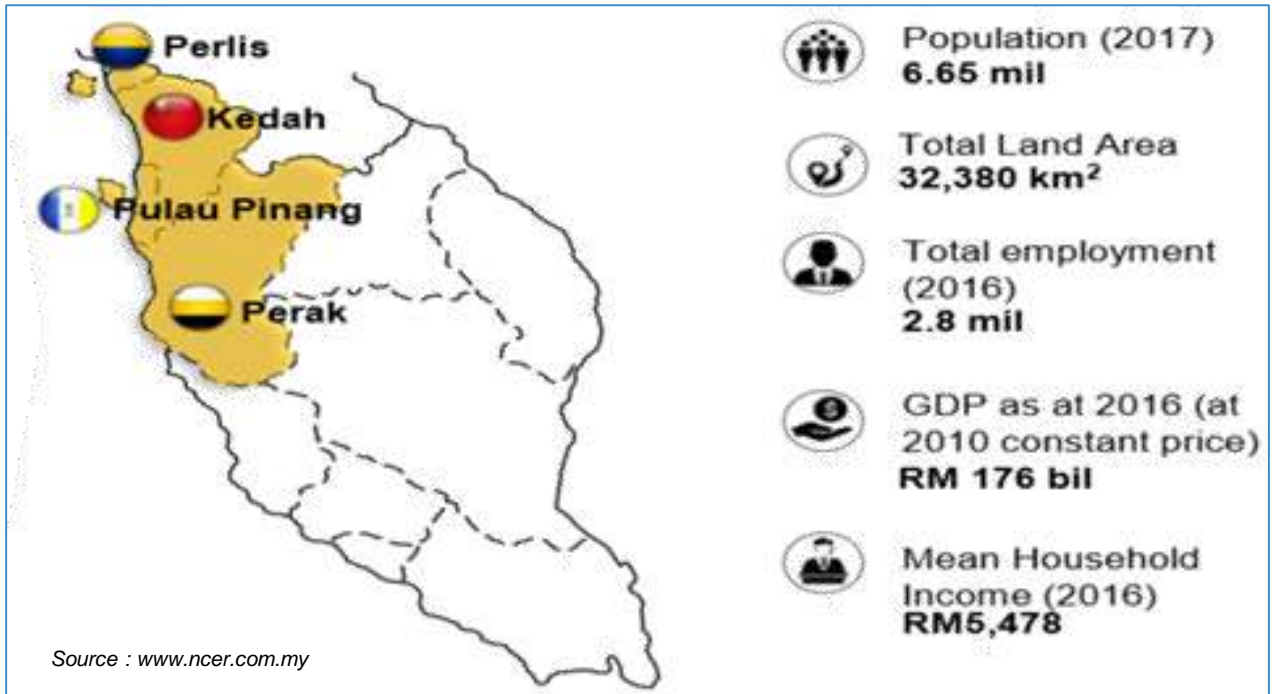


Investing In The Northern Corridor Economic Region (NCER), MALAYSIA

11/2019
tyteoh.com

MAJOR DEVELOPMENT IN NCER



The Northern Corridor Economic Region (NCER) is a development plan encompassing the four Northern States of Malaysia namely Perlis, Kedah, Perak and Penang. The priority sectors in NCER are manufacturing, agriculture and bio-industries and services which include the sub-sectors of tourism, global business services and logistics & connectivity.

The objectives of the NCER initiative include:

- To stimulate economic growth to address the imbalances and increase inclusively;
- To achieve balance growth in the manufacturing, agriculture, bio-industries and services sectors;
- To enhance talents to meet the growing needs of the region;
- Increase private sector investments and finance initiatives.

The **advantages** include:

- Located within the Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT);
- NCER has hosted many multinational companies and local companies with approximately RM47.7 billion of investment in the year 2009 – 2016;
- Year 2020, RM50 million for high impact strategic projects has been allocated to Chuping Valley Industrial Area in Perlis;
- NCER plays a predominant role in agriculture in the NCER;
- NCER is renowned for its rich natural and heritage attraction.

