

FACTORY SURVEY CHECK LIST

DATE OF SURVEY ( , 1988)  
REPORTER ( )

COMPANY NAME: \_\_\_\_\_  
LOCATION: \_\_\_\_\_

PRODUCTS: \_\_\_\_\_ SALES(YEAR): \_\_\_\_\_  
CAPITAL: \_\_\_\_\_ EMPLOYEES: \_\_\_\_\_

CATEGORY	SURVEY ITEMS	EVALUATION				REMARKS	
		CONTENT	CHECK POINTS	EVALUATION STANDARD			
ENGINEERING LEVEL	R&D	TECHNOLOGY LEVEL	JIG. TOOLS, DESIGN ROOM	<input type="radio"/> HIGH	<input type="checkbox"/> MED	<input type="checkbox"/> LOW	
		PRODUCT DEVELOPMENT CAPABILITY	TRIAL PRODUCTION FACILITIES	<input type="radio"/> HIGH	<input type="checkbox"/> MED	<input type="checkbox"/> LOW	
	DESIGN	INSPECTION CAPABILITY	INSPECTION EQUIPMENT	<input type="radio"/> STRONG	<input type="checkbox"/> MODERATE	<input type="checkbox"/> WEAK	
		PROCESS MANAGEMENT	IE. QC, VA SIGNS	<input type="radio"/> GOOD	<input type="checkbox"/> MODERATE	<input type="checkbox"/> POOR	
	PRODUCTION	INDUSTRIAL PROPERTY	(INTERVIEW)	<input type="radio"/> MANY	<input type="checkbox"/> SOME	<input type="checkbox"/> NONE	(NO. OF FACTORS-PATENTS, LICENSES ETC: )
		INDUSTRIAL STANDARD	(INTERVIEW)	<input type="radio"/> MANY	<input type="checkbox"/> SOME	<input type="checkbox"/> FEW	(NO. OF STANDARDS: )
INTERNALLY DEVELOPED PRODUCTS		(INTERVIEW)	<input type="radio"/> HIGH	<input type="checkbox"/> MED	<input type="checkbox"/> LOW	(RATIO: %)	
FACILITIES	MACHINE	MODERN EQUIPMENT	UP-TO-DATE MACHINES (NC ETC.)	<input type="radio"/> MANY	<input type="checkbox"/> A FEW	<input type="checkbox"/> NONE	(NO. OF MACHINES: )
		OBSOLETE	RETROFIT NECESSITY	<input type="radio"/> NO PROBLEM	<input type="checkbox"/> NEED TO RETROFIT	<input type="checkbox"/> NEED TO REPLACE	
		MAINTENANCE	CLEANLINESS	<input type="radio"/> CLEAN	<input type="checkbox"/> MODERATE	<input type="checkbox"/> DIRTY	
	OPERATING CONDITION	OPERATION	MACHINES IN OPERATION	<input type="radio"/> MORE THAN 90%	<input type="checkbox"/> APPROX. 70%	<input type="checkbox"/> 50% OR LESS	
		WORKING CONDITION	NUMBER OF STOPS	<input type="radio"/> NO STOP	<input type="checkbox"/> OCCASIONAL STOP	<input type="checkbox"/> FREQUENT STOP	(RATIO: %)
		FACTORY LAYOUT	PRODUCTION FLOW/LINE	<input type="radio"/> THROUGH LINE	<input type="checkbox"/> PARTLY DIVIDED	<input type="checkbox"/> DIVIDED PRODUCTION	
MATERIAL	VOLUME	INVENTORY	VISUAL ESTIMATE	<input type="radio"/> JUST ENOUGH	<input type="checkbox"/> MORE THAN NECESSARY	<input type="checkbox"/> EXCESSIVE	
	SAVING	ATTENTION TO YIELD	SCRAP VOLUME	<input type="radio"/> EAGER	<input type="checkbox"/> MODERATE	<input type="checkbox"/> IGNORE	
		YIELD	(INTERVIEW)	<input type="radio"/> MORE THAN 90%	<input type="checkbox"/> 80 TO 89%	<input type="checkbox"/> LESS THAN 80%	(OVERALL YIELD: %)
PRODUCTION	VOLUME	FINISHED PRODUCTS	VISUAL ESTIMATE	<input type="radio"/> JUST ENOUGH	<input type="checkbox"/> MORE THAN NECESSARY	<input type="checkbox"/> EXCESSIVE	
	FLOW	WORK-IN-PROCESS PARTS	VISUAL ESTIMATE	<input type="radio"/> JUST ENOUGH	<input type="checkbox"/> MORE THAN NECESSARY	<input type="checkbox"/> EXCESSIVE	
OPERATION	WAY OF OPERATION	EFFICIENCY	USELESS MOVEMENT	<input type="radio"/> HIGH	<input type="checkbox"/> MODERATE	<input type="checkbox"/> LOW	
		SPEED	RATING	<input type="radio"/> HIGH	<input type="checkbox"/> MODERATE	<input type="checkbox"/> LOW	
	OPERATION MANAGEMENT	MANUAL	SIGNS	<input type="radio"/> ADEQUATE	<input type="checkbox"/> MODERATE	<input type="checkbox"/> NONE	
		WAITING	WAITING WORKERS	<input type="radio"/> FEW	<input type="checkbox"/> SOME	<input type="checkbox"/> MANY	
	LABOUR ALLOCATION	STREAMLINING LEVEL	AUTOMATION, ROBOTS	<input type="radio"/> HIGH	<input type="checkbox"/> MODERATE	<input type="checkbox"/> LOW	
		SKILLNESS LEVEL	MULTI-SKILLED WORKERS	<input type="radio"/> HIGH	<input type="checkbox"/> MODERATE	<input type="checkbox"/> LOW	
WORKING ENVIRONMENT	APPLICATION OF 5S+	FACTORY WORKING AREA	ACTUAL APPLICATION	<input type="radio"/> GOOD	<input type="checkbox"/> MODERATE	<input type="checkbox"/> POOR	
		SAFETY	DANGEROUS AREA	SIGNS, PROTECTIVE COVERS ETC.	<input type="radio"/> ALL AREAS	<input type="checkbox"/> SOME AREAS	<input type="checkbox"/> NONE
OTHERS:	5S MEANS: SEIRI : PUT IN ORDER SEITON : KEEP TIDY SHITSUKE : WELL TRAIN SEIKETSU : MAKE CLEAN SEISOU : THROW DUST AWAY						

