



BRIEFING

**Import Duty and/ or Sales Tax Exemption
Application for Machinery/ Equipment/ Raw
Materials/ Components**

OUTLINE

- 1. Who Are We**
- 2. Services Provided**
- 3. Tariff in MIDA Organisation Structure**
- 4. Approvals By MIDA**
- 5. Function of Tariff Section**
- 6. Types Of Duty / Tax Exemption**
- 7. Surat Pengesahan MIDA**
- 8. Customs Duty Exemption Application**

WHO ARE WE

The principal Malaysian Government agency responsible for the promotion of investments and coordination of industrial development and selected services sectors in the country
Established in 1967 under Act of Parliament, 1965.

1st point of contact for investors who intend to set up projects in the manufacturing and services sectors in Malaysia



PROMOTION

- *Data on Industries*
- *Meetings with companies operating in Malaysia*
- *Visits to production facilities and service providers*
- *Visits to potential locations*
- *Seminars & Webinars*
- *Roundtable Meetings*
- *One-On-One Meetings*



APPROVAL

- *Manufacturing License*
- *Tax Incentives*
- *Expatriate Posts*
- ***Import Duty and/or Sales Tax Exemptions***
- *Representative/Regional (RE/RO) Office*
- *Principal Hub/OHQ*

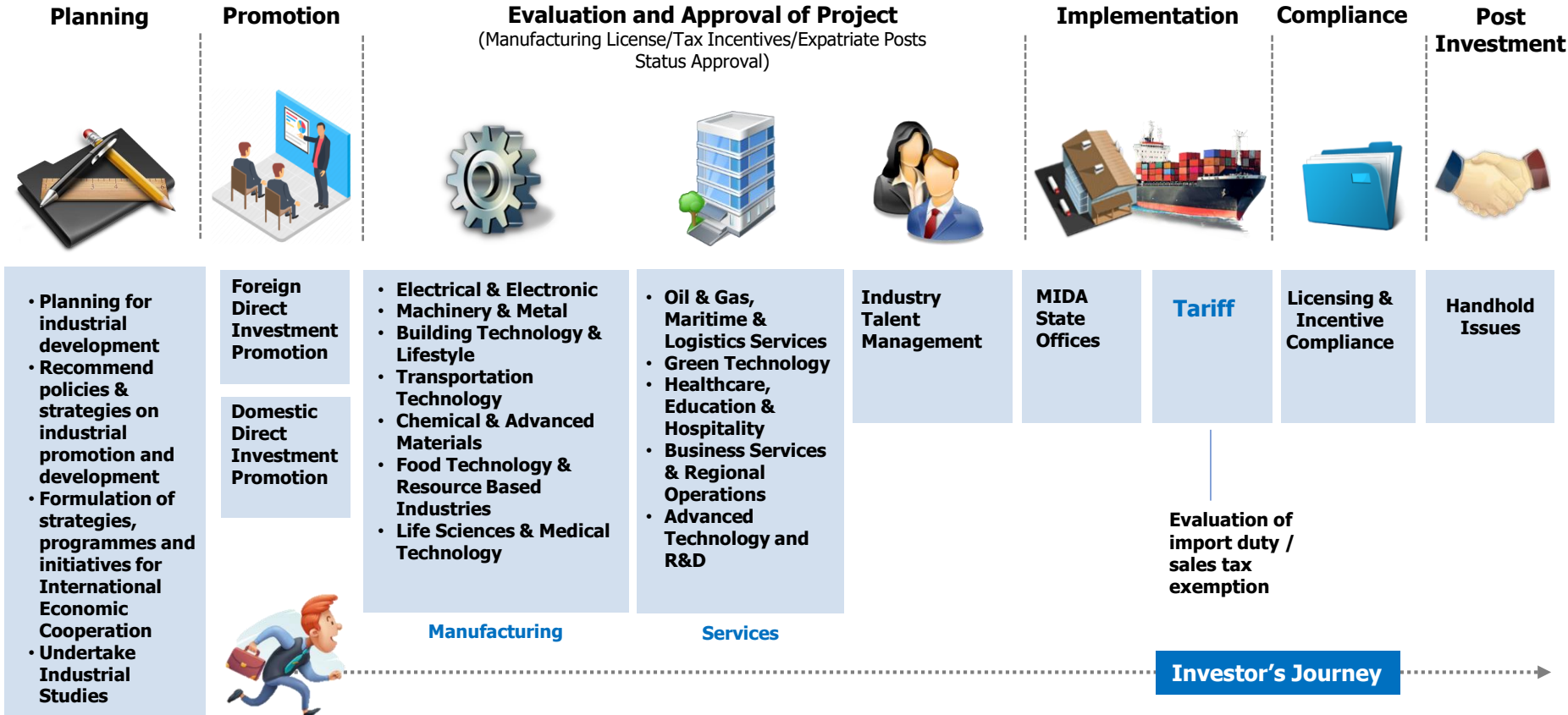


IMPLEMENTATION

- *Project Acceleration and Coordination Unit – Post Invest*



MIDA's ORGANISATION STRUCTURE



APPROVALS BY MIDA

Manufacturing License (ML)



- **Require ML if the Paid-up Capital/Shareholders' Fund is RM2.5 Million and above; or employing 75 or more full time employees**
- **Exempted from ML – If below the above threshold**

Investment Incentives



- **Tax Incentives**
- **Matching Grant under High Impact Fund**
 - Training Grant
 - R&D Grant

Customs Duty Exemptions



- **Machinery & equipment; and**
- **Raw materials & components**

Expatriate Posts



- **Key posts**
Posts that are permanently filled by foreigners
- **Term posts**
Posts that are filled by foreigners for a period of 1-5 years

