

CHAPTER NINE INCENTIVES & ONE STOP CENTER

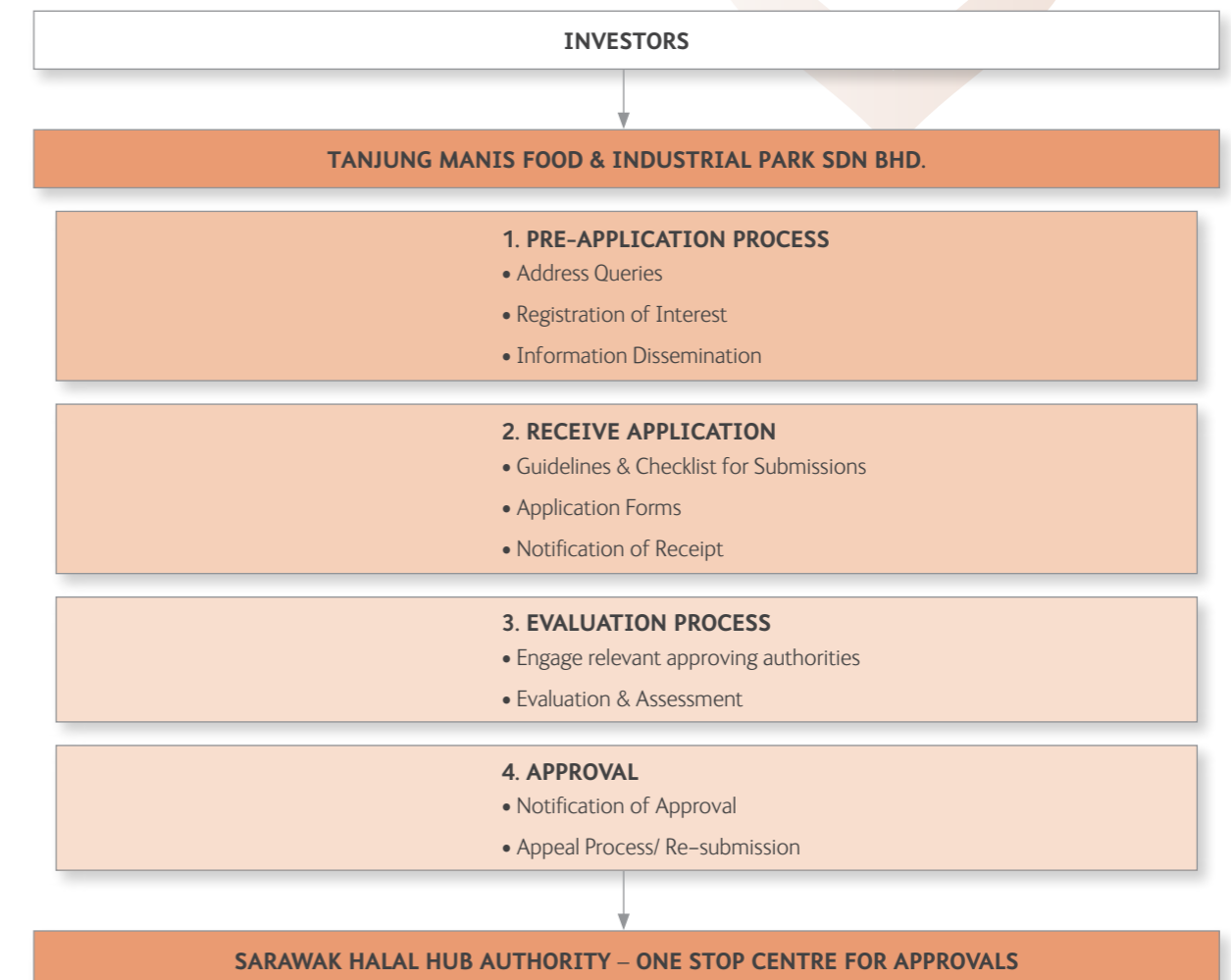
ONE STOP CENTER FOR APPROVAL

The One-Stop Centre for Approvals (OSC) placed under the Sarawak Halal Hub Authority will be the principal coordinating agent on behalf of government entities to receive, process and expedite approvals for trade, investment and development.

The OSC will act as the single point of contact for all prospective investors into Tanjung Manis Halal Hub.

