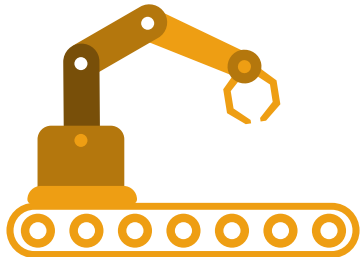


## ABB Webinar Series

The Automation Industry's Outlook  
Including F&B Industry And Available  
Government Facilitation For  
Companies Undertaking Automation  
And Digitalisation Initiatives In  
Malaysia

Mr. Jeyasigan Nair  
9 December 2020



Global

Malaysia

Facilitation





1

## **MIDA**

*“Government's principal agency for the promotion of the manufacturing and services sectors in Malaysia.”*

# ROLES AND FUNCTIONS

## Promotion



Foreign  
Direct  
Investment

Domestic  
Direct  
Investment

## Evaluation and Approval of Project (Manufacturing Licence/Tax Incentives/Expatriate Posts Status Approval)



- Electrical & Electronics
- Machinery & Metal
- Building Technology & Lifestyle
- Transportation Technology
- Chemical & Advanced Materials
- Food Technology & Resource Based Industries
- Life Sciences & Medical Technology

Manufacturing

- Oil & Gas, Maritime & Logistics Services
- Green Technology
- Healthcare, Education & Hospitality
- Business Services & Regional Operations
- Advanced Technology & R&D

Services

Industry  
Talent  
Management

## Implementation



MIDA State  
Offices

## Compliance



Licensing &  
Incentive  
Compliance

## Facilitation



Post-  
Investment

Evaluation and  
Approval of  
Customs Duty  
Exemption

# E- SERVICES – INFORMATION PORTAL



## i-Incentives

*i-Incentives is a portal that provides the information on investment incentives offered by the Federal Government of Malaysia*

[incentives.mida.gov.my](http://incentives.mida.gov.my)



## i-Services

*Business linkage platform to connect local service providers and their potential clients, which consist of both domestic and foreign companies*

[iservices.mida.gov.my](http://iservices.mida.gov.my)



## EE Discovery

*A platform to discover and expand network in Malaysia's Electrical & Electronics (E&E) industry*

[ee.mida.gov.my](http://ee.mida.gov.my)



# POST INVEST– EVERY ISSUES MATTERS

Customs related issues which include refund of GST, Licensed Manufacturing Warehouse (LMW) status and condition, Safety and Security and others

Issues related to Department of Environment (DOE) which include approvals, rules and regulations imposed, waste handling and others.

Electricity and Power Supplies  
Water Supplies  
Foreign Workers  
Closure and Retrenchment

Other issues which include approval from Local Authorities (e.g. *Kebenaran Merancang*), accreditations, Halal's rules and regulations



**Post-Investment & Infrastructure Support Division**  
Level 20, MIDA Sentral  
No.5, Jalan Stesen Sentral 5  
Kuala Lumpur Sentral  
50470 Kuala Lumpur

**Ms.Noor Aieda Ahmad (Director)**  
**03-22676688 [nooraieda@mida.gov.my](mailto:nooraieda@mida.gov.my)**



**03-2267 3473**



**[postinvestment@mida.gov.my](mailto:postinvestment@mida.gov.my)**



2

## **Machinery & Equipment (M&E) and Engineering Supporting Services (ESI)**

*“The Backbone of the Industry.”*

# Machinery & Equipment

## BACKBONE OF THE INDUSTRY

The M&E industry serves to catalyse Malaysia's transition into a high-technology, Industry 4.0-ready nation, due to its linkages to various large-scale economic sectors such as manufacturing, construction and services. According to the **IMP3**, **investments** in the M&E industry is targeted to grow by an average annual rate of **3.7 per cent**. By **2020**, investments in the industry are projected to **reach RM30.8 billion**, while **exports** are expected to grow at an average rate of **6.7 per cent per annum**, reaching **RM48.3 billion**.



## Machinery & Equipment

- Specialised / Process M&E
- Metalworking M&E
- General Industrial M&E
- Power Generating M&E

## Engineering Supporting Industries

- Mould & Die
- Forging
- Machining
- Surface Engineering
- Stamping
- Heat Treatment
- Casting



# Evolution of M&E Industry in Malaysia



Start from servicing of equipment for the resource and agro-based industries

1970



Relatively simple of assembly components/ equipment

1980



Assembly of M&E by Original Equipment Manufacturers (OEMs) especially for the E&E industry

1990



High value added and high tech M&E and modules manufacturing Supply for export market

2000



Higher value-added products/ activities (R&D, D&D)