CATEGORY	SURVEY ITEMS	EVALUATION			REMARKS
		CONTENT	CHECK POINTS	EVALUATION STANDARD	
QUALITY CONTROL	QUALITY ASSURANCE	LEVEL OF STANDARDIZATION	INSPECTION STANDARD POSTED	<input type="radio"/> PROPER STANDARD <input type="checkbox"/> IMPROPER STANDARD <input type="checkbox"/> NONE	
		CP" VALUE MANAGEMENT	CP" DATA POSTED	<input type="radio"/> GOOD <input type="checkbox"/> MODERATE <input type="checkbox"/> NONE	
		PRODUCTION LOT MANAGEMENT	HANDLING OF PRODUCTS	<input type="radio"/> GOOD <input type="checkbox"/> MODERATE <input type="checkbox"/> POOR	
		QUALITY ASSURANCE ORGANIZATION	(INTERVIEW)	<input type="radio"/> GOOD <input type="checkbox"/> MODERATE <input type="checkbox"/> NONE	
		PREVENTION OF REPEAT PROBLEMS	(INTERVIEW)	<input type="radio"/> GOOD <input type="checkbox"/> MODERATE <input type="checkbox"/> POOR	
	SUPPORTING ACTIVITY	QC GROUP ACTIVITY	SIGNS	<input type="radio"/> ACTIVE <input type="checkbox"/> LESS ACTIVE <input type="checkbox"/> NONE	
		UTILIZATION OF INSPECTION DATA	SIGNS, GRAPHS	<input type="radio"/> ACTIVE <input type="checkbox"/> LESS ACTIVE <input type="checkbox"/> NONE	
	SYSTEM TO PREVENT SHIPMENT OF DEFECTIVE PRODUCTS	LEVEL OF INSPECTION	INSPECTION AT EACH PROCESS	<input type="radio"/> EFFECTIVE <input type="checkbox"/> PARTLY EFFECTIVE <input type="checkbox"/> NONE	
		INSPECTION EQUIPMENT	EQUIPMENT IN USE	<input type="radio"/> GOOD <input type="checkbox"/> MODERATE <input type="checkbox"/> POOR	
		INSPECTORS' SKILL	HANDLING OF PRODUCTS	<input type="radio"/> GOOD <input type="checkbox"/> MODERATE <input type="checkbox"/> POOR	
		HANDLING OF DEFECTIVE PARTS	SEPARATION FROM GOOD PARTS	<input type="radio"/> PERFECT <input type="checkbox"/> PARTLY MIXED <input type="checkbox"/> MIXED	
		MODIFICATION OF DEFECTIVE PRODUCTS	MODIFICATION OF WORK	<input type="radio"/> NONE <input type="checkbox"/> LITTLE <input type="checkbox"/> MANY	
LOGISTICS	FACTORY TRANSPORTATION	ADEQUATE FACILITIES	FACILITIES IN USE	<input type="radio"/> ADEQUATE <input type="checkbox"/> MODERATE <input type="checkbox"/> NO FACILITY	
	OUTDOOR TRANSPORTATION	ADEQUATE FACILITIES	FACILITIES IN USE	<input type="radio"/> ADEQUATE <input type="checkbox"/> MODERATE <input type="checkbox"/> INADEQUATE	
		FACTORY ENTRANCE/EXIT	LOCATION, SIZE	<input type="radio"/> WELL DESIGNED <input type="checkbox"/> MODERATE <input type="checkbox"/> NOT GOOD	
		LOCATION OF FACTORY	PAMPHLET	<input type="radio"/> GOOD <input type="checkbox"/> MODERATE <input type="checkbox"/> POOR	
DELIVERY CONTROL	DELIVERY SITUATION	CUSTOMERS' REQUEST	(INTERVIEW)	<input type="radio"/> TOLERABLE <input type="checkbox"/> MODERATE <input type="checkbox"/> URGENT	(      ) DAYS
		PRODUCTION PERIOD	(INTERVIEW)	<input type="radio"/> SHORT <input type="checkbox"/> MODERATE <input type="checkbox"/> LONG	(      ) DAYS
		RATIO OF DELIVERY DELAY	(INTERVIEW)	<input type="radio"/> LESS THAN 5% <input type="checkbox"/> 6 TO 19% <input type="checkbox"/> MORE THAN 20%	(      ) %
MANAGEMENT	TURNOVER	YEARS OF EXPERIENCE	(INTERVIEW)	<input type="radio"/> MORE THAN 5 YEARS <input type="checkbox"/> 2 TO 4 YEARS <input type="checkbox"/> LESS THAN 2 YEARS	(      ) YEARS
	WORKING CONDITIONS	ATTENDANCE RATIO	(INTERVIEW)	<input type="radio"/> MORE THAN 95% <input type="checkbox"/> 90 TO 95% <input type="checkbox"/> LESS THAN 90%	(      ) %
LABOUR	INTERNAL TRAINING	CONTENT OF TRAINING	(INTERVIEW)	<input type="radio"/> ADEQUATE <input type="checkbox"/> LESS ADEQUATE <input type="checkbox"/> NONE	
	MORALE	PERIODICAL MEETING	(INTERVIEW)	<input type="radio"/> EVERY DAY <input type="checkbox"/> ONCE A MONTH <input type="checkbox"/> NONE	
		OPEN SUGGESTION SYSTEM	(INTERVIEW)	<input type="radio"/> ACTIVE <input type="checkbox"/> LESS ACTIVE <input type="checkbox"/> NONE	
OTHERS					

## LIST OF COMPANIES AND ORGANIZATIONS VISITED BY THE TEAM

No	Name of Company	Address	TEL
[ MOULDS AND DIES ]			
1.	PRODELCON SDN. BHD.	Plot 13, Lebohraya Kampung Jawa, 11900 Bayan Lepas, Penang	04-838912/3
2.	TOPLA ENGINEERING (M) SDN. BHD.	Lot 56, Tasek Industrial Estate, 31400 Ipoh, Perak	551855 558923 551620
3.	MATSUSHITA ELECTRIC CO., (M) BHD.	Shah Alam Industrial Site 40000 Shah Alam, Selangor	03-5591010-9
4.	ATLAN INDUSTRIES SDN.BHD. BINAMOLD SDN.BHD.	106, Lintang Kampung Jawa, 11900 Bayan Lepas, Penang	04-838191
5.	MICRO MASHINING SDN.BHD.	Bayan Lepas Free Trade Zone, 11900 Bayan Lepas, Penang	04-830906-8 837944 837949
6.	ENG HARDWARE ENGINEERING SDN.BHD.	Plot 69, Persiaran Kampung Jawa, Bayan Lepas Non-Free Trade Zone, 11900 Bayan Lepas, Penang	840262 840122
7.	MATTEL TOOLS SDN.BHD.	993, Solok Perusahaan 3, Prai Industrial Estate, 13600 Prai, Seberang Perai, Penang	04-307585/6 04-308240/1
8.	LOH KIM TEOW ENGINEERING SDN.BHD.	Plots 31-34, Lengkok Kampung Jawa Dua, Bayan Lepas Non-Free Trade Zone, Penang	837999
9.	KOHNO PLASTICS (M) SDN.BHD.	Lot 79, Lorong Enggang 35, Kawasan Perusahaan Bebas, Ampang Ulu Klang, 54200 Selangor	4566622 4566601
10.	POLY TOOLS INC. SDN.BHD.	No.9, Persiaran Indah Rokam 4, Gunong Rapat, 31350 Ipoh, Perak	05-203663
11.	Q & S KEJURUTERAAN SDN.BHD.	368-4, Batu 3 1/2, Jalan Sungai Besi, Kuala Lumpur	7822102 7839713
12.	HOCKPIN PRECISION ENGINEERING SDN.BHD.	353, Beach Street, 10300 Penang	623987 612591
13.	SUN TONG SENG MOULD-TECH SDN.BHD.	16, Jalan P/8, MIEL Industrial Area, Bangi New Town, 43000 Kajang, Selangor	8258132-4

