INVESTING IN MALAYSIA

MIDA SINGAPORE
1. BACKGROUND
   • MIDA
   • Malaysian Economy
   • Investment / Trade Trends

2. INVESTMENT OPPORTUNITIES
   • Main Focus in Manufacturing
   • Targeted Services
   • Regional Economic Corridors

3. INVESTMENT POLICIES
   • Investments and Repatriation of Funds
   • Manufacturing License
   • Equity Policies
   • Expatriate Posts

4. INCENTIVES AND FACILITIES
   • General Incentives and Facilities
   • Special Incentives for Manufacturing
   • Incentives for Services
MALAYSIAN INVESTMENT DEVELOPMENT AUTHORITY (MIDA)
FUNCTIONS OF MIDA

- Promotion
- Evaluation
- Planning
- Follow-up & Monitoring

- Foreign Direct Investment
- Domestic Investment
- Cross Border Investment
- Business matching through E-Connect
- Manufacturing Services

- Manufacturing licenses
- Tax incentives
- Expatriate posts
- Duty exemption
- OHQ, RDC, IPC and R&D status

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

- Assist companies in the implementation and operation of their projects
- Facilitate exchange & co-ordination among institutions engaged in or connected with industrial development
- Advisory Services
Based In MIDA
- Immigration Department
- Royal Malaysian Customs
- Department of Environment
- Tenaga Nasional Berhad
- Telekom Malaysia Berhad
- Labour Department

Based Outside MIDA
- Department of Occupational Safety and Health
- Ministry of Finance
- Ministry of Health
- Ministry of Tourism
- Ministry of Human Resource
- Ministry of Higher Education
- Multimedia Development Corp. (MDeC)
- Construction Industry Development of Malaysia (CIDB)
MIDA’S WORLDWIDE NETWORK

24 Overseas Centres
## MALAYSIA’S KEY ECONOMIC INDICATORS

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012 Q4</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Real GDP (%) Growth</strong></td>
<td>4.6</td>
<td>-1.7</td>
<td>7.2</td>
<td>5.1</td>
<td>6.4</td>
</tr>
<tr>
<td><strong>Inflation (%)</strong></td>
<td>5.4</td>
<td>0.6</td>
<td>1.7</td>
<td>3.2</td>
<td>1.8</td>
</tr>
<tr>
<td><strong>Per Capita Income (US$)</strong></td>
<td>7,812</td>
<td>6,764</td>
<td>8,140</td>
<td>9,508</td>
<td>10,285</td>
</tr>
<tr>
<td><strong>Unemployment (%)</strong></td>
<td>3.3</td>
<td>3.7</td>
<td>3.2</td>
<td>3.1</td>
<td>3.0</td>
</tr>
<tr>
<td><strong>Trade Surplus (US$ bil)</strong></td>
<td>42.6</td>
<td>33.6</td>
<td>34.2</td>
<td>39.3</td>
<td>22.0</td>
</tr>
<tr>
<td><strong>International Reserves (US$ bil)</strong></td>
<td>91.4</td>
<td>96.7</td>
<td>106.5</td>
<td>133.6</td>
<td>138.3</td>
</tr>
<tr>
<td><strong>Retained Imports Equivalent (months)</strong></td>
<td>7.4</td>
<td>9.7</td>
<td>8.5</td>
<td>9.7</td>
<td>9.5</td>
</tr>
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</table>

Source: Central Bank of Malaysia/Department of Statistics Malaysia/MATRADE
## GDP BY INDUSTRIAL ORIGIN

