

**GLOBAL SERVICES HUB**[www.mida.gov.my](http://www.mida.gov.my)

## **GUIDELINES FOR GLOBAL SERVICES HUB (GS-HUB) TAX INCENTIVE**

### **1. BACKGROUND**

In response to Malaysia's evolving business landscape and the need to move up the value chain, the Government introduced the Principal Hub (PH) scheme in 2015. This initiative aims to attract multinational corporations (MNCs) to establish Malaysia as their centralised operating base, functioning as a control tower for managing and expanding regional and global operations. The PH scheme focuses on strategic business activities, including risk management and high-level decision-making, to effectively support and oversee the MNCs' network companies across the region and beyond.

In line with the 12th Malaysia Plan (12MP) to strengthen Malaysia's competitiveness as a key player in the regional and global services sector, the Global Services Hub (GS Hub) tax incentive was introduced in the 2024 Budget as an enhancement to the expired Principal Hub (PH) scheme which ended on 31 December 2022.

The scheme is designed to attract more MNCs to leverage Malaysia's eco system as a strategic base for managing their regional and global operations. It encourages MNCs to explore expansion opportunities by growing their service offerings into new high-value and knowledge-based sectors.

### **2. DEFINITION OF GLOBAL SERVICES HUB**

A locally incorporated company that uses Malaysia as a base for conducting its regional or global business operations to **manage, control, and support its key functions** including management of risks, decision making, strategic business activities such as research and design, marketing, supply chain management and consolidation of shared services functions.

### 3. INCENTIVES

#### 3.1 Tax Incentive

##### Schedule 1

		NEW COMPANY		EXISTING COMPANY	
		TIER 1	TIER 2	TIER 1	TIER 2
a)	<b>Exemption Period</b>	5 or 10 year		5 years	
b)	<b>Tax Incentive</b>	Tax rate of 5%	Tax Rate of 10%	Tax rate of 5% on value-added income	Tax rate of 10% on value-added income
c)	<b>Type of Income Exempted</b>	i) Services income; or ii) Services income and trading income  Both incomes are generated from undertaking qualifying activity.			
d)	<b>Qualifying Activity</b>	i. <b>Regional P&amp;L / Business Management Unit;</b> P&L Management focuses on the growth of the company with direct influence on how company resources are allocated - determining the regional/global direction, monitoring budget expenditure and net income, and ensuring every program generates a positive ROI  ii. <b>Strategic Business Planning;</b> iii. <b>Corporate Development;</b> <b>AND</b> iv. <b>a minimum of two (2) other qualifying services</b> of either strategic services, business services or shared services as follows:  <b>A. <u>Strategic Services</u></b> (i) Corporate Finance Advisory Services (ii) Brand Management <sup>1</sup> (iii) IP Management <sup>1</sup> (iv) Senior-level Talent Acquisition and Management			

<sup>1</sup> These activities are merely services activities which exclude royalties and other income derived from Intellectual Property Rights (IPRs) owned by the company

		NEW COMPANY		EXISTING COMPANY	
		TIER 1	TIER 2	TIER 1	TIER 2
		<p><b>B. <u>Business Services</u></b></p> <ul style="list-style-type: none"> <li>(i) Bid and Tender Management</li> <li>(ii) Treasury and Fund Management</li> <li>(iii) Research, Development &amp; Innovation<sup>1</sup></li> <li>(iv) Project Management</li> <li>(v) Sales and Marketing</li> <li>(vi) Business Development</li> <li>(vii) Technical Support and Consultancy</li> <li>(viii) Information Management and Processing</li> <li>(ix) Economic/ Investment Research Analysis</li> <li>(x) Strategic Sourcing, Procurement and Distribution</li> <li>(xi) Logistics Services</li> </ul> <p><b>C. <u>Shared Services</u></b></p> <ul style="list-style-type: none"> <li>(i) Corporate Training and Human Resource Management</li> <li>(ii) Finance &amp; Accounting (Transactions, Internal Audit)</li> </ul>			

Details are as per Appendix I

### 3.2 Special Individual Income Tax Rate

- 3.2.1 The tax incentive at a **flat rate of 15%** can be considered to a maximum of **three (3) non-citizen individuals** employed by the company approved with GS-Hub Incentive.
- 3.2.2 The individual must be resident in Malaysia and hold a key position (C-Suite)<sup>2</sup> in the GS-Hub company. The individual must receive basic monthly salary of at least RM35,000.00.
- 3.2.3 The non-citizen individual must be Malaysian tax resident for each year of assessment throughout **three (3) consecutive years of assessment**.

