



GUIDELINES ON ISKANDAR MALAYSIA FINANCIAL INCENTIVES, MEDINI INCENTIVE SUPPORT PACKAGE (ISP) INCOME TAX EXEMPTION

1. ELIGIBILITY CRITERIA

- 1.1 To be eligible to apply for the Medini Incentive Support Package financial incentives, a company is required to meet the following criteria:
- (a) Incorporated under the Companies Act 2016 or Companies Act 1965.
 - (b) Need to be tax resident in Malaysia as defined in the Income Tax Act 1967.
 - (c) Newly incorporated company / separate legal entities from legacy business should be incorporated.
 - (d) Must not have applied for / obtained any other tax incentive in Malaysia.
 - (e) Proposing to carry one or more of the qualifying activities as listed in **Appendix 1** in Medini, Iskandar Malaysia.
- 1.2 If a company has related company¹ which has been granted tax exemption in respect of the income from an activity which falls under any of the items of the Medini Incentive Package qualifying activities, such company shall not be eligible to apply financial incentives under Medini Incentive Package in respect of a proposed activity which falls under the same item.

¹ Related company shall have the same meaning as the definition of related company under the Promotion of Investments Act 1986.



GOVERNMENT OF MALAYSIA



2. INCOME TAX EXEMPTION: SCOPE AND CONDITIONS²

Medini Incentive Service Package	Approved Developer	Approved Development Manager	IDR Status Company
Percentage of income tax exemption	100%	100%	100%
Exemption period	Up to YA 2025	Up to YA 2022	10 years
Extension of exemption period	-	-	-
Conditions:	Approved Developer	Approved Development Manager	IDR Status Company
To be met prior the application of Medini Incentive Support Package Incentives and need to be complied with during the exemption period:			
(1) Location of approved Medini Incentive Package qualifying activities.	Medini, Iskandar Malaysia		
(2) Undertaking of the approved Medini Incentive Package qualifying activities.			
(3) Application deadline/commencement of business is on/by the 31 December 2022			
(4) Paid up capital	RM250,000	RM100,000	RM250,000

² The incentive is designed to be consistent with the minimum standards of the Organization for Economic Co-operation and Development (OECD) Base Erosion and Profit Shifting (BEPS) Action 5 Report



GOVERNMENT OF MALAYSIA



Minimum KPI Numbers:	Approved Developer	Approved Development Manager
To be complied during the exemption period:		
(5) Full time employees	Comprises of at least 80% of local full-time employees	
(6) Knowledge Workers with minimum monthly base salary of RM5,000	N/A	Minimum 10 ³
(7) Annual operating expenditure and/or Investment fixed asset	RM50,000	

Minimum KPI Numbers:	IDR Status Company
Applicable for Creative, Tourism, Education, Healthcare and Logistic sectors only.	
To be complied within Year 1 and Year 5 of the exemption period:	
(8) Full time employees	Comprises of at least 80% of local full-time employees
(9) Knowledge Workers with minimum monthly base salary of RM5,000	Minimum 10 ⁴
(10) Annual operating expenditure and/or Investment fixed asset	RM50,000
To be complied within Year 6 and above of the exemption period:	

³ The proposal submitted by companies will be evaluated by IRDA. Recommendations will be deliberated in the National Committee on Investment (NCI).

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GOVERNMENT OF MALAYSIA



(11) Full time employees	Comprises of at least 80% of local full-time employees
(12) Knowledge workers with minimum monthly base salary of RM5,000	Minimum 20 ⁵
(13) Annual operating expenditure and/or Investment Fixed Asset	RM1,000,000

Minimum KPI Numbers:	IDR Status Company
Applicable for Global Business Services (GBS) only	
To be complied within Year 1 and Year 4 of the exemption period:	
LOCAL COMPANY	
(14) Full time employees	(i) Comprises of at least 80% of local full-time employees; and (ii) Company shall retain at least 85% knowledgeable employees with minimum monthly base salary of RM5,000 throughout the exemption period.
(15) Annual operating expenditure and/or Investment fixed asset	RM50,000
(16) Annual Export⁶ Sale from the total capital and operating expenditure	20% or RM500,000 by the 5 th year of the business operation

⁵ The proposal submitted by companies will be evaluated by IRDA. Recommendations will be deliberated in the National Committee on Investment (NCI).

