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Fostering economic growth the MADANI way

Jo-Ann Tan | 11 December 2024



Tax Incentives

Tax Incentives

New Investment Incentive Framework

Multinational Enterprises (MNEs)



Double tax deduction will be given for expenses incurred for supply chain resilience initiatives of up to RM2 million per year for a period of three consecutive years.

MNEs and Vendors to MNEs Jointly Invest in Local Vendors



- Tax deduction on the amount invested in the joint venture initiative.
- Local vendors participating in this initiative will be provided with an outcome-based tax incentive package.

21 Economic Sectors in States (e.g. Perlis, Kedah, Kelantan, Terengganu, Sabah and Sarawak)



- Income tax incentives at a special rate will be offered to the investments in 21 economic sectors in the relevant states.

Investment in Environmental, Sustainability, and Governance (ESG) standards



- Incentives such as investment tax allowances or income tax exemptions will be provided for carbon capture, utilisation, and storage (CCUS) activities.

Tax Incentives

Incentive for Smart Logistics Complex (SLC)

SLC is a modern warehouse that uses technologies such as the Internet of Things (IoT) and Artificial Intelligence (AI) that incorporate Fourth Industrial Revolution (IR4.0) elements in smart warehousing.

Current

For Integrated Logistics Services (ILS) such as delivery, transportation and warehousing, tax incentives are provided as follows:

- ✓ Pioneer Status with a tax exemption of 70% of statutory income for a period of 5 years
- ✓ Investment Tax Allowance (ITA) of 60% on qualifying capital expenditure incurred within 5 years. This allowance can be set-off against up to 70% of statutory income for each YA.
- ✓ Accelerated Capital Allowance and income tax exemptions equivalent to the ITA for the first RM10 million for machinery and automation equipment with IR4.0 elements

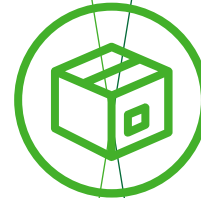


Tax Incentives

Incentive for Smart Logistics Complex (SLC)

Proposed

Income tax exemption equivalent to an ITA of 60% on qualifying capital expenditure incurred for a period of 5 years be provided to SLCs. This allowance can be set-off against up to 70% of statutory income for each YA



- a) Eligible SLC companies
 - i. SLC Investor and Operator that invest in the construction of smart warehouses and undertake eligible logistics services activities; or
 - ii. SLC Operator that leases a smart warehouse under a long-term lease of at least 10 years and undertakes eligible logistics services activities.
- b) Eligible logistics services
 - i. regional distribution centres;
 - ii. integrated logistics services;
 - iii. storage of hazardous goods; or
 - iv. cold chain logistics.
- c) Warehouse with a minimum build-up area of 30,000 square metres;
- d) Adaptation of at least three IR4.0 elements; and
- e) Other conditions as prescribed.



Effective

**For applications received by MIDA from
1 January 2025 until 31 December 2027**

Tax Incentives

Tax Incentive for Increased Exports

Current

Companies engaged in selected service activities and successfully increased exports are eligible to claim tax exemption up to 70% of the statutory income equivalent to 50% of the value of increased exports. The selected service activities are as follows:

- legal;
- accounting;
- architecture;
- marketing;
- business consultancy;
- office services;
- construction management;
- building management;
- plantation management;
- private education;
- publishing;
- printing;
- information technology and communication;
- engineering; and
- local franchise.

Proposed

The selected service activities are to be expanded to cover Integrated Circuit Design services.



Effective
YA 2025

Tax Incentives

Approval of Contribution under Sections 34(6)(h) and 34(6)(ha) of the Act

Current

Deductions for the following contributions:

1. Provision of services, public facilities and contributions to charitable and community projects [Section 34(6)(h)].
2. Provision of business-related infrastructure services for the public [Section 34(6)(ha)].

Projects and the amount of contributions must obtain the Minister's approval.

Proposed

The approval mechanism is revised as follows:

Contribution Amount	Project Approval	Contribution Approval
RM300,000 and below	Relevant Government Authority (RGA)	
Exceeding RM300,000	Ministry of Finance (MOF)	RGA



Effective: 1 April 2025

Tax Incentives

Expansion of Income Tax Exemption for Eligible Islamic Financial Activities under Labuan International Business and Financial Centre (IBFC)

Labuan Financial Services

Current

A **full income tax exemption** will be granted to Labuan entities that undertake Islamic financial activities, such as Islamic digital banking, Islamic digital bourses, ummah-related companies, and Islamic digital token issuers, for a period of 5 years from YA 2024 until YA 2028.

Proposed

The existing **full income tax exemption** granted to Labuan entities engaged in Islamic financial activities will be **expanded to include Labuan entities engaged in Labuan takaful business activities and Labuan takaful-related activities.**



Effective: YA 2025 until YA 2028

Tax Incentives

Expansion of Income Tax Exemption for Eligible Islamic Financial Activities under Labuan International Business and Financial Centre (IBFC)



No.	Eligible Labuan Trading Entity	Qualifying Activities
1.	<ul style="list-style-type: none"> Labuan insurer; Labuan reinsurer; Labuan takaful operator; or Labuan re-takaful operator 	Takaful and re-takaful businesses that comply with Shariah principles: <ol style="list-style-type: none"> risk management; or product development.
2.	<ul style="list-style-type: none"> Labuan captive insurer; or Labuan captive takaful 	Takaful and re-takaful businesses that comply with Shariah principles where takaful participants are related companies or associated companies or as approved by the Labuan Financial Services Authority: <ol style="list-style-type: none"> risk management; or product development.
3.	<ul style="list-style-type: none"> Labuan underwriting manager; or Labuan underwriting takaful manager 	Provides underwriting services including administration related to Labuan takaful business.
4.	<ul style="list-style-type: none"> Labuan insurance manager; or Labuan takaful manager 	Provides management or administrative services related to Labuan takaful business.
5.	<ul style="list-style-type: none"> Labuan insurance broker; or Labuan takaful broker 	Provides services such as: <ol style="list-style-type: none"> arranging Labuan takaful and re-takaful business; or conducting financial analysis.



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