year of operation

As a general rule, sales by an approved IPC status company to the domestic market are limited to not more than 20% of its annual sales value.

An IPC is also allowed to source goods from outside Malaysia for shipment to overseas destinations via drop shipment for up to 30% of its annual sales turnover.

15.2 Facilities Accorded to IPC

An approved IPC status company will enjoy the following facilities:

- 100% equity holding by the promoter
- Expatriate posts based on the requirements of the IPC
- Open one or more foreign currency accounts with any licensed commercial bank to retain its export proceeds without any limit
- Enter into foreign exchange forward contracts with any licensed commercial bank to sell forward export proceeds based on its projected sales
- Bring in raw materials, components or finished products with customs duty exemption into free industrial zones, licensed manufacturing warehouses, free commercial zones and bonded warehouses for repackaging, cargo consolidation and integration before distribution to its final consumers

15.3 Incentives

An approved IPC status company is also eligible for the following tax incentives:

- Full tax exemption of its statutory income for 10 years
- Dividends paid from the exempt income will be exempted from tax in the hands of its shareholders

15.4 Eligibility Criteria for Incentives

However, to qualify for the above incentives, an approved IPC status company must also fulfil the following additional criteria:

- It must have an annual sales turnover of at least RM100 million.
- Sales to the domestic market are limited to 20% of its sales turnover. If sales to the domestic market exceed 20%, the additional sales will not be tax exempt.
- Sales to free zones (FZs) and licensed manufacturing warehouses (LMWs) are considered as domestic sales.

- It must serve as a collection and consolidation centre for finished goods, components and spare parts from overseas or within the country to be distributed to dealers, importers or its subsidiaries or associated companies within or outside the country.

Applications should be made to MIDA.

16. INCENTIVES FOR REPRESENTATIVE OFFICES AND REGIONAL OFFICES

A representative office/regional office of a foreign corporation in the manufacturing and trading sector is an office which is established in Malaysia to perform permissible activities for its head office/principal. The representative office/regional office should be totally funded from sources outside Malaysia. The approved representative office/regional office is not required to be incorporated or registered under the Companies Act 1965.

16.1 Representative Office

A representative office is an office of a foreign company approved to collect relevant information on investment opportunities in the country especially in the manufacturing sector, develop bilateral trade relations, promote the export of Malaysian goods/products and carry out research and development (R&D).

16.2 Regional Office

A regional office is an office of a foreign corporation that serves as the coordination centre for the corporation's affiliates, subsidiaries and agents in South-East Asia and the Asia Pacific. The regional office established is responsible for designated activities of the corporation within the region it operates.

16.3 Activities Allowed

The representative office/regional office established is not allowed to carry out any business transaction nor derive income from its operations.
An approved representative office/regional office is allowed to carry out the following activities:

- Planning or coordination of business activities

- Gathering and analysis of information or undertaking feasibility studies on investment and business opportunities in Malaysia and the region

- Identifying sources of raw materials, components or other industrial products

- Undertake research and product development

- Act as a coordination centre for the corporation's affiliates, subsidiaries and agents in the region

- Undertake other activities which will not result directly in actual commercial transactions

16.4 Activities Not Allowed

However, an approved representative office/regional office is not allowed to carry out the following activities:

- Be engaged in any trading (including import and export), business or any form of commercial activity

- Lease warehousing facilities; any shipment / transshipment or storage of goods shall be handled by a local agent or distributor

- Sign business contracts on behalf of the foreign corporation or provide services for a fee

- Participate in the daily management of any of its subsidiaries, affiliates or branches in Malaysia

16.5 Expatriate Posts

Representative offices/Regional offices will be given expatriate posts, with the number allowed depending on the functions and activities of the representative office/regional office. Expatriates will only be considered for managerial and technical posts. The work permit is given on a two-year basis and is renewable. Expatriates working in a regional office are taxed only on the portion of their chargeable income attributable to the number of days that they are in the country. Applications should be submitted to MIDA.

17. GENERAL INCENTIVES

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

17.1 Industrial Building Allowance

An Industrial Building Allowance (IBA) is granted to companies incurring capital expenditure on the construction or purchase of a building that is used for specific purposes, including manufacturing, agriculture, mining, infrastructure facilities, research, Approved Service Projects and hotels that are registered with the Ministry of Culture, Arts and Tourism. Such companies are eligible for an initial allowance of 10% and an annual allowance of 3%. As such, the expenditure can be written off in 30 years.

Claims should be submitted to the IRB.

17.2 Infrastructure Allowance

Companies in the States of Sabah and Sarawak and the designated "Eastern Corridor" of Peninsular Malaysia are also eligible for an Infrastructure Allowance of 100%. Companies eligible are those engaged in manufacturing, agriculture, hotel, tourism or other industrial/commercial activities and which incur qualifying capital expenditure on infrastructure such as the reconstruction, extension and improvement of any permanent structure including bridges, jetties, ports and roads.

These companies can offset the allowance against 85% of their statutory income in the year of assessment. The remaining statutory income will be taxed at the prevailing company tax rate. Any unutilised allowance can be carried forward to subsequent years until fully utilised. This incentive applies to all applications received by 31 December 2005.

Claims should be submitted to the IRB.

17.3 Tariff Related Incentives

(i) Exemption from Import Duty on Raw Materials/Components

Full exemption from import duty can be considered for raw materials/components, regardless of whether the finished products are meant for the export or domestic market.

With regard to products for the export market, full exemption from import duty on raw materials/components is normally granted, provided the raw materials/components are not produced locally or, where they are produced locally, are not of acceptable quality and price.

As for products for the domestic market, full exemption from import duty on raw materials/components that are not produced locally can be considered. Full exemption can also be considered if the finished product made from dutiable raw materials/components is not subject to any import duty.

Applications should be submitted to MIDA.

Hotel and tourism projects qualify for full exemption of import duty and sales tax on identified imported materials/equipment and exemption of sales tax on identified locally purchased equipment.

Applications should be submitted to the Ministry of Finance.

(ii) Exemption from Import Duty and Sales Tax on Machinery and Equipment

It is the policy of the government not to impose taxes on machinery and equipment that are not produced locally or those used directly in the manufacturing process in the manufacturing and manufacturing related services sectors. However, due to difficulties in tariff classification, some machinery and equipment that are not locally manufactured are categorised under taxable items. Therefore, full exemption is given on import duty and sales tax for imported machinery/ equipment that are not available locally. For locally purchased machinery/equipment, full exemption is given on sales tax.

(iii) Exemption from Import Duty and Sales Tax on Spares and Consumables

Manufacturing companies qualify for import duty and sales tax exemptions on spares and consumables that are not produced locally. Exemption is selective and based on the following:

- the company's level of exports should be at least 80% of its production, or

- the spares and consumables have limited demand and do not have potential for domestic production, or

- the import duty on such items exceeds 5%.

(iv) Drawback of Import Duty, Sales Tax and Excise Duty

Under the Customs Act 1967, Sales Tax Act 1972 and Excise Act 1976, a drawback on import duty, sales tax and excise duty that have been paid may be claimed by a manufacturer if the parts, raw materials or packaging materials are used in the manufacture of goods for export within a year.

Excise duties are imposed on a selected range of goods manufactured in Malaysia. Goods which are subject to excise duties include intoxicating liquor, cigarettes containing tobacco, motor vehicles, playing cards and mahjong tiles.

The movement of goods from the principal customs area or licensed premises (for goods subject to excise duty) for use in the manufacture of other products by a factory in a free zone (FZ) or licensed manufacturing warehouse (LMW) or the island of Langkawi, Labuan and Tioman is considered as exports from Malaysia.

Applications should be made to the Royal Customs Department.

(v) Sales Tax Exemption

Manufacturers licensed under the Sales Tax Act 1972 qualify for sales tax exemption on the inputs for their manufacturing operations. Manufacturers with an annual sales turnover of less than RM100,000 are exempted from licensing and are thus exempted from paying sales tax on their output. However, these manufacturers can opt to be licensed and obtain sales tax exemption on their inputs instead.

Certain categories of goods are exempted from sales tax at both the input and output stages. These include all goods (inclusive of packaging materials) used in the manufacture of controlled articles, pharmaceutical products, milk products, batik fabrics, perfumes, beauty or make-up preparations, photographic cameras, wrist-watches, pens, computers and computer peripherals, parts and accessories, carton boxes/cases, products in the printing industry, agricultural or horticultural sprayers, plywood, re-treaded tyres, uninterruptible power systems, machinery, and manufactured goods for export.

Applications can be made to the Royal Customs Department

17.4 Incentives for Export

(i) Double Deduction for the Promotion of Exports

Certain expenses incurred by resident companies in seeking opportunities to export Malaysian manufactured and agricultural products and services, qualify for double deduction.

The eligible expenses are those incurred in:

- overseas advertising, publicity and public relations work
- supplying samples abroad, including delivery costs
- undertaking export market research
- preparing tenders for the supply of goods overseas
- supplying of technical information abroad

- preparing exhibits and participation costs in trade/industrial exhibitions, virtual trade shows and trade portals and fares for overseas travel by company employees for business

- accommodation expenses up to RM300 per day and sustenance expenses up to RM150 per day for company representatives who travel overseas for business

- maintaining sales offices and warehouses overseas to promote exports

- hiring professionals to design packaging for exports, subject to the company using local professional services

- undertaking feasibility studies for overseas projects identified for the purpose of tenders

- participating in trade or industrial exhibitions in the country or overseas

- participating in exhibitions held in Malaysian Permanent Trade and Exhibition Centres overseas.

With effect from the year of assessment 2003, partnerships and sole proprietorships registered with the Companies Commission of Malaysia are also eligible for the above incentive. To qualify, they must provide the following professional services:

- legal

- accounting (including taxation and management consultancy)

- architectural (including town planning and landscaping)

- engineering and integrated engineering (including valuation and quantity surveying)

- medical and dental

For pioneer companies, the expenses can be deducted against the post-pioneer income.

(ii) Single Deduction for the Promotion of Exports

Certain expenses incurred by resident companies in seeking opportunities to export Malaysian manufactured and agricultural products and services qualify for single deduction. The eligible expenses are those incurred in:

- registration of patents, trade marks and product licensing overseas

- hotel accommodation for a maximum of three nights in providing hospitality to potential importers invited to Malaysia.

(iii) Double Deduction on Export Credit Insurance Premiums

Premium payments on export credit insurance qualify for double deduction.

(iv) Special Industrial Building Allowance for Warehouses

An annual allowance of 10% of the qualifying capital expenditure is given for buildings used as warehouses for storing goods for export and re-export.

(v) Double Deduction on Freight Charges

Manufacturers in Sabah and Sarawak who export rattan and wood-based products (excluding sawn timber and veneer) qualify for double deduction on freight charges. Manufacturers who ship their goods from Sabah and Sarawak to Peninsular Malaysia via ports in Peninsular Malaysia qualify for double deduction on freight charges.

(vi) Incentive for the Implementation of RosettaNet

RosettaNet is an open Internet-based common business messaging standard for supply chain management link-ups with global suppliers.

To encourage local small and medium-scale companies to adopt RosettaNet in order to become more competitive in the global market, the expenditure and contributions incurred by companies in the management and operation of RosettaNet Malaysia and in assisting local small and medium-scale companies to adopt RosettaNet are eligible for income tax deduction.

The eligible expenditure and contributions are those on equipment (computers and servers) and salaries for full-time employees seconded to RosettaNet Malaysia, contribution of software, sharing of software and programming, as well as the training of the staff of local small and medium-scale companies to use RosettaNet.

Claims should be submitted to the IRB.

(vii) Double Deduction for the Promotion of Malaysian Brand Names

To promote Malaysian brand names, expenditure incurred within the country for advertising and professional fees paid to promotion companies qualify for double deduction provided that:

- the company owning the brand name is at least 70% Malaysian-owned

- the brand is registered in Malaysia or overseas, and

- the product meets export quality standards.

Claims should be submitted to the IRB.

(viii) Tax Exemption on the Value of Increased Exports in the Services Sector

Companies in selected services sectors comprising legal, accounting, engineering consultancy, architecture, marketing, business consultancy, office services, construction management, building management, plantation management, private health and education, publishing, and information and communications technology (ICT), can apply for tax exemption of their statutory income equivalent to 50% of the value of increased exports.

Claims should be submitted to the IRB

17.5 Training Incentives

(i) Double Deduction for Approved Training

Manufacturing and non-manufacturing companies that do not contribute to the Human Resources Development Fund (HRDF) qualify for double deduction on expenses incurred for approved training.

For the manufacturing sector, the training could be undertaken in-house or at approved training institutions. However, for the non-manufacturing sector, the training should be held only at approved training institutions. Approval is automatic when the training is at approved institutions.

For the hotel and tour operation business, training programmes, in-house or at approved training institutions, to upgrade the level of skills and professionalism in the tourism industry should be approved by the Ministry of Culture, Arts and Tourism.

Applications should be submitted to MIDA.

(ii) Deduction for Pre-Employment Training

Training expenses incurred before the commencement of business qualify for a single deduction. Nevertheless, companies must prove that they will employ the trainees.

Claims should be submitted to the IRB.

(iii) Deduction for Non-Employee Training

Expenses incurred in providing practical training to residents who are not employees of the company can be considered for single deduction.

Claims should be submitted to the IRB.

(iv) Deduction for Cash Contributions

Contributions in cash to technical or vocational training institutions that are not operating primarily for profit and those established and maintained by a statutory body qualify for single deduction.

Claims should be submitted to the IRB

(v) Human Resources Development Fund

Please refer to Chapter 5 - "Manpower for Industry".

(vi) Special Industrial Building Allowance for Training

Companies that incur expenditure on buildings used for approved industrial, technical or vocational training can claim a special Industrial Building Allowance (IBA) of 10% for 10 years on the qualifying capital expenditure for the construction or purchase of the building.

Claims should be submitted to the IRB.

17.6 Incentive for Acquiring Proprietary Rights

Capital expenditure incurred in acquiring patents, designs, models, plans, trade marks or brands and other similar rights from foreigners qualify as a deduction in the computation of income tax. This deduction is given in the form of an annual deduction of 20% over a period of five years.

Claims should be submitted to the IRB

17.7 Incentives for Acquiring a Foreign-Owned Company

A Malaysian-owned company that acquires a foreign-owned company abroad to acquire high technology for production within the country or to gain new export markets for local products, will be granted a deduction equivalent to the acquisition costs for five years. This incentive applies to project applications received by MIDA from 21 September 2002.

17.8 Incentive for the Use of Environmental Protection Equipment

Companies using environmental protection equipment receive an initial allowance of 40% and an annual allowance of 20% on the capital expenditure incurred on such equipment. Thus, the full amount can be written off in three years.

Claims should be submitted to the IRB.

17.9 Donations for Environmental Protection

Donations to an approved organisation exclusively for the protection and conservation of the environment qualify for single deduction.

Claims should be submitted to the IRB.

17.10 Incentive for Employees' Accommodation

When a building is used for employees for the purpose of living accommodation in a manufacturing operation, an Approved Service Project, hotel or tourism business, a special Industrial Building Allowance of 10% of the expenditure incurred on the construction/purchase of the building is given for 10 years.

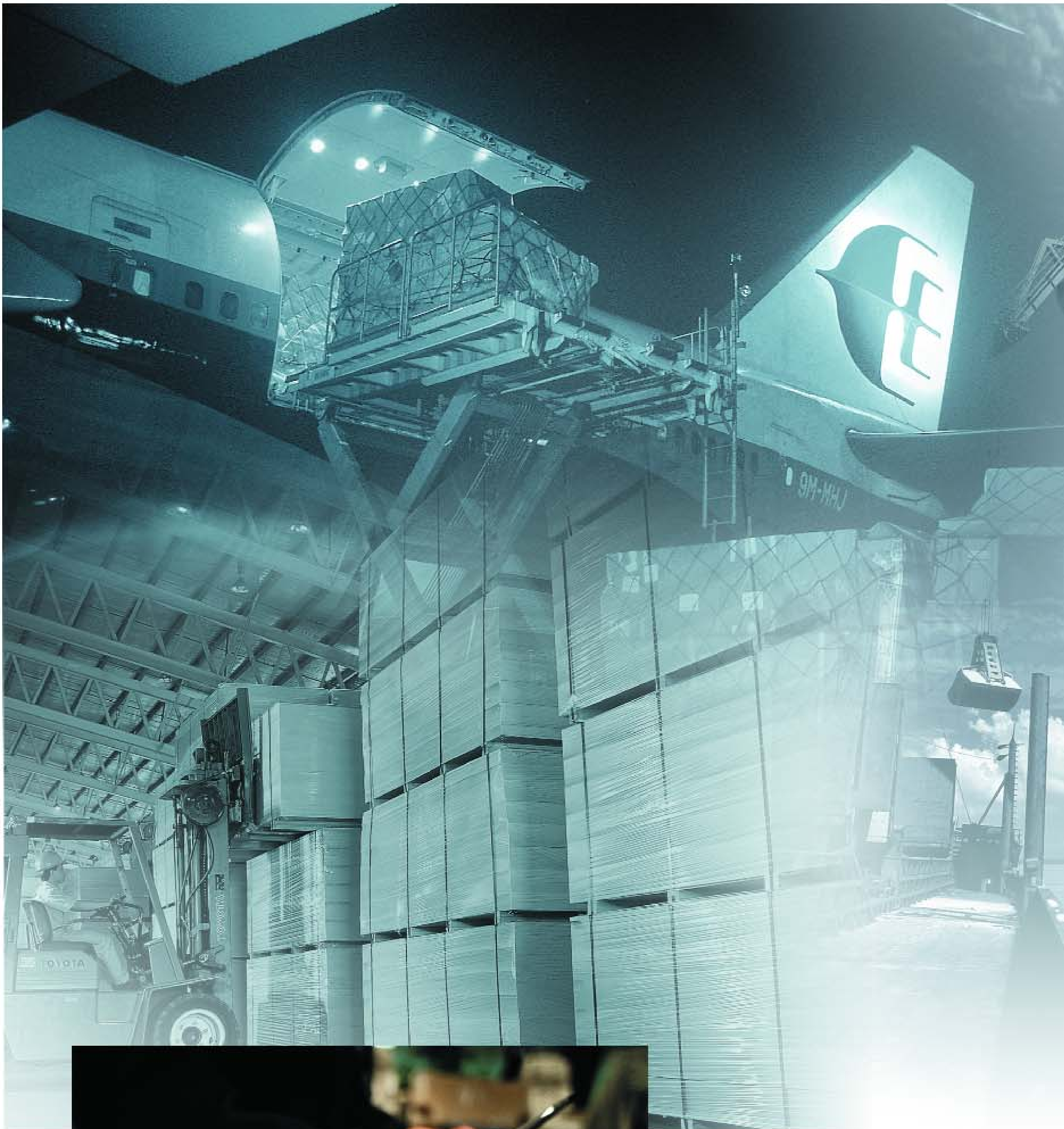
Claims should be submitted to the IRB.

17.11 Incentives for Employees' Child Care Facilities

Expenditure incurred for the construction/purchase of buildings for the purpose of providing child care facilities for employees are eligible for a special Industrial Building Allowance of 10% for 10 years.

A single deduction also applies to gifts in kind and cash to provide and maintain a child care centre for the benefit of employees.

Claims should be submitted to the IRB.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Chapter 3

TAXATION

1. TAXATION IN MALAYSIA
2. SOURCES OF INCOME LIABLE TO TAX
3. COMPANY TAX
4. PERSONAL INCOME TAX
    - 4.1 Resident Individual
        - 4.1.1 Personal Reliefs
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7. SALES TAX
8. SERVICE TAX
9. IMPORT DUTY
10. EXCISE DUTY
11. AGREEMENTS FOR THE AVOIDANCE OF DOUBLE TAXATION

Chapter 3

TAXATION

1. TAXATION IN MALAYSIA

All income of companies and individuals accrued in, derived from or remitted to Malaysia, are liable to tax. However, income derived from outside Malaysia and remitted to Malaysia by resident companies (except those involved in the banking, insurance, air and sea transportation business), non-resident companies and non-resident individuals are exempted from tax.

Effective from the year of assessment 2004, income remitted to Malaysia by a resident individual is exempted from tax.

To modernise and streamline the tax administration system, the assessment of income tax was changed to a current year basis of assessment from the year 2000. In 2001, the Self-Assessment System replaced the Official Assessment System for companies. This Self-Assessment System will be implemented for businesses, partnerships, cooperatives and salaried groups in 2004.

Apart from income tax, there are other direct taxes such as stamp duty and real property gains tax, and indirect taxes such as sales tax, service tax, excise duty, import duty and export duty.