⁶ Domestic companies that provide services to MNC companies in Malaysia are recognized as export activities.



GOVERNMENT OF MALAYSIA



FOREIGN COMPANY	
(17) Full time employees	<p>(i) Comprises of at least 80% of local full-time employees; and</p> <p>(ii) Company shall retain at least 85% knowledgeable employees with minimum monthly base salary of RM5,000 throughout the exemption period.</p>
(18) Annual operating expenditure and/or Investment fixed asset	RM50,000
(19) Annual Export Sale from the total capital and operating expenditure	70% by the 5 th year of the business operation
To be complied within Year 5 to Y10 of the exemption period:	
LOCAL COMPANY	
(20) Full time employees	<p>(i) Comprises of at least 80% of local full-time employees; and</p> <p>(ii) Company shall hire at least 30 knowledgeable employees with minimum monthly base salary of RM5,000 in the 5th year of the exemption period and throughout the exemption period.</p>
(21) Annual operating expenditure and/or Investment fixed asset	RM1,000,000
FOREIGN COMPANY	



GOVERNMENT OF MALAYSIA



(22) Full time employees	(iii) Comprises of at least 80% of local full-time employees; and (iv) Company shall hire at least 50 knowledgeable employees with minimum monthly base salary of RM5,000 in the 5th year of the exemption period and throughout the exemption period.
(23) Annual operating expenditure and/or Investment fixed asset	RM1,000,000

- 2.1 The company is required to determine the type of Medini Incentive Support Package at the time of application. Once the type of incentive is determined and approved, the company will not be able to change the type of incentive during the exemption period.
- 2.2 Each application will be assessed and approved by the approval committee based on the value proposition of each application. The applicable KPI Numbers for items (5) to (21) in the table under paragraph 2 for each application will be determined and approved by the approval committee and specified in the approval letter for the award of Medini Incentive Support Package.
- 2.3 **Knowledge Workers** means workers as defined in **Appendix 2**.
- 2.4 The tax exemption is granted on statutory income derived from the approved qualifying activities and shall exclude any royalty or other income derived from an intellectual property right (“IPR”)⁷.

⁷ IPR means a right arising from any patent, utility innovation and discovery, copyright, trademark and service mark, industrial design, layout-design of integrated circuit, secret processes of formulae and know-how, geographical indication, the grant of protection of plant variety, or other like rights, whether or not registered or registrable.



GOVERNMENT OF MALAYSIA



3. MECHANISM

- 3.1 The tax exemption for Approved Developer and Approved Development Manager is granted under Income Tax (Exemption) (No.19) Order 2007 [P.U(A) 417/2007].
- 3.2 The tax exemption for IDR Status Company are granted under Income Tax (Exemption) (No.20) Order 2007 [P.U (A) 418/2007] and Income Tax (Exemption) (No.20) 2007 (Amendment) Order 2018 [P.U (A) 382/2018].
- 3.3 Application for the tax exemption is to be submitted to IRDA.
- 3.4 Each application for the tax exemption will be evaluated and presented to the approval committee for deliberation, consideration and approval.

4. COMMENCEMENT DATE OF EXEMPTION PERIOD

- 4.1 The company must fulfill the conditions on location and must apply before or by 31 December 2022.
- 4.2 Request is to be made to IRDA⁸ on the determination of the commencement date of the exemption period.

5. APPLICATION TO ADD NEW ACTIVITIES

- 5.1 During the exemption period, the company may apply to add new proposed qualifying activities (“Application”), provided that it has not issued any invoice for such proposed activities in Medini, Iskandar Malaysia on the date of application.
- 5.2 The application(s) is subject to the approval of the approval committee. The company is required to commit to a new set of KPI Numbers for full time employees, monthly base salary, investment and percentage of Malaysian Knowledge Workers, in respect of the new approved Medini Incentive Support

⁸ Applicable for IDR Status Company.



GOVERNMENT OF MALAYSIA



Package qualifying activities. The approved new KPI Numbers must be achieved by end of Year 1 from the date of approval of the application.

- 5.3 The commencement date of the exemption period for the new approved Medini Incentive Support Package qualifying activities shall be the date of approval of the Application.
- 5.4 The exemption period for the new approved Medini Incentive Support Package qualifying activities shall expire on the same date as the exemption period for initial approved incentives.

