



**GUIDELINES ON TRANSITION OF MSC
MALAYSIA STATUS COMPANY TO
MALAYSIA DIGITAL STATUS**

CONTENTS

1.0	INTRODUCTION	3
2.0	MALAYSIA DIGITAL (MD)	3
3.0	EXPANSION OF LOCATION AND REMOVAL OF MINIMUM OFFICE SPACE REQUIREMENT	4
4.0	COMPLIANCE TO MD STATUS CONDITIONS	4
5.0	OTHER GENERAL CONDITIONS	5
6.0	SUSTAINABLE DEVELOPMENT GOALS	6
7.0	BENEFITS OF MD STATUS	6
8.0	POST APPROVAL MATTERS	7
8.1	Adding New Activities.....	7
8.2	Post Approval Changes	8
9.0	REPORTING AND MONITORING	8
10.0	REVOCAION OF STATUS	9
11.0	SURRENDER OF STATUS	10
12.0	ENQUIRIES AND SUPPORT	10
13.0	EFFECTIVE DATE	10

1.0 INTRODUCTION

1.1 Pursuant to the announcement by Prime Minister on 4 July 2022, MSC Malaysia is now rebranded¹ as Malaysia Digital (MD). Following to that:

1.1.1 MSC Malaysia Status is now known as MD Status; and

1.1.2 MSC Status Company is now known as MD Status Company (“Company”).

1.2 This document sets out the guidelines for **the transition from MSC Malaysia Status to Malaysia Digital Status**, including the benefits and incentives thereunder, applicable conditions and post approval matters.

2.0 MALAYSIA DIGITAL (MD)

2.1 Since its introduction in 1996, MSC Malaysia has catalysed and transformed Malaysia into a knowledge-based economy. MSC Malaysia, driven by MDEC as the nation’s lead digital economy agency, has contributed immensely towards the growth of the nation’s Digital Economy.

2.2 With the rapid shift of socio-economic norms in response to the constant advancements of digital technology and in steering the Malaysia Digital Economy Blueprint (MyDIGITAL), the Government and MDEC have introduced Malaysia Digital (MD)² as the new national strategic initiative to accelerate and further develop our digital economy.

¹ Rebranding guidelines for MD Status company including the branding kit is available at <https://mdec.my/malaysiadigital/apply/>

² Details on MD is available at <https://mdec.my/malaysiadigital/>

2.3 Malaysia Digital aims to merge digital with the economy and position Malaysia as a globally competitive digital nation by promoting the use of digital in all economic activities across all sectors.

2.4 This initiative also serves to create substantial digital economic spill-over through equitable access to digital tools, knowledge and income opportunities nationwide.

3.0 EXPANSION OF LOCATION AND REMOVAL OF MINIMUM OFFICE SPACE REQUIREMENT

3.1 Company is allowed to operate and undertake its approved activities in any location within Malaysia (“Approved Activities”)³.

3.2 Following the above, the minimum office space requirement is no longer applicable for the Company.

3.3 Items 3.1 and 3.2 take effect from 25 March 2022 as approved by the Government.

4.0 COMPLIANCE TO MD STATUS CONDITIONS

4.1 Company is required to continue to adhere to the existing conditions for the Status as stated in the approval letter and/or Conditions of Grants (“COG”) issued to the Company including any approved variation of conditions (“Approval Letter”). Existing conditions may include the following:

- Undertaking Approved Activities;

³ Referring to the Approved Activities as per Approval Letter

- number or/and percentage (%) of Knowledge Workers⁴;
- salary;
- investment;
- research and development expenditures;
- paid up capital; and
- other applicable conditions.

4.2 Any variation of conditions during the tax exemption period shall be subject to the approval of the National Committee on Investment (NCI) since the same set of conditions applies to both the Status and the tax exemption.

4.3 In the event of non-compliance of Status conditions, the Status may be revoked and the effective date of revocation of Status shall be determined by the Approval Committee comprising representatives from the Government (“Approval Committee”).

5.0 OTHER GENERAL CONDITIONS

5.1 Company must also comply with all applicable permit/licensing requirements and ensure that the required permit/license has been obtained from the relevant authority for the implementation of its Approved Activities.

5.2 The company shall not transfer or assign the Status or any benefits, rights and/or obligations thereunder to any third party.

⁴ Definition of Knowledge Workers is in Appendix 2.

6.0 SUSTAINABLE DEVELOPMENT GOALS

6.1 MD Status companies are highly encouraged to align operations to the Government's carbon neutral and environmental, social and governance (ESG) goals⁵.

7.0 BENEFITS OF MD STATUS

7.1 Company will continue to enjoy the offerings under the MD Bill of Guarantees ("BoGs"). Existing approvals for incentives or benefits under the BoGs will continue to subsist subject to compliance of existing applicable conditions.

7.2 The benefits under the MD BoGs are subject to separate approvals being obtained (if required), applicable eligibility criteria and conditions⁶, as well as applicable laws and regulations.

7.3 The Company may carry out its Approved Activities in the designated location to enjoy the world class physical and information infrastructure as well as competitive telecommunication tariff as per BoGs.

7.4 Details of MD BoGs and the explanatory notes are available in MDEC website.

7.5 Company is also eligible to access other benefits such as:

⁵ Government's sustainable development goals published at <https://www.epu.gov.my/en/sustainable-development-goals>

⁶ Applicable eligibility criteria and conditions are specified in the relevant guidelines available in <https://mdec.my/malaysiadigital/apply/>

1. Access to local and international market and ecosystem;
2. Business matching and partnership;
3. Grant and funding facilitation; and/or
4. Participation in MD catalytic programmes.

The above benefits are subject to the applicable eligibility criteria and conditions of the respective programme.

