

DEFINITION OF SMALL SCALE COMPANY UNDER THE PROMOTION OF INVESTMENT ACT, 1986 AND CRITERIA FOR THE GRANTING OF TAX INCENTIVES

1. INTRODUCTION

- 1.1. Currently, small scale companies incorporated in Malaysia with shareholders' fund not exceeding RM500,000 and having at least 60% Malaysian equity are eligible for tax incentives for small scale companies under the Promotion of Investments Act (PIA), 1986.

2. REDEFINITION OF SMALL SCALE MALAYSIAN-OWNED COMPANY

- 2.1. Small scale companies are redefined as companies incorporated in Malaysia with shareholders' fund not exceeding RM2.5 million and having 60% to 100% Malaysian equity.

3. INCENTIVES

- 3.1. Pioneer Status (PS) with income tax exemption of 100% of statutory income for 5 years. Unabsorbed capital allowances and accumulated losses incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company; or
- 3.2. Investment Tax Allowance (ITA) of 60% of qualifying capital expenditure incurred within a period of 5 years. The allowance can be offset against 100% of statutory income in that year of assessment. Unutilised allowances can be carried forward until fully absorbed.

4. ELIGIBILITY CRITERIA

- 4.1. Incorporated under the Companies Act, 1965.
- 4.2. Shareholders' funds not exceeding RM2.5 million.

4.3. Malaysian equity ownership:

4.3.1. Companies with shareholders' fund of up to RM500,000 with at least 60% Malaysian equity

4.3.2. Companies with shareholders' fund of above RM500,000 and less than RM2.5 million with 100% Malaysian equity.

4.4. Applicants must fulfil the following conditions:

4.4.1. Value Added (VA) – 25%.

4.4.2. Managerial, Technical and Supervisory Staff (MTS) index - 20%.

4.4.3. Not more than 20% of the equity of the applicant company is owned, whether directly or indirectly controlled, by a holding company having shareholders' funds of more than RM2.5 million.

4.5. Producing products/engaged in activities listed in the list of promoted products/activities for small companies or general promoted list.

5. MECHANISM

Incentive to be provided under the Promotion of Investments Act (PIA), 1986 and to be considered by the National Committee on Investment (NCI).

6. EFFECTIVE DATE OF APPLICATION

Applications received by Malaysian Investment Development Authority (MIDA) from 3 July 2012 are eligible to be considered for this incentive.