



PRESS RELEASE

MALAYSIA'S NEW MD TAX INCENTIVE: FUELING DIGITAL GROWTH

CYBERJAYA, 31 May 2024 – The Malaysia Digital Economy Corporation (MDEC), with the support of the Ministry of Digital (KD) and the Ministry of Finance (MOF), has introduced an innovative tax incentive scheme for Malaysia Digital (MD) companies.

The initiative fulfils the Government's commitment under Budget 2024 to introduce outcome-based tax incentives designed to bolster the economy by catalysing investments in high-growth high-value sectors, fostering the creation of new economic clusters, and promoting environmental sustainability.

The new MD tax incentive scheme offers a range of benefits for digital companies leveraging cutting-edge technologies such as artificial intelligence (AI), cybersecurity, blockchain, and advanced network connectivity. Eligible MD companies can benefit from competitive reduced corporate income tax rate on both intellectual property (IP) and non-IP incomes, alongside investment tax allowance (ITA) for capital-intensive services activities. The scheme's flexible structure allows companies to enjoy tax incentives based on their specified commitments, thereby fostering growth in high value activities, and rewarding performance.

The scheme offers tax incentive for eligible companies in two categories, namely New Investment and Expansion. Companies under the New Investment category may enjoy reduced tax rate of 0% on IP income, and 5% or 10% on non-IP income for ten years. Meanwhile, companies under the Expansion category may enjoy 15% reduced tax rate for five years.

Alternatively, companies under both categories can opt for ITA between 30% to 100% on capital expenditure for qualifying activities that can be offset against up to 100% of statutory income for five years.

"This MD tax incentive is a game-changer to cement Malaysia's position as the digital hub of ASEAN," says Ts. Mahadhir Aziz, CEO of MDEC. "It aligns with current economic needs and international best practices, highlighting our commitment to leading the digital revolution. By attracting global talent and investment in high-growth sectors, we aim to create a thriving digital ecosystem, generate high-value jobs, boost R&D activities, and integrate cutting-edge technologies locally.

In alignment with YAB Prime Minister's call for Malaysia to become more investor-friendly and guided by the MADANI Economy framework, we are enhancing our processes to increase the ease of doing business, improve efficiency in processing digital investments, and eliminate unnecessary steps that complicate investment execution," he also added.

Building on the success of the Multimedia Super Corridor (MSC) initiative, the new MD tax incentive scheme reinforces the country's commitment to developing local tech champions and attracting high-value digital investments. Since the inception of MSC in 1996, along with its accompanying Bill of Guarantees, the initiative has attracted RM485 billion in cumulative investments and created over 223,000 high-value jobs as of December 2022.

As of 30 April 2024, the number of awarded MD companies has surpassed 5,000, underscoring the MD initiative's pivotal role in fostering digital innovation across diverse industries and supporting transformation plans outlined in both the MADANI Economy framework and the New Industrial Master Plan 2030 (NIMP 2030).

Companies interested in the new MD tax incentive can apply now. Details are available on the official MDEC website at <https://mdec.my/malaysiadigital/tax-incentive>.

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