FUNCTIONS OF TARIFF DIVISION





Evaluation of
duty/tax
exemption
applications



Prepare Surat
Pengesahan
MIDA (SPM) /
MIDA
Confirmation
Letter



Review and
update
policy on
tariff
matters



Handle
enquiries and
providing inputs
related to tariff
matters



Organize &
participate in
briefing/
dialogue/
awareness
programme

TYPES OF DUTY / TAX EXEMPTION



Duty Exemptions on Machinery & Equipment

Duty Exemptions on Raw Materials & Components

Surat Pengesahan MIDA (SPM) to claim for import duty and/or sales tax exemption from Customs

- **Manufacturer in Principal Customs Area (PCA)**
 - **Company engaged in hotel business**
 - **Haulage Operator**
 - **MRO (Maintenance, Repair and Overhaul)**
- * processed by Transportation Technology Division*

Import duty and/or sales tax exemption on machinery/ equipment for selected activities in the **Agriculture Sector**

Import duty and/or sales tax exemption on machinery/ equipment for **Selected Services Sector**

- **Research & Development (R&D)**
- **Private Higher Education Institution**
- **Private Higher Training Institution (science, technical or vocational)**
- **Tourism project (without accommodation)**

Import duty and/or sales tax exemption on raw materials/ components **(Iron and Steel under HS Code 7201 – 7316)**

Import duty and/or sales tax exemption on raw materials/ components **(other than HS Code 7201 - 7316)**



SURAT PENGESAHAN MIDA (SPM) (MIDA Confirmation Letter)

for the purpose of claiming import duty and/or sales tax exemption

INTRODUCTION

The implementation of the self-declaration mechanism for import duty and/or sales tax exemption **on machinery/equipment/spare parts** is provided under the provisions of Customs Duties (Exemption) Order 2013 effective 2nd May 2014 (later updated to **Customs Duties (Exemption) Order 2017**) and under **Sales Tax (Persons Exempted From Payment Of Tax) Order 2018** effective 1st October 2018.

