

Exploring Malaysia's Logistics Sector

Key Investment Insights from MIDA.

Presenter

Puan Habibah Enok
Director

Oil & Gas, Maritime and
Logistic Services Division
Malaysian Investment
Development Authority (MIDA)

MIDA
MALAYSIAN INVESTMENT DEVELOPMENT AUTHORITY

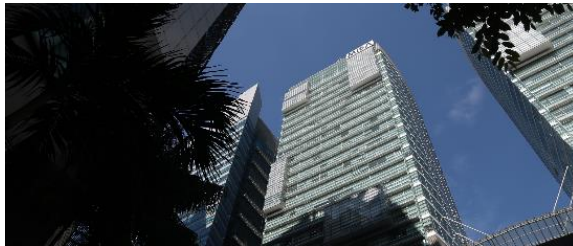


Who We Are

[MIDA is the government's principal investment promotion agency for the development of the manufacturing and services sectors in Malaysia]

MIDA Shaping Industrial Landscape Since 60s

Established-1967



Global Network-21



State Offices-12



Shaping Industrial Landscape



Digital Economy, Industry 4.0, E-Commerce, ESG

2020s



Innovation, ETP & High Income

2010s



Services & Economic Corridors

2000s



Technology Intensive

1990s



Resource-based & Heavy industries

1980s



Export Oriented & Labour Intensive

1970s



Import Substitution

1960s

Promoting FDI & DDI

1



2

Providing Investment Approvals

Manufacturing License (ML)



- Require ML if the Paid-up Capital/Shareholders' Fund is RM2.5 Million and above; or employing 75 or more full time employees
- Exempted from ML- If below the above threshold

Investment Incentives



- Tax Incentives
- Matching Grants

Customs Duty Exemptions



- Raw materials; and
- Machinery & equipment

Expatriate Posts



- **Key posts**
Posts that are permanently filled by foreigners
- **Term posts**
Posts that are filled by foreigners for a period of 1-5 years

Monitoring Project Implementation

3



4

Providing Business Facilitation



Post Investment Issues



Talent Needs



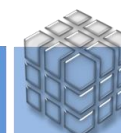
Local Sourcing of parts/ components /modules



Local Engineering Support



Adoption of I4.0 Technologies



Technology Collaboration



Funding Needs



I-Services Portal

LOGISTICS IN MALAYSIA



Logistics in Malaysia

Economics Performance and Contribution

The Malaysia Freight And Logistics Market size is estimated at USD28.12 billion in 2024, and is **expected to reach USD38.28 billion by 2030**, growing at a CAGR of **5.28%** during the forecast period (2024-2030).

Source: <https://www.mordorintelligence.com/industry-reports/malaysia-freight-logistics-market-study>

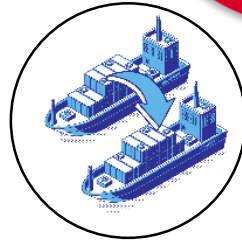




Regional Distribution Hub



E-Fulfillment



Transshipment



Halal Hub



Cold Chain



Dangerous Goods

Why Malaysia

SHIPPING ROUTE

Located **between two** of the most **important shipping routes** in Asia:

1. the Straits of Malacca, and
1. the South China Sea. Strategic location

LAND AND INFRA

Ample **land** and good **infrastructure**

REGIONAL OPERATIONS

Investors are exploring other ASEAN (**apart from Singapore**) countries especially **Malaysia** to set up their regional operations

ECONOMIC

Growing **economic opportunities** within Asia Pacific and ASEAN region

SPILLOVER

Spillover from China economy which seeks to increase economic connectivity and cooperation between countries in Eurasia.

BUSINESS STRATEGY

China + 1 business strategy.

