MTIB

LIST OF INCENTIVES FOR THE MALAYSIAN TIMBER INDUSTRY

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A. LIST OF INCENTIVES UNDER THE MALAYSIAN TIMBER INDUSTRY BOARD (MTIB)

1. Soft Loan Financing For Forest Plantation

- In an effort to reduce pressure on native forest as a source for raw materials and to ensure its continuous availability for the domestic timber industry, the Government is encouraging the development of large-scale commercial forest plantations.
- In line with this policy, in March 2005 the Cabinet, the Ministry of Plantation Industries and Commodities (MPIC) decided to pursue an aggressive programme for the development of such forest plantations in Malaysia.
- Under this programme, the Ministry has targeted to develop 130,000 ha of forest plantations, starting in 2007.

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2. Interest Free Raw Material Financing

- MTIB is offering interest-free loans to SMEs under the Raw Material Support Programme for the procurement of raw materials to assist them in the processing of finished products for confirmed work contracts.

Terms of Application

i. Loan Limits :

For an Enterprise

a. Minimum : RM5,000

b. Maximum : RM20,000

For a Sendirian Berhad

a. Minimum: RM20,000

b. Maximum: RM1,000,000

ii. 100% funding will be given for timber raw material costs.

iii. A service charge of 1.5% of the value of the loan is imposed and must be paid within 7 days after the loan agreement has been signed (the service charge is not deductible from the value of the loan approved.)

iv. Approval is subject to the availability of the remaining loan upon submission of the application.

v. Loan disbursements will be paid to the suppliers of the raw materials after MTIB has validated the raw materials in the suppliers' premises or applicants' factories.

vi. Loans are restricted to only fully owned Bumiputera companies or enterprises (100% equity).

vii. Consideration will only be given to wood-based products manufacturing businesses.

viii. The company or enterprise needs to have been awarded the contract work or supply which is still in force.

ix. Consideration will not be given to companies which are closing down or to companies of which a member of its Board of Directors is bankrupt.

x. Payback period loan is 3-6 months.

xi. The company or enterprise must have undergone an audit SCORE/ M-CORE (SME Competitiveness Rating for Enhancement).

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3. High Capacity Woodworking Machinery Incentives

- MTIB is offering a machine loan to Bumiputera Entrepreneurs under the Bumiputera Entrepreneur of Capacity Enhancement Project for the procurement of semi and auto machinery to assist them in increasing productivity and product quality.

- **Terms of Application**
  i. The company must be a fully-owned Bumiputera business (100% equity).
  ii. The company must be registered under Suruhanjaya Syarikat Malaysia (SSM) and possesses a Sendirian Berhad Status.
  iii. The company must have a minimum paid-up capital of RM100,000.
  iv. The company must have been in operation in manufacturing/producing wood based products for at least three (3) years.
  v. The size of applicant's factory must be at least 2,500 square feet.
  vi. There must be proper operation facilities and human capital.
  vii. The company must have a Local Authority licence.
  viii. The company or enterprise must have undergone an audit SCORE/ M-CORE (SME Competitiveness Rating for Enhancement).

CONTACT INFORMATION

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4. Domestic Promotion Incentives

- MTIB is providing an incentive for SME manufacturing companies (timber-based) to participate in domestic exhibitions.

- The objective of the programme is to promote these companies, increase their revenue and provide market access for them in the domestic market.
- The exhibitions organised and participated by MTIB include the Malaysian International Furniture Fair (MIFF), the Export Furniture Exhibition (EFE), Ecobuild Southeast Asia, the Malaysia International Renovation Expo, Homedec, Archidex, International Greentech & Eco Products Exhibition & Conference Malaysia (IGEM), MAHA and the Wood & Lifestyle Fair.
- In 2019, MTIB participated and organised 31 exhibitions including sales carnivals throughout the country to help SMEs create business opportunities and to showcase their products. A total of 252 SMEs participated in the events by promoting and displaying a wide range of timber products such as furniture, kitchen cabinets, panel products, bio-composite products, bamboo and rattan-based products, carvings and handcrafts.

Wood & Lifestyle Fair

The Wood and Lifestyle Fair (WLF) is an initiative by MTIB to provide a platform for Bumiputera SME's to promote their timber and furniture products in line with the demand of society's current lifestyle.