<sup>2</sup> Key position (C-Suite) refers to the position of top senior executives responsible in setting business strategy, making decision for the business operation and having functional know-how or technical skills. The C-Suite may include Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief Operating Officer (COO), Chief Marketing Officer and Chief Information Officer (CIO)

3.3 Under the current progressive **Foreign Exchange Policy (FEP)** rules, any **corporate** is free to conduct its cross-border activities subject to some prudential limit in some areas. Should a corporate require additional FEP flexibilities beyond the generally permissible (GP), the approved company may submit its application directly to Central Bank of Malaysia via [bnm.my/fep](http://bnm.my/fep) (FEP Portal) and subject to BNM consideration.

#### **4. ELIGIBLE APPLICANT**

4.1 **New Company**, refers to company:

- a) which is incorporated under the Companies Act 2016 and resident in Malaysia; and
- b) which is established for the purpose of carrying on a qualifying activity as specified in Para 3.1 - Schedule 1(d):
  - i) which does not have an existing entity or related entity in Malaysia; or
  - ii) which has an existing entity or related entity in Malaysia which has not carried on a qualifying activity in Malaysia.

4.2 **Existing Company**, refers to company:

- a) which is incorporated or registered under the Companies Act 2016 and resident in Malaysia; and
- b) has an existing entity or related entity in Malaysia and undertaking:
  - i) a manufacturing or services activity other than the qualifying activities as specified in Para 3.1 - Schedule 1(d) prior to the submission of application being made; or
  - ii) any of the qualifying activities as specified in Para 3.1 - Schedule 1(d) and planning to undertake additional qualifying activities as specified in Para 3.1 - Schedule 1(d) prior to the application being made.

Note: If the company or its related company has been approved for tax incentive for any existing qualifying activities, the application for GS Hub incentive must be submitted after the expiry of the existing tax incentive period.

## 5. TAX INCENTIVE MECHANISM

### 5.1 Tax Rate

- a) The company must **submit the application to MIDA before commencement of the proposed project**. Commencement is defined as the **first sales invoice issued by company for the proposed project**.
- b) MIDA will issue an **approval in principle** to the company on the tax incentive for the proposed project as approved by the National Committee of Investment (NCI). The principle approval letter will indicate **tiering approach and outcome-based tax incentive**.
- c) The company shall submit the application for determination of tax incentive commencement year of assessment not later than 24 months from the date of the approval in principle.
- d) The commencement date of the tax incentive will be determined based on the year of assessment the company commences the operation for the approved product/activity.
- e) The Tax Rate is to be provided through a subsidiary legislation under the subsection 6(1A), Section 65B and Section 154 of Income Tax Act, 1967 and to be considered in the NCI.

### 5.2 Special Individual Income Tax Rate

- a) The application for Special Individual Income Tax Rate shall be submitted together with the application for GS-Hub Tax Incentive to MIDA.
- b) The decision for this application will be included in the **approval in principle** on the tax incentive for the proposed project issued by MIDA.
- c) The Special Individual Income Tax Rate is to be provided through subsidiary legislation under the Income Tax Act, 1967 in the exercise of the powers conferred under Subsection 6(1A) and Schedule 1 Part VIII, Income Tax Act 1967.

## 6. **MALAYSIA'S PARTICIPATION IN THE GLOBAL ANTI-BASE EROSION (GLOBE) MODEL RULES (PILLAR TWO) INITIATIVE**

- 6.1. On 8 October 2021, 136 members of the OECD/G20 Inclusive Framework on Base Erosion Profit Shifting (BEPS) have joined the Statement on the Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy. The Two-Pillar Solution is comprised of Pillar One and Pillar Two.
- 6.2. Pillar One aims to ensure a fairer distribution of profits and taxing rights among countries with respect to the largest multinational enterprises (MNEs). Meanwhile, Pillar Two puts a floor on tax competition on corporate income tax

through the introduction of a global minimum corporate tax rate that countries can use to protect their tax bases.

6.3. The Global Anti-Base Erosion (GloBE) Rules are the main Pillar Two Rules which set out the scope and mechanism of the new global minimum effective tax rate (ETR) of 15%. A top-up tax will be imposed when the group's ETR in the jurisdiction falls below the 15% level.

6.4. Malaysia will implement the Global Minimum Tax (GMT) in 2025 in line with international taxation standards as announced by the Malaysian Government through Budget 2024. Companies with annual global revenue of at least 750 million EURO can be subjected to top-up tax if the ETR in Malaysia is below 15 percent. This top up tax can be collected through the Domestic Top Up Tax (DTT) mechanism under Part XI of Income Tax Act 1967 which will be enforced on 1 January 2025.

## 7. **EFFECTIVE DATE OF APPLICATION**

Applications **received** by the Malaysian Investment Development Authority (MIDA) from **14 October 2023 until 31 December 2027**.

