

**DEFINITION OF DESIROUS FOR THE GRANTING OF TAX INCENTIVES UNDER
THE PROMOTION OF INVESTMENTS ACT, 1986 FOR MALAYSIAN-OWNED
COMPANIES**

1. INTRODUCTION

1.1. Under the Promotion of Investments Act (PIA), 1986, the main criteria for a company to enjoy tax incentives is that the company must be 'desirous' in establishing or participating in a promoted activity or producing a promoted product and has not started production.

1.2. Definition of production:

1.2.1. Manufacturing company - Company has started to produce products (including trial production).

1.2.2. Services company - Company has issued first invoice for the services rendered.

2. COMPANIES IN PRODUCTION

Malaysian-owned manufacturing and services companies that are already in production which do not comply with the 'desirous' clause under the PIA, 1986 are now eligible to be considered for tax incentives.

3. INCENTIVES

Tax exemptions equivalent to Pioneer Status or Investment Tax Allowance based on the prevailing rates under the PIA, 1986.

4. ELIGIBILITY CRITERIA

4.1. Malaysian equity ownership of at least 60%.

- 4.2. Participating in a promoted activity or producing a promoted product.
- 4.3. The type of tax incentives and criteria such as Value added (VA), Managerial, Technical and Supervisory (MTS), R&D Expenditure and Science and Technology (S&T) indexes will remain at the prevailing rates.

5. MECHANISM

Incentives to be provided under Section 127 (3)(b) of the Income Tax Act, 1967 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.