

e-CTIM TECH-DT 71/2017

13 October 2017

TO ALL MEMBERS

TECHNICAL

Direct Taxation

INCENTIVES FOR UNDERTAKING A PROJECT FOR MODERNIZING OR AUTOMATING EXISTING MANUFACTURING ACTIVITY

1. [**INCOME TAX \(ACCELERATED CAPITAL ALLOWANCE\)\(AUTOMATION EQUIPMENT\) RULES 2017 – P.U. \(A\) 252/2017**](#)
2. [**INCOME TAX \(EXEMPTION\)\(NO.8\) ORDER 2017 – P.U. \(A\) 253/2017**](#)

The above Rules ([P.U. \(A\) 252/2017](#)) and Order ([P.U. \(A\) 253/2017](#)) were gazetted on 30 August 2017 and are deemed to have come into operation from the year of assessment 2015. They are in line with paragraph 49 of the [2015 Budget Speech](#), for the Government to provide an incentive on automation expenditure to encourage automation in the manufacturing sector.

The incentives under the [P.U. \(A\) 252/2017](#) and the [P.U. \(A\) 253/2017](#) are provided to a qualifying company that incurred qualifying capital expenditure relating to automation equipment used in Malaysia solely for the purpose of carrying on a qualifying project (a project undertaken by the qualifying company for modernizing or automating its existing manufacturing activity of a product). The incentives are in the form of an accelerated capital allowance on qualifying capital expenditure (under the [P.U. \(A\) 252/2017](#)) and an exemption of not more than 70% of statutory income derived from a qualifying project (under the [P.U. \(A\) 253/2017](#)). The terms “qualifying company”, “qualifying expenditure”, “automation equipment” and “qualification project” are defined in both gazette orders. Please refer to the gazette orders for more details.

An application for the incentives under the [P.U. \(A\) 252/2017](#) and the [P.U. \(A\) 253/2017](#) respectively are required to be made by the qualifying company through the Malaysian Investment Development Authority (MIDA) within the time periods stated in both gazette orders. Please refer to the [MIDA Guidelines](#) [reported in our [e-CTIM TECH-DT 73/2015 \(REV\)](#) dated 8 October 2015] and the [MIDA website](#).

Members may read the Rules and the Order in full at the official website of the [Attorney-General's Chambers](#).

You may write to the Institute at technical@ctim.org.my or secretariat@ctim.org.my in respect of any suggestions, concern or comments you may have on the above gazette orders so that we may raise them to the LHDNM.

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