(Business strategy to avoid investing only in China and diversify business into other countries)

“Malaysia Emerged as the Preferred Destination for Regional Hubs”



Largest Distribution Centre
in the South East Asia



Regional e-fulfilment
hub for Zalora



Expansion project on
logistics & e-fulfilment



Expansion project on
logistics & e-fulfilment



Regional e-fulfilment hub
for Marks & Spencer



YIWUGOU
(XIN HWA)

Regional Fulfillment Center 4-Storey
warehouse in Shah Alam and an
integrated logistics provider for
Yiwugou in Malaysia



STEINWEG

Commodities Logistics
Hub with specialized
warehouse for chemical &
petrochemical production



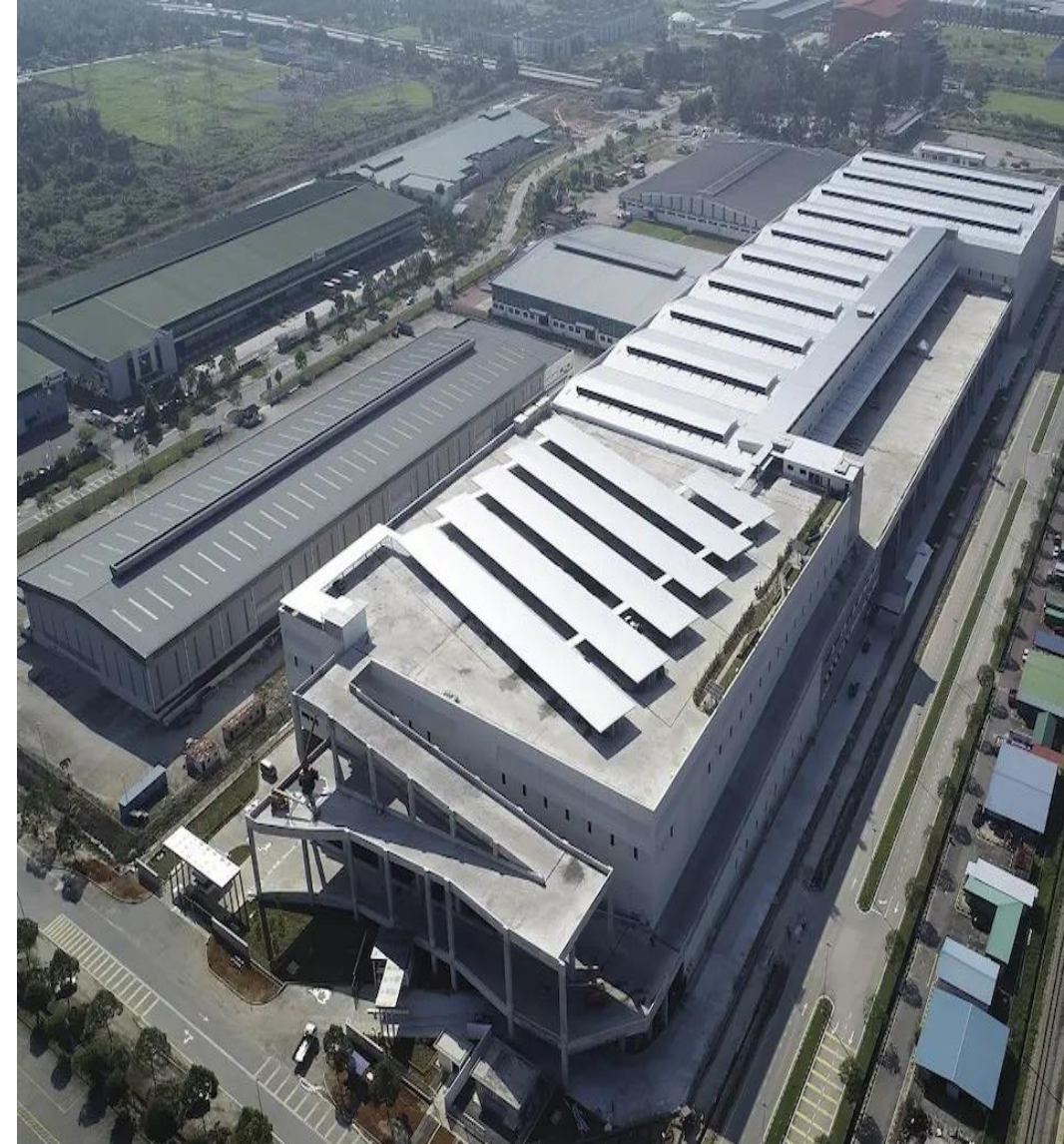
SMART LOGISTICS
COMPLEX (SLC)
INCENTIVE

SMART LOGISTICS COMPLEX (SLC)