THE MAJOR HIGHLIGHTS OF THE OSC ARE:

- To simplify and shorten procedures and guidelines for issuance of business approvals and planning permits and authorizations
- Supported and facilitated by relevant government authorities such as Department of Islamic Development Malaysia (JAKIM), Standard & Industrial Research Institute of Malaysia (SIRIM) and Ministry of Health (MOH) to assist investors in obtaining Halal Accreditation and Certification and also facilitate the implementation of Hazard Analysis Critical Control Point (HACCP), Good Manufacturing Practice (GMP), Veterinary Inspection (VI) and International Organization for Standardization (ISO)
- Process and coordinate financial and non-financial incentive applications for Tanjung Manis Halal Hub projects, such as dealing with the State Government, Ministry of Finance (MoF), Halal Development Corporation (HDC) and the Malaysian Industrial Development Authority (MIDA) on manufacturing licenses
- Monitor the status of all approvals by coordinating and fast-tracking the implementation of proposed initiatives
- Provide counselling and business advisory services for investors



GENERAL FINANCIAL INCENTIVES

Investors in strategic industries can apply for incentives to set up operations in Tanjung Manis Halal Hub. Among them are those offered by the Malaysian Industrial Development Authority (MIDA) such as Pioneer Status, Investment Tax Allowance, and Reinvestment Allowance. Investors can also apply for additional incentives from the Halal Development Corporation (HDC), Ministry of Agriculture and Malaysian Biotechnology Corporation.

The additional incentives are intended to offset some of the additional costs and help to lower start-up risk for investors. Financing support for SME setting up Halal food industries can be provided via Halal Development Corporation.

The Promotion of Investments Act 1986 states that the term "company" in relation to agriculture includes:

- Agro-based cooperative societies and associations
- Sole proprietorships and partnerships engaged in agriculture.



| MAIN INCENTIVES | INCENTIVES |
|---|--|
| Pioneer Status* | 70% tax exemption on statutory income for 5 years |
| Investment Tax Allowance* | 60% allowance on the qualifying capital expenditure incurred within 5 years. The allowance could be utilized to offset 70% of statutory income for each year of assessment. |
| Incentive for Food Production a) The Incentives for Existing Companies which reinvest** b) Tax Incentives for "Halal" Food Production* | A company which takes up at least 70% equity in a subsidiary company engaged in food production qualify for one of the following: INCENTIVE PACKAGE A: i. The company receives a tax deduction equivalent to the amount of investment made in that subsidiary; and ii. The subsidiary company enjoys full income tax exemption on its statutory income for ten years commencing from the first year the company enjoys profits, dividends paid from the exempted income are exempted in the hands of the shareholders. INCENTIVE PACKAGE B: i. The company will be given group relief for the losses incurred by the subsidiary company before it records any profit, and ii. The subsidiary company enjoys full income tax exemption on its statutory income for 10 years commencing from the first year the company enjoys profits, in which: losses incurred during the tax exemption period can be brought forward after the exemption period of ten years; and dividends paid from the exempt income are exempted in the hands of the shareholders. The eligible food products are as approved by the Minister of Finance. Investment Tax Allowance of 100% of qualifying capital expenditure incurred within a period of five years. This allowance can be offset against 100% of the statutory income in the year of assessment. |
| Incentives for Reinvestment in Food Processing Activities | A locally-owned manufacturing company with Malaysian equity of at least 60% that reinvests in promoted food processing activities is eligible for: a. Pioneer Status with income tax exemption of 70% (100% for promoted areas) of statutory income for a period of five years. Unabsorbed capital allowances as well as accumulated losses incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company; or b. Investment Tax Allowance of 60% (100% for promoted areas) on the additional qualifying capital expenditure incurred within a period of five years. The allowance can be offset against 70% (100% for promoted areas) of the statutory income for each year of assessment. Any un-utilised allowances can be carried forward to subsequent years until fully utilised. |

*Applications received by 31 December 2010 (extendable) are eligible for this incentive Applications should be submitted to MIDA.

