

- HIGH IMPACT FUND
- DOMESTIC INVESTMENT STRATEGIC FUND (DISF)
- INDUSTRY 4.0 INCENTIVES

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**Briefing and Networking Session with  
Malaysian Indian Network of  
Entrepreneurs Association (1MINE)**

Strategic Planning & Policy Advocacy  
(Manufacturing)

**2<sup>nd</sup> August 2019**



# INCENTIVES

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## MAJOR TAX INCENTIVES

### Pioneer Status

Income tax exemption ranging from 70% or 100% for a period of 5 or 10 years

### Investment Tax Allowance

60% or 100% on qualifying capital expenditure for 5 years

### Reinvestment Allowance

60% on qualifying capital expenditure for 15 consecutive years

## GRANTS



**High Impact Fund:** A matching grant to attract investments of selected companies to locate their projects in Malaysia, in order to compete with other countries in the region and the more developed economies by offering competitive incentives.



**Domestic Investment Strategic Fund (DISF):** A matching grant to accelerate the shift of Malaysian-owned companies in targeted industries to higher value added, high technology, knowledge intensive and innovation-based industries.

# DOMESTIC INVESTMENTS STRATEGIC FUND (DISF)

# EVOLUTION OF DOMESTIC INVESTMENTS STRATEGIC FUND (DISF)

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DISF Ind 4WRD  
2019

DISF 11<sup>TH</sup> Malaysia Plan

DISF 10<sup>TH</sup> Malaysia Plan

## BACKGROUND

- ❑ DISF was initiated in 2012 (RMK-10) with an allocation of RMI billion to improve domestic investments, complementing FDI and to ensure Malaysia's sustainable economic growth and investments.
- ❑ Under RMK-II, Government has approved another RMI billion to fund the DISF initiative.
- ❑ Objective of the fund is to accelerate the shift of Malaysian--owned companies to higher value-added, high technology, knowledge intensive and innovation based in the targeted industries.
- ❑ The grants are approved on a matching (1:1) and reimbursable basis, to be disbursed within the approved duration (1-3 years) and according to specific criteria and guidelines.

# MECHANISM

## APPLICATION

Application via ICA JA-1 / ICA JA-2 with relevant documents

National Committee on Investment (NCI)

Approval/ Rejection Letter

MIDA Grant Agreement

- Compliance milestones

Within **6 weeks** of complete information

If approved, within **90 days** agreement has to be signed

## DISBURSEMENT

First expenditure incurred for the qualifying project

Submission of claims\* (verified by external auditors)

Audit visit

Committee on Coordination and Disbursement of Grants (JPPG)

Transfer of payment/ Rejection letter

Within **12 months**

Within **6 weeks**

\*Note: At most, twice a year

# PRIORITY SECTORS

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## Manufacturing

- Aerospace;
- Medical Devices;
- Pharmaceuticals;
- Advanced Electronics;
- Machinery and Equipment;
- Other industries, on a case by case basis.

## Services

- Design and Development
- Research and Development
- Testing / Calibration
- Quality and Standard Certification
- Architectural / Engineering Services
- Technical and/or skills training
- Logistics Service Providers (3PL)
- ICT Solutions Providers related to Automation and Industry 4.0
- Integrated Green Technology Project

# TYPE OF GRANT

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**1**

**R&D**

**2**

**Training**

**3**

**Modernisation/Upgrade  
Facilities and Equipment**

**4**

**Licensing and Purchase of  
New Technology**

**5**

**Obtaining International  
Standard/Certification**



# ELIGIBLE APPLICANTS

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- ❑ Company should be incorporated under the Companies Act, 2016.
- ❑ Effective equity of the companies must be at least 60% owned by Malaysians.

## New Company:

- A **subsidiary, associate or sister company (related company\*)** of an **existing company** operating in the relevant/related industry with proven track record.
- The projects must involve **new investments** to undertake the **targeted manufacturing/services** activities.
- The **proven track record** must be reflected from the related companies' activities.

## Existing Company:

- A company which undertakes **reinvestments** in the form of **expansion / modernisation / diversification**.
- The project must involve **additional investments** to undertake the **targeted manufacturing/services** activities.
- The company must have the **capability** and **proven track record** in the relevant/related industry.

