

Incentives For ICT And E & E Industries

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8 July 2010

Content Outline

- **Functions of MIDA**
- **Malaysian Economy and Performance of Manufacturing and Services Sectors**
- **Evolution of ICT and E & E Industries**
- **Promoted Activities and Products**
- **Incentives**



PLANNING

Planning for industrial development
Recommend policies and strategies
on industrial promotion & development
Formulation of strategies, programmes
and initiatives for international
economic cooperation

PROMOTION

- Foreign direct investment
- Domestic investment
- Cross border investment
- Business matching through
Enterprise Connect
- Manufacturing services

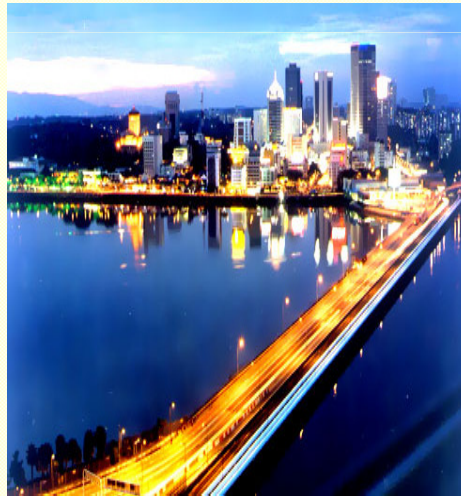
FOLLOW-UP/MONITORING

- Assist companies in the
implementation and operation of
their projects
- Facilitate exchange & coordination
among institutions engaged in or
connected with industrial
development
- Advisory services

EVALUATION

- Manufacturing licence
- Tax Incentives (incl. R&D, Hotel
and Tourism, Training and
Manufacturing related services)
- Expatriate posts
- Duty exemption
- OHQ, RDC & IPC status

MALAYSIAN ECONOMY





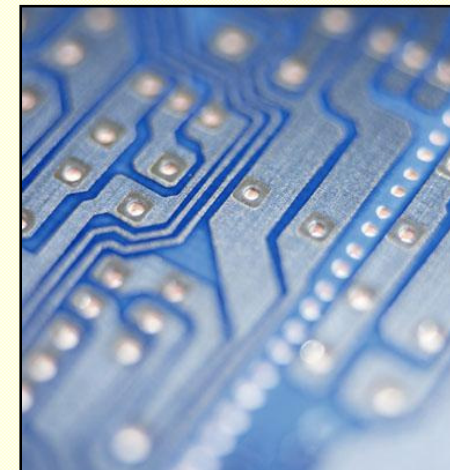
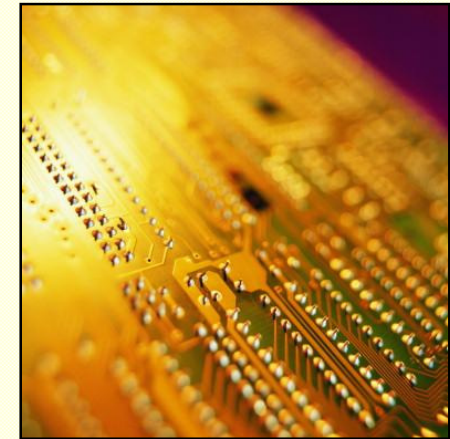
MALAYSIA'S KEY ECONOMIC INDICATORS

	2007	2008	2009 _p	2010 _f
Real GDP (%)	6.2	4.6	-1.7	4.5 - 5.5
Inflation (%)	2.0	5.4	0.6	2 - 2.5
Per Capita Income (US\$)	6,700	7,737	6,634	7,416
Unemployment (%)	3.3	3.7	3.7	3.6
Trade Balance (US\$ bil)	29.7	42.6	33.6	7.2 (Jan – Feb)
International Reserves (US\$ bil)	101.3	91.4	96.7	95.3*
Retained Imports Equivalent (months)	8.4	7.4	9.7	8.8*

* As at 31 March 2010

Source: Central Bank of Malaysia
Department of Statistics

PERFORMANCE OF THE MANUFACTURING AND SERVICES SECTORS



Total Approved Manufacturing Projects (2007 – April 2010)