8.0 POST APPROVAL MATTERS

8.1 Adding New Activities

- (a) Company may apply to add new MD activities (Appendix 1) under its MD Status. The process and criteria are similar to a new MD Status application.
- (b) Application is to be submitted through the system that is available at MDEC website.
- (c) Each application will be assessed by MDEC and thereafter presented to the Approval Committee for deliberation, consideration and decision.
- (d) The Approval Committee's decision will be notified through a decision letter. Successful applicant is required to acknowledge and accept the terms of the approval letter.
- (e) The approval for additional MD Approved Activities will be subjected to the same original MD Status conditions.

8.2 Post Approval Changes

- (a) Company is required to notify MDEC of the following:
 - 1. Change in the paid-up capital (higher than the minimum condition), equity or shareholding structure of the Company;
 - 2. Change in the name of the Company;
 - 3. Change in the name of the product or services (re-branding) stated under the Approved Activities in the Approval Letter; by completing, signing and submitting the necessary form in the system, available at MDEC website together with the required supporting documents.

- (b) Company is required to notify MDEC in the event the Company has changed its business operating address, contact person(s) and/or contact details.

- (c) Company will receive an acknowledgement from MDEC once the changes are made.

- (d) Any variation to the conditions of MD Status specified in the Approval Letter, other than the above changes, will require the approval from the Approval Committee.

9.0 REPORTING AND MONITORING

- 9.1 Company is required to submit annually all true, correct and complete information and/or documents as may be requested by MDEC for the purpose of reporting on the progress of the MD Approved Activities and/or determining compliance of the applicable conditions through a Self-

Declaration Form (SDF) or other detailed standard forms as specified by MDEC.

- 9.2 All information submitted by the MD Status company must first be verified by an independent external auditor appointed by the MD Status company at its own costs, or in such other manner as may be specified by MDEC.
- 9.3 MDEC may from time to time request the MD Status company to provide such information and/or documents in relation to its activities and operations for the purpose of monitoring the conditions of MD Status such as SSM documents and annual audited account.
- 9.4 The compliance of conditions by the MD Status company is subject to MDEC's assessment and final decision.

10.0 REVOCATION OF STATUS

- 10.1 The MD Status may be revoked in the event of non-compliance of MD Status conditions by MD Status company.
- 10.2 The effective date of revocation of MD Status shall be determined by the Approval Committee.
- 10.3 With the revocation of MD Status, all incentives and benefits pursuant to MD BoGs granted under the MD Status will also be withdrawn in accordance with the applicable laws and regulations.

11.0 SURRENDER OF STATUS

11.1 The MD Status may be surrendered by the MD Status company at any time.

11.2 The acceptance of the surrender request is subject to the assessment by MDEC that there is no non-compliance of MD Status conditions. In the event of non-compliance of MD Status conditions, the MD Status may be revoked in accordance with the revocation process specified in Paragraph 10.0.

11.3 The surrender request, if accepted, shall take effect from the date of approval of such request by the Approval Committee.

11.4 With the surrender of MD Status, the company shall cease to enjoy any incentives, and benefits pursuant to MD BoGs granted under the MD Status.

12.0 ENQUIRIES AND SUPPORT

For enquiries and clarification, please refer to:

MDEC Client Contact Centre (ClIC)

Tel. no.: +603-8315 3000

Toll free no.: 1-800-88-8338 (within Malaysia)

Email: clic@mdec.com.my

13.0 EFFECTIVE DATE

This guideline is effective from 25 March 2022.

ISSUED BY MALAYSIA DIGITAL ECONOMY CORPORATION (MDEC)

ISSUED DATE: 29 DECEMBER 2022

Disclaimer: The information contained in these Guidelines is to provide details, explanations and/or clarifications on the grant of MD Status. You are advised to refer to the applicable legislations. MDEC cannot accept responsibility for any action or decision made in reliance of these Guidelines or any liability incurred or loss suffered as a consequence of relying on these Guidelines. These Guidelines are not intended to address all possible investment or tax issues that may arise and you are advised to conduct your own due diligence and/or seek professional advice in respect of these issues. MDEC reserves its right to amend or update these Guidelines from time to time, based on approval of the Government of Malaysia.

[The remainder of this page is intentionally left blank]

APPENDIX 1

THE MD ACTIVITIES

Research, development and commercialization of solution and/or provision of services in relation to any of the following technologies or areas:

1. big data analytics (BDA);
2. artificial intelligence (AI);
3. financial technology (Fintech);
4. internet of things (IoT);
5. cybersecurity (technology/software/design and support);
6. data centre and cloud;
7. blockchain;
8. creative media technology;
9. sharing economy platform;
10. user interface and user experience (UI/UX);
11. integrated circuit (IC) design and embedded software;
12. 3D printing (technology/software/design and support);
13. robotics (technology/software/design);
14. autonomous technologies;
15. systems/network architecture design and support;
16. global business services or knowledge process outsourcing;
17. virtual, augmented and/or extended reality;
18. drone technology;
19. advance telecommunication technology; or
20. other emerging technologies deemed significant for the digital ecosystem subject to approval by the Approval Committee.

APPENDIX 2

(Knowledge Workers Definition)

A “knowledge worker” is an individual who holds one of the following:

- Tertiary qualification from an institution of higher learning (in any field); or
- Diploma in ICT, engineering, technology or specialized certification plus at least 2 years’ relevant experience in a field that is a heavy user of technology; or
- Professional, executive, management and technical work categories in information technology enabled services eg. Information Technology / IS Professionals, Finance / Accounting, Business Administration, Engineering, Medical, Legal,

and also includes:

- foreign workers with knowledge-based skills that are not prevalent in Malaysia and required by MD Status companies.
- workers who are utilised for their creative talent to produce value-added creative work for MD Status companies.

[The remainder of this page is intentionally left blank]