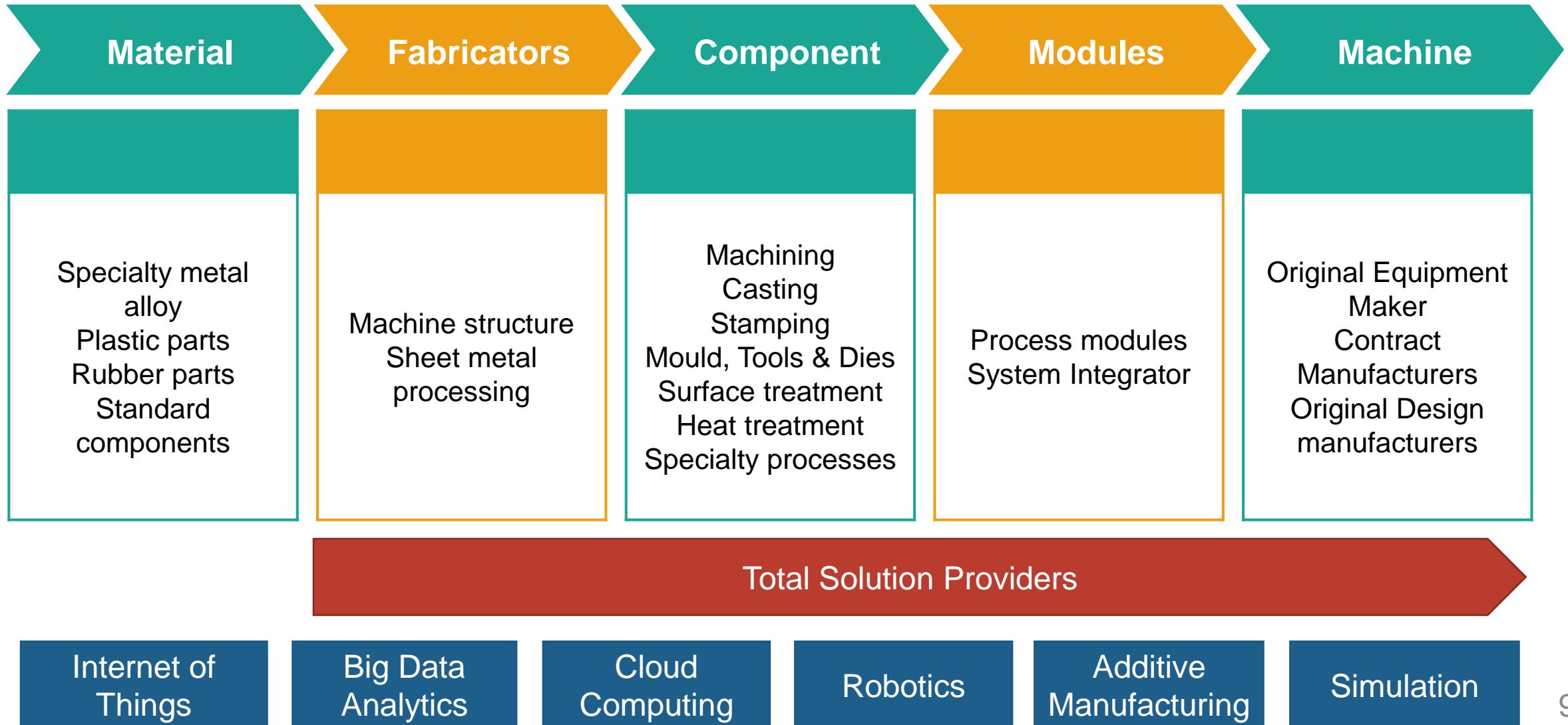
Diversification into medical, solar & aerospace industries.

