

## Tax exemptions for foreign investors in Malaysia

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### 1. Tax exemptions for foreign investors in Malaysia

According to the 2022 Milken Institute Global Opportunity Index (GIO), Malaysia is the most attractive destination in Southeast Asia for foreign investors. Behind this success are the irresistible tax incentives offered by the Malaysian government.



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

### 2. Some of the major incentives are as follows,

- 1) Pioneer status (income tax exemption ranging from 70% to 100% for a period of 5 to 10 years);
- 2) Investment tax allowance (60% to 100% on qualifying capital expenditure incurred within 5 years);
- 3) Reinvestment Allowance (60% on qualifying capital expenditure incurred for 15 consecutive years); and
- 4) Import Duty Exemption/Customised Packaged Investment incentives.

(1) There are different types of incentives available for new and existing foreign investors in Malaysia.

Generally, new investors are eligible to enjoy all incentives if they are providing the promoted activities or promoted products. Whereas existing foreign investors' options are more limited, for example, existing investors may be able to get,

- Green technology incentive;
- Principal Hub / Global Trading Centre incentive; and
- Reinvestment allowance

(2) Importance to understand these incentives

Many foreign investors are unaware of their eligibility for these incentives, and thus, have been paying taxes that could have been exempted.

One Asia Lawyers have excellent contacts with government agencies that will be approving these tax incentives.

Below is a list of incentives that are available as of 24 June 2022.

| <b>No</b> | <b>Name of Incentive</b>   | <b>Ministry</b>                                     | <b>Agency</b>   | <b>Sector</b>          |
|-----------|--|---|---|------------------------|
| 1.        | BioNexus Status & Tax Incentives (BNX)<br><br>(For companies undertaking biotechnology activities)   | MAFI - Ministry of Agriculture and Food Industries  | Bioeconomy - Malaysian Bioeconomy Development Corporation Sdn Bhd | Manufacturing Services |
| 2.        | Multimedia Super Corridor (MSC) Status - Services<br><br>(For companies with MSC status)             | MCM - Ministry of Communications and Multimedia     | MDEC - Malaysia Digital Economy Corporation (MDEC) Sdn. Bhd.      | Services               |
| 3.        | Halal Logistics Operator<br><br>(For companies acting as Halal Logistic Operators)                   | MITI - Ministry of International Trade and Industry | HDC - Halal Development Corporation                               | Services               |
| 4.        | Halal Park Operator<br><br>(For companies with HALMAS status)  | MITI - Ministry of International Trade and Industry | HDC - Halal Development Corporation                               | Services               |
| 5.        | Incentive for Automation Capital Allowance<br><br>(For companies wishing to automate their business, | MITI - Ministry of International Trade and Industry | MIDA - Malaysian Investment Development Authority                 | Manufacturing Services |

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|     | applicable to both manufacturing and services sectors)  |   |   |                        |
| 6.  | Incentive for In-house Research And Development (R&D)<br><br>(For companies carrying out R&D within the company in Malaysia for the purpose of its own business)  | MITI - Ministry of International Trade and Industry | MIDA - Malaysian Investment Development Authority | Manufacturing Services |
| 7.  | Incentive for Reinvestment for Food Processing<br><br>(For companies reinvesting in food processing activities)   | MITI - Ministry of International Trade and Industry | MIDA - Malaysian Investment Development Authority | Manufacturing          |
| 8.  | Incentives For Companies Providing Cold Chain Facilities<br><br>(For companies providing cold chain facilities and services for perishable agricultural products)   | MITI - Ministry of International Trade and Industry | MIDA - Malaysian Investment Development Authority | Services               |
| 9.  | Incentive for Aerospace Industry<br><br>(For companies manufacturing and providing aero-related services, available for new and existing companies)   | MITI - Ministry of International Trade and Industry | MIDA - Malaysian Investment Development Authority | Manufacturing          |
| 10. | Incentive for Reinvestment in Resource-Based Industries<br><br>(For companies in rubber, oil palm and wood-based industries)  | MITI - Ministry of International Trade and Industry | MIDA - Malaysian Investment Development Authority | Manufacturing          |
| 11. | Incentive for Production of Halal Food Products<br><br>(For companies producing Halal food products)  | MITI - Ministry of International Trade and Industry | MIDA - Malaysian Investment Development Authority | Manufacturing          |
| 12. | Incentive for Utilisation of Oil Palm Biomass to Produce Value Added Products<br><br>(For companies using oil palm biomass to produce value-added products such as bio-based chemicals, biofuel, particle board, medium density fibreboard, plywood and pulp & paper) | MITI - Ministry of International Trade and Industry | MIDA - Malaysian Investment Development Authority | Manufacturing          |
| 13. | Incentive for Research And Development (R&D) Company<br><br>(For companies providing R&D services to its related companies or any other company)  | MITI - Ministry of International Trade and Industry | MIDA - Malaysian Investment Development Authority | Services               |
| 14. | Contract Research And Development (R&D)   | MITI - Ministry of International                    | MIDA - Malaysian Investment                       | Services               |

