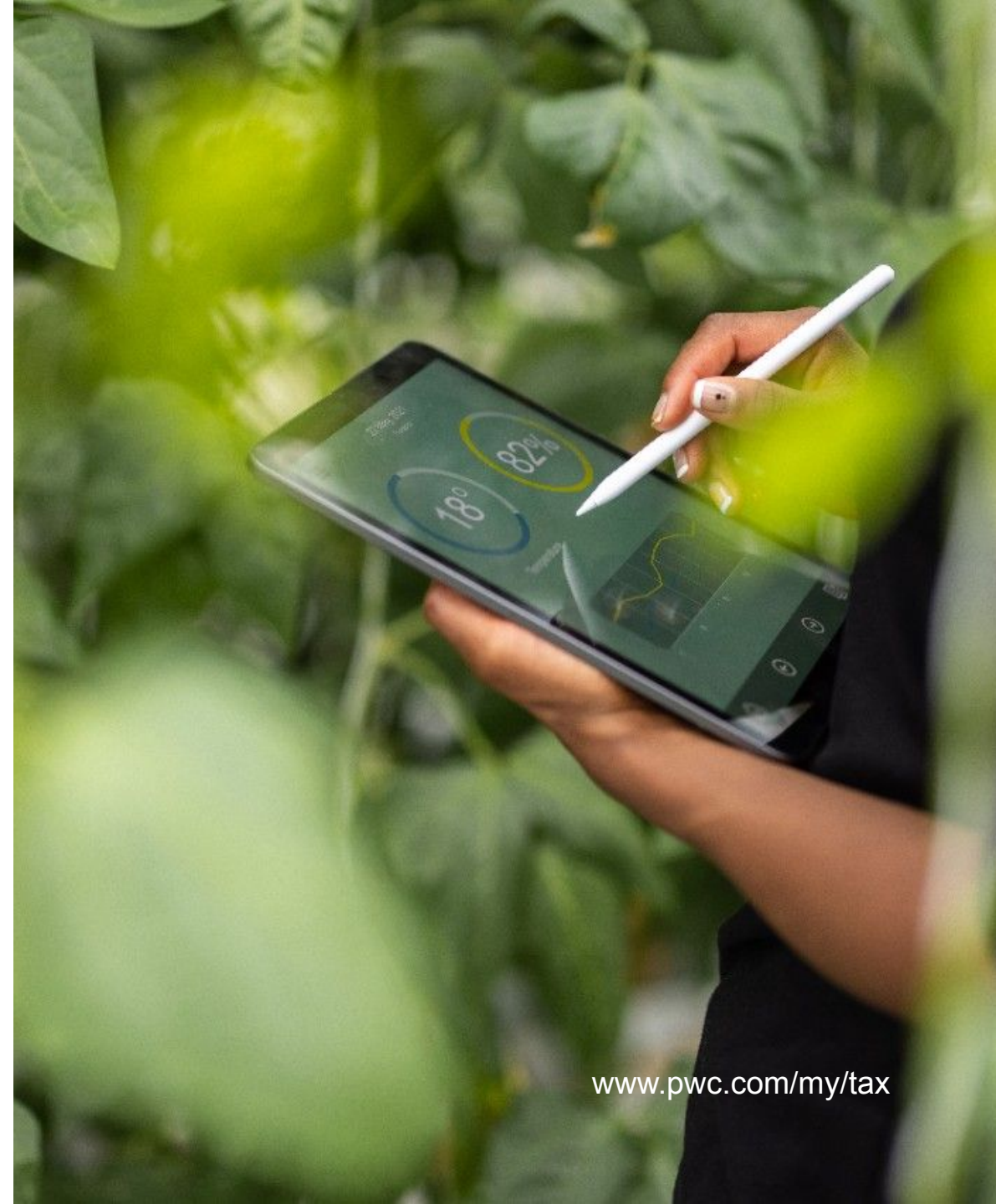




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Malaysia Digital



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Malaysia Digital

Malaysia Digital was launched on 4 July 2022 as the new national strategic initiative, succeeding MSC Malaysia, to encourage and attract companies, talents and investment while enabling Malaysian businesses and the Rakyat to play a leading part in the global digital economy.

Introduction

Malaysia's transformation into the digital economy sphere began with the setting up of MSC Malaysia in 1996. MSC Malaysia's aim was to transform Malaysia into an innovative hub for multimedia technology with the introduction of high-technology business districts and special economic zones. During the past 26 years, a wide range of policies, measures and tax incentives were implemented with the focus of building a knowledge-based society while leveraging on information and communication technology.

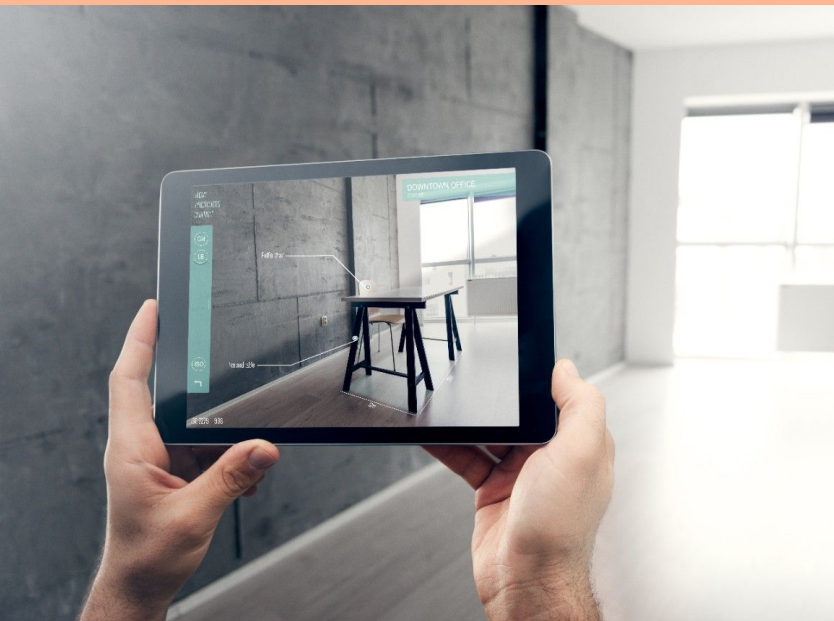
26 years on, and against the backdrop of the global shift towards digitalisation hastened by the pandemic, Malaysia Digital is launched with the following strategic priorities towards building a digital nation:

