



BRIEFING AND ENGAGEMENT SESSION ON THE NEW INCENTIVE FRAMEWORK (NIF) WITH INDUSTRY ASSOCIATIONS AND CHAMBERS

**30 JANUARY 2026
SEMINAR ROOM 1, MITI TOWER**



MINISTRY OF
INVESTMENT, TRADE AND INDUSTRY

MIDA
MALAYSIAN INVESTMENT DEVELOPMENT AUTHORITY

NEW INCENTIVE FRAMEWORK(NIF)

Engagement Session with Industry
Associations and Chambers

30 JANUARY 2026

OBJECTIVE

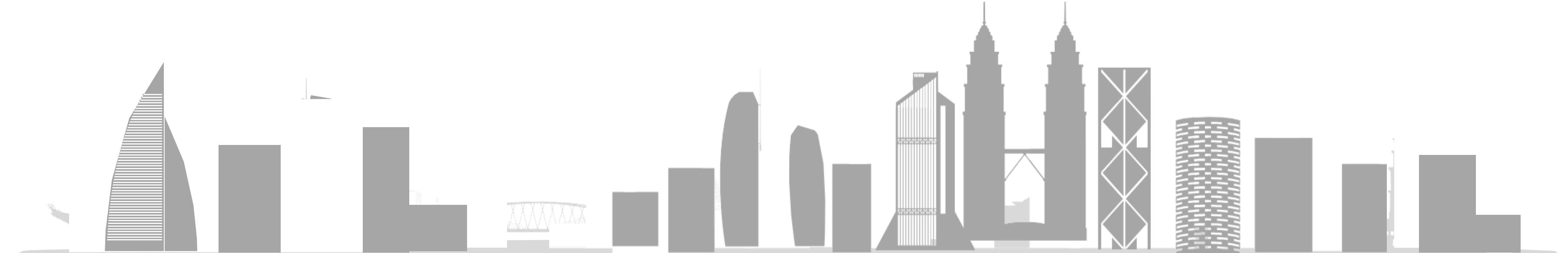


Implementation of the NIF announced in the National Budget 2026.

PRESENTATION OUTLINE

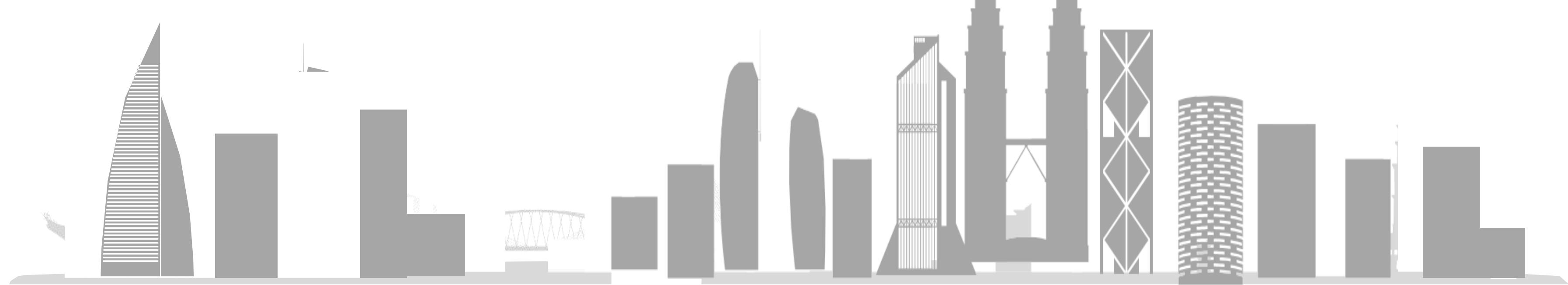
Overview of Malaysia's Investment Incentive Landscape

The New Incentive Framework (NIF)



Overview of Malaysia's Investment Incentive Landscape

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Tax Incentive Landscape in Malaysia

INCOME TAX ACT (ITA)

- Section 65B
- Section 127(3)(b)
- Section 127(3A)

1967



PROMOTION OF INVESTMENT ACT (PIA)

- Contingent on promoted products / activities
- Defined criteria for respective category of incentive

1986



NEW INCENTIVE FRAMEWORK (NIF)

- Tiering-Approach and Outcome-Based
- Focus area with specific pre-qualifier
- NIA Scorecard as a tool to assess eligibility of incentive

2026



EXISTING INCENTIVE LANDSCAPE

- Incentive Redundancy
- Tax incentives alone do not resolve investment issues
- Imbalance in tax incentive treatment
- Challenges adhering to international standard

NEW INCENTIVE LANDSCAPE

- Comprehensive (pre and post incentive)
- **Flexible** with changes in economy and business landscape
- Support investment growth align with NIA
- Contribute to efficient and balanced economic growth



Tax incentives will continue to be available for quality projects that generate intended outcome and economic spillover based on NIA.