The objectives of this programme are:

i. To introduce Bumiputera timber and furniture products to domestic consumers
ii. To increase Bumiputera furniture entrepreneur's market share in the domestic market
iii. To increase consumer awareness on the aesthetic value of timber products in the office and in the home

This programme was held for the first time in 2016 in PWTC and again at the same venue in 2017. In 2018, the WLF was held in KLCC when MTIB collaborated with the Kuala Lumpur and Selangor Furniture Association (KSFA) in organizing the event in conjunction with the Malaysian Furniture and Furnishing Fair (MF3). This collaboration continued in the WLF 2019. The WLF was also held in several states in Peninsular Malaysia namely Perak, Kedah, Pahang, Terengganu, Kelantan, Melaka, Johor and Sabah.

Sales generated from the WLF from 2016 -2019 totalled RM45.5 million with a total investment of RM5.3 million.

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5. Productivity Improvement and Cost Savings Programme

- Cost of production is high and obtaining adequate foreign and local labour is difficult. These are some of the challenges that the Malaysian timber-based industry has to face and at the same time, remain productive in a highly competitive industry.
- In line with that, MTIB has taken steps to conduct a few programmes for these companies to ensure that the industry remains competitive. These programmes are combination packages of training, consultation, evaluation and sharing of best practices which will enable members of the industry to increase productivity through the improvement of the efficiency of their systems, operations and managements. The programmes, conducted with the assistance of consultants, aimed to help these companies reach their goals.

Good Manufacturing Practises (GMP- 5S)

- The timber industry is often labelled as a 3D industry – Dangerous, Difficult and Dirty. It is crucial that such negative connotations be removed as effectively as possible to be able to attract the interest of more local workers to join the industry. This is MTIB's aspiration with the implementation of the GMP-5S programme.
- The programme was first conducted in 2015. As of 2019, 91 companies have taken part in this programme and they have achieved a cumulative operational savings of RM12.3 million.

Lean Management Programme

- The Lean Management Programme aims towards less wastage and dependency on foreign labours whereby the manufacturing process is optimised according to needs only.
- The Lean Management concept improves the work process in production operations, such as lay-out plans, logistic management, and maintenance. As such, wastage is avoided and consequently, productivity is increased.
- Seeing as the optimum use of resources is related to its effort towards empowering the timber industry, MTIB conducted the Lean Management Programme from 2014 to 2020 with the involvement of 90 companies.
- As of 2020, 90 timber-based companies have joined the programme and recorded operational savings of up to RM79.45 million. These savings included labour, space, time and inventory costs.

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6. Design Enhancement Assistance

Turning OEM to ODM/OBM

- TANGGAM® by MTIB is recognized as a leader in innovative furniture design. Having competed in many furniture design competitions, including the i-Saloni competition held in Milan, Italy, the expertise of their designers has been acknowledged by their numerous awards.
- TANGGAM® now aims to deliver their affordable, leading-edge and creative furniture and manufacturing solutions from Malaysia-based offices to the global market for both domestic and commercial export.
- TANGGAM® have effectively demonstrated outstanding innovations of new designs from Malaysia. With its main objective of promoting the image of Malaysian furniture and catalyzing the transition of this sector from Original Equipment Manufacturer (OEM) to Original Design Manufacturer (ODM), and eventually Own Brand Manufacturing (OBM), MTIB was allocated a fund under the 11th Malaysia Plan (Rolling Plan) to undertake a programme to enhance the quality of the design of locally manufactured furniture. The programme is part of a comprehensive 5-year plan for design enhancement of Malaysian furniture.
- TANGGAM® is responsible for initiating the development of the various sectors of the timber industry and providing technical, marketing and other forms of assistance to ensure their continued growth within a rapidly industrialising Malaysian economy.
- As specifically provided by the Act, TANGGAM® objectives include:
    - i. To further enhance industrialisation and upgrading of the timber industry with emphasis on value-added processing
    - ii. To promote and improve the markets and marketing of timber products
    - iii. To facilitate and strengthen the development of SMEs
    - iv. To develop and promote standard in quality timber products
    - v. To foster orderliness in the timber trade

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7. Non-fiscal Incentives (Human Capital Development)

- One of the key success factors in ensuring the competitiveness and sustainability of the timber industry is the transition to a knowledge-driven economy. It is imperative that the timber industry embraces innovation, develop new ideas, create new products, employ new processes, and deliver new services. In this respect, human capital development is a determinant for the industry to succeed. Human capital development needs to be reinforced in order to acquire a sufficient supply of local manpower as well as skilled workers at all levels of operations.

