

**GUIDELINES  
DOMESTIC INVESTMENT STRATEGIC FUND**

**1. INTRODUCTION**

Establishment of a Domestic Investment Strategic Fund of RM1 billion to accelerate the shift of Malaysian-owned companies in targeted industries to high value-added, high technology, knowledge-intensive and innovation-based industries. The package of assistance will be granted under the Customised Incentive Scheme, based on the request of the companies and the merits of each case. The Fund aims to harness and leverage on outsourcing opportunities created by MNCs operating in Malaysia; intensify technology acquisition by Malaysian-owned companies; and enable Malaysian-owned companies to obtain international standards/certifications in strategic industries. The Fund does not offer an outright grant and is contingent on the investments of the applicant.

**2. INCENTIVES**

The Domestic Investment Strategic Fund will provide matching grants (1:1) as follows:

- 2.1. For training and R&D activities;
- 2.2. To undertake outsourcing activities;
- 2.3. To comply with international standards; and
- 2.4. For licensing/purchase of technology.

**3. ELIGIBILITY CRITERIA**

- 3.1. Incorporated under the Companies Act, 1965.
- 3.2. New companies in the manufacturing and services sectors with Malaysian equity ownership of at least 60%.

- 3.3. Existing companies in the manufacturing and services sectors with Malaysian equity ownership of at least 60% undertaking reinvestments (expansion/modernisation/diversification).
- 3.4. Companies producing promoted products/engaged in promoted activities in the following priority sectors:
  - 3.4.1. Aerospace;
  - 3.4.2. Medical Devices;
  - 3.4.3. Pharmaceuticals;
  - 3.4.4. Advanced Electronics;
  - 3.4.5. Machinery and Equipment;
  - 3.4.6. Renewable Energy;
  - 3.4.7. Services including design, R&D, testing, quality and standard certification, engineering services, technical and skills training and logistics service providers (3PL); and
  - 3.4.8. Other industries, on a case by case basis.

#### **4. SCOPE OF THE FUND**

The Fund will cater for expenditures incurred for the following activities:

- 4.1. Training of Malaysians;
- 4.2. R&D activities carried out in Malaysia;
- 4.3. Modernisation and upgrading of facilities and tools to undertake manufacturing or services activities for Multinational Corporations (MNCs) and Malaysian conglomerates (outsourcing activities<sup>1</sup>);
- 4.4. Obtaining international standards/certification; and
- 4.5. Licensing or purchase of new/high technology.

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<sup>1</sup> *Outsourcing is a subcontracting process that involves manufacturing, manufacturing related services, business services and delegation of some/all operations to an external entity, usually specialised in that operation.*

**5. MECHANISM**

Incentive to be provided under the Customised Incentive Scheme, Section 127, Income Tax Act 1967.

**6. EFFECTIVE DATE OF APPLICATION**

Applications received by Malaysian Investment Development Authority (MIDA) from 3 July 2012 are eligible to be considered for this incentive.