2. SOURCES OF INCOME LIABLE TO TAX

The following sources of income are liable to tax:

- gains and profits from a trade, profession and business
- gains or profits from an employment (salaries, remunerations, etc.)
- dividends, interests or discounts
- rents, royalties or premiums
- pensions, annuities or other periodic payments
- other gains or profits of an income nature

Chargeable income is arrived at after adjusting for allowable expenses incurred in the production of the income, capital allowances and incentives where applicable. Section 34 of the Income Tax Act 1967 allows specific provisions for bad or doubtful debts. However, no deduction for book depreciation is allowed although capital allowances are granted. Unabsorbed business losses may be carried forward indefinitely to offset against business income, except for companies with Pioneer Status (other than contract R&D companies).

3. COMPANY TAX

A company, whether resident or not, is assessable on income accrued in or derived from Malaysia. Income derived from sources outside Malaysia and remitted by a resident company is exempted from tax, except in the case of the banking and insurance business, and sea and air transport undertakings. A company is considered a resident in Malaysia if the control and management of its affairs are exercised in Malaysia.

A tax rate of 28% applies to both resident and non-resident companies. A company carrying on petroleum upstream operations is subject to a Petroleum Income Tax of 38%.

4. PERSONAL INCOME TAX

All individuals are liable to tax on income accrued in, derived from or remitted to Malaysia. However, a non-resident individual will be taxed only on income earned in Malaysia. The rate of tax depends on the individual's resident status, which is determined by the duration of his stay in the country as stipulated under Section 7 of the Income Tax Act 1967. Generally, an individual residing in Malaysia for more than 182 days in a year has resident status.

Effective from the year of assessment 2004, income remitted to Malaysia by a resident individual is exempted from tax.

4.1 Resident Individual

A resident individual is taxed on his chargeable income at a graduated rate from 0% to 28% after deducting tax reliefs.

4.1.1 Personal Reliefs

The chargeable income of a resident individual is arrived at after making several deductions. These include the personal reliefs for self (a further RM5,000 for that individual if he is a disabled person), spouse and unmarried children below 18 years of age; parents' medical expenses; medical expenses on serious diseases including medical examinations for individual, spouse or child; expenditure for purchase of basic support equipment for the individual, spouse, child or parent who is disabled; and contributions to the Employees Provident Fund (EPF), life insurance premiums, and insurance premiums for education or medical benefits.

An amount limited to a maximum of RM5,000 on fees expended by the individual for any course of study up to tertiary level for the purpose of acquiring scientific, technical, vocational, industrial, and information and communications technology (ICT) skills at the local institutions of higher learning in Malaysia recognized by the Government is also allowed as a deduction..

4.1.2 Tax Rebate

The tax liability of a resident individual is reduced by way of the following rebates:

i) An individual with a chargeable income not exceeding RM35,000 enjoys a rebate of RM350. Where the wife is not working or the wife's income is jointly assessed, she also enjoys a further rebate of RM350. Similarly, a wife who is assessed separately will also enjoy a RM350 rebate, provided her chargeable income does not exceed RM35,000

ii) The amount paid in respect of any zakat, fitrah or other obligatory Islamic religious dues

iii) RM400 towards the purchase of a personal computer once every five years per family

iv) Any fee paid to the government for the issue of an employment pass, visit pass or work permit

4.2 Non-Resident Individual

A non-resident individual is liable to tax at the rate of 28% without any personal relief. However, he can claim rebates in respect of levy paid to the government for the issuance of an employment work permit.

5. WITHHOLDING TAX

Non-resident individuals are subject to a final withholding tax of:

i) 10% on special classes of income such as the use of moveable property; technical advice, assistance or services; installation services on the supply of plant, machinery, etc.; and personal services associated with the use of intangible property. Effective from 21 September 2002, payments to non-residents for services rendered abroad will not be liable to the withholding tax of 10%.

ii) 10% on royalties

iii) 15% on interest

iv) 15% on the services of a public entertainer

An employee on a short-term visit to Malaysia enjoys tax exemption in respect of his income from an employment exercised in Malaysia when his presence does not exceed 60 days in a calendar year. However, the income of a non-resident individual who performs independent services such as consultancy services is not exempted from tax.

6. REAL PROPERTY GAINS TAX

Capital gains are generally not subject to tax in Malaysia. Real property gains tax is charged on gains arising from the disposal of real property situated in Malaysia or of interest, options or other rights in or over such land as well as the disposal of shares in real property companies. The tax rates for Malaysian citizens and permanent residents are as follows:

Disposal within 2 years			30%
Disposal in the 3rd year			20%
Disposal in the 4th year			15%
Disposal in the 5th year			5%
Disposal in the 6th year and thereafter	-	Company	5%
	-	Individual	nil

Citizens and permanent residents also enjoy an exemption of RM5,000 or 10% of the gains whichever is the greater, besides a one-time tax exemption on the gains arising from the disposal of one private residence.

For non-citizens and non-permanent resident individuals, gains from the disposal of real property within five years are taxed at a flat rate of 30%, after which the tax rate will be 5%.

7. SALES TAX

Sales tax is a single stage tax imposed at the import or manufacturing levels. In Malaysia, manufacturers of taxable goods are required to be licensed under the Sales Tax Act 1972. Companies with a sales turnover of less than RM100,000 and companies with Licensed Manufacturing Warehouse(LMW) status are exempted from this licensing requirement. However, companies with a sales turnover of less than RM100,000 have to apply for a certificate of exemption from licensing.

Licensed manufacturers are taxed on their output while manufacturers that are not licensed or exempted from licensing need to pay tax on their inputs. To relieve small-scale manufacturers from paying sales tax upfront on their inputs, they can opt to be licensed under the Sales Tax Act 1972 in order to purchase tax-free inputs. With this, small-scale manufacturers can opt to pay sales tax only on their finished products.

Sales tax is generally at 10%. However, raw materials and machinery for use in the manufacture of taxable goods are eligible for exemption from the tax, while inputs for selected non-taxable products are also exempted.

Certain non-essential foodstuffs and building materials are taxed at 5%, cigarettes at 25% and liquor at 20%. Certain primary commodities, basic foodstuffs, basic building materials, certain agricultural implements and heavy machinery for use in the construction industry are exempted. Certain tourism and sports goods, books, newspapers and reading materials are also exempted.

8. SERVICE TAX

A service tax applies to certain prescribed goods and services in Malaysia including food, drinks and tobacco; provision of rooms for lodging and premises for meetings, conventions, and cultural and fashion shows; health services, and provision of accommodation and food by private hospitals.

The tax also applies to professional and consultancy services provided by lawyers, engineers, surveyors, architects, accountants, advertising agencies, consultancy firms, insurance companies, motor vehicle service and repair centres, telecommunication services companies, security and guard services agencies, recreational clubs, estate agents, parking space services operators, courier service firms and veterinary doctors.

Effective from 1 January 2003, professional services provided by a company to companies within the same group will be exempted from the current service tax of 5%. This applies to services provided by public accountants, advocates and solicitors, engineers, architects, surveyors (including valuers, assessors and real estate agents), consultants and management service providers. Courier services provided from a point within Malaysia to a destination outside Malaysia will also be exempted from the service tax of 5% with effect from 1 January 2003.

The tax base has been widened to include other services such as those provided by car rental agencies licensed under the Commercial Vehicles Licensing Board Act 1987 having an annual sales turnover of RM300,000 and above, employment agencies having an annual sales turnover of RM150,000 and above, and companies providing management services, including project management and coordination services, having an annual sales turnover of RM150,000 and above. Hotels having more than 25 rooms and restaurants within such hotels are also subject to this tax.

Generally, the imposition of service tax is subject to a specific threshold based on an annual turnover ranging from RM150,000 to RM300,000.

9. IMPORT DUTY

In Malaysia, import duty is mostly imposed ad valorem although some specific duties are imposed on a number of items. Nevertheless, over the last few years, Malaysia has abolished import duties on a wide range of raw materials, components and machinery.

Furthermore, Malaysia is committed to the ASEAN Common Effective Preferential Tariffs (CEPT) programme under which import duties imposed on most goods from ASEAN countries with a minimum 40% ASEAN content will be reduced to between 0% and 5% by the year 2003.

10. EXCISE DUTY

Excise duties are levied on selected products manufactured in Malaysia, namely cigarettes, liquors, playing cards, mahjong tiles and motor vehicles.

To encourage the export of locally manufactured goods, companies with licensed manufacturing warehouse (LMW) status that manufacture goods subject to excise duty are exempted from being licensed under the Excise Duty Act 1976.

11. AGREEMENT FOR THE AVOIDANCE OF DOUBLE TAXATION

Agreements for the Avoidance of Double Taxation prevent incidences of double taxation on income such as business profits, dividends, interest and royalties that are derived in one country and remitted to another country. To-date, Malaysia has signed such tax treaties with the following countries (by alphabetical order):

Argentina *
Australia
Austria
Bahrain
Bangladesh
Belgium
Canada
China
Czech Republic
Denmark
Fiji
Finland
France
Germany
Hungary
India
Indonesia
Ireland
Italy
Japan
Jordan
Korea
Kyrgyz Republic
Malta
Mauritius
Mongolia
Netherlands
New Zealand
Norway
Pakistan
Papua New Guinea
Philippines
Poland
Romania
Russia
Saudi Arabia *
Singapore
Sri Lanka
Sweden
Switzerland
Thailand
Turkey
United Arab Emirates
United Kingdom
United States of America*
Uzbekistan
Vietnam, Socialist

In addition, an Agreement for the Avoidance of Double Taxation has been signed between the Malaysian Friendship and Trade Centre in Taipei (MFTC) and the Taipei Economic and Cultural Office in Kuala Lumpur (TECO).

* *Limited to shipping and air transport services*

Chapter 4

IMMIGRATION PROCEDURES

1. PASSPORT AND VISA REQUIREMENTS

2. ENTRY INTO MALAYSIA

   2.1 Passes Issued at Point of Entry

   2.2 Passes Issued upon Arrival in Malaysia

3. EMPLOYMENT OF EXPATRIATE PERSONNEL

4. APPLYING FOR EXPATRIATE POSTS

5. EMPLOYMENT OF FOREIGN WORKERS

Chapter 4

IMMIGRATION PROCEDURE

1. PASSPORT AND VISA REQUIREMENTS

All persons entering Malaysia must possess valid national passports or other internationally recognised travel documents valid for travel to Malaysia. These documents must be valid for at least six months beyond the date of entry into Malaysia.

Those with passports not recognised by Malaysia must apply for a document in lieu of the passport as well as a visa issued by Malaysian missions abroad.

Applications for visas can be made at the nearest Malaysian mission abroad. In countries where Malaysian missions have not been established, applications can be made to the nearest British High Commission or Embassy.

Visa Requirements	**Citizens of:**
No visa required	Commonwealth Countries (except India, Bangladesh, Pakistan, Sri Lanka and Nigeria), Switzerland, Netherlands, San Marino and Liechtenstein
No visa required for social visits not exceeding 30 days	ASEAN Countries except Myanmar
No visa required for social visits exceeding three months	Albania, Algeria, Argentina, Austria, Bahrain, Belgium, Bosnia-Herzegovina, Brazil, Croatia, Cuba, Denmark, Egypt, Finland, France, Germany, Hungary, Iceland, Italy, Japan, Jordan, Kyrgyzstan, Kuwait, Lebanon, Luxembourg, Morocco, Norway, Oman, Peru, Poland, Qatar, Romania, Saudi Arabia, South Korea, Spain, Sweden, Slovakia, Tunisia, Turkey, Turkmenistan, United Arab Emirates, United States of America, Uruguay and Yemen
No visa required for social visits not exceeding 14 days	Iraq, Libya, Syria, Palestine, Macao (Travel Permit), Portugal (Alien Passport)
No visa required for social visits not exceeding 15 days	Iran

Visa without reference required	India, Bangladesh, Pakistan, Sri Lanka, Bhutan, China, Myanmar, Nepal, Taiwan, Angola, Burkina Faso, Burundi, Cameroon, Central African Republic, Congo Republic, Congo Democratic Republic, Cote d' Ivoire, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, Guinea - Bissau, Liberia, Mali, Mauritania, Mozambique, Niger, Rwanda, Taiwan, Nigeria and Western Sahara
Visa with reference required	Afghanistan
Prior approval required from the Malaysian government	Israel, Serbia and Montenegro

For countries other than those stated above, no visa is required for visits not exceeding one month.

2. ENTRY INTO MALAYSIA

2.1 Passes Issued at Point of Entry

A visitor can obtain a visit pass for the purpose of a social or business visit at the point of entry provided he can satisfy immigration authorities that he has a valid passport and visa (where necessary) which allows him to stay temporarily in Malaysia.

A Visit Pass (social) is issued to visitors for the purpose of social or/and business visit such as:

- Owners and company representatives entering Malaysia to attend a company meeting or seminar, inspect the company's accounts or to ensure the smooth running of the company
- Investors or businessmen entering to explore business opportunities and investment potential
- Foreign representatives of companies entering to introduce goods for manufacture in Malaysia, but not to engage in direct selling or distribution
- Property owners entering to negotiate, sell or lease properties
- Foreign reporters from mass media agencies entering to cover any event in Malaysia
- Participants in sporting events

These passes cannot be used for employment or for supervising the installation of new machinery or the construction of a factory.

2.2 Passes Issued upon Arrival in Malaysia

Other than applications for entry for the purpose of social or business visits, all applications for passes mentioned below must be made upon arrival in the country.

All such applications must have sponsorship in Malaysia whereby the sponsors agree to be responsible for the maintenance and repatriation of the visitors from Malaysia if necessary.

The types of passes are:

i) Visit Pass (Temporary Employment)

This is issued to persons who enter the country to take up employment for less than 24 months or earn a monthly income of less than RM2,500.

ii) Employment Pass

This is issued to foreigners who enter the country to take up a contract of employment with a minimum period of two years and earn a monthly income of not less than RM2,500.

iii) Visit Pass (Professional)

This is issued to foreigners who wish to enter the country for the purpose of engaging on short-term contract with any agency.

The categories of foreigners who are eligible are:

- artistes
- those entering for filming
- researchers recognised by the Government of Malaysia
- members of an International Organisation
- volunteers
- invited lecturers/speakers
- those entering for religious purposes
- experts in the installation or maintenance of machines/computers.

The validity of the pass varies but it does not exceed twelve months at any one time.

iv) Dependant's Pass

This is issued to wives and children of foreigners who have been issued with an employment pass. This pass may be applied for together with the application for an employment pass or after the employment pass is approved. Wives and children of foreigners who enter the country on a visit pass (temporary employment or professional) will be issued a visit pass (social).

v) Student's Pass

This is issued to foreigners who enroll as students in any approved educational institution.

3. EMPLOYMENT OF EXPATRIATE PERSONNEL

The Malaysian government is desirous that Malaysians are eventually trained and employed at all levels of employment. Thus, companies are encouraged to train more Malaysians so that the employment pattern at all levels of the organisation reflects the multi-racial composition of the country.

Notwithstanding this, where there is a shortage of trained Malaysians, foreign companies are allowed to bring in expatriate personnel. In addition, foreign companies are also allowed "key posts", that is, posts that are permanently filled by foreigners.

To further improve Malaysia's investment environment and promote technology transfer and the inflow of foreign skills into Malaysia, the government has further liberalized the policy on the employment of expatriate personnel. Effective from 17 June 2003, the new guidelines on the employment of expatriate personnel is as follows:

a. Manufacturing companies with foreign paid-up capital of US$2 million and above:

   - Automatic approval is given for up to 10 expatriate posts, including five key posts.

   - Expatriates can be employed for up to a maximum of 10 years for executive posts, and five years for non-executive posts

b. Manufacturing companies with foreign paid-up capital of more than US$200,000 but less than US$2 million:

   - Automatic approval is given for up to five expatriate posts, including at least one key post.

   - Expatriates can be employed for up to a maximum 10 years for executive posts, and five years for non-executive posts

c. Manufacturing companies with foreign paid-up capital of less than US$200,000 will be considered for both key posts and time posts based on current guidelines. They are:

   - Key posts can be considered where the foreign paid-up capital is at least RM500, 000. This amount, however, is only a guideline and the number of key posts allowed depends on the merits of each case.

   - Time posts can be considered for up to 10 years for executive posts that require professional qualifications and practical experience, and five years for non-executive posts that require technical skills and experience. For these posts, Malaysians must be trained to eventually take over the posts.

   - The number of key posts and time posts allowed depends on the merits of each case.

d. For Malaysian-owned manufacturing companies, automatic approval for the employment of expatriates for technical posts, including R & D posts, will be given as requested.

An expatriate personnel who is transferred from one post to another within the same company will be required to obtain a new employment pass. His original employment pass will be amended to reflect the change in post. A new expatriate personnel replacing another must also obtain a fresh employment pass.

All employment passes are valid for the period approved for the post. However, for key post holders, employment passes will be issued on a five-year renewable basis except in circumstances where:

- the validity of the expatriate's passport is less than five years,

- the expatriate's employment contract is less than five years, or

- the employer requires the services of the expatriate for less than five years

Holders of employment passes will be issued with multiple entry visas valid for the duration of the employment pass.

4. APPLYING FOR EXPATRIATE POSTS

Applications for expatriate posts should be submitted to MIDA together with the company's application for approval of its project. If the company is unable to do so, it may submit its application for expatriate personnel at a later stage.

This procedure applies to expatriate personnel required by:

i. Companies which propose to establish new projects

ii. Existing companies proposing to manufacture additional products

iii. Existing companies proposing to expand their production capacities

For companies which do not fall under the above categories, applications to add or extend expatriate posts can be submitted directly to the Immigration Department headquarters in Kuala Lumpur.

There is no levy for expatriates earning more than RM2,500 per month and with employment contracts of 24 months and more. However, a nominal fee will be imposed for key posts and management/professional and technical posts.

5. EMPLOYMENT OF FOREIGN WORKERS

In Malaysia, foreign workers can be employed in the construction, plantation, service (domestic servants, workers in the hotel industry, trainers and instructors) and manufacturing sectors.

Applications from companies in the manufacturing sector located in Peninsular Malaysia should be submitted to the Ministry of International Trade and Industry. Only nationals from the Philippines, Vietnam, Thailand, Nepal, Laos, Turkmenistan, Kazakhstan, Myanmar, Uzbekistan, Cambodia and Indonesia can be employed.

Applications from companies in the other sectors should be submitted to the Foreign Workers Division of the Ministry of Home Affairs. Only nationals from Cambodia, India, Indonesia, Kazakhstan, Laos, Myanmar, Nepal, the Philippines, Sri Lanka, Thailand, Turkmenistan, Uzbekistan and Vietnam can be employed.

Approval is based on the merits of each case and subject to conditions that will be determined from time to time. Applications to employ foreign workers will only be considered when efforts to find qualified local citizens and permanent residents have failed.

To ensure that foreign labour is employed only when necessary, an annual levy on foreign workers is imposed. The levy for a foreign worker in the manufacturing, services and construction sectors is RM100 per month while in the domestic help and plantations sectors, the levy is RM30 per month.


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Chapter 5

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Chapter 5

MANPOWER FOR INDUSTRY

1. MALAYSIA'S LABOUR FORCE

Malaysia offers the investor a youthful labour force that is diligent, disciplined, educated and trainable. Malaysian youths who enter the labour market would have undergone at least 11 years of school education i.e. up to secondary school level, and are therefore easy to train in new techniques and skills.

To cater to the manufacturing sector's expanding demand for technically trained workers, the Malaysian government has taken measures to increase the number of engineers, technicians and other skilled personnel graduating each year from local as well as foreign universities, colleges, and technical and industrial training institutions.

In addition, Malaysia enjoys a free and competitive labour market where employer-employee relationship is cordial and harmonious. Labour costs in Malaysia are relatively low in comparison with industrialised countries while productivity levels remain high.

2. MANPOWER DEVELOPMENT

The National Vocational Training Council (NVTC) under the Ministry of Human Resources was established in May 1989 for the purpose of formulating, promoting, and coordinating Malaysia's vocational and industrial training strategy and programme in keeping with the country's technological and economic development needs.

The NVTC coordinates the setting up of all public and private training institutions, evaluates the demand for existing and future skills, identifies future vocational and industrial training needs, and continually develops the National Occupational Skill Standards (NOSS). To-date, there are more than 650 NOSS covering certificate, diploma and advanced diploma qualifications.