MAJOR PROJECTS DEVELOPMENT IN NCER



Perlis Inland Port

An inland port to capitalize on the border trade from southern Thailand

- RM0.94bil GNI per year by 2025
- 4,056 job creation



Chuping Valley Industrial Area (CVIA)

An on-going industrial park development to transform Perlis into an industrialised state

- RM4.5bil investment by 2025
- 12,674 job creation



Kota Perdana SBEZ (KPSBEZ)

A mixed development comprising industrial park, logistics hub & commercial zones

- RM50bil total GDV by 2030
- 21,050 job creation



Kedah Science & Technology Park (KSTP)

A new industrial park that focuses on science and technology clusters located at the border region

- RM12.9bil total GDV by 2030
- 23,244 job creation



Kedah Rubber City (KRC)

Project that will focus on downstream rubber activities by creating a complete rubber

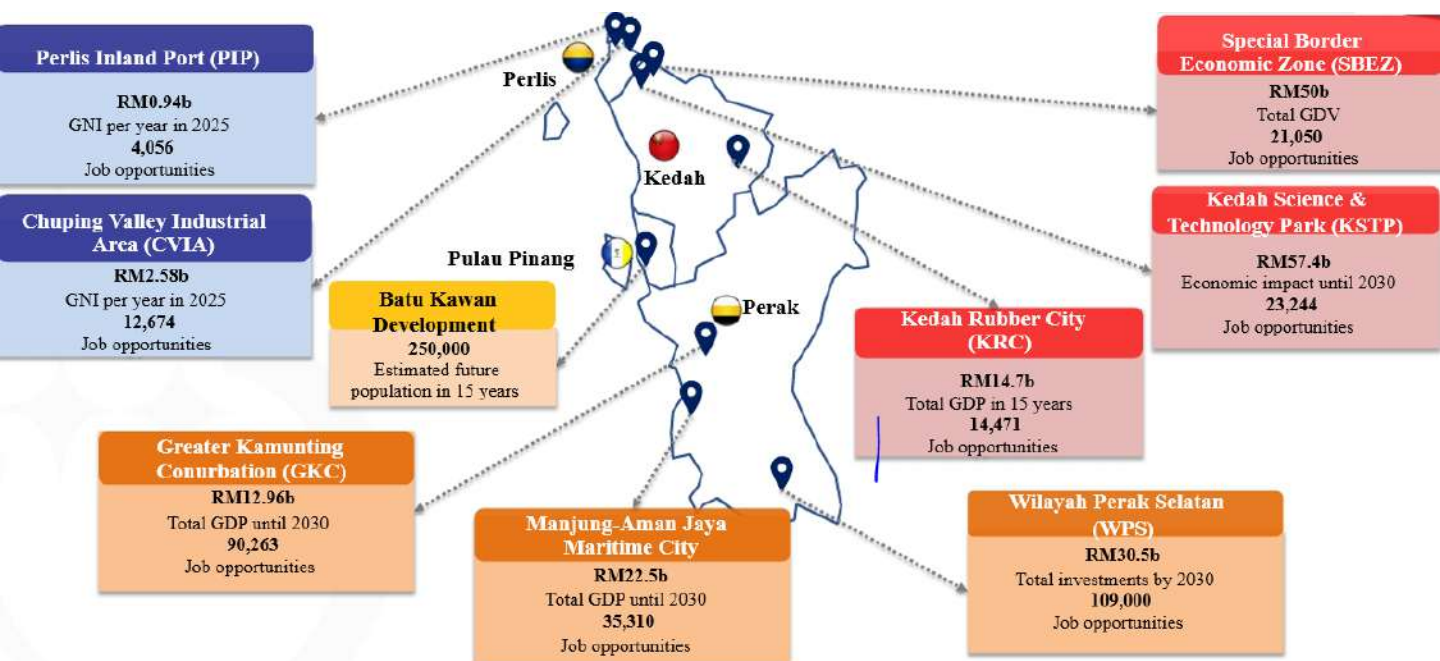
- RM9.7bil investment by 2030
- 14,471 job creation