Low volume, high complexity and high mixed products

2010



# M&E Ecosystem in Malaysia

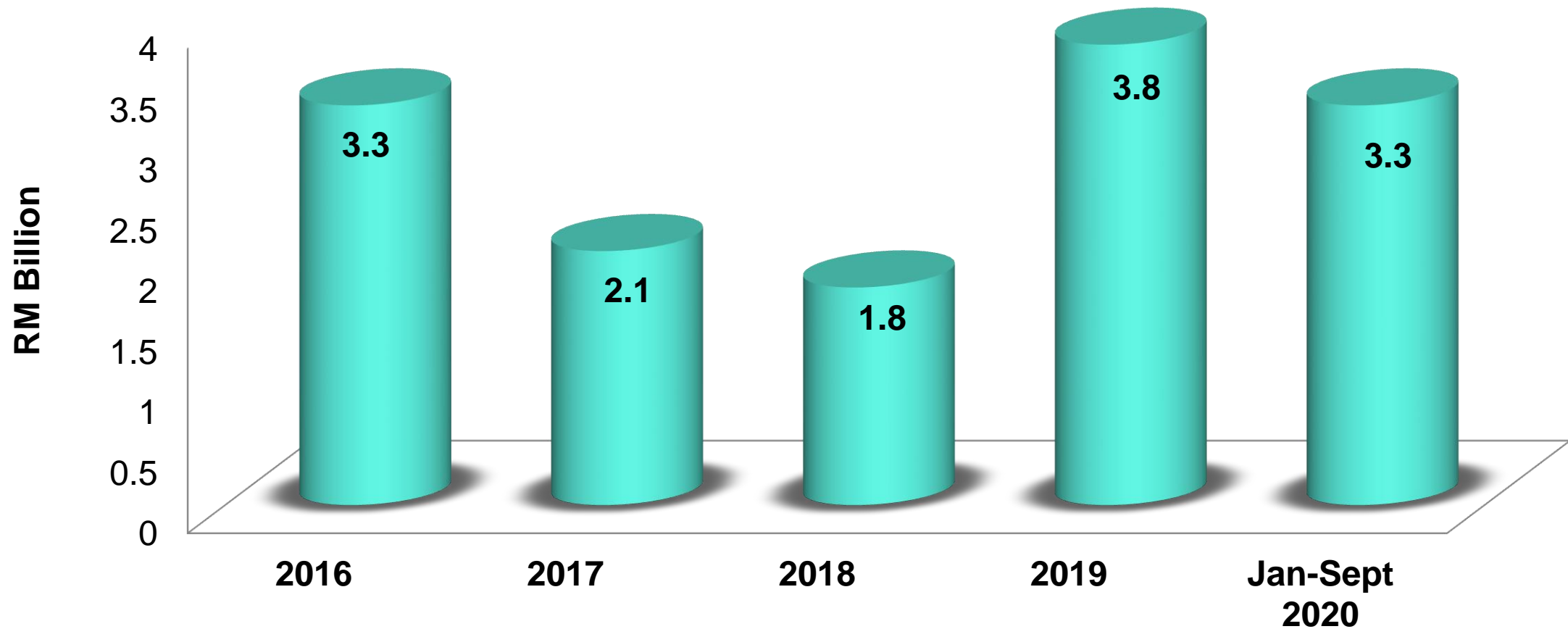




3

## **Food Manufacturing Industries in Malaysia**

# Approved Food Manufacturing Projects (2016-sept 2020)



# Food Manufacturing Industry In Malaysia

## FOOD PROCESSING IN MALAYSIA

Large  
**EXPORT**  
Market

**10%** of  
Total Mfg.  
Output

**FAST**  
Growing

**> 8,000**  
Establishment  
**80%**  
SME's



Seafood  
Products



Livestock  
Products



Cocoa Products



Cereal Products



Herbs & Spices

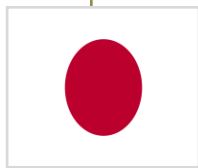
## MAJOR FDI SOURCE



SINGAPORE



NETHERLANDS



JAPAN



USA



SWITZERLAND

## GLOBAL RANKING

**WORLD'S SECOND LARGEST  
EXPORTER OF PALM OIL**

Source : MPOB



**WORLD'S EIGHT LARGEST COCOA  
GRINDER**

**ASIA'S SECOND LARGEST COCOA  
PROCESSOR**

Source : MCB



**WORLD'S FIFTH LARGEST  
PRODUCER OF PEPPER**

Source : MPIC





# Agriculture & Processed Food Ecosystem

Promoted Products

Agriculture  
Production

Dressed/ Frozen/  
Chilled/Grind

Processed Value Food Products

Food Ingredients / Flavours /  
Additives

Agriculture



Livestock  
Breeding



Aquaculture



Supporting R&D  
& Government  
Agencies

Fruits /  
Vegetables/Grains



Cocoa



Frozen Chicken



Frozen Meat



Frozen Seafood



Fruits / Vegetables/Cereals Products



Chocolate products



Livestock products



Poultry Products



Aquatic Products



Additives / Ingredients



# Challenges (Automation Perspective)

01



## Financial

Most companies does not have the financial capability to upgrade their production plant, and can only support day-to-day expenses.

02



## Market Access

Companies will under utilise the upgrade if they do not secure enough demand/contract from their clients. As such, most SME food operator tend to keep the traditional/semi automatic production to allow for better production flexibility.

03



## Nature of Food Processing

Not all segment of food processing can be automated. For example, delicate handling products like cakes, confectionery, convenient food still need a degree of human touch in the production line. Usually these processes are labor intensive

# 4

## **Government Facilitation**

*“Towards Industry’s Need.”*

# Business Friendly Policies



## Equity Ownership

Foreigners are allowed to hold 100% equity ownership in the manufacturing and selected services sectors



## Repatriation of Income

Freedom to repatriate capital, interest, dividends and profits. No restrictions



## Employment of Expatriates

- **Key posts** (*posts that are permanently filled by foreigners*)
- **Term posts** (*posts that are filled by foreigners for a period of 1-5 years*)

## Intellectual Property (IP) Protection

Malaysia's IP laws are in conformance with international standards

- Member of the World Intellectual Property Protection Organisation (WIPO)
- Signatory of the Paris Convention and Berne Convention which govern IP rights
- Signatory of the Agreement on Trade-Related Aspects of IP Rights (TRIPS) under the WTO



## Investment Guarantee Agreements (IGAs)

Malaysia has signed IGAs with more than 60 countries





# Manufacturing License



The screenshot shows the MIDA e-Manufacturing Licence (eML) website. At the top left is the MIDA logo. Below it, the title 'MIDA e-Manufacturing Licence (eML)' is displayed in red. Underneath, there are three bullet points with checkmarks: 'Application for New Manufacturing Licence', 'Application for Manufacturing Licence on Expansion and/or Diversification Project by a Licenced Manufacturer or by an Existing Non-Licenced Manufacturer', and 'Application for Confirmation Letter for a Company Exempted from Manufacturing Licence'. Below these are three buttons: 'Application Guideline' (red), 'Online Helpdesk' (green), and 'User Guide' (purple). At the bottom, there is a link for 'Online application at <https://eml.mida.gov.my/login.php>' and a footer note: 'Any enquiries on eML, please email to [investmalaysia@mida.gov.my](mailto:investmalaysia@mida.gov.my)'.

