



Taxavvy

21 February 2020 | Issue 6-2020

National Automotive Policy 2020 (NAP 2020)



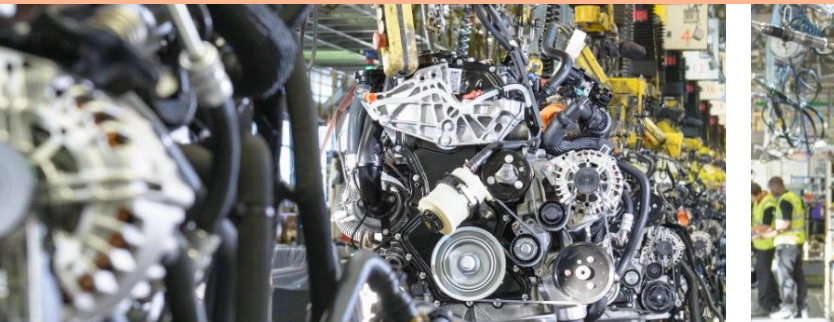
www.pwc.com/my/tax

The NAP 2020

The Prime Minister has announced the NAP 2020 today. The NAP 2020 is built upon the NAP 2014 with additional new technological elements, i.e:

- Next-generation vehicle (NxGV)
- Mobility-as-a-service (MaaS)
- Industry 4.0 (IR 4.0)

It sets a vision for Malaysia to become a regional leader in manufacturing, engineering, technology and sustainable development in the automotive sector.



Directions of NAP 2020

- **Technology and engineering** - Development of critical components and systems for NxGV, MaaS and IR4.0, including systems and components.
- **Investment** - Customised incentives mechanism will be continued based on cost benefit analysis of specific business proposals by investors.
- **Market expansion** - Measures to be introduced to increase export development, not only for vehicles and components, but also for aftermarket and services sector.

Strategies under NAP 2020

- **Value chain development** - To enhance the competitiveness of the domestic value chain in pursuit of high-quality and high-technology products that meet future standards of vehicle manufacturers and consumer needs.
- **Human capital development** - To enhance the competitiveness of the domestic value chain in pursuit of high-quality and high-technology products that meet future standards of vehicle manufacturers and consumer needs.
- **Safety, environment and consumerism** - To promote the adoption of new, more environmentally-friendly technologies in addressing the issue of emissions and vehicle safety, as well as to introduce the elements of consumer rights and protection related to spare parts and services, such as maintenance and recall process.

New elements of NAP 2020

- **NxGV** - Energy efficient powertrains, advanced driving capabilities and connected vehicles
- **MaaS** - Transportation that is consumed as a service, preparing for new ownership models
- **IR 4.0** - Smarter and leaner manufacturing, future-proof business, global market competitiveness

(Source: Ministry of International Trade and Industry)

Objectives of NAP 2020

- Develop NxGV technology ecosystem to make Malaysia the regional hub.
- Expand the participation of domestic automotive industry in the sector of MaaS.
- Ensure the domestic automotive industry is better equipped with new automotive paradigm closely related to IR4.0 development.
- Ensure the entire ecosystem benefits from the spin-off of NxGV implementation.
- Reduce vehicle carbon emission by improving fuel economy level in Malaysia by 2025.

Roadmaps and blueprints

The following roadmaps/blueprints have been established to outline the implementation details of the NAP 2020:

- **Automotive & Mobility Value Chain** - Competitiveness of components suppliers of automotive and mobility value chain to be able to supply either to regional or global markets
- **Automotive & Mobility Technology** - Related technology development in the aspect of EEV, NxGV, smart mobility, Internet of Things (IoT) infrastructure and IR4.0
- **Automotive & Mobility Talent** - Development of a competitive workforce that is fit for industry demand at all levels of manufacturing, marketing, automotive services up to the integration of mobility ecosystem
- **Automotive Aftermarket** - Improvements of remanufacturing, standards and best practices to make Malaysia as an automotive remanufacturing hub in ASEAN
- **Automotive Mobility as a Service** - Planning of transport services and mobility solutions that are specifically tailored to accommodate development needs of Malaysia's automotive industry
- **Automotive Robotics** - Strategies in robotic technology towards providing solutions to the issues and challenges especially in the manufacturing sector
- **Automotive Internet of Things** - Direction of connectivity revolution in automotive industry

For more information, please refer to the NAP 2020 document from the Ministry of International Trade and Industry's [website](#).



