

company and as such will be available for setoff against income from other sources in the same year and any excess can also be carried forward as part of business loss to be utilized in future years against any business income.

(d) Agricultural Allowance

Under the agricultural allowance, certain capital expenditure incurred in agricultural activities are eligible for deduction as follows:-

- (i) expenditure incurred on the clearing and preparation of land, planting of crops and construction of roads for purposes of agriculture, is eligible for a yearly allowance of 50% of the expenditure incurred;
- (ii) expenditure incurred on construction of buildings, for the welfare of persons or living accommodation, can be written off at a rate of 20% per annum;
- (iii) expenditure incurred on the construction of any other building used for the purposes of working the farm can be written off over a period of 10 years, that is, at the rate of 10% per annum.

As long as companies incur the above qualifying expenditure they will be given this allowance, irrespective of whether or not they have been granted the Pioneer Status or the ITA. As Pioneer Status companies will not benefit from this allowance during their tax holiday period, the allowance will be available for deduction against the post-pioneer income. This could be a substantial benefit and in fact possibly extends the number of years that the company may not be liable to income tax on its business income from agricultural activities.

- (e) An Abatement of Adjusted Income for Exports is granted to integrated agricultural projects which export their manufactured products. (Please refer to B(b) on page 379).
- (f) An Abatement of 5% of Adjusted Income is granted to a company engaged in processing agricultural produce which complies with Government policy on capital participation or employment in industry on or after 1.1.1986.
- (g) Export Credit Refinancing Facility (Refer to B(a) on page 379).
- (h) Double deduction for promotion of exports (Refer to B(e) on page 379).
- (i) Double deduction of export credit insurance premiums (Refer to B(d) on page 379).
- (j) Industrial Building Allowance (IBA) (Refer to B(f) on page 380).
- (k) Accelerated Depreciation Allowance (Refer to A(f) on page 379).
- (l) Reinvestment Allowance (Refer A(g) on page 379).
- (m) Incentives for Research and Development (Refer to C on page 380).

3. Incentives for the Tourism Industry

The following incentives which apply from 1.1.1986 are to be considered for both tourism projects and

hotel businesses:-

- (a) Pioneer Status (as in the manufacturing section)
- (b) Investment Tax Allowance (as in the manufacturing section).
- (c) Industrial Building Allowance which consists of an initial allowance of 10% and an annual allowance of 2% is granted in respect of capital expenditure incurred on a hotel building which is used for the purpose of a hotel business carried on by a pioneer company, or a company granted Investment Tax Allowance.
- (d) Tour operators who bring in at least 500 foreign tourists through group inclusive tours will be exempted from tax in respect of income derived from the business of operating such tours. This incentive effective for the years of assessment 1986 to 1990 inclusive, is given to operators registered and approved by the Tourist Development Corporation of Malaysia.

4. Tariff protection

Tariff protection - policy

It is the policy of the Government to provide tariff protection to deserving industries which are in a position to supply a major portion of the domestic market provided that the product is of acceptable quality and the price to consumers is reasonable.

In the granting of tariff protection, consideration will be given to the degree of utilisation of domestic raw materials, and the level of local value added to be achieved, and the level of technology of the industry.

The long term need for tariff protection of industries already granted tariff protection however, will be reviewed from time to time, in order that protection is granted at an optimum level consistent with the needs of the industry and the welfare of consumers.

Applications for tariff protection should be submitted to MIDA in the prescribed forms.

5. Exemption from customs duty on direct raw materials/components

The level of exemption from customs duty granted on raw material/components depends on whether the finished products are sold in the domestic market or are exported.

(a) Manufacture of goods for export

In the case of companies manufacturing finished products for the export market, exemptions from customs duty on imported direct raw materials are normally granted on the following basis:-

- (i) full exemption from import duty provided such direct raw materials/components are not manufactured locally, or where they are manufactured locally, are not of acceptable quality and price.
- (ii) full exemption from surtax, where applicable.

(b) Manufacture of goods for the domestic market

An application from a manufacturing company is eligible for consideration if it complies