- Human capital development is one of the strategic thrusts in NATIP. Furthermore, MTIB was appointed as Industry Lead Body (ILB) by Department of Skills Development, Ministry of Human Resources in 2012 for the development of human capital in the timber industry. MTIB thus collaborates with various agencies, local institutions, and industry players in order to enhance efforts in strengthening human capital development in the timber industry.

- In order to expedite the development of human capital in the industry, MTIB has established the Wood Industry Skills Development Centre (WISDEC). WISDEC provides short term training programmes for the industry and long-term training programmes for youths. The short-term training programmes are made up of two broad categories, namely client driven and technology-driven courses. Client-driven courses are dedicated to meet the current needs of the industry and targeted towards those who are already employed in the industry. Industry could apply the training incentives from various agencies such as Human Resource Development Fund from *Pembangunan Sumber Manusia Berhad (PSMB)* and *Perbadanan Tabung Pembangunan Kemahiran.*

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B. INCENTIVES UNDER MALAYSIAN TIMBER COUNCIL (MTC)

1. Import Assistance Programme (IAP)

The Import Assistance Programme (IAP) aims to facilitate the local timber manufacturers to import raw materials/planting materials by defraying part of the freight and handling charges. **There are 4 categories for IAP:**

i) Direct Sourcing Programme (DSP)

- A two-tier disbursement to defray freight and handling charges incurred for the importation of timber raw materials

ii) Industrial Testing Programme (ITP)

- A programme that encourages SMEs to conduct feasibility studies on the suitability of new timber species for their production

iii) Mission Participation Incentive (MPI)

- A cost-sharing programme to facilitate trial shipments from timber raw material suppliers visited during MTC's Resource and Business Missions

iv) Planting Material (Seedlings/Plantlets)

- A programme that supports the timber industry's initiative to import planting materials for the establishment of forest plantations of fast-growing tree species for future sustainable timber supply

2. Financial Incentive For Purchase of Machinery (FIPM)

- Machinery purchased for sawmilling/manufacturing of value-added timber products
- Machinery to upgrade existing processing technology
- Partial reimbursement (i.e. 10% – 15%) of the machine price and freight charges, limited to a maximum of RM50,000 per company/group of company every 3 years.

3. Mechanisation & Automation (M&A) and Retrofitting Programme

I. Mechanisation & Automation (M&A)

- To assess the existing manufacturing performance
- To provide recommendations on processes by workflow improvement and recovery as well as waste reduction
- To provide recommendations on how these processes could be mechanised or automated to potentially reduce dependency on manual labour

II. Retrofitting

- To examine the operating and technical state of existing machines and to recommend retrofitting options for productivity improvement

4. Financial Incentive for Retrofitting Machinery (FIRM)

- Eligible for company that have undertaken MTC's Retrofitting Programme and wish to upgrade existing machines by retrofitting
- Under the incentive, partial reimbursement of hardware/ software/components purchased is reimbursable every three (3) years up to RM50,000 per company/group of companies

5. Financial Incentives Related to the Environment Quality (Clean Air) Regulations 2014 (CAR 2014)

I. Financial Incentive for Consultancy Service: Factory Assessment for Air Pollution Control

- For SMEs that engage qualified air pollution control (APC) consultants to assess their existing dust extracting equipment
- 50% matching on consultation fee and on a reimbursable basis, limited to a maximum of RM5,000 per company/group of company

II. Financial Incentive for Purchase of Air Pollution Control (APC) Equipment

- New APC equipment to be designed and constructed in accordance to the "Guidance Document for Fuel Burning Equipment and Air Pollution Control Systems" specified by Department of Environment (DoE)
- Partial reimbursement (i.e. 10% – 15%) of the cost of purchasing APC equipment, limited to a maximum of RM50,000 per company/group of companies

