

# Malaysia

## Contacts

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### What's new?

Summary of updates/Changes to R&D and government incentives from 1 January 2019 through 31 October 2020

More provisions for digitalization incentives to attract foreign direct investment and domestic direct investment have been announced, including a special investment incentive. The enhancement of incentives to encourage intellectual property (IP) development, in the form of a 100% income tax exemption for up to 10 years for IP income derived from patents and copyright software was announced in Budget 2020, but has yet to be gazetted.

To attract foreign companies to relocate their business to Malaysia rather than “re-shoring” (i.e., relocating offshore operations to the home country), the Malaysian government is introducing the following new incentives:

1. A 0% tax rate for 10 years for companies in the manufacturing sector that make new investments in fixed assets of between MYR 300 million and MYR 500 million;
2. A 0% tax rate for 15 years for companies in the manufacturing sector that make new investments in fixed assets exceeding MYR 500 million;
3. A 100% investment tax allowance for five years for existing companies in Malaysia that relocate their overseas manufacturing facilities to Malaysia and make investments in fixed assets exceeding MYR 300 million;
4. A special reinvestment allowance for manufacturing and selected agricultural activity from year of assessment (YA) 2020 to YA 2022 (guidelines for this incentive have not yet been issued); and
5. A second round of projects to receive funding from the domestic investment strategic fund, for companies that previously were approved for the incentive, to assist companies in upgrading their technologies, penetrating the global market through outsourcing, and increasing their export value (guidelines for this incentive have not yet been issued).

The above incentives are effective for applications made to the Malaysian Investment Development Authority (MIDA) (in the case of items 1-3 and 5) or the Inland Revenue Board (IRB) (in the case of item 4) from July 2020 to December 2021.

### Featured government incentives

Incentive name	Description	Maximum percentage	Qualification standards	Key exclusions or issues
<b>East Coast Economic Region (ECER)</b>	Income tax exemption for 10 years, or an income tax exemption equivalent to an allowance on qualifying capital expenditure for five years	100%	For the allowance on capital expenditure: Expenditure for a building, factory, machinery, or plant may qualify	The qualifying activity must be carried out in the ECER
<b>Tax incentive for Halal industry players</b>	Income tax exemption equivalent to an allowance on qualifying capital expenditure for 10 years, or an income tax exemption on income from export sales for five years	100%	For the allowance on capital expenditure: Expenditure for a building, factory, machinery, or plant may qualify	Must operate in designated Halal Parks  Must carry out manufacturing in certain industry sectors, including the following: specialty processed food; pharmaceuticals, cosmetics, and personal care products; livestock and meat products; and halal ingredients
<b>Financial incentives for Multimedia Super Corridor (MSC) Malaysia status</b>	Income tax exemption for up to 10 years	100%	Not applicable	Must carry out promoted activities that drive the development of Malaysia's digital economy  Must operate in a designated cybercity or cybercenter (otherwise, the tax exemption will be reduced to 70% and limited to five years)

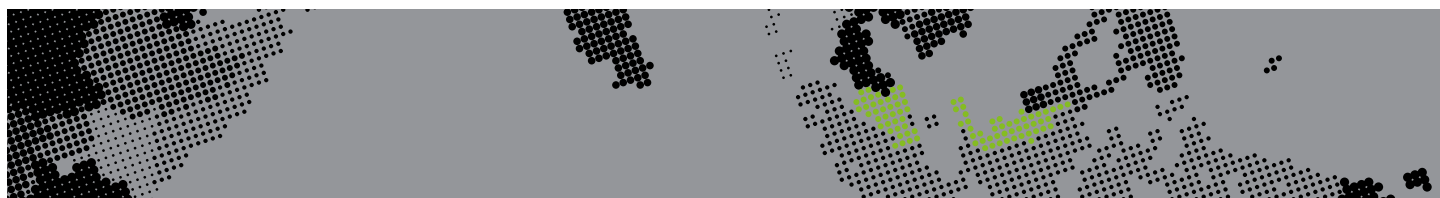
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### Industries most often affected by government incentives in country