Manufacturing license is a legal premise for a company to conduct manufacturing activities in Malaysia under the provision of the Industrial Coordination Act (ICA) 1975

*A company with shareholders' funds of **RM2.5 million** and above or **employing 75** or more full-time paid employees to obtain a Manufacturing Licence.\**

## Additional Criteria

Cost of investment per employee (CIPE) : at least RM140,000

Malaysian manpower : at least 80%;

Value Added : at least 40%;

Managerial, technical & supervisory : at least 25%

\* For companies that cannot meet both of the conditions, they are required to apply for exemption from manufacturing license

# Normal Incentive for M&E



## Pioneer Status

70% Income tax exemption from the statutory income for 5 years



## Investment Tax Allowance

60% of Investment Tax Allowance on qualifying capital expenditure incurred within a period of 5 years to be offset against 70% of statutory income

**40% VA**  
**25% MTS**

Machinery &  
Equipment

Specialised machinery or equipment for specific industry

Power generating machinery or equipment

General industrial machinery or equipment

Modules for machinery or equipment and industrial parts or components

Metalworking machinery or equipment

Upgrading or reconditioning of machinery or equipment including heavy machinery

Metal Casting

Metal Forging

Surface Engineering

Machining, jigs & fixtures

Moulds, Tools & Dies

Heat Treatment

Engineering  
Services

**45%-50% VA**  
**25% MTS**

# Specialised Incentives for M&E



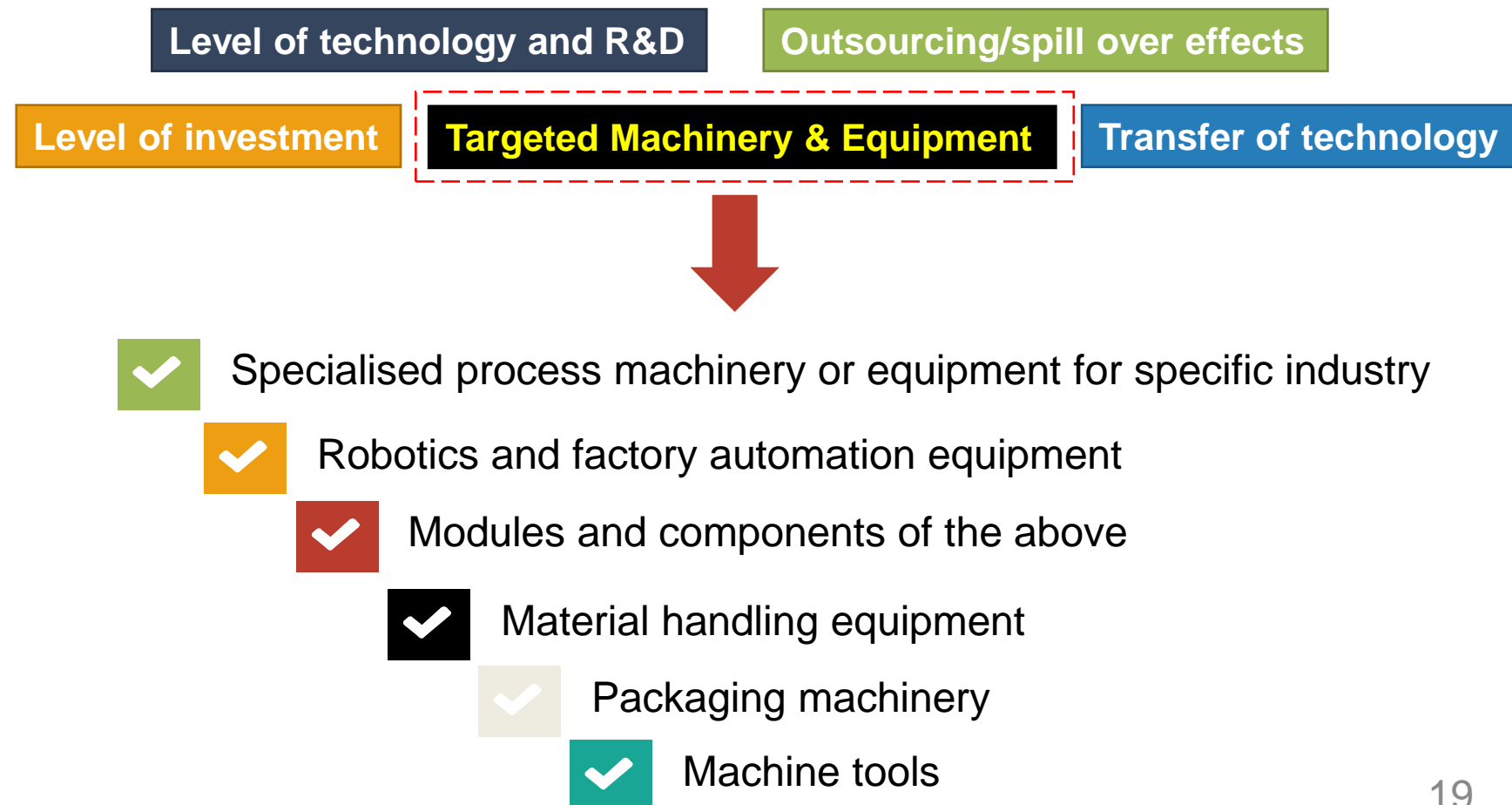
## Pioneer Status

100% Income tax exemption from the statutory income for 10 years



## Investment Tax Allowance

100% Tax Allowance on qualifying capital expenditure incurred within a period of 5 years to be offset against 100% of statutory income.



