

Projects should also aim to capitalize on various other Industry 4.0 opportunities presented in Budget 2019

Budget 2019 Allocation

Focus areas for Budget 2019 allocation

RM210 million from 2019 to 2021

- Support the transition and migration to **Industry 4.0**
- Assistance for the **first 500 SMEs to carry out the Readiness Assessment** to migrate to Industry 4.0 platforms via Malaysia Productivity Corporation

RM2 billion

- Incentivise **SMEs to invest in automation and modernisation** which forms part of the Industry 4.0
- Allocation under **Business Loan Guarantee Scheme (SJPP)** where the Government will provide **guarantees of up to 70%**

RM3 billion

- **Industry Digitalisation Transformation Fund** with a **subsidised interest rate of 2%** under Bank Pembangunan Malaysia Berhad
- Purpose of this fund is to **accelerate the adoption of smart technology** consisting of driving automation, robotics and artificial intelligence in the industry

RM20 million

- **'Buy Malaysian First' campaign** to support local products and services
- Will provide a platform for local producers, manufacturers and service providers to market their products and services at **trade fairs**
- To start off, MOF will ensure Malaysian products and services, such as surgical instruments and medical implants which have received international certifications will not be discriminated against in our procurement processes

>RM5.2 billion

The industry association should also aim to leverage on existing incentives that are available for the industry

The Government currently offers various financial and / or tax incentives to companies which participate in the SLDN / NDTs programme. This is to encourage further take-up by the industry to train more employable Malaysians.

Incentives	Details
1 Single tax deduction	<ul style="list-style-type: none">Inland Revenue Board (LHDN) tax deduction under Akta Cukai Pendapatan 1967: LHDN.01/35/(S)/42/51/286-33
2 HRDF claimable on levy	<ul style="list-style-type: none">HRDF Reimbursement under PSMB Pekeliling Majikan Bil. 1/2008.
3 Double tax incentives	<ul style="list-style-type: none">Deduction on expenses incurred by companies participating in the National Dual Training System (NDTS) as part of embracing the Government's Industry 4.0 programme <p><i>Newly introduced under Budget 2019, in the midst of being detailed out</i></p>

Source: Budget 2019

MIDA currently has set up various Incentives to encourage investments into M&E (1/2)

Investment Incentives for M&E



Pioneer Status

Income tax exemption ranging from 70% or 100% for a period of 5 or 10 years

Incentive Quantum Criteria:

- Targeted Machinery & Equipment
- Level of Investment
- Level of Technology and R&D
- Transfer of Technology
- Spin off/ Outsourcing



Investment Tax Allowance

60% or 100% on **qualifying capital expenditure** for 5 years

Specialised process machinery or equipment for specific industries

1. Robotics and factory automation equipment
2. Machine tools
3. Material handling equipment
4. Packaging machinery
5. Modules and components for the above M&E

Automation Capital Allowance (for automatic solutions)



Automation Capital Allowance

The Automation Capital Allowance was introduced to encourage swift adoption of automation among manufacturing companies in undertaking innovative and productive activities

- For high labour-intensive industries (rubber products, plastics, wood, furniture and textiles), an Automation CA of 200% will be provided on the first RM4 million expenditure
- For other industries, an Automation CA of 200% will be provided on the first RM2 million expenditure.
- Enabled companies to achieve an average increment in production volume of between 200 – 300 %

MIDA currently has set up various Incentives to encourage investments into M&E (2/2)

Domestic Investments Strategic Allowance



Domestic Investment Strategic Allowance

NEW COMPANY

- A subsidiary of an existing company operating in the relevant industry
- Effective equity of at least 60% Malaysian
- The parent company must have proven track record in the relevant industry

EXISTING COMPANY

- A company which undertakes reinvestments in the form of expansion / modernisation / diversification
- The company must have the capability and proven track record in the relevant industry

Eligibility Criteria

- New and Existing companies in the Manufacturing & Services Sector
- Malaysian equity ownership of at least 60%
- Companies producing promoted products/engaged in promoted activities in targeted sectors (e.g. Machinery & Equipment)

The fund will **provide matching grants (1:1) on a reimbursable basis** to cater for expenditures incurred for the following activities:

- Training of Malaysians
- R&D activities carried out in Malaysia
- Licensing or Purchase of New Technology
- Obtaining International Standards/Certification
- Modernisation and upgrading of facilities and tools to undertake manufacturing or services activities for Multinational Corporations (MNCs) and Malaysian conglomerates (Outsourcing activities)

