

GUIDELINE ON APPLICATION FOR MANUFACTURING LICENCE (ML)

1. INTRODUCTION

- 1.1 The Industrial Coordination Act (ICA), 1975 defines manufacturing activity as “...*the making, altering, blending, ornamenting, finishing or otherwise treating or adapting any article or substance with a view to its use, sale, transport, delivery or disposal and includes the assembly of parts and ship repairing but shall not include any activity normally associated with retail or wholesale trade*”.
- 1.2 The Industrial Coordination Act, 1975 requires person(s) engaging in any manufacturing activity with;
- shareholders’ funds of RM2.5 million and above;
- or**
- employing 75 or more full-time paid employees;
- to apply for a Manufacturing Licence.
- 1.3 Company can be considered for exemption from Manufacturing Licence if the company employs less than 75 full-time workers and the company has less than RM2.5 million of shareholders’ funds. Company may apply for the exemption from Manufacturing Licence by submitting ICA10 online application to MIDA.
- 1.4 The Industrial Coordination Act, 1975 also exempts company engaging in the following activities from requiring a Manufacturing Licence:
- Milling of paddy into rice;
 - Milling of oil palm fresh fruits into crude palm oil; and
 - Production and processing of raw natural rubber of all types including latex, skim, sheets, crepes, scrap, technically-specified rubbers, non-standard and modified rubbers or any other un-vulcanised form of

natural rubber prepared by any patented or technically specified procedure.

- 1.5 The Manufacturing Licence application for manufacturing projects under the Industrial Coordination Act (ICA), 1975 is now deliberated through the self-assessment and self-declaration mechanism.
- 1.6 The objective of this mechanism is to expedite the Manufacturing Licence application and approval process to further allow companies to speed-up project implementation.

2. ELIGIBILITY CRITERIA

- 2.1 Companies with shareholders' funds of RM2.5 million and above **or** engaging 75 or more full-time paid employees;¹
- 2.2 Project's Capital Investment Per Employee (CIPE) is at least RM140,000.00;
- 2.3 Total full-time workforce of the company comprises of at least 80% Malaysians;²

At least 25% of the company's full time workforce are managerial, technical, and supervisory (MTS) staff with degree and/or diploma/certificate **or** product's value added is at least 40%;
- 2.4 The project must be consistent with the national economic and social objectives and promotes an orderly development of manufacturing activities in Malaysia.

3. EFFECTIVE DATE OF APPLICATION

- 3.1 All Manufacturing Licence application for manufacturing projects under the Industrial Coordination Act (ICA), 1975 received by MIDA from 26 March 2021 will be evaluated through MIDA online application portal.

¹ Please refer to Appendix I for details on definition/computation/formula for Manufacturing Licence eligibility criteria/condition under the Industrial Coordination Act, 1975.

² Relaxation to comply with condition of least 80% fulltime Malaysian workers from the total workforce is given until 31 December 2024 for new, expansion, diversification and regularisation manufacturing projects.

4. APPLICATION PROCEDURE

4.1 Applications should be made online at <https://investmalaysia.mida.gov.my>

4.2 For enquiries and clarification, please refer to:

Website : www.mida.gov.my
Tel : 603-2267 3633
Fax : 603-2274 7970 / 2273 4204
E-mail : investment@mida.gov.my

**DETAILS ON DEFINITION/COMPUTATION/FORMULA FOR MANUFACTURING LICENCE ELIGIBILITY
CRITERIA/CONDITION UNDER THE INDUSTRIAL COORDINATION ACT (ICA), 1975**

No.	Criteria / Condition	Definition / Computation / Formula	Minimum Requirement
1.	Value Added (VA)	VA (%) = [Factory Price of 100%] – [% of costs of raw materials/components (imported and/or local)] <i>Note: Refer Online Application Form in Section G: Specific Industry - Product Pricing Details</i>	At least 40%
2.	Managerial, Technical & Supervisory (MTS) Index	MTS (%) = Total number of managerial, technical & supervisory (MTS) staff (÷) total number of full-time employees <i>Note: Refer Online Application Form in Section F: Manpower</i> MTS staff consist of: 1. Managerial and Professional staff 2. Technical and Supervisory staff with: (a) Engineering/Technical qualifications (b) Science qualifications (c) Other qualifications/experience (craft skills)	At least 25%
3.	Full-time employment of at least 80% Malaysian	Malaysian Employees (%) = Total number of full-time Malaysian employees (÷) total number of full-time employees <i>Note:</i> 1. Refer Online Application Form in Section F: Manpower. 2. For the purpose of this computation, employees outsourced from third party and not directly under company's payroll are not considered as applicant company's employees.	At least 80%

No.	Criteria / Condition	Definition / Computation / Formula	Minimum Requirement
4.	Full-time workers	<p>"Full-time paid employees" refers to all persons normally working in the establishment for at least six hours a day and at least 20 days a month for 12 months during the year and receives salary directly from applicant company. This includes traveling sales, engineering, maintenance and repair personnel who are paid by and are under the control of the establishment. It also includes directors of incorporated enterprises except those paid solely for their attendance at board of directors meetings.</p>	75 workers or more
5.	Shareholders' Funds	<p>"Shareholders' funds" are the aggregate amount of a company's paid-up capital, reserves, balance of share premium account and balance of profit and loss appropriation account.</p> <p><i>Note: Refer Online Application Form in Section E: Project Financing</i></p>	RM2.5 million or more
6.	Capital Investment Per Employee (CIPE) Ratio	<p>CIPE (RM) = Capital investments (÷) total number of full-time employees</p> <p><i>Note: Refer Online Application Form in Section D: Project Cost and Section F: Manpower</i></p> <p>CIPE Ratio is measured by taking into account fixed assets investment including payment of rental (10 years) for land and building. The calculation for CIPE Ratio is by taking Capital Investments as of company's Financial Year over Number of Full-Time Employees as of current Financial Year.</p>	At least RM140,000