Under this mechanism, prior to the importation or purchase a **company is required to submit to Royal Malaysian Customs Department the confirmation letter issued by MIDA and the list of machinery/equipment/spare parts to be imported or purchased for permission to claim the exemption.** Application for **import duty exemption** should be **manually submitted** to the State Customs Control Station (Industrial Section) whereas for **sales tax exemption** it has to be **submitted online** via **<https://mysst.customs.gov.my/>**

BACKGROUND

2 May 2014

- Customs Duty (Exemption) Order 2013
- Introduced self declaration mechanism
 - ✓ MIDA only issue a confirmation letter (SPM) to confirm on the status of the company
 - ✓ Company is required to submit MIDA's confirmation letter together with the list of machinery, equipment, spare parts and consumables to Customs for permission to claim the exemption for import duty and/or sales tax

1 Apr 2015

- Implementation of GST
- Exemption is only given for import duty on machinery & equipment to:
 - ✓ Manufacturer
 - ✓ Hotel operator

1 Sept 2018

- Implementation of SST 2.0
- Exemption is given for both import duty and sales tax on machinery and equipment to:
 - ✓ Manufacturer
 - ✓ Hotel operator
 - ✓ Haulage operator

1 Jan 2019

- Implementation of self-declaration mechanism for sales tax exemption on:
 - a) machinery, equipment and specialised tools; and
 - b) spare parts, components, materials and specialised consumables goods for MRO activities

MANUFACTURER IN PRINCIPAL CUSTOMS AREA (PCA)



Eligibility	Exemption	Provision	Criteria
<p>Manufacturer in Principal Customs Area (PCA)</p>	<p>Import duty exemption on machinery and equipment <u>excluding spare parts and consumables</u> imported or purchased from a Licensed Manufacturing Warehouse (LMW), Bonded Warehouse or Free Zone (FZ)</p>	<p>Customs Duties (Exemption) Order 2017 under Item 112</p>	<p>Machinery and equipment must be <u>new, unused and directly used</u> in the manufacturing process of the finished product(s) at the approved manufacturer's premise(s)</p>
	<p>Sales tax exemption on Machinery, Equipment and Spare Parts imported or purchased from a Licensed Manufacturing Warehouse (LMW), Bonded Warehouse Or Free Zone (FZ) or a manufacturer approved by the Director General of Customs</p>	<p>Sales Tax Act 2018 under Item 55 Schedule A Sales Tax (Persons Exempted From Payment Of Tax) Order 2018</p>	