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ADDITIONAL INCENTIVES FOR THE AGRICULTURE SECTOR:

- Reinvestment Allowance
- Incentives for Reinvestment in Resource-Based Industries
- Incentives for Modernising Chicken and Duck Rearing
- Accelerated Capital Allowance
- Agriculture Allowance
- 100% Allowance on Capital Expenditure for Approved Agriculture Projects
- Tax Exemption on the Value of Increased Exports
- Incentives for Companies providing Cold Chain Facilities and Services for Food Products

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- Double Deduction for Expenses to Obtain "Halal" Certification and Quality Systems and Standards Certification

SPECIAL HALAL INCENTIVES

Provided by the by the Halal Development Corporation (HDC)

FOR HDC DESIGNATED HALAL PARK OPERATORS

In an effort to promote the attractiveness of Halal Parks, the following incentives are recommended:

Full income tax exemption for a period of 10 years or 100 percent income tax exemption on capital expenditure for a period of 5 years.

Exemption from import duty and sales tax on equipment, components and machinery used directly in the Cold Room Operations in accordance to prevailing policies.

FOR HALAL INDUSTRY PLAYERS

In an effort to increase Malaysia's competitiveness in the Global Halal Market, particularly for inward and outward investment into the country, it is proposed that incentives are granted to companies operating in the designated Halal Park

100 percent income tax exemption on capital expenditure for a period of 10 years or income tax exemption on export sales for a period of 5 years.

Exemption on import duty and sales tax on raw materials used for the development and production of halal promoted products.

Double deduction on expenses incurred in obtaining international quality standards such as Hazard Analysis and Critical Control Points (HACCP), Good Manufacturing Practice (GMP), Codex

Alimentarius (food standard guidelines of FAO and WHO), Sanitation Standard Operating Procedures and regulations on compliance on export markets such as food and traceability from farm to fork.

The Qualifying criteria for halal industry players are:

- The activities must be in the following four (4) industry sectors:
 - Specialty Processed Food.
 - Cosmetics and Personal Care Products.
 - Halal Ingredients.
 - Livestock and Meat Products.
- The employment of high value knowledge workers with a minimum of 15% of the total workforce including at least 3 Halal Compliance Officers.
- Located in HDC Designated Halal Parks and Logistic Cold Hubs approved by HDC.
- Must not be involved in trading and consultancy activities.
- Must always comply with prescribed quality, hygiene and environmental guidelines.
- Must always comply to all laws, regulations and licensing requirements where applicable.
- Must comply with HDC's Halal Integrity criteria with tests from accredited laboratories in determining the halalness of the promoted products; and
- Must be involved in new business activities related to Halal and must incorporate a new legal entity in Malaysia.

FOR HALAL LOGISTICS OPERATORS

In an effort to promote the halal industry and the halal supply chain in Malaysia, these incentives have also been extended to the logistics operators. The incentives are:

Full income tax exemption for a period of 5 years or 100 percent income tax exemption on capital expenditure for a period of 5 years.

Exemption on import duty and sales tax on equipment, components and machinery used directly in Cold Room Operations in accordance to prevailing policies.

Services provided by Halal Logistic Operators must be integrated which comprises of the three (3) principal activities:

- Forwarding
- Warehousing
- Transportation;

And at least one of the following activities:

- Distribution
- Other related and value-added services/ activities (e.g. palletizing, product assembly/installation, bulk breaking, consolidation, packaging/re-packaging, procurement, quality control, labeling/re-labeling, testing, etc.)

- Supply chain management

The Halal Logistic Operator must own minimum infrastructure as follows:

- Commercial Vehicles – 20 units
- Warehousing facilities – 5,000 sqm

NON FINANCIAL INCENTIVES

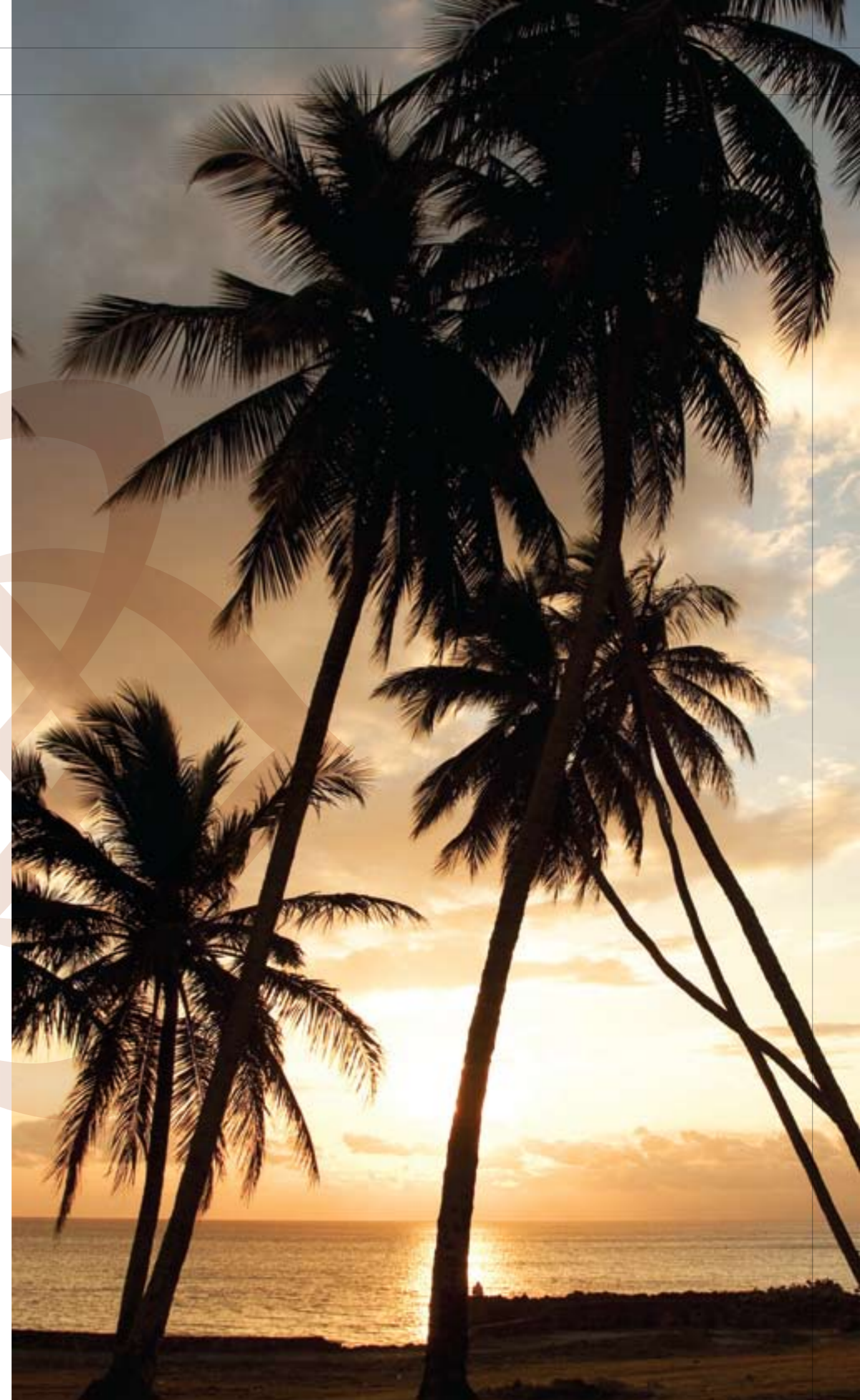
A set of non-financial incentives will also be available to meet the varying needs of investors. While the incentives play a role in attracting private sector investments, improvements in infrastructure, pro-business policies and a balanced working and living environment will further complement the attractiveness to invest in the Halal Hub.

- Application for 100% foreign ownership
- Full guarantees on rights and lease land ownership
- Freedom to source legal funds globally
- Freedom to bring in knowledge workers
- Bringing in up to 70% foreign labour
- A special water and electricity tariff for the whole of the Tanjung Manis Halal Hub area
- Eligibility to receive assistance for international accreditations and standards
- Strong intellectual property (IP) regime
- A supportive information network linking research centres of excellence

INCENTIVES BY STATE GOVERNMENT

State Government supports these incentives by offering attractive rates for energy and land, as well as other incentives, especially for trigger projects and cluster development in the corridor. The incentives include:

- Competitive land lease price for Halal and Organic/Agro Good & Energy Industrial Zone during inception.
- Sub-lease period of 60 years with option to review negotiable
- Competitive assessment rate per annum
- Competitive quit rent per hectare
- Competitive water and electricity tariffs



PROMOTERS AND CONTACT

**Tanjung Manis
Islamic Fund**



THE OFFICE OF THE CHIEF MINISTER
OF SARAWAK PROJECT OFFICE

SUPPORTED BY



GOVERNMENT
OF MALAYSIA



REGIONAL CORRIDOR
DEVELOPMENT AUTHORITY

HALAL APPROVING AUTHORITY



STANDARDS BY



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