Technology, Media & Telecom	Financial Services
Telecom, Media & Entertainment	Banking & Capital Markets
● Technology	Insurance
Consumer	Investment Management
● Consumer Products	Real Estate
Retail, Wholesale & Distribution	Life Sciences & Health Care
● Automotive	Health Care
● Transportation, Hospitality & Services	● Life Sciences
Energy, Resources & Industrial	Government & Public Services
Power & Utilities	Health & Social Care
Mining & Metals	Defense, Security & Justice
Oil, Gas, & Chemicals	Civil Government
Industrial Products & Construction	International Donor Organizations
	Transport



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Type	National incentive?	State, provincial, regional or local incentives? <sup>1</sup>	Filing deadlines imposed?	Is the claim made in advance or arrears? <sup>2</sup>	Nature of incentive	Maximum benefit available to large enterprises	Maximum benefit available to small and medium-sized enterprises
<b>Innovation</b>							
<b>Research &amp; development (R&amp;D):</b> Investment tax allowance			 	National: Advance Local: Not applicable	The following companies are eligible for the incentive: • “R&D companies” and “contract R&D companies” that provide R&D services in Malaysia • Companies that perform in-house R&D for their own business	• R&D companies and contract R&D companies are eligible for an investment tax allowance for 100% of qualifying capital expenditure that may offset up to 70% of statutory income • Companies that perform in-house R&D are eligible for an investment tax allowance for 50% of qualifying capital expenditure that may offset up to 70% of statutory income	• R&D companies and contract R&D companies are eligible for an investment tax allowance for 100% of qualifying capital expenditure that may offset up to 70% of statutory income • Companies that perform in-house R&D are eligible for an investment tax allowance for 50% of qualifying capital expenditure that may offset up to 70% of statutory income
<b>R&amp;D:</b> Pioneer status			 	National: Advance Local: Not applicable	Contract R&D companies that provide R&D services in Malaysia are eligible for an income tax exemption	100% tax exemption on statutory income	100% tax exemption on statutory income
<b>R&amp;D:</b> 200% super deduction			 	National: Arrears Local: Not applicable	Companies that incur operating expenses for qualifying R&D are eligible for the incentive	Super deduction of 200% of qualifying expenditure incurred	Super deduction of 200% of qualifying expenditure incurred
<b>Financial incentives for MSC Malaysia status</b> (information and communication technology)			 	National: Advance Local: Not applicable	Income tax exemption for companies granted MSC Malaysia status	70% or 100% tax exemption on statutory income	70% or 100% tax exemption on statutory income

Key: = PERMANENT INCENTIVE = TEMPORARY INCENTIVE = NEGOTIABLE = NO = LIMITED APPLICABILITY = NOT APPLICABLE

















### Notes:

- Green means that this incentive is currently in effect. Yellow means that the incentive has limited applicability, i.e., the requirements for this incentive limit its value to most companies. Red means that there is no incentive.
- If the response is advance, this means that the government must approve the award of the incentive prior to the commencement/completion of the project/activity. If the response is arrears, this means that the award of the incentive is determined at the end of the tax period or after the completion of the qualifying project or activity. Most tax incentives are considered to be claimed in arrears because they are reported on tax returns.