2.1 Facilities for Training in Industrial Skills

In Malaysia, vocational and technical schools, polytechnics and industrial training institutions prepare youths for employment in various industrial trades. While they are mostly run by government agencies, several private initiatives complement the government's efforts in producing the skilled workers needed by industry. The main government agencies involved in training are:

- **Ministry of Human Resources** which currently runs fourteen industrial training institutes (ITIs). The ITIs offer industrial skills training programmes at basic, intermediate and advanced levels for pre-employment or job entry level. These include apprenticeship programmes in the mechanical, electrical, building and printing trades as well as programmes to upgrade skills and train instructors. The Ministry also operates the Centre for Instructors and Advanced Skills Training (CIAST), the Japan-Malaysia Technical Institute (JMTI) and four advanced technology centres (ADTECs).

- **Majlis Amanah Rakyat (MARA)** or the Council of Trust for the Indigenous People under the purview of the Ministry of Entrepreneur Development. MARA operates twelve skills training institutes in different parts of the country which offer programmes at basic, intermediate and advanced levels. MARA also coordinates the operations of three advanced skills training institutions, i.e. the German-Malaysian Institute (GMI), British Malaysian Institute (BMI) and Malaysia France Institute (MFI).

- **Ministry of Education**, which runs 85 technical schools offering technical and vocational courses, one vocational school and nineteen polytechnics as well as 34 community colleges to prepare skilled manpower for industries. More technical schools, polytechnics and community colleges are being planned and built.

- **Ministry of Youth and Sports** which provides basic, intermediate and advanced levels of industrial skills training through its seven youth skills training centres and the Youth Advanced Skills Training Centre. Short-term courses and skills upgrading programmes are also being conducted.

2.2 Human Resources Development Fund

The Human Resources Development Fund (HRDF), aimed at encouraging direct private sector participation in skills development, was launched in 1993 with a grant from the government.

The HRDF operates on the basis of a levy/grant system. Employers who have paid the levy will qualify for training grants from the fund to defray or subsidise training costs for their Malaysian employees.

Manufacturing companies contribute as follows:

Companies that employ 50 or more Malaysian workers	1% of employees' monthly wages
Companies that employ less than 50 to a minimum of 10 employees, with a paid-up capital of RM2.5 million or more	1% of employees' monthly wages
Companies that employ less than 50 to a minimum of 10 of employees, with a paid-up capital of less than RM2.5 million *(Note: For this category, the government has approved a subsidy of RM1 for RM1 spent on training)*	Option of registering with the HRDF and paying levy of 0.5% of employees' monthly wages

The rate of financial assistance is 100% of the allowable costs incurred for training in Malaysia and up to 50% for costs incurred overseas, subject to the availability of levy in the employers' accounts with the Human Resources Development Council, which has been corporatised and is now known as Pembangunan Sumber Manusia Berhad (PSMB).

For specific industries, apprenticeship schemes developed and implemented by PSMB help in providing trained workers to industries. A RM35-million Apprenticeship Fund established by PSMB pays for the tuition fees of apprentices sponsored by employers in PSMB-initiated apprenticeship schemes. At the same time, 100% of allowable training costs such as apprentices' monthly allowances, insurance premiums and consumables, can be reimbursed from levy contributions.

To date, the PSMB has implemented various apprenticeship schemes in the fields of mechatronics, the hotel industry, industrial machining, information technology and the wood-based industry to cater to the needs of employers.

2.3 Management Personnel

In 2002, an estimated 53,000 degree and 22,000 diploma holders graduated from Malaysia's 18 public universities and other institutions of higher education. These graduates are from various disciplines ranging from business management, information technology, engineering, medicine, science and mathematics to art and design.

Besides universities and colleges, agencies like the National Productivity Corporation, the Malaysian Institute of Management and the Malaysian Institute of Personnel Managers also provide training for management personnel. In addition many of Malaysia's management-level personnel have been educated overseas.

3. LABOUR COSTS

There is no national minimum wage law applicable to the manufacturing sector in Malaysia. Basic wage rates vary according to location and industrial sector, while supplementary benefits, which may include bonuses, free uniforms, free or subsidised transport, performance incentives and other benefits, vary from company to company.

Salaries and fringe benefits offered to management and executive personnel also vary according to the industry and employment policy of the company. Most companies provide free medical treatment, personal accident and life insurance coverage, free or subsidised transport, an annual bonus, retirement benefits and enhanced contributions to the Employees Provident Fund.

For more information on salaries and fringe benefits in the manufacturing sector, please refer to MIDA's brochure entitled "The Costs of Doing Business in Malaysia".

4. FACILITIES FOR RECRUITMENT

Besides registered private employment agencies, employers and job seekers can seek assistance from government employment offices located throughout the country. Employers seeking to recruit workers can obtain detailed information on job seekers registered with these employment offices whose functions include:

- Undertaking publicity campaigns to aid employers' recruitment drive
- Arranging preparatory work relating to holding interviews and aptitude tests

The polytechnics and the community colleges also provide facilities for prospective employers to conduct interviews for graduating students in their institutions.

5. LABOUR STANDARDS

The Department of Labour provides advisory services to employers and employees on all aspects of the labour laws in Malaysia. Every agricultural or industrial undertaking or establishment where any commerce, trade, profession or business is carried on that employs or is likely to employ employees, must notify the nearest Department of Labour in writing within 90 days of commencing operation. When employing a foreign employee, employers must inform the Department of Labour within 14 days.

5.1 Employment Act 1955

The Employment Act 1955 stipulates the minimum conditions of employment. It applies to all employees in Peninsular Malaysia and the Federal Territory of Labuan whose monthly wages do not exceed RM1,500 and all manual workers irrespective of their wages. Even so, employees who earn between RM1,500 and RM5,000 a month can still seek redress from the Department of Labour with regard to wages and any other payments in cash as stipulated in their contract of service. Under the Employment Act 1955:

i) Every employee must be given a written contract of employment which states the terms and conditions of the employment, including the notice period required to terminate it.

ii) Wages must be paid not later than the seventh day after the last day of any wage period. A pay slip is required, detailing wages less any lawful deductions.

iii) Female employees are not permitted to work in any industrial or agricultural undertaking between the hours of 10.00pm and 5.00am, except with the prior written approval of the Director-General of the Department of Labour.

iv) Female employees are entitled to 60 days paid maternity leave for up to five surviving children. They shall be paid their ordinary rate of pay, subject to a minimum of RM6.00 per day.

v) Normal hours of work shall not exceed eight hours in one day or 48 hours in one week.

vi) Employees are entitled to paid holidays on at least ten gazetted public holidays in any one calendar year and on any day declared as a public holiday under Section 8 of the Holiday Act 1951.

vii) Eight days of paid annual leave for employees with less than two years of service, 12 days of paid annual leave for employees with two years but less than five years of service, and 16 days of paid annual leave for those with five or more years of service.

viii) Fourteen days of paid sick leave for employees with less than two years of service, 18 days of paid sick leave for employees with two but less than five years of service and 22 days paid sick leave for those with over five years of service per calendar year and where hospitalisation is necessary, up to a maximum of 60 days paid sick leave per calendar year.

ix) Payment for overtime work is at a minimum of one-and-a-half times the hourly rate of pay on normal working days, two times the hourly rate on rest days and three times the hourly rate on public holidays.

5.2 The Labour Ordinance, Sabah and the Labour Ordinance, Sarawak

The Labour Ordinance, Sabah and the Labour Ordinance, Sarawak regulates the terms and conditions of employment and other employment matters in the respective states.

5.3 Employees Provident Fund Act 1991

The Employees Provident Fund Act 1991 stipulates a compulsory contribution for employees. Under the Act, all employers and employees (except foreign workers and those who are listed under the First Schedule) must contribute to the Employees Provident Fund (EPF) at the minimum rates of 12% (for the employer's share) and 11% (for the employee's share) of the employee's monthly wages respectively. Both employers and employees are encouraged to contribute at a rate higher than this mandatory contribution.

However, for a period of one year beginning 1June 2003, the EPF contribution by employees is reduced from 11% to 9%.

All employers must register their employees with the EPF immediately upon employment except for those who are exempted under the Act such as foreign workers and persons stated in the First Schedule i.e. persons who are employed to work in or are connected with work in a private dwelling. However, persons stated in the First Schedule can choose to contribute to the EPF and the rate of contribution is at a minimum of RM50.00 and a maximum of RM5,000.00 per month.

All foreign workers and expatriates are exempted from compulsory contributions. They can, however, choose to contribute and the rate is RM5.00 (for the employer's share) per employee per month and 11% of monthly wages for the employee's share.

5.4 Employees' Social Security Act 1969

The Social Security Organisation (SOCSO) administers the Employment Injury Insurance Scheme and the Invalidity Pension Scheme provided under the Employees' Social Security Act 1969. SOCSO however covers only Malaysian workers and permanent residents.

All establishments, including factories, employing workers earning wages not exceeding RM2,000 a month are required to insure their workers under the two social security schemes.

The Employment Injury Insurance Scheme provides employees with coverage by way of cash benefits and medical care in the event of any disablement or death due to employment injury. Only the employer pays the contribution of about 1.25% of the employees' monthly wages.

The Invalidity Pension Scheme provides 24-hour coverage to employees against invalidity and death due to any cause before attaining the age of 55 years. The 1% monthly contribution is shared equally between the employer and employee.

5.5 Workmen's Compensation Act 1952

The Workmen's Compensation Act 1952 administered by the Department of Labour provides for the payment of compensation to workmen in the event of injuries arising from their employment. Where fatalities occur, the Act provides for the payment of compensation to the workers' dependants.

The Act covers private sector workers who earn less than RM500 a month and all manual workers irrespective of their wages. Malaysians and permanent residents who are covered by SOCSO are not covered by this Act. All foreign workers come under the purview of the Act in respect of compensation for employment injury as well as non-employment injury vide the Workmen's Compensation (Foreign Workers' Compensation Scheme) (Insurance) Order 1998.

5.6 Occupational Safety and Health Act 1994

The Occupational Safety and Health Act (OSHA) 1994 provides the legislative framework to promote, stimulate and encourage high standards of safety and health at work. The aim is to promote safety and health awareness, and establish effective safety organisation and performance through self-regulation schemes designed to suit the particular industry or organisation. The long-term goal of the Act is to create a healthy and safe working culture among all Malaysian employees and employers. The Department of Occupational Safety and Health (DOSH) is responsible for enforcing compliance of the law with OSHA 1994. DOSH also enforces compliance with the Factories and Machinery Act 1967.

OSHA 1994 defines the general duties of employers, employees, the self-employed, designers, manufacturers, importers and suppliers of plant or substances. Although these duties are of a general character, they carry a wide ranging set of responsibilities. The Act provides a comprehensive and integrated system of law to deal with the safety and health of virtually all people at work and the protection of the public where they may be affected by the activities of people at work. All "persons at work" in manufacturing; mining and quarrying; construction; agriculture, forestry and fishing; utilities; transport, storage and communication; wholesale and retail trades; hotels and restaurants; finance, insurance, real estate and business services; public services and statutory services, are covered.

The general duties of employers, employees, the self-employed, designers, manufacturers, importers and suppliers of plant or substances are clearly defined under OSHA 1994. Employers must safeguard so far as is practicable, the health, safety and welfare of the people who work for them. This applies in particular to the provision and maintenance of a safe plant and system of work. Arrangements must also be made to ensure safety and health in the use, handling, storage and transport of plant and substances. Under OSHA 1994, 'plant' includes any machinery, equipment, appliance, tool and component, whilst 'substance' means any natural or artificial substance whether in solid, liquid, gas, vapour or combination thereof, form.

Risks to health from the use, storage or transportation of substances must be minimised. To meet these aims, all practicable precautions must be taken in the proper use and handling of any substance likely to cause a risk to health. It is the duty of employers to provide the necessary information, instruction, training and supervision in safe practices, including information on the legal requirements. Employers need to consider the specific training needs of their organisations with particular reference to processes with special hazards.

An employer employing 40 or more persons must establish a safety and health committee at the workplace. The committee's main function is to keep under review the measures taken to ensure the safety and health of persons at the workplace and investigate any related matters arising. An employer must notify the nearest occupational safety and health office of any accident, dangerous occurrence, occupational poisoning or disease which has occurred or is likely to occur at the workplace.

Some operation, installation, maintenance and dismantling of equipment and process need competent persons. Thus, during the installation of machinery and equipment such as cranes, lifts and local exhaust ventilation systems, competent persons are compulsory to ensure safe erection, whilst a boilerman and a steam engineer are required to operate high risk equipment such as boilers. Processes that use hazardous chemicals require competent persons to conduct the air quality and personal monitoring, and a safety and health officer and an occupational health doctor are required to ensure the proper surveillance of the workplace.

There are six regulations under OSHA 1994 that enforced by DOSH. They are:

1. Employers' Safety and Health General Policy Statements (Exception) Regulations, 1995

2. Control of Industrial Major Accident Hazards Regulations, 1996

3. Classification, Packaging and Labelling of Hazardous Chemicals Regulations, 1997

4. Safety and Health Committee Regulations, 1996

5. Safety and Health Officer Regulations, 1997

6. Use and Standards of Exposure of Chemicals Hazardous to Health Regulations, 2000

Contravention of some of the requirements can lead to prosecution in court. A person who fails to comply with an improvement or prohibition notice that is served on him is liable to prosecution, with a maximum fine of RM 50,000 or imprisonment for a term not exceeding 5 years, or both.

The objective of the Factories and Machinery Act (FMA) 1967, on the other hand, is to provide for the control of factories on matters relating to the safety, health and welfare of persons, and the registration and inspection of machinery. Some high risk machinery such as boilers, unfired pressure vessels, passenger lifts and other lifting equipment such as mobile cranes, tower cranes, passenger hoists, overhead traveling cranes and gondolas, must be certified and inspected by DOSH. All factories and general machinery must be registered with DOSH for the purpose of registration before they can be installed and operated in Malaysia.

DOSH enforces 15 regulations under FMA 1967. They are:

1. Electric Passenger and Goods Lift Regulations, 1970

2. Fencing of Machinery and Safety Regulations, 1970

3. Notification, Certificate of Fitness and Inspection Regulations, 1970

4. Persons-In-Charge Regulations, 1970

5. Safety, Health and Welfare Regulations, 1970

6. Steam Boiler and Unfired Pressure Vessel Regulations, 1970

7. Competency-Examinations Regulations, 1970

8. Administration Regulations, 1970

9. Compounding of Offences Rules, 1978

10. Compoundable Offences Regulations, 1978

11. Lead Regulations, 1984

12. Asbestos Regulations, 1986

13. Building Operations and Works of Engineering Construction (Safety) Regulations, 1986

14. Mineral Dust Regulations, 1989

15. Noise Exposure Regulations, 1989

6. INDUSTRIAL RELATIONS

6.1 Trade Unions

The government encourages the growth of responsible trade unions and, towards this end, has enacted the Trade Unions Act 1959 and the Trade Unions Regulations 1959.

These legislations require that:

i) Trade unions confine their membership to employees within any particular establishment, trade, occupation or industry

ii) All trade unions must be registered.

iii) No union can organize a strike without first obtaining the consent by secret ballot of at least two-thirds of its total members

iv) All unions are inspected regularly to ensure compliance with the laws

6.2 Industrial Relations Act 1967

The Industrial Relations Act 1967 regulates relations between employers and workmen and their trade unions, including the prevention and settlement of trade disputes. The Act outlines the following:

i) Protection of the legitimate rights of employers and workmen and their trade unions

ii) Procedure for submission of claims for recognition and the scope of representation of trade unions and collective bargaining

iii) Matters not allowed to be included in the proposals for collective bargaining are those relating to promotion, transfer, recruitment, retrenchment, dismissal, reinstatement, allocation of duties, and prohibition of strikes and lockouts over any of these issues.

iv) An emphasis on direct negotiation between employers and workmen and their trade unions to settle any differences. Where this fails, the Act provides for speedy and just settlement of trade disputes by conciliation or arbitration.

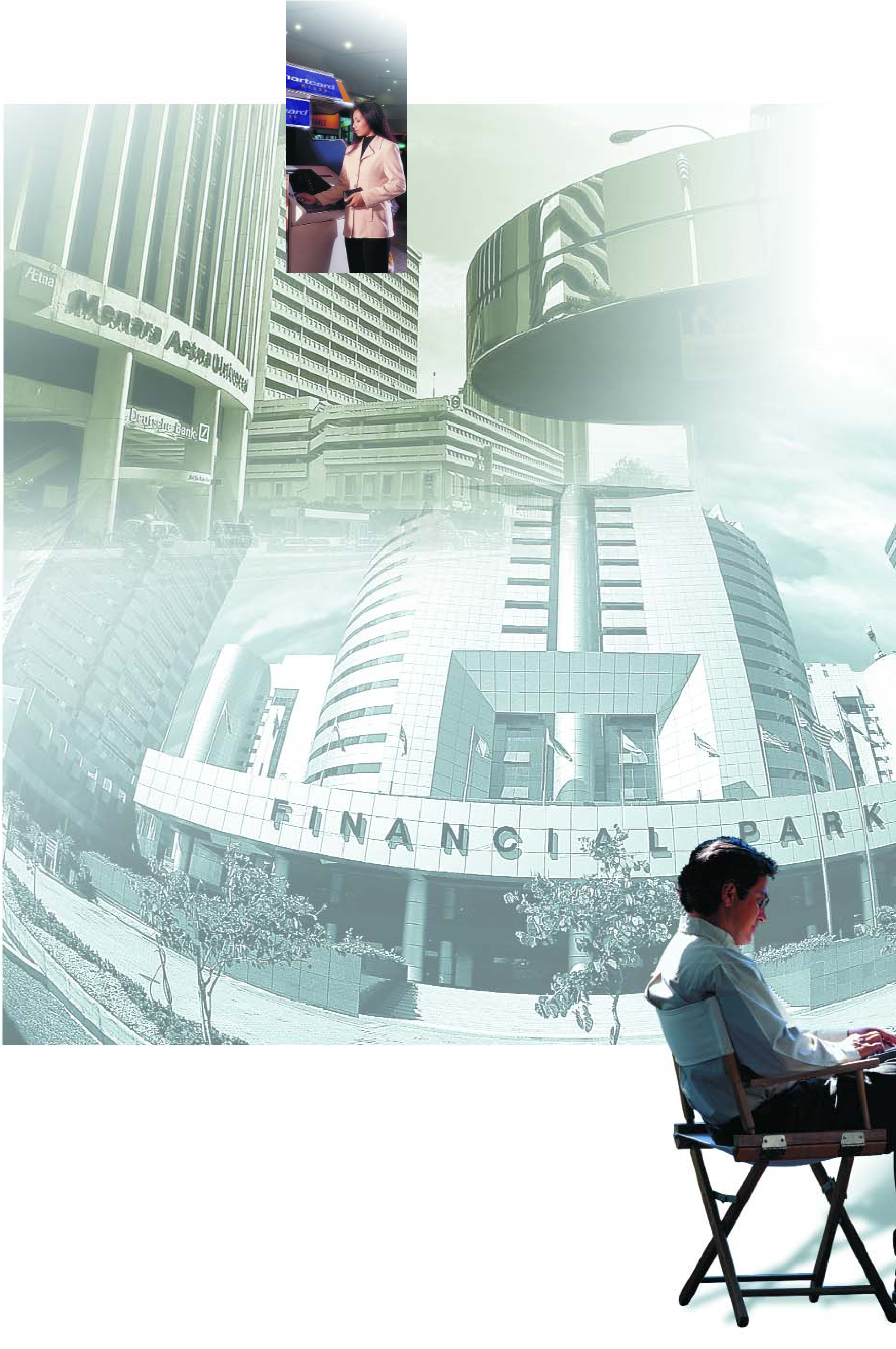
v) The Minister of Human Resources to intervene and to refer at any stage any trade dispute to the Industrial Court for Arbitration.

vi) A prohibition of strikes and lockouts once a trade dispute has been referred to the Industrial Court and on any matter covered by a collective agreement or by an award of the Industrial Court.

vii) The protection of pioneer industries during the initial years of their establishment against any unreasonable demands from a trade union. Collective agreements cannot contain more favourable terms of employment than those stipulated under the Employment Act 1955 unless approved by the Minister of Human Resources.

6.3 Relations in Non-unionised Establishments

In a non-unionised establishment, the normal practice for settling disputes is for the employee to try to obtain redress from his supervisor, foreman or employer directly. An employee can also lodge a complaint with the Ministry of Human Resources which will then conduct an investigation.



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Chapter 6

BANKING, FINANCE AND EXCHANGE CONTROL

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Chapter 6

BANKING, FINANCE AND EXCHANGE CONTROL

1. THE BANKING SYSTEM IN MALAYSIA

The banking system, comprising the commercial banks, merchant banks and finance companies, is the major institutional source of credit to the economic sectors in Malaysia. In addition, there are also development finance institutions which provide financing especially to the industrial sector.