Source : www.ncer.com.my





MAIN ELIGIBILITY CRITERIA FOR NCER TAX INCENTIVE PACKAGES



- A company incorporated in Malaysia under the Companies Act 1965 or Company Act 2016;
- The company must be undertaking a qualifying project or activity in NCER;
- For Foreign Direct Investment (FDI), the company must submit its application to Northern Corridor Implementation Authority (NCIA) before commencing operation/production (including trial production);
- For Domestic Direct Investment (DDI), the incentive application submitted to NCER must not more than twelve (12) months from production services of the proposed project. The company must be owned by 60% Malaysian Resident and must hold equity in 5 years within the incentive period;
- Company is required to source minimum 50% of raw material/ components/ services produced in Malaysia. Employment of full time employee in compliance with current national policy;
- Applicable to application received by NCIA from 17 August 2017 until 31 December 2025.





TAX INCENTIVES IN NCER

Sector	Promoted Activities	NCER Incentives	
		Kedah & Perlis	Perak & Penang
A. Manufacturing 1. Electrical & Electronic 2. Machinery & Equipment 	a. Green Technology (product) b. Medical Devices (products) c. Automotive (products) d. Additive Manufacturing (products) e. Aerospace (products)	1. Income tax exemption of 100% of statutory income for 10 years (5 + 5); OR 2. An allowance of 100% on the qualifying capital expenditure incurred within 10 years . This allowance will be set-off against up to 70% of the statutory income.	1. Income tax exemption of 70% of statutory income for 10 years (5 + 5); OR 2. An allowance of 70% on the qualifying capital expenditure incurred within 10 years . This allowance will be set-off against up to 70% of the statutory income.
		3. A 50% reduction of stamp duty on instruments of transfer or lease of land. 4. Unutilised allowances are allowed to be carried forward to the following years until fully utilised. 5. Import duty exemption on plant and machinery, equipment, spare parts, raw materials and components not produced locally and used directly in production activities.	
B. Agriculture & Bio-Industries 	a. Sustainable Agriculture b. Processing of Agriculture Produce c. Superfruit/ Superfood (Upstream) d. Superfruit/ Superfood (Downstream) e. Green Technology Services f. Halal Industry Seed Research & Development		


TAX INCENTIVES IN NCER

Sector	Promoted Activities	NCER Incentives
<p>C. Service</p> <p>i. Tourism</p> <p>ii. Logistic</p> 	<p>1. Tourism:</p> <p>a. Medical Tourism</p> <p>b. Hotel Business</p> <p>c. Tourism Projects</p> <p>d. Business Tourism</p> <p>2. Logistics:</p> <p>a. Warehousing</p> <p>b. Freight Forwarding</p> <p>c. Transportation</p>	<p>Kedah and Perlis only</p> <ol style="list-style-type: none"> Income tax exemption of 100% of statutory income for 10 years; OR An allowance of 100% on the qualifying capital expenditure incurred within 10 years; AND A 50% reduction of stamp duty on instruments of transfer or lease of land. <p>Perak and Penang Only</p> <ol style="list-style-type: none"> Income tax exemption of 70% of statutory income for 10 years (5+5); OR An allowance of 70% on the qualifying capital expenditure incurred within 10 years. Import duty exemption on plant and machinery, equipment, spare parts, raw materials and components not produced locally and used directly in production activities for Kedah, Perak, Perlis and Penang.
<p>D. Medical Science and Science & Technology</p> 	<p>Contract R&D</p> <p>a. Research, development and inspection works for customers.</p>	<p>Kedah and Perlis only</p> <ol style="list-style-type: none"> Income tax exemption of 100% of statutory income for 10 years; OR An allowance of 100% on the qualifying capital expenditure incurred within 5 years. <p>Perak and Penang only</p> <ol style="list-style-type: none"> Income tax exemption of 70% of statutory income for 10 years (5 + 5); OR An allowance of 70% on the qualifying capital expenditure incurred within 10 years.