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<b>Investment</b>							
<b>Capex:</b> Investment tax allowance			 	National: Advance  Local: Not applicable	Varies across selected industry sectors	Investment tax allowance for qualifying capital expenditure that may offset up to 100% of statutory income	Investment tax allowance for qualifying capital expenditure that may offset up to 100% of statutory income
<b>Capex:</b> Reinvestment allowance			 	National: Arrears  Local: Not applicable	Existing companies that have been in operation for at least 36 months are eligible for the incentive	Investment tax allowance for 60% of qualifying capital expenditure that may offset up to 70% of statutory income (up to 100% if certain conditions are fulfilled)	Investment tax allowance for 60% of qualifying capital expenditure that may offset up to 70% of statutory income (up to 100% if certain conditions are fulfilled)
<b>Incentives for special economic regions</b>			 	National: Not applicable  Local: Advance	Companies that carry on a qualifying activity in the relevant region/ location are eligible for incentives	100% tax exemption on statutory income or investment tax allowance for 100% of qualifying capital expenditure that may offset up to 100% of statutory income (if certain conditions are fulfilled)	100% tax exemption on statutory income or investment tax allowance for 100% of qualifying capital expenditure that may offset up to 100% of statutory income (if certain conditions are fulfilled)
<b>Special tax incentive under the National Economic Recovery Plan:</b> Special tax rate			 	National: Advance  Local: Not applicable	New companies that relocate a manufacturing facility for eligible activities from any country to Malaysia or establish new operations in Malaysia but do not have an existing manufacturing operation in Malaysia and that make a minimum investment in fixed assets of MYR 300 million are eligible for the incentive	0% special tax rate (if certain conditions are fulfilled)	0% special tax rate (if certain conditions are fulfilled)

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<b>Investment (continued)</b>							
<b>Special tax incentive under the National Economic Recovery Plan:</b> Investment tax allowance			 	National: Advance  Local: Not applicable	Existing foreign or locally owned companies with a manufacturing operation in Malaysia that relocate a manufacturing operation for eligible activities from outside Malaysia to within Malaysia for a new business segment that is not an expansion project for existing products and that make an investment in fixed assets of more than MYR 300 million are eligible for the incentive	Investment tax allowance for 100% of qualifying capital expenditure that may offset up to 100% of statutory income (if certain conditions are fulfilled)	Investment tax allowance for 100% of qualifying capital expenditure that may offset up to 100% of statutory income (if certain conditions are fulfilled)
<b>Environmental sustainability</b>							
<b>Waste eco parks</b>			 	National: Advance  Local: Not applicable	Income tax exemption for qualifying waste eco parks' managers, operators, and developers	Income tax exemption up to 70% of statutory income derived from qualifying activities for park developers and park managers (up to 100% for park operators)	Income tax exemption up to 70% of statutory income derived from qualifying activities for park developers and park managers (up to 100% for park operators)
<b>Green technology incentive</b>			 	National: Advance  Local: Not applicable	Companies carrying on green technology activity or green technology services are eligible for the incentive	70% tax exemption on statutory income, or investment tax allowance for qualifying capital expenditure that may offset up to 70% of statutory income	70% tax exemption on statutory income, or investment tax allowance for qualifying capital expenditure that may offset up to 70% of statutory income
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<b>Other</b>							
<b>Pioneer status</b>			 	National: Advance  Local: Not applicable	Varies across selected industry sectors (see above under "Innovation" for contract R&D companies)	100% tax exemption on statutory income	100% tax exemption on statutory income
<b>Principal hub incentive</b>			 	National: Advance  Local: Not applicable	Companies with minimum annual sales of MYR 500 million and that serve and control a minimum number of network companies are eligible for the incentive	Tax rates reduced to 0%-10% if certain conditions are fulfilled	Not applicable
<b>Bionexus status</b>			 	National: Advance  Local: Not applicable	Income tax exemption for companies granted bionexus status	100% tax exemption on statutory income	100% tax exemption on statutory income
<b>Halal tax incentives</b>			 	National: Advance  Local: Not applicable	Companies from selected manufacturing sectors that operate in the designated Halal Parks promoted by the Halal Development Corporation are eligible for the incentives	100% tax exemption on statutory income, or investment tax allowance for qualifying capital expenditure that may offset up to 100% of statutory income	100% tax exemption on statutory income, or investment tax allowance for qualifying capital expenditure that may offset up to 100% of statutory income
<b>Approved Service Projects</b>			 	National: Advance  Local: Not applicable	Approved Service Projects or projects in the transportation, communications, or utilities sub-sector or any other sub-sector approved by the Minister of Finance are eligible for incentives	70% or 100% tax exemption on statutory income, or investment tax allowance for qualifying capital expenditure that may offset up to 100% of statutory income	70% or 100% tax exemption on statutory income, or investment tax allowance for qualifying capital expenditure that may offset up to 100% of statutory income

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### Country background

The general corporate income tax rate in Malaysia is 24%.