Year	No. of Projects	No. of Employment	Proposed Investment (US\$ Billion)		
			Domestic	Foreign	Total
2007	949	97,673	7.7	9.7	17.4
2008	919	101,173	4.8	13.3	18.1
2009	766	64,330	3.0	6.5	9.5
Jan - April 2010	244	20,975	3.3	3.8	7.1
TOTAL	2,878	284,151	18.8	33.3	52.1

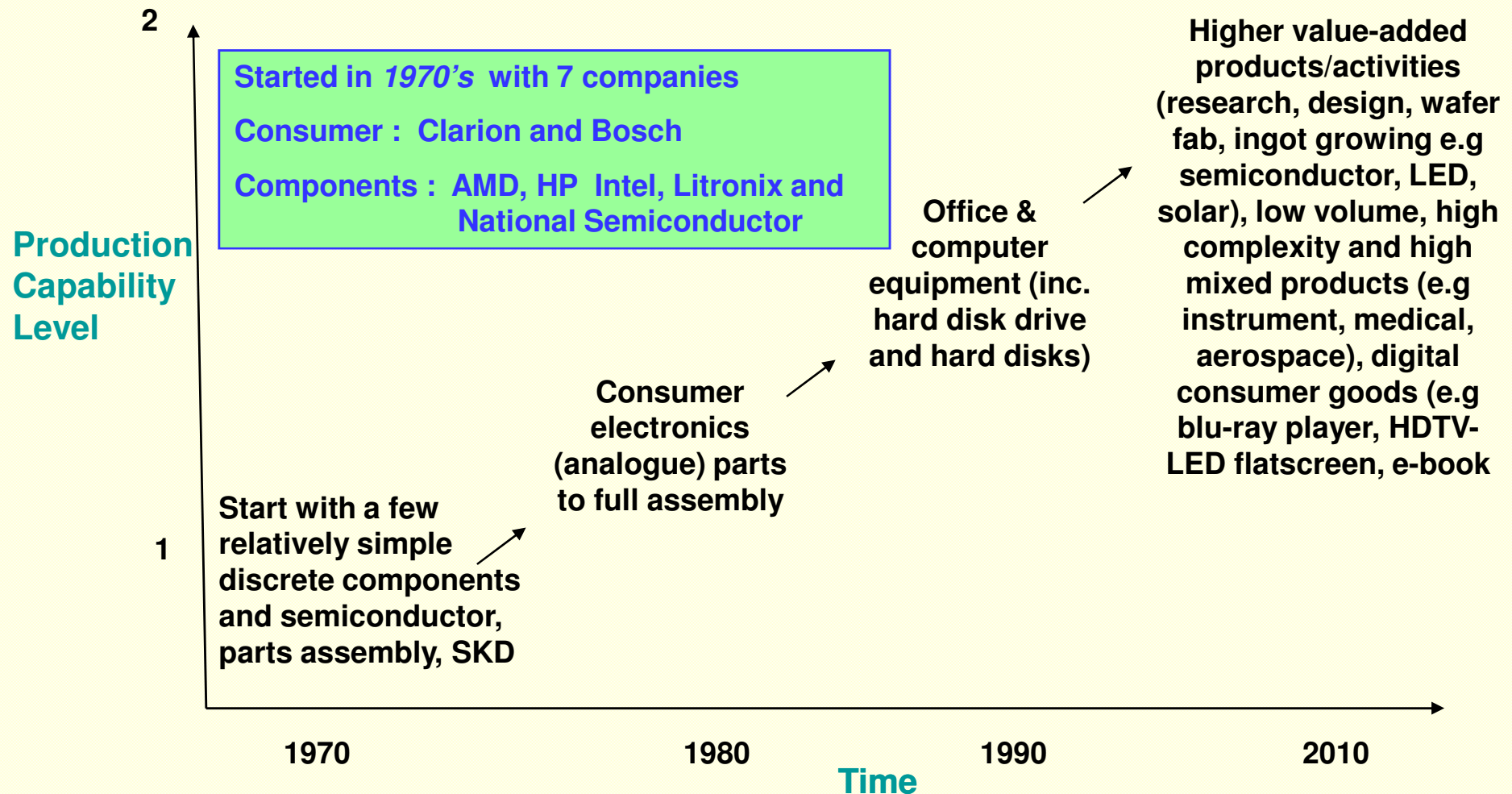
Source: MIDA

Approved Investment in the services sector for 2008 and 2009

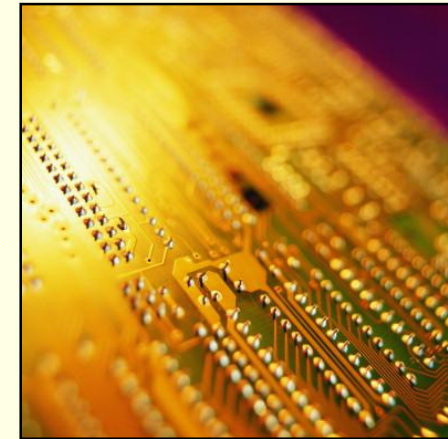
Services Sub-Sector	2008		2009	
	Number	RM million	Number	RM million
TOTAL	2,780	50,088.3	2,730	38,727.3
Regional Establishments	161	219.1	161	325.9
Support Services	366	2,337.0	354	3,007.6
MSC Status Companies	242	1,778.4	284	2,160.4
Transport	19	1,422.9	29	7,945.1
Energy	106	4,407.2	2	6,764.8
Telecommunications (including Post)	22	4,954.0	20	5,839.0
Financial Services	79	4,771.0	68	4,315.1
Real Estate (Housing)	749	25,921.0	901	4,588.9
Distributive Trade	813	2,040.9	666	2,049.3
Hotels and Tourism	44	1,929.6	27	1,666.5
Education Services	160	184.9	213	51.6
Health Services	19	122.3	5	13.1