Transitioning into NIF



Existing Incentive Landscape	Legislation	New Incentive Landscape
Type of Incentive	Quantum of Incentive	Assessment Tool
<ul style="list-style-type: none"> Promotion of Investment Act 1986 (PIA 1986) Income Tax Act 1967 	<ul style="list-style-type: none"> Pioneer Status / Exemption of Income Investment Tax Allowance 	<ul style="list-style-type: none"> Income Tax Act 1967 Special Tax Rate Investment Tax Allowance
<ul style="list-style-type: none"> Specified rate of incentive contingent on the list of promoted products or approved activities 	<ul style="list-style-type: none"> Tiering incentive contingent on the level of commitment i.e.: complying to minimum or/and additional conditions 	<ul style="list-style-type: none"> Focus sectors and selected services activities Pre-qualifier for certain activities
<ul style="list-style-type: none"> Cost-Benefit Analysis 	<ul style="list-style-type: none"> NIA Scorecard 	

The New Incentive Framework (NIF)

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Subsectors in Scope

Manufacturing



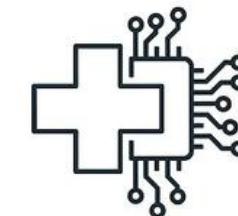
Electrical & Electronics (E&E)



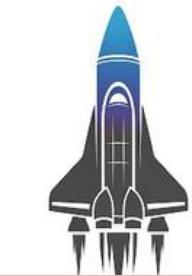
Chemical & Chemical Products



Pharmaceuticals & Halal Pharmaceuticals



Medical Devices



Aerospace



Machinery & Equipment (M&E)



Automotive including Electric Vehicle



Petroleum Products and Petrochemicals



Oleochemicals and their derivatives



Food Production and Processing



Wood, Paper & Furniture



Textile, Apparel & Footwear



Strategic minerals-based products



Rubber-based Products



Metal

Exclusion List

The following product(s) / activity (ies) are excluded from the scope of eligible activities for incentives.

	Types of product(s) / activity(ies)	Sub-sectors
1	Mixing and blending activity	 Chemical and Chemical Products
2	Fill and finish activity	 Pharmaceuticals
3	Glove products and passenger vehicles tyre	 Rubber-based products
4	Upstream segment i.e mining and quarry	 Strategic mineral-based products.
5	All types of paper	 Paper
<p><i>Note:</i> <i>The exclusion for paper is not applicable for security paper and company is not allowed to import waste raw materials</i></p>		
6	All petroleum products	 Petroleum products
<p><i>Note:</i> <i>The exclusion for petroleum products is not applicable for:</i></p> <ul style="list-style-type: none"> • <i>Production of petroleum products located at the Refinery and Petrochemical Integrated Development Project (RAPID) Complex.</i> • <i>Integrated projects which also involve the production of petrochemicals products.</i> <p><i>Both categories can be considered for incentive.</i></p>		
7	Liquor and alcoholic beverages	 Food Production and Processing
8	e-Cigarette & vape products	 Electronic and Electronic
9	Weapons and ammunition	 Metal

KEY FEATURES OF THE INCENTIVES

The tax incentive under the NIF offers two primary tax incentives, which are mutually exclusive. Applicants are required to select one of the following incentives for their qualifying project:



Special Tax Rate (STR)

- A **reduced corporate income tax rate** on a company's taxable income for a specified period.
- Accumulated losses incurred during the Special Tax Rate period can be carried forward for **seven (7)** consecutive **years** and be deducted from the company's post-incentive income
- Incentive subject to **yearly condition fulfilment**
- **No clawback provision**, providing certainty to the company



Investment Tax Allowance (ITA)

- A **capital expenditure-based incentive** that allows a company to offset a percentage of its qualifying capital expenditure (QCE) **against its statutory income**. This allowance is granted on QCE incurred within a specified period.
- Any unutilised allowance can be carried forward to subsequent years until **fully utilised**.

