

## APPENDIX ONE

As on December 31, 1992

### Section A. General Information.

- 1) Name of firm \_\_\_\_\_
- 2) Address of firm \_\_\_\_\_  
\_\_\_\_\_
- 3) Telephone number \_\_\_\_\_
- 4) Contact person \_\_\_\_\_
- 5) Year commenced operation \_\_\_\_\_

## Section B. Determinant

### I. Which factor/factors have influenced your choice to invest in Kedah state?

- 1) Availability of cheap and quality labor force ☐
- 2) Political and economic stability ☐
- 3) Availability of materials ☐
- 4) Incentive ☐
- 5) Infrastructure and the government policy on FDI ☐

### II. Which factor/factors influenced your decision to invest abroad?

- 1) Appreciation of the Japanese Yen ☐
- 2) Shortage of labor force in Japan ☐
- 3) Pursuing the international strategy ☐
- 4) Aim to the local market ☐
- 5) The need of materials ☐

Section C. Financial Structure

1) Authorized capital RM \_\_\_\_\_

2) Paid-up capital RM \_\_\_\_\_

3) Total investment, including  
Land, Factory building,  
Plant & Machinery & Working  
capital RM \_\_\_\_\_

4) Equity structure

Local \_\_\_\_\_ %

Japanese \_\_\_\_\_ %

Foreign \_\_\_\_\_ %

**Section D. Sales**

1) Sales for local market    RM \_\_\_\_\_

2) Sales for export            RM \_\_\_\_\_

3) Total sales                 RM \_\_\_\_\_

4) Destinations of export:

i) To Japan                    \_\_\_\_\_ %

ii) To USA                     \_\_\_\_\_ %

iii) To Europe                \_\_\_\_\_ %

iv) To ASEAN                 \_\_\_\_\_ %

v) To Others                  \_\_\_\_\_ %



Section E. Purchases

1) Local purchases RM\_\_\_\_\_

2) Purchases from abroad RM\_\_\_\_\_

3) Total purchases RM\_\_\_\_\_

4) Source of import:

i) From Japan \_\_\_\_\_%

ii) From USA \_\_\_\_\_%

iii) From Europe \_\_\_\_\_%

iv) From ASEAN \_\_\_\_\_%

v) From others \_\_\_\_\_%

Section F. Employment

1) Total employment \_\_\_\_\_ person

2) Malays \_\_\_\_\_ person

3) Chinese \_\_\_\_\_ person

4) Indians \_\_\_\_\_ person

5) Japanese expatriates \_\_\_\_\_ person

6) Additional manpower required \_\_\_\_\_ person

i) Ordinary worker \_\_\_\_\_ person

ii) Technician \_\_\_\_\_ person

iii) Engineer \_\_\_\_\_ person

iv) Manager \_\_\_\_\_ person

v) Director \_\_\_\_\_ person

Section J. Salaries

1) Ordinary worker RM \_\_\_\_\_

2) Technician RM \_\_\_\_\_

3) Engineer RM \_\_\_\_\_

4) Manager RM \_\_\_\_\_

5) Director RM \_\_\_\_\_

6) Salary increase in 1991 \_\_\_\_\_%

Salary increase in 1992 \_\_\_\_\_%

Salary increase in 1993 \_\_\_\_\_%

Section H. Executive Staff

1) Name of the Chairman \_\_\_\_\_

2) Name of the Managing  
Director \_\_\_\_\_

3) Name of the General  
Manager \_\_\_\_\_

4) Amount of managers \_\_\_\_\_ person  
in you firm

i) Japanese managers \_\_\_\_\_ person

ii) Local managers \_\_\_\_\_ person

iii) Other foreign managers \_\_\_\_\_ person

5) Amount of Directors \_\_\_\_\_ person  
in your firm

i) Japanese directors \_\_\_\_\_ person

ii) Local directors \_\_\_\_\_ person

iii) Other foreign directors \_\_\_\_\_ person

Section I. Management

1) Does your company adopts the Japanese type of management?

