

INCOME TAX (RELOCATION OF MANUFACTURING BUSINESS INCENTIVE SCHEME) RULES 2023

PU (A) 241
15 August 2023

IN exercise of the powers conferred by paragraph 154(1)(b) read together with subsection 6(1A) and paragraph 2 of Part XVII of Schedule 1 to the Income Tax Act 1967 [Act 53], the Minister makes the following rules:

CITATION AND COMMENCEMENT

- 1(1)** These rules may be cited as the **Income Tax (Relocation of Manufacturing Business Incentive Scheme) Rules 2023**.
- 1(2)** These Rules have effect from the year of assessment 2021.

APPLICATION

- 2** These Rules shall apply to a qualifying company which applies in writing to the Minister for the Relocation of Manufacturing Business Incentive Scheme.

INTERPRETATION

- 3** In these Rules—
- “qualifying activity” means a manufacturing activity undertaken by the qualifying company but does not include any activity specified in the Schedule;
- “Malaysian Investment Development Authority” means the Malaysian Investment Development Authority established under the Malaysian Investment Development Authority (Incorporation) Act 1965 [Act 397];
- “Relocation of Manufacturing Business Incentive Scheme” means an incentive scheme as provided under subrule 5(2);
- “qualifying company” means a new company as provided under rule 4.

QUALIFYING ACTIVITY

- 4(1)** A qualifying activity referred to in these Rules is a new company which—
- (a) fulfills the eligibility conditions imposed by the Minister under rule 6; and
 - (b) fulfills the conditions provided under section 65B of the Act.
- 4(2)** For the purposes of subrule (1), “new company” means a company which—
- (a) is incorporated under the Companies Act 2016 [Act 777] and resident in Malaysia;
 - (b) does not have an existing manufacturing operation in Malaysia; and
 - (c) relocate manufacturing facility for a qualifying activity into Malaysia or establish new operation to carry on a qualifying activity in Malaysia.

APPLICATION BY QUALIFYING COMPANY

- 5(1)** An application for Relocation of Manufacturing Business Incentive Scheme under these Rules by a qualifying company shall be received by the Minister through the Malaysian Investment Development Authority on or after 1 July 2020 but not later than 31 December 2024.
- 5(2)** For the purposes of these Rules, Relocation of Manufacturing Business Incentive Scheme is an incentive scheme for the qualifying company which carries on qualifying activity and approved by the Minister.

CONDITIONS FOR THE RELOCATION OF MANUFACTURING BUSINESS INCENTIVE SCHEME

- 6** A qualifying company which applies for the Relocation of Manufacturing Business Incentive Scheme under these Rules shall comply with the conditions imposed by the Minister as specified in the approval letter, which shall include the following:
- (a) incurs the minimum amount of investment in fixed asset excluding land within three years from the date of the first qualifying capital expenditure incurred amounting to—
 - (i) three hundred million ringgit (RM300,000,000.00) for approval of ten years of assessment; or
 - (ii) more than five hundred million ringgit (RM500,000,000.00) for approval of fifteen years of assessment; and
 - (b) employs at least eighty per cent full-time Malaysian employees on or before the third year from the date of the first invoice in relation to the qualifying activity issued by the qualifying company until the end of the specified year of assessment.

APPLICABLE RATE

- 7** The rate of income tax which shall be charged under these Rules for the specified years of assessment on the chargeable income of a qualifying company which carries on business in respect of a qualifying activity under the Relocation of Manufacturing Business Incentive Scheme is zero per cent.

SPECIFIED YEARS OF ASSESSMENT

- 8** The specified years of assessment referred to in these Rules for the implementation of the Relocation of Manufacturing Business Incentive Scheme is a period commencing from the year of assessment as determined by the Minister as follows:
- (a) in relation to investment in fixed asset excluding land of three hundred million ringgit (RM300,000,000.00) up to five hundred million ringgit (RM500,000,000.00), ten years of assessment; or
 - (b) in relation to investment in fixed asset excluding land of more than five hundred million ringgit (RM500,000,000.00), fifteen years of assessment.