III. Financial Incentive for Attending Competency Course in Compliance with CAR 2014

- Partial reimbursement (i.e. 50%) of the course fee for attending one (1) Competency Course
- Limited to one (1) staff per company/group of companies

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C. LIST OF INCENTIVES UNDER OTHER MINISTRIES/AGENCIES

1. MALAYSIA PRODUCTIVITY CORPORATION (MPC)

Industry4WRD Readiness Assessment (RA)

I. BACKGROUND

- The Industry4WRD Readiness Assessment (Industry4WRD RA) is a comprehensive programme to assist companies to assess their capabilities and readiness to adopt Industry 4.0 technologies and processes. The assessment uses a pre-determined set of indicators to understand their present capabilities and gaps, from which will enable the companies to prepare feasible strategies and plans to move towards industry 4.0.

- The main objectives of the Industry4WRD RA are to:
  - (i) Identify the gaps and areas of improvement for Industry 4.0 adoption as well as opportunities for productivity, improvement and growth
  - (ii) To determine their state of readiness to adopt Industry 4.0 technologies outlined in the Industry4WRD Policy
  - (iii) To develop feasible strategies and plans to perform outcome-based intervention projects
- The qualifying criteria for Industry4WRD RA are:
  - (i) Companies in the manufacturing and manufacturing related services sectors
  - (ii) Companies incorporated under the Companies Act 2016
  - (iii) Companies possessing valid business licences and/ or Manufacturing Licences (ML)
  - (iv) Companies that have been in operation for at least 36 months

II. INCENTIVES

- There are two types of incentives available for companies to undertake Industry4WRD RA:
  - (i) Government-funded Industry4WRD RA (The incentive provided is subject to availability of funds)
  - (ii) Tax deduction on expenses of Industry4WRD RA fees of up to RM27,000

III. ELIGIBILITY CRITERIA FOR INCENTIVES

- The government-funded Industry4WRD RA is open for Small and Medium Enterprises (SMEs) that are within:

(i) Manufacturing sector - Sales turnover from RM300,000 to not more than RM50 million and/or employee from 5 to not more than 200

(ii) Manufacturing related services - Sales turnover from RM300,000 to not more than RM20 million and/or employees from 5 to not more than 75

- Tax deduction is eligible for all companies, including SMEs, that do not enjoy the government-funded Industry4WRD RA.

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2. MALAYSIAN INDUSTRIAL DEVELOPMENT FINANCE BERHAD (MIDF)

I. Soft Loan Scheme of Automation and Modernization (SLSAM)

- The Soft Loan Scheme of Automation and Modernization (SLSAM) was launched in February 2007.
- The fund for this Scheme is channelled by the Government of Malaysia via the Ministry of International Trade and Industry (MITI) to MIDF for the implementation of the Scheme.
- The SLSAM assists manufacturing companies to:

    i. Modernise and automate manufacturing processes
    ii. Upgrade production capability and capacity
    iii. Minimise dependence on labour – intensive activities and foreign labour
    iv. Diversify into higher value-added activities
    v. Rationalise and streamline operations including through mergers and acquisitions
    vi. Enhance tooling acquisition, development and production
    vii. Improve productivity
    viii. Enhance export performance

SALIENT FEATURES

(i) Eligibility Criteria

- Companies incorporated under the Companies Act 1965
- Companies with at least 51% equity held by Malaysians
- Companies that possess valid business licences
- Companies in operation for at least 2 years

(ii) Sectors

- Manufacturing

(iii) Financing Amount

- Minimum: RM50,000
- Maximum: RM20 million for each application

(iv) Interest Rate/Profit Rate

- 4.0% per annum on yearly rest (SMEs)
- 5.0% per annum on yearly rest. (Non-SMEs)

(v) Margin of Financing

- Up to 100% for financing existing financing principal amount with other financial institutions (existing factory building/ machinery/ equipment/ moulds /dies/jigs /fixtures);
- Up to 90% for other eligible expenses;
- Up to 65% for used/reconditioned machinery and equipment;
- Working Capital Financing; Up to 100% for Purchase Revolving Credit, 90% for Sales Revolving Credit, 90% for Term Working Capital Financing, 80% for Factoring

