



Updates on Tax Incentives & Facilities for the Services Sector



MALAYSIAN INVESTMENT DEVELOPMENT AUTHORITY



Current Role of MIDA in the Services Sector



MALAYSIAN INVESTMENT DEVELOPMENT AUTHORITY

ROLE OF MIDA IN THE SERVICES SECTOR

- **First point of contact for information on services sector;**
- **Identify and coordinate the promotion of investment for specific services activities;**
- **Recommend appropriate policies and incentives to relevant ministries/agencies;**
- **Assist investors in the implementation of projects; and**
- **Collate statistics on investments in services sector.**



Promoted Activities in the Services Sector

Promoted Services Activities

Tourism

Hotel
Tourist project
Recreational camp
Convention centre

Business & Other Support Services

Research & Development (R&D)
Irradiation & Gas Sterilisation
Testing for Industrial Devices
Central Utility Facilities
Industrial Design *

Logistics

Integrated Logistics
Services
Cold Chain Facilities

Regional Establishments

Operational Headquarters (OHQ)
International Procurement Centre (IPC)
Regional Distribution Centre (RDC)
Treasury Management Centre (TMC) *

Promoted Services Activities

Healthcare Travel *

Private hospitals
Ambulatory care centres

Education

Technical, Vocational & Science
Training Institutions
International / Private Schools *

Environmental Management

Renewable Energy
Energy conservation/efficiency
Storage, treatment and disposal of hazardous waste
Recycling of agricultural waste and agricultural by-products



MAJOR INCENTIVES / FACILITIES PROVIDED



MALAYSIAN INVESTMENT DEVELOPMENT AUTHORITY

MAJOR INCENTIVES/FACILITIES PROVIDED

- **Pioneer Status - partial or full income tax exemption for a period of 5 or 10 years**
- **Investment Tax Allowance (ITA) of 60% or 100% on qualifying capital expenditure for a period of 5 or 10 years**
- **Exemption from import duty and sales tax on imported machinery, equipment, materials, components, spare parts/replacement parts and consumables**
- **Expatriate Posts**



Updates / New Developments

Treasury Management Center

International / Private Schools

Industrial Design

Healthcare Travel

Treasury Management Center

- Tax incentive is given to companies that provide centralised treasury management services for its group of related companies within or outside Malaysia
- Incentives
 - ✓ 70% exemption on statutory income for 5 years
 - ✓ Exemption on withholding tax
 - ✓ Full exemption from stamp duty
 - ✓ Expatriate are only taxed on the portion of their chargeable income attributable to the number of days they are in Malaysia
 - ✓ FEA flexibilities



Treasury Management Center

- Types of Income to be Exempted

| No. | Type of Income | Details |
|-----|--|--|
| 1. | All fees / management income | from providing qualifying services to related companies in Malaysia and overseas |
| 2. | Interest income / finance income | received from lending / financing to related companies in Malaysia and overseas |
| 3. | Interest income / finance income / gains | received from placement of funds with onshore banks or short term investment (onshore and offshore) as part of managing surplus funds within the group |

Treasury Management Center

- Types of Income to be Exempted

| No. | Type of Income | Details |
|-----|---|---|
| 4. | Realised foreign currency exchanged revenue / gains / profits | from managing risks for the group |
| 5. | Premium / income / discount / gains pursuant to subscription of bonds / sukuk | issued by related companies and financial institution; |
| 6. | Guarantee fees | for providing or arranging for financial and non-financial guarantee for its group of companies |

Qualifying Treasury Services

➤ **Cash, Financing & Debt Management**

- Cash pooling
- Providing financing sourced from surplus within the group of financial institutions in Malaysia
- Providing / arranging for financial & non-financial guarantee
- Current account management

➤ **Investment Services**

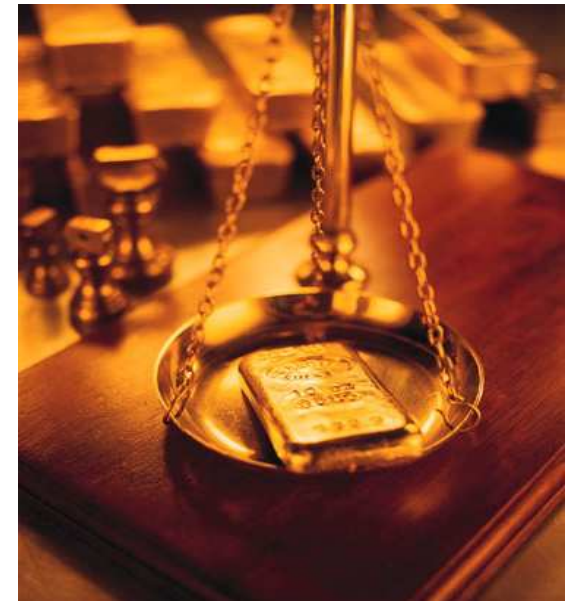
- Invest in funds within the group in the domestic money market and in foreign currency assets onshore and offshore