1.1 The Central Bank

The central bank, Bank Negara Malaysia, is responsible for maintaining monetary stability and ensuring a sound financial system. Towards this, Bank Negara Malaysia regulates and supervises the Malaysian banking system, development finance institution and insurance companies. Bank Negara Malaysia also issues the Malaysian currency (the Ringgit), acts as a banker and economic and financial adviser to the government, administers the country's foreign exchange control regulations, and acts as lender of last resort to the banking system.

1.2 Financial Institutions

The commercial banks are the main players in the banking system. As at August 2003, there were ten domestic and 13 locally incorporated foreign commercial banks operating through a network of 1,660 branches across the country. Besides that, six domestic banks have a total of 42 branches overseas. In addition, 22 foreign banks maintain representative offices that do not conduct normal banking business, providing only liaison services and facilitating information between business interests in Malaysia, in their home countries and in countries where they have representations.

Ten merchant banks, some of which are affiliated to investment banks established overseas, provide a wide range of services through 17 branches. Merchant banks play a role in the short-term money market and capital raising activities including underwriting, loans syndication, corporate finance and management advisory services, arranging for the issue and listing of shares, as well as investment portfolio management.

Malaysia also has two Islamic banks which provide banking services based on Islamic principles. The first to be established, Bank Islam Malaysia Berhad, operates through 85 branches in the country while the more recently-established Bank Muamalat Malaysia Berhad has 46 branches. In addition to the Islamic banks, there are also 13 commercial banks that offer products and services under the Islamic banking scheme.

In addition to the commercial banks, 11 finance companies, through their 730 branches, accept savings and fixed deposits and provide hire purchase financing, consumer financing, housing loans, block discounting and leasing transactions.

There are also seven discount houses in Malaysia that specialise in short-term money market operations and mobilise deposits from the financial institution and corporations.

They are permitted to invest funds in treasury bills, government securities, banker's acceptances, negotiable instruments of deposit and private debt securities, and accept short-term funds. In addition, there are 339 scheduled institutions comprising building credit companies, credit token companies, factoring companies and leasing companies that provide credit and financing facilities to the public.

Malaysia has several development finance institutions (DFIs) that were specifically set up to promote certain strategic sectors of the economy. These DFIs specialise in providing medium to long-term loans, equity capital and guarantees for loans. DFIs also provide consulting and advisory services in the identification and development of new projects, besides financial, technical and managerial advice and assistance. DFIs complement banking institutions in providing financing to the strategic sectors such as the agriculture, infrastructure, shipping, manufacturing and export sectors, and SMEs.

The Export-Import Bank of Malaysia Berhad (Exim Bank) finances and facilitates Malaysia's foreign trade and investments, concentrating on medium to long-term credit for Malaysian exporters and investors as well as buyers of Malaysian goods. Another institution, the Malaysian Export Credit Insurance Berhad (MECIB), offers export insurance cover and guarantees.

2. EXPORT CREDIT REFINANCING

Export Credit Refinancing (ECR) is a scheme under which the Exim Bank provides short-term financing at competitive interest rates to direct/indirect exporters through the commercial banks. The facility is offered by commercial banks which are then refinanced by Exim Bank. An exporter who wishes to use the ECR facility should obtain access to the ECR facility from the Exim Bank which then arranges for an ECR credit line with his ECR bank.

2.1 Eligibility Criteria

The ECR facility is available to direct exporters (manufacturing companies/ agricultural product producers/trading companies) and indirect exporters (suppliers of domestic inputs), while the products to be exported must not be listed under the First Schedule of Custom Duties Order (list of goods which is prohibited to be exported).

2.2 Type of Facilities

a) The pre-shipment ECR facility is a loan advanced to manufacturing companies to facilitate the production of eligible goods or to trading companies for the purchase of intermediate/finished goods, for export prior to shipment.

b) The post-shipment ECR facility enables Malaysian exporters to obtain immediate funds after shipment of eligible goods that are sold on sight/usance credit terms.

2.3 Method of Financing

Two methods of financing are available for exporters under the pre-shipment ECR i.e. the order-based method and certificate of performance (CP) method. Under the order-based method, the pre-shipment ECR financing is advanced to direct exporters against the purchase orders received from their buyers.

The CP method is an alternative available only to direct exporters who are consistently exporting at least RM1.0 million of eligible goods annually.

The method of financing under the post-shipment ECR facility is through bills discounting. Exporters should submit a full set of export documents to the ECR bank to create a post-shipment bill to enable it to be discounted at the Exim Bank.

2.4 Period and Amount of Financing

The maximum period of financing is four months and six months for the pre-shipment ECR and post-shipment ECR respectively. Under the order-based method, exporters can obtain financing for 95 % of the value of their export order, while under the CP method, the amount of financing for manufacturing companies and trading companies is 80% and 90% respectively of the export value of eligible products in the preceding 12 months. The minimum amount of financing is RM10,000 and the maximum, RM50 million, with a minimum drawdown of RM2,000. The exporter may request for an additional amount of financing from the Exim Bank with the recommendation of the commercial bank.

3. THE SECURITIES MARKET IN MALAYSIA

3.1 Securities Commission

Established in 1993, the Securities Commission (SC) encourages the development of the securities and futures markets in Malaysia. In addition, the SC regulates the capital market pursuant to the Securities Commission Act 1993, Securities Industry Act 1983, Futures Industry Act 1993 and Securities Industry (Central Depositories) Act 1991.

The SC is a self-funding statutory body with investigative and enforcement powers, and reports to the Minister of Finance. The SC is the authority for registering prospectuses of corporations other than unlisted recreational clubs and approving corporate bond issues.

The SC regulates all matters on securities and futures contracts, take-overs and mergers of companies, and unit trust schemes. It is also responsible for licensing and supervising all licensed persons, exchanges, clearing houses and central depositories besides encouraging self-regulation and ensuring the proper conduct of market institutions and licensed persons.

3.2 Kuala Lumpur Stock Exchange

The Kuala Lumpur Stock Exchange (KLSE) has established itself to become a single Malaysian exchange with the completion of its merger with the Malaysian Exchange of Securities Dealing and Automated Quotation (MESDAQ) on 18 March 2002. It offers an efficient, cost effective and secure marketplace, and facilitates capital raising and investment activities.

Although Malaysia has had a regulated marketplace for securities since the founding of the Malayan Stock Exchange in 1960, KLSE was established in its present form in 1973. Since then, the exchange has grown significantly and is now one of the largest bourses in Asia with more than 880 companies (888 as at 16 September 2003) listed. These companies are of varying sizes and are divided into three market segments: the Main Board for larger capitalised companies, the Second Board for medium-sized corporations, and the MESDAQ Market for technology-based and growth companies. The breadth and choice of companies listed on the Exchange reflect the diversity and development of the Malaysian economy. The listed companies are engaged in primary industries such as mining and plantations as well as finance, construction, technology, infrastructure and trading / services.

The Securities Clearing Automated Network Service (SCANS), the central clearing house for KLSE, is a wholly-owned subsidiary of the Exchange, and clears and settles all KLSE trades on a T+3 rolling settlement cycle. There are two categories of Clearing membership of SCANS, Trading Clearing Member (TCM) and Non-Trading Clearing Member (NTCM). There are 39 TCMs, which are stockbroking companies (SBCs) and also Member Companies of KLSE. There are 9 NTCMs comprising financial institutions and institutional investors.

The Malaysian Central Depository (MCD) provides depository services that are efficient, reliable and secure through the Central Depository System (CDS). All exchange-traded securities are immobilised and ownership and movement of these securities are tracked by way of an electronic book entry system. The CDS also enables investors and shareholders to access up-to-date information of their shareholdings combined with the security and convenience of electronic securities transfer and trade settlement.

The merger of stockbroking companies pursuant to the Securities Commission's (SC) consolidation programme has resulted in a reduction in the number of SBCs to 39 as at 16 September 2003. Fifteen out of these 39 SBCs have 54 branch offices in total, spread throughout the country for greater reach and access to investors. Six SBCs have been granted the status of Universal Broker (UB) by SC, enabling them to expand services beyond securities dealing, including trading in futures contracts, dealing in debt securities and undertaking corporate finance activities.

KLSE is an active member of various international organisations, including the World Federation of Exchange (WFE), the East Asian and Oceanian Stock Exchanges Federation (EAOSEF) and the International Securities Services Association (ISSA). KLSE is also an affiliate member of the International Organisation of Securities Commissions (IOSCO).

In addition to the stock exchange, the KLSE Group also operates the derivatives and offshore exchanges through the Malaysia Derivatives Exchange (MDEX) and Labuan International Financial Exchange (LFX) respectively.

3.3 Malaysian Derivatives Exchange Berhad

The Malaysia Derivatives Exchange (MDEX), which was a result of the consolidation between the Kuala Lumpur Options and Financial Futures Exchange (KLOFFE) and Commodity & Monetary Exchange (COMMEX), was established in June 2001, and is currently a wholly-owned subsidiary of the Kuala Lumpur Stock Exchange. MDEX provides investors with hedging instruments and currently offers commodities, financial and equity-related futures.

MDEX currently offers a range of products including Crude Palm Oil Futures, three-month Kuala Lumpur Interbank Offered Rate (KLIBOR) Futures, KLSE Composite Index (CI) Futures and Options, and the 3, 5 and 10 year Malaysian Government Securities Futures.

MDEX operates a fully automated trading system known as KATS. KATS enables the total segregation of full individual client accounts so that the exchange, the clearing house and members can effectively manage risk at their respective levels.

The transaction costs for trading in derivatives products on MDEX are fully negotiable.

MDEX is a member of the International Options Market Association (IOMA) and the International Finance and Commodities Institute (IFCI).

The Malaysian Derivatives Clearing House (MDCH), also a company within the KLSE Group, provides the facilities for clearing and settlement of derivatives contracts traded on MDEX and guarantees counter party risks.

3.4 Labuan International Financial Exchange

The Labuan International Financial Exchange (LFX) a wholly-owned subsidiary of the Kuala Lumpur Stock Exchange (KLSE), is an offshore financial exchange based in Labuan established in November 2000. It is the only international exchange with full-fledged listing and trading facilities in an International Offshore Financial Centre (IOFC) in Asia.

As a full-fledged offshore financial exchange, LFX provides unlimited opportunities to global investors and companies. Its goal is to facilitate the influx and globalisation of funds through the listing and trading of a wide range of multi-currency financial instruments. These instruments, which can be based on either conventional or Islamic principles, include equities, debt instruments, investment funds, insurance related and intellectual properties.

The range of instruments available on LFX has expanded with 12 listings, comprising six open-ended funds, three series of the serial Islamic Lease Sukuk (an Islamic financial instrument) and three conventional bond issues.

LFX is primarily web-based with all functions of the Exchange – from the application for a market participant's licence to the trading of financial instruments and the dissemination of information – done on the LFX system via the internet (via www.lfx.com.my).

In terms of the regulatory structure, LFX is governed by its Rules and Regulations as approved under the Labuan Offshore Securities Industry Act 1998 (LOSIA). The custodian of LOSIA is the Labuan Offshore Financial Services Authority.

Potential issuers of financial instruments on LFX need to engage a licensed Listing Sponsor, who will act as the listing adviser and sponsor, and even as underwriter of the issue. To trade in the financial instruments listed on LFX, investors have to go through licensed Trading Agents. Presently, there are eight Listing Sponsors and six Trading Agents licensed by LFX.

4. OFFSHORE FINANCIAL SERVICES

4.1 Labuan Offshore Financial Services Authority (LOFSA)

The Labuan Offshore Financial Services Authority (LOFSA) is a regulatory body that spearheads and coordinates efforts to promote and develop Labuan as an International Offshore Financial Centre (IOFC).

It streamlines government machinery for supervising the activities and operations of the offshore financial services industry, undertakes research and development work, and plans the growth and promotion of the IOFC.

Incorporation and registration of companies fall under the purview of LOFSA. LOFSA also oversees the Labuan International Financial Exchange and Labuan's offshore industries such as banking, insurance, securities, and trust and fund management.

The Labuan IOFC is not subject to the exchange control rules and regulations of Malaysia. As such, the offshore business in Labuan is virtually unaffected by the country's exchange control measures. This is because the nature of offshore business in Labuan is basically foreign currency-based and not Ringgit-based.

Over 3,500 offshore companies have set up operations in Labuan, including trust companies, banks, insurance and insurance-related companies, and fund management and leasing companies.

4.2 Incentives for Offshore Financial Services

Offshore trading activities include banking, insurance, trading, management, licensing, or any other activity which is not an offshore non-trading activity but does not include shipping operations.

Offshore non-trading activities refer to activities relating to the holding of investments in securities, stocks, shares, loans, deposits and immovable properties by an offshore company on
its own behalf and will not be subject to tax.

(i) Minimum Tax

An offshore company carrying on an offshore trading activity can opt to pay tax each year at the rate of 3% of its net audited profits or a fixed sum of RM20,000.

An offshore company carrying on an offshore non-trading activity for the basis period for a year of assessment is not subject to tax for that year of assessment.
An offshore company which has no basis period for a year of assessment is taxed a fixed rate of RM20,000 for that year of assessment.

(ii) Abatement of Tax for Professional Services

Any person (including a company or its employee) who renders qualifying professional services to an offshore company in Labuan is exempted from income tax for up to 65% of the statutory income from that source until Year of Assessment 2004. This includes legal, accounting, financial and secretarial services, and those provided by a trust company as defined in the Labuan Trust Companies Act 1990.

(iii) Abatement of Tax for Employment

Non-citizens employed in a managerial capacity in an offshore company in Labuan enjoy an income tax exemption up to 50% of the gross income until the year of assessment 2004.

(iv) Other Tax Exemptions

The following exemptions are available under the Income Tax Act 1967:

i) For dividends received by an offshore company, no refund or set-off applies to tax deducted for such dividends.

ii) For dividends paid by an offshore company out of income from offshore business activity income or exempt income, such dividends will be paid gross without any tax deducted at source.

iii) Dividends paid to a shareholders of a domestic company, out of dividends received from an offshore company

iv) Distribution by an offshore trust.

v) Royalties paid by an offshore company to a non-resident person or another offshore company, and hence also exempted from withholding tax

vi) Interest received from an offshore company by, a non-resident person (other than interest accruing to a business carried on by a non-resident person in Malaysia where that non-resident person is licensed to carry on a business under the Banking and Financial Institutions Act 1989, the Islamic Banking Act 1983, the Insurance Act 1963 or the Takaful Act 1983) or another offshore company;

vii) Interest received from an offshore company by a resident person (other than a person licensed to carry on a business under the Banking and Financial Institutions Act 1989, the Islamic Banking Act 1863, the Insurance Act 1963 or the Takaful Act 1983);

viii) Technical or management fee paid by an offshore company to a non-resident or another offshore company

ix) Lease rental paid to non-resident persons in respect of income arising from the use of moveable property by an offshore company licensed to carry on a leasing business in Labuan

(v) Stamp Duty Exemption

Offshore business transactions by an offshore company (including M&A of an offshore company and transfer of shares in an offshore company) are exempted from stamp duty.

5. EXCHANGE CONTROL PRACTICES

Following the achievement of its objective of restoring stability in the domestic financial markets, Malaysia's selective exchange control measures introduced on 1 September 1998 have been progressively relaxed. The final major relaxation was the removal of the levy system on portfolio investment in May 2001. Since then, there is complete free movement of funds for all foreign investment in Malaysia, including the equity market.

Regulations on capital flows are liberal with policies aimed at monitoring the settlement of payments and receipts as well as encouraging the use of the country's saving for productive purposes. For monitoring and compiling balance of payments statistics, residents are required to complete statistical forms, Form P and Form R, for each payment or receipt respectively exceeding RM50,000 vis-à-vis non-residents. Payments for overseas investment, including extension of a loan to a non-resident, continue to require prior approval if the amount exceeds the equivalent of RM10,000.

Approval requirements for large inflows and outflows are mainly for prudential reasons to ensure financial stability. All regulations are applied uniformly to transactions with all countries, except Israel, Serbia and Montenegro for which special restrictions apply. Exchange control regulations rules are also applied where appropriate to prevent recourse to the Malaysian banking system for terrorist financing and money laundering.

With the series of liberalisation, the main features of Malaysia's exchange control rules are as follows:

5.1 Foreign Currency Accounts of Residents

Resident exporters may open foreign currency accounts with onshore commercial banks other than licensed offshore banks in Labuan to retain export proceeds in foreign currency between USD1 million and USD50 million, depending on their export receipts.

In addition, upon attaining the maximum limit of permitted overnight balance of the export foreign currency accounts (export FCA), resident exporters may retain 10% of subsequent export proceeds repatriated to Malaysia in the export FCA, provided the aggregate overnight limit does not exceed the overnight limit of the next higher threshold. For resident exporters who are eligible to retain export proceeds up to the general permissible USD50 million limit, the maximum additional amount they are able to retain is USD20 million. The balance of 90% must be sold to authorised dealers for Ringgit. The limits on the overnight balance of the export FCA are as follows-

Aggregate Overnight Limit (USD million)	Limit including 10% accumulation (USD million)	Average Monthly Export Receipts
50	70	Exceeding RM100 million
30	50	Exceeding RM50 million up to RM100 million
10	30	Exceeding RM20 million up to RM50 million
5	10	Exceeding RM10 million up to RM20 million
3	5	Exceeding RM5 million up to RM10 million
1	3	Not exceeding RM5 million or new exporters

Resident companies with domestic credit facilities may open foreign currency accounts to retain foreign currency receivables, other than export proceeds, up to an aggregate overnight balance equal to USD500,000 with commercial banks in Malaysia and USD500,000 with licensed offshore banks in Labuan.

Residents without domestic credit facilities may open foreign currency accounts with onshore commercial banks to retain foreign currency receivables, other than export proceeds, with no limit on the overnight balances.

Resident individuals may also open foreign currency accounts for overseas education and employment up to an aggregate overnight balance of USD100,000 with commercial banks in Malaysia, USD100,000 with licensed offshore banks in Labuan and USD50,000 with overseas banks.

5.2 Foreign Currency Accounts of Non-Residents

Commercial banks and merchant banks are free to open foreign currency accounts for non-residents. There is no restriction on the movement of funds through these accounts.

5.3 Current Account Transactions

Payment for Import of Goods and Services

There is no restriction on payments to non-residents for the import of goods and services. However, payments must be made in foreign currency (other than the currencies of Israel, Serbia and Montenegro).

Export proceeds

Export proceeds must be repatriated in full to Malaysia in foreign currency according to the payment schedule of the sales contract, which in any case should not be later than six months from the export date.
Proceeds must then be sold for Ringgit or retained in approved foreign currency accounts with onshore commercial banks up to an aggregate overnight limit of between USD1 million and USD50 million (please see 5.1 for aggregate overnight limits).

5.4 Capital Account Transactions

Foreign Direct Investment

Foreign direct investors are freely allowed to invest in the equity market and to repatriate their investments, i.e. capital, profits, dividends and interests.

Investment Abroad by Residents

Residents must seek prior permission from the Controller of Foreign Exchange to remit funds in excess of the equivalent of RM10,000 for investment overseas.

Credit Facilities from Non-Residents

Residents are free to obtain credit facilities in foreign currency up to the equivalent of RM5 million in aggregate from licensed banks, merchant banks and non-residents. Credit facilities exceeding that limit require prior permission from the Controller of Foreign Exchange (the Controller). However, residents cannot obtain credit facilities in Ringgit from non-residents without the prior permission of the Controller.

To obtain credit facilities in foreign currency equivalent to between RM1 million and RM5 million in aggregate, residents are only required to provide the Controller with information on the credit facilities.

There is no restriction on the repayment of credit facilities obtained from non-residents as long as such facilities comply with the relevant exchange control rules.

Extension of Credit Facilities to Non-Residents

Commercial banks may extend credit facilities in foreign currency to non-residents for any purpose except for the purchase of land in Malaysia. Resident financial institutions are also allowed to extend Ringgit credit facilities to non-residents as follows:

Ringgit Property Loans

Resident financial institutions are allowed to extend up to three property loans in Ringgit to non-residents to finance the acquisition or development of properties in Malaysia, subject to their own internal credit assessment guidelines.

In the event that a non-resident individual has obtained one housing loan extended by a resident company pursuant to the terms and conditions of service for the purchase of property in Malaysia, resident financial institutions may only extend up to a maximum of two property loans in aggregate.

