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**TECHNICAL**

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**Direct Taxation**

**REVISED - GUIDELINES ON APPLICATION FOR AUTOMATION CAPITAL ALLOWANCE EXPENDITURE (AUTOMATION CA)**

Further to our [e-CTIM TECH-DT 40/2015](#) dated 20 April 2015, the above [guidelines](#) has been uploaded by MIDA on its website.

The incentive in the form of additional capital allowance for increased automation in labour intensive industries was announced in the 2015 Budget and is expected to be the key factor to encourage automation in the manufacturing sector.

The following is a summary of main points in the [Guidelines](#):

1. There are 2 **categories** for automation capital allowance (ACA).

Category	Incentive	Implementation timeline
1. High labour intensive industries (rubber products, plastics, wood, furniture and textiles)	ACA of 200% on the first RM4 million expenditure incurred within 3 years of assessment (YA)	YA 2015 to YA 2017
2. Other industries	ACA of 200% on the first RM2 million expenditure incurred within 5 YA	YA 2015 to YA 2020.

2. Among the **eligibility criteria** listed in the guidelines are the following:
  - i. Manufacturing companies incorporated under the Companies Act 1965 and resident in Malaysia.
  - ii. Possesses a valid business licence from the local authority and a manufacturing licence from MITI (if applicable);
  - iii. The company has been in operation for at least 36 months;
  - iv. The automation equipment :
    - a) is used directly in manufacturing activities;
    - b) enhances productivity - e.g. reduces man hours; reduces workers; increases output (verified by SIRIM);
    - c) adopts technology that is more advanced than the technology currently used by the company ( verified by SIRIM).

The remaining criteria relate to companies currently claiming Reinvestment Allowance, which can opt to claim this incentive subject to certain conditions. (Please refer to [guidelines](#) for full details.)

3. Legislation for this incentive will be enacted in the following manner:
  - i. The first 100% of ACA to be given by way of gazetted Rules under [S154](#) of the Income Tax Act 1967 (ITA);
  - ii. The next 100% of ACA will be granted under an Income Tax Exemption Order issued under [S127\(3\)\(b\)](#) of the ITA.
4. The documents required to be submitted when application is made are listed in paragraph 5 of the [Guidelines](#) and include the [ML-Automation CA form](#), SIRIM report for productivity level, a valid business licence and certification by the company's External Auditors confirming (with documentary proof) purchase and installation of the equipment /machines as well as payment of the entire cost of such equipment.
5. The [ML-Automation CA form](#) should be submitted to the respective division of MIDA, while the application for verification of each machine's productivity level is to be submitted to SIRIM. The approval letter will be issued by MIDA.

Members may download the Guidelines and Form *ML-Automation CA* at the website of the [Institute](#) or Official website of [MIDA](#).

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