The SMART Logistic Complex (SLC) incentive is inspired by the concept of **smart factories, which employ a data-driven environment approach to enhance business operations efficiency.**

SLC involves the use of automation and digital technologies such as **robotics, the Internet of Things (IoT), Artificial Intelligence (AI), and RFID, which provide necessary information for inventory management, warehousing, and real-time delivery activities, enabling companies to plan resource and product management quickly and systematically.**

Through the SLC incentive, Malaysia aims to **attract quality SMART Warehouse infrastructure projects/companies into the country and accelerate the development of the Nation's Logistic, digital economy and increase value chain activity in the country.**





Global warehousing and storage market

USD 660.39
billion
(2022)

USD 714.79
billion
(2023)

↑ 11.25%
CAGR 2021 - 2026

- The Asia Pacific region contributes the highest CAGR (Compound Annual Growth Rate) to the global warehousing and storage market at **14.27% (2021-2026)**.
- The size of the Warehousing and Distribution Market in the ASEAN region is estimated to reach **USD 63.5 billion in 2024**.
- The growth rate of the e-commerce sector, particularly e-commerce sales, is expected to be the main driver of rapid growth in the warehousing and distribution logistics market in the ASEAN region.



GALAKAN CUKAI BAGI (SMART LOGISTICS COMPLEX)

Kedudukan Semasa Smart Logistics Complex (SLC) adalah merupakan kemudahan pergudangan moden yang menggunakan teknologi seperti Internet Pelbagai Benda (Internet of Things - IoT) dan Kecerdasan Buatan (Artificial Intelligence - AI) bertujuan mengautomasi pelbagai operasi pergudangan, mengurangkan kos dan meningkatkan prestasi keseluruhan rantai bekalan. Namun, tiada insentif khusus disediakan kepada syarikat yang melaksanakan aktiviti pergudangan pintar yang menerapkan elemen Revolusi Industri Keempat (IR4.0) di Malaysia.



TYPE



1 SLC Model 1

Company to **Invest (Build)** SLC and **operate**

2 SLC Model 2

Company to **Lease SLC Warehouse 10 Years** and **operate**



INCENTIVE

Income Tax Exemption equivalent to **Investment Tax Allowance of 60%** on the **qualifying capital expenditure** incurred for a period of **5 years**.

The allowance can be offset **70%** of statutory income for each year of assessment.

Unutilised allowances can be carried forward until fully absorbed.



SMART LOGISTICS COMPLEX (SLC) INCENTIVE – Cont'd

Qualifying Criteria

1 Locally Incorporated

2 Qualifying Activities

- Regional Distribution Center (RDC)
- Integrated Logistic Services.
- Dangerous Goods Storage
- Cold Chain Facility

3 Infrastructure required

The Smart Warehouse should be at least 30,000 m2 or 322,917 sqft.

4 Technology Equipment

SLC equipment should incorporate at least three (3) enabling technology elements under Industry 4.0.



Additional Criteria :-

5 Green Technology

6 Minimum Salary (Management & Technical)

7 Internship Program and Technical Training

8 Using Local Contractors

9 Usage Local Seaports & Airports

10 Usage Local Haulage/ Logistic Company



Announcement date

The SLC tax incentive policy is already announced through the 2025 Budget.

Effective Date of Application

Applications received by MIDA from 1 January 2025 to 31 December 2027.



