GOVERNMENT POLICIES, FACILITATIONS & ASSISTANCE FOR THE PLASTICS AND THE MOULD AND DIE INDUSTRIES IN MALAYSIA

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Chemical and Advanced Materials Division
PRESENTATION OUTLINE

PLASTICS INDUSTRY IN MALAYSIA
MOULD & DIE INDUSTRY IN MALAYSIA
INVESTMENT POLICIES
INCENTIVES:
  • MAIN INCENTIVES
  • OTHER INCENTIVES
PLASTICS INDUSTRY IN MALAYSIA
Plastics Industry Sub-sectors In Malaysia

Source: Malaysian Plastics Manufacturer Association
Plastics Industry Ecosystem

<table>
<thead>
<tr>
<th>FEEDSTOCK &amp; BASIC BUILDING BLOCKS</th>
<th>RESINS</th>
<th>USER</th>
<th>RECYCLING</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consist of petroleum crude oil and natural gas</td>
<td>Such as PE, PP, PVC, PS, ABS, PA, SAN and PBT</td>
<td>Packaging, specialised plastic, E&amp;E and automotive components</td>
<td>Pallet &amp; secondary plastic products</td>
</tr>
</tbody>
</table>

COMPANIES IN OPERATION

- Shell
- LOTTE CHEMICAL
- Polyplastics
- ’TORAY’
-’PENFIBRE SDN BERHAD’
- BASF
- PETRONAS
- MECI
- KANEKA
- IRM
- NYLEX (MALAYSIA) BERHAD
- MAL TECHNOLOGY
- SUNNYJAYA PLASTIC INDUSTRIES
- Enablers
PETRONAS’ Pengerang Integrated Complex (PIC) development comprises the Refinery and Petrochemical Integrated Development (RAPID) Complex and its associated facilities.

- As at September 2016, MIDA approved RM46.16 billion worth of petrochemical plants’ manufacturing licenses and its associate facilities in relation to the project. The PIC is expected to begin its operation by 2019.

- PETRONAS remains fully committed to the project that has received its Final Investment Decision (FID) and the project is currently progressing well.
Some Potential Products from RAPID

- Liquefied Petroleum Gas, Naphtha, Gasoline, Jet Fuel, Diesel, Slurry/Fuel Oil
- Hydrogen
- Syngas
- Propylene
- Ethylene
- Butadiene
- Methyl Tertiary Butyl Ether (MTBE)
- Raffinate 2
- Methanol
- High Density Polyethylene (HDPE)
- Linear Low Density Polyethylene (LLDPE)
- Polypropylene (PP)
- Mono Ethylene Glycol
- Di Ethylene Glycol
- Tri Ethylene Glycol

RM million

<table>
<thead>
<tr>
<th>Year</th>
<th>Approval (RM million)</th>
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<tbody>
<tr>
<td>2008</td>
<td>635</td>
</tr>
<tr>
<td>2009</td>
<td>770</td>
</tr>
<tr>
<td>2010</td>
<td>780</td>
</tr>
<tr>
<td>2011</td>
<td>665</td>
</tr>
<tr>
<td>2012</td>
<td>1,109</td>
</tr>
<tr>
<td>2013</td>
<td>848</td>
</tr>
<tr>
<td>2014</td>
<td>884</td>
</tr>
<tr>
<td>2015</td>
<td>911</td>
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</tbody>
</table>
Approved Projects In Plastics Industry  1H - 2016

RM271.6 million

58.2 : 41.7
Domestic-Foreign investment ratio

25
Projects Approved

1,026
Employment opportunities

Major Investments

- Maxonic Marketing Sdn. Bhd.
- Plashouse Sdn. Bhd.
- Ichiplas (M)Sdn. Bhd.