Innovation incentives include R&D incentives in the form of investment tax allowances for qualifying capital expenditure for assets used in R&D, as well as super deductions for operating expenses incurred for qualifying R&D.

Apart from the innovation incentives, there are some major tax incentives for certain industry sectors, to attract both foreign and domestic direct investments.

### Innovation Incentives

#### Research & Development (R&D)

##### Nature of incentives

##### Investment tax allowance (ITA)

The MIDA may grant an ITA to companies in various sectors. An ITA typically is granted for 60% of qualifying capital expenditure and can be applied to offset up to 70% of the company's statutory income. A 100% ITA may be granted for selected promoted products and services. The ITA usually is granted for a five-year period, or for up to 10 years for selected products or activities. Any unutilized allowances may be carried forward to subsequent years until fully utilized.

In relation to R&D, the MIDA may award an ITA to certified R&D service providers that provide R&D services in Malaysia to a related company or any other company ("R&D companies") and companies performing in-house R&D. The MIDA also may award an ITA to contract R&D companies (companies that provide R&D services in Malaysia only to companies other than related companies), as discussed further under "Pioneer status," below.

**R&D companies:** An R&D company may qualify for a 100% ITA (offsetting otherwise taxable income) on qualifying capital expenditure incurred within 10 years from the date of the first qualifying capital expenditure. This allowance may offset up to 70% of statutory income.

An R&D company generally must derive at least 70% of its income from R&D activities to qualify for the ITA. R&D service providers must be certified by the MIDA to qualify as an R&D company.

**In-house R&D:** The ITA rate is lowered to 50% of qualifying capital expenditure incurred within 10 years from the date of the first qualifying capital expenditure for a company performing in-house R&D to further its own business. This allowance may offset up to 70% of statutory income.

R&D companies and companies performing in-house R&D may be granted a second-round ITA incentive upon the expiration of the initial incentive period, subject to the government's approval.

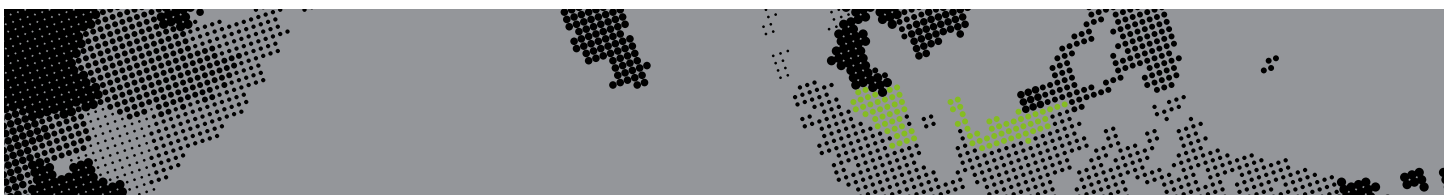
#### Pioneer status (PS)

The Minister of Finance can grant PS to companies that derive income from certain activities and products that benefit the Malaysian economy. Among the promoted industries that may qualify for PS are manufacturing, tourism, agricultural, R&D, education, and healthcare. Promoted "activities" and "products" are determined by the minister and are published in the government gazette. R&D companies, high tech companies, software development companies, and manufacturing companies capable of producing world-class products typically are granted PS.

PS provides taxpayers with a corporate income tax exemption of either 70% or 100% for a period of five or 10 years, depending on the industry.

