

GUIDELINE FOR THE APPLICATION OF TAX INCENTIVE FOR SMART LOGISTICS COMPLEX (SLC)

1. BACKGROUND

- 1.1** The Smart Logistics Complex (SLC) incentive is an initiative by the Government under the National Budget 2025 to propel Malaysia's logistics sector towards Industry 4.0 readiness and empower businesses to achieve greater efficiency and competitiveness. Drawing inspiration from smart factory principles, the SLC scheme incentivises the adoption of advanced technologies within logistics operations that enables companies to conduct planning and management of resources in a systematic and timely manner.
- 1.2** The SLC incentive aims to attract quality smart warehouse infrastructure investments into the country, in line with the goals outlined in the Twelfth Malaysia Plan (RMK 12), National Investment Aspirations (NIA) initiatives and National E-Commerce Strategic Roadmap (NESR) 2.0.

2. DEFINITION OF SMART LOGISTICS COMPLEX

- 2.1** Smart Logistics Complex refers to a modern facility that utilises technology to optimize and automate various warehouse operations. It integrates advanced systems such as the Internet of Things (IoT), artificial intelligence (AI), Radio Frequency Identification (RFID) and automated material handling equipment to enhance efficiency, reduce costs, and improve overall supply chain performance.

3. TAX INCENTIVE & BUSINESS MODELS

Under the SLC incentive, companies can be considered for tax incentive and business models as follows:

3.1 Tax Incentive

Income Tax Exemption equivalent to Investment Tax Allowance of 60% on the qualifying capital expenditure incurred within a period of 5 years. The allowance can be offset against 70% of statutory income for each year of assessment. Unutilised allowances can be carried forward until fully absorbed.

3.2 TYPE OF BUSINESS MODELS

3.2.1 **SLC Model 1 (Investor and operator)**

A company which invests in smart warehouses and carry out qualifying logistics services/activities as specified in **para 5.2**.

3.2.2 **SLC Model 2 (Operator)**

A company which leases smart warehouse with a minimum term of 10 years to carry out qualifying logistics services as prespecified in **para 5.2**.

4. **ELIGIBLE APPLICANT**

4.1 **New or existing company** investing in smart warehouses to carry out qualifying logistics services as specified in **para 5.2**.

4.2 Only one company within the same group is eligible to be considered for the SLC incentive.

4.3 Related companies undertaking the same SLC activity are not eligible for this incentive. Related company has the same meaning assigned to it under Section 2 of the Promotion of Investments Act, 1986.

5. **QUALIFYING CRITERIA / CONDITIONS**

5.1 **Locally Incorporated**

The company must be incorporated under the Companies Act 2016 and resident in Malaysia.

5.2 **Eligible Services / Qualifying activities**

Companies applying for the SLC incentive must provide **at least one (1) of the** logistics services from the qualifying activities as follows:

- i. **Regional Distribution Center (RDC)**; refers to a collection and consolidation center for finished goods, components and spare parts produced by its own group of companies for its own brand to be distributed to dealers, importers or its subsidiaries or other unrelated companies within or outside the country. Among the activities involved are bulk breaking, repackaging and labeling; (and/or)
- ii. **Integrated Logistics Services**; refers to end-to-end logistics services, including warehousing, transportation, freight forwarding, distribution, other value-added services (i.e., product assembly/installation, consolidation, procurement, quality control, and supply chain management); (and/or)
- iii. **Dangerous Goods Storage**; refers to safe warehousing, handling, and storing of any goods classified as dangerous goods approved by the Government of Malaysia (and/or)

- iv. **Cold Chain Facility:** refers to the operation of a facility designed and equipped to store and handle perishable food products within the designated temperature, (and/or)
- 5.3 The built-up area of the smart warehouse complex must be **at least 30,000 m²**.
- 5.4 The company must incur fixed asset investment (excluding land) as proposed for the construction of the smart warehouse complex within the incentive period.
- 5.5 The Company must incur **an adequate amount of operating expenditure** annually, as proposed, throughout the tax incentive period. This operating expenditure shall include local services for insurance, legal, banking, ICT and transportation. However, **this amount shall not include** the cost of goods sold, depreciation, interest on borrowings and expenses not directly involved in the company's proposed activities.
- 5.6 The smart warehouse complex facilities must be equipped with **at least three (3) enabling elements technologies** under the Industry 4.0 as follows: -
- a. Big data analytics (and/or)
 - b. Cloud computing (and/or)
 - c. Augmented reality (and/or)
 - d. Cybersecurity (and/or)
 - e. Artificial intelligence (and/or)
 - f. Additive manufacturing (and/or)
 - g. System integration (and/or)
 - h. Simulation (and/or)
 - i. Internet of Things (and/or)
 - j. Autonomous robot (and/or)
 - k. Advanced materials (and/or)
- 5.7 The smart warehouse complex **must adopt at least one (1)** of these following green technologies for its facility as follows:-
- a. **Renewable Energy** such as solar, biomass, biogas, mini hydro, geothermal and wind energy (and/or)
 - b. **Energy Efficiency** equipment or technologies (and/or)
 - c. **Rainwater Harvesting System;** (and/or)
 - d. **Green Building** certified via **Green Building Index (GBI)** or **Malaysian Carbon Reduction and Environmental Sustainability Tool (MyCREST)**, or **GreenRE** rating tools.

- 5.8 The company's full-time employees shall comprise of at least 80% Malaysians. Employment of foreign workers (Including workers engaged through outsourcing) is subject to the current prevailing policy.
- 5.9 The company must **conduct Internship programs** related to the **field of management and/or administration of the SLC facility**.
- 5.10 The number of staff at the managerial, technical and supervisory level which are directly employed by the company shall consist of at least 20% of the company's overall manpower with a minimum monthly salary of RM7,000.
- 5.11 The company must **conduct technical training programs** for the Malaysian employees who are directly employed by the company.
- 5.12 The company must **appoint local contractors**¹ as the **main contractor for the construction of the smart warehouse complex**.
- 5.13 The company must use **local seaports and/or airports and/or local transportation services for import and export transactions**.
- 5.14 The company must establish partnerships with **at least three (3) local logistics companies**² to carry out the integrated logistics activities for the purpose of enhancing the capabilities of the respective companies. The company is encouraged to establish this partnership with small and medium-sized Bumiputera companies.
- 5.15 Other conditions related to the incentive shall be imposed by the National Committee on Investment (NCI) upon the incentive's approval.

6. **MECHANISM**

- 6.1 The company must submit the incentive application to MIDA **before** the commencement of its proposed project. Commencement of business is deemed to occur when the company has issued its first sales invoice for the proposed Smart Logistics Complex project.
- 6.2 The SLC incentive is to be provided under P.U. (A) 113 Income Tax (Exemption) (No.12) Order 2006, Income Tax Act. 1967 and to be considered by the National Committee on Investments (NCI).
- 6.3 The period of eligible capital expenditure can be backdated up to three (3) years from the date of application but must not be earlier than 1 January 2023 or the end date of the previous tax incentive (if any); whichever is later.

¹ 'Local contractor' means a company incorporated under the Companies Act 2016 and resident in Malaysia **with at least 51% Malaysian equity**.

² 'Locally owned logistics company' means a company incorporated under the Companies Act 2016 and resident in Malaysia **with at least 60% Malaysian equity**.

7. EFFECTIVE DATE OF APPLICATION:

This guideline is applicable for Smart Logistics Complex (SLC) applications received by MIDA from **1 January 2025 to 31 December 2027**.

8. APPLICATION SUBMISSION:

8.1 Applications should 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.

For enquiries and clarification, please refer to:-

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