

- overseas advertising
- supply of free samples abroad
- export market research
- preparation of tenders for supply of goods overseas
- supply of technical information abroad
- exhibits and/or participation required in trade or industrial exhibitions approved by the Ministry of Trade and Industry
- services rendered for public relations work connected with export.
- fares in respect of travel overseas by employees of companies for business.
- accommodation and sustenance expenses incurred by Malaysian businessmen going overseas for business subject to MS200 per day.
- cost of maintaining sales offices overseas for the promotion of exports.

- (f) **Industrial Building Allowance (IBA)**
A company is eligible for IBA in respect of buildings used as warehouses and as bulk storage installations for storing goods for export. The IBA consists of an initial allowance for 10% and an annual allowance of 2%.

C. Incentives for Research and Development

The following incentives are available to companies to encourage research and development in industry:-

- (a) Expenses of a revenue nature incurred by a person on scientific research related to his business and directly undertaken by him or on his behalf, is eligible for deduction. Revenue expenditure incurred for research approved by the Minister of Finance is eligible for double deduction.
- (b) Industrial building allowance in the form of an initial allowance of 10% and an annual allowance of 2% is available for buildings used for purposes of approved research.
- (c) Plant and machinery used for purposes of approved research are eligible for capital allowances.

D. Incentives for Training

In order to upgrade skills and improve productivity the following incentives have been provided:-

- (a) **Industrial Building Allowance (IBA)** is granted to a company which has incurred expenditure on buildings used for approved industrial training. The incentive consists of an initial allowance of 10% and an annual allowance of 2%.
- (b) **Double Deduction of Operational Expenses** is granted to a manufacturing company that has incurred expenditure for approved training. This incentive is effective from the year of assessment 1988.

2. Incentives for the Agricultural Sector

Under the Promotion of Investments Act, 1986, the term "company" in relation to agriculture includes agro-based cooperative societies, agro-based associations and sole proprietorships and partnerships.

These are eligible to apply for the incentives which are:-

(a) Pioneer Status

As in manufacturing, companies producing 'promoted products' or engaged in 'promoted activities' are eligible to apply for pioneer status. The period of tax relief under this incentive is five years⁶ commencing from production day as determined by the Minister of Trade and Industry. The tax relief period may be extended for a further five years⁶ for a company processing agricultural produce and which fulfils certain criteria as determined by the Minister of Trade and Industry.

(b) Investment Tax Allowance (ITA)

The investment tax allowance (ITA) is granted to companies producing 'promoted products' or engaged in 'promoted activities'. (Please see Appendix I.) The maximum rate that can be granted under ITA is 100% and it is given for qualifying expenditure incurred within five years from the date of approval.

To assist agricultural projects to enjoy greater benefits, the Government has broadened the definition of qualifying capital expenditure to include the following:-

- (i) the clearing and preparation of land;
- (ii) the planting of crops;
- (iii) the provision of irrigation or drainage systems;
- (iv) the provision of plant and machinery used in Malaysia for the purposes of crop cultivation, animal farming, aquaculture, inland or deep-sea fishing and other agricultural or pastoral pursuits;
- (v) the construction of access roads including bridges;
- (vi) the construction or purchase of buildings (including those provided for the welfare of persons or as living accommodation for persons) and structural improvements on land or other structures which are used for the purposes of crop cultivation, animal farming, aquaculture, inland fishing and other agricultural or pastoral pursuits; provided that for the purposes of paragraphs (v) and (vi) such roads, bridges, buildings, structural improvements on land and other structures are on land forming part of the land used for the purpose of such crop cultivation, animal farming, aquaculture, inland fishing and other agricultural or pastoral pursuits.

In view of the time lag between start up of the agricultural project and processing of the produce, integrated agricultural projects are eligible for ITA for another 5 years for expenditure incurred for their manufacturing.

(c) Export Allowance for Agricultural Produce

An export allowance equivalent to 5% of the FOB value of export sales will be granted to encourage the export of certain agricultural produce as determined by the Minister of Trade and Industry. This incentive, available to resident companies, will be given as a deduction against the gross income of the

6. In respect of an integrated agricultural project, the additional years of tax relief applies only to the manufacturing activity of the project.