



## Tax Espresso – Special Alert

# Guidelines on Transition of MSC Malaysia Status Company to Malaysia Digital Status

Greetings from Deloitte Malaysia Tax Services,

Following the launch of Malaysia Digital (MD) Status by Datuk Seri Ismail Sabri Yaakob (the former Prime Minister of Malaysia) on 4 July 2022, which replaced the previous MSC Malaysia Status [[reported via our Special Alert dated 12 July](#)

[2022](#)], the Malaysia Digital Economy Corporation (MDEC) issued the [Guidelines on Transition of MSC Malaysia Status Company to MD Status](#) (herein after referred to as 'the Guidelines') on its website. The Guidelines are effective from 25 March 2022.

### **Background**

MSC Malaysia was introduced in 1996, driven by MDEC as the nation's lead digital economy agency. It catalysed and transformed Malaysia into a knowledge-based economy and contributed immensely to the growth of the nation's digital economy. With the rapid shift of socio-economic norms in response to the constant advancements of digital technology and in steering the Malaysia Digital Economy Blueprint (MyDIGITAL), the Malaysian Government (the Government) and MDEC introduced MD as the new national strategic initiative to accelerate and further develop Malaysia's digital economy.

The aim of MD is to digitalise the economy, and position Malaysia as a globally competitive digital nation by promoting the use of digital in all economic activities across all sectors. This initiative also serves to create substantial digital economic spillover through equitable access to digital tools, knowledge, and income opportunities nationwide.

With that, the Guidelines aim to provide a detailed explanation of the transition, including the benefits, incentives, applicable conditions, and post-approval matters concerning a company with MD Status.

### **Salient points**

1. Effective 25 March 2022, a company with MD Status can operate and undertake its Approved Activities in any location within Malaysia. The minimum office space requirement is no longer applicable.
2. A company with MD Status is required to continue adhering to the following existing conditions for the MD Status as stated in the approval letter and/or Conditions of Grants (COG) issued to the company, including any approved variation of conditions:
  - Undertaking Approved Activities;
  - Minimum number and/or percentage of knowledge workers (*see Appendix 2 to the Guidelines for the definition of knowledge workers*);
  - Minimum expenditure such as salary, and research and development expenditures;
  - Minimum investment amount;
  - Minimum paid up capital; and
  - Other applicable conditions.

3. Any variation of conditions during the tax exemption period shall be subject to the National Committee on Investment (NCI) approval, as the same set of conditions applies to the MD Status and tax exemption. The company shall also not transfer or assign the MD Status or any benefits, rights, and/or obligations thereunder to any third party.
4. A company with MD Status must also comply with all applicable permit or licensing requirements and ensure that the required permit or license has been obtained from the relevant authority for the implementation of its Approved Activities.
5. Companies that have been granted MD Status are strongly encouraged to align their operations with the government's carbon neutrality and [Environmental, Social, and Governance \(ESG\) goals](#).
6. MD Status companies will continue to enjoy the offerings under the MD Bill of Guarantees (BoGs). Existing approvals for incentives or benefits will continue to subsist subject to compliance with existing applicable conditions.
7. A company with MD Status may apply to add new MD Approved Activities. The process and criteria for the application are like those for a new MD Status application, where the application is to be submitted through the system available at the MDEC website. The approval for additional MD Approved Activities will be subjected to the same original MD Status conditions.
8. A company with MD Status is required to inform MDEC of the following matters by completing, signing, and submitting the necessary forms in the system (available on MDEC's website), together with the required supporting documents:
  - Change in paid-up capital (i.e., higher than the minimum condition), equity, or shareholding structure;
  - Change in name;
  - Change in address of business operations and/or contact details;
  - Change in name of the product or services (re-branding) stated under the MD Approved Activities in the approval letter.
9. An approval from the Approval Committee (i.e., comprising representatives from the Government) is required for any variation to the conditions of MD Status specified in the approval letter other than the above changes.
10. A company with MD Status must submit all documents and/or information (i.e., verified by an independent external auditor or in any other manner specified by MDEC) annually to MDEC for the purpose of reporting the

progress of the MD Approved Activities and/or determining compliance with the applicable conditions through a Self-Declaration Form or other detailed standard forms specified by MDEC. MDEC may also request a MD Status company to provide information and/or documents about its activities and operations (i.e., SSM documents and annual audited accounts) to monitor the conditions of MD Status.

11. The MD Status may be revoked if a MD Status company does not comply with the conditions of the MD Status. All incentives and benefits under MD BoGs granted under the MD Status will also be withdrawn according to the applicable laws and regulations. The Approval Committee will determine the effective date of revocation of the MD Status.
12. The MD Status may be surrendered by the MD Status company at any time. The acceptance of the surrender request is subject to the MDEC's assessment that there is no non-compliance with the MD Status conditions. The surrender request, if accepted, shall take effect from the date of approval of such a request by the Approval Committee. With the surrender of MD Status, the company will no longer be eligible for any incentives or benefits under MD BoGs granted under the MD Status.

### Get in touch

Interested to find out more? Please speak to your usual Deloitte contact or any member of the Global Investment and Innovation Incentives (Gi<sup>3</sup>) Group listed below.

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