# Other Facilitation

01



## Import Duty Exemption

For raw materials / Components and machinery & equipment which is use directly in production

02



## Expatriate Post

Company can submit application for skilled /managerial level expatriate post to MIDA

03



## Reinvestment Allowance

Partial tax allowance from qualifying capital expenditure for reinvestment/additional investment activity after 3 years in operation.

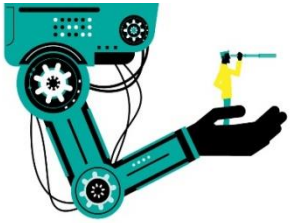




5

## **Investment Incentives Related to Automation & Industry4WRD**

# Types of Incentive & Grants



**Automation Capital Allowance (ACA)**



**Industry4WRD Intervention Fund**



**Domestic Investment Strategic Fund (DISF) and Industry4WRD DISF**



**Smart Automation Grant (SAG)**

# Automation Capital Allowance (ACA)

## CATEGORY 1 – Labour-intensive industries



Rubber Products



Plastic Products



Wood Products

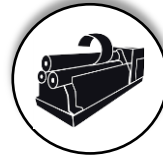


Furniture Products



Textile Products

## CATEGORY 2 – Other industries



Fabricated Metal Products



E&E Products



Chemical Products



Transport Equipment



Food Products



Others

Automation Capital Allowance of **200%** on the first RM4 million expenditure incurred\* within **8 years** of assessment from 2015 to 2023.

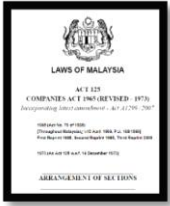
Automation Capital Allowance of **200%** on the first RM2 million expenditure incurred\* within **8 years** of assessment from 2015 to 2023.



***Automation Capital Allowance has been expanded to Services Sectors as announced by the Government in National Budget 2020 on 11 October 2019***

\* 'Incurred' refers to plant and machinery purchased and used for the purpose of the business in the approved Year of Assessment

# The Eligibility



Manufacturing companies incorporated under the Companies Act, 1965 / 2016 and resident in Malaysia.



Possess a valid Business Licence from Local Authority and Manufacturing Licence from MITI or a Confirmation Letter for Exempted from Manufacturing Licence from MIDA  
*(whichever is applicable).*

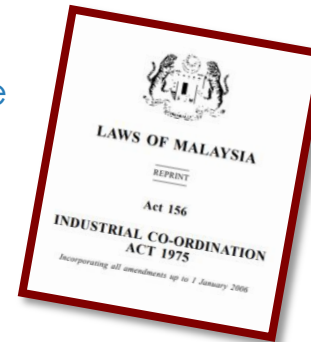


Companies have been in operation for at least 36 months.



Requirement for Manufacturing Licence (ML) under the Industrial Coordination Act (ICA) 1975 :

- ✓ Shareholders' funds of RM2.5 million and above OR;
- ✓ Employing 75 or more fulltime employees





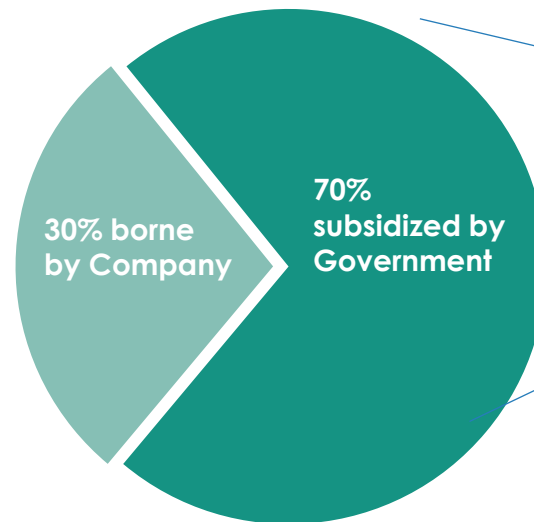
# Industry4WRD Intervention Fund

- The Industry4WRD Intervention Fund is a financial support facility for Malaysian Small and Medium Enterprises (SMEs) in the manufacturing and related services sectors to embrace Industry 4.0.
- The Fund is provided to support companies in implementing intervention projects based on the recommendation of Industry4WRD Readiness Assessment (RA) Report on the shift factors of people, process and technology.
- The applications of this fund will be **evaluated by MIDA**.



