

as determined by the Minister of Trade and Industry. The current list of promoted activities and promoted products is to be found in Annex 2.

- (c) An Abatement of 5% of the Adjusted Income for a minimum period of five years is granted to resident manufacturing companies located in designated promoted industrial areas.
- (d) An Abatement of 5% of the Adjusted Income is granted to resident small scale⁴ manufacturing companies for a period of five consecutive years commencing from the year of commencement of business.
- (e) An Abatement of 5% of the Adjusted Income is granted to a manufacturing company which complies with the government's policy on capital participation or employment on or after 1.1.1986 (excluding those which had complied before 1.1.1986).
- (f) Accelerated Depreciation Allowance (ADA) will no longer be available for capital expenditure incurred after 31.12.1988. The expenditure will only qualify for the normal capital allowances rates.
- (g) Reinvestment Allowance (RA) is granted to companies engaged in manufacturing which incur qualifying capital expenditure for the purpose of approved expansion before 31.12.1990. The RA is in the form of an allowance of 40% of capital expenditure on plant, machinery and factory building incurred on or after 1.1.1988. (For companies which incurred qualifying capital expenditure for the purpose of approved expansion before 1.1.1988, the previous RA rate of 25% will apply.)

B. Incentives for Export

In addition to the above incentives, manufacturers producing for the export market may also be eligible for the following:-

- (a) **Export Credit Refinancing Scheme**
In line with the Government's objective to promote the growth of exports of manufactured goods, Malaysia's Central Bank, Bank Negara, has implemented an Export Credit Refinancing (ECR) Scheme which provides Malaysian exporters with short-term credit at preferential rates of interest to enable them to compete more effectively in international markets. The main features of the facility are as follows:-
 - The credit is extended by commercial banks to exporters of goods manufactured in Malaysia. The maximum period of refinancing, for all eligible products for pre-shipment is four months, and for post-shipment is six months.
 - Eligibility of goods for refinancing under the ECR scheme is determined through a 'negative list' concept, whereby products not listed in the negative list will be eligible for refinancing under the pre-shipment and post-shipment refinancing schemes provided they satisfy the 20% value-added and 30% local content criteria.

However, these criteria are being implemented flexibly taking into account special circumstances. Currently crude rubber, vegetable oil products, cocoa products, agricultural food products and textile products are exempted from these requirements. For other products that do not fulfil the local content and value-added criteria, exemption is given by Bank Negara on a case by case basis.

- The current maximum interest rate for exporters under this facility is 4% per annum.
 - The maximum amount of refinancing for each firm is MS5 million on an outstanding basis (for both post and pre-shipment), but higher limits may be given on a case by case basis upon application to Bank Negara, and
 - The minimum amount for refinancing, that is, the minimum value of each substitution bill is MS20,000 expressed to the nearest thousand ringgit. Exporters can "bunch" several smaller bills to make MS20,000.
- (b) An Abatement of Adjusted Income for Exports is granted to resident manufacturing companies exporting directly or through agents, products which are manufactured in Malaysia. The amount of the adjusted income to be abated shall be an amount equal to:-
 - (i) a rate which is equivalent to 50% of export sales as bears to total sales; and
 - (ii) 5% of the value of indigenous Malaysian materials⁵ which are incorporated in the manufacture of the products exported.
 - (c) An Export Allowance of 5% based on the FOB value of export sales is granted to trading companies which export products manufactured in Malaysia.
 - (d) **Double Deduction of Export Credit Insurance Premiums**
To encourage exporters to penetrate into non-traditional markets, double deduction is allowed for premium payments in respect of export credit insurance insured with a company approved by the Minister of Finance.
This is effective from year of assessment 1986.
 - (e) **Double Deduction for Promotion of Exports**
Certain expenses incurred by resident companies for the purpose of seeking opportunities for export of products manufactured in Malaysia are eligible for double deductions. The expenses that qualify are expenses incurred on:-

4. A small scale manufacturing company is defined as one whose shareholders funds is less than MS500,000

5. Indigenous Malaysian materials means plants, animals, fisheries, minerals and any other materials grown, cultured, reared, captured, extracted or the extractions thereof in their raw or semiprocessed form in Malaysia.