6. SEPARATE ACCOUNT

The company is required to maintain a separate account for the statutory income derived from the approved Medini Incentive Support Package qualifying activities, where applicable.

7. REPORTING AND MONITORING

- 7.1 The company is required to submit to IRDA annually all true, correct and complete information and / or documents for purpose of reporting on the progress of the Medini Incentive Support Package qualifying activities and/or determining compliance of the applicable conditions, failing which the tax exemption granted may be withdrawn.
- 7.2 The submission is to be made through a self-declaration form and verified by an independent external auditor; or in such other manner as may be specified.
- 7.3 The compliance of conditions by the company is subject to Inland Revenue Board's approval.
- 7.4 The company is also required to provide the necessary information to IRDA, within specified timeline, for purpose of fulfilling the Government of Malaysia's commitment to international standards.



GOVERNMENT OF MALAYSIA



8. WITHDRAWAL

The tax exemption granted may be withdrawn in the event of non-compliance of any of the applicable conditions and/or provisions under the applicable legislations.

9. AMENDMENT OF GUIDELINES

The Government of Malaysia reserves the right to amend these Guidelines from time to time without prior notice to the companies.

ISSUED BY ISKANDAR REGIONAL DEVELOPMENT AUTHORITY (IRDA)

EFFECTIVE DATE: NOVEMBER 2021

Disclaimer: The information contained in these Guidelines is to provide details, explanations and/or clarifications on the financial incentives granted under the Medini Incentive Support Package. You are advised to refer to the applicable legislations. IRDA 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. The Guidelines are not intended to address all possible tax issues that may arise, and you are advised to seek professional advice in respect of the tax issues. IRDA reserves the right to amend or update these Guidelines from time to time, based on approval of the Government of Malaysia.



APPENDIX 1

PROMOTED SECTORS & QUALIFYING ACTIVITIES

Provision of services in relation to any of the following:

1. Creative industries and related services
2. Education services
3. Healthcare and related services
4. Logistic services
5. Tourism
6. Global Business Services (GBS)

NOTE:

The following activities do not fall under the Medini Incentive Support Package (ISP) qualifying activities:

- (a) Trading
- (b) Manufacturing
- (c) Provision of telecommunication services

<End>



APPENDIX 1A

DESCRIPTION OF QUALIFYING ACTIVITIES

The following is a further description of what may be considered as Company qualifying activities, which can be undertaken by a company as a component of their service offerings or on a project delivery model basis:

(1) No.	(2) Sector	(3) Qualifying activity
1.	Creative industries and related services	(a) Creative and design services; (b) Creative talent management services; (c) Film and television: (i) Pre- production; (ii) Production; (iii) Post-production; and (iv) Distribution; (d) Games and animation: (i) Content creation; (ii) Production; (iii) Post-production; and (iv) Distribution (e) Online and mobile content generation and advertising; (f) Online and mobile content aggregation and enablers; (g) Creative research and development; (h) Distribution and marketing of creative content; (i) Integrated media and content services; and (j) Visual and performing arts.



GOVERNMENT OF MALAYSIA



(1) No.	(2) Sector	(3) Qualifying activity
2.	Educational services	(a) Universities; (b) Colleges; (c) Skill training institutions; (d) Research and development institutions; and (e) regional training centres.
3.	Healthcare and related services	(a) Hospital and alternative medicine (traditional and complementary medicine) centres; (b) Integrated dental and orthodontic services; (c) Healthcare research and development; (d) Integrated laboratory services; and (e) Wellness and Assisted Living.
4.	Logistics services	(a) integrated supply chain services; and (b) high value supply chain services and solutions.
5.	Tourism	(a) Hotels; (b) Theme parks, amusement and family entertainment centres and cultural centres; (c) Conference centres and exhibition centres; and (d) Regional operation of hotel and leisure services.
6.	Global Business Services	(a) Information technology outsourcing; (b) Business process outsourcing; (c) Knowledge process outsourcing; and (d) Emerging Digital Technologies



<End>

APPENDIX 2

KNOWLEDGE WORKER

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 or Specialized/Professional certification from an Institution (in any Field) with minimum 5 years relevant experience in the related sector in any of the qualifying activities;

and also includes:

- Foreign workers with knowledge-based skills that comply with the definition of “Iskandar Malaysia Foreign Knowledge Worker”.

<End>