In relation to R&D, PS is available for "contract R&D companies," which are companies that provide R&D services in Malaysia to a company other than a related company. R&D service providers must be certified by the MIDA to qualify as a contract R&D company. A contract R&D company may opt between PS and ITA incentives:

**PS:** An income tax exemption is available for 100% of statutory income for five years. Unabsorbed capital allowances and accumulated losses incurred during the pioneer period may be carried forward and deducted from the post-pioneer income of the company.



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**ITA:** A 100% allowance is available on qualifying capital expenditure incurred within 10 years from the date of the first qualifying capital expenditure. The allowance may be offset against up to 70% of the statutory income for each YA. Any unutilized capital allowances may be carried forward to subsequent years until fully utilized.

If certain conditions are satisfied, companies that invest in a subsidiary company engaged in the commercialization of resource-based R&D findings of public research institutions are eligible for a tax deduction equal to the amount of the investment made in the subsidiary. Moreover, a 100% corporate income tax exemption may be granted to the subsidiary company for up to 10 years.

Approved R&D expenditure incurred during the tax relief period for companies granted PS can be accumulated and deducted after the tax relief period ends.

Contract R&D companies may be granted a second round of PS or ITA incentives upon the expiration of the initial incentive period, subject to the government's approval.

### 200% super deduction

**In-house R&D projects:** A company performing in-house R&D projects may claim a super deduction equal to 200% of non-capital expenditure incurred for qualifying R&D if approved by the Director General of the IRB.<sup>1</sup>

**Other R&D projects:** The 200% super deduction also may be claimed for expenditure for the services of approved research institutions, approved research companies, R&D companies, or contract R&D companies.

If an R&D service provider performs qualifying services for a related company, it can elect to forgo the ITA, thereby allowing the related company to claim the 200% super deduction for the amounts paid to the related R&D service provider.

Additionally, the super deduction can be claimed for cash contributions or donations to approved research institutions.

### Eligible industries and qualifying costs

Qualified research, in general, is defined as “any systematic or intensive study undertaken in the field of science or technology with the objective of using the results of the study for the production or improvement of materials, devices, products, or processes.”

Qualifying expenditure for the ITA includes factory costs and plant and machinery costs incurred directly for the purposes of R&D. Qualifying expenditure for the in-house R&D super deduction includes wages, supplies, technical services, technical costs, transportation costs, maintenance costs, rent, and other expenditure incurred directly for the conduct of qualified research.

### IP and jurisdictional restrictions

Expenditure incurred for R&D activities undertaken outside of Malaysia, including the training of Malaysian staff, may be considered for the 200% super deduction on a case-by-case basis. Payments for technical services performed outside of Malaysia may qualify for the super deduction if the amount expensed is not more than 70% of the total allowable expenditure for the super deduction.

### Other considerations

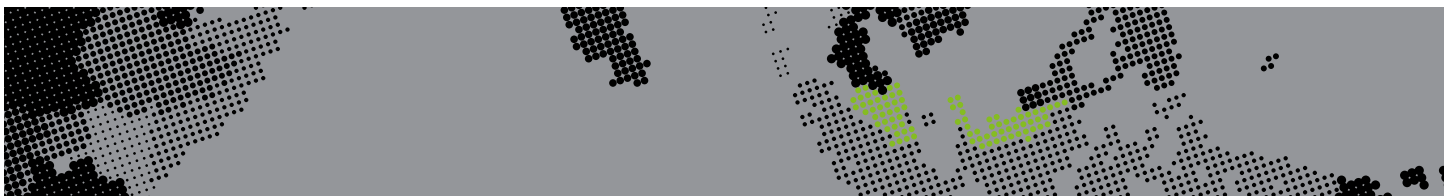
As noted, in-house R&D projects must be pre-approved by the IRB before the 200% super deduction will be granted.