SURRENDER OF RELOCATION OF MANUFACTURING BUSINESS INCENTIVE SCHEME

- 9(1)** The Minister may, at any time, except where the qualifying company fails to comply with any conditions imposed in relation to the Relocation of Manufacturing Business Incentive Scheme, allow the qualifying company to surrender the Relocation of Manufacturing Business Incentive Scheme granted under these Rules by notice in writing to the Minister through the Malaysian Investment Development Authority.
- 9(2)** The surrender of the Relocation of Manufacturing Business Incentive Scheme shall have effect on the first day in the basis period for the year of assessment in which the application for surrender of the Relocation of Manufacturing Business Incentive Scheme is received by the Minister through the Malaysian Investment Development Authority.

NON-APPLICATION

- 10** These Rules shall not apply to a qualifying company which in the specified years of assessment—
- (a) has made a claim for reinvestment allowance under Schedule 7A to the Act or investment allowance for service sector under Schedule 7B to the Act;
 - (b) has been granted any incentive under the Promotion of Investments Act 1986 [Act 327];
 - (c) has been granted an exemption under paragraph 127(3)(b) or subsection 127(3A) of the Act;
 - (d) has been approved by the Minister an incentive scheme under any rules made under section 154 of the Act; or
 - (e) has made a claim for deduction under any rules made under section 154 of the Act except—
 - (i) the rules in relation to allowance under Schedule 3 to the Act;
 - (ii) the Income Tax (Deduction for Audit Expenditure) Rules 2006 [P.U. (A) 129/2006]; or
 - (iii) the Income Tax (Deduction for Expenses in relation to Secretarial Fee and Tax Filing Fee) Rules 2020 [P.U. (A) 162/2020].

**SCHEDULE
[RULE 3]**

| (1) No. | (2) Industry | (3) Non-qualifying activity |
|------------|--------------------------------|--|
| 1. | Iron and steel | All products for iron and steel considered sensitive except products listed in the promoted activities or promoted products under the Promotion of Investments Act 1986 under the category of manufacture of iron and steel, and manufacture of non-ferrous metal and their products |
| 2. | Machinery and equipment | Weapon and ammunitions |
| 3. | Electrical | Electrical products supplied to generate power for consumption of Tenaga Nasional Berhad and Petronas such as general cables, wire harness, distribution boards, control panels, switching apparatus, transformers |
| 4. | Beverages and tobacco | (a) Liquor and alcoholic beverages (b) Tobacco and tobacco products including cigarette (c) Beverages |
| 5. | Palm oil | Palm oil milling and refining |
| 6. | Food manufacturing | (a) Production of food products that only involve mixing, blending and cooking such as sauces, paste, premix food products (b) Sugar (c) Pineapple canning |
| 7. | Paper, printing and publishing | (a) Paper-based packaging materials from waste paper except for coated duplex board (b) Printing and publishing |
| 8. | Wood and wood products | Wood-based products including furniture, plywood, sawn timber and others |

| (1) No. | (2) Industry | (3) Non-qualifying activity |
|------------|---|--|
| 9. | Automotive or motor vehicle | (a) Remanufacturing or reconditioning or reassembly of motor vehicles and related components (b) Non-energy efficient vehicle |
| 10. | Aerospace for or military defense application | Drones and rocket aerospace related products for military or defense application (Non-commercial segment) |
| 11. | Petroleum | Refinery of crude petroleum oil |
| 12. | Rubber | Passenger car tires |
| 13. | Plastic | General plastic products such as plastic bags, bottles |
| 14. | Construction | Manufacturing of construction material except for the following products: (a) Industrial Building System (b) Panels (c) Boards (d) Tiles (e) Blocks or similar articles of natural and synthetic fibre agglomerated with cement, plaster or other mineral binding substance |
| 15. | Textile | Textiles products except for the following activities: (a) Natural or man-made fibres (b) Yarn of natural or man-made fibres (c) Woven fabrics (d) Knitted fabrics (e) Non-woven fabrics |

| (1) No. | (2) Industry | (3) Non-qualifying activity |
|------------|-----------------|--|
| | | (f) Finishing of fabrics such as bleaching, dyeing and printing (g) Specialised apparel (h) Technical textiles or functional textiles and textile products |
| 16. | All | (a) Recycling of any types of waste (b) Gloves |