It is a **matching grant (70:30) on reimbursable basis** based on eligible expenditures, up to a maximum grant of Ringgit Malaysia Five Hundred Thousand (RM500,000.00)

## Total Expenditures



Maximum of 30% will be provided in advanced (upfront)



Start

Received upfront grant (maximum 30%) from MIDA

The initial expenditures to be utilised by the upfront grant

The following expenditures to be borne by company

Claim the remaining grant from MIDA

End

# The Eligibility



1. Manufacturing or manufacturing-related-services (MRS) companies incorporated under the Companies Act, 2016.



2. Small Medium Enterprises (SMEs):

**Manufacturing:** Sales turnover from RM300,000 to not more than RM50 Million and/or employee from 5 to not more than 200

**MRS:** Sales turnover from RM300,000 to not more than RM20 Million and/or employee from 5 to not more than 75



3. In operation for at least 3 years in the current business line.



4. Possess a valid business licence and/or Manufacturing Licence.



5. Completed the Government-funded Industry4WRD Readiness Assessment (RA) Programme – *received report from the Malaysia Productivity Corporation (MPC)*

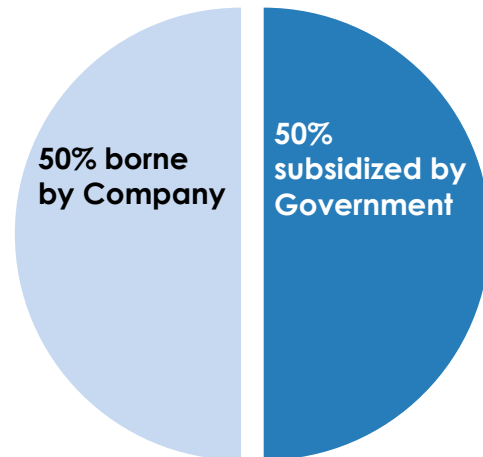


# Domestic Investment Strategic Fund (DISF) and Industry4WRD DISF

## Domestic Investment Strategic Fund (DISF)

- ❑ Introduced in Budget 2012
- ❑ Objective is to accelerate the shift of Malaysian-owned companies in targeted industries to higher value added, high technology, knowledge intensive and innovation-based industries.

**Matching grant  
(50:50) on  
reimbursable basis**  
for the eligible  
expenditures

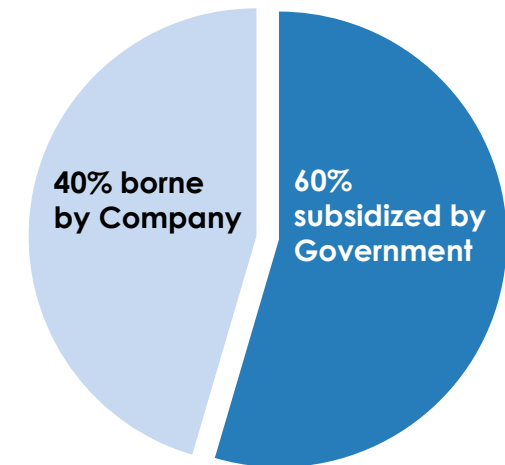


- ❑ Eligible to all companies with Malaysian equity ownership of at least 60%
- ❑ Effective date of application is from 3 July 2012 until 31 December 2020

## Industry4WRD DISF

- ❑ Introduced in Budget 2019
- ❑ Objective is to assist companies that have undergone the Industry4WRD Readiness Assessment (RA) programme to migrate into Industry 4.0.

