Customs Act 1967, Sales Tax Act 1972, Excise Act 1976

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MANUFACTURING SECTOR

A. Import duty exemption on raw materials/components

1. Production for export Full exemption from import duty will be considered on imported direct raw materials / component which are not manufactured locally, or where they are manufactured locally are not of acceptable quality and price.
2. Production for domestic market Effective 1 January 1999, full exemption from import duty will be considered on direct raw materials/components which are not available locally.

B. Import duty, sales tax and excise duty exemption on machinery and equipment

It is the policy of the government not to impose taxes on machinery/equipment which are not produced locally and used directly in the manufacturing process. However, due to difficulties arising from tariff classification rules, some machinery/equipment which are not locally manufactured are categorised under taxable items.Therefore, full exemption is given on:

1. Import duty and sales tax for imported machinery/equipment that are not available locally;
2. Sales tax and excise duties on locally purchased machinery/equipment

Duty exemption on spares and consumables was withdrawn in 1996 to encourage domestic production. However to reduce cost of production in the midst of economic turmoil, duty exemption was granted selectively based on specific criteria until 31 October 1999 and then extended to 31 December 2003. The criteria are as follows:

1. Company must export at least 80% of their production;
2. Such spares and consumables have limited demand and do not have potential for domestic production;
3. Import duty on such items exceeds 5%.

C. Duty Drawback

Manufacturers who have paid duty on the imports of their raw materials & component and used it to produce goods for export within a year are eligible to claim drawback on the duty paid. Manufacturers should claim the drawback from the Customs Department but must satisfy the conditions laid out in Section 99 of the Customs Act 1967.

D. Sales Tax Exemption

Manufacturers of taxable goods with annual sales turnover exceeding RM100,000 need to be licensed under Sales Tax Act 1972 and hence will be eligible to obtain exemption from sales tax on inputs (in line with single stage tax concept). For manufacturers with annual sales turnover less than RM100,000, they have the option to obtain exemption from sales tax on inputs (by being licensed) or pay sales tax on inputs but enjoy exemption on output.

There are local manufactured products which are exempted both at the input and output stage such as machinery and as in Schedule C, Sales Tax Exemption Order 1980 as follows:

1. Exempted goods for export
2. Pharmaceutical products
3. Batik fabrics using traditional technique
4. Milk products
5. Plywood
6. Carton boxes
7. Products of printing industry
8. Agriculture and horticulture sprayers
9. Uninterruptible power systems
10. Retreaded tyres
11. Computers
12. Tourism items like perfumes, cameras, watches and pens
13. Controlled items such as flour and cement

E. Manufacturing related services

Exemption on import duty and sales tax on equipment in the following manufacturing related services:

1. Integrated logistic
2. Marketing support
3. Utility services

AGRICULTURAL SECTOR

A. Duty exemption on raw materials/components

1. Produce for export market Full exemption from import duty will be considered on imported direct raw materials/components which are not available locally or where they are available locally are not of acceptable quality and price.
2. Produce for domestic market Full exemption from import duty will be considered on direct raw materials/components which are not available locally.

B. Duty exemption on machinery/equipment

Full exemption from:

1. Import duty and sales tax on imported machinery/equipment which are not available locally.
2. Sales tax and excise duties on locally purchased machinery/equipment.

APPROVED SERVICES SECTOR

A. Duty exemption on raw materials/components

Exemption from import duty and sales tax is given on imported raw materials/components which are used directly in the implementation of approved service projects and are not available locally.

B. Duty exemption on machinery/equipment

Exemption is given on sales tax and excise duties on locally purchased machinery/equipment which are used in the implementation of approved service projects.

TOURISM SECTOR

A. Duty exemption on materials / equipment for accommodation and non-accommodation tourism projects

Full exemption from:

1. Import duty and sales tax on identified imported materials / equipment
2. Sales tax and excise duties on identified locally purchased equipment

B. Duty exemption on cars for rental operators for tourist

Car rental operators for tourist is granted excise duty exemption on the purchase of national car.

FILM & MUSIC SECTOR

Duty exemption on equipments for recording studios, production houses and cineplexes. Full exemption from:

1. Import duty and sales tax on identified imported equipments.
2. Sales tax and excise duties on selected locally purchased equipments.

RESEARCH ACTIVITY

Duty exemption on machinery/equipment, materials, raw materials and samples used for approved research projects, in house research, contract research and development company and research and development company. Full exemption from:

1. Import duty and sales tax on imported items used for R & D irrespective whether it is available locally.
2. Sales tax and excise duties on locally purchased items used for R &D.

TRAINING ACTIVITY

Duty exemption on machinery/equipment, materials, raw materials and samples used for approved training programme, approved training institution and technical or vocational training company. Full exemption from:

1. Import duty and sales tax on imported items used for training irrespective whether it is available locally.
2. Sales tax and excise duties on locally purchased items used for training.

ENVIRONMENT PROTECTION

A. Manufacturing companies that purchased control pollution machinery / equipment.

Full exemption from:

1. Import duty and sales tax on imported machinery/equipment that are not available locally.
2. Sales tax and excise duty on locally purchased machinery/equipment.

B. Companies engaged in storage, treatment and disposal of toxic and hazardous waste; or manufacturing companies which produce toxic and hazardous waste (waste generators) and have their own storage, treatment and disposal facilities (on site/off site).

Full exemption from:

1. Import duty and sales tax on imported machinery/equipment that are not available locally.
2. Sales tax and excise duty on locally purchased machinery/equipment.
3. The level and criteria of exemption on raw material/component are the same as the exemption on raw material/component for the manufacturing sector.

C. Catalytic Converters

Exemption from import duty and sales tax on catalytic converters to motor vehicle assemblers.

EDUCATION SECTOR

All private institutions of higher learning and private language institutions are granted import duty, sales tax and excise duty exemption on all educational equipment including laboratory equipment, workshop, studio and language laboratory.