Initial Claim

Half of Tier 2 within 3 years subject fulfill minimum conditions

Remaining balance

Subject fulfill minimum and additional conditions



INCENTIVE OFFERINGS

New Incentives Framework (NIF) - New Investment

A. NEW INVESTMENT

	High Quality		Medium		Baseline	
Tiering and Outcome Based Incentive	Tier 1	Tier 2	Tier 1	Tier 2	Tier 1	Tier 2
Special Tax Rate	0% for 10 years	5% for 10 years	5% for 5 years	10% for 5 years	No Incentive	
Special Tax Rate (LDA)	0% for 15 years	5% for 15 years	5% for 10 years	10% for 10 years	10% for 5 years	15% for 5 years
Special Tax Rate (Small Company)	3% for 15 years	5% for 15 years	8% for 10 years	10% for 10 years	12% for 5 years	
Investment Tax Allowance	100% QCE for 10 years offset up to 100% SI	70% QCE for 10 years offset up to 100% SI	60% QCE for 5 years offset up to 100% SI	30% QCE for 5 years offset up to 100% SI	60% QCE for 3 years offset up to 70% SI *Only for LDA and Small Companies	30% QCE for 3 years offset up to 70% SI *Only for LDA and Small Companies



Less Developed Areas

Refer to districts with specific levels of economic, social, and spatial development as defined by the Ministry of Economy under the 13th Malaysia Plan (RMK-13).