SMART LOGISTICS COMPLEX (SLC) INCENTIVE

FOREST CITY SPECIAL FINANCIAL ZONE (FC-SFZ)

TYPE



1 SLC Model 1

Company to **Invest (Build)** SLC and **operate**

2 SLC Model 2

Company to **Lease SLC Warehouse 10 Years** and **operate**



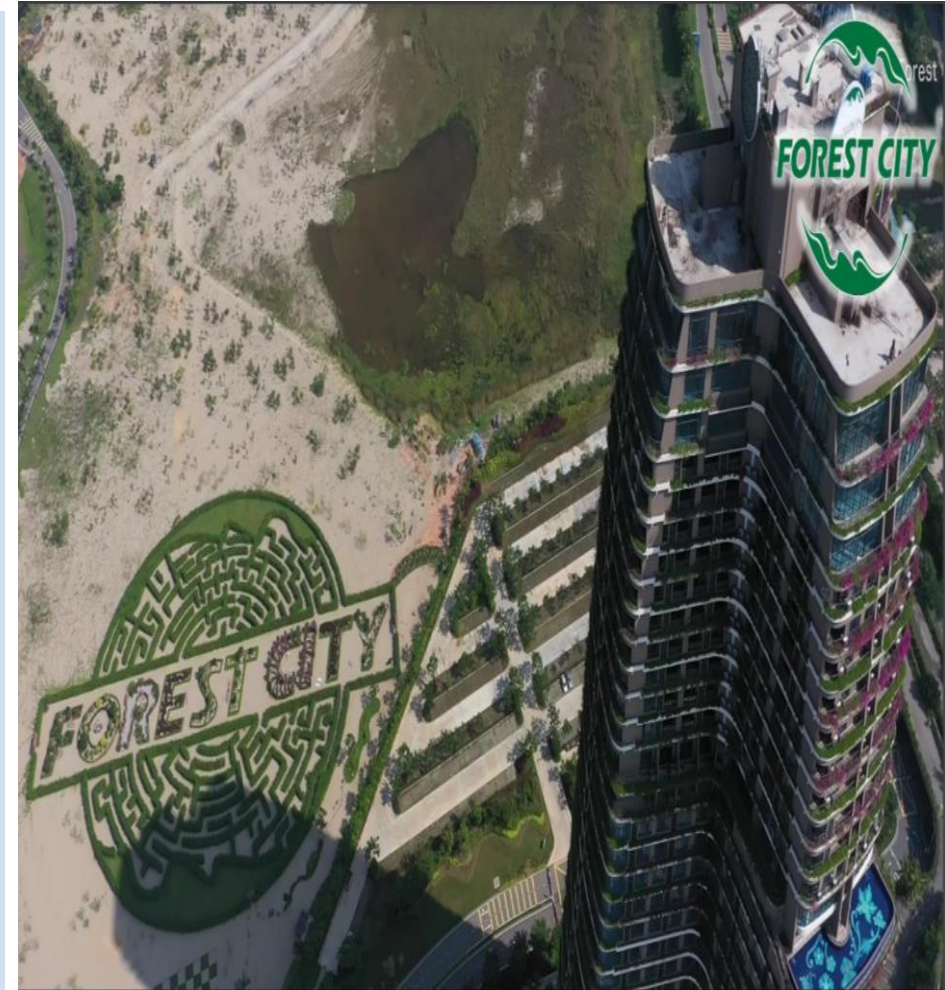
INCENTIVE



Income Tax Exemption equivalent to **Investment Tax Allowance of 100%** on the **qualifying capital expenditure** incurred for a period of **5 years**.