## 8. **APPLICATION SUBMISSION**

8.1. Applications for GS-Hub scheme shall be made online at <https://investmalaysia.mida.gov.my>.

8.2. Application with incomplete information will not be accepted and will be returned to the applicant company.

8.3. For enquiries and clarification, please refer to: -

MIDA Website	:	<a href="http://www.mida.gov.my">www.mida.gov.my</a>
Tel	:	(603) – 2267 3633
Fax	:	(603) – 2273 7970
Email	:	<a href="mailto:investment@mida.gov.my">investment@mida.gov.my</a>

**APPENDIX I: TAX RATE**

Period (years)	First Five (5) Years		Second Five (5) Years	
Tax Incentive	Tier 1	Tier 2	Tier 1	Tier 2
• <b>New Company</b>	Tax Rate of 5%	Tax Rate of 10%	Tax Rate of 5%	Tax Rate of 10%
• <b>Existing Company</b>	Tax Rate of 5% on value-added income	Tax Rate of 10% on value-added income		
<b>Minimum Conditions</b> Tier 2: 10%	1. Paid-up capital of at least RM2.5 million. 2. Annual operating expenditure <sup>3</sup> as proposed 3. Company must undertake Regional P&L, Strategic Business Planning and Corporate Development and additional two (2) qualifying activities. 4. Company must Serve/ Business Control of at least 7 Network Companies which include at least 3 related companies. 5. At least 50% of high value jobs with minimum monthly basic salary of RM10,000.00 must be filled by Malaysian. Additional condition for trading income only 6. Annual sales turnover and forex in-flow into the local banking system as proposed		1. Paid-up capital of at least RM2.5 million. 2. Adequate <sup>4</sup> increase in annual operating expenditure <sup>1</sup> as proposed. 3. Company must undertake Regional P&L, Strategic Business Planning and Corporate Development and additional two (2) qualifying activities. 4. Company must Serve/ Business Control of at least 7 Network Companies which include at least 3 related companies. 5. Adequate <sup>2</sup> increase in number of high value jobs with minimum monthly basic salary of RM10,000.00 must be filled by Malaysian. Additional condition for trading income only 6. Adequate <sup>2</sup> increase in annual sales turnover and forex in-flow into the local banking system as proposed.	

<sup>3</sup> The GS-Hub must incur a minimum amount of **operating expenditure** to carry out its day-to-day operation. This amount shall include local services for insurance, legal, banking, ICT and transport. However, this amount shall not include the cost of materials sold, depreciation, loan interest and expenses that are not directly involved in the company's proposed activities.

<sup>4</sup> Proposals submitted by companies will be evaluated in detail by MIDA and will be deliberated in the National Committee on Investments for decision.

**APPENDIX I: TAX RATE**

<b>Period (years)</b>	<b>First Five (5) Years</b>		<b>Second Five (5) Years</b>	
<b>Tax Incentive</b>	<b>Tier 1</b>	<b>Tier 2</b>	<b>Tier 1</b>	<b>Tier 2</b>
• <b>New Company</b>	Tax Rate of 5%	Tax Rate of 10%	Tax Rate of 5%	Tax Rate of 10%
• <b>Existing Company</b>	Tax Rate of 5% on value-added income	Tax Rate of 10% on value-added income		
<b>Additional Conditions</b> Tier 1: 5%	<p>Companies is subject to the following outcomes (but not limited to):</p> <ol style="list-style-type: none"> <li>1. Minimum annual expenditure for domestic ancillary services<sup>5</sup> as proposed;</li> <li>2. Minimum key personnel with minimum basic monthly salary of RM35,000.00;</li> <li>3. Any other conditions related to sustainable economy development.</li> <li>4. And any additional conditions deemed necessary by the NCI committee</li> </ol>		<p>Companies is subject to the following outcomes (but not limited to):</p> <ol style="list-style-type: none"> <li>1. Adequate<sup>2</sup> increase in minimum annual expenditure for domestic ancillary services<sup>2</sup> as proposed;</li> <li>2. Adequate<sup>2</sup> increase in minimum key personnel with minimum basic monthly salary of RM35,000.00;</li> <li>3. Any other conditions related to sustainable economy development.</li> <li>4. And any conditions deemed necessary by the NCI committee</li> </ol>	

<sup>5</sup> Significant use of ancillary services from locally incorporated companies from Malaysia. Company shall provide a proposed amount of domestic ancillary expenditure which shall be excluded from the proposed OPEX commitment for imposition of incentive condition. This may include but not limited to trade and logistics services, legal and arbitration services, finance, treasury services, architectural consultancy, audit, accounting and taxation, management and business consultancy, advertising & market research, ICT solution providers for Industry 4.0 and Research & Development.