

MSC Malaysia Status Service Incentive

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MSC MALAYSIA STATUS SERVICE INCENTIVE

MSC Malaysia (formerly known as Multimedia Super Corridor) is a Special Economic Zone and high-technology business district in central-southern Selangor, Malaysia. MSC Malaysia Services Incentive has been approved by the Government of Malaysia in Year 2019. Qualifying companies which have been awarded the MSC Malaysia Status and met the required conditions for income tax exemptions, are exempted from paying the income tax during the tax holiday period.

1. OVERVIEW OF THE INCENTIVE

- a. Company may choose to enjoy Tier 1 or Tier 2 category which allows 100% tax exemption. Alternatively, there is Tier 3 category which allows 70% income tax exemption on statutory income derived from approved MSC Malaysia promoted activities.
- b. For Tier 1 and Tier 2, the incentive period is limited to five (5) years and renewable for another five (5) years period.
- c. The income tax exemption is granted on statutory income derived from the approved MSC Malaysia promoted activities and shall exclude any royalty or other income derived from an intellectual property right ('IPR').
- d. If the commencement date of the exemption period is 1 July 2021, companies are required to comply with the conditions in Appendix A starting from the said commencement date.
- e. If the commencement date of the exemption period is 1 January 2019 or date of first invoice, whichever is later, companies are required to comply with the conditions in Appendix B starting from the said commencement date.

2. ASSESSMENT CRITERIA

To be eligible to apply for the MSC Malaysia Status and the Services Incentive, Companies are required to meet the following criteria:-

- a. A company incorporated under the Companies Act 2016 and resident in Malaysia;
- b. Carry out one or more of the MSC Malaysia promoted activities and has not issued any invoice for such proposed activities in Malaysia on the date of application;
- c. Company which has issued an invoice (i.e on the date of application) may be eligible if it has at least 60% Malaysian equity ownership and has issued its first invoice for such proposed activities in Malaysia not more than 12 months prior to the date of application.
- d. The MSC Malaysia promoted activities refer to:-
 - i. Big data analytics (BDA);
 - ii. Artificial intelligence (AI);
 - iii. Financial technology (FinTech);
 - iv. Internet of things (IOT);
 - v. Cybersecurity (technology/software/design and support);
 - vi. Data centre and cloud (technology/software/design and support);
 - vii. Blockchain;
 - viii. Creative media technology;
 - ix. Sharing economy platform;
 - x. User interface and user experience (UI/UX);
 - xi. Integrated circuit (IC) design and embedded software;
 - xii. 3D printing (technology/software/design and support);
 - xiii. Robotics (technology/software/design)
 - xiv. Autonomous (technology/software/design and support);
 - xv. Systems/network architecture design and support; or
 - xvi. Global business services or knowledge process outsourcing excluding non-technical and/or low value call center; data entry; and recruitment process outsourcing.
- e. The promoted activities exclude Trading, Manufacturing and Provision of telecommunication services.

Appendix A

Conditions	Tier 1	Tier 2	Tier 3
Location of approved MSC Malaysia and undertakes the approved MSC Malaysia qualifying activities in Malaysia	Designated Premises within MSC Malaysia Cybercities or Cybercentres	Other Commercial Premises within MSC Malaysia Cybercities or Cybercentres	Not subjected to location requirement
Minimum KPI Numbers			
A. Full time employees (comprising Knowledge Workers) with monthly base salary	(i) 50 full time employees with monthly base salary of RM5k; OR (ii) 30 full time employees with monthly base salary of RM10k Data Centre: 5 full time employees with monthly base salary of RM5k		(i) 30 full time employees with monthly base salary of RM5k; OR (ii) 20 full time employees with monthly base data centre: 5 full time employees with salary of RM8k
B. Annual operating expenditure and investment in fixed asset	RM 3.5 million Data Centre: RM10 million		RM1 million
C. Percentage (%) of Malaysian Knowledge Workers (for the full time employees in (A) above)	70%		50%



Appendix B

Conditions	Tier 1	Tier 2	Tier 3
Location of approved MSC Malaysia and undertakes the approved MSC Malaysia qualifying activities in Malaysia	Designated Premises within MSC Malaysia Cybercities or Cybercentres	Other Commercial Premises within MSC Malaysia Cybercities or Cybercentres	Not subjected to location requirement
Minimum KPI Numbers (to be complied in Year 1 and Year 2 of the exemption period)			
A. Full time employees (comprising Knowledge Workers) with monthly base salary	2 full time employees with monthly base salary of RM5k		
B. Annual operating expenditure	RM50k		
Minimum KPI Numbers (To be complied with from Year 3 onwards until expiry of exemption period)			
C. Full time employees (comprising Knowledge Workers) with monthly base salary	(i) 50 full time employees with monthly base salary of RM5k; OR (ii) 30 full time employees with monthly base salary of RM10k Data Centre: 5 full time employees with monthly base salary of RM5k	(i) 30 full time employees with monthly base salary of RM5k; OR (ii) 20 full time employees with monthly base data centre: 5 full time employees with salary of RM8k	
D. Annual operating expenditure and investment in fixed asset	RM 3.5 million Data Centre: RM10 million	RM1 million	
E. Percentage (%) of Malaysian Knowledge Workers (for the full time employees in (D) above)	70%	50%	

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