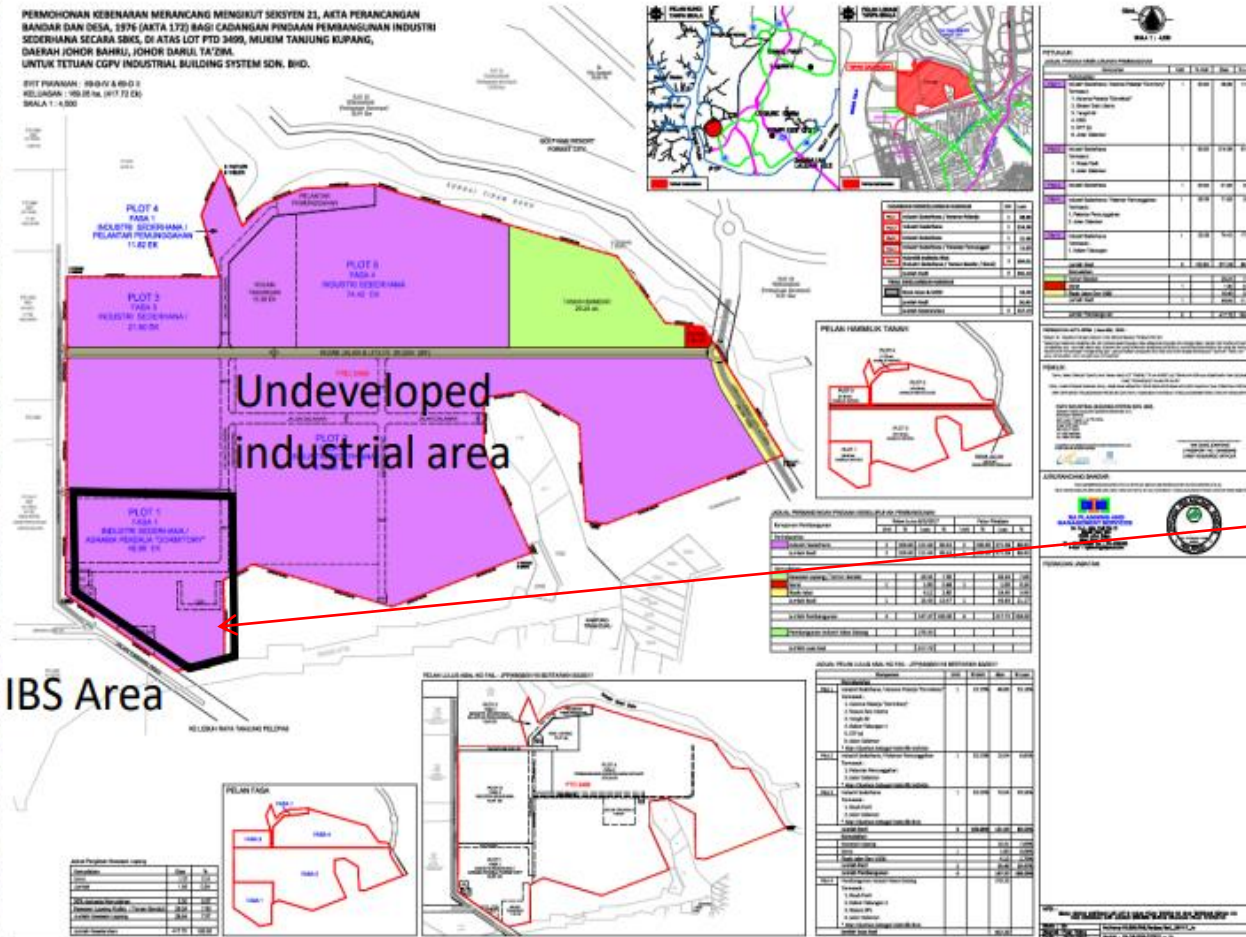
The allowance can be offset 100% of statutory income for each year of assessment.

Unutilised allowances can be carried forward until fully absorbed.



SMART LOGISTICS COMPLEX (SLC) INCENTIVE

FOREST CITY SPECIAL FINANCIAL ZONE (FC-SFZ)



417.2 acre
Total Area

60.38 acre
Developed Area
(IBS Land)

- Industrial land available for mass production.
- 5 min to PTP & near to existing power plant
- Applicable for Industrial Tax Incentives (MIDA)





***FACILITATION
OFFERED TO DRIVE
INVESTMENTS IN
LOGISTICS INDUSTRY***

INTERNATIONAL INTEGRATED LOGISTICS SERVICES (IILS) STATUS

ELIGIBILITY CRITERIA



Incorporated under the Companies Act, 1965



Compulsory attendance to the Customs Agent course conducted by the Royal Malaysian Customs Department