TAX INCENTIVES IN NCER

Sector	Promoted Activities	NCER Incentives
D. Medical Science and Science & Technology 	In-House R&D <ul style="list-style-type: none"> Research & development undertaken by Malaysian company for their own business. 	Kedah, Perak, Perlis and Penang <ol style="list-style-type: none"> An allowance of 100% on the qualifying capital expenditure incurred within 10 years. This allowance will be set-off against up to 70% of the statutory income. Unutilised allowances are allowed to be carried forward to the following year until fully utilised.
	R&D Company <ul style="list-style-type: none"> Research on science or technology including Industry 4.0 for the production/ improvement of materials, equipment, products or processes. 	Kedah, Perak, Perlis and Penang <ol style="list-style-type: none"> An allowance of 100% on the qualifying capital expenditure incurred within 10 years. This allowance will be set-off against up to 70% of the statutory income. Unutilised allowances are allowed to be carried forward to the following year until fully utilised.
E. Agriculture 	Seed R&D Centre <ul style="list-style-type: none"> Investor 	Kedah and Perlis only <ol style="list-style-type: none"> Income tax exemption of 100% of statutory income for 10 years; OR An allowance of 100% on the qualifying capital expenditure incurred within 5 years. Perak and Penang only <ol style="list-style-type: none"> Income tax exemption of 70% of statutory income for 10 years (5 + 5); OR An allowance of 70% on the qualifying capital expenditure incurred within 10 years.


TAX INCENTIVES IN NCER

Sector	Promoted Activities	NCER Incentives
E. Agriculture 	Seed R&D Centre <ul style="list-style-type: none"> ▪ Operator 	Kedah and Perlis only: <ol style="list-style-type: none"> 1. Income tax exemption of 100% of statutory income for 10 years (5 + 5); OR 2. An allowance of 100% on the qualifying capital expenditure incurred within 10 years. This allowance will be set-off against up to 70% of the statutory income. 3. Unutilised allowances are allowed to be carried forward to the following years until fully utilised. 4. Industrial Building Allowance for 10 years on building used for Seeds R&D Centre operating in Kedah Science & Technology Park (KSTP). 5. Tax deduction for 5 years on cost incurred to acquire property rights with condition that the Seed R&D Centre is at least 51% Malaysian owned.
	Approved Agriculture Project	Kedah, Perlis, Perak and Penang: <ol style="list-style-type: none"> 1. Income tax exemption of 100% of statutory income for 10 years on new project undertaken; OR 2. Income tax exemption of 100% of statutory income for 5 years on expansion project approved by <i>Jawatankuasa Penilaian Insentif Sektor Pertanian (JPISP)</i>. 3. Tax deduction for investor company carrying on an Approved Agriculture Project by JPISP.


TAX INCENTIVES IN NCER

Sector	Promoted Activities	NCER Incentives
F. Support Industry 	Education: a. Private Institution of Higher Learning b. Technical & Vocational Education and Training (TVET) c. International/ Private Schools	Kedah and Perlis only 1. Income tax exemption of 70% of statutory income for a period of limited 5 years ; OR 2. An allowance of 100% on the qualifying capital expenditure incurred within 5 years . This allowance will be set-off against up to 70% of the statutory income. 3. Unutilised allowances are allowed to be carried forward to the following years until fully utilised.
G. Special Incentive	<ul style="list-style-type: none"> • Selama • Kerian • Perak Tengah • Kuala Kangsar • Badan Datuk • Seberang Prai Utara • Seberang Prai Selatan • Seberang Prai Tengah • Barat Daya Pulau Pinang 	Perak and Penang only 1. Income tax exemption of 100% of statutory income for a period of 15 years ; OR 2. An allowance of 100% on the qualifying capital expenditure incurred within certain period, will be set-off against up to 70% of the statutory income.
H. Kedah Science & Technology Park (KSTP) 	KSTP Park Manager	Income tax exemption of 100% of statutory income for 5 years . This approval applies only to the first industrial park manager at KSTP.