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>33.6</td>
<td>19.3</td>
<td>8.8</td>
<td>7.7</td>
<td>7.3</td>
<td>7.3</td>
</tr>
<tr>
<td>Mining</td>
<td>7.2</td>
<td>9.8</td>
<td>6.7</td>
<td>7.7</td>
<td>7.2</td>
<td>6.3</td>
</tr>
<tr>
<td>Construction</td>
<td>3.8</td>
<td>3.4</td>
<td>3.4</td>
<td>3.3</td>
<td>3.3</td>
<td>3.2</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>12.8</td>
<td>26.5</td>
<td>32.6</td>
<td>26.6</td>
<td>27.7</td>
<td>27.5</td>
</tr>
<tr>
<td>Services</td>
<td>42.6</td>
<td>42.1</td>
<td>53.0</td>
<td>57.6</td>
<td>57.4</td>
<td>58.6</td>
</tr>
</tbody>
</table>

*Source: Economic Reports/Bank Negara Annual Report, Malaysia 10/11*
INVESTMENT / TRADE TRENDS
<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>No. of Projects</th>
<th>Investment (US$ Billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Japan</td>
<td>2,451</td>
<td>22.0</td>
</tr>
<tr>
<td>2.</td>
<td>USA</td>
<td>735</td>
<td>19.0</td>
</tr>
<tr>
<td>3.</td>
<td>Singapore</td>
<td><strong>2,764</strong></td>
<td><strong>8.0</strong></td>
</tr>
<tr>
<td>4.</td>
<td>Germany</td>
<td>358</td>
<td>6.2</td>
</tr>
<tr>
<td>5.</td>
<td>Taiwan</td>
<td>1,558</td>
<td>5.3</td>
</tr>
<tr>
<td>6.</td>
<td>Netherlands</td>
<td>205</td>
<td>4.6</td>
</tr>
<tr>
<td>7.</td>
<td>Korea Rep.</td>
<td>316</td>
<td>3.9</td>
</tr>
<tr>
<td>8.</td>
<td>United Kingdom</td>
<td>411</td>
<td>1.8</td>
</tr>
<tr>
<td>9.</td>
<td>Hong Kong</td>
<td>428</td>
<td>1.6</td>
</tr>
<tr>
<td>10.</td>
<td>India</td>
<td>117</td>
<td>1.2</td>
</tr>
</tbody>
</table>
## APPROVED MANUFACTURING PROJECTS
### BY MAJOR COUNTRIES, AS AT 1980 – 2012

<table>
<thead>
<tr>
<th>Country</th>
<th>No. of Projects</th>
<th>Employment</th>
<th>Approved Investments (RM)</th>
<th>Approved Investments (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>3,192</td>
<td>431,889</td>
<td>85,179,687,205</td>
<td>27,727,143,233</td>
</tr>
<tr>
<td>USA</td>
<td>1,070</td>
<td>257,317</td>
<td>82,056,193,245</td>
<td>24,977,679,685</td>
</tr>
<tr>
<td>Singapore</td>
<td>3,991</td>
<td>477,284</td>
<td>41,611,482,624</td>
<td>13,267,467,033</td>
</tr>
<tr>
<td>Taiwan</td>
<td>2,396</td>
<td>367,592</td>
<td>32,450,316,611</td>
<td>11,607,805,847</td>
</tr>
<tr>
<td>Germany</td>
<td>495</td>
<td>57,921</td>
<td>32,248,953,597</td>
<td>9,302,802,406</td>
</tr>
<tr>
<td>Australia</td>
<td>498</td>
<td>36,069</td>
<td>22,774,904,114</td>
<td>6,984,110,745</td>
</tr>
<tr>
<td>Korea, Rep.</td>
<td>490</td>
<td>67,754</td>
<td>18,899,476,979</td>
<td>6,063,578,455</td>
</tr>
<tr>
<td>Netherlands</td>
<td>277</td>
<td>60,029</td>
<td>17,966,637,999</td>
<td>5,299,971,206</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>625</td>
<td>56,597</td>
<td>14,431,744,047</td>
<td>4,609,657,647</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>697</td>
<td>139,830</td>
<td>12,877,360,756</td>
<td>4,189,847,029</td>
</tr>
</tbody>
</table>
# IMPLEMENTED PROJECTS WITH PARTICIPATION FROM ASEAN COUNTRIES, AS AT 2012