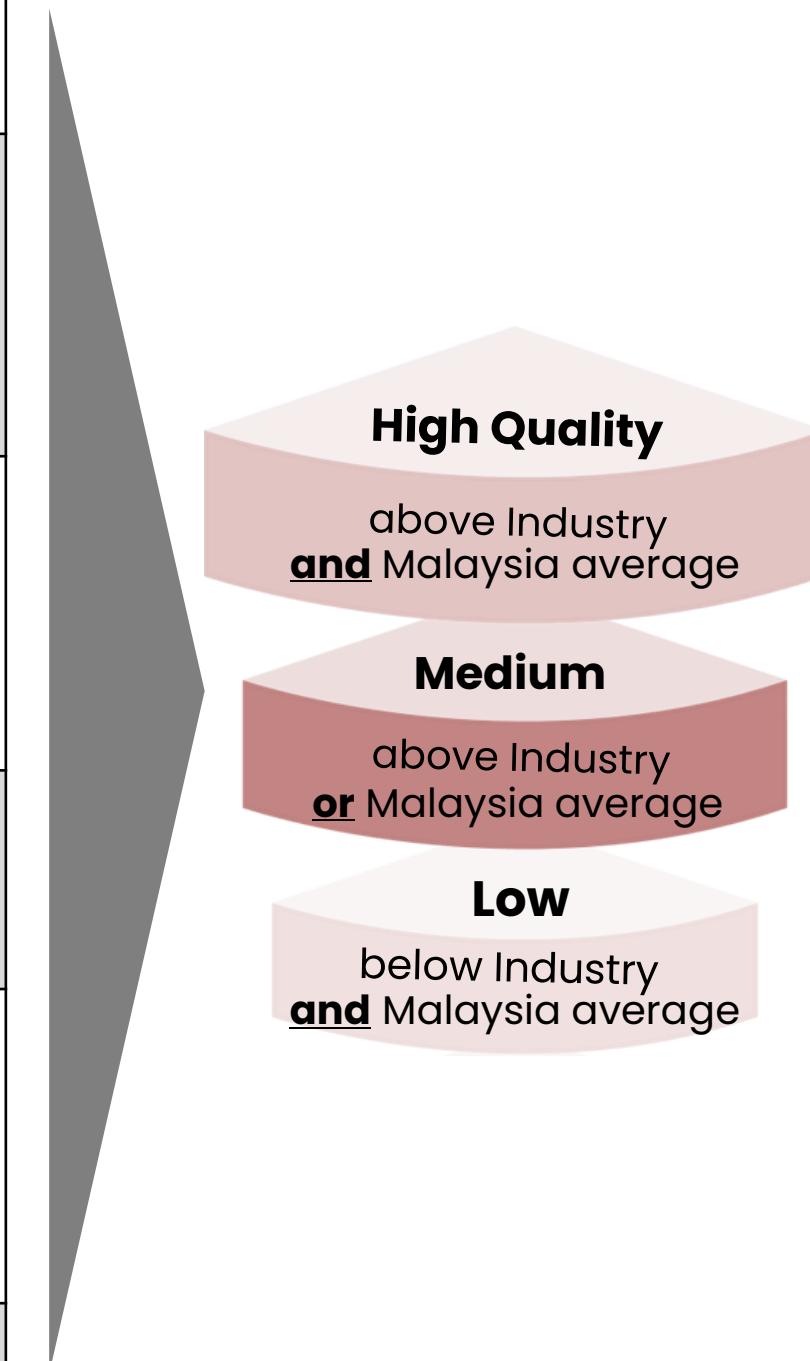


Small Companies

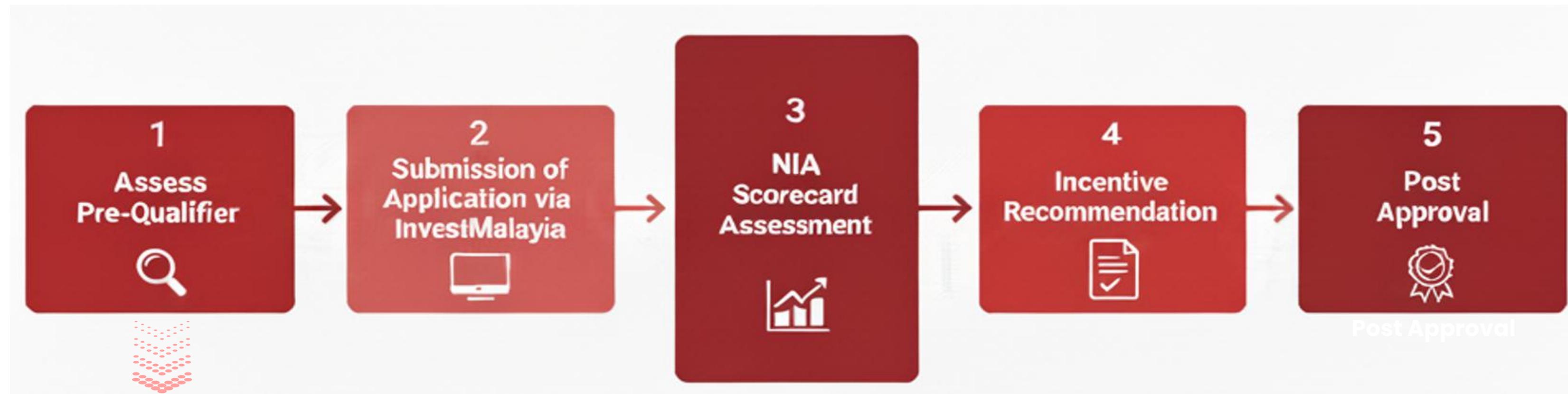
- Companies with shareholders' funds of up to RM500,000 with at least 60% Malaysian equity; or
- Companies with shareholders' funds of above RM500,000 and not exceeding RM2.5 million with 100% Malaysian equity; and
- 20% and above of the paid-up capital in respect of ordinary shares of the company cannot be owned directly or indirectly by a parent / related company having shareholders' funds of more than RM500,000 or RM2.5 million.

NIA Scorecard [Manufacturing Sector]