TAX INCENTIVES IN NCER

Sector	Promoted Activities	NCER Incentives
H. Kedah Science & Technology Park (KSTP) 	2. R&D & Manufacturing activities (Operators) a. Manufacturing activities in agro-science; b. Advanced material c. Information & Communication Technology; d. Biotechnology; e. Component R & D; f. Halal science; g. Green Technology.	<ol style="list-style-type: none"> Income tax exemption of 100% of statutory income for 15 years (5+5+5); OR An allowance of 100% on the qualifying capital expenditure incurred within 10 years (5+5). This allowance will be set-off against up to 70% of the statutory income. Unutilised allowances are allowed to be carried forward to the following years until fully utilised. A 50% stamp duty reduction on transfer or lease of land/building. Import duty exemption on plant and machinery, equipment, spare parts, raw materials and components which are not produced locally and used directly in production activities. <p>This approval is subject to product/service provision from qualifying activity. This approval does not apply to income derived from intellectual property services.</p>
	3. Developer (Commercial property development only)	<ol style="list-style-type: none"> Income tax exemption of 70% of statutory income for 5 years.
	4. KSTP Global Research Centre (GRC)	<ol style="list-style-type: none"> Income tax exemption of 100% of statutory income for 15 years (5+5+5).
	5. Education a. IHL and TVET	<ol style="list-style-type: none"> Income tax exemption of 100% of statutory income for 5 years; OR An allowance of 100% on the qualifying capital expenditure incurred within 5 years.

TAX INCENTIVES IN NCER


Sector	Promoted Activities	NCER Incentives
I. Chuping Valley Industrial Area (CVIA) 	1. Developer (Commercial property development only)	1. Income tax exemption of 70% of statutory income for 5 years for the following income: <ol style="list-style-type: none"> Disposal of all or part of right or land/building located at CVIA; OR Rental of all or part or the land/buildings located at CVIA. 2. Stamp duty exemption on transfer or lease of land only.
	2. CVIA Park Manager	1. Income tax exemption of 100% of statutory income for 5 years .
	3. Waste-To-Resources Facilities Provider	1. Income tax exemption of 100% of statutory income for 15 years ; OR 2. An allowance of 100% allowance on the qualifying capital expenditure incurred within 10 years . This allowance will be set-off against up to 70% of the statutory income. Unutilised allowances are allowed to be carried forward to the following years until fully utilized. 3. A 50% stamp duty reduction on transfer or lease of land/ building. 4. Import duty exemption on plant and machinery, equipment, spare parts, raw materials and components which are not produced locally and used directly in production activities.
	4. Education <ol style="list-style-type: none"> Institution of Higher Learning (IHL); and Technical and Vocational Education and Training (TVET). 	1. Income tax exemption of 100% of statutory income for 5 years ; OR 2. An allowance of 100% on the qualifying capital expenditure incurred within 5 years . This allowance will be set-off against up to 70% of the statutory income. Unutilised allowances are allowed to be carried forward to the following years until fully utilized.