No	Name of Company	Address	TEL
[ MOULDS AND DIES ]			
14.	KEJURUTERAAN FAUN YEE SDN.BHD.	No.12, Lot B 9-10, Jln.213, 46050 Petaling Jaya	7911600
15.	UNICOS METAL & PLASTIC CORP. SDN.BHD.	Lot 58, Kawasan Perusahaan Ringan, Batu Caves, 68100 Selangor	6892168
16.	METFAB ENGINEERING SDN. BHD.	Plot 56, Lintang Kampung Jawa, Bayan Lepas Non Free Trade Zone, 11900 Penang	04-841102/3
17.	HUP LEE ENGINEERING WORKS	No.46, Jalan SS25/28, Taman Mayang, 47301 Petaling Jaya	7039321
18.	TECH SEE PLASTIC SDN.BHD.	Lot 4, Jalan Pasak 15/8, Off Jalan Utas, 40000 Shah Alam	5503181/5/8
19.	HIP HOE ENGINEERING WORKS	31 Jalan Kg Pasir Baru, Batu 6, Jalan Klang 58000 Kuala Lumpur	7929954
20.	NGAI FOONG ENGINEERING WORKS	No.11.8 1/2 Miles, Batu Caves Light Industrial Area 68100 Batu Caves, Selangor	6893320
21.	SOLAR MECHANICAL ENGINEERING	1380-2,5 1/2 Miles, Klang Road 58000 Kuala Lumpur	7929148
22.	CHING KHONG ENGINEERING WORKS SDN. BHD.	No.46A, Jalan Dua, Salak South Baru, 57100 Kuala Lumpur	7831303
23.	SUN TONG SENG MOULD-TECH SDN.BHD.	16 Jalan P/8, MIEL Industrial Area, Bandar Baru Bangi, 43000 kajang	8258132
24.	TAKANG STEEL MOULD MAKER	7 Supreme Garden, Prai 13700 Butterworth, Penang	305644
25.	OMIAH MOULDING INDUSTRY	2 Tingkat Tembikai 2, Taman Seri Rambai 140000 Bukit Mertajam, Penang	597802
26.	TOP 1 PLASTIC MOULD DESINGNING SDN.BHD.	1113 Jalan Bagan Lallang 13400 Butterworth, Penang	311695

No	Name of Company	Address	TEL
<b>[AUTOMOTIVE METAL PARTS]</b>			
1.	IZUMI (M) SDN. BHD.	225, Kota Road, Taiping, Perak. P.O. Box 125	05-834272 05-822577
2.	BELTON SDN. BHD.	Lot 32, Sungei Siput Light Industrial Estate, 31100 Sungei Siput (N), Perak	05-781036 05-782611
3.	NGK SPARK PLUGS (M) BHD.	4586, Jin Permatang Pauh, 13400, B'worth	347555
4.	ORIENTAL SHOWA SDN. BHD.	Plot 19, Tikam Batu industrial Estate, Tikam Batu, 08600 Sungai Petani, Kedah	478791-3
5.	ASIAN AUTOMOTIVE ENGINEERING	2445 Lorong Perusahaan 6 Kaw. Perindustrian Prai 13600 Prai/Penang	04-308019 04-307039
6.	AAE-ZF STEERINGS SDN. BHD.	No. 2445, Lorong Perusahaan 6 Kaw. Perindustrian Prai, 13600 Prai, Penang	04-030819 04-307039
7.	UMW TOYOTA MOTOR SDN. BHD.	Lot 5, Jalan 219, Federal Highway, P.O. Box 133, 46710 Petaling Jaya.	03-7575666
8.	ORIENTAL METAL INDUSTRIES (M) SDN. BHD.	Lot 51, Jalan Utas, 15/7, P.O. Box 24, 40700 Shah Alam, Selangoor	03-5594075 5594733 5594526
9.	SANDEN INTERNATIONAL (M) SDN. BHD.	Lot Plo 212, Jalan Pekeling, P.O. Box 24, 81707 Pasir Gudang Industrial Estate, Johore	513501
10.	CAR SEATS (M) SDN. BHD.	Lot 1919, Jin. Bukit Kemuning, 42450 Klang, Selangor	03-5214361 5214385
11.	ORIENTAL ASSEMBLERS SDN. BHD.	Batu 2, Jalan Tampoi, P.O. Box 204. 80720 Jonor Bahru Johor	07-361400 361304
12.	AUTO PARTS MANUFACTURERS CO. SDN. BHD.	Lot 601, Pandamaran Industrial Estate, P.O. Box 144, 42008 Port Klang, Selangor	3685007 3682306

13. ASIA AUTOMOBILE INDUSTRIES SDN.BHD.	No. 11 Road 219, 46962 Petaling Jaya, Selangor	7564370
14. NIPPONDENSO (M) SDN BHD	Lot 2, Jalan P/1, Section 13, Bandar Bangi, 43000 Selangor	8250320 8250120
15. NIPPONDENSO CAPITAL SDN BHD	Lot 2, Jalan P/1, Section 13, Bandar Bangi, 43000 Selangor	8250120 8250121 8250122 8250123 8250124
16. United Industries	5 1/2 Mile, Jalan Meru. 41050 Klang, Selangor Darul Ehsan	3921101 3921102 3921103
17. ASSOCIATED MOTOR INDUSTRIES (M) SDN. BHD.	Jalan Sesiku, 40000 Shah Alam, Selangor	591601
18. PROTON	Hicom Industrial Estate, Batu 3 Locked Bag No.12 Post Office, PKNS Complex 40990 Shah Alam, Selangor	03-5111055
19. SUZUKI ASSEMBLERS (M) SDN.BHD.	14, Jalan Vivekananda. Brickfields 50470 Kuala Lumpur	2746911 2746922