- |  |                              |                             |
|--|------------------------------|-----------------------------|
| i) Seniority system  | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| ii) Lifetime employment  | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| iii) Job rotation  | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| iv) Collective decision making                                   | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| v) Tendency to equalize<br>the status of workers<br>and managers | Yes <input type="checkbox"/> | No <input type="checkbox"/> |

2) You comments on management

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Section J. Subcontracting Firms

1) How many subcontractors do you have? \_\_\_\_\_

2) How many local subcontractors do you have? \_\_\_\_\_

3) How many Malay subcontractors do you have? \_\_\_\_\_

4) How many Non-Malay subcontractors do you have? \_\_\_\_\_

5) How many Japanese subcontractors in Malaysia  
do you have? \_\_\_\_\_

2) Estimation of subcontractors (please choose ONE)

I) Good ☐

ii) Reasonably good ☐

iii) Not good ☐

## Section K. Prospects

### 1) Production (please choose ONE)

- I) To expand largely the production ☐
- ii) To expand slightly the production ☐
- iii) To keep the same level of production ☐
- iv) To reduce slightly the production ☐
- v) To reduce largely the production ☐

### 2) Workers (please choose ONE)

- I) To employ a large number of new workers ☐
- ii) To employ a small number of new workers ☐
- iii) To keep the same number of workers ☐
- v) To lay-off a large number of workers ☐

### 3) Japanese expatriates (please choose ONE)

- i) To increase largely ☐
- ii) To increase slightly ☐
- iii) To keep same number ☐
- iv) To decrease slightly ☐
- v) To increase largely ☐

**4) Local Content (please choose ONE)**

- I) To increase largely ☐
- ii) To increase slightly ☐
- iii) To keep same level ☐
- iv) To decrease slightly ☐
- v) To decrease largely ☐

**5) Your comments on the future of your company**

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## Section L. Issues of Production

### I. What is your problem/problems of management?

- 1) Job-hopping ☐
- 2) Shortage of workers ☐
- 3) Increase of salaries ☐
- 4) Limited infrastructure ☐
- 5) Quality control ☐
- 6) Technology transfer ☐
- 7) Exchange rate ☐
- 8) Getting visas and working permits ☐
- 9) Tax and custom ☐
- 10) Government's national policy ☐

### II. What is your concern/concerns of the future?

- 1) Political and economic stability ☐
- 2) Infrastructure ☐
- 3 Labor cost ☐
- 4) Quality of labor force ☐
- 5) Government economic policy ☐

### III. What is your problem/problems of subcontracting?

- 1) Technological insufficiency ☐
- 2) Production deadline ☐
- 3) Price of production ☐
- 4) Suitable partner is not available ☐
- 5) Production is not up to the specifications ☐

**Section M. Comments**

**Please, write your comments on operation in Malaysia**

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## APPENDIX II

### INVESTMENT INCENTIVES

Investment incentives as set forth in the Promotion of Investment Act 1986 and the Income Tax Act 1967.

#### Pioneer Status

In granting pioneer status to any firm incorporated in Malaysia, no fixed criteria are adopted. However, in order to evaluate eligibility of firms applying for pioneer status, the following factors were drawn up.

1. If the project is a joint venture with a significant amount of local participation in equity capital;
2. If the industry is based in Malaysia and is an essential complement to industrialization; if there is an existing or potential market for the industry's goods;
3. If the project has great employment potential for Malaysians (its labor force must reflect the multi-racial characteristics of the country);
4. If the project utilizes the products or by-products of existing industries or suppliers products needed by these industries.

When a firm is granted pioneer status, it will enjoy tax benefits in the form of exemption as follows:

#### a) Company Tax and Development Tax

The granting of these tax exemptions is based on the amount of capital invested as shown in the scheduled below:

<u>Amount of Fixed Capital Investment</u>	<u>Period of Tax Relief</u>
Less than RM 0.25 million	2 years
More than RM 0.25 million	3 years
More than RM 0.5 million	4 years
More than RM 1.0 million	5 years

The period of tax holiday can be extended further to a maximum of 3 years if the firm is set up in a "development area" or is manufacturing "priority products" or has utilized at least 50 percent in terms of value of Malaysian raw materials and /or parts and components are manufactured in Malaysia, excluding wages, salaries, and other domestic inputs.

#### b) Capital Allowance

Within the Income Tax Act 1967, capital allowances or depreciation allowances on capital expenditure incurred by firms under the pioneer status, are to be availed of in the following post-pioneer period. There are two allowances permitted under this:

i) An initial allowance of 20 percent of the expenditure incurred (this is granted only once for the year in which the expenditure is incurred). Hence, if a firm is enjoying pioneer status, the initial allowance on expenditure incurred during the pioneer status will be granted on the first year after the termination of the pioneer period.

ii) An annual allowance of 10 percent of the residual expenditure for that year subsequent years of assessment.

In the case when a firm suffered losses in each year over the tax period, capital allowance will be aggregated to obtain the amount of deduction in the first basis year of the post-tax relief period.