Note: Further details of Investment Performance is available at MIDA website http://www.mida.gov.my/home/facts-and-figures/posts/
Industry Snapshot

Industry Snapshot – Malaysia (2014)

Production
RM36.6 billion*

Exports
RM27.3 billion#

Imports
RM54.5 billion#

Companies
M&E (1115), ESI (1023)
2,138

Employees
138,524

M&E

Sectors
Manufacturing,
Services,
Agriculture,
Mining,
Construction

ESS

- Specialised / Process M&E
- Metal Working M&E
- General M&E, Modules & Components
- Power Generating

- Mould & Die
- Forging
- Machining
- Surface Engineering
- Stamping
- Heat Treatment
- Casting

* Source from Frost and Sullivan at 2008 with consideration of 5% growth
# Matrade
Mould & Die Industry Background

- Established since 1970s
- About 400 industry players

Opportunities
High precision mould and dies for E&E industry
Large moulds (>10MT) for automotive and plastic industries

Precision specifications by international semiconductor industry requirements
End-user industry: Automotive, E&E

BLOW MOLDING PROCESS

STEP 1: Melted Polymer Material is Injected Between Two Cooled Sections of a Mould
STEP 2: Air Enters The Cavity and Pushes the Polymer Into the Shape of the Mould
STEP 3: Mould Opens, And the Hollow Product is Resolved and Tolled
INVESTMENT POLICIES
Guidelines on Manufacturing License

The Industrial Coordination Act 1975 requires manufacturing companies with shareholders’ funds of RM2.5 million and above or engaging 75 or more full time paid employees to apply for a manufacturing license (ML). ML application will be processed by MIDA.
Investment Policies

100% Foreign Equity

Repatriation of Funds

No Restrictions
Guidelines on expat post

- The consideration of expatriate posts will be based on the company’s requirement and merits of the case.

- The company must submit the following documents before the expatriate post can be considered:
  - Companies Commission of Malaysia
  - ML and/or Incentive
  - Business Licence

- Minimum basic salary of at least RM5,000 (term-post) and academic qualification with experience in related field.

- The approval will be automatically cancelled if the company failed to fill-in the approved expatriate post within one (1) year from the date of the approval letter.
MAIN & NEW INCENTIVES
Targeted Plastic Sectors In Manufacturing
Promoted List Under PIA 1986 – Related to Plastics

GENERAL LIST

- Manufacture of plastic products such as:-
  - Specialised plastic films or sheets
  - Geosystem products
  - Engineering plastic products
  - Products moulded under clean room conditions
  - Biopolymers or products thereof
- Manufacturing related services – Recycling of waste such as:
  - Toxic & non toxic waste
  - Biodegradable disposable packaging products and household wares

HIGH TECHNOLOGY

- Development and manufacture of polymers and biopolymers

SMALL SCALE

- Manufacture of plastic products such as:-
  - Decorative panels & ornaments
  - Epoxy encapsulation moulding compound
Main Incentives

**PIONEER STATUS (PS)**
Income tax exemption ranging from 70% or 100% for a period of 5 or 10 years

**INVESTMENT TAX ALLOWANCE (ITA)**
60% or 100% on qualifying capital expenditure for 5 years. Can be offset against 70% or 100% of statutory income.

**PIONEER STATUS (PS)**
100% income tax exemption for a period of 5 years

**INVESTMENT TAX ALLOWANCE (ITA)**
60% on qualifying capital expenditure for 5 years. Can be offset against 100% of statutory income.
Reinvestment Allowance

60% on qualifying capital expenditure for 15 consecutive years

Under 2016 Budget, Malaysia Government has agreed to provide a special RA for 3 years to companies in manufacturing and selected agricultural sectors, whose RA have expired. (Year of assessment of 2016 - 2018)

(Application to be submitted to IRB)

Import Duty Exemption

For raw materials and components

(Application to be submitted to Tariff Division, MIDA)
Other Incentives

- **Capital Allowance to Increase Automation in Labour-Intensive Industries**
- **Incentive for Less Developed Areas**
- **Green Technology Incentive**
AUTOMATION CAPITAL ALLOWANCE (ACA)

**TYPE OF INCENTIVE**

**Category 1:**
Labour intensive industries (rubber products, plastics, wood, furniture and textiles) – ACA of 200% on the first RM4 million expenditure incurred within Year of Assessment 2015 to 2017.