<table>
<thead>
<tr>
<th>Country</th>
<th>No. of Projects</th>
<th>No. of Employment</th>
<th>Total Investment (USD million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Singapore</td>
<td>2,764</td>
<td>324,256</td>
<td>8,024.60</td>
</tr>
<tr>
<td>Thailand</td>
<td>81</td>
<td>9,270</td>
<td>387.54</td>
</tr>
<tr>
<td>Indonesia</td>
<td>86</td>
<td>13,770</td>
<td>268.60</td>
</tr>
<tr>
<td>Philippines</td>
<td>24</td>
<td>3,204</td>
<td>67.72</td>
</tr>
<tr>
<td>Brunei</td>
<td>8</td>
<td>310</td>
<td>11.15</td>
</tr>
<tr>
<td>Myanmar</td>
<td>5</td>
<td>122</td>
<td>2.69</td>
</tr>
</tbody>
</table>

Source: MIDA
## Implemented Investments with Singapore Participation by State as at 2012

<table>
<thead>
<tr>
<th>State</th>
<th>No. of Projects</th>
<th>Employment</th>
<th>Investment (RM million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Johor</td>
<td>1,527</td>
<td>183,311</td>
<td>11,636.0</td>
</tr>
<tr>
<td>Selangor</td>
<td>497</td>
<td>46,269</td>
<td>5,961.8</td>
</tr>
<tr>
<td>Pulau Pinang</td>
<td>231</td>
<td>32,564</td>
<td>2,723.5</td>
</tr>
<tr>
<td>Perak</td>
<td>72</td>
<td>11,835</td>
<td>2,181.6</td>
</tr>
<tr>
<td>Melaka</td>
<td>132</td>
<td>15,929</td>
<td>1,149.1</td>
</tr>
<tr>
<td>Negeri Sembilan</td>
<td>71</td>
<td>5,116</td>
<td>789.9</td>
</tr>
<tr>
<td>Terengganu</td>
<td>19</td>
<td>2,938</td>
<td>567.5</td>
</tr>
<tr>
<td>Sabah</td>
<td>41</td>
<td>5,809</td>
<td>557.9</td>
</tr>
<tr>
<td>Pahang</td>
<td>23</td>
<td>2,925</td>
<td>300.5</td>
</tr>
<tr>
<td>Kedah</td>
<td>60</td>
<td>8,718</td>
<td>288.1</td>
</tr>
<tr>
<td>Sarawak</td>
<td>39</td>
<td>4,010</td>
<td>152.9</td>
</tr>
<tr>
<td>Industry</td>
<td>No. of Projects</td>
<td>Employment</td>
<td>Investment (RM million)</td>
</tr>
<tr>
<td>---------------------------------------------------</td>
<td>----------------</td>
<td>-------------</td>
<td>--------------------------</td>
</tr>
<tr>
<td>Electronics &amp; Electrical Products</td>
<td>704</td>
<td>125,827</td>
<td>11,088.42</td>
</tr>
<tr>
<td>Food Manufacturing</td>
<td>222</td>
<td>18,297</td>
<td>3,308.85</td>
</tr>
<tr>
<td>Fabricated Metal Products</td>
<td>310</td>
<td>29,704</td>
<td>2,098.86</td>
</tr>
<tr>
<td>Plastics Products</td>
<td>246</td>
<td>20,472</td>
<td>1,450.93</td>
</tr>
<tr>
<td>Chemical &amp; Chemical Products</td>
<td>146</td>
<td>5,551</td>
<td>1,020.94</td>
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<tr>
<td>Machinery &amp; Equipment</td>
<td>182</td>
<td>14,045</td>
<td>969.99</td>
</tr>
<tr>
<td>Petroleum Products (Inc. Petrochemicals)</td>
<td>20</td>
<td>1,180</td>
<td>696.78</td>
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<tr>
<td>Transport Equipment</td>
<td>66</td>
<td>4,881</td>
<td>763.19</td>
</tr>
<tr>
<td>Non-Metallic Mineral Products</td>
<td>104</td>
<td>8,233</td>
<td>658.25</td>
</tr>
<tr>
<td>Scientific &amp; Measuring Equipment</td>
<td>24</td>
<td>4,187</td>
<td>386.64</td>
</tr>
</tbody>
</table>
## MALAYSIA’S GLOBAL TRADE PERFORMANCE