NIA Pillars	Objectives	Indicators in the NIA Scorecard
Increase Economic Complexity	<ul style="list-style-type: none"> • Development of sophisticated products & services • High local R&D and innovation intensity 	<ul style="list-style-type: none"> • Product complexity index by Harvard Atlas • % Share of R&D expenditure to sales revenue • Level of Technology • Meet 4IR Adoption of Technology
Create High-Valued Job Opportunities	<ul style="list-style-type: none"> • High skilled and high income employment 	<ul style="list-style-type: none"> • % Share of high-skilled workers with university diploma, degree and above, or with technical certificates • Median salary per worker (RM'000), yearly • % Share of workers earning RM 10,000 • % Share of Malaysian workers in MTS level from overall MTS employment
Extend Domestic Linkages	<ul style="list-style-type: none"> • Usage of domestic input • Deepen local supply chain integration 	<ul style="list-style-type: none"> • % Share of local inputs • % Share of training expenditure out of total salary, yearly • Collaboration with local academia and industry • Engagement in Vendor Development Programme • Set up treasury centre in Malaysia
Develop New and Existing Clusters	<ul style="list-style-type: none"> • Development of high-productivity sectors • Develop new products and services locally 	<ul style="list-style-type: none"> • Product patent • Product aligned under NIA/ NIMP sectors • Commercialisation of R&D findings from local institutions
Improving Inclusivity	<ul style="list-style-type: none"> • Balance economic development • Human capital development 	<ul style="list-style-type: none"> • Opportunity for non-employee (Internship/apprenticeship, fresh graduates with less than 3 years experience) • % Share of Women in Top Management • % Share of Workers in Vulnerable Group out of Total Workers • % Share of Malaysian Workers out of Total Workers
Enhance Sustainability Practices	<ul style="list-style-type: none"> • Drive towards Net Zero aspirations 	<ul style="list-style-type: none"> • Sustainable Materials/Services • Sustainable Waste Management • Sustainable Water Consumption • Sustainable Energy Consumption



General Evaluation Process Flow for NIF



GENERAL PRE-QUALIFIER :

Companies are required to apply or possess a ML letter prior to the incentive application and the ML must remain valid throughout the incentive period

SPECIFIC SUB-SECTOR PRE-QUALIFIER

Specific sub-sectors are required to meet the sustainable operation and practices, among others:



Capital Investment Per Employee (CIPE)



Adoption of Automation including IR4.0



Employment of Malaysian Workers



ESG Practices

Timeline of the NIF

MANUFACTURING SECTOR



Application Management During Transition

The Invest Malaysia portal will be disabled for the submission of incentive application for manufacturing sector, under the PIA, 1986 effective 1 March 2026



Any closed application must be re-submitted **before or on 28 Feb 2026**, should the application to be considered under the PIA, 1986



All returned application must be re-submitted as soon as possible.

SERVICES SECTOR





KEMENTERIAN
PELABURAN, PERDAGANGAN DAN INDUSTRI

Q & A



KEMENTERIAN
PELABURAN, PERDAGANGAN DAN INDUSTRI

PEMACU POTENSI GLOBAL

THANK YOU

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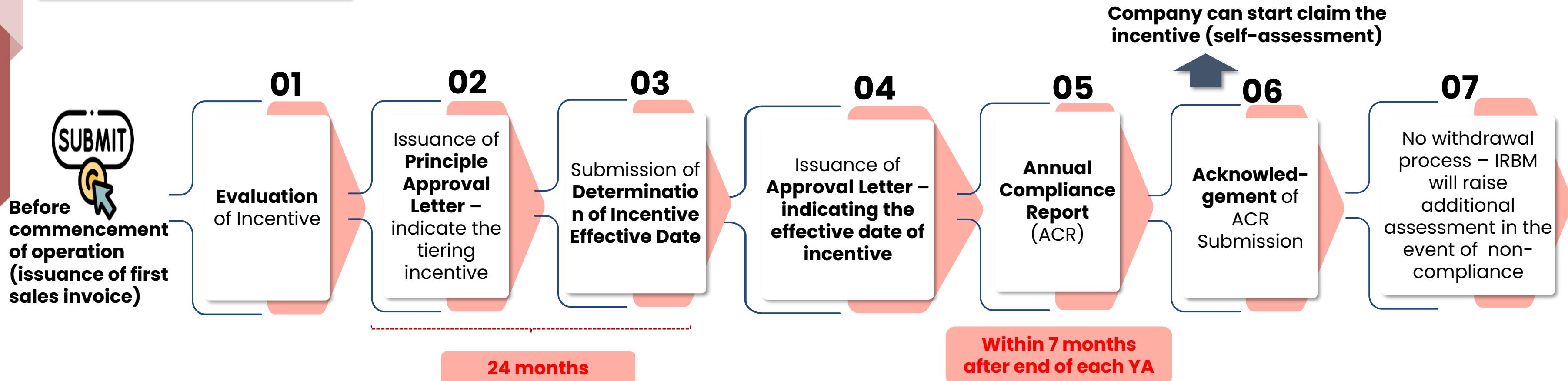


THANK YOU
NEW INCENTIVE FRAMEWORK

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Mechanism of Incentives

Special Tax Rate



Investment Tax Allowance