COMPANY ENGAGED IN HOTEL BUSINESS



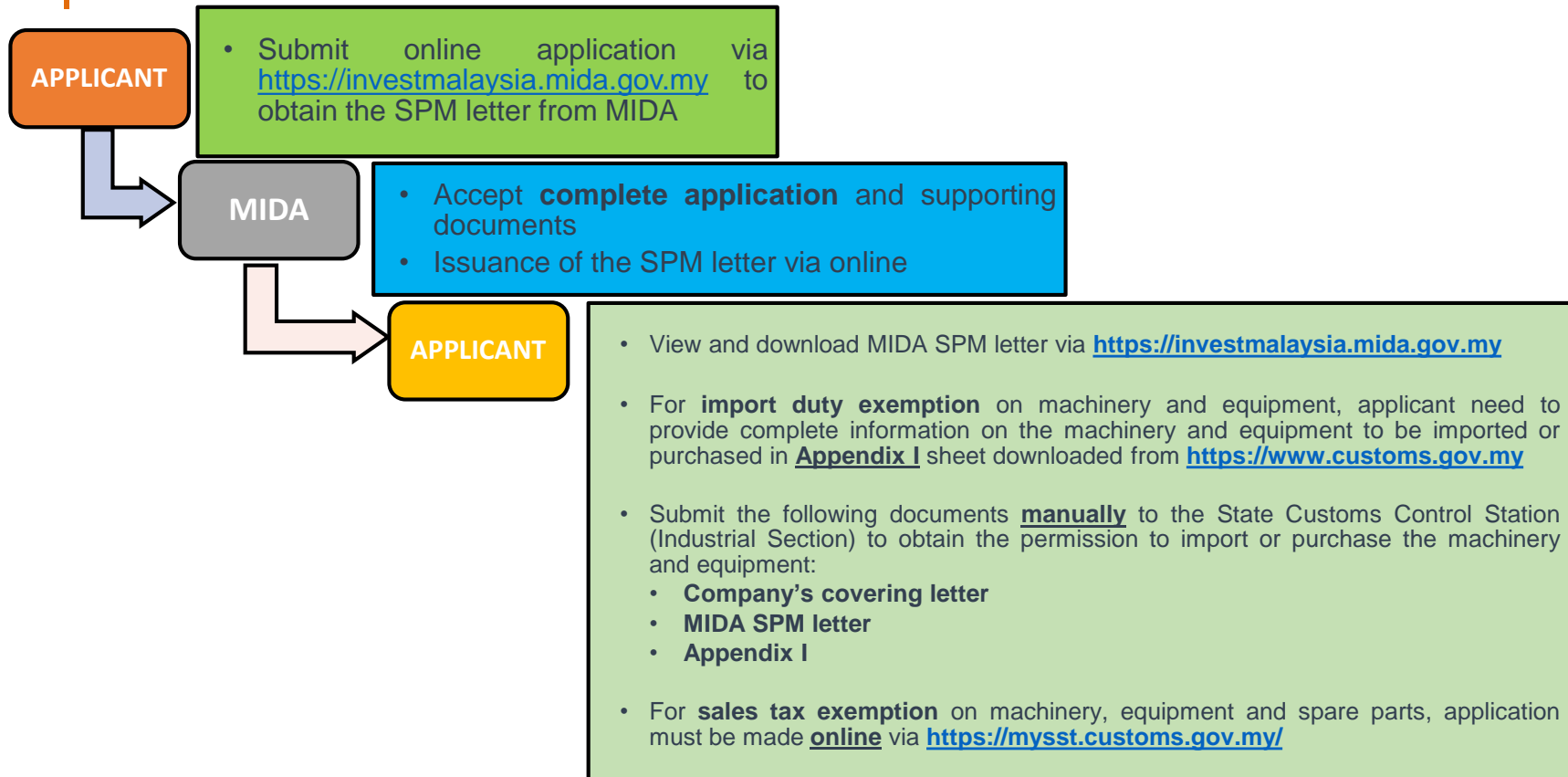
Eligibility	Exemption	Provision	Criteria
<p>Company engaged in hotel business</p>	<p>Import duty exemption on equipment or machinery imported or purchased from a Licensed Manufacturing Warehouse (LMW), Bonded Warehouse or Free Zone</p>	<p>Customs Duties (Exemption) Order 2017 under Item 113</p>	<p>Machinery and equipment must be <u>new</u>, <u>unused</u> and <u>directly used</u> in the hotel business at the approved hotel's premise(s)</p>
	<p>Sales tax exemption on locally manufactured equipment or machinery purchased from a registered manufacturer</p>	<p>Sales Tax Act 2018 under Item 63 Sales Tax (Persons Exempted From Payment Of Tax) Order 2018</p>	
	<p>Sales tax exemption on equipment or machinery imported or purchased from a Licensed Manufacturing Warehouse (LMW), Bonded Warehouse or Free Zone</p>	<p>Sales Tax Act 2018 under Item 64 Sales Tax (Persons Exempted From Payment Of Tax) Order 2018</p>	