(vi) Tenure

- Up to 25 years for Factory / Building (including 2 years grace)
- Machinery & Equipment and other eligible expenses – up 10 years (including 3 years grace)
- Revolving Credit – up to 150 days (including rollover up to 60 days)
- Factoring – up to 180 days
- Working Capital Term Financing – up to 3 years (including 6 months grace)

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3. MALAYSIAN INVESTMENT DEVELOPMENT AUTHORITY (MIDA)

I. Industry 4WFD Intervention Fund

- The Industry4WFD Intervention Fund is a financial support facility for Malaysian Small and Medium Enterprises (SMEs) in the manufacturing and related services sectors to embrace Industry 4.0.

- The fund will be provided to support companies in their efforts to implement intervention projects based on the recommendation of the Industry4WRD Readiness Assessment (RA) Report on the shift factors of people, processes and technologies.

The objectives of this Fund are to:

- Improve productivity of the company
- Accelerate business growth through adoption of Industry 4.0 technologies and processes
- Improve the current level of scoring based on the Industry4FWD RA undertaken
- The funding will be provided on matching basis (70:30) based on eligible expenditure up to a maximum grant of Ringgit Malaysia Five Hundred Thousand (RM500,000.00) only.
- Only expenditures based on the recommendations of the RA report will be considered and all shift factors of people, processes and technologies must be addressed in the intervention project, subject to a maximum grant of RM50,000.00 on the shift factor of people.

Eligibility Criteria

(i) Manufacturing or manufacturing-related-services (MRS) companies incorporated under the Companies Act, 2016

(ii) Small Medium Enterprises (SMEs):

Manufacturing: Sales turnover from RM300,000 to not more than RM50 Million and/or employees numbered from 5 to not more than 200

Manufacturing: Sales turnover from RM300,000 to not more than RM20 Million and/or employees numbered from 5 to not more than 75

(iii) In operation for at least 3 years in the current business line

(iv) Possessing a valid business licence and/or Manufacturing Licence

(v) Completed the Government-funded Industry4WRD Readiness Assessment (RA) Programme – having received report from the Malaysia Productivity Corporation (MPC)

Conditions

(i) At least one of the shift factors of people, processes and technologies must be addressed in the intervention project, subject to a maximum grant of RM50,000 on the shift factor of people.

(ii) The company must submit an original copy of proof of payment (invoice/voucher/bill) for expenses incurred - subsidized by the upfront grant - to MIDA.

(iii) Government reserves the right to withdraw the grant (including the upfront grant) if the applicant fails to execute the intervention project as approved.

(iv) The companies that have been granted the Industry4WRD Intervention Fund are not entitled to make any deductions or allowances under the Income Tax Act (ITA), 1967 or Promotion of Investment Act (PIA), 1986 for the same expenditures.

(v) Other conditions are to be imposed on case-to-case basis (if necessary).

Documentation

- Application Form
- Industry4WRD Readiness Assessment (RA) Report (with MPC's cover letter)
- Technical Proposal
- Financial Statements (audited) for the past three (3) years
- Manufacturing Licence from MITI or a Confirmation Letter for Exempted from Manufacturing Licence from MIDA

What to put in the Technical Proposal?

- Project Description
- Scope of Project
- Duration of Project
- Method of execution (solution providers)
- Source of Technology
- Expected Deliverables
- Breakdown of Expenditures

Application Form, Template Technical Proposal, Guidelines & Process Workflow are available in MIDA

Website: Application Form and Guidelines are available on the MIDA Website:

https://mida.gov.my/forms-and-guidelines/

II. Industry 4WRD DISF

- Introduced in Budget 2019.
- Its objective is to assist companies that have undergone the Industry4WRD Readiness Assessment (RA) programme to migrate into Industry 4.0.
- Matching grant (60:40) on reimbursable basis for the eligible expenditures:
  - **60% subsidized by Government**
  - **40% borne by Company**
- It's eligible only to companies that have undergone the Industry4WRD Readiness Assessment (RA) programme with Malaysian equity ownership of at least 60%.
- The effective date of application is from the date of approval of the Industry4WRD RA Report (MPC's letter) until 31 December 2021.