1. Drive digital adoption among aspiring young entrepreneurs, companies and the Rakyat;
2. Grow local technology companies to become 'Malaysian Champions' and successful international players; and
3. Attract high-value digital investments.

The execution of Malaysia Digital will be led by the Malaysia Digital Coordination Committee which will serve to coordinate the governance and operations of Malaysia Digital.

New Enhanced Framework

Malaysia Digital has a new and enhanced framework - an improvement of MSC Malaysia which includes a refreshed Bill of Guarantees, non-location-based incentives and an expansion of locations for promoted activities. New Malaysia Digital status companies will have the flexibility to choose the benefits (with or without tax incentives) with applicable conditions to be announced later.



Malaysia Digital Bill of Guarantees

The Malaysia Digital Bill of Guarantees (BoGs) is a refresh of the existing MSC Malaysia BoGs which provides a Malaysia Digital status company with a set of incentives, rights and privileges. These are:

1. To provide world-class physical and information infrastructure
2. To allow employment of local and foreign knowledge workers
3. To ensure freedom of ownership with exemption from local ownership requirements
4. To allow the freedom of sourcing capital globally for Malaysia Digital infrastructure and the right to borrow funds globally
5. To provide competitive financial incentives, namely income tax exemption or investment tax allowance and no duties on importation of multimedia equipment
6. To become a regional leader in Intellectual Property protection and cyber laws
7. To ensure no censoring of the Internet
8. To provide globally competitive telecommunication tariffs
9. To tender key Malaysia Digital infrastructure contracts to leading companies willing to use Malaysia as their regional hub
10. To provide a high-powered implementation agency to act as an effective one-stop super shop.

** BoGs 1 and 8 are only available for Malaysia Digital status companies located in Malaysia Digital Cybercities / Cybercentres.*

Removal of location-based requirement

From 25 March 2022, Malaysia Digital status companies are allowed to operate and undertake their approved activities in any location within Malaysia. Nevertheless, to enjoy the benefits of a world-class physical and information infrastructure (BoG 1) and globally competitive telecommunications tariffs (BoG 8), the Malaysia Digital status companies must be located in Malaysia Digital Cybercities / Cybercentres.

Malaysia Digital Activities

Qualifying activities include provision of services in relation to any of the following technologies or areas (**items 17 to 20** are new activities introduced under Malaysia Digital):

1. Big data analytics
2. Artificial intelligence
3. Financial technology
4. Internet of Things
5. Cybersecurity (technology/software/design and support)
6. Data centre and cloud
7. Blockchain
8. Creative media technology
9. Sharing economy platform
10. User interface and user experience
11. Integrated circuit design and embedded software
12. 3D printing (technology/software/design and support)
13. Robotics (technology/software/design)
14. Autonomous technologies
15. Systems/network architecture design and support
16. Global business services or knowledge process outsourcing
17. **Virtual, augmented and/or extended reality**
18. **Drone technology**
19. **Advance telecommunication technology**
20. **Other emerging technologies deemed significant for the digital ecosystem (subject to approval)**

Tax incentives for Malaysia Digital Status Companies

The tax incentives for Malaysia Digital status companies (BoG 5) are currently being reviewed to take into consideration the industry's feedback as well as alignment to international taxation standards, i.e. to incorporate the requirements to address the following:

- Minimum standard of Base Erosion and Profit Shifting (BEPS) Action 5 - Forum on Harmful Tax Practices, and
- BEPS 2.0, namely Pillar 1 and Pillar 2 to address the tax challenges arising from the digitalisation of the economy.

In the meantime, the Malaysia Digital Economy Corporation (MDEC) has announced that existing MSC Malaysia status companies will be redesignated as Malaysia Digital status companies and will continue to enjoy the benefits of the BoGs and existing tax incentives granted, subject to compliance of existing conditions of the status granted.

Existing tax incentives for MSC Malaysia (redesignated Malaysia Digital) status companies

	Category 1	Category 2	Category 3
Incentive	Income tax exemption on statutory income (may be value added income, as defined) derived from approved activities excluding royalty and other income from intellectual property		
Statutory income exempted	100%		70%
Incentive period	5 + 5 years (extension)		5 + 5 years (extension - subject to meeting conditions and upgrading to category 1 or 2)
Location where qualifying activities are carried out	Designated premises within MSC cybercity or cybercentre	Within MSC cybercity or cybercentre	Not subject to location condition
	<i>From 25 March 2022, Malaysia Digital status companies are allowed to operate and undertake their approved activities in any location within Malaysia.</i>		
Minimum number of full-time employees (& minimum monthly base salary)	50 persons (RM5,000) 30 persons (RM10,000) Data Centre: 5 persons (RM5,000)		30 persons (RM5,000) 20 persons (RM8,000)
Minimum annual operating expenditure and investment in fixed assets	RM3.5 million		RM1 million
	Data Centre: RM10 million		

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