... along with various incentives announced via the Budget 2019

**RM 210
million**

Industry4WRD Fund

RM210million (2019-2021) to support the transition and migration to Industry 4.0

**RM 3
billion**

Industry Digitalisation Transformation Fund

- RM3 billion for Automation, Robotics and AI
- Subsidised 2% interest rate

**RM 2
billion**

Business Loan Guarantee Scheme (SJPP)

- RM2 billion for SMEs to invest in automation and modernisation
- Up to 70% guarantee

**Matching
Grant**

High Impact Fund - MIDA

- Matching grant for activities such as R&D, international certification & standards, facility and tools upgrading or purchase

**RM 2
million**

KRSTE.my

- RM2 million for Knowledge Resources for Science & Technology
- Access to 250 facilities & 1,200 scientific equipment & research data for private sector
- Kickstart Researcher Mapping Programme

**Double
Tax
Deduction**

Double Tax Deduction – MOHR & MIDA

- Sponsorship for TVET, diploma and degree in engineering & technology
- Expenses for National Dual Training Scheme (SLDN)
- Structured training programme for engineering & technology

Industry Associations should partner with MATRADE to target these export destinations

3 Partner with MATRADE for SMEs clusters to export their products by leveraging grants



Group 1: High Export Capabilities

Market Development Grant

Reimbursable grant up to a maximum of RM200,000 per company to assist Malaysian Small and Medium Enterprises (SMEs), Trade & Industry Associations, in undertaking eligible export promotional activities, covering participation fees, accommodation & airfare, land transportation and listing fees

International Sourcing Programme*

Foreign buyers are invited to Malaysia to purchase specific products

15-months Go-Ex Export Acceleration Mission for 10 companies from Malaysia*

50% matching grant up to RM200,000
 Visit from **22-24 Oct 2019**: Singapore International Transformation Asia Pacific
 Visit from **1-5 April 2019**: Hannover Messe Germany Export Acceleration Mission

Services Export Fund

Offers grants and soft loans of up to maximum of RM5 mil per company for companies registered with MATRADE and exporting/ready to export Malaysian services until 2020



Group 2: Medium Export Capabilities

Mid Tier Companies Development Programme

A 9-month long programme to help mid-tier companies to accelerate export growth through tailored business advice, access to funding and facilitating introduction to new technology

eTRADE Programme

An initiative targeting Malaysian owned SMEs to accelerate export via eCommerce by participation of Malaysian companies in international eCommerce platforms
 Financial assistance worth RM5000 to approved companies
 Training and online assistances by eCommerce platforms

Targeted assistance is also provided by SMECorp and MATRADE for SMEs to encourage exports (1/2)

SME Competitiveness Rating for Enhancement (SCORE)



- SME Competitiveness Rating for Enhancement (SCORE) is a diagnostic tool to rate and enhance competitiveness of SMEs based on their performance and capabilities. In addition, it is a tool for business matching purposes for better market access as well as initial indicator for purposes of access to finance
- Provides SCORE rating of 2 – 5 stars to SMEs:
 - 3 stars indicated that SME is almost at level where it can start exporting
 - 4 stars indicated that SME can start exporting
 - Minimum requirement to qualify for BAP is 3 stars
- Objectives:
 - Acquire baseline data on SMEs
 - Evaluate and track SMEs capabilities and performance
 - Facilitate linkages of potential SMEs to large companies
 - Link export-ready companies to MATRADE and MIDA
 - To ensure better fund utilisation and focus resources

SME Corp Business Accelerator Program



650 out of 1,108
Manufacturing Sector - SMEs
have been approved to be
under BAP

- Managed by SMECorp's Business Advisory Services division
- Caters to every sector, with grants attached
- Application process is now closed, will reopen in March 2019
- Up to **RM500,000 per applicant** available in terms of **matching grants** to alleviate cash flow burden (SME can claim RM500,000 upon spending RM1 mil)
- Recently expanded scope of grant to include **Industrial Policy 4.0**, now includes licensing for software, purchase of sensors, training for IOT
- RM120 Mill allocation is the maximum amount for BAP, in which **RM 23 mill** is allocated for all SMEs in 2019

Targeted assistance is also provided by SMECorp and MATRADE for SMEs to encourage exports (2/2)