*\*Note: Related companies are defined as **at least 20%** of the **shares** are owned by the parent company or the same shareholder.*

# ALLOWABLE EXPENDITURES

No	Types of Grant	Eligible Expenditures*
1	<p style="text-align: center;"><b>R&amp;D</b></p> <p>Systematic or intensive study in the field of S&amp;T for the purpose of production or improvement of materials, devices, products, produce or processes.</p> <p>QC of products, routine testing/ data collection, market research are <u>not considered</u> as R&amp;D.</p>	<ul style="list-style-type: none"> <li>• Purchase of Machinery and Equipment for R&amp;D</li> <li>• Salary Expenditure (for R&amp;D personnel)</li> <li>• Cost of Out-Sourcing within Malaysia</li> <li>• Raw Materials &amp; Consumables directly used for R&amp;D</li> <li>• Cost of Technology</li> <li>• Travelling Expenses</li> </ul>

\*Subject to NCI deliberation based on company's proposal

# ALLOWABLE EXPENDITURES

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No	Types of Grant	Eligible Expenditures*
2	<p><b>Training</b></p> <p>Technical training directly related to the approved project.</p> <p>For full time Malaysian employees.</p>	<ul style="list-style-type: none"><li>• Lease/Rental Expenditure of training facilities</li><li>• Consumables and Equipment directly used for training</li><li>• Travelling Expenses</li><li>• Training Fee(s) paid for trainee(s) based on per trainee per course.</li><li>• Fee paid to trainer(s)</li></ul>

\*Subject to NCI deliberation based on company's proposal

# ALLOWABLE EXPENDITURES

No	Types of Grant	Eligible Expenditures*
3	<p><b>Modernisation and Upgrading</b></p> <p>Company needs to leverage and intensify outsourcing opportunities created by MNCs or Malaysian conglomerates</p>	<ul style="list-style-type: none"> <li>• Purchase of special machinery / equipment which is only used in the relevant industry <i>-not to replace existing machines</i></li> <li>• Purchase of special machinery / equipment which is required by the MNCs / Malaysian conglomerates for the vendor (Malaysian company) to undertake the outsourcing activity.</li> <li>• Purchase of specialised testing machinery/equipment for specific industry / process.</li> </ul>

*normal production/testing machinery/equipment used in general production line are not eligible.*

\*Subject to NCI deliberation based on company's proposal

# ALLOWABLE EXPENDITURES

No	Types of Grant	Eligible Expenditures*
4	<p><b>Licensing &amp; Purchase of New / High Technology</b></p> <p>Technology acquired must be new or high technology and to be utilised for upgrading of company's technological capabilities</p> <p>Trademark, Copyright and proprietary equipment are <u>not eligible</u>.</p>	<p>Royalty / Technical Fees for acquisition of Patent, Design, Blue prints, Manufacturing/Services know-how and Technical support.</p> <p>*the technology must be a registered Intellectual Property with proven sales volume</p>

\*Subject to NCI deliberation based on company's proposal

# ALLOWABLE EXPENDITURES

No	Types of Grant	Eligible Expenditures*
5	<b>Obtaining International Standards/ Certifications</b>	<ul style="list-style-type: none"><li>Expenses in obtaining certification and accreditation. <i>-Regulation compliance which are mandatory for company to comply before the products are allowed into market and management system certification are <u>not eligible</u>.</i></li><li>Payment to foreign technical experts (excluding withholding tax payment)</li></ul>

\*Subject to NCI deliberation based on company's proposal

# HIGH IMPACT FUND

# HIGH IMPACT FUND

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## Background

- Introduced in 2000 Budget under RMK8
- Part of Customised Incentives Scheme which offers incentives beyond incentives under the Promotion of Investments (PIA) Act, 1986
- Consist of corporate tax exemption, grants and other facilitation based on the merit of each case.

## Objectives

- Attract strategic and high impact investments that complement the ecosystem of targeted sectors.
- Tool used to compete with other countries in the region as well as developed economies



# TYPE OF GRANT

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1

R&D

2

Training

- ❑ Projects must have high level of investments, export potential, value-added, employment of knowledge workers and create significant spin-off effects.
- ❑ Projects also should encourage utilisation of local products and services and have the potential to attract the establishment of other related projects.

# ALLOWABLE EXPENDITURES

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No	Types of Grant	Main Expenditure
1	<b>R&amp;D</b>	Purchase of Plant, Machinery and Equipment
		Salary Expenditure
		Cost of Out-Sourcing
		Raw Materials & Consumables directly used for R&D
		Cost of Technology
		Travelling Expenses
2	<b>Training</b>	Lease/Rental Expenditure of training facilities
		Consumables and Equipment directly used for training
		Travelling Expenses
		Training Fee(s) paid for trainee(s) based on per trainee per course.
		Fee paid to trainer(s)