#### c) Exemption of Dividends

Tax exemption is granted to any dividends paid by pioneer firms to their shareholders.

#### d) Carry-forward of Losses

In circumstances where pioneer companies suffer a loss within the period of tax relief under the Investment Tax Allowance category. However, if a firm is enjoying tax exemption under pioneer status, it will not be considered under Investment Tax Allowance. The granting of investment tax allowance is

subjected to priorities termed as promoted activities or promoted products determined by the Ministry of Trade and Industry.

### 1) Tax Relief

Tax relief given should not be less than 25 percent of the total capital expenditure incurred on plant, factory or machinery for approved projects. It is granted once a year (based on assessment year) in which the capital expenditure is incurred and not more than 5 years after the beginning of the period in which the project received approval.

Firm established in a "development area", producing "priority products" and produced based on the required percentage of Malaysian raw material content will receive an extra 5 percent deduction with the fulfillment of each criteria above.

### 2) Carry-forward of credit

If a company incurs losses or if the total credit granted is not fully utilized, the company is entitled to carry-forward the unused amount of credit to another time period when it can fully be utilized at a later time.

### 3) Dividend Exemption

Dividend distributed to shareholders are granted tax exemption.

### Export Incentives

To further enhance greater production in the export-oriented industries, the Government has granted special to encourage producers to increase the exportation of Malaysian goods.

#### 1. Deduction for overseas promotion

Firm currently enjoying the tax relieves under the Income Tax Act 1967, will be able to benefit more from further deductions if the following activities are undertaken:

- a) Overseas advertising;
- b) Cost of supplying and delivering free samples abroad;

- c) Expenses incurred in export market research or obtaining market information;
- d) Cost incurred in preparing overseas tenders;
- e) Cost incurred in the negotiation and conclusion of contracts; and
- f) Expenses incurred in the supply of technical information overseas.

Pioneer firms are also eligible to these additional tax deductions on expenses incurred from overseas promotion. However, these deductions can only be accumulated during the pioneer period and claims on exemptions will take effect from the first basis year of the post-pioneer period.

## 2. Accelerated depreciation allowance

This form of tax allowance is granted to firms which do not qualify for neither pioneer status nor investment tax credit nor do they export primary products. Firms enjoying accelerated depreciation allowance must incur capital expenditure for modernization and exports 20 percent in terms of value of its total production.

In lieu of the Income Tax Act 1967, the allowance granted is 40 percent annually on the declining value.

## 3. Export allowance

Export allowance is related to

- 1) the percentage increase in export sales;
- 2) wages paid to employees with less than RM 500 basic wage per month (to encourage the recruitment of semi-skilled labour); and
- 3) the amount of Malaysian materials used.

Computation of export allowance is as below:

$$1/C (A - B) \times 20\% \times D$$

where,

A = Value of export sales in base period

B = Average of export sales for the 3 preceding years

C = Gross sales in base period

D = Wages paid to employees with less the RM 500 basic wage per month, and the value of Malaysian materials used.

Export allowance will only be granted when the value of export sales in base period is greater than the average export sales for the last 3 years ( $A > B$ ).

### Other Incentives

#### 1. Double taxation agreements

Malaysia has bilateral Double Taxation Agreement with Bangladesh, Singapore, Japan, Sweden, Denmark, Finland, Norway, Sri Lanka, United Kingdom, Belgium, Italy, Switzerland, France, Canada, New Zealand, India, China, German Democratic Republic, Federal Republic of Germany, Poland, Australia, Thailand, South Korea, Rumania, Philippines and Pakistan. Malaysian has also initiated similar agreements with Netherlands and Indonesia, and has negotiated the same with Brazil, USSR, Malta and Turkey.

Several allowances are granted under these agreements. They include:

a) Profits appropriated by firms of a contracting country will be subjected to taxes in that country alone, unless the firm owns another permanent establishment in another contracting country. In cases whereby, the taxes are levied by the other country, relief from double taxation is given by the domiciled country in respect of that tax.

b) Dividends derived from Malaysia by residents of other countries having agreements with Malaysia will not be taxed in Malaysia.

c) Also exempted from tax is interest on approved loans and approved industrial royalties derived from Malaysia by residents of other countries which signed agreements with Malaysia.

## 2. Tariff protection

Under the Tariff Advisory Board, the Government provides tariff protection to deserving industries which produces to meet local market demand. Other factors taken into account when granting tariff protection are the degree of utilization of domestic raw materials, the level of local value added achieved and the level of technology of the industry.