### Financial incentives for MSC Malaysia status

MSC Malaysia status may be granted by the Malaysia Digital Economy Corporation (MDEC) to companies that undertake qualifying activities that drive the development of Malaysia's digital economy.

Benefits are backed by the government's “Bill of Guarantees,” and include duty-free importation of multimedia equipment, no censorship of the internet, world-class physical and IT infrastructure, and globally competitive telecommunication tariffs and services, among other things. MSC Malaysia-status companies must be located in MSC-designated cybercities/cybercenters to be able to realize the full benefits.

1. The authority to grant super deductions and other incentives is granted to the Minister of Finance, who has delegated that authority to the Director General of the IRB.





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MSC Malaysia-status companies undertaking qualifying activities also are eligible for up to a 100% income tax exemption for statutory income for up to 10 years. If companies do not operate in a designated cybercity or cybercenter, the income tax exemption will be reduced to 70% and limited to five years.

## Investment Incentives

### Reinvestment allowance (RA)

The RA is an incentive available to existing manufacturing/agriculture companies that have been in operation for at least 36 months and that reinvest their capital to embark on a project for the expansion of existing production capacity, the modernization or automation of the production facilities, or the diversification into related products. The RA is 60% of qualifying capital expenditure and may be used to reduce up to 70% (or up to 100% if certain conditions are fulfilled) of the statutory income attributable to qualifying projects. The RA is granted for 15 years.

### Incentives for special economic regions

The Malaysian government has established economic region corridors to bridge imbalances of economic and social development in the country. Based on the distinctive features of the economic region, the economic region corridors each have their own visions, focus areas, and relevant bodies overseeing the respective regional development. Each economic region offers customized incentives on a case-by-case basis, depending on the proposed business activities. The special economic regions are as follows:

- Iskandar Malaysia;
- Northern Corridor Economic Region (NCER);
- East Coast Economic Region (ECER);
- Sabah Development Corridor; and
- Sarawak Corridor of Renewable Energy.

Companies that carry on a qualifying activity in the relevant region/location are eligible for a 100% tax exemption on statutory income for up to 10 years or an investment tax allowance. A 100% allowance is available on qualifying capital expenditure incurred within five years

from the date of the first qualifying capital expenditure that may offset up to 100% of statutory income if certain conditions are fulfilled.

### Special tax incentives under the National Economic Recovery Plan (PENJANA)

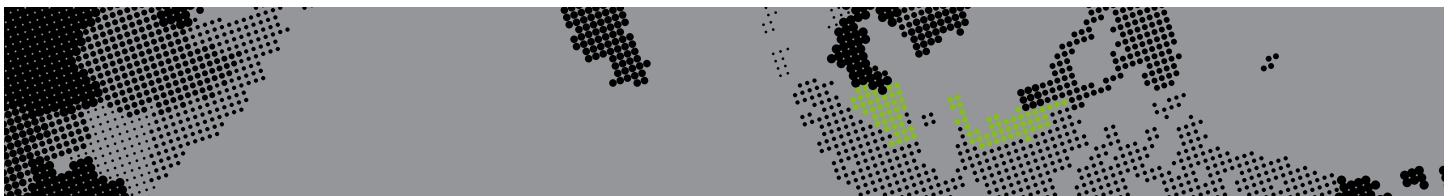
Special tax incentives were introduced under the PENJANA with the objective of attracting foreign companies to relocate their businesses into Malaysia rather than re-shoring.

New companies that relocate a manufacturing facility for eligible activities from any country to Malaysia or establish new operations in Malaysia but do not have an existing manufacturing operation in Malaysia are entitled a 0% special tax rate for 10 years if they make new investments in fixed assets of between MYR 300 million and MYR 500 million. The new company can enjoy the 0% special tax rate for up to 15 years if it makes new investments in fixed assets exceeding MYR 500 million.