# New Initiatives for Industry 4.0 INDUSTRY4WRD (Budget 2019)

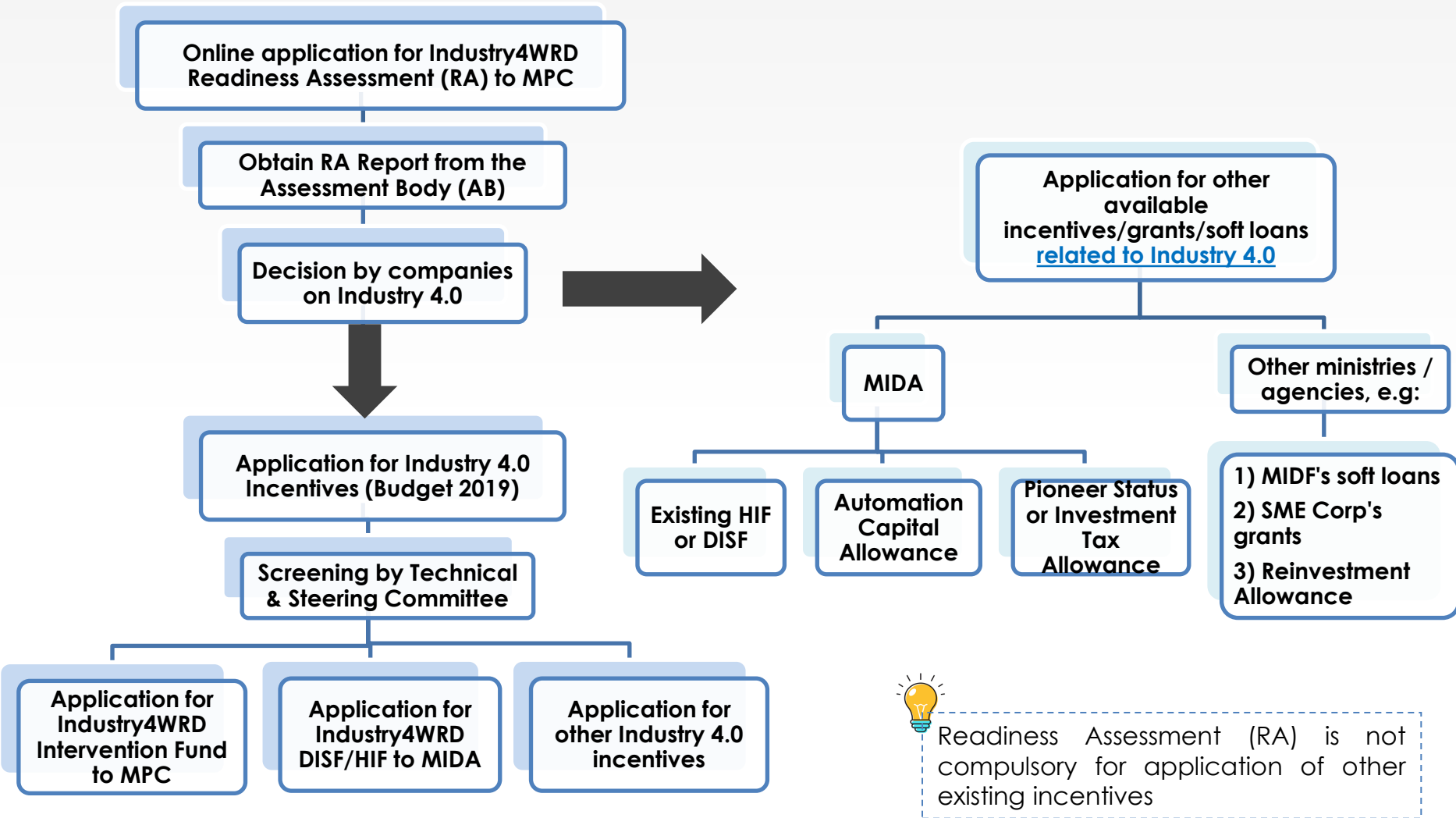
# EXPANSION SCOPE OF DISF AND HIGH IMPACT FUND

Under the Budget 2019, Government has introduced 2 initiatives for Industry 4.0 related to the existing non-fiscal incentives (grants) under the purview of MIDA:

- Expansion of scope of the Domestic Investment Strategic Fund (DISF) to cover Industry 4.0 relevant activities (with proposed reimbursable basis ratio of 60:40)
- Expansion of scope of the High Impact Fund (HIF) to cover modernization activities of Industry 4.0

Fund	Reimbursable Basis Ratio	Readiness Assessment (RA)	Equity Ownership	Eligible Activities	Additional Criteria
Existing DISF	50:50	-	Malaysian equity ownership of at least 60%	R&D, Training, Modernisation (outsourcing), Licensing / Purchase New Technology and International Standards / Certifications	-
Industry4WRD DISF	60:40	Undergone RA	Malaysian equity ownership of at least 60%	Activities related to Industry 4.0 [R&D, Training, Modernisation (outsourcing), Licensing / Purchase New Technology and International Standards / Certifications]	Must adopt enabling technologies i.e IoT, AI, Big Data Analytics, etc
Existing HIF	50:50	-	-	R&D and Training	-
Industry4WRD HIF	50:50	Undergone RA	-	R&D, Training and Modernisation (outsourcing) related to Industry 4.0	Must adopt enabling technologies i.e IoT, AI, Big Data Analytics, etc

# APPLICATION PROCESS FLOW



Readiness Assessment (RA) is not compulsory for application of other existing incentives

# THANK YOU