HAULAGE OPERATOR

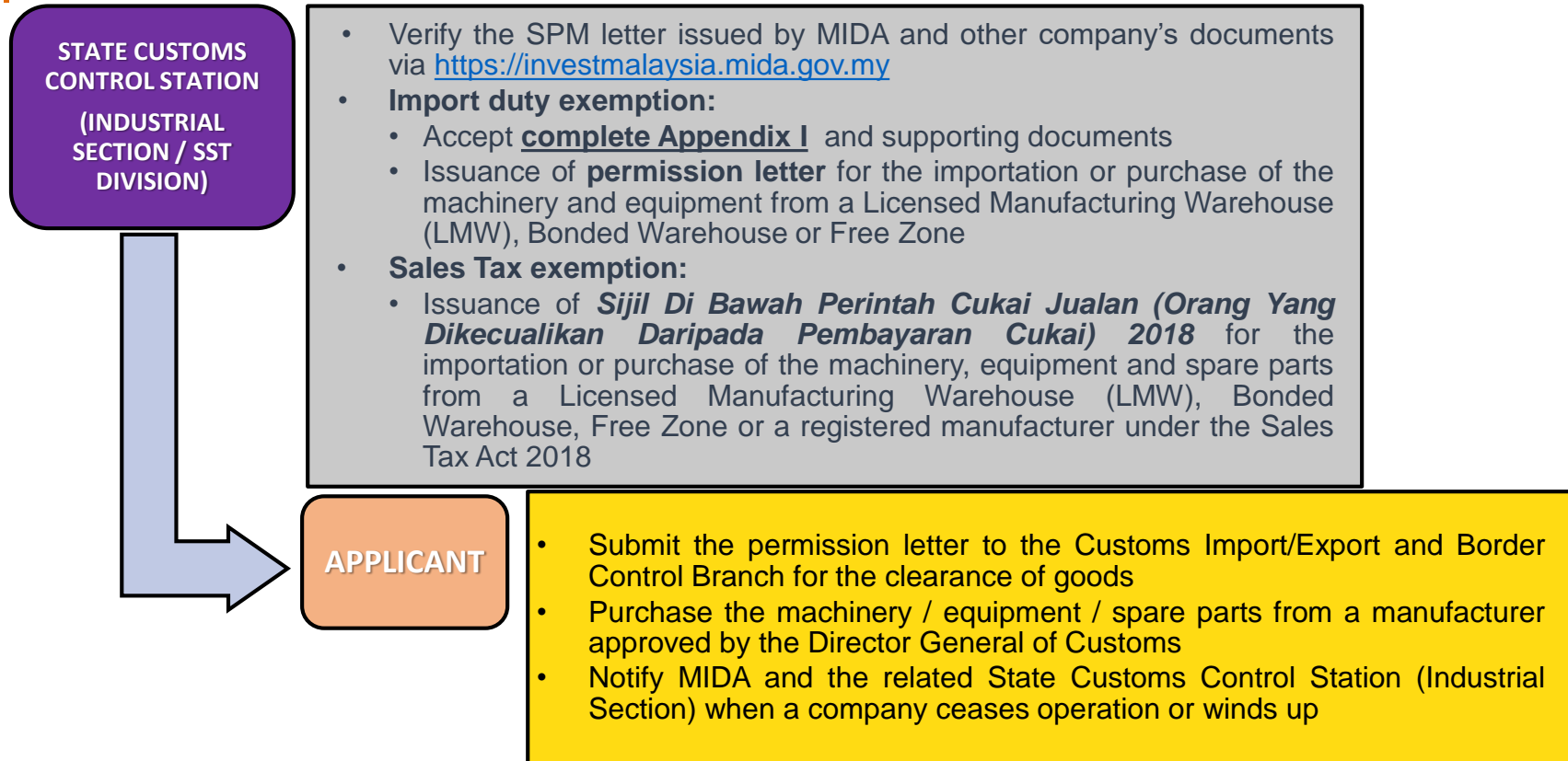


Eligibility	Exemption	Provision	Criteria
<p>Haulage Operator</p>	<p>Sales tax exemption on prime movers (HS 8701.20.91 00) and/or container trailers (HS 8716.39.40 00, 8716.39.91 00 and 8716.39.99 00)</p>	<p>Sales Tax (Persons Exempted From Payment Of Tax) under Item 65 Order 2018</p>	<ul style="list-style-type: none"> • The prime mover must be new and unused and used for the purpose of hauling the container trailer • The container trailer must be new and unused and directly used for haulage operations • Haulage operator must produce a valid <i>Surat Tawaran Kelulusan Lesen Kenderaan Perdagangan Kelas Pembawa A bagi Kontena</i> issued by the Road Transport Department for Peninsular Malaysia or by the Commercial Vehicle Licensing Board (CVLB) for Sabah and Sarawak • For replacement of goods, the operator must produce a valid <i>Surat Pemberitahuan Kelulusan Ubahsyarat Ganti Kenderaan bagi Kelas Lesen Pembawa A bagi Kontena</i> issued by the Road Transport Department for Peninsular Malaysia or by CVLB for Sabah and Sarawak

PROCEDURE TO CLAIM EXEMPTION FROM CUSTOMS USING SPM LETTER UNDER THE CUSTOMS DUTIES (EXEMPTION) ORDER 2017 AND/OR SALES TAX (PERSONS EXEMPTED FROM PAYMENT OF TAX) ORDER 2018