Employ majority Malaysians and preference must be given to local professionals



No equity condition



Substantial usage of ICT infrastructure



Having good network abroad

ACTIVITIES

Must undertake three (3) principal activities

- Must manage minimum assets & operate all activities in integrated manner:-
- 20 commercial vehicles
 - 5,000 sqm warehouse space



Freight Forwarding



Warehousing



Transportation

- And at least **one (1)** of the following activities:
- Distribution
 - Supply Chain Management
 - Other related and value-added services/activities

STATUS Custom Agent license

INTEGRATED LOGISTICS SERVICES (IILS) TAX INCENTIVE



A 5-year tax incentives to companies providing Integrated Logistics Services


TAX INCENTIVE

Pioneer Status of 70% on the statutory income

Investment Tax Allowance of 60% on additional Capex


ELIGIBILITY CRITERIA

APPLICANT



Incorporated under the Companies Act, 1965


EQUITY




Equity of the company must be at least 60% Malaysian.

INFRASTRUCTURE

Minimum Infrastructure to be **Owned** by Applicant Company




20 units Commercial Vehicles




5,000 sq metres

ACTIVITIES


Must undertake three (3) principal activities



Freight Forwarding



Warehousing



Transportation

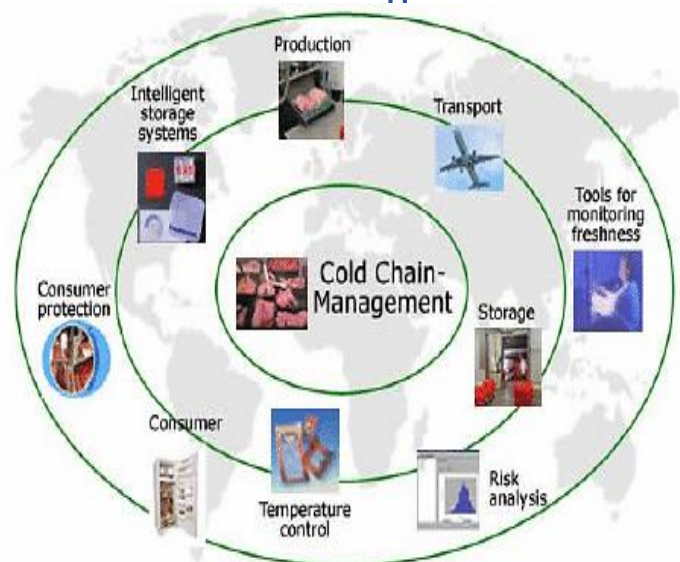
And at least **one (1)** of the following activities:

- Distribution
- Supply Chain Management
- Other related and value-added services/activities

COLD CHAIN FACILITIES TAX INCENTIVE

Companies undertaking cold chain facilities provide a wide range of services including cold room, refrigerated truck and other related services such as the collection, storage and distribution of perishable local agricultural produce.

TAX INCENTIVE	QUALIFYING INCOME	ELIGIBLE APPLICANT	ELIGIBLE ACTIVITIES
<p><u>New Company</u></p> <ul style="list-style-type: none"> ➤ Pioneer Status of 70% on statutory income or ➤ Investment Tax Allowance of 60% on qualifying Capex <p><u>Existing Company</u></p> <ul style="list-style-type: none"> ➤ Pioneer Status of 70% on the increased statutory income arising or ➤ Investment Tax Allowance of 60% on additional Capex 	<ul style="list-style-type: none"> ➤ At least 60% of the company's revenue must derived from the eligible activities 	<ul style="list-style-type: none"> ➤ Incorporate a company under the Companies Act, 1965 ➤ The applicant must be an independent service provider 	<ul style="list-style-type: none"> ➤ The provision of cold room facilities or refrigerated transportation for:- <ol style="list-style-type: none"> local agriculture produce with or without other post-harvest activities including cleaning, washing, grading, freezing/chilling, packing locally produced processed products



Adoption



The **Domestic Investment Accelerator Fund (DIAF)** is a **matching grant for ESG adoption** that was introduced in the Rolling Plan 3 under the Twelfth Malaysia Plan (RMK-12) as well as under the Special Projects Fund for 2023; to support Malaysian-owned Small and Medium Enterprises (SMEs) and Mid-Tier Companies (MTCs) in the manufacturing, manufacturing-related services (MRS) and the selected services sectors for the transition into ESG practices.