No	Name of Company	Address	TEL
[ CERAMICS ]			
1.	HUA LIAN POTTERY MAKER	7 1/2 Mile Penrissen Road, Kuching, Sarawak	082-612540
2.	KIM HIN INDUSTRY SDN.BHD.	4 1/2 Mile, Kong Ping Road, P.O.Box 1842, 93736 Kuching, Sarawak	082-451567 451017 458857
3.	KEDAH POTTERY SDN.BHD.	Sungei Ketapang 08300 Gurun, Kedah	04-486032 04-486201
4.	HONG POTTERY INDUSTRY	97, K.C.L. 7th Miles, Off Jln.Kepong 52100 Kuala Lumpur, Selangor	03-6347394 03-6343855
5.	NG LI SENG SDN.BHD.	5th Mile, Penrissen Road, P.O.Box 2831, 93754 Kuching, Sarawak	451108 451571
6.	MARULEE (M) SDN.BHD.	Lot P.T.1317, Jalan 3 & 4 Pengkalan Chepa Industrial Estate Phase II 16100 Kota Bharu, Kelantan	09-736613/14
7.	SABAH OXYGEN SDN.BHD.	Jln.Kolombong, Off Kilometer 7, Jln. Tuaran, P.O.Box 11577, 88817 Kota Kinabalu, Sabah	088-213499
8.	WONG SIAN HUP POTTERY FACTORY SABAH	18 Mile, Tuaran Road, Kota Kinabalu, P.O.Box 117, Tuaran Sabah	788460
9.	FRANKLN PORCELAIN SDN.BHD.	Kulim Industrial Estate, 09000 Kulim, Kedah	04-575711 575801 575902
10.	THE AW POTTERY	13, Kg. Macap, 86200-Simpang Rengan, Kluang, Johore	07-784076 784082
11.	ORIENTAL CERAMICS SDN.BHD.	600, Jalan Kluang, 83000 Batu Pahat, Johore	07-443018 443880 444282
12.	ASIAN POTTERY (PENANG) SDN.BHD.	547, Tanjong Bungah, 11200 Penang	04-895317 891880

No	Name of Company	Address	TEL
[ GLASS ]			
1.	KUALA LUMPUR GLASS MANUFACTURERS COMPANY SDN.BHD.	Lot 5, Jalan Kilang, 46050 Petaling Jaya	7912277
2.	JG CONTAINERS (M) SDN.BHD.	Lot No.114, Jalan Kebun, P.O.Box 16, 41700 Kelang, Selangor	3313430 3313188 3313435
3.	MALAYA GLASS BHD.	72-A, Jalan Tampoi, 81200 Johor Bahru, Johor	371701 376157
4.	SYARIKAT SEBANGUN SDN.BHD. GLASS SAND COMPANY BHD.	Tg. Batu Road, P.O.Box 168, 97007 Bintulu, Sarawak	35171 31258
5.	MALAYSIAN LAMPS SDN.BHD. MALTRONICS SDN.BHD.	P.O.Box 155, 76,Jalan University 46710 Petaling Jaya, Selangor	7567122
6.	SCHOTT GLASS (M) SDN.BHD.	WD-5 13609 Prai/Prov Wellesley	308200
7.	MALAYSIAN SHEET GLASS BHD.	21 Km, 47000 Sungei Buloh, Selangor	03-6561001/5 6561391/4
8.	KAOLIN (M) SDN.BHD.	Lots 322, 3rd Floor, Wisma MPI, Jalan Raja Chulan, 50784 Kuala Lumpur	2481688



No	Name of Organization	Address	TEL
[ GOVERNMENT ORGANIZATION ]			
1.	MALAYSIAN INDUSTRIAL DEVELOPMENT AUTHORITY (MIDA) TARIFF DIV. INDUSTRIAL PROMOTION DIV. ENGINEERING INDUSTRIES DIV. COMPUTER & STATISTICS SECTION.	3-6 Floor, Wisma Damansara, Damansara Heights, P.O.Box 10618, 50720 Kuala Lumpur	03-2543633
2.	MINISTRY OF TRADE AND INDUSTRY INTERNATIONAL TRADE DIVISION	Block 10, 8th Floor, Government Office Complex, Jalan Duta, 50622 Kuala Lumpur	2547144 2540338 2546022 2548044
3.	MALAYSIAN EXPORT TRADE CENTRE (MEXPO)	Grd.Floor, Wisma PLMNS, Jalan Raja Laut, 50350 Kuala Lumpur	03-2928122 2928279
4.	Standards and Industrial Research Institute of Malaysia (SIRIM) Ceramic Div. Public and Industrial Affairs Unit MIDEC Unit for the Development of New Technical Programmes Quality Assurance Unit Industrial Incubator Program	P.O.Box 35, 40700 Shah Alam, Selangor	03-5591630 03-5592601
5.	ECONOMIC PLANNING UNIT. (EPU) Trade and Industry	Jalan Dato' Onn, 50502 Kuala Lumpur	2326675 2933333
6.	HEAVY INDUSTRIES CORPORATION OF MALAYSIA BHD. (HICOM) Project Development Division	Tingkat 19, Menara Dato' Onn, Kompleks UMNO Malaysia, 45, Jalan Tun Ismail, Peti Surat 10707, 50722 Kuala Lumpur.	2935688
7.	THE CENTRE FOR INSTRUCTOR AND ADVANCED SKILL TRAINING (CIASST)	Section 19, P.O. Box 12, Shah Alam, 40700 Selangor Darul Ehsan	5502736 5502739
8.	MINISTRY OF SCIENCE, TECHNOLOGY AND THE ENVIRONMENT TECHNOLOGY PARK IMPLEMENTATION UNIT	14th Floor, Wisma Sime Darby, Jalan Raja Laut, 50662 Kuala Lumpur	03-2938955
9.	MINISTRY OF NATIONAL AND RURAL DEVELOPMENT. SMALL SCALE ENTERPRISES DIV.	9th Fl. Komplek Kewangan Jalan Raja chuan, 50606 K1.	2612622