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|     | (For companies providing R&D services under contract to its related companies or any other company)   | Trade and Industry                                  | Development Authority                             |               |
| 15. | Incentives for Selected Industries<br><br>(For companies producing a list of approved machinery and equipment)  | MITI - Ministry of International Trade and Industry | MIDA - Malaysian Investment Development Authority | Manufacturing |
| 16. | Incentive for Research And Development (R&D) (Reinvestment)<br><br>(For existing companies that are carrying out R&D services for themselves, its related companies or any other company) | MITI - Ministry of International Trade and Industry | MIDA - Malaysian Investment Development Authority | Services      |
| 17. | Incentive for Technical or Vocational Training Centre<br><br>(For new and existing companies providing technical or vocational training for the manufacturing sector)                     | MITI - Ministry of International Trade and Industry | MIDA - Malaysian Investment Development Authority | Services      |
| 18. | Incentive for Hotel (New Investment)<br><br>(For companies making investments in 1 to 3 star hotels and tourism projects)   | MITI - Ministry of International Trade and Industry | MIDA - Malaysian Investment Development Authority | Services      |
| 19. | Incentive for Tourism Project (New Investment)<br><br>(For companies making investments in tourism projects)  | MITI - Ministry of International Trade and Industry | MIDA - Malaysian Investment Development Authority | Services      |
| 20. | Incentive for Mines Wellness City (MWC)<br><br>(For all companies involved in Mines Wellness City)  | MITI - Ministry of International Trade and Industry | MIDA - Malaysian Investment Development Authority | Services      |
| 21. | Incentive for Tourism Projects (Reinvestment)<br><br>(For companies reinvesting in the expansion and modernisation of tourism projects)   | MITI - Ministry of International Trade and Industry | MIDA - Malaysian Investment Development Authority | Services      |
| 22. | Integrated Logistic Services (ILS)<br><br>(For companies providing integrated logistics services)   | MITI - Ministry of International Trade and Industry | MIDA - Malaysian Investment Development Authority | Services      |
| 23. | Incentive for Hotel Projects (Reinvestment)   | MITI - Ministry of International Trade and Industry | MIDA - Malaysian Investment                       | Services      |

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|     | (For companies reinvesting in the expansion and modernisation in 1 to 5 star hotels)   | Trade and Industry                                  | Development Authority                             |                                |
| 24. | Incentive for Private Higher Education Institution<br><br>(For private education institutions providing approved science courses)  | MITI - Ministry of International Trade and Industry | MIDA - Malaysian Investment Development Authority | Services                       |
| 25. | Incentives for Industrialised Building System Components<br><br>(For new companies providing Industrialised building system components)  | MITI - Ministry of International Trade and Industry | MIDA - Malaysian Investment Development Authority | Manufacturing                  |
| 26. | Incentives for Green Technology<br><br>(For new and existing companies using green technology services and systems – high incentives are provided)   | MITI - Ministry of International Trade and Industry | MIDA - Malaysian Investment Development Authority | Services                       |
| 27. | Incentive for the Private Healthcare Facilities<br><br>(For companies establishing new private healthcare facilities or existing private healthcare facilities undertaking expansion/modernisation/refurbishment for purposes of promoting healthcare travel)  | MITI - Ministry of International Trade and Industry | MIDA - Malaysian Investment Development Authority | Services                       |
| 28. | Incentive For Intellectual Property (IP) Development<br><br>(For new and existing companies owning rights of the qualifying intellectual properties)   | MITI - Ministry of International Trade and Industry | MIDA - Malaysian Investment Development Authority | Primary Manufacturing Services |
| 29. | Global Trading Centre (GTC)<br><br>(For new and existing companies that use Malaysia as its international trading base for undertaking strategic sourcing, procurement and distribution of raw materials, components and finished products to its related and unrelated companies in Malaysia and abroad – high incentives provided) | MITI - Ministry of International Trade and Industry | MIDA - Malaysian Investment Development Authority | Services                       |
| 30. | Principal Hub 3.0<br><br>(For companies using Malaysia as a base for conducting its regional or global businesses and  | MITI - Ministry of International Trade and Industry | MIDA - Malaysian Investment Development Authority | Services                       |