EVOLUTION OF E & E INDUSTRY



PROMOTED ACTIVITIES AND PRODUCTS



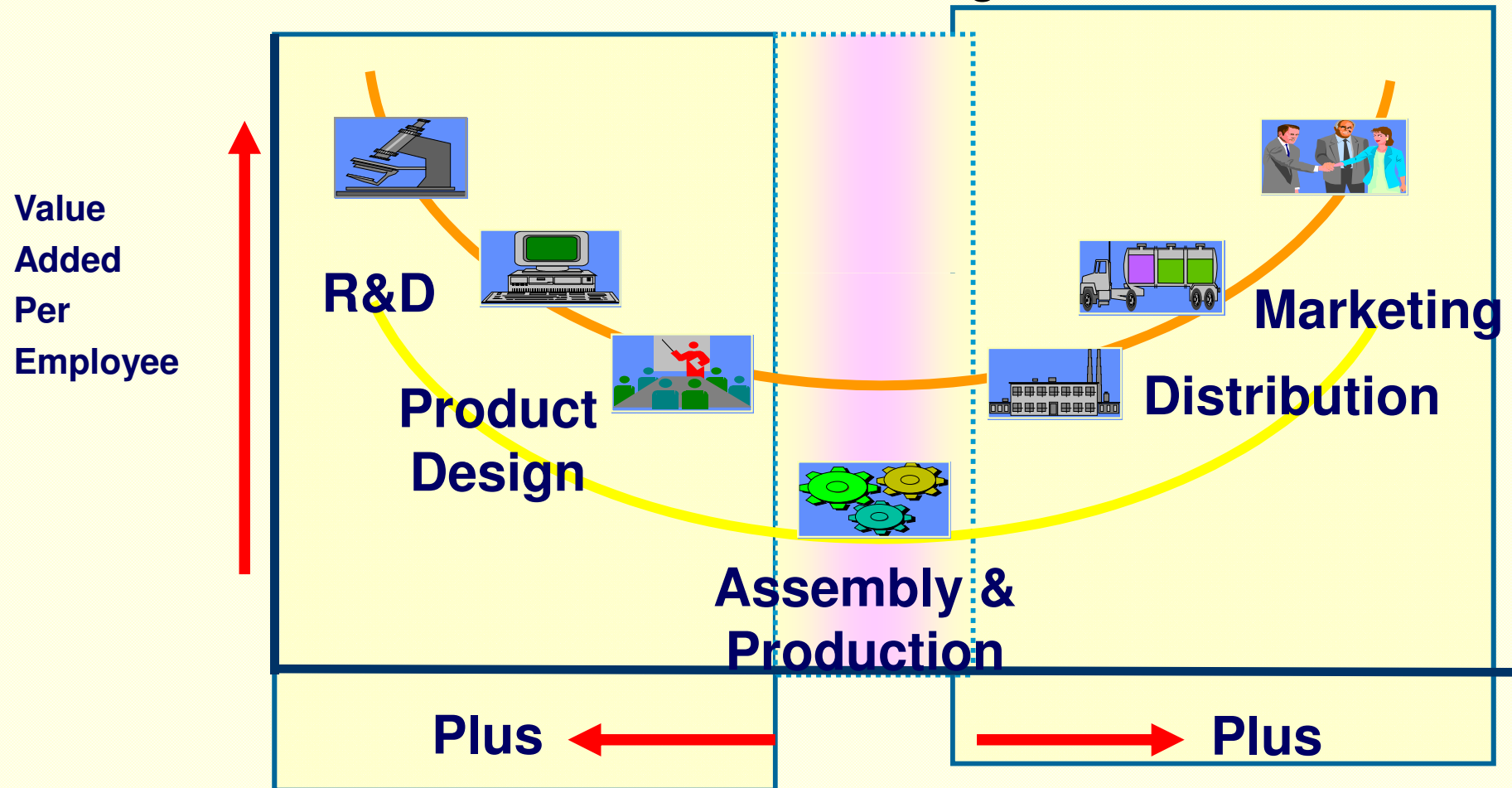


CLUSTER CHART

	Silicon Material			Wafering	Front End	Back End	
Process/ Materials/ Components	Silica to Metallic Silicon	Poly crystalline silicon	Silicon Crystal Growing	Slicing & Polishing	Wafer Fab	IC Packaging & Test	Electronic Module & Device
Design					Altera, eAsic, Symmid, .Agilent, Stec		
Production		2 projects -Tokuyama -USI		SEH MEMC Hamada Rubicon- Sapphire.	X-Fab Siltera Infineon Fuji MIMOS...	Intel,TI, AMD,NS, ST,NEC, Freescale...	Plexus, Flextro, WD, Seagate...
Other Materials						PenChem, Sanyu,Nitto (encapsulant)	Ibiden, Sanmina, Orix..
Equipment				Stoppani,	UMS(CVD)	ASM,LKT,Penta, Multi Test, Fico, Vitrox, TT Vision, Greatech....	Xyratex, Ultrasonics..
Maintenance/ Tooling				Tokyo Rope (wafering wire)	Amat, Tel, ASM, Ulvac, QT, Hoya(mask),Entegris....		
Infrastructure	Samalaju(Bakun,Bintulu Port),Gebeng(CUF, Kuantan Port)			KHTP/Penang(Penang Port/Airport), Klang Valley(Port Klang/KLIA), Johor(PTP/Senai/Singapore), Sama Jaya(Kuching Airport/Port).....			
Training, R&D					Mimos, SHRDC, Universities, Dream Catcher..		

Current Strategies & Emphasis

- Promotion of value-added and knowledge intensive activities



PROMOTED ICT PRODUCTS

- **Computer & computer peripherals and data storage devices**

- Computers
- Laptops/Notebooks
- Hard disk drives (HDD)