The **matching grant (50:50) / (70:30)** based on the criteria or merit of the project with maximum reimbursable amount of **RM500,000 per company** subject to availability of the grant.



Eligible expenditures incurred related to the adoption of ESG practices based on the following activities:

- i. Costs related to validation, verification and certification for ESG adoption and/or tracking of carbon emissions and ESG disclosures; and
- ii. Subscription of technology system and/ or software for data gathering and tracking of ESG adoption and/or GHG emissions.



The project must be completed within **12 months from the effective date of the grant period**, which commences from the date of the **Acknowledgement Letter issued by MIDA** upon receiving a duly completed application form.

ELIGIBILITY CRITERIA



SME/MTC (based on definition by SME Corp)



Effective equity ownership of the company must be at least 51% Malaysians



Malaysian owned companies incorporated under the Companies Act, 2016 engage in Manufacturing or services (selected activities)



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



Possess a valid business licence and/or Manufacturing Licence.

New grant for the period from 2024 until 2025 or until fully utilised.

<https://www.mida.gov.my/forms-and-guidelines/>

OBJECTIVES

To encourage manufacturing and services companies to engage in innovative and productive activities

To encourage the quick adoption of automation especially for labour-intensive industries

To further spur automation initiatives

TYPE OF INCENTIVE

The Automation Capital Allowance of **200%** on the **first RM10 million** expenditure **incurred** within the year of assessment from **2023 to 2027**. The scope of automation includes **adaptation of Industry 4.0 elements**.

ELIGIBILITY CRITERIA

- Manufacturing and services companies (labour and non-labour intensive) operating at least 3 years in Malaysia
- The automation machinery / equipment including machinery / equipment with an **adaptation of Industry 4.0**
- The machinery / equipment / Industry 4.0 software / system is **used directly** in the manufacturing / services activity
- The machinery / equipment / Industry 4.0 software / system should enhance productivity such as **reducing man hours, reducing the number of workers/operators involved in the operation, reducing the defect rate or increasing the volume of output** which is to be **verified by SIRIM**.

CATEGORY 1

- Labour intensive industries (rubber products, plastics, wood, furniture and textiles)
- ACA of 200% on the first RM 10 Million expenditure incurred within Year of Assessment 2023 to 2027

CATEGORY 2

- Other industries including services sector
- ACA of 200% on the first RM 10 Million expenditure incurred within Year of Assessment 2023 to 2027

MIDA's Invest Malaysia Portal

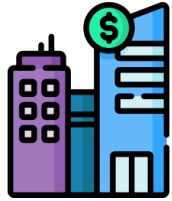
5 Steps In Submitting An Application

<https://investmalaysia.mida.gov.my>



Step 1: Register Company

- Company Validation
- Fill in the company's information
- Submit
- Approval by MIDA



Step 2: Update Company Profile



Step 3: Obtain Digital Certificate (DigiCert) - (validity period is 2 years)

- Purchase via MIDA Payment Channel.
- Register via link in InvestMalaysia (Pos DigiCert MYCRS portal)
- Approval by MIDA
- PIN Setup via link in approval email
- Verify DigiCert in InvestMalaysia portal



Step 4: Fill in an Application



Step 5: Submit Application

REACH OUT TO US

Oil & Gas, Maritime and Logistics Services Division

Puan Habibah Enok

Director

Tel: (603) 2267 3539 / 3413

Email: habibah@mida.gov.my

THANK YOU
FOR YOUR KIND ATTENTION