**Category 2:**
Other industries - ACA of 200% on the first RM2 million expenditure incurred within Year of Assessment 2015 to 2020.

**TARGET GROUP**

Manufacturing companies (labour and non-labour intensive) operating at least 36 months in Malaysia

**IMPLEMENTATION TIMELINE**

**Category 1:**
Year of Assessment (YA) 2015 – YA 2017

**Category 2:**
Year of Assessment (YA) 2015 – YA 2020
Income Tax Exemption:
100% up to 15 years of assessment (5+5+5) OR
Investment Tax Allowance:
100% of qualifying capital expenditure incurred within 10 years

Stamp Duty Exemption on:
Transfer or lease of land or building used for development in relation to manufacturing and services activities

Witholding Tax Exemption on:
Fees for technical advice, assistance or services or royalty in relation to manufacturing or services activities

Import Duty Exemption on:
- Raw materials & components used directly in the manufacturing process
- Machinery & equipment in the activity for the selected services sector
TARGET GROUPS

✓ Existing companies expanding their operation into the less developed areas; OR

✓ Newly established companies

ELIGIBILITY CRITERIA

✓ Undertake manufacturing or services activities in less developed areas with substantial employment creation and rural development

✓ Comply with conditions including value added, local employment and Managerial, Technical and Supervisory Index (MTS index)

EFFECTIVE DATE OF APPLICATION

✓ Submission period: 1 January 2015 to 31 December 2020

✓ Application submitted to MIDA

APPLICATION PROCEDURES

✓ Submission using ICA/JA1 or ICA/JA2 or ICA/JA3
### Green Technology Incentive, Income Tax Act, 1967

<table>
<thead>
<tr>
<th>PROJECT</th>
<th>SERVICES</th>
<th>ASSET</th>
</tr>
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<tbody>
<tr>
<td><strong>Definition</strong></td>
<td>Investment in assets/equipment / system to undertake a Green Technology project</td>
<td>Provision of services to Green Technology user / project</td>
</tr>
<tr>
<td><strong>Incentive</strong></td>
<td>Investment Tax Allowance (ITA) of 100% of qualifying capital expenditure incurred from the YA 2013 until the YA 2020. (offset against 70% of statutory income)</td>
<td>Income Tax Exemption (ITE) of 100% of statutory income from the YA 2013 until the YA 2020</td>
</tr>
<tr>
<td><strong>Evaluating Agency</strong></td>
<td>MIDA</td>
<td>MIDA</td>
</tr>
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</table>
Promoted Industries

Energy
- Renewable Energy
- Energy Efficiency

Building
- Green Building
- Green Data Centre

Integrated Waste Management
- Waste recycling
- Waste recovery
- Waste treatment

Supporting Services
- Certification & verification bodies
- Green Township
- Electric Vehicle Services
Renewable Energy (RE)

Project

Commercial & industrial business entities which undertake generation of energy using RE sources:

- *Solar*
- Biomass
- Biogas
- Mini-Hydro
- Geothermal

Services

Feasibility study, system design & advisory & consultancy, testing & commissioning

* Exception: Solar project under FiT Scheme
Energy Efficiency (EE)

Project

Investment in energy efficient equipment or technologies for own benefit or for business purposes

Services

Advisory & consultancy, Energy audit & management, Measurement & verification, Testing & commissioning
Building owners of the commercial / industrial building that have been awarded green building certificates from certification body approved by the Government.

Design & consultancy, testing & commissioning of green building equipment/system.
Investment in any energy efficient product or solution for data centre which have been awarded green building certificates from relevant certification body approved by the Government

System design & feasibility study, Advisory & consultancy, Testing & commissioning
Waste Management

Integrated Project

- Waste recycling
- Waste recovery
- Waste treatment
- Composting / storage / collection / disposal
Thank You

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