Qualifying Treasury Services (cont)

➤ **Financial Risk Management**

- ❑ Hedging of exchange rate risk, interest rate risk, market risk, liquidity risk, commodity price list



Main Requirements

- Locally incorporated with a minimum paid-up capital of RM500,000.00
- Minimum total operating expenditure of RM1.5 million incurred domestically per year of assessment
- Appoint at least 3 senior professionals
- Provide qualifying treasury services to at least 3 related companies outside Malaysia



Treasury Management Center

International / Private Schools

Industrial Design

Healthcare Travel

International / Private Schools

- Tax incentive is given to international/private schools registered by the Ministry of Education (MOE)
- Incentive
 - i. Non-profit oriented private or international schools
 - ❑ 100% income tax exemption on the income received from the management of a school

(application to be submitted to Inland Revenue Board)



ii. Profit oriented private schools

- Income tax exemption of 70% for 5 years; or
- Income tax exemption equivalent to ITA of 100% on qualifying capital expenditure incurred within a period of 5 years. The allowance can be used to offset against 70% of statutory income for each year of assessment.

(for application received by MIDA from 8 October 2011 to 31 December 2015)



iii. Profit oriented international schools

Income tax exemption of 70% for 5 years; or
(for application received by MIDA from 8 October 2011 to 31 December 2015)

Income tax exemption equivalent to ITA of 100% on qualifying capital expenditure incurred within a period of 5 years. The allowance can be used to offset against 70% of statutory income for each year of assessment.

(for application received by MIDA from 14 July 2010 to 31 December 2015)



Treasury Management

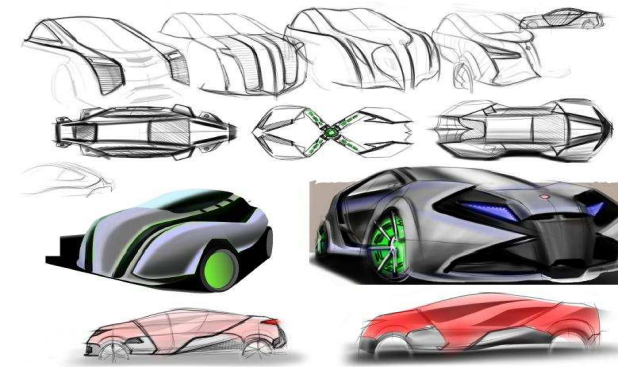
International / Private Schools

Industrial Design

Healthcare Travel

- Tax incentive is given to companies providing industrial design services to unrelated clients
- Incentive
Pioneer Status with tax exemption of 70% on statutory income for a period of 5 years

(For application received by MIDA from 8 October 2011 until 31 December 2016)



Main Requirements

- Register with the Malaysia Design Council (*Majlis Rekabentuk Malaysia, MRM*)
- The industrial design services are meant for mass production
- New design companies must employ at least 50% Malaysian designers
- Existing design companies must upgrade design facilities (at least 50% increase in capex) and employ additional 50% Malaysian designers

Treasury Management Center

International / Private Schools

Industrial Design

Healthcare Travel

Healthcare Travel

- Tax incentive is given to private hospitals and ambulatory care centres.
- Incentive:
Income tax exemption equivalent to ITA of 100% on qualifying capital expenditure incurred within a period of 5 years. The allowance can be used to offset against 100% of the statutory income for each year of assessment.
- Any unutilised allowance can be carried forward to subsequent years until fully utilised.



Main Requirements

- Registered with the Malaysia Healthcare Travel Council (MHTC)
- Obtained approval for establishment/expansion from the Ministry of Health (MOH)
- Obtained relevant operating licence from MOH

(For applications received by MIDA from 1 January 2010 to 31 December 2014)





Thank You



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