

GUIDELINES FOR APPLICATION OF 15% TAX RATE SCHEME FOR KNOWLEDGE WORKERS IN ISKANDAR MALAYSIA

(Important – Please read this information carefully before you complete the application form (Form 15A) for the above incentive scheme.)

1. INTRODUCTION

The Year 2010 Malaysian Budget proposed for a special 15% tax rate scheme for qualified knowledge workers in Iskandar Malaysia (IM). Prior to this, there are no preferential income tax incentive for knowledge workers in IM. This measure is aimed at attracting both Malaysian and foreign knowledge workers to reside, work and value-add in the promoted industry sectors in IM. Such an effort is also in line with the Government's emphasis on creating a highly-skilled workforce that is a pre-requisite of a high-income nation.

2. INCENTIVE OFFERED

Currently, Malaysian taxpayers would hit the top marginal rate of 25% if their chargeable income is RM 100,000.00 and above.

For this scheme, an approved knowledge worker will enjoy a flat tax rate of 15% against his or her employment income, i. e. income in respect of employment with a designated company in the basis period for a year of assessment,

The chargeable income of the worker shall be ascertained with the following formula:

$$\frac{A}{B} \times C$$

A is the gross income from employment with designated company

B is the total gross income from all sources

C is the chargeable income from all sources

3. ELIGIBILITY

- 3.1. The knowledge worker must possess:
- 3.1.1. a Bachelor's or Master's degree from a recognised university* and has at least 10 years of professional work experience in a qualifying activity or
 - 3.1.2. a PhD from a recognised university and has at least 5 years of work experience in a qualifying activity; or
 - 3.1.3. He or she must commence employment in a qualifying activity (Schedule I) conducted by a designated company between 24 Oct 2009 – 31 Dec 2015.
 - 3.1.4. He or she must not have derived any form of employment income in Malaysia two years prior to the date of application for this incentive.
 - 3.1.5. He or she must have proof of residence in Iskandar Malaysia.
- 3.2. In addition to the above set of criteria, the employer of the knowledge worker must also fulfil the following set of criteria:
- 3.2.1. The employer must be:
 - i. a Bionexus / MSC / IDR status company; or
 - ii. a company incorporated under the Companies Act 1965
 - 3.2.2. The employer must be undertaking any of the eight qualifying activities (Refer to Schedule I) in any of the five flagship Zones in Iskandar Malaysia.
 - 3.2.3. The employer must fulfil other conditions (Refer to Schedule II) as determined by the Minister.

4. APPLICATION PROCEDURE

4.1. Application form 15% Revision 3 Oct 2011 may be obtained from:

4.1.1. Iskandar Malaysia web site –
<http://www.iskandarmalaysia.com.my>

4.2. The completed application form with supporting documents must be submitted to:

Vice-President – Incentives
c/o Economics and Business Dept
Iskandar Regional Development Authority (IRDA)
#G-01 Block 8 Danga Bay
Jln Skudai
80200 Johor Bahru
OR
Suite 5-3 5 Floor Block 3B
Plaza Sentral
50450 Kuala Lumpur

Toll free number: 1800 88 3010

Kuala Lumpur number (office hours Mon-Fri 8.30am – 5.30 pm):
03 2260 6777

Email: enquiries@irda.com.my

- 4.3. Each application will be charged a non-refundable fee of RM 500.00. Payment can be made via cheque addressed to: “ISKANDAR REGIONAL DEVELOPMENT AUTHORITY”
- 4.4. Resubmission of application (in the event of rejection of application) and effective date of incentive:
 - 4.4.1. The application fee is a one off charge imposed for a fresh application. In the event of a resubmission of an application concerning the same knowledge worker, then no additional fee shall be charged. A ‘cooling off’ period of 30 working days is set against a resubmission of application i.e. a resubmission cannot be done for the same knowledge worker before the expiry of a 30 day ‘cooling off’ period.
 - 4.4.2. The effective date of this incentive will be the date of the full application submission received by IRDA or the date of the commencement of employment (as reflected in the employment contract), whichever is the later date.
- 4.5. The Iskandar Regional Development Authority (IRDA) is committed to maintaining the integrity of this incentive program. This application will be rejected in the event the Authority finds any information provided is untrue or false.

5. GENERAL CONDITIONS OF INCENTIVE

- 5.1. Approval under this scheme is valid as long as the knowledge worker continues to work and reside in Iskandar Malaysia (IM). A statutory declaration form on this matter is to be submitted on an annual basis to IRDA.
- 5.2. Successful applicants are subject to all existing laws and regulators in force in Malaysia

- 5.3. Successful applicants are required to follow the procedures stipulated. Applicants who do not comply with the conditions expressed in the letter of approval will be subject to the cancellation of this incentive and may be required to pay all taxes due.
- 5.4. For fields of expertise, which require registration, licensing or other forms of compliance (e. g. law, medicine, accounting) applicants are responsible to ensure they are able to practise in the relevant profession in Malaysia

Applicants are required to secure their own employment in Malaysia. The Government of Malaysia is not responsible to find employment for the applicants.