PROCEDURE TO CLAIM EXEMPTION FROM CUSTOMS USING SPM LETTER UNDER THE CUSTOMS DUTIES (EXEMPTION) ORDER 2017 AND/OR SALES TAX (PERSONS EXEMPTED FROM PAYMENT OF TAX) ORDER 2018



CUSTOMS DUTY EXEMPTION APPLICATION



IMPORT DUTY AND/OR SALES TAX EXEMPTIONS

Import duty and/or sales tax exemption on **machinery/equipment** for

- Agriculture Sector
- Selected Services Sector
 - Research & development (R&D)
 - Private higher education institution
 - Private higher training institution
 - Tourism project



Import duty and/or sales tax exemption on **raw materials/components**

- (Iron and Steel under HS Code 72 – 7316)
- (Other than HS Code 72 - 7316)



Import Duty and/or Sales Tax Exemption on Machinery/Equipment - Company Engaged in Agriculture & Aquaculture Activities



Eligibility	Exemption	Provision	Criteria
<p>Company engaged in agriculture and aquaculture activities</p>	<p>Import duty and/or sales tax exemption on <u>machinery</u> and <u>equipment</u> excluding spare parts and consumables</p>	<p>Import Duty: Section 14(2), Customs Act 1967</p> <p>Sales Tax: Section 35(3), Sales Tax Act 2018</p>	<p>Machinery and equipment must be new, imported and used directly in the related activity at the approved premise(s) and *not available locally</p>

Import Duty and/or Sales Tax Exemption on Machinery/Equipment - Company Engaged in Selected Services Sector



Eligibility	Exemption	Provision	Criteria
<p>Company engaged in selected services sector:</p> <ul style="list-style-type: none"> • R&D* • Private Institute of Higher Education • Private Institute of Higher Education (Sciences, Technical or Vocational) • Tourism Project (without accommodation) 	<p>Import duty and sales tax exemption on <u>machinery and equipment</u>, <u>samples</u>, <u>materials</u> and <u>components</u> excluding spare parts and consumables</p>	<p>Import Duty / Excise Duty: Section 14(2), Customs Act 1967</p> <p>Sales Tax: Section 35(3), Sales Tax Act 2018</p>	<p>Machinery and equipment, samples, materials and components must be new and used directly in the related activity at the approved premise(s) and *not available locally</p>

* For R&D status company, effective 1st July 2022, company need to renew on the R&D status. Application to be made to ATRD Division, MIDA

Import Duty Exemption on Raw Materials/Components - Manufacturer



Eligibility

Manufacturer in Principal Customs Area (PCA)

Exemption

Import duty exemption on raw materials and components imported or purchased from a Licensed Manufacturing Warehouse (LMW), Bonded Warehouse or Free Zone

Provision

Section 14(2), Customs Act 1967

Criteria

Directly used in the manufacturing activity(s) at the approved premise(s) and subject to local availability

* Effective 25th July 2022, import duty and/or sales tax exemption on iron and steel raw materials/components for export/Free Zone (FZ)/Licensed Manufacturing Warehouse (LMW) market can be applied to MIDA through Invest Malaysia.

Sales Tax Exemption on Raw Materials/Components

- Manufacturer



Eligibility

Exemption

Provision

Criteria

PCA company in the following selected industries which manufactures finished products not subjected to sales tax:

- Aerospace / aircraft industry
- Machinery & equipment industry
- Petroleum products used as raw materials for industries other than oil refinery
- Motorcycle assembly industry

Sales tax exemption on raw materials and components imported or purchased from a Licensed Manufacturing Warehouse (LMW), Bonded Warehouse or Free Zone

Sales tax exemption on locally manufactured raw materials and components purchased from a registered manufacturer

Section 35(3),
Sales Tax Act 2018

Directly used in manufacturing activity(s) at the approved premise(s)

EXEMPTION PERIOD

- Surat Pengesahan MIDA (SPM) – Valid until 31st December 2023
- Selected Services – 1 year
- Raw Materials & Components are as follows:-



Starting Date

New



- Date application accepted by MIDA. (For period of 1 or 2 years).