<table>
<thead>
<tr>
<th>Year</th>
<th>Exports (US$ Billion)</th>
<th>Imports (US$ Billion)</th>
<th>Total Trade (US$ Billion)</th>
<th>% Total Trade to GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>175.8</td>
<td>146.1</td>
<td>321.9</td>
<td>190.1</td>
</tr>
<tr>
<td>2008</td>
<td>198.9</td>
<td>155.9</td>
<td>354.8</td>
<td>186.3</td>
</tr>
<tr>
<td>2009</td>
<td>156.8</td>
<td>123.3</td>
<td>280.1</td>
<td>164.9</td>
</tr>
<tr>
<td>2010</td>
<td>198.3</td>
<td>164.2</td>
<td>362.5</td>
<td>176.4</td>
</tr>
<tr>
<td>2011</td>
<td>227.0</td>
<td>187.7</td>
<td>414.7</td>
<td>175.4</td>
</tr>
</tbody>
</table>
### Trade Performance Between Malaysia - Singapore

<table>
<thead>
<tr>
<th>Year</th>
<th>Exports (US$ Billion)</th>
<th>Imports (US$ Billion)</th>
<th>Total Trade (US$ Billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>25.6</td>
<td>16.7</td>
<td>42.3</td>
</tr>
<tr>
<td>2008</td>
<td>29.1</td>
<td>17.1</td>
<td>46.2</td>
</tr>
<tr>
<td>2009</td>
<td>21.8</td>
<td>14.0</td>
<td>35.8</td>
</tr>
<tr>
<td>2010</td>
<td>26.5</td>
<td>18.7</td>
<td>45.2</td>
</tr>
<tr>
<td>2011</td>
<td>28.8</td>
<td>24.0</td>
<td>52.8</td>
</tr>
</tbody>
</table>
INVESTMENT OPPORTUNITIES
High technology, capital intensive & knowledge driven industries:

• Alternative Energy Sources
• Biotechnology
• Advanced materials
• Advanced electronics
• Optics and photonics
• Petrochemicals
• Pharmaceuticals
• Medical devices
• ICT
• Aerospace

Industries manufacturing intermediate goods:

• Machinery & equipment
• Components & parts
• Moulds and dies

Resourced-based industries:

• Food (Halal Hub)
• Value-added products from natural resources
TARGETED SERVICES SECTORS

- **Regional Establishments**
  - Operational Headquarters (OHQ)
  - International Procurement Centre (IPC)
  - Regional Distribution Centre (RDC)

- **Logistics**
  - Integrated Logistics Services
  - Cold Chain Facilities

- **Tourism**
  - Hotel
  - Tourist project
  - Recreational camp
  - Convention centre
TARGETED SERVICES SECTORS

- **Environmental Management**
  - Energy conservation/efficiency
  - Energy generation, using renewable energy sources
  - Storage, treatment and disposal of hazardous waste
  - Recycling of agricultural waste and agricultural by-products

- **Business Services**
  - Shared services outsourcing
  - Research & Development (R&D)
  - ICT Services
  - Market Support Services
  - Film & Video Production & Post Production
TARGETED SERVICES SECTORS

- **Education**
  - Technical, Vocational & Science Training

- **Healthcare Travel (Medical Tourism)**
  - Private hospitals
  - Wellness Zone (Port Dickson)
NCER: NORTHERN CORRIDOR ECONOMIC REGION
Focus on:
- Modern Agriculture
- Manufacturing & Design
- Tourism
- Logistics
- Education & Health