The property financed by the loans may or may not be for the non-resident's own use. All purchases are subject to the guidelines issued by the Foreign Investment Committee (FIC).(Website: http://epu.jpm.my)

Other Ringgit Facilities

A non-resident also can obtain a credit facility to purchase a vehicle in Malaysia for his own use. In addition, banking institutions can extend credit facilities in Ringgit up to an aggregate of RM200,000 to the non-resident for any other purposes other than financing the purchase of land only.

Banking institutions may also extend to a non-resident Ringgit overdraft facilities not exceeding RM500,000 in aggregate provided they are secured by fixed deposits placed by the non-resident customer with the lending institutions.

Apart from the above, banking institutions may also extend credit facilities in Ringgit up to the aggregate of RM5 million to a non-resident to finance projects undertaken in Malaysia. The projects may be undertaken by the non-resident individually or jointly with residents and/or other non-residents. The total amount of credit facilities should not exceed the contract value of the projects undertaken by the non-resident.

Resident stock broking companies may extend margin financing facilities to non-resident clients for purchasing share listed on the Kuala Lumpur Stock Exchange (KLSE) subject to compliance with KLSE rules.

Insurance companies in Malaysia may extend policy loans in Ringgit to their non-resident insurance policy holders subject to the conditions that the amount should not exceed the attained cash surrender value at any time and the tenure of the loan should not exceed the duration of the insurance policy.

5.5 Inter-Company Accounts

A resident company is free to operate one or more inter-company accounts with any non-resident company, subject to the requirement that a statement (Statement IA) is submitted to the Controller within 10 days from the end of each month.

Residents companies are required to obtain prior permission from the Controller to offset export proceeds or loan proceeds through the inter-company accounts against any other payables to overseas companies.

Inter-company settlements should also be made in foreign currency other than the currencies of Israel, Serbia and Montenegro.

5.6 Credit Facilities in Ringgit to Non-Resident Controlled Companies

Residents may extend credit facilities in Ringgit to a Non-Resident Controlled Company (NRCC) operating in Malaysia up to an aggregate limit of RM50 million on a per corporate group or single entity basis, and any amount of short-term trade financing where the tenure does not exceed 12 months.

For domestic borrowing not exceeding RM50 million in aggregate, the NRCC need not obtain the prior approval of the Controller. The 3:1 gearing ratio, where the NRCC's total domestic debt should not exceed three times its total eligible capital funds, also does not apply. Where the NRCC’s total domestic borrowing exceeds RM50 million, the 3:1 gearing ratio applies. However, the computation of domestic debt for the 3:1 gearing ratio requirement would be based on the NRCC's domestic debt in excess of RM50 million only.

Generally, NRCCs may raise domestic credit facilities through the issuance of Private Debt Securities regardless of the amount, as stated in the Exchange Control Guideline on Private Debt Securities. However, the 3:1 gearing ratio requirement must be complied with.

The proceeds from Private Debt Securities must be utilised for purposes which will benefit the Malaysian economy. The prior approval of the Controller must be obtained if the proceeds are to be used to finance investment abroad and/or for refinancing offshore borrowing.

5.7 Portfolio Investment

Non-residents are freely allowed to move their funds in and out of the country for portfolio investment purposes. However, repatriation of funds arising from the sale of Ringgit assets, dividends, interests, commissions and fees must be made in foreign currencies.

5.8 External Accounts of Non-Residents

Financial institutions can open accounts in Ringgit for non-residents. These accounts are known as External Accounts. There is no restriction on the operation of the External Accounts of non-residents working in Malaysia, non-residents studying in Malaysia, central banks, embassies, consulates, high commissions, and supranational or international organisations recognised by the Malaysian government.

5.9 Special Status Granted to Selected Companies

(i) Offshore Entities in the Labuan IOFC

Entities established in the Labuan International Offshore Financial Centre (IOFC) are declared as non-residents for exchange control purposes once they are incorporated/registered under the Offshore Companies Act 1990. These entities are freely allowed to deal in foreign currencies other than the currencies of Israel, Serbia and Montenegro, with non-residents.

Licensed offshore banks in Labuan can receive payments in Ringgit from residents arising from fees, commissions, dividends or interests from the deposit of funds, while offshore insurance entities in Labuan can use their External Accounts to receive insurance premiums and to pay claims arising from the insurance and reinsurance of domestic insurance business.

All these entities can maintain External Accounts with onshore banks in Malaysia to defray their statutory and administrative expenses in Malaysia.

ii) Multimedia Super Corridor Status Companies

Companies incorporated and operating in Malaysia's Multimedia Super Corridor (MSC) as separate legal entities are exempted from most of the exchange controls once awarded the MSC status by the Multimedia Development Corporation.

This exemption applies solely for transactions undertaken on the MSC status company's own account. Prior approval is needed for them to deal in the currencies of Israel, Serbia and Montenegro. The MSC companies must also submit statistical data to the Controller for monitoring purposes.

(iii) Approved Operational Headquarters

Approved Operational Headquarters (OHQs) may open foreign currency or multi-currency accounts with commercial banks in Malaysia, other than licensed offshore banks in Labuan, to retain export proceeds in foreign currency up to an aggregate overnight balance equivalent to USD70 million regardless of the amount of export receipts.

OHQs can also open foreign currency accounts with commercial banks in Malaysia, licensed offshore banks in Labuan or overseas banks for crediting foreign currency receivables, other than export proceeds, with no limit on the overnight balances.

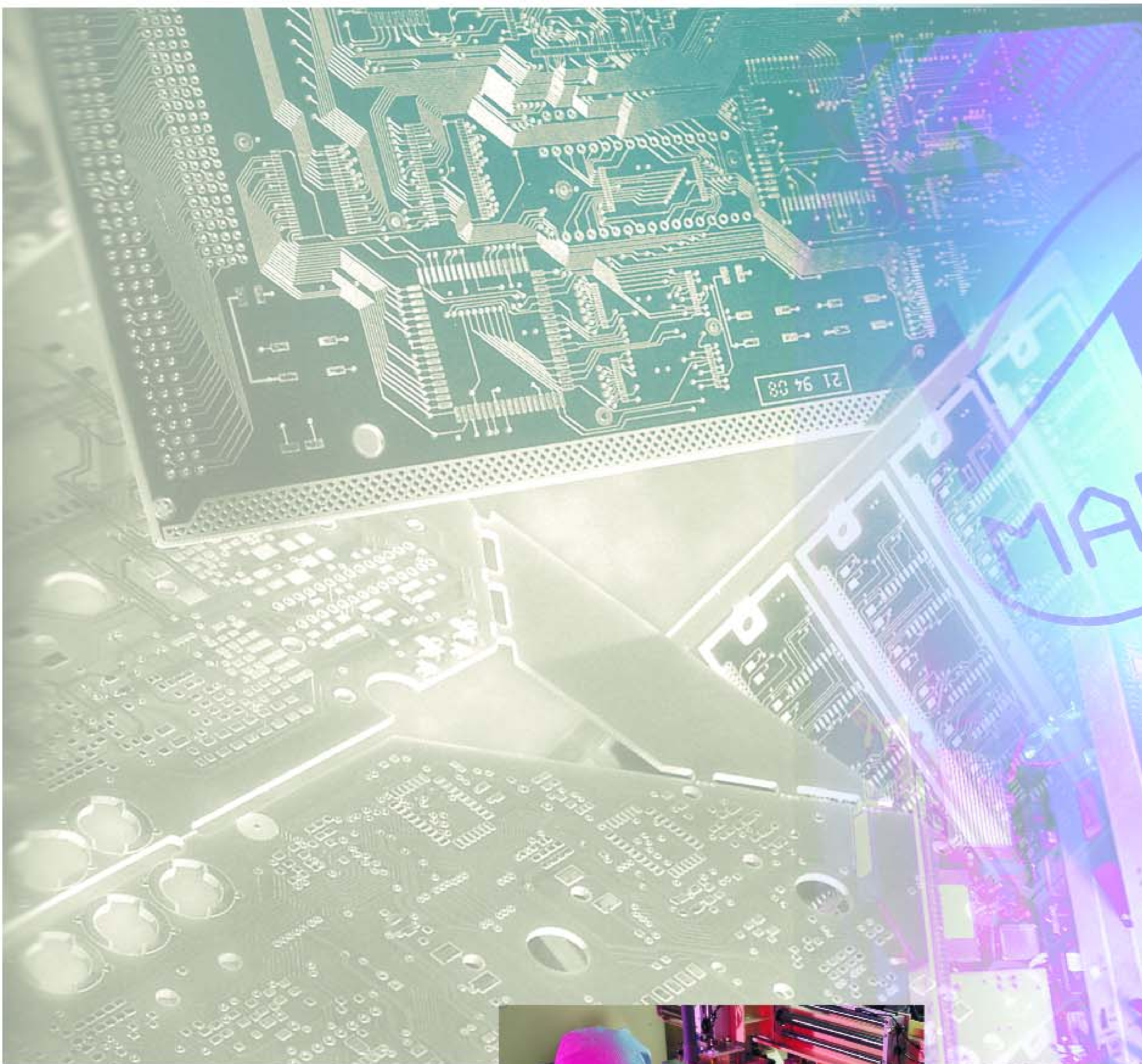
They may obtain any amount of foreign currency credit facilities from commercial banks and merchant banks in Malaysia and from any non-residents for their own use. Such credit facilities can also be extended to their related companies overseas or invested abroad if their aggregate domestic credit facilities in Ringgit does not exceed RM50 million.

(iv) Approved International Procurement Centres

Approved International Procurement Centres (IPCs) may retain any amount of export proceeds in foreign currency accounts maintained with onshore commercial banks for the approved IPC activities only. They may also enter into forward exchange contracts with onshore commercial bank, other than licensed offshore banks in Labuan to hedge exchange risks based on the projected volume of trade.

(v) Approved Regional Distribution Centres

Approved Regional Distribution Centres (RDCs) may open one or more foreign currency accounts with commercial banks in Malaysia other than licensed offshore banks in Labuan to retain export proceeds in foreign currency with no limits imposed on the overnight balances. They may also enter into forward exchange contracts with onshore commercial banks other than licensed offshore banks in Labuan to hedge exchange risks based on the projected volume of trade.



Chapter 7

INTELLECTUAL PROPERTY PROTECTION

1. INTELLECTUAL PROPERTY PROTECTION

   1.1 Patents

   1.2 Trade Marks

   1.3 Industrial Design

   1.4 Copyright

   1.5 Layout Design of Integrated Circuit

   1.6 Geographical Indications

Chapter 7

INTELLECTUAL PROPERTY PROTECTION

1. INTELLECTUAL PROPERTY PROTECTION

Intellectual property protection in Malaysia comprises that of patents, trademarks, industrial designs, copyrights, geographical indications and layout designs of integrated circuits. Malaysia is a member of the World Intellectual Property Organization (WIPO) and a signatory to the Paris Convention and Berne Convention which govern these intellectual property rights.

In addition, Malaysia is also a signatory to the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) signed under the auspices of the World Trade Organization (WTO). Therefore, Malaysia's intellectual property laws are in conformance with international standards and provide adequate protection to both local and foreign investors.

1.1 Patents

The Patents Act 1983 and the Patents Regulations 1996 govern patent protection in Malaysia. An applicant may file a patent application directly if he is domicile or resident in Malaysia. A foreign application can only be filed through a registered patent agent in Malaysia acting on behalf of the applicant.

Similar to legislations in other countries, an invention is patentable if it is new, involves an inventive step and is industrially applicable. In accordance with TRIPS, the Patent Act stipulates a protection period of 20 years from the date of filing of an application. Under the Act, the utility innovation certificate provides for an initial duration of ten years protection from the date of filing of the application. The owner of a patent has the right to exploit the patented invention, to assign or transmit the patent, and to conclude a licensed contract.

1.2 Trade Marks

Trade mark protection is governed by the Trade Marks Act 1976 and the Trade Marks Regulations 1997.

The Act provides protection for registered trade marks and service marks in Malaysia. Once registered, no person or enterprise other than its proprietor or authorised users may use them. Infringement action can be initiated against abusers. The period of protection is ten years, renewable for a period of every ten years thereafter. The proprietor of the trade mark or service mark has the right to deal or assign as well as to license its use.

In accordance with TRIPS, Malaysia prohibits the registration of well-known trade marks by unauthorised persons and provides for border measures to prohibit counterfeit trade marks from being imported into Malaysia.

As with patents, while local applicants may file applications on their own, foreign applicants will have to do so through authorised agents.

1.3 Industrial Designs

Industrial design protection in Malaysia is governed by the Industrial Designs Act 1996 and Industrial Designs Regulations 1999. The Act provides the rights of registered industrial designs as that of a personal property capable of assignment and transmission by operation of the law.

To be eligible for registration, industrial designs must be new and do not include a method of construction or design that is dictated solely by function. In addition, the design of the article must not be dependent upon the appearance of another article of which it forms an integral part.

Local applicants can file registrations individually or through a registered industrial designs agent. However, foreign applicants will need to seek the services of a registered industrial designs agent. Registered industrial designs are protected for an initial period of five years which may be extended for another two 5-year terms, providing a total protection period of 15 years.

1.4 Copyright

The Copyright Act 1987 provides comprehensive protection for copyrightable works. The Act outlines the nature of works eligible for copyright (which includes computer software), the scope of protection, and the manner in which the protection is accorded. There is no registration of copyright works.

Copyright protection in literary, musical or artistic works is for the duration of the life of the author and 50 years after his death. In sound recordings, broadcasts and films, copyright protection is for 50 years after the works are first published or made.

The Act also provides protection for the performer's rights in a live performance which shall continue to subsist for fifty years from the beginning of the calendar year following the year in which the live performance was given.

A unique feature of the Act is the inclusion of provisions for its enforcement. A special team of officers is appointed to enforce the Act and empowered to enter premises suspected of having infringing copies and to search and seize infringing copies and contrivances.

1.5 Layout Design Of Integrated Circuits

The Layout Design of Integrated Circuit Act 2000 provides for the protection of layout designs of integrated circuits based on originality, creator's own invention and the fact that the creation is freely created. There is no registration for the layout design of an integrated circuit.

The duration of protection is 10 years from the date of its commercial exploitation or 15 years from the date of creation if not commercially exploited. The Act also allows for action to be taken by the owner if such a right recognised under the Act has been infringed. The right can also be transferred either partly or wholly by way of assignment, licence, wills or through the enforcement of law.

The Act is implemented in compliance with the TRIPS agreement to provide a guarantee to investors in Malaysia's electronics industry and to ensure the growth of technology in the country.

1.6 Geographical Indications

The Geographical Indications Act 2000 provides protection upon registration to goods following the name of the place where the goods are produced. This protection is applicable to goods such as wine, agricultural products and handicraft. Geographical indications which are contrary to public order or morality shall not be protected under the Act. Actions, penalties and remedies concerning infringement of geographical indications are similar to those applicable for trade marks.

Further information on intellectual property protection can be obtained from the Ministry of Domestic Trade and Consumer Affairs (see Useful Addresses – Ministries for contact details).

Chapter 8

ENVIRONMENTAL MANAGEMENT

1. POLICY

2. ENVIRONMENTAL REQUIREMENTS

   2.1 Environmental Impact Assessment for Prescribed Activities

   2.2 Site Suitability Evaluation for Non-Prescribed Activities

   2.3 Written Permission

   2.4 Written Approval

   2.5 Licence to Occupy Premises

   2.6 Emission and Effluents Standards

   2.7 Control on Ozone Depleting Substances

3. INCENTIVES FOR ENVIRONMENTAL MANAGEMENT

Chapter 8

ENVIRONMENTAL MANAGEMENT

To promote environmentally sound and sustainable development, the Malaysian government has established the legal and institutional framework for environmental protection. Investors are encouraged to consider the environmental factors during the early stages of their project planning. Aspects of pollution control include possible modifications in the process line to minimise waste generation, seeing pollution prevention as part of the production process, and focusing on recycling options.

1. POLICY

The National Policy on the Environment aims at the continued economic, social, and cultural progress of Malaysia and enhancement of the quality of life of its people, through environmentally sound and sustainable development.

The Policy aims at achieving:

- A clean, safe, healthy and productive environment for present and future generations
- The conservation of the country's unique and diverse cultural and natural heritage with effective participation by all sectors of society
- A sustainable lifestyle and pattern of consumption and production

Malaysia's national environmental policy emphasises:

- Exercising respect and care for the environment in accordance with the highest moral and ethical standards
- Conserving the natural ecosystem to ensure the integrity of biodiversity and life support systems
- Ensuring continuous improvement in the productivity and quality of the environment while pursuing economic growth and human development objectives
- Managing natural resource utilisation to sustain the resource base and prevent degradation of the environment
- Integrating environmental dimensions in the planning and implementation of the policies, objectives and mandates of all sectors to protect the environment
- Strengthening the role of the private sector in environmental protection and management
- Ensuring the highest commitment to environmental protection and accountability by all decision-makers in the public and private sectors, resource users, non-governmental organisations and the general public in formulating, planning and implementing their activities

- Participating actively and effectively in regional and global efforts towards environmental conservation and enhancement

2. ENVIRONMENTAL REQUIREMENTS

The Environmental Quality Act 1974 and its accompanying regulations call for environmental impact assessment, project siting evaluation, pollution control, monitoring and self-enforcement. Industrial activities are required to obtain the following approvals from the Director-General of Environmental Quality prior to project implementation:

(i) Environmental impact assessment for Prescribed Activities, or

(ii) Site suitability evaluation for Non-Prescribed Activities

(iii) Written Permission

(iv) Written Approval

(v) Licence to occupy premises

2.1 Environmental Impact Assessment Reports for Prescribed Activities

An investor should check whether an environmental impact assessment (EIA) is required for the following activities prescribed under the Environmental Quality (Prescribed Activities) (Environmental Impact Assessment) Order 1987:

(i) Agriculture

- Land development schemes covering an area of 500 hectares or more to convert forest land for agricultural production.
- Agricultural programmes necessitating the resettlement of 100 families or more
- Development of agricultural estates covering an area of 500 hectares or more involving changes in the type of agricultural use

(ii) Fisheries

- Construction of fishing harbours
- Harbour expansion involving an increase of 50% or more in fish landing capacity per annum
- Land-based aquaculture projects involving the clearing of mangrove swamp forests covering an area of 50 hectares or more

(iii) Industry

- Chemicals
  Where production capacity of each product or of combined products is greater than 100 tonnes per day
- Petrochemicals
  All sizes

- Non-ferrous
  Primary smelting of aluminium (all sizes), primary smelting of copper (all sizes), and primary smelting which produces 50 tonnes per day and above of other products

- Non-metallic
  Cement: for clinker throughput of 30 tonnes per hour and above; lime: 100 tonnes per day and above for burnt lime rotary kiln or 50 tonnes per day and above for vertical kiln

- Iron and Steel
  Requirement of iron ore as raw material for production greater than 100 tonnes per day, or using scrap iron as raw material for production greater than 200 tonnes per day

- Shipyards
  Dead weight tonnage greater than 5,000 tonnes

- Pulp and Paper Industry
  Production capacity greater than 50 tonnes per day

(iv) Petroleum

- Oil and gas field development

- Construction of off-shore and on-shore pipelines in excess of 50 kilometres in length

- Construction of oil and gas separation, processing, handling and storage facilities

- Construction of oil refineries

- Construction of product depots for the storage of petrol, gas or diesel (excluding service stations) that are located within three kilometres of any commercial, industrial or residential areas and that have a combined storage capacity of 60,000 barrels or more.

(v) Resort and Recreational Development

- Construction of coastal resort facilities or hotels with more than 80 rooms

- Hill station resort or hotel development covering an area of 50 hectares or more

- Development of tourist or recreational facilities in national parks

- Development of tourist or recreational facilities or islands in surrounding waters which are gazetted as national marine parks

(vi) Waste Treatment and Disposal

Toxic and Hazardous Waste

- Construction of on-site incineration plant
- Construction of off-site recovery plant
- Construction of off-site wastewater treatment plant
- Construction of on-site storage facility, and
- Construction of secure landfill facility

Note: All off-site treatment and disposal (incineration, wastewater treatment, storage and secure landfill) of scheduled wastes is not allowed until after 17 December 2010 with the signing of the concession agreement between the Government of Malaysia and Kualiti Alam Sdn Bhd.

2.2 Site Suitability Evaluation for Non-Prescribed Activities

One of the most important factors in obtaining environmental approval is the site suitability of the proposed project. Site suitability is evaluated based on the compatibility of the project with respect to the gazetted structure or local plans, surrounding land-use, provision of set-backs or buffer zones, the capacity of the area to receive additional pollution load, and waste disposal requirements.

The Department of Environment (DOE) produces a brochure entitled "Guidelines for the Siting and Zoning of Industries" which specifies details on the appropriate buffer zone for each specific industry category. For potentially hazardous industries, the project proponent may be required to submit a risk analysis to the DOE as part of the site consideration.