MATRADE Export Development Programmes & Incentives to Encourage Exports



- **Export Readiness Assessment Tool (ERAT)** to assess readiness for export and assist companies in better understanding export resources, marketing methods, management commitment and product/service potential
 - Developed in collaboration with US
 - Compulsory for companies to answer 23 questions in order to become MATRADE member, and are required to use the tool again after 2 years (if not updated after 3 years, company will be taken down from website)
 - Determines type of training which company will require
 - 5% of members out of ~20,000 industry players have answered it
- **Market Development Grant** which is a reimbursable grant up to a maximum of RM200,000 per company to assist Malaysian Small and Medium Enterprises (SMEs), Professional Service Providers, Trade & Industry Associations, Chambers of Commerce and Professional Bodies in undertaking eligible export promotional activities, covering participation fees, accommodation & airfare, land transportation and listing fees
- **International Sourcing Programme** where foreign buyers are invited to Malaysia to purchase specific products
- **15-months Go-Ex Export Acceleration Mission for 10 companies from Malaysia**
 - 50% matching grant up to RM200,000
 - Visit from 22-24 Oct 2019: Singapore International Transformation Asia Pacific
 - Visit from 1-5 April 2019: Hannover Messe Germany Export Acceleration Mission
- **Services Export Fund** which offers grants and soft loans of up to maximum of RM5 mil per company for companies registered with MATRADE and exporting/ready to export Malaysian services until 2020
- **Mid Tier Companies Development Programme** which is a 9-month long programme to help mid-tier companies to accelerate export growth through tailored business advice, access to funding and facilitating introduction to new technology
- **eTRADE Programme**
 - An initiative targeting Malaysian owned SMEs to accelerate export via eCommerce by participation of Malaysian companies in international eCommerce platforms
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2019 onwards, Industry Associations can also leverage on MDEC DTAP in assisting SMEs to develop strategies to improve productivity

MDEC Digital Transformation Acceleration Program (DTAP)



- Focus is on digital: **creating new sources of growth**
- DTAP Objectives include:
 - To future proof Malaysian companies to ensure their competitiveness in the coming years.
 - Providing a structured approach for participating companies in embarking on their digital transformation journey, supported by Digital Transformation Lab's.
- DTAP intended outcome include:
 - Increased productivity
 - Reduced dependency on foreign labour
 - New sources of growth/ business models
- DTAP is complemented with a **matching grant**, as the result of a partnership between MDEC and MIDA.
- Funding is part of DSIF grant worth RM1 billion until 2020
- Target of 60 companies by 2020
- Comprises **Digital Transformation Labs partners**, global experts who help companies identify business pain points using specific methodologies to brainstorm on new ideas, design new business model, develop new product and/or technology design and finally pilot the implementation plan:
 1. Deloitte
 2. Digital McKinsey
 3. Rainmaking
 4. Roland Berger
 5. Bosch
- Will **start focusing more on SMEs in 2019 onwards**. Can assist a consortium of SMEs which come together

Up to 26 incentives are made available for M&E sector by various agencies (1/3)

No.	Name of Incentive	Type of Incentive	Ministry	Agency	Sector	Sub-sector
1	Business Start-up Fund (BSF)	Soft Loan	Ministry of Science, Technology and Innovation	MTDC	Manufacturing	All Manufacturing Subsectors
2	Business Growth Fund (BGF)	Others	Ministry of Science, Technology and Innovation	MTDC	Manufacturing	All Manufacturing Subsectors
3	Angel Tax Incentive	Tax Incentive	Ministry of Finance	CRADLE	Manufacturing, Primary, Services	All Manufacturing Subsectors, All Primary Subsectors, All Services Subsectors
4	ECERDC Incentives for Manufacturing & Manufacturing-related Services	Tax Incentive	Prime Minister's Department	ECERDC	Manufacturing, Services	All Manufacturing Subsectors, All Services Subsectors
5	Incentive for Waste Recycling Activities	Tax Incentive	Ministry of International Trade and Industry	MIDA	Manufacturing, Services	All Manufacturing Subsectors, All Services Subsectors
6	Soft Loan Scheme for Small and Medium Enterprises (SLSME)	Soft Loan	Ministry of International Trade and Industry	MIDF	Manufacturing, Services	All Manufacturing Subsectors, All Services Subsectors
7	Soft Loan Scheme for Automation and Modernisation (SLSAM)	Soft Loan	Ministry of International Trade and Industry	MIDF	Manufacturing	All Manufacturing Subsectors
8	Soft Loan Scheme for Bumiputera Automotive Entrepreneurs (SLBAE)	Soft Loan	Ministry of International Trade and Industry	MIDF	Manufacturing, Services	All Manufacturing Subsectors, All Services Subsectors
9	SME Emergency Fund (SMEEF)	Soft Loan	Ministry of International Trade and Industry	MIDF	Manufacturing, Primary, Services	All Manufacturing Subsectors, All Primary Subsectors, All Services Subsectors
10	Business in Transformation (BIT) Pre-Franchisor	Soft Loan	Ministry of Domestic Trade, Cooperative and Consumerism	PNS	Manufacturing, Primary, Services	All Manufacturing Subsectors, All Primary Subsectors, All Services Subsectors