**Matching grant  
(60:40) on  
reimbursable basis**  
for the eligible  
expenditures

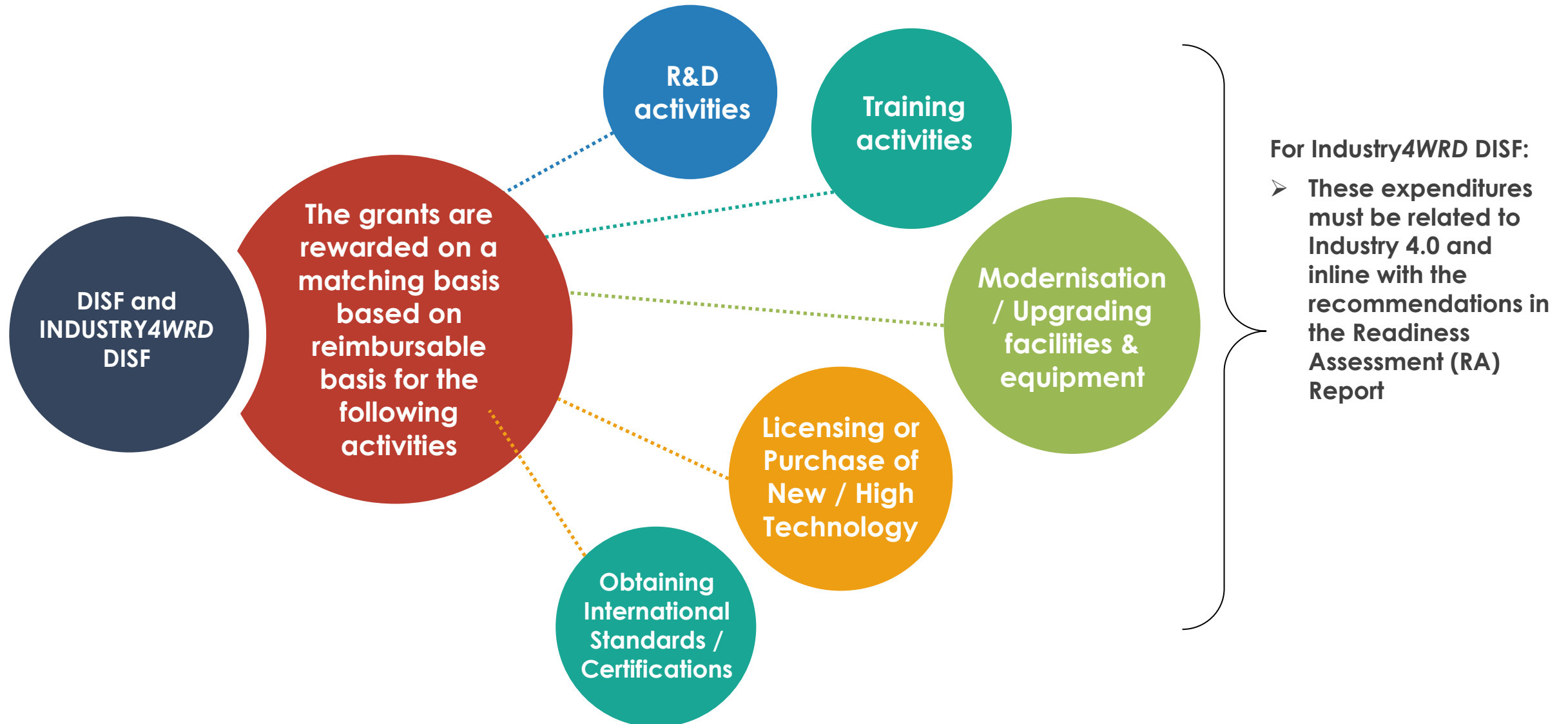


- ❑ Eligible only to companies that have undergone the Industry4WRD Readiness Assessment (RA) programme with Malaysian equity ownership of at least 60%
- ❑ Effective date of application is from the date of approval of Industry4WRD RA Report (MPC's letter) until 31 December 2021



Both funds are evaluated by MIDA

# The Eligible Expenditures



# The Priority Sectors

## Manufacturing Sector



Aerospace



Medical  
Devices



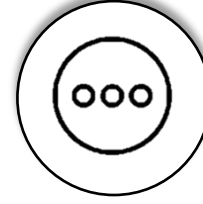
Pharmaceuticals



Advanced  
Electronics



Machinery &  
Equipment



Other industries  
(case-to-case  
basis)

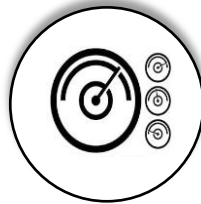
## Services Sector



Design &  
Development



Research &  
Development



Testing /  
Calibration



Quality/  
Standard  
Certification



Architectural  
/ Engineering  
Services



Technical  
/ Skills  
Training



Logistic  
Service  
Provider (3PL)