10. Ministry of Finance. Economic Div. Tax Div.	Blag. 9. 9th Fl. Jalan Duta. Kl.	254-6000
11. BAHAGIN KEMAHIRAN MARA	Medan Mara, Jalan Raja Laut, 50609 Kuala Lumpur	03-2915111 2987087
12. CREDIT GUARANTEE CORPORATION MALAYSIA BHD. (CGC)	Tingkat 22, Menara Tun Razak, Jalan Raja Laut, 50350 Kuala Lumpur.	03-2987288 2987392
13. MINISTRY OF LABOUR Research and Planning Division.	Level 3, Block B Jalan Satu Pusat Bandar Damansara, 50530 Kuala Lumpur.	2556346
14. INSTITUT TEKNOLOGI MARA	Pejabat: 40450 Shah Alam, Selangor. Kediaman: 3 Jalan Kerambit, 11/4C. 4000 Shah Alam, Selangor.	5592950 5507676
15. MALAYSIA INDUSTRIAL DEVELOPMENT FINANCE BERTHAD (MIDF)	195A, Jalan Tun Razak, 50400 Kuala Lumpur, P.O.Box 12110, 50939 Kuala Lumpur.	2610086 2611166
16. NATIONAL PRODUCTIVITY CENTRE (NPC)	Jalan Sultan, P.O. Box 64, 46904 Petaling Jaya, Selangor.	7557266-296
17. MALAYSIA EXPORT CREDIT INSURANCE BERHAD (MECIB)	29-3 & 29-4, Jalan Medan Tuanku. P.O. Box 11048, 50734 Kuala Lumpur.	2910782
18. BANK NEGARA MALAYSIA	Jalan Kuching, 51200 Kuala Lumpur, P.O. Box 10922	30201
19. PENANG DEVELOPEMENT CORPORATION (PDC) Industrial & Tourism Div. Coordinator Promotion Div. SARAWAK ECONOMIC DEVELOPMENT CORPRATION.	No.1, Jalan Sungei Nibong. 11909 Bayan Lepas, Penang	832111 832911
20. SARAWAK ECONOMIC DEVELOPMENT CORPORATION	6-11 Floor, Bangunan Menara SEDC (Sarawak Plaza) Jalan Tunk Abul Rahman Peti Surat 400, 93902 Kuching, Sarawak	082-416777
21. BINTULU DEVELOPMENT AUTHORITY	Bangunan BDA, Jalan Sommerville, Bintulu Sarawak. P.O.Box 55	34198 32011

No	Name of Company and Association	Address	TEL
[ OTHERS ]			
1.	THE NOMURA SECURITIES CO LTD	Letter Box 23, 24th Floor UBN Tower No.10 Jalan P. Ramlee, 50250 Kuala Lumpur	2305659 2305792 2305664
2.	MARUBENI CORPORATION	5th Floor UBN Tower 10, Jalan P. Ramlee 50250 Kuala Lumpur	03-238-1688
3.	THE JAPANESE CHAMBER OF TRADE & INDUSTRY, MALAYSIA	4th Floor, Menara Boustead, 69, Jin. Raja Chulan, 50200 Kuala Lumpur.	2427106 2414460
4.	SUMITOMO CORPORATION	4th Floor, Wisma Supreme, Jalan Punchak, P.O. Box 10297, 50710 Kuala Lumpur	2308133
5.	THE BANK OF TOKYO LTD.,	No.1 Leboh Ampang, 50100 Kuala Lumpur	2389100 2385855
6.	FEDERATION OF MALAYSIAN MANUFACTURERS	17th Floor, Wisma Sime Darby, Jalan Raja Laut, 50350 Kuala Lumpur. P.O.Box 12194, 50770 Kuala Lumpur.	03-2931244
7.	THE OVERSEAS ECONOMIC COOPERATION FUND (JAPAN)	22nd Floor, UBN Tower, Letter Box No.59, Jalan P. Ramlee, 50250 Kuala Lumpur.	2323255 2322201 2322202
8.	NATIONAL CHAMBER OF COMMERCE AND INDUSTRY OF MALAYSIA	17th Floor. The Tower. Jalan Tun Razak. Plaza Pekeliling P.O. Box 12529. 50780 Kuala Lumpur.	03-4429871 03-4429873
9.	MALAYSIAN AUTOMOTIVE COMPONENT PARTS MANUFACTURERS ASSOCIATION (MACPMA)	P.O. Box 12221, Kuala Lumpur.	651001/5
10.	UNIVERSITI SAINS MALAYSIA	11800 Usn Penang	883822
11.	MALAYSIAN INSTITUTE OF ECONOMIC RESEARCH	9th. Floor. Bangunan Bank Negara Malaysia. Jalan Kuching, 50768 Kuala Lumpur. Selangor. P.O. Box 12160	03-2926188 2926496
12.	INSTITUTE OF STRATEGIC & INTERNATIONAL STUDIES (ISIS) MALAYSIA	No.1, Jalan Sultan Salahuddin, P.O.Box 12424, 50778 Kuala Lumpur.	2939366

13. BANK PEMBANGUNAN MALAYSIA BHD.

Menara Bank Pembangunan. Jalan Sultan  
Ismail. Peti Surat 12352.  
50250 Kuala Lumpur.

03-2913399  
03-2917799  
03-2912043

## 現地設置外国企業概要

&lt; 金 型 &gt;

企業名	製造品目	従業員	主要設備	販 売 先	特 徴
Micro Machining Sdn. Bhd.	精密プレス用金型 プラスチック用金型	200	WIRE CUT EDM, EDM, CNC, MC CAD	National Semiconductor Sdn. Bhd. . . . .60% その他FTZ内 . . . . .30% 米 シンガポール, フィリピン . . . . .10%	米ナショナルセルセミコンの子会社, 100%米国資本。 Bayer Lepas FTZ 内立地で、東南アジアで最新かつ最大設備有。 一部プレス加工, 自動化機器の生産も行っている。 デザイン部門はCAD利用。 トラブル処理専門セクションや定 期的点検部門を設けている。
MATTEL	玩具用プラスチック金型	100	-	ペナンの親会社 メキシコ, イタリア	アメリカのおもちゃメーカーの金型供給その他。 台湾, フィリピンの設備を近々移入。
BINAMOLD SDN. BHD. AHAN INDUSTRIES SDN. BHD.	金属製コンポーネント 金型	130	トランスファフォーマールド	シャープ (45%), ソニー (35%) フィリップス, サニーヨー, 松下等へ	塗装設備を有する。金型デザインは社長やエンジニアが行う。 昨年より金属製家具部品を日本へ輸出, 生産の50%を向ける予 定。
SYARIKAT MALAYSIA EXPLOSIVES (TOOLS) SDN. BHD.	金型	100	-	軍需, 民需半々	大蔵省出資の軍需用。 国営企業であり, 設備面で充実, 技術的にも水準を上まわってい る。 技術はインドより。
ENG HARDWARE ENG.	高精度金型部品加工	100	WIRE CUT EDM EDM CNC MC	ペナン輸出加工区半導体メーカー中心	設備グレード1級。 技術者養成の必要有。 加工精度はミクロンオーダーを完全に消化している。
SUMIPUTER STEEL CENTER Sdn. Bhd.	鋼材一次加工	150	-	350 社, 内ローカルが270 社以上	スクールベルト (7割は日本より) を剪断し, Cut sheets, Slitted Coils, Baling Haoptにして販売。 プレス加工の金型は顧客支給。
MELCOM	家電製品	40	-	外販 40% (マレーシア, シンガポールの松 下関連企業)	年間, 500,000M\$の売上げ。 社内教育は徹底している。