## 3. Import restriction

Apart from tariff protection, the Malaysian government has also granted temporary import restriction to protect local infant industries. However, the import restriction policy is subjected to time scrutiny to maintain consistency with government's development objectives.



## APPENDIX III

### 1. The Industrial Co-ordination Act, 1975

The Industrial Coordination Act, 1975 (ICA) requires person(s) engaging in any manufacturing activity to obtain a licence from the Licensing Officer<sup>1</sup> in respect of such manufacturing activity. The objective of the Act is basically to ensure orderly development and growth in the manufacturing sector. Only manufacturing companies with shareholders' funds of M\$2.5 million and above or engaging 75 or more full-time employees need to apply for a licence under the ICA. In this context,

- "shareholders' funds" means the aggregate amount of a company's paid-up capital (in respect of preference shares and ordinary shares and not including any amount in respect of bonus shares to the extent they were issued out of capital reserve created by revaluation of fixed assets), reserves (other than any capital reserve was created by revaluation of fixed assets and provisions for depreciation, renewals or replacements and diminution in value of assets) balance of share premium account (not including any amount credited therein at the instant of issuing bonus shares at premium out of capital reserve by revaluation of fixed assets) and balance of profit and loss appropriation account.

- "full-time paid employees" means all persons normally working in the establishment for at least six hours a day and at least 20 days a month for 12 month during the year and who receive a salary. Persons such as travelling sales, engineering, maintenance and repair personnel, or who are paid by and are under the control of the establishment are also included. Full-time paid employees also include directors of incorporated enterprises except when paid solely for the attendance at Board of Directors meetings. Family workers who

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<sup>1</sup> The Licensing Officer is the Secretary of the Ministry of Trade and Industry as gazetted under Gazette Notification P.U.(B)31/178.

receive regular salaries or allowances and who contribute to the EPF or other superannuation funds are also included in the definition.

### **Appeal**

A manufacture who is aggrieved by the decisions of the Licensing Officer in respect of a refusal to grant a licence or revocation of a licence, or refusal to grant transfer of a licence may lodge an appeal to the Minister of Trade and Industry within the prescribed period and procedures.

## **2. Conditions for expansion of production capacity and diversification of products**

### **(a) Expansion of production capacity for export**

An existing licensed export-oriented<sup>2</sup> company can undertake expansion of production capacity for its approved products. For a company which wants to undertake expansion in order to export 80% or more of its products, no approval from the Licensing Officer is required; the company, however, will have to inform the Ministry of Trade and Industry and MIDA on the details of its expansion plans in the prescribed form.

### **(b) Undertaking diversification for export**

Any existing licensed company can undertake diversification of additional product(s) manufactured under the diversification programme for export, subject to the same conditions and procedures as for expansion of production capacity for export, as stated in the preceding paragraph. However, before the company undertakes the diversification programme, it will have to inform the Ministry of Trade and Industry and MIDA on the details of its diversification plan in the prescribed form in order to facilitate amendments to the manufacturing licence.

### **(c) Expansion of production capacity for domestic market**

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<sup>2</sup> An export-oriented company is one that exports 80% or more of its production expressed in value terms. Sales to FTZ/LMW are considered as export.

Any existing licensed company with shareholders' funds of less than M\$2.5 million can undertake expansion of its production capacity of its approved products(s) for the domestic market. An existing licensed company with shareholders' funds of M\$2.5 million and above can also undertake expansion of its capacity for the domestic market, provided that 30% of the expanded equity arising from the increased investment must be reserved for bumiputeras. In both cases of expansion of capacity, the licensed companies are required to inform the Ministry of Trade and Industry and MIDA on the details of the expansion plan for the domestic market.

(d) Undertaking diversification for domestic market

Any existing licensed company with shareholders' funds of less than M\$ 2.5 million can undertake a diversification of its production for the domestic market without prior approval from the Licensing Officer. The company, however, is required to submit details of its diversification plan to the Ministry of Trade and Industry and MIDA in order to facilitate amendments to the manufacturing licence. A company with shareholders' funds of M\$2.5 million and above which proposes to undertake a diversification is required to submit an application for such diversification in the prescribed form, for the consideration of the Licensing Officer.

3. Exemption from the ICA

Companies exempted from applying for a licence under the ICA are also exempted from having to comply with any condition with regard to equity, employment, distribution network and export. Companies that have been granted Pioneer Status or the Investment Tax Allowance or any other incentives, but are exempted from licensing under ICA, are also exempted from the said conditions.