Up to 26 incentives are made available for M&E sector by various agencies (2/3)

No.	Name of Incentive	Type of Incentive	Ministry	Agency	Sector	Sub-sector
11	Business in Transformation (BIT) Pre-Franchisee	Soft Loan	Ministry of Domestic Trade, Cooperative and Consumerism	PNS	Manufacturing, Primary, Services	All Manufacturing Subsectors, All Primary Subsectors, All Services Subsectors
12	Dana 1-SME	Soft Loan	Ministry of International Trade and Industry	SME Bank	Manufacturing, Services	All Manufacturing Subsectors, All Services Subsectors
13	Business Accelerator Programme (BAP)	Soft Loan	Ministry of International Trade and Industry	SME Bank	Manufacturing, Services	All Manufacturing Subsectors, All Services Subsectors
14	Skim Anjakan Usahawan (SAU) @ SME Bank i-Smart Development Initiative	Soft Loan	Ministry of International Trade and Industry	SME Bank	Manufacturing, Services	All Manufacturing Subsectors, All Services Subsectors
15	High Performing Bumiputera Companies (TERAS) Programme	Soft Loan	Prime Minister's Department	TERAJU	Manufacturing, Primary, Services	All Manufacturing Subsectors, All Primary Subsectors, All Services Subsectors
16	SME Expert Advisory Panel (SEAP) Programme	Others	Ministry of International Trade and Industry	SME Corp. Malaysia	Manufacturing, Services	All Manufacturing Subsectors, All Services Subsectors
17	Bumiputera Expansion Fund (BEF)	Others	Ministry of Science, Technology and Innovation	MTDC	Manufacturing, Services	All Manufacturing Subsectors, All Services Subsectors
18	Halal Technology Development Fund (Halal Fund)	Others	Ministry of Science, Technology and Innovation	MTDC	Manufacturing, Services	All Manufacturing Subsectors, All Services Subsectors
19	Steinbeis Innovation Voucher	Grant	Prime Minister's Department	AIM	Manufacturing, Services	All Manufacturing Subsectors, All Services Subsectors
20	Tunas Usahawan Belia Bumiputera (TUBE)	Grant	Ministry of International Trade and Industry	SME Corp. Malaysia	Manufacturing, Primary, Services	All Manufacturing Subsectors, All Primary Subsectors, All Services Subsectors

Up to 26 incentives are made available for M&E sector by various agencies (3/3)

No.	Name of Incentive	Type of Incentive	Ministry	Agency	Sector	Sub-sector
21	Bumiputera Enterprise Enhancement Programme (BEEP)	Grant	Ministry of International Trade and Industry	SME Corp. Malaysia	Manufacturing, Primary, Services	All Manufacturing Subsectors, All Primary Subsectors, All Services Subsectors
22	Public-Private Research Network (PPRN)	Grant	Ministry of Higher Education	MOHE	Manufacturing, Primary, Services	All Manufacturing Subsectors, All Primary Subsectors, All Services Subsectors
23	TERAJU@ECER Facilitation Fund	Grant	Prime Minister's Department	ECERDC	Manufacturing, Services	All Manufacturing Subsectors, All Services Subsectors
24	Market Development Grant (MDG)	Grant	Ministry of International Trade and Industry	MATRADE	Manufacturing, Services	All Manufacturing Subsectors, All Services Subsectors
25	Facilitation Fund	Grant	Prime Minister's Department	TERAJU	Manufacturing, Primary, Services	All Manufacturing Subsectors, All Primary Subsectors, All Services Subsectors
26	Bumiputera Entrepreneurs Startup Scheme (SUPERB)	Grant	Prime Minister's Department	TERAJU	Manufacturing, Primary, Services	All Manufacturing Subsectors, All Primary Subsectors, All Services Subsectors