Priority Sectors

- Manufacturing Sector
- Services Sector

Condition for Industry FWD DISF

- For Industry4WRD DISF: The company must adopt at least one of the following 11 Industry 4.0 technology pillars.

Process Workflows

(i) Application

- Within 6 weeks of complete information.
- If approved, within 90 days the agreement has to be signed.

(ii) Disbursement

- To submit written claim to MIDA to request for the first disbursement within **twelve (12) months** from the date the first expenditure is incurred

III. Automation Capital Allowance (ACA)

- Adopted based on the recommendations by the 'Study on Transformation Strategy for Labour Intensive Manufacturing Industries in Malaysia' in 2014.

Among the objectives are:

- To encourage manufacturing companies to engage in innovative and productive activities
- To encourage quick adoption of automation specifically for labour - intensive industries
- To further spur automation initiatives
- To enhance productivity in the manufacturing sector

Collaboration with SIRIM

Applications for the Automation CA are jointly evaluated by MIDA (non-technical) and SIRIM (technical).

SIRIM undertakes technical verification based on the following productivity measures:

i. Reduction in number of workers / operators

ii. Reduction in number of man hours

iii. Increase of production volume

iv. Quality improvement

v. Other factors (i.e: energy efficiency, worker safety, smart manufacturing)

Types of Incentives

Category 1 – Labour-intensive industries

(i) Rubber products

(ii) Plastic products

(iii) Wood products

(iv) Furniture products

(v) Textile products

Category 2

Automation Capital Allowance of 200% on the first RM4 million expenditure incurred* within 8 years of assessment from 2015 to 2023.

Eligibility

- Manufacturing companies incorporated under the Companies Act, 1965 / 2016 and resident in Malaysia.
- Companies possessing valid Business Licences from the Local Authority and Manufacturing Licences from MITI or a Confirmation Letter of Exemption from Manufacturing Licence from MIDA (whichever is applicable)
- Companies that have been in operation for at least 36 months

- Requirement for Manufacturing Licence (ML) under the Industrial Coordination Act (ICA)1975 :
  - Shareholders' funds of RM2.5 million and above OR
  - Employing 75 or more fulltime employees

Criteria of automation machine/equipment

- Automation machine/equipment is used directly in the manufacturing activity.

- Automation machine/equipment should enhance the productivity such as reducing man hours, reducing workers and increasing volume of output and to be verified by SIRIM.

- Automation machine/equipment adopts technology that is more advanced than the technology currently used by the company and to be verified by SIRIM.

- Machines should be used at least one (1) month after installation / commissioning.

- For new products, the machine should be in operation for at least three (3) months after the production of the first batch of that new product.

Criteria of incentives

- Companies currently claiming Reinvestment Allowance (RA) can opt to claim the Automation CA provided that only one of these two incentives is claimed in the same year of assessment. The period of RA will continue even though the company has opted for this incentive. However, the company must utilize the full amount of RM4 million (Category 1) or RM2 million (Category 2) before it continues to claim RA.

- If a company decides to claim the Automation CA first before claiming RA, the incentive period for both Category 1 and Category 2 (YA 2015 – 2023) will form part of the 15-year period of RA.

- This incentive is mutually exclusive to other incentives i.e companies can only enjoy either one of the incentives that include Automation Capital Allowance (Automation CA), Reinvestment Allowance (RA), Pioneer Status (PS), Investment Tax Allowance (ITA) or Allowance for Increased Exports (AIE).

Documentation

- Three (3) sets of Application Form (ML-Automation CA Form)

- A copy of Business Licence (mandatory requirement)

- A copy of Manufacturing Licence or a copy of Confirmation Letter of Exemption from Manufacturing Licence (whichever is applicable)

- A copy of tax incentive approval letter(s) (if applicable)
- List of purchased and installed machines / equipment
- Invoices / Purchased Orders and Delivery Orders for the machines / equipment
- Proof of documentation to indicate that the entire cost of the machine / equipment has been paid

Application Form and Guidelines are available on the MIDA Website:

https://mida.gov.my/forms-and-guidelines/

IV. Smart Automation Grant under the National Economic Recovery Plan (PENJANA)

Please refer to guideline & process flow attached.

Application Form and Guidelines are available on the MIDA Website:

https://mida.gov.my/forms-and-guidelines/

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