企業名	製造品目	従業員	主要設備	販売先	特徴
TOPLA ENG. TOPLA PLASTIC SDN. BHD.	プラスチック金型	22	成型研削 計測器 射出成型機 (テスト用)	日系企業 (松下、三洋、ミノルタ、オムロン 田村) 中心	TOPLA ENG. は TOPLA PLASTIC の子会社。 加工精度 0.01mm 台確保。
PRODECON SDN. BHD.	プレス用 ゴム用金型	38	-	電子産業 (95%) ゴム加工産業 (5%)	モールドベドベースは ASSAB, 標準部品は三菱等を利用。
METFAB ENGINEERING SDN. BHD.	金型・電子産業向け機器	30	-	インテル, 日立, MEPへ	100% ローカル企業 金型部分加工 (50%), 自動化機器 (50%)。 自動化機器はフィリピン, 米国等へ輸出実績有。
HOCKPIN PRECISION ENGINEERING SDN. BHD.	金型	30	CNC BRIDGEPORT SERIES I	国内のみ (トヨーオーディオ, サンヨー ノーゲームテレコム等)	88年より Kg. Java に移転。年間総売上は 100 万 M\$。 典型的な古いタイプのワークショップで作業能率よくない。
UNICOS METAL & PLASTIC CORP. SDN. BHD. UNICOS ADVANCED AUTOMATION CORP. SDN. BHD.	金型	15	-	FTZ の電子産業関連	金型固部品, プレス加工品, 自動化機械中心。 UAAAC は UMPCC の企画・デザイン部門。
HOBNO PLASTICS	プラスチック・インジェ クション	-	-	-	通常産業用の金型精度はクリアーしている。 基本的 Q/C は徐々に行なわれている。 設備増強を計画中。
CARSEM CO SDN. BHD.	セミコンタクター組立て	-	-	-	金型ユーザーとして, 金型の 90% を USA, 日本, 香港から輸 入。 スベア・パーツは国内品を 20% 使用。

企業名	製造品目	従業員	主要設備	販売先	特徴
Q & S MACHINE CO.	自動車用金型	20	ブリッジポート型フライス7 盤 3 内研 1 平研 1 セーパー 1 プレス 2	プロトン及び日産中心	大型材料の基本切削、焼鈍は外注。 基本精度0.1mm単位。 基本設備備有。日本の金型教科書使用。
環宇機器工程有限公司	プラスチック金型	17	EDM ナライフライス } 導入中 多軸フライス } 大型EDM	約20社、そのうち5社が外国系	設計中程度、全体精度70点、総合力に欠ける。 受注好調で標準納期は1カ月。
POLY TOOLS INC. SDN. BHD.	機械加工金型	7	-	国内ではCARSEM, 台湾、香港、シンガポール、タイ、米国、 フィリピン、日本（松下、バイオニア）	典型的なフラット式ワークショップ。 米国企業と技術提携。 原材料は全て輸入。
Loh Kim Teow Engineering Sdn. Bhd.	金型部品、精密工具、金属加工	100	EDM 平面研削盤 フライス盤 ボール盤	電子産業 シンガポール、米国、フィリピン	6人のデザイナーを有す CAD, CAM導入の予定
Hup Lee Engineering Works	プラスチック金型 JIG	50	EDM フライス盤 旋盤 ボール盤 Machining Centre 平面研削盤	Melcom社を含め数社	100%ローカル中堅企業 設計部門も持つ
Hip Hoe Engineering Works Sdn.Bhd.	プラスチック金型 水道蛇口用品	25	フライス盤 Machining Centre ラジアルボール盤 EDM 旋盤	Melcom社を含め数社	プラスチック射出成型の別工場あり
Nai Foong Engineering Works	プラスチック金型	9	フライス盤 旋盤 EDM セーパー	国内	切削、研磨方法改良の要あり

企業名	製造品目	従業員	主要設備	販売先	特徴
Solar Mechanical Engineering	プラスチック金型	17	EDM 平面研削盤 セーパー 旋盤 彫刻機 フライス盤	国内	工作機械の保守、適正使用の必要性
Ching Khong Engineering Works Sdn. Bhd.	プラスチック金型	9	EDM 平面研削盤 フライス盤 旋盤	Melcom, Nico, TMD 等	切削、研磨方法改良の要あり
Sun Tong Seng Mould-Tech Sdn. Bhd.	プラスチック金型 プラスチック射出成型	20	EDM CNC 縦フライス盤 CNC フライス盤 フライス盤 旋盤 平面研削盤 セーパー	国内、インドネシア	100%ローカルの中堅企業
Takang Mould Designing & Engineering	プラスチック金型	10	フライス盤 平面研削盤 旋盤 EDM セーパー ボール盤	国内	全体の粗さが目立つ
Owlys Moulding Sdn. Bhd.	プラスチック金型 ゴム金型	35	EDM 盤 ボール盤 フライス盤 彫刻機 セーパー 旋盤 平面研削盤	国内	全体に粗さが目立つ
Top-1 Plastic Mould Designing Co.	プラスチック金型	7	EDM 平面研削盤 ボール盤 フライス盤 旋盤 セーパー	国内	切削、研磨方法の改良の要あり



企業名	製造品目	従業員	主要設備	販 売 先	特 徴
Tech See Plastic Sdn. Bhd.	プラスチック自動車部品	124	射出成型機 17台	HONDA, PROTON, SONY	工場のレイアウト、整理良し
Tiong Seng Plastic Sdn. Bhd.	プラスチック製品加工 イス、ニフトリカゴ	100	射出成型 13台		QC導入の必要性あり



<金属製自動車部品>

企業名	製造品目	従業員	主要設備	販売	先	特	備
Car Seats (M) Sdn. Bhd.	シート の売成品			国内		合併 工場移設計画中	
Oriental Metal Industries (M) Sdn. Bhd.	タイヤ			国内		合併 プロトン向けのみ生産	
AAE-ZF Steerings Sdn. Bhd.	ステアリングボク、ラック & ピニオン	-30		国内		合併	
AAE-TRW Components Sdn. Bhd.	クランプピンク		国内		合併		
CHPE Sdn. Bhd.						AAE各社用の設計、工具製作	
NGK Spark Plugs (M) Bhd.	スパークプラグ			国内		合併 メッキ設備あり、QCサークル実施	
Oriental Showa Sdn. Bhd.	シヤクワツク			国内		合併	
IZUMI (M) Sdn. Bhd.	ピストン、シリンダヘッド	39		国内		合併	
Belton Sdn. Bhd.	タイヤバルブ、タイヤバルブ バルブ、シヤクワツク	110	冷間鍛造、熱処理	国内 シンガポール、オーストラリア			
Yodoshi Malleable (M) Sdn. Bhd.	コックルヘッド用ワザット		小物用鉄の逆転生産ライン	国内 USA		合併	

(注) 自動車会社は次の5社を訪問した。

1. Perusahaan Otomobil Nasional Sdn. Bhd.
2. Associated Motor Industries Malaysia Sdn. Bhd.
3. Asia Automobile Industries Sdn. Bhd.
4. Assembly Services Sdn. Bhd.
5. Oriental Assemblers Sdn. Bhd.