2.3 Written Permission

Any person intending to carry out activities as listed below must obtain prior written permission from the Director-General of Environmental Quality:

i) New installation near dwelling area as detailed out in Regulation 4 and First Schedule of the Environmental Quality (Clean Air) Regulations 1978

ii) Construction of any building or carrying out of any work that may result in a new source of effluent or discharge as stipulated under Regulation 4, Environmental Quality (Sewage and Industrial Effluents) Regulations 1979

iii) A factory which is categorised as a prescribed premise, namely, crude palm oil mills, raw natural rubber processing mills, and treatment and disposal facilities of scheduled wastes

2.4 Written Approval

Applicants shall obtain prior written approval from the Director-General of Environment as stipulated in Regulations 36 and 38, Environmental Quality (Clean Air) Regulations 1978 for any erection (including incinerators), installation, resiting or alteration of fuel burning equipment that is rated to consume pulverised fuel or solid fuel at 30 kg or more per hour, or liquid or gaseous fuel at 15 kg or more per hour.

2.5 Licence to Occupy Premises

A licence is required to occupy and operate prescribed premises. Applications for the licence shall be made after obtaining written permission and/ or written approval (as mentioned in 2.3 and 2.4). Licensing fees apply for every licence issued for palm oil and raw natural rubber processing mills and facilities for the treatment and disposal of scheduled wastes.

2.6 Emission and Effluents Standards

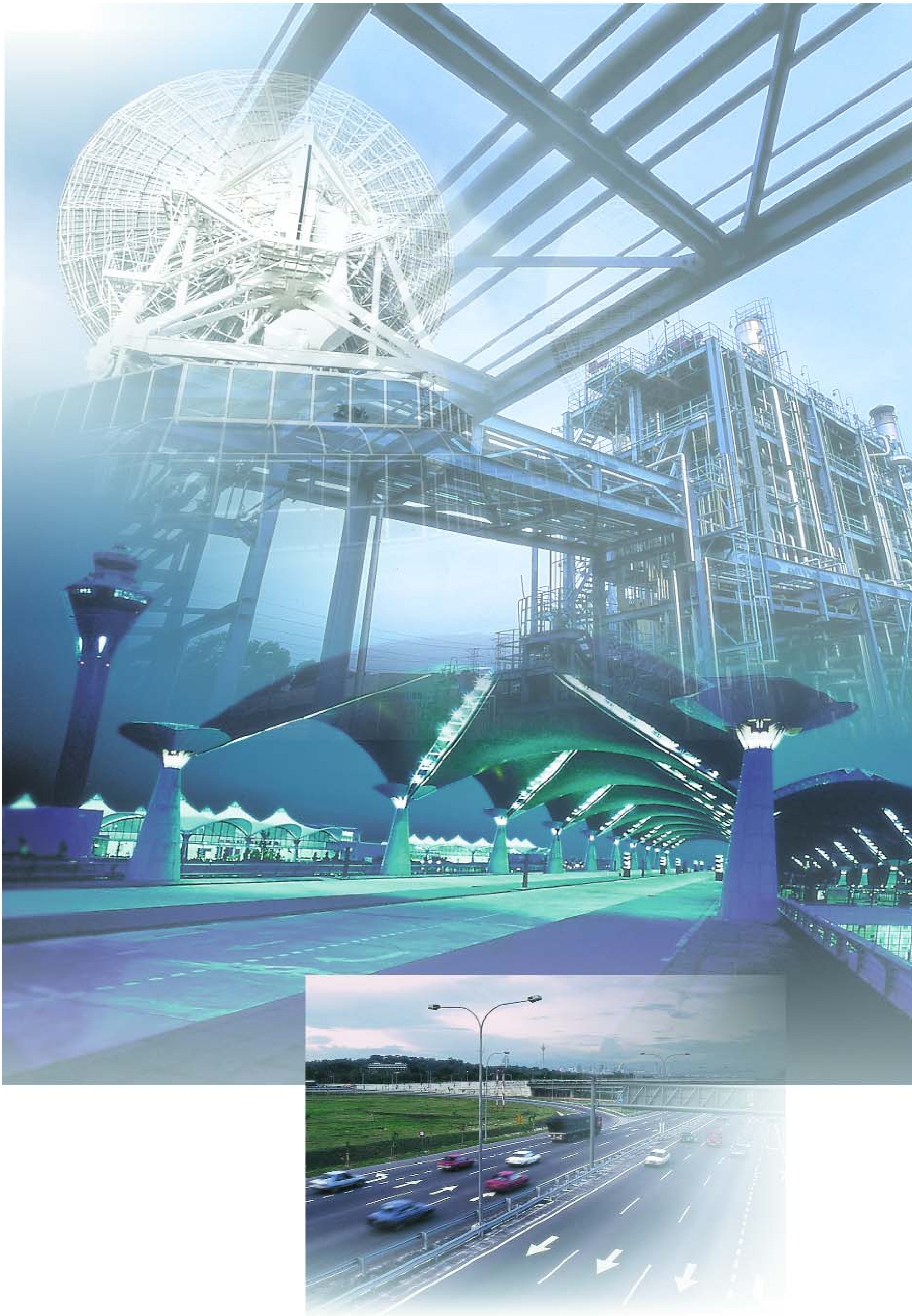
Industries are required to comply with both air emission and effluent discharge standards which are regarded as acceptable conditions allowed in Malaysia, as stipulated in the Environmental Quality (Clean Air) Regulations 1978 and the Environmental Quality (Sewage and Industrial Effluents) Regulations 1979.

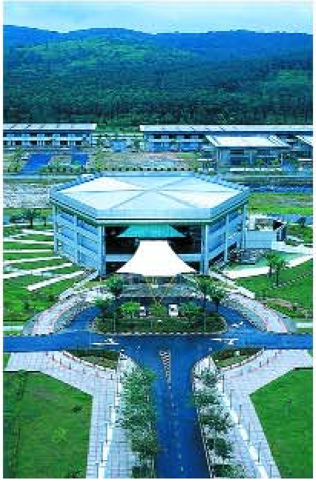
2.7 Control on Ozone Depleting Substances

Ozone Depleting Substances (ODS) are categorised as environmentally hazardous substances under the Environmental Quality (Refrigerant Management) Regulations 1999 and the Environmental Quality (Halogen Management) Regulations 1999. New investments relating to the use of these substances are prohibited.

3. INCENTIVES FOR ENVIRONMENTAL MANAGEMENT

Please see section on "Incentives for Environmental Management" in Chapter 2. Further details on environmental management requirements can be obtained from the Department of Environment (see Useful Addresses-Relevant Organisations)





Chapter 9

INFRASTRUCTURE SUPPORT

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   - 1.3 Licensed Manufacturing Warehouses
2. ELECTRICITY SUPPLY
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4. TELECOMMUNICATION SERVICES
5. AIR CARGO FACILITIES
6. SEA PORTS
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Chapter 9

INFRASTRUCTURE SUPPORT

1. INDUSTRIAL LAND

1.1 Industrial Estate

Malaysia has over 200 industrial estates or parks developed by government agencies, namely, the State Economic Development Corporations (SEDCs), Regional Development Authorities (RDAs), port authorities and municipalities. In addition to these, new ones are continuously being planned to meet the increasing demand for industrial land. Besides the government agencies, private developers have also developed industrial estates in certain states.

Prices and lease arrangements vary according to location

1.2 Free Industrial Zones

Free Industrial Zones (FIZs) are areas specially established for manufacturing companies that produce or assemble products mainly for export.

FIZs enable these export-oriented companies to enjoy minimal customs formalities and duty free import of raw materials, component parts, machinery and equipment required directly in the manufacturing process, as well as minimal formalities in exporting their finished products.

To-date there are 13 FIZs located at Plentong, Pringgit, Tanjung Kling, Bukit Baru, Hulu Kinta, Telok Panglima Garang, Ulu Klang, Damansara, Prai, Bayan Lepas, Batu Berendam, Kinta and Sama Jaya.

Eligibility

Companies can be located within FIZs when:

- their entire production or not less than 80% of their products are meant for export
- their raw materials/components are mainly imported. Nevertheless, the government encourages FIZ companies to use local raw materials/components

1.3 Licensed Manufacturing Warehouses

To enable companies to enjoy FIZ facilities in areas where it is neither practical nor desirable to establish FIZs, companies can set up Licensed Manufacturing Warehouses (LMWs). LMWs are accorded facilities similar to factories operating in the FIZs.

Eligibility

Companies normally approved for LMWs are those:

- whose entire production or not less than 80% are meant for export
- whose raw materials/components are mainly imported

Payment of Duty

Goods exported abroad from FIZs and LMWs are not liable to customs duty. However (except for cigarettes, liquor and motor vehicles), if the goods are allowed to be sold in the domestic market, termed Principal Customs Areas or PCAs, the following import duties apply:

a) For consumer and intermediate goods, where such goods are also produced in the PCA, import duties equivalent to the AFTA Common Effective Preferential Tariff (CEPT) rates will be imposed

b) For consumer and intermediate goods, where such goods are also produced in the PCA but have local content of more than 51%, an import duty of 5% ad valorem or equivalent excise duty rate (for products subject to excise duty), whichever is the higher, will be imposed

c) For consumer and intermediate goods which are not produced in the PCA, an import duty of 3% a.v. will be imposed.

d) For intermediate goods such as raw materials/components, machinery and equipment for the manufacturing sector, manufacturers in the PCA can apply for full import duty exemption.

2. ELECTRICITY SUPPLY

Malaysia enjoys ample electricity supply. The national utility company, Tenaga Nasional Berhad (TNB), supplies power to Peninsular Malaysia, while in East Malaysia, the Sabah Electricity Sdn Bhd (SESB) and the Sarawak Electricity Supply Corporation (SESCO) provide power to the States of Sabah and Sarawak respectively.

Transmission voltages are at 500 kV, 275 kV and 132 kV while distribution voltages are 33 kV, 22 kV, 11 kV and 415 V three-phase or 240 V single-phase. System frequency is 50 Hz+/- 1%.

TNB also offers electricity packaged with steam and chilled water under its Total Energy Solution for the benefit of certain industries that require multiple forms of energy for their processes.

At Kulim High Technology Park (KHTP), a ring formation electrical system, the most advanced of its kind in the region, ensures continuous uninterruptible power supply. This guaranteed, stable power supply meets the strict tolerances required by high technology operations, reflecting the government's thrust to promote such industries.

3. WATER SUPPLY

Under the Federal Constitution of Malaysia, water supply matters are the responsibility of the State Government. As such, the states are responsible for the development, operation and maintenance of water supplies. Consumers in Malaysia enjoy a 24-hour water supply which is treated according to the international standards for drinking water set out by the World Health Organisation (WHO). All domestic, commercial and industrial users are metered. Water costs are low and vary from state to state (please refer to MIDA's brochure entitled "The Costs of Doing Business in Malaysia" for details on water rates).

4. TELECOMMUNICATION SERVICES

Malaysia’s fixed line, mobile and satellite communications infrastructure provided by its five telcos and other network facilities providers support a full range of domestic and international services encompassing voice, video, data, and other advanced communications services.

Currently there are more than 9 million subscribers of cellular telecommunications services. Fixed line and mobile telecommunications are augmented by VSAT and satellite-based land and maritime services.

There are six internet service providers (ISPs) with a total of 2.5 million subscribers. The major ISPs are TM Net and Jaring with a market share of 60% and 30% respectively. The telecommunications infrastructure provides the full range of audio, data and video services with modern and fully digitalised networks deploying fibre optics, SDH, ATM, ADSL and other extended wireless bandwidth to provide high capacity and speed for voice and data transmission. At the domestic level, the country is currently being served by an infrastructure of more than 40GB. In the Multimedia Super Corridor (MSC),bandwidths of up to 10 GB capacity are provided.

Malaysia is linked to the rest of the world through various fibre optics and satellite consortia such as FLAG, SE-MA-WE, APCN, China-US, Japanese-US, Measat and Intelsat. To support the increasing demand for bandwidth, medium and high-end technologies such as ADSL, IP, VPN and ATM are being extensively deployed throughout the country.

Malaysia currently offers competitive tariffs for local, national and international connections as well as leased circuits, with the Internet dial-up and international tariffs being one of the lowest in the region.

MEASAT

The launching of Malaysia’s first and second satellites, MEASAT-1 and MEASAT-2, in 1996 marked Malaysia’s entry into space-age communications.

Specially designed to provide both state-of-the-art communications and direct-to-user services, both satellite launches impacted the communications and multimedia sectors.

From their orbital slots 91.5 degrees and 104.8 degrees East, both MEASATs’ footprints cover most of South East Asia, reaching over one billion people. Both satellites provide a fully integrated satellite platform offering advance direct-to-user (DTU) video, telecommunications and internet services.

Tiungsat-1

Malaysia launched its first self-designed and built microsatellite, Tiungsat-1, in September 2000. It is owned and operated by Astronautic Technology (M) Sdn Bhd, a wholly-owned government company.

The applications of this non-commercial venture extend to government agencies, universities and the private sectors. Its most common use is for earth imaging using three narrow-angle cameras and one wide-angle camera.

5. AIR CARGO FACILITIES

Malaysia's central position at the crossroads of South-East Asia makes her particularly attractive as a transshipment centre. Air cargo facilities are well developed, especially in the five international airports in Malaysia.

The highly sophisticated Kuala Lumpur International Airport (KLIA) in Sepang, Selangor, has a current capacity of 25 million passengers and 650,000 tonnes of cargo per year.

However, KLIA's 25,000 acres of land is planned to accommodate up to 60 million passengers and three million tonnes of cargo per year by the year 2020, and in the future, up to 100 million passengers and five to six million tonnes of cargo per year.

The other international airports are the Penang International Airport and Langkawi International Airport in Peninsular Malaysia, Kota Kinabalu International Airport in Sabah, and Kuching International Airport in Sarawak.

Malaysia's national carrier, Malaysia Airlines, offers air cargo services through its wholly owned subsidiary, MASkargo.

MASkargo operates an Advanced Cargo Centre (ACC) at the Kuala Lumpur International Airport within a Free Commercial Zone (FCZ). This centre features sensitive and sophisticated security systems and the latest technology including fully automated procedures, ensuring real-time data tracking and the smooth flow of communication. Among the facilities at the centre are the animal hotel and the one-stop perishable center as well as the world's first priority business centre (PBC) for key forwarding agents.

MASkargo also provides airport-to-airport trucking services in the country. It offers freighter services to Dubai, Amsterdam, Frankfurt, Osaka, Taipei, Shanghai-Pudong, Hong Kong, Dhaka, Melbourne, Perth and Jakarta. Recently, the company has also launched I-Port, the world's first airport within a seaport transshipment service. This service allows fast handling of sea-air cargo through Malaysian ports, via KLIA.

In addition, the national carrier delivers cargo to 100 international destinations across six continents and links up with other carriers to speed up the delivery of goods to any part of the world. (For futher information, please visit the MASkargo website at www.maskargo.com)

Air cargo services are complemented by Transmile Air which serves nine domestic destinations and five scheduled regional destinations namely Bangalore, Madras, Manila, Jakarta and Shenzhen.

6. SEA PORTS

The Ministry of Transport has under its jurisdiction seven major federal international ports - six ports located in Peninsular Malaysia, namely, Port Klang, Penang Port, Johor Port at Pasir Gudang, Port of Tanjung Pelepas, Kuantan Port and Kemaman Port, and one in Sarawak, i.e., Bintulu Port.

Bintulu Port is the country's first liquefied natural gas port, while at Kemaman Port, a supply base caters to the needs of petroleum companies.

Modern facilities and equipment are available at all these ports to facilitate a full range of cargo handling and related activities including containerised cargo and dry bulk cargo.

The government's policy on ports focuses on:

- Being supply-driven, i.e., the provision of ample capacity in ports to ensure that there is no congestion and there is zero waiting time for ships.

- Load centering, meaning that Port Klang has been made the national load centre and the regional transshipment hub. As such, cargo from all other Malaysian ports, which take the role of feeder ports, are being consolidated where possible through Port Klang.

- Developing the Port of Tanjung Pelepas as the transshipment hub for the southern region of Malaysia.

7. CARGO TRANSPORTATION

Various companies provide comprehensive containerised cargo transportation services in Malaysia. These include container haulage, freight forwarding, warehousing, bunkering, distribution related services, port and customs clearance, and container repair, leasing and maintenance.

Consignees and clients in Malaysia enjoy speedy, efficient and reliable cargo transportation through a network of local branches and offices. Most companies also offer a good international network of agents.

7.1 Container Haulage

The Malaysian government regulates inland container haulage through the Commercial Vehicle Licensing Board (CVLB) under the Ministry of Entrepreneur Development.

Sixty two hauliers cater to varied cargo needs through a diversified fleet of trailers and prime movers which also include modified vehicles. Some come equipped with modern tracking systems to enable contact with haulage vehicles on the road.

Numerous other medium and small-sized operators truck conventional cargoes to destinations in the country. Meanwhile, a block rail feeder service operates to specific destinations and a freight liner service takes care of container deliveries to outstation clients.

This multi-modal (road and rail) transportation system assures prompt delivery of cargo

7.2 Freight Forwarding

Hundreds of freight forwarding agents stationed throughout Malaysia offer nationwide freight forwarding services, while cargo bound for international destinations can be forwarded through various international freight forwarders. Freight forwarders can also provide assistance to manufacturers in the processing of applications for required permits, licences and duty/tax exemption for the clearance of goods from the Customs authorities.

8. HIGHWAYS

The Malaysian Highway Authority supervises and executes the design, construction, regulation, operation and maintenance of inter-urban highways in Malaysia. These comfortable expressways link all major townships and potential development areas, and have catalysed industrial growth by enabling efficient transportation.

The country's successful privatisation programme coupled with its strong economic growth has also induced more highway development projects in the last few years.

Today, the North-South Expressway together with the Penang Bridge and the Kuala Lumpur-Karak Highway form the backbone of Malaysia's road infrastructure, contributing to the country's rapid socio-economic development.

9. RAILWAY SERVICES

Keretapi Tanah Melayu Bhd (KTM), which operates in Peninsular Malaysia, is a corporation wholly-owned by the Malaysian government. As the single largest transport organisation in the country, KTM has the capacity to transport several classifications of goods ranging from grains to machinery.

Its network runs the length and breadth of Peninsular Malaysia from the northern terminal in Butterworth to Pasir Gudang, Johor in the south and through to Singapore. The same northerly line serves wharves and port facilities on Penang Island.

10. MULTIMEDIA SUPER CORRIDOR

Malaysia's Multimedia Super Corridor (MSC) is Asia's most exciting investment location for information and communication technology (ICT).

Conceptualized in 1996, the MSC has grown into a thriving dynamic ICT hub, hosting about 1000 multinationals, foreign-owned and home-grown Malaysian companies focused on multimedia and communications products, solutions, services and; research and development.

Located at the heart of Asia's fastest-growing markets, the 750-km square Corridor features state-of-the-art infrastructure and is governed by secure cyberlaws, policies and practices that enable operating companies to thrive and produce continuous innovation.

MSC has become the choice location for global innovators and investors. Malaysia's unique competitive advantages stem from its:

- Highly competitive package for MSC investors
- Customised incentives and financing
- Strongly committed leadership
- Easy access to rapidly growing markets of ASEAN and the Asia Pacific
- Traffic and pollution-free environment
- Availability of qualified and educated employees with more than 30,000 ICT diploma and degree graduates annually (Confirmed 17/12/03)
- Multilingual, multicultural talents
- Political and institutional stability
- High quality of life

Besides the innovative solutions developed by MSC companies, the MSC is also focused on:

- Smart Card Technology,
- Smart Schools,
- Telehealth,
- e-Government
- e-Business
- Technopreneurship
- Creative Multimedia
- Shared Services and Outsourcing

Driving the MSC is the Multimedia Development Corporation (MDC), a high-powered 'one-stop agency', wholly focused on ensuring the success of the MSC and the companies operating in it.

For further information on the MSC, contact MDC (see Useful Addresses-Relevant Organisations) or visit the MDC website at www.mdc.com.my.