NAP 2020 encourages new growth areas through integration of technology such as Next Generation Vehicle (NxGV), Mobility as a Service (MaaS), and Industrial Revolution 4.0 (IR 4.0) which are in line with the development of future technologies.

*YB DATUK IGNATIUS DARELL LEIKING
Minister of International Trade and Industry, Malaysia*





The continuous offering of customised incentives encourages more investments to further develop the green technology and ecosystem in the local auto industry, particularly for the Electrification, EEVs, NxGV, critical components and testing centres associated with EEVs and NxGV.

Currently, green incentives are also available to automotive players. With this announcement, the existing incentives should be reviewed and streamlined as appropriate.

Tax incentives, customs and digital services tax

Customised incentives

A more comprehensive customised incentives and assistance to facilitate business operations will be offered.

Target areas



Energy efficient vehicles (EEV)



Next-generation vehicles (NxGV)



Critical components



Testing centres

Criteria

Value of investment	Critical component manufacturing	Value-added activities
Total production	Supply chain development	Engineering index
Technology transfer	Employment opportunities	Fuel consumption
R&D activities	Total exports	Vehicle carbon emission
Green process at manufacturer and assembler level		



Import licenses and duties

Import licenses (both Open and Franchise AP) continue to be in place, mainly to protect the local automotive industry, monitor and collect data regarding imported motor vehicles into the country.

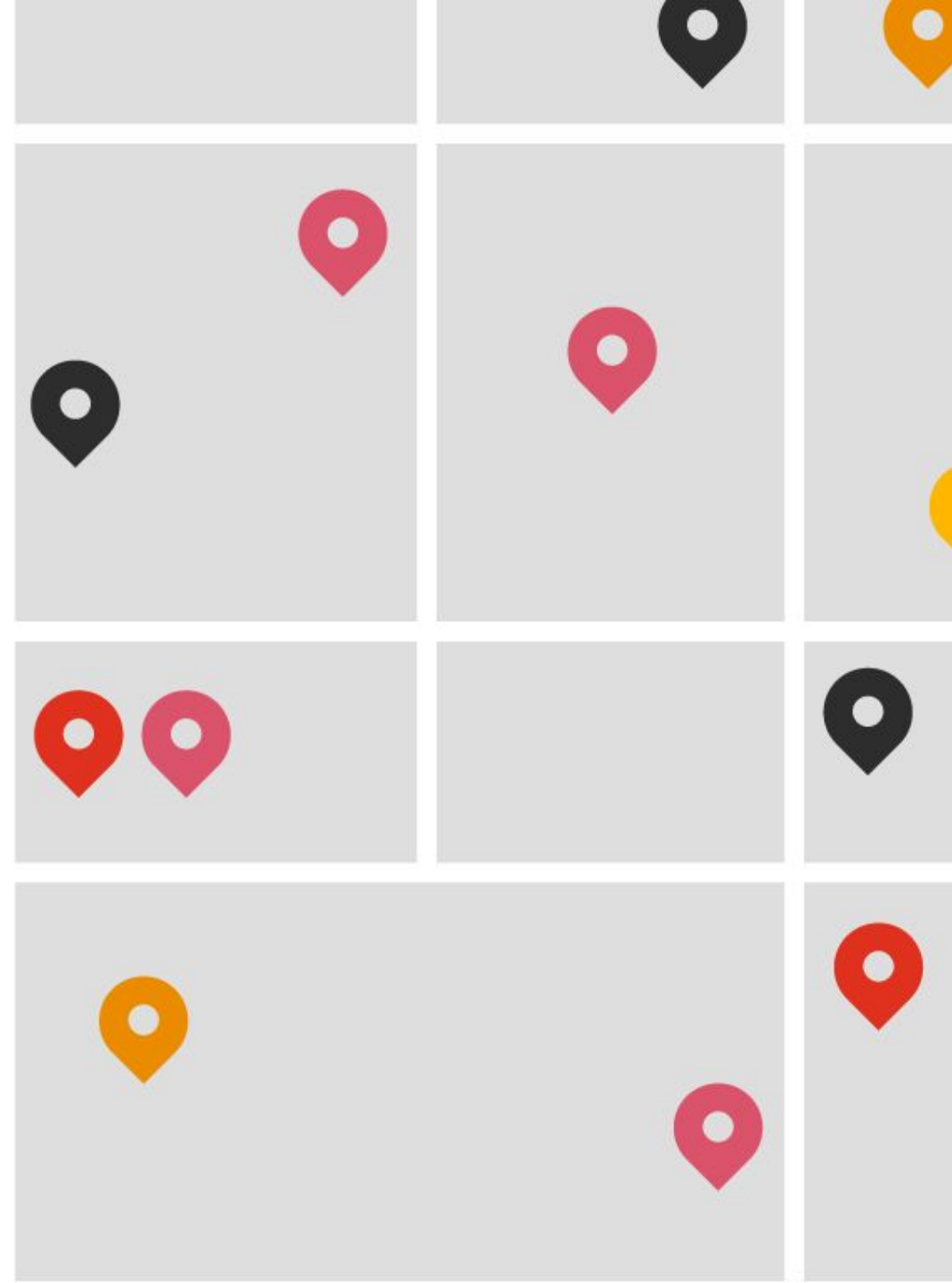
Multi-Sourcing Parts* scheme where import duty exemption is currently given will be abolished by 2021. This is to encourage more local sourcing and utilisation of Free Trade Agreements (FTA). Note that Malaysia has about 14 regional and bilateral FTAs with other countries.