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|     | operations to manage, control, and support its key functions including management of risks, decision making, strategic business activities, finance, management and human resource – high incentives are provided) |   |   |                                |
| 31. | Incentive for Manufacturers of Pharmaceutical Products Including Vaccines<br><br>(For companies manufacturing pharmaceutical products)   | MITI - Ministry of International Trade and Industry | MIDA - Malaysian Investment Development Authority | Manufacturing                  |
| 32. | Special Tax Incentives Under the National Economic Recovery Plan (PENJANA)<br><br>(For new and existing companies undertaking approved manufacturing activities)   | MITI - Ministry of International Trade and Industry | MIDA - Malaysian Investment Development Authority | Manufacturing                  |
| 33. | Incentives for Small Scale Companies<br><br>(For small scale companies undertaking approved activities)  | MITI - Ministry of International Trade and Industry | MIDA - Malaysian Investment Development Authority | Primary Manufacturing          |
| 34. | Incentives for High Technology Projects<br><br>(For new companies undertaking promoted activities in the Hi-Tech list)   | MITI - Ministry of International Trade and Industry | MIDA - Malaysian Investment Development Authority | Manufacturing                  |
| 35. | Incentives for General Investments<br><br>(For new companies providing activities under the General list)  | MITI - Ministry of International Trade and Industry | MIDA - Malaysian Investment Development Authority | Primary Manufacturing Services |
| 36. | Incentive for Shipbuilding and Ship Repairing Industry<br><br>(For new and existing companies in the shipbuilding and ship-repairing industry)   | MITI - Ministry of International Trade and Industry | MIDA - Malaysian Investment Development Authority | Manufacturing Services         |
| 37. | Angel Tax Incentive<br><br>(For investors investing in new start-ups in Malaysia)  | MOF - Ministry of Finance Malaysia                  | CRADLE - Cradle Fund Sdn Bhd                      | Manufacturing Services         |
| 38. | Annual Certification For Tax Incentive For The Islamic Fund Management Industry<br><br>(For companies providing Islamic fund management services)  | MOF - Ministry of Finance Malaysia                  | SC - Securities Commission Malaysia               | Services                       |