USEFUL ADDRESSES

MINISTRIES

PRIME MINISTER'S DEPARTMENT
Perdana Putra Building
Federal Government Administrative Centre
62502 Putrajaya
Malaysia
Tel : (603) 8888 8000
Fax : (603) 8888 3444
Website : http://www.smpke.jpm.my
E-mail : perdana@smpke.com.my
ppm@smpke.jpm.my

MINISTRY OF AGRICULTURE
Wisma Tani
Jalan Sultan Salahuddin
50624 Kuala Lumpur
Malaysia
Tel : (603) 2698 2617
Fax : (603) 2691 3758
Website : http://www.agrolink.moa.my
E-mail : admin@smtp.moa.my

MINISTRY OF CULTURE, ARTS AND TOURISM
6th, 21st, 32nd –36th Floor
Menara Dato' Onn, Putra World Trade Centre
45 Jalan Tun Ismail
50694 Kuala Lumpur
Malaysia
Tel : (603) 2693 7111
Fax : (603) 2691 0951
Website : http://www.mocat.gov.my
E-mail : webmaster@mocat.gov.my

MINISTRY OF DEFENCE
Jalan Padang Tembak
50634 Kuala Lumpur
Malaysia
Tel : (603) 2692 1333
Fax : (603) 2691 4163
Website : http://mod.gov.my
E-mail : cpa@mod.gov.my

MINISTRY OF DOMESTIC TRADE & CONSUMER AFFAIRS
27th, 30 – 33rd Floor
Menara Dayabumi
Jalan Sultan Hishamuddin
506623 Kuala Lumpur
Malaysia
Tel : (603) 2274 2100
Fax : (603) 2274 5260
Website : http://www.kpdnhq.gov.my
E-mail : aduan@kpdnhq.gov.my

MINISTRY OF EDUCATION
Level 7, Block J South
Pusat Bandar Damansara
50604 Kuala Lumpur
Malaysia
Tel : (603) 2098 6900
Fax : (603) 2095 5305
Website : http://www.moe.gov.my
E-mail : kahar@bdpk.moe.gov.my

MINISTRY OF ENERGY, COMMUNICATIONS AND MULTIMEDIA
1st Floor, Wisma Damansara
Jalan Semantan, 50668 Kuala Lumpur
Malaysia
Tel : (603) 2087 5000
Fax : (603) 2087 5001
Website : http://www.ktkm.gov.my
E-mail : zainal@ktkm.gov.my

MINISTRY OF ENTREPRENEUR DEVELOPMENT
22-26th Floor, Medan MARA
Jalan Raja Laut, 50652 Kuala Lumpur
Malaysia
Tel : (603) 2698 5022
Fax : (603) 2691 7623
Website : http://www.kpun.gov.my
E-mail : webmaster@kpun.gov.my

MINISTRY OF FINANCE
Level 10,
Centre Block Finance Ministry Complex
Precint 2, Federal Government Administrative Centre
62592 Putrajaya
Malaysia
Tel : (603) 8882 3000
Fax : (603) 2095 6264
Website : http://www.treasury.gov.my
E-mail : webmaster@treasury.gov.my

MINISTRY OF FOREIGN AFFAIRS
No. 1, Jalan Wisma Putra
Precint 2, 62602 Putrajaya
Malaysia
Tel : (603) 8887 4000
Fax : (603) 8889 1717
Website : http://www.kln.gov.my
E-mail : webmaster@kln.gov.my

MINISTRY OF HEALTH
Jalan Cenderasari
50590 Kuala Lumpur
Malaysia
Tel : (603) 2698 5176
Fax : (603) 2698 5964
Website : http://www.moh.gov.my
E-mail : pro1@moh.gov.my

MINISTRY OF HOME AFFAIRS
Level 4, Block D1, Parcel D
Federal Government Administrative Centre
62546 Putrajaya
Malaysia
Tel : (603) 8886 8000
Fax : (603) 8889 1610
Website : http://www.kdn.gov.my
E-mail : hamzah hamid@kdn.gov.my

MINISTRY OF HOUSING AND LOCAL GOVERNMENT
4th & 5th Floor, Block K
Pusat Bandar Damansara
50490 Kuala Lumpur
Malaysia
Tel : (603) 2094 7033
Fax : (603) 2094 7380/2093 6793
Website : http://www.kpkt.gov.my
E-mail : pro@kpkt.gov.my

MINISTRY OF HUMAN RESOURCE
Level 6-9, Block D3, Parcel D
Federal Government Administrative Centre
62502 Putrajaya
Malaysia
Tel : (603) 8886 5000
Fax : (603) 8889 2381
Website : http://www.mohr.gov.my
E-mail : ksm@mohr.gov.my

MINISTRY OF INFORMATION
Angkasapuri
50610 Kuala Lumpur
Malaysia
Tel : (603) 2282 5333
Fax : (603) 8889 2381
Website : http://www.mohr.gov.my
E-mail : ksm@mohr.gov.my

MINISTRY OF LAND AND CO-OPERATIVE DEVELOPMENT
Wisma Tanah, Jalan Semarak
50574 Kuala Lumpur
Malaysia
Tel : (603) 2692 1566
Fax : (603) 2691 8641
Website : http://www.ktpk.gov.my
E-mail : mazira@ktpk.gov.my

MINISTRY OF NATIONAL UNITY AND SOCIAL DEVELOPMENT
20th & 21st Floor
Wisma Bunga Raya, Jalan Raja Laut
50562 Kuala Lumpur
Malaysia
Tel : (603) 2692 5022
Fax : (603) 2693 7353
Website : http://www.kempadu.gov.my
E-mail : webteam@kempadu.gov.my

MINISTRY OF PRIMARY INDUSTRIES
6th – 8th Floor, Menara Dayabumi
Jalan Sultan Hishamuddin
50654 Kuala Lumpur
Malaysia
Tel : (603) 2274 7511
Fax : (603) 2274 5014
Website : http://www.kpu.gov.my
E-mail : hasmah@kpu.gov.my

MINISTRY OF RURAL DEVELOPMENT
Level 5-9, Block D9, Parcel D
Federal Government Administrative Centre
62606 Putrajaya
Malaysia
Tel : (603) 8889 3801
Fax : (603) 8889 2096
Website : http://www.kplb.gov.my
E-mail : webmaster@kplb.gov.my

MINISTRY OF SCIENCE, TECHNOLOGY AND ENVIRONMENT
Level 1-7, Block C5
Federal Government Administrative Centre
62662 Putrajaya
Malaysia
Tel : (603) 8885 8000
Fax : (603) 8888 6070
Website : http://www.mastic.gov.my
E-mail : mastic@mastic.gov.my

MINISTRY OF TRANSPORT
Level 5-7, Block D5, Parcel D
Federal Government Administrative Centre
62502 Putrajaya
Malaysia
Tel : (603) 8886 6000
Fax : (603) 8889 1569
Website : http://www.mot.gov.my
E-mail : webmaster@mot.gov.my

MINISTRY OF WOMEN & FAMILY DEVELOPMENT
Block E, Kompleks Pejabat Kerajaan Bukit Perdana
Jalan Dato' Onn, 50515 Kuala Lumpur
Malaysia
Tel : (603) 2693 0095/2693 0401
Fax : (603) 2693 8509
Website : www.hawa.gov.my
E-mail : hawa@hawa.com.my

MINISTRY OF WORKS
5th Floor, Block A, Kompleks Kerja Raya
Jalan Sultan Salahuddin
50580 Kuala Lumpur
Malaysia
Tel : (603) 2711 1100
Fax : (603) 2711 6361
Website : http://www.krr.gov.my
E-mail : ksu@kkr.gov.my

MINISTRY OF YOUTH AND SPORTS
3rd Floor, Kompleks Pejabat Kerajaan,
Block G, Jalan Dato' Onn
50570 Kuala Lumpur
Malaysia
Tel : (603) 2693 2255
Fax : (603) 2693 2231
Website : http://www.kbs.gov.my
E-mail : info@kbs.gov.my

RELEVANT ORGANISATIONS

BANK NEGARA MALAYSIA
Jalan Dato' Onn, P.O. Box 10922
50480 Kuala Lumpur, Malaysia
Tel : (603) 2698 8044
Fax : (603) 2691 2990
Website : http://www.bnm.gov.my
E-mail : info@bnm.gov.my

DEPARTMENT OF ENVIRONMENT
Level 3-7, Block C4
Federal Government Administrative Centre
62662 Putrajaya, Malaysia
Tel : (603) 8885 8200
Fax : (603) 8888 9987
Website : http://www.jas.sains.my
E-mail : doe@jas.sains.my

DEPARTMENT OF INDUSTRIAL RELATIONS
Level 4, Block D3, Parcel D
Federal Government Administrative Centre
62502 Putrajaya, Malaysia
Tel : (603) 8886 5000
Fax : (603) 8889 2355
Website : http://www.jppm.gov.my/jppm/
E-mail : jppm@po.jaring..my

DEPARTMENT OF LABOUR
Level 5, Block D3 Parcel D
Federal Government Administrative Centre
62502 Putrajaya, Malaysia
Tel : (603) 8886 5000
Fax : (603) 8889 2368
Website : http://www.jaring.my/ksm/jb
E-mail : labdep@po.jaring.my

DEPARTMENT OF OCCUPATIONAL SAFETY AND HEALTH
Level 2, 3 and 4, Blok D3, Parcel D
Federal Government Administrative Centre
62502 Putrajaya, Malaysia
Tel : (603) 8886 5000
Fax : (603) 8889 2351
Website : http://www.dosh.gov.my
E-mail : jkkp@dosh.gov.my

EMPLOYEES PROVIDENT FUND
7th Floor, KWSP Building
Jalan Raja Laut
50350 Kuala Lumpur, Malaysia
Tel : (603) 2694 6566
Fax : (603) 2694 8433
Website : http://www.kwsp.gov.my
E-mail : kwsp@po.jaring.my

EXPORT-IMPORT BANK OF MALAYSIA (EXIM BANK)
Level 19, Bangunan Bank Industri
Bandar Wawasan
1016, Jalan Sultan Ismail
50250 Kuala Lumpur, Malaysia
Tel : (603) 2692 7077
Fax : (603) 2692 7078
Website : http://www.exim-bank.com
E-mail : exim@exim.com.my

HUMAN RESOURCE DEVELOPMENT BERHAD
7th Floor, Wisma Chase Perdana
Off Jalan Semantan, Bukit Damansara
50490 Kuala Lumpur, Malaysia
Tel : (603) 2098 4800
Fax : (603) 2093 5722
Website : http://www.hrdnet.com.my
E-mail : administrator@hrdnet.com.my

IMMIGRATION DEPARTMENT
Level 1 – 7, Block I(Utara)
Damansara Town Centre
50550 Kuala Lumpur, Malaysia
Tel : (603) 2093 9181/2094 5096
Fax : (603) 2096 2340
Website : http://www.imi.gov.my
E-mail : pro@imi.gov.my

INLAND REVENUE BOARD
15th Floor, Block 11
Government Office Complex
Jalan Duta, 50600 Kuala Lumpur
Malaysia
Tel : (603) 6201 7055
Fax : (603) 6201 3798
Website : http://www.hasilnet.org.my
E-mail : lhdn@hasilnet.org.my

KUALA LUMPUR STOCK EXCHANGE
12th Floor Exchange Square
Bukit Kewangan
50200 Kuala Lumpur, Malaysia
Tel : (603) 2026 7099
Fax : (603) 2026 3700
Website : http://www.klse.com.my
E-mail : commsdept@klse.com.my

LABUAN OFFSHORE FINANCIAL SERVICES AUTHORITY (LOFSA)
Level 17, Main Office Tower
Financial Park Labuan, Jalan Merdeka
87000 Federal Territory Labuan
Malaysia
Tel : (6087) 408187/188
Fax : (6087) 413328
Website : http://www.lofsa.gov.my
E-mail : communication@lofsa.gov.my

MALAYSIA EXPORT CREDIT INSURANCE BERHAD (MECIB)
Level 17, Bangunan Bank Industri
Bandar Wawasan
1016, Jalan Sultan Ismail
P.O. Box 11048
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LIST OF PROMOTED ACTIVITIES AND PRODUCTS WHICH ARE ELIGIBLE FOR CONSIDERATION OF PIONEER STATUS AND INVESTMENT TAX ALLOWANCE UNDER THE PROMOTION OF INVESTMENTS ACT 1986

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I. AGRICULTURAL PRODUCTION

1. Cultivation of tea
2. Cultivation of fruits
3. Cultivation of vegetables, tubers or roots
4. Cultivation of rice or maize
5. Cultivation of herbs or spices
6. Cultivation of essential oil crops
7. Production of planting materials
8. Cultivation of crops for animal feed
9. Floriculture
10. Apiculture
11. Livestock farming (excluding rearing of chickens, ducks or pigs)
12. Production of breeder stock
13. Spawning, breeding and culturing of aquatic products
14. Off-shore fishing
15. Cultivation of medicinal plants

*16. Sericulture
*17. Cultivation of cocoa
*18. Cultivation of coconut
*19. Cultivation of sago palm
*20. Rearing of chickens and ducks

II. PROCESSING OF AGRICULTURAL PRODUCE

1. Chocolate and chocolate confectionery
2. Cocoa and cocoa products
3. Fruits
4. Vegetables, tubers or roots
5. Essential oils
6. Livestock products
7. Agricultural waste or agricultural by-products
8. Aquatic products
9. Aquaculture feed
10. Plant extracts for pharmaceutical, perfumery, cosmetic or food industries
11. High fructose syrup

*12. Illipe products
*13. Coconut products except copra or crude coconut oil
*14. Starch products
*15. Cocoa paste, cocoa butter and cocoa powder

III. FORESTRY AND FORESTRY PRODUCTS

1. Cultivation of timber, bamboo or cane
2. Cane products
3. Bamboo products

IV. MANUFACTURE OF RUBBER PRODUCTS

1. Earthmover tyres, agricultural tyres, industrial tyres, commercial vehicle tyres, motorcycle tyres, aircraft tyres or solid tyres
2. Precured tread liners
3. Retreading of aircraft tyres
4. Latex products:
   a. Surgical gloves
   b. Safety/special function gloves
   c. Condoms
   d. Catheters
   e. Rubber (elastomeric) specialty coatings
   f. Rubberised fabrics
5. Dry rubber products:
   a. Beltings
   b. Hoses, pipes and tubings
   c. Rubber profiles
   d. Inflatable rubber products
   e. Industrial and office equipment rollers
   f. Seals, gaskets, washers, packings and rings
   g. Anti-vibration, damping and sound insulation products
   h. Rubber linings
   i. Rubber floorings
   j. Rubber moulds
   k. Modified natural rubber
6. Reclaimed rubber

*7. Latex products:
   a. Carpet underlay
   b. Swimming caps
   c. Balloons
   d. Finger cots
   e. Toys
   f. Latex thread

V. MANUFACTURE OF PALM AND PALM KERNEL OIL PRODUCTS AND THEIR DERIVATIVES

1. Oleochemicals or oleochemical derivatives or preparations
2. Margarine, vanaspati, shortening or other manufactured fat products

*3. Cocoa butter replacers, cocoa butter substitutes, cocoa butter equivalent, palm mid fraction or special olein
*4. Crude palm kernel oil or palm kernel meal
*5. Refining of palm oil or palm kernel oil

VI. MANUFACTURE OF CHEMICALS AND PETROCHEMICALS

1. Chemical derivatives from organic or inorganic sources
2. Fine chemicals
3. Basic manufacture of pesticides
4. Petrochemical products
5. Epoxy encapsulation moulding compounds
6. Cable compounds (excluding PVC cable compound)
7. Titanium dioxide pigment
8. Barium sulphate pigment
9. Iron dioxide pigment
10. Metallic pigment
11. Recycling of chemicals
12. Anti-tack solutions
13. Inkjet inks

*14. Cleaning preparations, cosmetics or toilet preparations
*15. Wax products
*16. Specialised paints or coatings

VII. MANUFACTURE OF PHARMACEUTICAL AND RELATED PRODUCTS

1. Pharmaceuticals goods
2. Clinical diagnostic reagents
3. Gelatine or gelatine products
4. Intravenous, dialysis or irrigating solutions
5. Vaccines
6. Medicaments

VIII. MANUFACTURE OF WOOD AND WOOD PRODUCTS

1. Reconstituted wood-based panel boards or products
2. Wooden solid or other specialised function doors or wooden solid windows
3. Multi-ply parquet
4. Wooden furniture or parts
5. Insulation for cryogenic vessels

*6. All wooden products except sawn timber, veneer and plain plywood

IX. MANUFACTURE OF PULP, PAPER AND PAPERBOARD

1. Pulp
2. Newsprint
3. Security paper
4. Resin impregnated paper and products thereof
5. Printing and writing paper
6. Corrugated medium paper, testliner or kraftliner
7. Kraft paper
8. Paperboard
9. Moulded paper
10. Specialty paper

*11. All types of paper products from pulp

X. MANUFACTURE OF TEXTILES AND TEXTILE PRODUCTS

1. Natural or man-made fibres
2. Yarn of natural or man-made fibres
3. Woven fabrics
4. Finished knitted fabrics
5. Finishing of fabrics such as bleaching, dyeing and printing
6. Knitwear
7. Skiwear or winter outerwear
8. Non-woven products
9. Elastic webbings
10. Textile hose piping

XI. MANUFACTURE OF CLAY-BASED, SAND-BASED AND OTHER NON-METALLIC MINERAL PRODUCTS

1. High alumina or basic refractories
2. Kiln furniture
3. Laboratory, chemical or industrial wares
4. Artware, ornaments or articles for adornment of ceramic or glass
5. Glassware
6. High tension electrical glass insulators
7. Glass components or parts for electrical, electronic or industrial use
8. Glass fibre in all forms produced from basic raw materials
9. Finished woven fabrics of glass fibre
10. Optical glass blanks
11. Alumino-silicate ceramics fibres
12. Ceramic components or parts for electrical, electronic or industrial uses
13. Fritz, zirconium silicate powder, glaze or glaze stains
14. Silicon dioxide fillers
15. Rockwool
16. Synthetic industrial diamonds
17. Processed ball clay
18. Articles of pressed or moulded glass such as bricks, tiles, slabs, pellets, paving blocks and squares
19. Tableware
20. Coated glass
21. Integrated cement projects
22. Absorbent mineral clay
23. Marble and granite products
24. Gypsum plaster board
25. Quicklime and hydrated lime

*26. Processed kaolin
*27. Ceramic wall or floor tiles
*28. Vitrified clay pipes
*29. Calcium carbonate powder
*30. Coated or uncoated talc or barium sulphate powders (average particle size less than 5 microns)
*31. High grade silica sand or powder
*32. Panels, boards, tiles, blocks or similar articles of vegetable fibre, wood fibre, straw, wood shavings or wood wastes, agglomerated with cement, plaster or other mineral binding substance
*33. Clay roofing pipes

XII. MANUFACTURE OF IRON AND STEEL

1. Blooms or slabs of steel
2. Shapes or sections of steel of height more than 200 mm
3. Plates, sheets, coils, hoops or strips of steel:
   a. Hot rolled plates, sheets, coils, hoops or strips
   b. Cold rolled/cold reduced plates, sheets, coils, hoops or strips
4. Seamless steel pipes
5. Seamless high pressure gas cylinders
6. Steel tyre cord and high pressure reinforced hose wire
7. Ferromanganese, silicon manganese or ferrosilicon
8. Electrolytic galvanised steel sheet in coil

*9. Welded steel pipes or pipe fittings
*10. Bars or wire rods (except those of mild steel), angles, shapes or sections of all grades of steel either hot-rolled, cold-rolled or cold-finished
*11. Wires or wire products of iron or steel
*12. Steel fabricated products

XIII. MANUFACTURE OF NON-FERROUS METALS AND THEIR PRODUCTS

1. Dressing and/or smelting of non-ferrous metals other than tin metals
2. Primary ingots, billets or slabs of non-ferrous metals
3. Bars, rods, shapes or sections of non-ferrous metals except EC copper rods

4. Plates, sheets, coils, hoops or strips of non-ferrous metals
5. Pipes or tubes of non-ferrous metals
6. Copper clad laminates and products from in-house copper clad laminates
7. Powder, cream or paste of non-ferrous metals

*8. Wire or wire products of non-ferrous metals

*9. Fabricated products of non-ferrous metals

XIV. MANUFACTURE OF MACHINERY AND MACHINERY COMPONENTS

1. Specialised/process machinery or equipment associated with specific industry including:
   a. Agricultural machinery or equipment
   b. Mining or mineral extraction/processing machinery or equipment
   c. Construction machinery or equipment
   d. Waste water/sewage treatment equipment
   e. Industrial sewing machines
2. Supporting services machinery or equipment including power generating machinery or equipment
3. Material handling machinery or equipment including elevators or escalators
4. Hand tools or power tools
5. Machinery and industrial parts/components including:
   a. Printing rolls or embossing rolls
   b. Dicing blades, accessories for silicon wafers or ceramic substrates
   c. Offset printing plates
   d. Industrial seals or seal materials
6. Machine tools (metalworking, woodworking and others) including welding/soldering equipment
7. Packaging machinery
8. Machinery or equipment for the services sector including:
   a. Fire fighting equipment
   b. Hand labelers
9. Reconditioning of heavy machinery and equipment
   a. Automobile air conditioning compressors
10. Servicing and upgrading of machinery and equipment