Existing foreign or locally owned companies with a manufacturing operation in Malaysia that relocate a manufacturing operation for eligible activities from outside Malaysia to within Malaysia for a new business segment that is not an expansion project for existing products and make an investment in fixed assets exceeding MYR 300 million are eligible for an investment tax allowance. A 100% allowance is available on qualifying capital expenditure incurred within five years from the date of the first qualifying capital expenditure. The allowance may be offset against up to 100% of the statutory income for each YA. Any unutilized capital allowances may be carried forward to subsequent years until fully utilized.

Companies approved for the special incentives are required to comply with the relevant conditions specified by the Minister of Finance.

New or existing companies are required to incur the first qualifying capital expenditure within one year from the approval date, and to incur the full amount of qualifying capital expenditure within three years from the date of the first qualifying capital expenditure incurred. The special incentive is effective for applications made to the MIDA from July 2020 to December 2021.



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## Environmental Sustainability Incentives

### Waste eco parks (WEPs)

WEP tax incentives are available to WEP developers, WEP managers, and WEP operators.

For WEP developers and managers, tax incentives are effective from YA 2016 to YA 2025:

- WEP developers may qualify for an income tax exemption of 70% on statutory income derived from the rental of buildings, a waste receiving and separation facility, and a wastewater treatment facility located in the WEP.
- WEP managers may qualify for an income tax exemption of 70% on statutory income derived from services related to the management, maintenance, supervision, and marketing of a WEP.

WEP operators may qualify for an income tax exemption of 100% on statutory income derived from qualifying activities of waste treatment, waste recovery, and waste recycling undertaken in the WEP, or an ITA equivalent to 100% of qualifying capital expenditure incurred within a period of five years from the date of the first qualifying capital expenditure. This allowance may be offset against up to 70% of statutory income.

### Green technology incentive

Companies undertaking green technology projects related to renewable energy, energy efficiency, green building, green data centers, and waste management may qualify for an ITA of 100% of qualifying capital expenditure incurred within three years from the date of the first qualifying capital expenditure. This allowance may offset up to 70% of statutory income.

Companies providing green technology services related to renewable energy, energy efficiency, electric vehicles, green building, green data centers, green certification and verification, and green townships may qualify for a 70% income tax exemption on statutory income for three years starting from the YA in which the first invoice related to green technology services is issued. The date of the first invoice may not be earlier than the date of the application to benefit from the incentive received by the MIDA.

Companies that purchase green technology assets listed in the “MyHijau Directory” may qualify for an ITA of 100% on qualifying capital expenditure incurred for the green technology assets no earlier than 25 October 2013 and up to 31 December 2023. This allowance may offset up to 70% of statutory income.

Solar leasing companies may qualify for a 70% income tax exemption on statutory income for up to 10 YAs. The incentive period will commence from the date of the first qualifying invoice issued, and this date may not be earlier than the date of the application to benefit from the incentive received by the MIDA. The companies must be certified by the Sustainable Energy Development Authority (SEDA).

Applications for the incentive may be made to the MIDA from 1 January 2020 up to 31 December 2023.

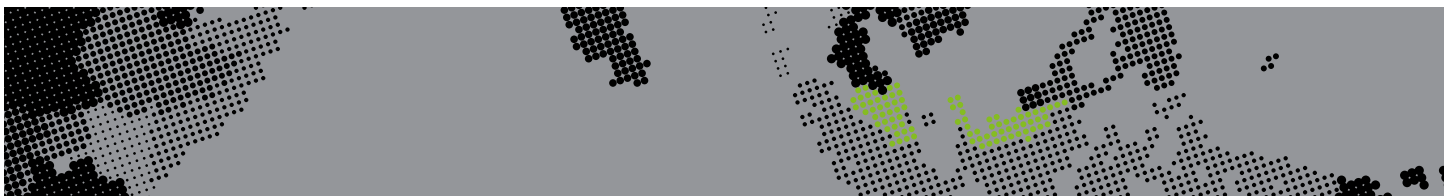
## Other Incentives

### Principal hub incentive

A principal hub is a locally incorporated company that uses Malaysia as a base for conducting its regional and global businesses and operations to manage, control, and support its key functions, including the management of risks, decision-making, strategic business activities, trading finance, management, and human resources.