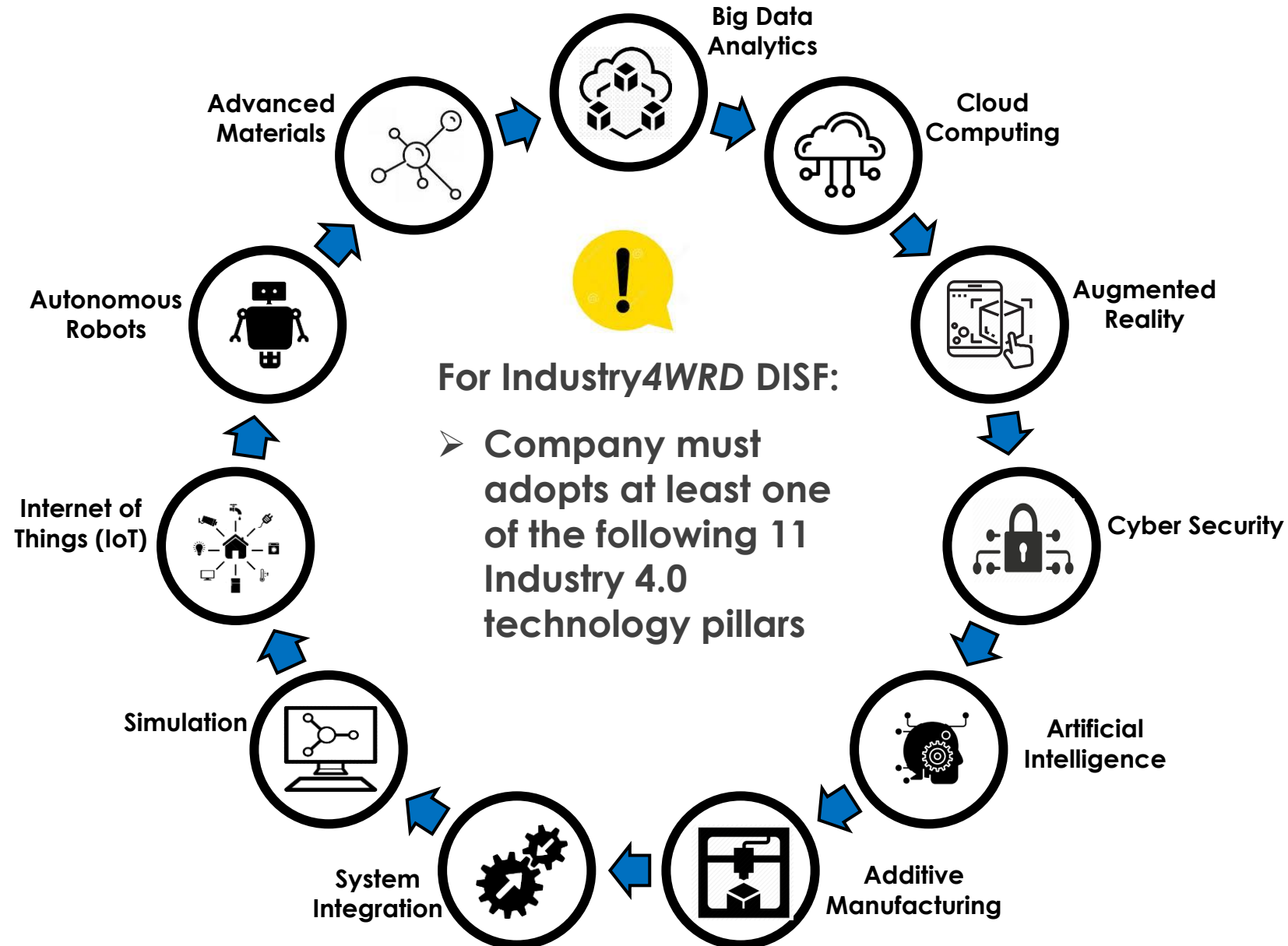


ICT Solution  
Provider  
(related to  
Automation/  
Industry 4.0)



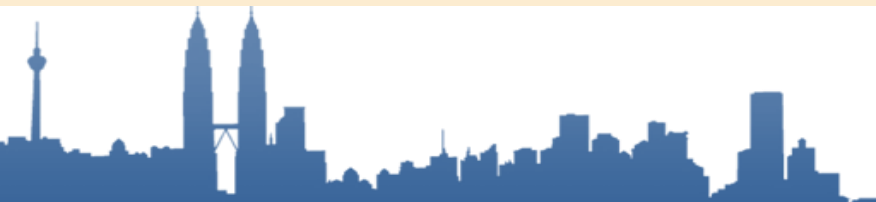
Integrated  
Green  
Technology

# The Main Condition For Industry4wrdr DISF





# Smart Automation Grant (SAG)



Malaysia's National Economic Recovery Plan  
**Pelan Jana Semula Ekonomi Negara (PENJANA)**

The Smart Automation Grant will be given on a **matching basis (1:1)** based on eligible expenditures, up to a maximum grant of **RM1 million per company**

Effective Date  
1 Nov 2020 to  
31 December 2021

## Eligible Applicant

- **Incorporated** under the Companies Act, 2016.
- Effective equity of the company must be at least **51% owned by Malaysians**.
- The company must engage in the following activities:
  - i. **Manufacturing activity** in compliance with the Industrial Co-ordination Act, 1975; or
  - ii. **Services activities** which must be regulated by specific acts/ regulations or governed by relevant ministries/ agencies.
- For **SMEs and Mid-Tier** companies only
- Companies have been in operation for at least 12 months.
- The company must meet at least one of the Expected Deliverables

## Eligible Expenditures

**Eligible expenditures** refer to the automation machine/ equipment/ software that are used directly in the manufacturing and services activities.

### **Non-eligible expenditures:**

- Purchase or rental of land, building, vehicles and furniture;
- Premise renovation;
- Collateral or loan for any purpose;
- Marketing/ promotional activities;
- Operational expenditure including salary, employee benefits, travelling expenditures;
- Expenditures on R&D activities;
- Working capital;
- General purpose computers and peripherals; and/ or
- Mobile phones

# Smart Automation Grant (SAG)

## Project Duration

- The project must be completed within 12 months from the date of the Approval Letter issued by MIDA.
- Any unutilised grant amount after 12 months will be withdrawn by MIDA.
- Any request for extension is required to be made at least 2 months before the project end date and is subjected to the approval of the Committee

## Acceleration Program

- To create awareness and provide knowledge to companies on automation and digitalisation.
- Under this programme, companies will go through a series of session which will help them refine their knowledge on automation and digitalisation through simulation trainings and evaluations.
- Successful companies under this programme may submit their application to MIDA and present their application to the SAGAC at MIDA for approval.

# How to contact us?

Visit our Business Information Centre (BIC) at  
2nd Floor, MIDA Sentral, KL Sentral

Opening hours:  
Monday - Friday  
8.30 a.m - 5.00 p.m



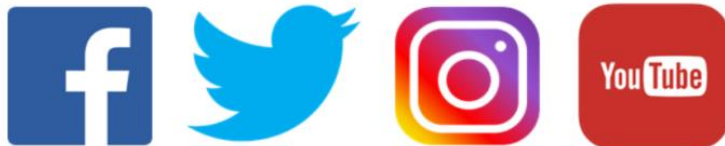
**MIDA Sentral**  
**No. 5 Jalan Stesen Sentral 5, KL Sentral**  
**50470 Kuala Lumpur**  
**Tel: 603 – 2267 3633**  
**Fax: 603 – 2272 1779**  
**Email: [investmalaysia@mida.gov.my](mailto:investmalaysia@mida.gov.my)**  
**[www.mida.gov.my](http://www.mida.gov.my)**

For more information, please visit [www.mida.gov.my](http://www.mida.gov.my) and follow our social platforms:

## Social Media

**URL: @officialMIDA**

MIDA is now on Facebook, Twitter, Instagram and Youtube! We're just a scan away! Follow us on our social media platforms for notifications and insights on our events as well as the latest news and information about the investment landscape of Malaysia.



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Download MIDA Apps to Your Mobile Device