- **Telecommunications equipment/**

- **Mobile application products**

- Mobile phones
- PDA
- GPS



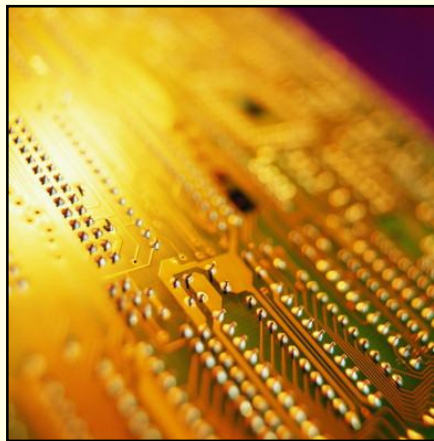
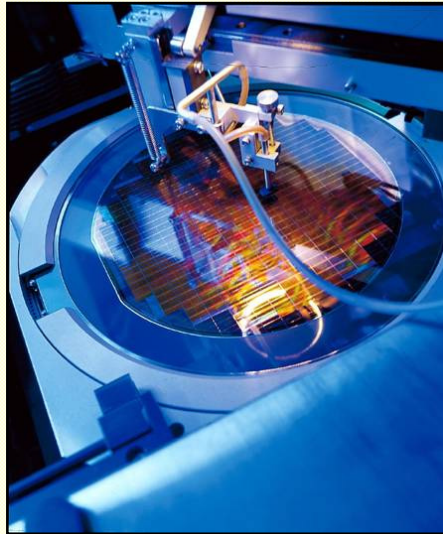
- **Broadband equipment and network products**

- Switching device
- Routers
- Modems
- Multiplexers



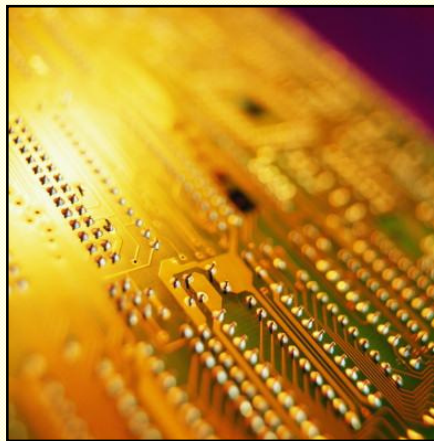
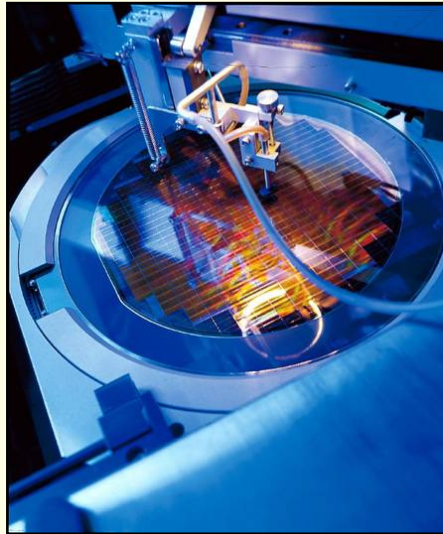
- **Optics (photonics, optoelectronics and other optical products)**





Focus on new products, applications and technologies :--

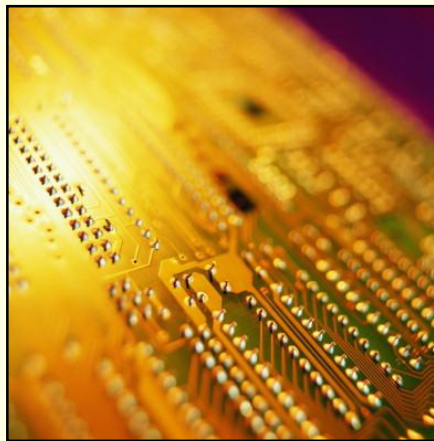
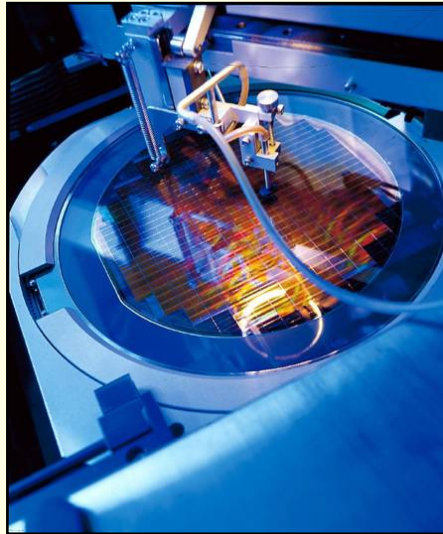
- **Wireless telecommunication equipment/devices**
- **Mobile application products**
- **Broadband equipment and networking products**
- **Optics products**
- **Multi service and convergent products**