Principal hubs are granted concessionary tax rates of 0%, 5%, or 10% (depending on the category of company) for up to 10 years, subject to satisfying conditions relating to, e.g., the number of qualifying services that are performed and the fulfillment of employment requirements. Principal hubs also may be: (i) granted customs duty exemptions; (ii) exempt from local equity/ownership requirements; (iii) granted expatriate posts; (iv) allowed to use foreign professional services; (v) allowed to acquire certain fixed assets despite the principal hub's foreign-owned status; and (vi) provided flexibility in foreign exchange administration.

This incentive is available only for large companies (companies with minimum annual sales of MYR 500 million and that serve and control a minimum number of network companies) that are looking to move their headquarters to Malaysia.



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Applications for the incentive must be made to the MIDA before 31 December 2020.

### Bionexus status tax incentives

Companies undertaking biotechnology activities that have been approved for “bionexus status” by the Malaysian Bioeconomy Corporation may qualify for a tax exemption of 100% of statutory income for a period of five or 10 years, or a 100% allowance on qualifying capital expenditure incurred within a five-year period from the date of the first qualifying capital expenditure. When the tax exemption period expires, a bionexus company is granted a concessionary tax rate of 20% on income from qualifying activities for 10 years.

Applications for the incentive must be made to the Bioeconomy Corporation before 31 December 2020.

### Halal tax incentives

To encourage new investments in Halal food production for the export market and to increase the use of modern and state-of-the-art machinery and equipment in producing high-quality Halal food that complies with international standards, companies that invest in Halal food production and already have obtained Halal certification from the Department of Islamic Development (JAKIM) are eligible to apply to the MIDA for an ITA equivalent to 100% of qualifying capital expenditure incurred within a period of five years from the date of the first qualifying capital expenditure. This allowance may be offset against up to 100% of statutory income.

Halal tax incentives granted by the Halal Industry Development Corporation (HDC) are available to Halal Park operators, Halal “industry players” (manufacturers), and Halal logistics service providers.

Halal Park operators may qualify for a tax exemption of 100% of statutory income for a period of 10 years, or a 100% ITA on qualifying capital expenditure incurred within a five-year period from the date of the first qualifying capital expenditure, which may be offset against up to 100% of statutory income.

Halal industry players operating in a designated Halal Park may qualify for a 100% ITA on qualifying capital expenditure incurred within a 10-year period, which may be offset against 100% of statutory income, or a 100% tax exemption on income from export sales for five years. The Halal industry players must be involved in the following industry sectors:

- Specialty processed food;
- Pharmaceuticals, cosmetics, and personal care products;
- Livestock and meat products;
- Halal ingredients;
- Nutraceuticals; and/or
- Probiotic products.

Halal logistics service providers may qualify for a tax exemption of 100% of statutory income for a period of five years, or a 100% ITA on qualifying capital expenditure incurred within a five-year period, which may be offset against up to 100% of statutory income.

### Approved Service Projects (ASPs)

Companies undertaking ASPs in the service sector or projects in relation to transportation, communications, utilities, or any other sub-sector approved by the Minister of Finance may qualify for PS (providing an income tax exemption for 70% of statutory income for five years) or an ITA of 60% on the qualifying capital expenditure incurred within five years from the date of the first qualifying capital expenditure, which may offset up to 70% of statutory income.

PS status (providing an income tax exemption for 100% of statutory income) or an ITA of 100% on qualifying capital expenditure that may offset up to 100% of statutory income are available if the approved service project is of national and strategic importance.

An exemption from import duty and excise duty may be granted to ASPs for raw materials, components, machinery, equipment, spare parts, and consumables.