ECER: EAST COAST ECONOMIC REGION
Focus on:
- Tourism
- Oil & Gas
- Manufacturing
- Agriculture
- Education

SCORE: SARAWAK CORRIDOR OF RENEWABLE ENERGY
Focus on:
- Resource Based Industry
- Energy
- Tourism

IRDA: ISKANDAR MALAYSIA
Sector focus by IRDA:
- Creative Industry
- Education
- Healthcare
- Manufacturing
  - Electrical & Electronics
  - Petrochemicals and oleo chemicals
  - Food and agro processing
- Financial advisory & consulting
- Tourism
- Logistic Industry

SDC: SABAH DEVELOPMENT CORRIDOR
Focus on:
- Agro-based Industry
- Tourism
- Logistics
- Manufacturing
INVESTMENT POLICIES AND INCENTIVES
NO RESTRICTIONS

• Foreign investments in Manufacturing and Services (except selected services) sectors

• Repatriation of Capital, Profits, Interest and Dividends
MANUFACTURING LICENSE

- ICA 1975: ML required for projects with paid up capital >RM2.5 mil or >75 employees

General Conditions:

1. Location subject to approval of State Govt. and DOE

2. Implement projects in accordance with other laws & regulations in force in Malaysia

3. CIPE – Minimum RM55,000 per employee with certain exceptions
EQUITY POLICY – Manufacturing and Services Sectors

a) Manufacturing:
   • No restrictions on foreign equity irrespective of level of exports

b) Services: Specific Policies
   • Manufacturing Related Services
   • 27 service subsectors (First phase liberalisation April 2009)
   • 17 additional service subsectors (Second phase liberalisation 2012)
INCENTIVES AND FACILITIES
1. **Tax Incentives**

a. **Pioneer Status (PS)**

- Income tax exemption on 70% of statutory income (100% for high technology) for 5 years
  
  ✓ Manufacturing
  ✓ Services
  ✓ R&D

- Effective date: Upon reaching 30% of installed capacity

- Unabsorbed capital allowances and accumulated losses can be carried forward to post pioneer period

*High Technology: R&D 1% and MTS 7%*
b. **Investment Tax Allowance (ITA)**

- ITA of 60% qualifying capital expenditure incurred for a period of 5 to 10 years
- The allowance can be offset against 70% of the statutory income for each year of assessment (100% for high technology).
- Effective date: First qualifying capital expenditure is incurred.
c. Reinvestment Allowance (RA)

- RA of 60% on qualifying capital expenditure

  - For 15 consecutive years commencing from the year the first reinvestment is made
  - To manufacturing/agricultural companies which incur capital expenditure for the following:
    - Expansion of production capacity
    - Modernization and upgrading of production facilities
    - Diversification activities
    - Automation of production facilities
2. **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**
- Raw Materials and Components used for R&D related to manufacturing activities.

3. **Free Zones and Licenced Manufacturing Warehouse (LMW)**

- Duty free imports and minimal customs procedures
- Must export at least 80%
- Free zone – whole industrial estate
- LMW – specific factory
INCENTIVES FOR SERVICES

1. Manufacturing Related Services

✓ Operational Headquarters (OHQ)
✓ Regional Distribution Centre (RDC)
✓ International Procurement Centre (IPC)
✓ Integrated Logistics Services (ILS)
✓ Integrated Market Support Services (IMS)
✓ Integrated Central Utility Facilities (CUF)
✓ Cold Chain Facilities and Services for Food Products

2. Energy Conservation and Generation

✓ Energy Conservation Services
✓ Energy Generation Activities Using Renewable Energy (RE) Sources
3. Research and Development (R&D)

4. Technical and Vocational Training Institutes (including PHEI for Science)

5. Hotels and Tourism Industry

6. Healthcare Travel (Medical Tourism) Private Hospitals (new & existing)

7. Film Industry

8. Waste Recycling Activities

9. Medical Devices Testing Laboratory
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Suntec Tower One, #26-01
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THANK YOU

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