

Policy Incentives Granted to Local SMEs in Malaysia

Tax

A. Direct tax (Income taxation)

SMEs with paid up capital of RM2.5 million and below are subjected to a corporate tax of 20% on chargeable income of up to RM100,000
(Effective from 1 January 2003)

B. Indirect tax (others)

N/A

Non-tax

A. Financial

Financial assistance schemes in the form of a matching grant and soft loan are provided to SMEs in the manufacturing sector:

a. Grants:

i. *Grant for Business Planning and Development (ITAF1)*

The maximum grant allocated per company is RM.40,000. Assistance is given in the form of matching grant where 50% of approved project cost is borne by the government and the remainder by applicant

ii. *Grant for Product and Process Improvement (ITAF 2)*

The maximum grant allocated per company is RM.500,000. Assistance is given in the form of matching grant where 50% of approved project cost is borne by the government and the remainder by applicant.

iii. *Grant for Productivity and Quality Improvement and Certification (ITAF 3)*

The maximum grant allocated per company is RM 250,000. Assistance is given in the form of a matching grant where 50% of approved project cost is borne by the government and the remainder by the applicant.

iv. *E-Manufacturing Grant*

The grant provides assistance for purchasing of ERP software for manufacturing and manufacturing related services.

The maximum grant allocated per company is RM 500,000. Assistance is given in the form of matching grant where 50% of approved project cost is borne by the government and the remainder by the applicant.

v. *Grant for Upgrading Engineering Design Capabilities*

The maximum grant allocated per company is RM 500,000. Assistance is given in the form of matching grant where 50% of approved project cost is borne by the government and the remainder by the applicant.

vi. *Grant for RosettaNet Standard Implementation*

The scheme provides assistance to local electrical and electronics (E&E) companies to implement RosettaNet, an internet based common messaging standard for global supply chain management.

The maximum grant allocated per company is RM 500,000. Assistance is given in the form of matching grant where 50% of approved project cost is borne by the government and the remainder by the applicant.

vii. *Factory Auditing Scheme*

The scheme provides assistance to SMEs in undertaking diagnostic audit in manufacturing operations. This audit report is used to assess the SMEs requirement for various assistance schemes provided by the Government.

The maximum grant allocated per company is RM 10,000. Assistance is given in the form of a matching grant where 50% of approved project cost is borne by the government and the remainder by the applicant.

b. Soft Loan

i. *Soft Loan for Small and Medium Industries*

Project Financing covers the entire project cost items. (RM 5 million including pre-operational expense up to RM250,000)

B. Facilitation of exports/import

Market Development Grant

The scheme provides assistance to SMEs undertaking activities for the development of export markets

C. Subsidies for utilities

N/A

D. Incentives for given location/region

Companies granted with pioneer status and located in the States of Sabah, Sarawak and the designated "Eastern Corridor" of Peninsular Malaysia, will only have to pay 15% of their statutory income during the 5 year exemption period.

Only applies to application received until 31 December 2005

E. others

• **Commercialisation of R&D Fund (CRDF)**

CRDF is intended to enhance the competitiveness and capability of the Malaysian industrial sector and to accelerate the commercialization of R&D results undertaken by local universities and research institutions, companies and individual researcher or inventor.

The fund provides partial grants to qualified R&D projects to be commercialized up to a maximum of 50% to 70% or RM2 million, whichever is lower for the following activities:

- i. Market Survey and Research
- ii. Product/Process Design and Development
- iii. Standards and Regulatory Compliance and Intellectual Property Protection
- iv. Demonstration of Technology

- **Technology Acquisition Fund (TAF)**

TAF is intended to facilitate the acquisition of strategic and relevant technology. Eligible activities under TAF includes:

- i. Acquisition of Technology
- ii. Acquisition of Patent Rights, Prototypes and Design

The fund provides partial grants to a maximum of 70% or RM2 million which ever is lower