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| 39. | Venture Capital Tax Incentives<br>(For companies providing services in the venture capital industry)  | MOF - Ministry of Finance Malaysia | SC - Securities Commission Malaysia                     | Services                       |
| 40. | ECERDC Incentives for Knowledge, Education & ICT Development<br><br>(For companies that are the first company in undertaking approved activities in the East Coast Economic Region)         | PMD - Prime Minister's Department  | ECERDC - East Coast Economic Region Development Council | Services                       |
| 41. | ECERDC Talent Enhancement Programme (ETEP)<br><br>(For companies operating or intending to operate in East Coast Economic Region)   | PMD - Prime Minister's Department  | ECERDC - East Coast Economic Region Development Council | Primary Manufacturing Services |
| 42. | ECERDC Incentives for Oil & Gas and Petrochemical<br><br>(For companies that are the first company in undertaking approved activities in the East Coast Economic Region)                    | PMD - Prime Minister's Department  | ECERDC - East Coast Economic Region Development Council | Manufacturing Services         |
| 43. | ECERDC Incentives for Tourism<br><br>(For companies that are the first company in undertaking approved activities in the East Coast Economic Region)  | PMD - Prime Minister's Department  | ECERDC - East Coast Economic Region Development Council | Services                       |
| 44. | ECERDC Incentives for Industrial Parks / Free Zone Development<br><br>(For companies that are the first company in undertaking approved activities in the East Coast Economic Region)       | PMD - Prime Minister's Department  | ECERDC - East Coast Economic Region Development Council | Services                       |
| 45. | ECERDC Incentives for Manufacturing & Manufacturing-related Services<br><br>(For companies that are the first company in undertaking approved activities in the East Coast Economic Region) | PMD - Prime Minister's Department  | ECERDC - East Coast Economic Region Development Council | Manufacturing                  |
| 46. | ECERDC Incentives for Agriculture & Agriculture-related Services<br><br>(For companies that are the first company in undertaking approved activities in the East Coast Economic Region)     | PMD - Prime Minister's Department  | ECERDC - East Coast Economic Region Development Council | Primary                        |

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| 47. | Incentive for Medini - Approved Development Manager<br><br>(For companies providing management, supervisory, or marketing services at Medini)                       | PMD - Prime Minister's Department | IRDA - Iskandar Regional Development Authority    | Services                       |
| 48. | Incentive for Medini - Approved Developer<br><br>(For companies renting or selling a building or part/unit of a building at Medini)                                 | PMD - Prime Minister's Department | IRDA - Iskandar Regional Development Authority    | Services                       |
| 49. | Incentive for Iskandar Malaysia Studios - IDR Status Company<br><br>(For companies providing creative services at Medini/Iskandar studios)                          | PMD - Prime Minister's Department | IRDA - Iskandar Regional Development Authority    | Services                       |
| 50. | Medini Incentive Support Package (ISP) - IDR Status Company<br><br>(For companies providing approved services at Medini/Iskandar studios)                           | PMD - Prime Minister's Department | IRDA - Iskandar Regional Development Authority    | Services                       |
| 51. | NCER Incentives for Manufacturing<br><br>(For companies providing manufacturing services in the Northern Corridor Economic Region)                                  | PMD - Prime Minister's Department | NCIA - Northern Corridor Implementation Authority | Manufacturing                  |
| 52. | NCER Incentives for R&D Activities<br><br>(For companies providing R&D services in the Northern Corridor Economic Region)   | PMD - Prime Minister's Department | NCIA - Northern Corridor Implementation Authority | Services                       |
| 53. | NCER Incentives for Agriculture & Bio-industries<br><br>(For companies providing agricultural and bio-industries services in the Northern Corridor Economic Region) | PMD - Prime Minister's Department | NCIA - Northern Corridor Implementation Authority | Primary Manufacturing Services |
| 54. | NCER Incentives for Tourism<br><br>(For companies providing tourism services in the Northern Corridor Economic Region)  | PMD - Prime Minister's Department | NCIA - Northern Corridor Implementation Authority | Services                       |
| 55. | NCER Incentives for Logistics<br><br>(For companies providing logistics services in the Northern Corridor Economic Region)  | PMD - Prime Minister's Department | NCIA - Northern Corridor Implementation Authority | Services                       |