** Refers to components which are not imported together with CKD kits and purchased differently from several suppliers (overseas or local suppliers) by the automotive manufacturers.*

Under NAP 2020, automotive companies are encouraged to maximise the use of FTAs to mitigate any import duty implications for imported goods and expand and access to international export markets with more competitive prices.

Digital services tax

The NAP has a key focus on enhancing the use of technology in the automotive sector. We would anticipate this would require the importation or local development of digital services to realise this ambition. With the introduction of service tax on both foreign and local digital service providers effective 1 January 2020, there is a potential service tax cost to be considered. Additional digital tax exemptions could perhaps be provided to assist the industry in achieving this goal.



Connect with us



Corporate Tax

Taariq Murad
taariq.murad@pwc.com
+60(3) 2173 1580



Indirect Tax

Raja Kumaran
raja.kumaran@pwc.com
+60(3) 2173 1701



World Trade Management Services

Chandrasegaran Perumal
chandrasegaran.perumal@pwc.com
+60(3) 2173 3724



www.pwc.com/my/tax

TaXavvy is a newsletter issued by PricewaterhouseCoopers Taxation Services Sdn Bhd. Whilst every care has been taken in compiling this newsletter, we make no representations or warranty (expressed or implied) about the accuracy, suitability, reliability or completeness of the information for any purpose. PricewaterhouseCoopers Taxation Services Sdn Bhd, its employees and agents accept no liability, and disclaim all responsibility, for the consequences of anyone acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it. Recipients should not act upon it without seeking specific professional advice tailored to your circumstances, requirements or needs.

© 2020 PricewaterhouseCoopers Taxation Services Sdn Bhd. All rights reserved. "PricewaterhouseCoopers" and/or "PwC" refers to the individual members of the PricewaterhouseCoopers organisation in Malaysia, each of which is a separate and independent legal entity. Please see www.pwc.com/structure for further details.