Extension



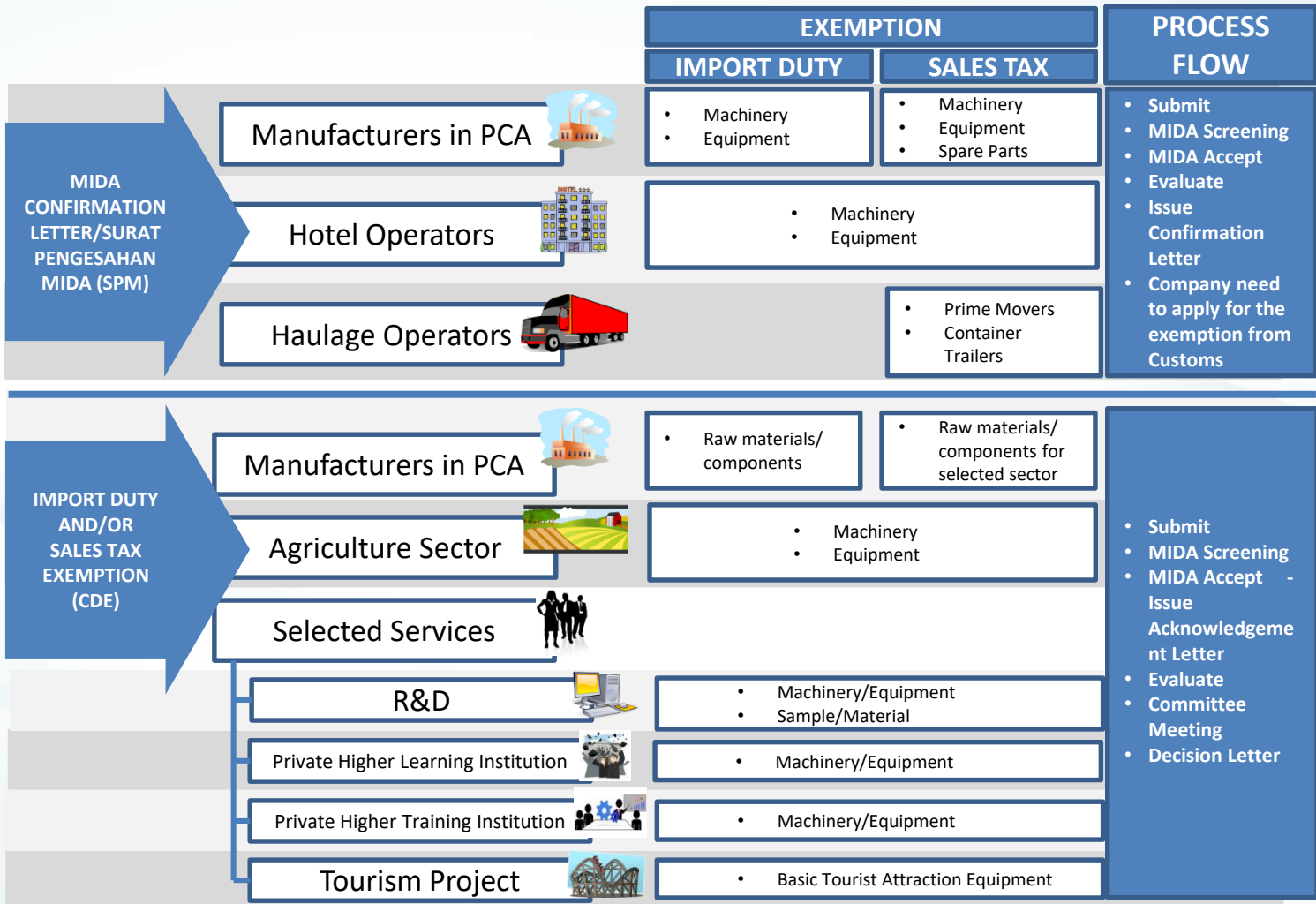
- One day after the expiry date of previous exemption or the date of application accepted by MIDA, whichever later. (For period of 1, 2 or 3 years).