- 5.5. IRDA reserves the right to revise this incentive scheme without prior notice

Prepared by:

ISKANDAR REGIONAL DEVELOPMENT AUTHORITY (IRDA)

3 OCT 2011

SCHEDULE I – Qualifying Activities in the Eight Promoted Sectors

1. Creative Sector	2.	Education Sector
<ul style="list-style-type: none"> a. Creative and design services b. Creative talent management services c. Film and television (pre production, production, post production, distribution) d. Games and animation (content creation, production, post production, distribution) e. Online and mobile content generation and advertising f. Online and mobile content aggregation and enablers g. Creative research and development h. Distribution and marketing of creative content i. Integrated media and content services j. Visual and performing arts 		<ul style="list-style-type: none"> a. Universities b. Colleges c. Skills training institutions d. R & D institutions e. Regional training centres
3. Financial Services, Advisory Services and Consulting Services Sector	4.	Healthcare Sector
<ul style="list-style-type: none"> a. Islamic financial services b. Business process outsourcing / off-shoring c. Corporate consultancy and advisory services 		<ul style="list-style-type: none"> a. Hospitals and traditional complementary medicine centers b. Integrated dental and orthodontic services c. Healthcare research and development d. Integrated laboratory services
5. Logistics Sector	6.	Tourism Sector
<ul style="list-style-type: none"> a. Integrated supply chain services b. High value supply chain services and solutions 		<ul style="list-style-type: none"> a. Hotels b. Theme parks, amusement and family entertainment centres and cultural centres c. Conference centres and exhibition centres d. Regional operation of hotel and leisure services

SCHEDULE I – Qualifying Activities in the Eight Promoted Sectors (Continued)

7.	Biotechnology Sector	8.	Green technology Sector
	<ul style="list-style-type: none"> a. Agri biotechnology <ul style="list-style-type: none"> i. Crop biotechnology ii. Natural product discovery and commercialisation iii. Livestock biotechnology iv. Aquaculture and marine biotechnology v. Contract research service (CRS) providers in agriculture b. Industrial biotechnology <ul style="list-style-type: none"> i. Biofuel ii. Bioremediation iii. Biocatalyst and enzymes iv. Fine and specialty chemicals v. Biomaterials vi. Bioreactors c. Healthcare biotechnology <ul style="list-style-type: none"> i. Contract manufacturing organisation for healthcare biotechnology sector ii. Contract research organisation (CRO) <ul style="list-style-type: none"> ✓ Clinical research organisations ✓ Contract research & manufacturing services (CRAMS) iii. Biopharmaceuticals and pharmaceuticals iv. Drug discovery and drug delivery systems v. Medical devices and in vitro diagnostics vi. Stem cell, tissue engineering and genetic engineering vii. Vaccines viii. Bioinformatics 		<ul style="list-style-type: none"> a. Energy Sector <ul style="list-style-type: none"> i. Energy supply sector: <ul style="list-style-type: none"> ✓ power generation ✓ renewable energy ✓ supply side management ✓ co-generation ii. Energy utilization sector <ul style="list-style-type: none"> ✓ energy efficiency ✓ demand side management b. Buildings Sector <ul style="list-style-type: none"> i. Design ii. construction iii. management and maintenance iv. demolition of buildings c. Water & waste management Sector <ul style="list-style-type: none"> i. management and utilization of water resources ii. waste water treatment, iii. solid waster and sanitary landfill d. Transportation Sector <ul style="list-style-type: none"> i. transportation infrastructure ii. vehicles iii. biofuels iv. Public road transport

SCHEDULE II – Additional criteria imposed by the Minister on designated company

Qualifying Sector	Biotech	Green Tech	Education	Creative	Healthcare	Financial	Logistics	Tourism
Minimum Standards	As determined by Biotech Corporation Malaysia	As advise by Pusat Teknologi Malaysia	Principle approval by MOHE	As determined by MDeC	Principle approval by MoH	Operating license from Sec Com or BNM if applicable	As determined by SPAD or related sector regulator	4 star rating or above by Motour (for hotels)
Minimum investment								RM50mil for theme parks, amusement / family and convention centres
Minimum paid up capital	RM500,000	RM500,000	As determined by MoHE	RM500,000	As determined by MoH	As determined by Sec Com or BNM	RM500,000	RM500,000 for regional operations of hotel and other tourism projects