

**TECHNICAL - DIRECT TAXATION**

**e-CTIM TECH-DT 41/2021**

**9 April 2021**

**MIDA – Guidelines and Procedures for the Application of Special Investment Tax Allowance for the E&E Sector**

Guidelines	Remarks (Please access the Guidelines for the full details)
<p><b>Guidelines and Procedures for the Application of Special Investment Tax Allowance for the E&amp;E Sector</b> (26 March 2021)</p>	<p><u>Purpose of the Special Investment Tax Allowance</u></p> <p>The special investment tax allowance which was announced by the Government in the 2020 Budget on 11 October 2019 is to further promote high-value added activities in the Electrical and Electronic (“E&amp;E”) industry to transition into 5G digital economy and Industry 4.0 and encourage companies in the E&amp;E sector that have exhausted the Reinvestment Allowance in Malaysia to further reinvest in Malaysia.</p> <p><u>Special Investment Tax Allowance</u></p> <ul style="list-style-type: none"> <li>Investment Tax Allowance of 50% on qualifying capital expenditure to be offset against 50% of Statutory Income.</li> <li>The Investment Tax Allowance claim is for a period of 5 years starting from the date of the approval letter from the Malaysian Investment Development Authority (“MIDA”).</li> </ul> <p><u>Eligibility Criteria</u></p> <ul style="list-style-type: none"> <li>The applicant company is engaged in manufacturing activities in the E&amp;E sector and intends to reinvest for the purpose of expansion, automation, diversification and modernization;</li> <li>The applicant company has fully exhausted the eligibility period of 15 years to claim Reinvestment Allowance under Schedule 7A, Income Tax Act (“ITA”) 1967 by 31 December 2019 and is currently not enjoying any other tax incentives approved by the Government.</li> <li>Please refer to paragraph 3.1, 3.2 and 3.3 of the Guidelines for details of other eligibility criteria.</li> </ul> <p><u>Conditions</u></p> <p>The applicant company will be subject to the following conditions:</p> <ul style="list-style-type: none"> <li>Minimum investment of RM1.5 million in capital expenditure in related proposed projects within a period of 5 years;</li> <li>Incur minimum annual operational expenses as proposed by the company;</li> <li>Hire a minimum number of Malaysian full-time workers as proposed by the company; and</li> <li>At least satisfy one of the conditions under either the Vendor</li> </ul>

	<p>Development Programme or the Human Capital Development Programme (paragraph 3.6(d) and 3.6(e) of the Guidelines).</p> <p><u>Other points to note</u></p> <ul style="list-style-type: none"><li>• This incentive is to be implemented via an income tax exemption order under the ITA 1967 which is to be gazetted.</li><li>• Applications received by MIDA from 1 January 2020 until 31 December 2021 are eligible to be considered for this incentive.</li></ul> <p><u>Further details</u></p> <p>Paragraph 5, 6 and 8 of the Guidelines.</p>
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References:

- 1 - [Guidelines dated 26 March 2021](#); and
- 2 - Appendix 15 of the [2020 Budget Speech](#).

You may write to the Institute at [technical@ctim.org.my](mailto:technical@ctim.org.my) in respect of any suggestions, concern or comments you may have on the above Guidelines.

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