TAX INCENTIVES IN NCER


Sector	Promoted Activities	NCER Incentives
<p data-bbox="72 244 396 323">I. Chuping Valley Industrial Area (CVIA)</p> 	<p data-bbox="422 244 682 468">5. Companies That Undertake Qualifying Activities (Operators)</p> <ul style="list-style-type: none"> <li data-bbox="422 484 648 561">a. Green Manufacturing; <li data-bbox="422 578 632 611">b. Halal industry <li data-bbox="422 627 645 704">c. Machinery and equipment; <li data-bbox="422 721 645 847">d. Specialised machinery and equipment; <li data-bbox="422 864 636 940">e. Green Energy Generation 	<ul style="list-style-type: none"> <li data-bbox="722 244 1268 321">1. Income tax exemption of 100% of statutory income for 15 years (5+5+5); OR <li data-bbox="722 337 1339 609">2. An allowance of 100% on the qualifying capital expenditure incurred within 10 years (5+5). This allowance will be set-off against up to 70% of the statutory income. Unutilised allowances are allowed to be carried forward to the following years until fully utilized. <li data-bbox="722 625 1332 702">3. A 50% stamp duty reduction on transfer or lease of land/ building.




TAX INCENTIVES IN NCER

Sector	Promoted Activities	NCER Incentives
<p>J. Kedah Rubber City (KRC)</p> 	<p>1. Manufacturer</p>	<ol style="list-style-type: none"> Income tax exemption of 100% of statutory income derived from Rubber City qualifying activities for 10 years commencing from first year the company generates statutory income; AND Income tax reduction of 50% for 5 years after expiry of the first 10 years; OR An allowance of 100% on the qualifying capital expenditure incurred within 5 years. This allowance will be offset against up to 100% of statutory income for each assessment year. Stamp duty exemption on the instrument of transfer of land or building or lease of land or building used for the qualifying activities in Rubber City. Tax deduction for pre-operating expenses incurred within 4 years before the commencement date of qualifying activity and such expenses shall be deemed to be incurred on the commencement date.
	<p>2. Education, Training and R&D Supplier</p>	<ol style="list-style-type: none"> Income tax exemption of 100% of statutory income derived from Rubber City qualifying activities for 10 years of commencing from first year the company generates statutory income; OR An allowance of 100% on the qualifying capital expenditure incurred within 10 years. This allowance will be offset against up to 100% of statutory income for each assessment year. Stamp duty exemption on the instrument of transfer of land or building or lease of land or building used for the qualifying activities in Rubber City.

TAX INCENTIVES IN NCER

Sector	Promoted Activities	NCER Incentives
<p>J. Kedah Rubber City (KRC)</p> 	<p>3. Main Developer and Residential and Commercial Developer</p>	<p>4. Tax deduction for pre-operating expenses incurred within 4 years before the commencement date of qualifying activity and such expenses shall be deemed to be incurred on the commencement date.</p> <p>1. Income tax exemption of 100% of statutory income derived from Rubber City qualifying activities for 10 years commencing from first year the company generates statutory income; OR</p> <p>2. An allowance of 100% on the qualifying capital expenditure incurred within 5 years. This allowance will be offset against up to 100% of statutory income for each assessment year.</p> <p>3. Stamp duty exemption on the instrument of transfer of land or building or lease of land or building used for the qualifying activities in Rubber City.</p>
	<p>4. Catalytic Anchor Tenants</p>	<p>1. Income tax exemption of 100% of statutory income derived from Rubber City qualifying activities for 10 years of commencing from first year the company generates statutory income; OR</p> <p>2. An allowance of 100% on the qualifying capital expenditure incurred within 5 years. This allowance will be set-off against up to 100% of the statutory income for each assessment year.</p> <p>3. Stamp duty exemption on the instrument of transfer of land or building or lease of land or building used for the qualifying activities in Rubber City.</p>

TAX INCENTIVES IN NCER

Sector	Promoted Activities	NCER Incentives
<p>J. Kedah Rubber City (KRC)</p> 		<p>4. Tax deduction for pre-operating expenses incurred within 4 years before the commencement date of qualifying activity and such expenses shall be deemed to be incurred on the commencement date.</p>

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