Additional Quantities



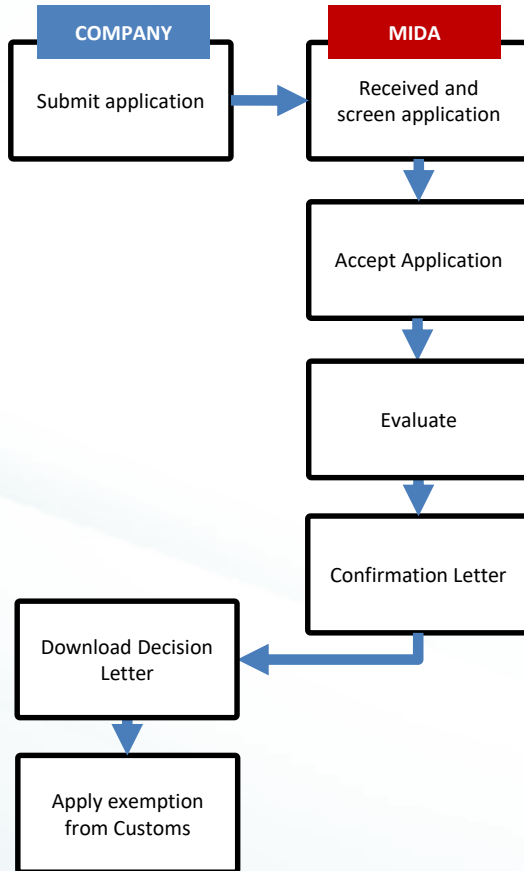
- Date application accepted by MIDA

Process Flow

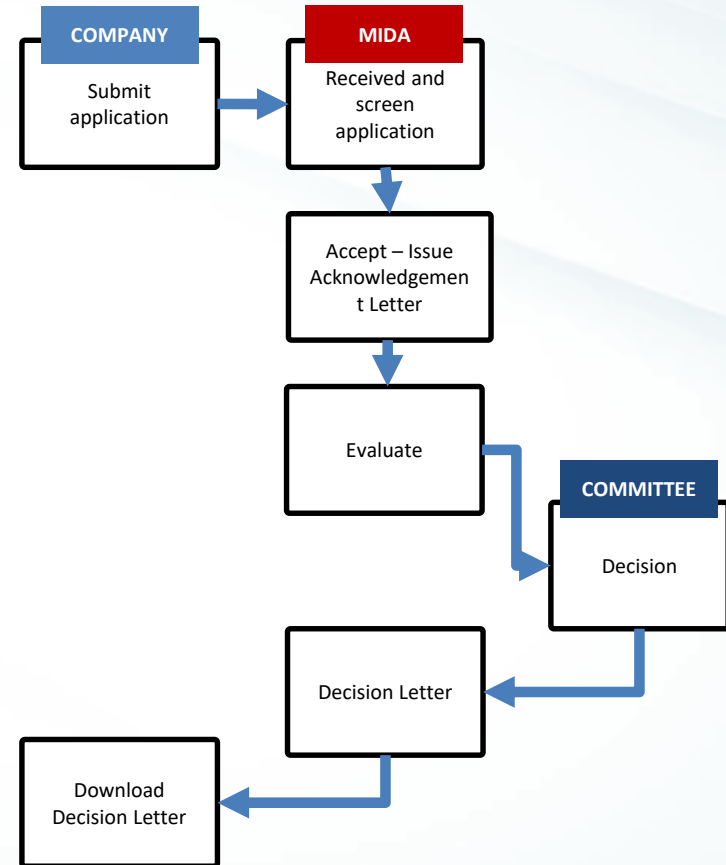


Process Flow

MIDA CONFIRMATION LETTER/SURAT PENGESAHAN MIDA (SPM)



IMPORT DUTY AND/OR SALES TAX EXEMPTION (CDE)



A person wearing a hijab is seen from behind, looking out a window. Their right hand is pressed against the glass. The scene is bathed in the warm, golden light of a sunset or sunrise, with a bright sun visible in the upper left. The window has several vertical panes. The overall mood is contemplative and serene.

Q & A SESSION

THANK
YOU



Tariff Section

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