XV. MANUFACTURE OF TRANSPORT EQUIPMENT, COMPONENTS AND ACCESSORIES

1. Bicycles
2. Bicycle parts:
   a. Drive set (chain wheel and crank)
   b. Brake set
   c. Speed change set
   d. Hub
3. Specialty cars
4. Engines
5. Engine parts:
   a. Cylinder block, cylinder head, rocker cover, flywheel or pulley
   b. Crank shaft, connecting rod, cam shaft, rocker, rocker shaft, engine valve, sprocket, piston pin or piston ring
   c. Intake manifold or exhaust manifold
   d. Oil pan, oil pump, oil pump gear shaft, fuel pump, water pump or oil seal
   e. Timing belt, timing chain, carburetor, ignition coil or distributor
   f. Fuel injection mechanism (injector, pump, tubing, valves, regulator, sensors, electronic control modules)
   g. High tension cables
   h. Engine bracket
   i. Magneto
   j. Capacitor discharge unit
6. Transmissions
7. Transmission parts:
   a. Transmission shift lever and fork
   b. Transmission control linkages
   c. Speedometer pinion
   d. Clutch
   e. Torque converter
   f. Drive shaft
8. Axle, wheel, wheel hub or knuckle
9. Disc brake, drum brake, brake cylinder, brake master cylinder, brake booster, anti-lock braking mechanism, clutch master cylinder or clutch operating cylinder.
10. Steering wheel, steering column, steering gear box, power steering pump, steering linkages, tie rod or constant velocity joints
11. Stabilizer bar, suspension arm or suspension arm shaft and member
12. Body panels, chassis frame, fuel tank, window regulator, locks and keys or hinges
13. Head lights, indicating/signalling lights, meters, gauges, switches or horns
14. Weather strips, control cables, speedometer cables, metalic tubings or hoses
15. Catalytic converter
16. Vehicle safety air bag
17. Navigational system
18. Automotive electronic module/component or sensor
19. Seat mechanism including seat adjuster or locking mechanism or seat recliner
20. System integrator:
    a. Front corner module
    b. Rear corner module
    c. Instrument panel module
    d. Strut and absorbers and spring assembly module
    e. Bumper assembly
    f. Front cross member module
    g. Function integrated door module
    h. Fuel tank module
    i. Seat assembly
    j. Pedal assembly
    k. Door trim assembly
    l. Floor console assembly
    m. Tyre and wheel assembly
    n. Brake system
    o. Wiper system
    p. Exhaust system
    q. Audio system
    r. HVAC (Heater Ventilation Air-conditioning system)
    s. Airbag system

t. Power and signal distribution system
u. Alarm system
v. Seat belt system
w. Exterior lighting system
x. Body in white assembly

21. Gear
22. Cooling equipment, air-inlet equipment or exhaust equipment, compressor and expansion valve for automotive air-conditioning
23. Aerospace industry:
    a. Manufacture and assembly of aircraft
    b. Manufacture of aircraft equipment, components, accessories or parts thereof
    c. Ground support equipment for aerospace industry
24. Pleasure crafts, hydrofoils or hovercrafts
25. Maintenance, repair, overhaul or service of aircraft, aircraft components or accessories or testing and repairing of avionics
26. Manufacture of train and related equipment:
    a. Construction of locomotive, rail car
    b. Coach, wagon, bogie
    c. Electric multiple unit and power generating car
    d. Railway signalling and communication system

*27. Electrical or electronics systems instrumentation
*28. Shipbuilding
*29. Shiprepair

XVI. SUPPORTING PRODUCTS/ACTIVITIES

1. Metal castings
2. Metal forgings
3. Metal surface treatment/finishing
4. Machining
5. Moulds, tools and dies
6. Powder metallurgical parts (sintering of metal parts)
7. Heat treatment
8. Mould texturing

*9. Metal stamping
*10. Galvanising, shearing or slitting of metal sheets or other related engineering services

11. Overhaul, repair, reconditioning, modification or servicing and testing of turbine engines, components or sub-assemblies
12. Advanced composite materials
13. Irradiation services
14. Gas sterilisation services

XVII. MANUFACTURE OF ELECTRICAL AND ELECTRONIC PRODUCTS AND COMPONENTS AND PARTS THEREOF

1. Digital television receivers
2. Colour television receiver parts:
    a. Cathode ray tubes
    b. Electron guns
    c. Polished glass panels or glass funnels for colour picture tubes
3. Digital audio video recorders/players and parts:
    a. Digital audio video recorders/players
    b. Digital tape mechanisms
    c. Digital disc mechanisms
    d. Optical pick-up units
    e. Magnetic heads
4. Computers, parts and peripherals:
    a. Computers (excluding detached peripherals not manufactured in-house)
    b. Monitors
    c. Computer printers (including printer mechanism)
    d. Printer heads
    e. Computer scanners
    f. Drive units
    g. Head gimbal assemblies/head carriage assemblies
    h. Headstack assemblies
    i. Computer magnetic heads
    j. Data storage media
    k. Voice coil motors
    l. Actuators
    m. Electronic games equipment including photodetector joysticks
    n. Disk substrates or disk blanks
    o. Re-manufacturing of computer drives
5. Electronic components:
    a. Quartz crystals
    b. Motors
    c. Printed circuit boards (excluding rigid single sided circuit boards)
    d. Cables or wires for electronic devices including flat cables
    e. Hermetic seals
    f. Electrical/electronic components moulded with magnets
    g. Thermistors
    h. Connectors with or without wires or cables
    i. Bonding wires
    j. Lead-frames
    k. Magnets or ferrite cores
    l. Displays-electroluminescent, plasma or liquid crystal
    m. Membrane switches
    n. Surface mount components
    o. Optical fibres or optical fibre products
    p. SMT chipholders on lead-frames
    q. Magnetron
    r. Fabrication of light emitting diodes (LED)
6. Recorded and unrecorded media:
    a. Compact discs
    b. Magnetic webs or pancakes
7. Electronic machines and equipment/devices:
    a. Teller machine
    b. Office equipment
    c. Alarm equipment/systems or devices
    d. Ultrasonic cleaners
    e. Computing scales
    f. Cash registers
    g. Demagnetisers
    h. Industrial controllers
    i. Computer Aided Design (CAD), Computer Aided Manufacturing (CAM) or Computer Aided Engineering (CAE) equipment
    j. Robots or robotics
    k. Multimedia integrated controller
8. Wafer fabrication:
    a. Semiconductor wafer fabrication
    b. Reclaimed silicon wafers

9. Electrical products:
    a. Uninterruptible power supplies
    b. Batteries excluding manganese dioxide, dry cells and lead acid batteries
    c. Solar cells and solar panels
    d. Discharge tubes
    e. Heat shrinkable cable joints and terminations
10. Telecommunication:
    a. Telecommunication equipment including multi feature mobile phones but excluding fixed line telephone sets
    b. Antennae for communication equipment
    c. Voice/pattern/vision recognition or synthesis equipment
    d. Data terminal displays
    e. Global positioning system
    f. Electronic navigational aid
    g. Electronic tracking aid
11. Software development and production
12. Discharge tubes and products thereof
*13. Transformers or coils
*14. Automatic gate mechanisms
*15. Consumer electronic products; parts, sub-assemblies or accessories thereof
*16. Industrial electronic products; parts, sub-assemblies and accessories thereof
*17. Electrical household appliances and parts thereof
*18. Electrical industrial equipment or parts thereof

XVIII. MANUFACTURE OF PROFESSIONAL, MEDICAL, SCIENTIFIC AND MEASURING DEVICES/PARTS

1. Medical, surgical, dental or veterinary devices/equipment
2. Gauges or measuring apparatus
3. Surveying, hydrographic, navigational, meteorological, hydrological or geophysical instruments
4. Testing equipment
5. Clocks or watches
6. Stainless steel cannulae or tubes for needles

XIX. MANUFACTURE OF PHOTOGRAPHIC, CINEMATOGRAPHIC, VIDEO AND OPTICAL GOODS

1. Cameras
2. Lenses
3. Binoculars, telescopes, magnifying glasses or microscopes
4. Cinematographic or video equipment

XX. MANUFACTURE OF PLASTIC PRODUCTS

1. Inflatable plastic products
2. Specialised plastic films/sheets
3. Geosystems products [Cellular Confinement System (CCS) and Porous Pavement System (PPS)]
4. Plastic products for engineering use
5. Precision engineering plastic products
6. Multiwall pipes
*7. Expanded polystyrene foam

XXI. MISCELLANEOUS

1. Musical instruments
2. Furniture hardware
3. Souvenirs, handicrafts or giftware
4. ElectronicToys
5. Sports goods or equipment
6. Spectacles or spectacle frames
7. Accessories for the textile industry
8. Cutlery
9. Lock sets or lock cylinder mechanisms
10. Jewellery of precious metal
11. Costume jewellery
12. Designing and printing of decorative surfaces for commercial applications
13. Integrated exhibits
14. Microbials and probiotics
15. Bank notes
16. Thermic containers and parts thereof
17. Biodegradable disposable packaging and householdwares
*18. Toys (excluding electronic toys)
19. Art and design apparatus - all types
*20. Enamelled household ware
*21. Cooker or barbeque sets
22. Fall protection equipment
23. Ball pen tips
24. Bio-ceramics embedded textile products

XXII. HOTEL BUSINESS AND TOURIST INDUSTRY

1. Establishment of medium and low-cost hotels (up to a three-star hotel)
2. Expansion/modernization of existing hotels
3. Establishment of tourist projects
4. Expansion /modernisation of tourist projects
5. Establishment of recreational camps
6. Establisment of convention centres

XXIII. FILM INDUSTRY

1. Film or video production
2. Post production for film or video

* *Additional promoted activities and products for promoted areas (other than the Federal Territory of Labuan) i.e. Sabah, Sarawak, Kelantan, Terengganu, Pahang and the district of Mersing in Johor.*

Note: For the Federal Territory of Labuan, only the hotel business and tourist industry will qualify for the consideration of incentive gazetted for the promoted areas.

\# *Eligible for all applications received until 31 December 2005*

LIST OF PROMOTED ACTIVITIES MANUFACTURING RELATED SERVICES

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MANUFACTURING RELATED SERVICES

1. Operational Headquarters
2. Regional Distribution Centres
3. International Procurement Centres
4. Regional Offices
5. Representative Offices
6. Research and development (R&D)
7. Design and prototyping
8. Technical or vocational training
9. Integrated logistic services
10. Integrated market support services
11. Integrated centralised utility facilities
12. Total chemical management system
13. Cold chain facilities and services for food products
14. Environmental management
    (a) Energy conservation/efficiency services
    (b) Energy generation activities, using renewable energy sources (biomass, hydro power, solar power)
    (c) Storage, treatment and disposal of toxic and hazardous waste
    (d) Waste recycling activities
        - agricultural waste or agricultural by-products

LIST OF PROMOTED ACTIVITIES AND PRODUCTS FOR HIGH TECHNOLOGY COMPANIES UNDER THE PROMOTION OF INVESTMENTS ACT 1986

Published : January 2004. This list is valid at the time of printing. For updates, please visit our website at www.mida.gov.my

I. ADVANCED ELECTRONICS

1. Design, development and manufacture of:
   a. computer or peripherals
   b. microprocessor application
2. Development and production of communication equipment
3. Design and production of integrated circuits (ICs)
4. Design, development and production of cameras including lens units, lens barrel units and view finder units
5. Development and production of cathode ray tubes and advance displays
6. Design, development and manufacture of printer heads, head gimbals/head carriages, headstacks, magnetic heads, voice coil motors and actuators
7. Development and production of advanced connectors

II. EQUIPMENT/ INSTRUMENTATION

1. Design, development and manufacture of:
   a. medical equipment
   b. medical implant or devices
   c. scientific equipment
   d. cyclonic separation equipment
2. Development and production of high pressure water cutting equipment

III. BIOTECHNOLOGY

1. Development, testing and production of:
   a. Pharmaceuticals
   b. fine chemicals
   c. food or food ingredients
   d. feed or feed supplements
   e. Biodiagnostics
2. Development and production of:
   a. cell cultures
   b. Biopolymers
   c. Biomaterials
3. Development and production of biotechnology processes for waste treatment

IV. AUTOMATION AND FLEXIBLE MANUFACTURING SYSTEMS

1. Development and production of:
   a. computer process control systems/equipment
   b. process instrumentation
   c. robotic equipment
   d. computer numerical control (CNC) machine tools

V. ELECTRO-OPTICS AND NON-LINEAR OPTICS

1. Development and production of:
   a. optical lenses
   b. laser application equipment
   c. fibre-optic communication equipment

VI. ADVANCED MATERIALS

1. Application or production of:
   a. polymers or biopolymers
   b. Superconductors
   c. fine ceramics or advanced ceramics
   d. high strength composites

VII. OPTOELECTRONICS

1. Development and production of:
   a. optoelectronics systems components
   b. optical systems components
   c. photo-couplers
   d. semiconductors lasers

VIII. SOFTWARE ENGINEERING

1. Development and production of:
   a. neural networks
   b. pattern recognition systems
   c. machine vision
   d. fuzzy logic systems

IX. ALTERNATIVE ENERGY SOURCES

1. Development and production of:
   a. fuel cells
   b. polymer batteries
   c. solar cells
   d. renewable energy

X. AEROSPACE

1. Design or development and production or assembly of:
   a. aircraft
   b. aircraft equipment, components or accessories or parts of aircraft
2. Modification and/or conversion of aircraft
3. Refurbishment or re-manufacture of aircraft equipment, components or accessories or parts of aircraft

XI. FOOD PRODUCTION AND FOOD PROCESSING

1. Food production using emerging technologies and advanced farming systems.
2. Development, testing and manufacturing of food products using emerging technologies and advanced manufacturing systems.

XII. ENGINEERING SUPPORT INDUSTRIES/SERVICES

1. Design, development and manufacture of:
   a. trim and form dies
   b. semiconductor cavity/encapsulation moulds
   c. suspension tooling for hard disk drive parts
   d. progressive tooling for lead frames
   e. fibre optic connector tooling
2. Design, development and manufacture of advanced toolings and equipment for the production of precision components/parts for industrial applications
3. Development and production of precision machined and die cast parts using advanced manufacturing systems

LIST OF PROMOTED ACTIVITIES AND PRODUCTS FOR SMALL-SCALE COMPANIES FOR CONSIDERATION OF PIONEER STATUS UNDER THE PROMOTION OF INVESTMENTS ACT 1986

Published : January 2004. This list is valid at the time of printing. For updates, please visit our website at www.mida.gov.my

I. PROCESSING OF AGRICULTURAL PRODUCE

1. Cocoa and cocoa products
2. Coffee
3. Tea
4. Coconut products except copra and crude coconut oil
5. Fruits
6. Vegetables
7. Cereal products
8. Starch and proteins
9. Herbs or spices
10. Essential oils
11. Fodder or other animal feed ingredients
12. Tobacco
13. Flowers or ornamental foliages
14. Honey
15. Meat
16. Livestock products
17. Aquatic products, including seaweed
18. Agricultural waste and by-products
19. Aquaculture feed
20. Sugar and confectionary products

II. FORESTRY PRODUCTS

1. Rattan products (excluding rattan poles, peel and splits)
2. Bamboo products
3. Other forestry products

III MANUFACTURE OF RUBBER PRODUCTS

1. Moulded rubber products
2. Extruded rubber products
3. General rubber goods
4. Foam rubber products
5. Inflatable rubber products
6. Engineering components of rubber (e.g. building mounts and anti-vibration mounts)
7. Rubber adhesive / rubber sealant

IV. MANUFACTURE OF PALM OIL AND PALM KERNEL OIL PRODUCTS AND THEIR DERIVATIVES

1. Margarine, vanaspati, shortening and other manufactured fat products

V. MANUFACTURE OF CHEMICALS AND PHARMACEUTICALS

1. Pigment preparation and dispersion
2. Desiccant

VI. MANUFACTURE OF WOOD AND WOOD PRODUCTS

1. Fancy plywood, prefinished and printed plywood
2. Timber mouldings
3. Builders carpentry and joinery
4. Products derived from utilisation of wood waste (eg. activated charcoal, wooden briquettes, wood wool)
5. Wooden household and office articles
6. Wooden furniture parts and components

VII. MANUFACTURE OF TEXTILES AND TEXTILE PRODUCTS

1. Batik
2. Accessories for the textile industry

VIII. MANUFACTURE OF CLAY-BASED AND SAND-BASED PRODUCTS AND OTHER NON-METALLIC MINERAL PRODUCTS

1. Artware, ornaments and articles of ceramic and glass
2. Glass fittings for lighting purposes
3. Panels, boards, tile blocks and similar articles of vegetable fibre, straw, wood shavings or wood wastes, agglomerated with cement plaster or with other mineral binding substances
4. Abrasive products for grinding, polishing and sharpening

IX. MANUFACTURE OF IRON AND STEEL PRODUCTS

1. Wire and wire products of iron and steel
2. Steel fabricated products

X. MANUFACTURE OF NON-FERROUS METALS AND THEIR PRODUCTS

1. Wire and wire products of non-ferrous metals

XI. SUPPORTING PRODUCTS AND SERVICES

1. Metal forgings
2. Machining
3. Stamping
4. Plating
5. Moulds, tools and dies
6. Industrial seals and seal materials

XII. MANUFACTURE OF HANDTOOLS

1. Handtools, all types (such as axes, pliers, spanners, screwdrivers, wrenches, hammers, pincers, riveting tools and other handtools)

XIII. MANUFACTURE OF MOTOR VEHICLES, COMPONENTS AND ACCESSORIES

1. All automotive components and accessories

XIV. ASSEMBLY AND MANUFACTURE OF ELECTRICAL AND ELECTRONIC PRODUCTS AND COMPONENTS AND PARTS THEREOF

1. Decorative lights
2. Antennae
3. Capacitors
4. Disc card players
5. Energy-saving lamps
6. Resistors
7. Power supplies
8. Invertors
9. Key pads and key switches
10. Printed circuit board assemblies using surface mount technology
11. Electronic ballast

XV. MANUFACTURE OF KITCHENWARE

1. Kitchenware, all types
2. Tableware

XVI. MANUFACTURE OF FURNITURE

1. Furniture

XVII. MANUFACTURE OF TOYS

1. Toys

XVIII. MANUFACTURE OF SOUVENIRS

1. Souvenirs, handicrafts, giftwares and decorative wares

XIX. MANUFACTURE OF SPORTS GOODS AND EQUIPMENT

1. Sports goods and equipment, all types

XX. MANUFACTURE OF JEWELLERY AND RELATED PRODUCTS

1. Jewellery
2. Processed gems

XXI. MISCELLANEOUS

1. Wax products

XXII. MANUFACTURE OF PLASTIC PRODUCTS

1. Decorative panels and ornaments of plastic

LIST OF PROMOTED PRODUCTS AND ACTIVITIES IN AN INDUSTRIAL LINKAGE PROGRAMME (ILP) FOR CONSIDERATION OF PIONEER STATUS OR INVESTMENT TAX ALLOWANCE UNDER THE PROMOTION OF INVESTMENTS ACT 1986

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I. MANUFACTURE OF RUBBER PRODUCTS

1. Moulded rubber products
2. Conveyor belts, transmission belts, V-type belts or rubber beltings

II. MANUFACTURE OF PLASTIC PRODUCTS

1. Plastic products for engineering use

III. MANUFACTURE OF CLAY-BASED, SAND-BASED AND OTHER NON-METALLIC MINERAL PRODUCTS

1. Ceramic components or parts for electrical, electronic or industrial uses
2. Glass envelopes
3. Glass fittings
4. Advanced composite materials or products

IV. MANUFACTURE OF TEXTILES AND TEXTILE PRODUCTS

1. Elastic webbings

V. MANUFACTURE OF IRON AND STEEL

1. Wire or wire products of iron and steel
2. Steel fabricated products

VI. MANUFACTURE OF NON-FERROUS METALS AND THEIR PRODUCTS

1. Copper clad laminates and products thereof
2. Wire or wire products of non-ferrous metals
3. Fabricated products of non-ferrous metals

VII. SUPPORTING PRODUCTS/SERVICES

1. Metal castings
2. Metal forgings
3. Plating
4. Machining
5. Moulds, tools or dies
6. Heat treatment
7. Mould texturing