企 業 名	製 造 品 目	従 業 員	主 要 設 備	販 売 先	特 徴
YODOSHI MALLEABLE CO. SON. BHD.	自動車部品	-	-	ニッポンデンソウ、プロトン USAに輸出	エアコンプレッサ・ブラケットの塗装・加工をローカル企業に委託。しかし下請けにはパターンの作成コスト、加工機械修理面での問題有。
MAZDA ASIA AUTOMOBILE INDUSTRIES SON. BHD.	自動車	-	-	-	マツダ、ファミリーア 1300 アッセンブリー ライセンス有。 1品目につき2~4社 (規模による) ヘライセンスを出す。 有効期間は2年。

< 陶磁器 >

企業名	製造品目	従業員	主要設備	販売先	特徴
YARULEE SON. BHD.	ノベルティ	480	機械設備 6	100%輸出 米 90% 欧州 (英国) 10~15%	100%日本利商会出資。 台湾、メキシコ、マレーシアへ海外進出。 原材料は全面輸入。 現在設備を倍に拡張。
KIM HIM INDUSTRY SON. BHD.	タイル	450以上	トンネルキルン	国内24社、及び日、米他へ輸出	3社経営、1社建設中。 積極的拡充。サニタリーウェアの工場許可も持ち、食器、ガラス製品の分野にも進出を考えている。
MIDA HONG POTTERY INDUSTRY	せと物	60	-	30%輸出—カナダ、オーストリア、アメリカ	原材料輸入。 多くの技術的難問を抱えている。
NG LI SONG SON. BHD.	サラワク特産のツボ類	20~30	ノボリガマ 2基	大半がみやげ用の店頭販売。 時々シンガポール、オーストラリアへ大量買い付けが行われる。	原料の品質が一定しない。 陶土は近郊で露店掘り。
HONG SIAM HUP POTTERY FACTORY SABAH	ツボ、ノベルティ	23	シャトルキルン 4基 ノボリガマ 1基 真空カクハン機 1基	国内のみ	原料は台湾より輸入。 製品品質も比較的高い。 サバ、サラワクに工場を3つ有している。
HONG SIAM HUP POTTERY FACTORY KUCHING	陶器類	20	シャトルキルン 3基	国内のみ みやげ用	上記とは家族経営による兄弟会社。 原料は台湾より輸入。 サバ、サラワク内では最もよいものを作る。
SABAH OXYGEN SON. BHD.	ツボ、土管	20	ノボリガマ 2基 シャトルキルン 2基 試験ガマ 1基	国内のみ	製品レベルは不充分であるが、設備は予想外に大きい。 原料は台湾、中国、日本より輸入。

企業名	製造品目	従業員	主要設備	販売先	特徴	徴
HUA LIAN POTTERY MAKER	ツボ	-	ノボリガマ 2基	-	釉薬は輸入。 材料の配合、乾燥等はすべて術と経験に頼っている。	釉薬は自社生産。しかし、はく離が問題となっている。

< ガラス >

企業名	製造品目	従業員	主要設備	販売先	特徴
MALAYA GLASS	ビン、食器等の硝子製品	500	ファナーネス プレス	30%をシンガポール等に輸出	山村硝子と技術提携、佐々木硝子とネゴが有る。 大手ビール会社、コココーラ等の得意先を持っており、順調に のびている。
J. G. CONTAINERS SDN. BHD.	ビン中心の硝子製品	350 ~ 450	-	30%輸出	J. G. インディア: BALLARPUK INDUSTRIES Ltd. MAUL BROTHERS USA が資本参加。 財務状態悪い。
SCHOTT GLASS (MALAYSIA) SDN. BHD.	特殊光学ガラス 理化学用ガラス 薬ビン	400	-	90%輸出 10%国内	シガポール SCHOTTO のコントロール下にある。 硝子は本国 (西ドイツ) より輸入。
K. L. GLASS	ガラスビン	-	I S マシン	シガポール、日本、オーストラリア等へ輸出	競争力低下の為、財務内容悪化。 3千万\$借入れ (うち海外から40%)。 工場出し値の40~70%が輸送費。
SYARIKAT SEBANGUN SDN. BHD.	シリカサンド	-	-	95%日本へ輸出	年産23万トン 埋蔵量 1.5 百万トン GLASS SAND Co. Bhd., SARAWAKU ECONOMIC DEVELOPMENT CO. と 共同経営。

## 輸出／産業別組合リスト

## 1. MALAYSIAN ASSOCIATION OF MALAY EXPORTERS

(Persatuan Pengeksport Melayu Malaysia)

173 Ground Floor

Jalan Ipoh

51200 KUALA LUMPUR

Telefon : (03)-4426788

Telex : MA 30763

Presiden : YM Raja Rosdin

Setiausaha : Encik Abdul Rahman Yusuf

(Secretary  
General)

## 2. FEDERATION OF MALAYSIAN MANUFACTURERS

(Persekutuan Pekilang-Pekilang Malaysia)

17th Floor Wisma Sime Darby

Jalan Raja Laut

P O Box 12194

50770 KUALA LUMPUR

Telefon : (03)-2931244 (5 Lines)

Telex : MA 32437 FMM

Presiden : YM Tunku Tan Sri Mohamed bin Tunku  
Besar BurhanuddinNaib Presiden : (i) Encik Yong Poh Kon  
(ii) Encik Siew Wan Shing  
(iii) Encik Ghazali Yusoff



3. MALAYSIAN FOOD CANNERS ASSOCIATION

1 Jalan 221

Peti Surat 6

46700 PETALING JAYA

Selangor Darul Ehsan

Telefon : (03)-7565588, 7563858

Telex :

Presiden : Encik Yeo Chee Yan

Setiausaha : YM Raja Redzwa

4. PALM OIL REGISTRATION & LICENSING AUTHORITY (PORLA)

(Lembaga Pendaftaran & Pelesenan Minyak Kelapa Sawit)

Tingkat 4 Block B

Kompleks Pejabat Damansara

Jalan Dungun

Damansara Heights

50490 KUALA LUMPUR

Telefon : (03)-2547122

Telex : MA 30087

Ketua Pengarah : Encik Toh Ah Bah

5. PALM OIL RESEARCH INSTITUTE OF MALAYSIA (PORIM)

(Institusi Penyelidikan Minyak Kelapa Sawit)

No 6 Persiaran Institusi

P O Box 10620

Bandar Baru Bangi

43000 KAJANG

Selangor Darul Ehsan

Telefon : (03)-8335592

Telex :

Ketua Pengarah :

6. FEDERAL AGRICULTURAL MARKETING AUTHORITY (FAMA)

(Lembaga Pemasaran Pertanian Persekutuan)

Tingkat 5, 6, 7, & 8, Bangunan KUWASA

Jalan Raja Laut

50350 KUALA LUMPUR

Telefon : (03)-2932622  
Telex : MA 31769, MA 31669  
Pengerusi : Encik Hashim bin Safin  
Ketua Pengarah : Encik Ahmad bin Tukimin