Investment Policies

GUIDELINES ON MANUFACTURING LICENCE

- **Manufacturing companies with shareholders' funds of RM2.5 million and above or engaging 75 or more full-time employees to apply for manufacturing licence.**
- **Effective 1 December 2008, automatic issuance of Manufacturing Licence**



INCENTIVES FOR THE MANUFACTURING AND SERVICES SECTOR

OBJECTIVES

- **To promote investments in:**
 - **Identified promoted products/activities.**
 - **High-technology projects**
 - **Strategic projects**
 - **Resource-based industries**
 - **Knowledge-based industries**
 - **Small scale industries**
- **Encourage industry clustering**

MAJOR INCENTIVES PROVIDED

- **Pioneer Status (PS)**

Income tax exemption, ranging from 70% to 100% of statutory income for a period of 5 to 10 years.

- **Investment Tax Allowance (ITA)**

ITA of 60% to 100% on qualifying capital expenditure incurred for a period of 5 to 10 years. The allowance can be offset against 70% to 100% of the statutory income for each year of assessment.

INCENTIVES FOR SERVICES SECTOR

- **Operational Headquarters (OHQs)**
- **RDCs/IPC**s
- **Integrated Logistics Services (ILS)**
- **Integrated Market Support Services (IMS)**
- **Integrated Central Utility Facilities (CUF)**
- **Cold Chain Facilities and Services for Food Products**
- **Hotels and Tourism Projects**
- **R&D**
- **Technical, vocational or science training**
- **Design and prototyping**

INCENTIVES FOR RESEARCH AND DEVELOPMENT (R&D)

- **Under the Promotion of Investment Act, 1986, Research and Development is defined as any systematic or intensive study carried out in the field of science or technology with the objective of using the results of the study for the study for the production or improvement of materials , devices , products, produce or processes **but does not include** :-**
- (i) Quality control or routine testing materials, devices, products or produce;
- (ii) Research in the social sciences or the humanities;
- (iii) Routine data collections
- (iv) efficiency surveys
- (v) market research or sales promotion

Types of R&D Incentive

I. Contract R&D Company :

A contract R&D company is a company which provides R&D service in Malaysia to companies other than its related companies. Under the PIA 1986, a related company is defined as a company where at least 20% of its issued share capital is owned (directly or indirectly) by another company.

II. R&D Company

A R&D company is a company which provides R&D service in Malaysia to companies its related companies.

III. In-House Research :

In-House Research means that a company carries out R&D within the company in Malaysia for the purpose of its own business.

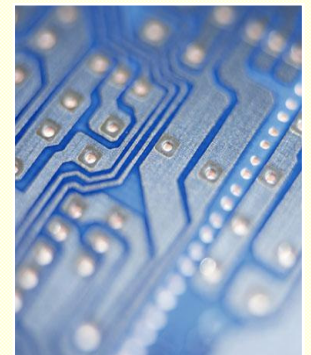
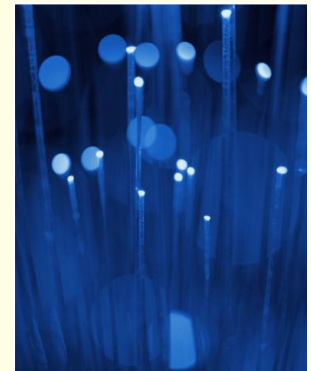
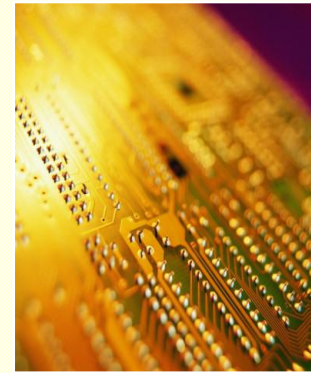
IV. R&D Status Company :

Contract R&D Company and R&D Company may apply for the fulfillment of definition of a R&D Status Company by compiling the required condition.

Import Duty and Sales Tax Exemptions

- **Exemption from Import Duty on Raw Materials/Components**
- **Exemption from Import Duty and Sales Tax on Machinery and Equipment**

Thank You



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