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| 56. | NCER Incentives for Education<br>(For companies providing educational services in the Northern Corridor Economic Region)  | PMD - Prime Minister's Department | NCIA - Northern Corridor Implementation Authority           | Services               |
| 57. | NCER Incentives for Kedah Science & Technology Park (KSTP)<br>(For companies undertaking a qualifying project or activity in the Northern Corridor Economic Region)                   | PMD - Prime Minister's Department | NCIA - Northern Corridor Implementation Authority           | Manufacturing Services |
| 58. | NCER Incentives for Chuping Valley Industrial Area (CVIA)<br>(For companies undertaking a qualifying project or activity in the Northern Corridor Economic Region)                    | PMD - Prime Minister's Department | NCIA - Northern Corridor Implementation Authority           | Manufacturing Services |
| 59. | NCER Incentives for Kedah Rubber City (KRC)<br>(For companies undertaking a qualifying project or activity in the Northern Corridor Economic Region)                                  | PMD - Prime Minister's Department | NCIA - Northern Corridor Implementation Authority           | Manufacturing Services |
| 60. | SDC Incentives in Integrated Livestock Valley (ILV), Keningau<br>(For companies undertaking a qualifying project or activity in the designated area)                                  | PMD - Prime Minister's Department | SEDIA - Sabah Economic Development and Investment Authority | Manufacturing          |
| 61. | SDC Incentives in Marine Integrated Cluster (MIC) - Semporna, Lahad Datu, Kunak & Tawau<br>(For companies undertaking a qualifying project or activity in the designated area)        | PMD - Prime Minister's Department | SEDIA - Sabah Economic Development and Investment Authority | Manufacturing          |
| 62. | SDC Incentives in Kinabalu Gold Coast Enclave (KGCE) - Tuaran, Kota Belud, Kota Marudu & Kudat<br>(For companies undertaking a qualifying project or activity in the designated area) | PMD - Prime Minister's Department | SEDIA - Sabah Economic Development and Investment Authority | Services               |
| 63. | SDC Incentives in Palm Oil Industry Cluster (POIC) - Lahad Datu & Sandakan  | PMD - Prime Minister's Department | SEDIA - Sabah Economic Development                          | Manufacturing          |

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|     | (For companies undertaking a qualifying project or activity in the designated area)   |                                   | and Investment Authority                                    |               |
| 64. | SDC Incentives in Sabah Agro-Industrial Precinct (SAIP) - Kimanis & Papar<br><br>(For companies undertaking a qualifying project or activity in the designated area)  | PMD - Prime Minister's Department | SEDIA - Sabah Economic Development and Investment Authority | Manufacturing |
| 65. | SDC Incentives in Sabah Oil & Gas Industrial Park (SOGIP) - Sipitang<br><br>(For companies undertaking a qualifying project or activity in the designated area)       | PMD - Prime Minister's Department | SEDIA - Sabah Economic Development and Investment Authority | Manufacturing |
| 66. | SDC Incentives in Sepangar Bay Manufacturing & Logistic Cluster - Sepangar<br><br>(For companies undertaking a qualifying project or activity in the designated area) | PMD - Prime Minister's Department | SEDIA - Sabah Economic Development and Investment Authority | Manufacturing |
| 67. | SDC Incentives in Sandakan Education Hub - Sandakan<br><br>(For companies undertaking a qualifying project or activity in the designated area)                        | PMD - Prime Minister's Department | SEDIA - Sabah Economic Development and Investment Authority | Services      |

Note, these incentives usually come in the form of Pioneer status and Investment tax allowance, sometimes duty exemption and reinvestment allowance are attached too. Companies may be able to save a significant amount of money under some of these incentives.

Government policies on tax incentives change rapidly, do contact us at [info@oneasia.legal](mailto:info@oneasia.legal) to find out if you are qualified for any of the tax exemptions.

*We assist our clients from various industries to develop the policies, procedures and guidelines based on the prevailing laws. We also provide advice, training and education on Compliance Framework based on the client's nature of business and risk appetite. If you have any questions about our services, please do not hesitate to contact us.*

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He established his own firm in Japan and worked as a representative partner of a law firm with three offices in Japan. He has provided legal service as an advisor to a wide range of organizations in Japan, including companies in construction, real estate management, system development as well as local government and political parties. He has been a member of One Asia Lawyers since September 2020, providing advice on general cross-border Asian legal matters (M&A, regulatory investigations, etc.) with a focus on Malaysia.

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Heng Zhen Hung (Zed) obtained his law degree in 2018 and was called to the England & Wales bar in 2020.

Before returning to Malaysia, he worked at a London based charity where he provides legal advice, case preparation and advocacy in social security tribunal cases. He also did some employment tribunal cases when he was there.

Before he joined One Asia lawyers, he was a member of a tax legal team of a law firm located in Kuala Lumpur, he worked on transfer pricing, tax, SST & GST and Customs cases. After joining One Asia Lawyers, he has been providing services for regulatory compliance, employment law, contract law and land law matters.

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