

**GUIDELINES  
INCENTIVE FOR ACQUIRING A FOREIGN COMPANY FOR HIGH TECHNOLOGY**

**1. INCENTIVES**

- 1.1. A locally-owned company in the manufacturing or services sector that acquires a foreign-owned company abroad will be eligible for an incentive in the form of an annual deduction of 20% of the acquisition cost for 5 years for the following purpose:
  - 1.1.1. Establishment of a manufacturing facility/company or services company within Malaysia; or
  - 1.1.2. Utilisation of the acquired technology in their existing operations within Malaysia.
- 1.2. The incentive is in the form of an annual deduction to ascertain the adjusted income of the locally-owned company, and any unutilised deduction can be carried forward until fully utilised.

**2. ELIGIBILITY CRITERIA**

- 2.1. The acquirer must be a locally-owned company that is incorporated under the Companies Act, 1965 with at least 60% Malaysian equity ownership involved in manufacturing or services activities.
- 2.2. Malaysian equity ownership of at least 60% must be held for a period of 5 years from the date of application.
- 2.3. For a public listed company:
  - 2.3.1. At least 60% of its equity is directly owned by Malaysians on the first day of listing on the stock exchange; and
  - 2.3.2. At least 50% of its equity is directly owned by Malaysians.

- 2.4. An acquisition by a holding company having interests in manufacturing or services activities will be considered on a case by case basis.
- 2.5. The acquiree must be a foreign company with 100% foreign equity ownership that is located abroad and involved in manufacturing or services activities.
- 2.6. The acquisition should be a direct acquisition of at least 51% of the equity of the foreign company abroad.
- 2.7. The acquisition must be in the form of a cash transaction. Acquisitions through share-swapping will not be eligible for this incentive.
- 2.8. The acquisition must be completed within three (3) years.
- 2.9. Acquisition costs eligible for the deduction comprise:
  - 2.9.1. Value of shares purchased by the Malaysian company (acquirer); and
  - 2.9.2. Incidental costs, including professional fees paid to bankers, valuers, auditors, accountants, tax agents, consultants, or legal advisers; cost of transfers including stamp duties; related travelling and accommodation expenses incurred for the purpose of the acquisition.
- 2.10. The acquisition of the foreign technology company must result in increase of performance or enhancement of technology and processes of the company's operation in Malaysia.
- 2.11. Definition of High Technology
  - 2.11.1. New and emerging technologies; or
  - 2.11.2. Relatively new technology for the industry/sector concerned.
- 2.12. Other Considerations
  - 2.12.1. Applications for the incentive can be made prior to, during the course of negotiations, or within 6 months after the completion of the acquisition.

- 2.12.2. A company currently enjoying incentives under the Promotion of Investments Act (PIA), 1986 or Income Tax Act, 1967, is not eligible for this incentive.
- 2.12.3. The acquisition must be held for at least 5 years. Where the acquired foreign-owned company is disposed of within five (5) years from the date of the completion of the acquisition, any annual deduction granted will be withdrawn for the respective years of assessment in which the incentive was given.
- 2.12.4. The annual deduction will be granted from the date of the completion of the acquisition and all the costs of acquisition are deemed to be incurred on that completion date.
- 2.12.5. For an acquisition undertaken with the objective of acquiring high technology for production within the country, the applicant company is also eligible to be considered for incentives granted to high technology companies. However, they will be limited to the manufacture of new products using the acquired technology.
- 2.12.6. For an acquisition undertaken with the objective of acquiring high technology to provide services within the country, the applicant company is also eligible to be considered for incentives granted to services activities. However, they will be limited to the new services using the acquired technology.
- 2.12.7. Any subsequent application by the acquirer or its related companies will not be eligible for the incentive.

### **3. MECHANISM**

Incentives to be provided under the Income Tax Act, 1967 and approved through the National Committee on Investment (NCI).

### **4. EFFECTIVE DATE OF APPLICATION**

Applications received by Malaysian Investment Development Authority (MIDA) from 3 July 2012 until 31 December 2016 are eligible to be considered for this incentive.