7. FEDERAL INDUSTRIAL MARKETING AUTHORITY (FIMA)

(Kumpulan FIMA Bhd)

Tingkat 3 & 4 Main Tower Block

Wisma MCIS, Jalan Barat

55100 PETALING JAYA

Selangor Darul Ehsan

Telefon : (03)-7561617  
Pengerusi : Datuk Hj Bashir Ismail  
Pengarah Urusan : Encik Mohd Ramli Kushairi  
Pengurus  
    Besar (Operasi) Encik Chye Kooi Onn

8. MALAYSIA OIL PALM GROWERS COUNCIL

Tingkat 3 Wisma Getah Asli 1

148 Jalan Ampang

Peti Surat 10747

50724 KUALA LUMPUR

Telefon : (03)-2425088 Telex: MA 30235, 31356  
Pengerusi : Encik Lee Oil Hian  
Setiausaha Eksekutif : Cik Neoh Siew Hwa

9. MALAYAN EDIBLE OIL MANUFACTURERS ASSOCIATION (MEOMA)

No 134-1, First Floor

Jalan Sambanthan

Brickfields

50470 KUALA LUMPUR

Presiden : Encik Toh Pang Huat  
Setiausaha Kehormat : Encik Lim Sen Hok (Telex MA 31337)  
Telefon : (03)-2747420, 2747421, 2747422

10. PALM OIL REFINERS ASSOCIATION OF MALAYSIA (PORAM)

(Persatuan Penapis Minyak Sawit Malaysia)

10.06, 10th Floor

Wisma HLA

Jalan Raja Chulan

50200 KUALA LUMPUR

Telefon : (03)-2488916, 2488893  
Telex : MA 31337, MA 31483 PORAM  
Cable : "PORAM" KUALA LUMPUR  
Pengerusi : Datuk Robert Chan  
Naib Pengerusi : Encik Toh Pang Huat  
Setiausaha Esksekutif : Paul Yap Singh

11. THE PINEAPPLE BOARD

(Lembaga Perusahaan Nenas)

5 th Mile, Jalan Skudai

80200 Johor Bahru

Johor

Telefon : (073)-61211, 61012  
Telex :  
Ketua Pengarah :

12. MALAYSIAN TIMBER INDUSTRY BOARD (MTIB)

(Lembaga Perindustrian Kayu Malaysia)

Tingkat 5 & 6, Bangunan Sateras

Jalan Ampang

50450 KUALA LUMPUR

Telefon : (03)-2486233, 2484791  
Telex : MALTIM MA 30993  
Cable : MASKAYU  
Pengerusi : Encik Wong Kam Choon  
Ketua Pengarah : Tuan Haji Baharuddin Hj Ghazali

13. FEDERATION OF MALAYA TIMBER EXPORTERS ASSOCIATION

Straits Trading Building

Tingkat 3 Peti Surat 10742

50724 KUALA LUMPUR

Telefon : (03)-2986266  
Telex :  
Pengerusi : Tuan Haji Abdul Razak bin  
Abdul Majid  
Naib Pengerusi : Encik Peter Wong  
Pengarah Eksekutif : Encik D.G.Prost

14. FEDERATION OF MALAYSIAN FURNITURE MANUFACTURERS & TRADERS ASSOCIATION

Room 710, 7 th Floor

Wisma Lim Foo Yong

P O Box 12639

50784 KUALA LUMPUR

Telefon : (03)-2482501, 2484606  
Pengerusi : Encik Woo Chark Kum  
Setiausaha Eksekutif : Encik Tan Chin Huat

15. THE MALAYSIAN PLYWOOD MANUFACTURERS ASSOCIATION

36 & 36A, Jalan Telawi

Bangsar Baru

59100 KUALA LUMPUR

Telefon : (03)-2543357, 2548062

Telex : MA 31377

Pengerusi : Encik Chai Fook Loong

Setiausaha Pentadbiran : Encik C L Cheang

16. MASTER BUILDERS ASSOCIATION MALAYSIA

No 13, 3rd Floor

Jalan Gereja

50100 KUALA LUMPUR

Telefon : (03)-2382433, 3321636

Presiden : Tan Sri Dato ' Yeoh Tiong Lay

Setiausaha : Encik Oh Kong Yew

Naib Presiden : Encik Sia Kwee Mow

17. THE CEMENT & CONCRETE ASSOCIATION OF MALAYSIA

c/o Federation of Malaysia Manufacturers

17th floor, Wisma Sime Darby

Jalan Raja Laut

P O Box 12194

50770 KUALA LUMPUR

Telefon : (03)-2931244

Telex : FMM MA 32437

Pengerusi : YB Datuk Mohd Amin Satem

Naib Pengerusi : Encik Lim Yen Hatt

Setiausaha Eksekutif : Encik Agapit Peter Koh

18. MALAYSIAN PAINTS MANUFACTURERS ASSOCIATION

c/o Berger Paints

No. 4, Jalan 205

Peti Surat 1

46700 PETALING JAYA

Selangor Darul Ehsan

Telefon : (03)-7573844

Telex :

Pengerusi : Encik Lim Say Chong

Setiausaha Kehormat : Encik J D Bruggen

Bendahari : Encik Ho Yew Cheong

19. MALAYSIAN AUTOMOTIVE COMPONENT PARTS MANUFACTURERS

c/o Malaysian Sheet Glass Bhd

21 Km, Sungei Buloh

47000 SELANGOR DARUL EHSAN

Telefon : (03)-6561001

Telex : MA 32108

Presiden : Encik Paul Low Kuan Seng

Setiausaha Kehormat : Encik Terry Hong

20. RUBBER RESEARCH INSTITUTE OF MALAYSIA

(Institut Penyelidikan Getah Malaysia)

No.260 Jalan Aampang

50908 KUALA LUMPUR

Telefon : (03)-4567033

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Pengarah : Dr. Ab Aziz bin S A Kadir

21. RUBBER INDUSTRY SMALLHOLDERS DEVELOPMENT AUTHORITY (RISDA)

(Pihak Berkuasa Kemajuan Pekebun Kecil Perusahaan)

Ibu Pejabat RISDA

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Ketua Pengarah : Encik Mohd Zain bin Hj Yahya

Ketua Pengarah Kanan : Encik Abdul Halim bin Dato ' Abdul Raof

Ketua Pengarah

Pentadbiran : Encik Osman bin Mohd Said

Ketua Pengarah Operasi : Encik Shahbuddin bin Safie

22. MALAYSIAN RUBBER EXCHANGE & LICENSING BOARD (MRELB)

(Lembaga Penyelidikan & Kemajuan Getah Malaysia)

Tingkat 3, Wisma Getah Asli

148 Jalan Ampang

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Telefon : (03)-2615566 (2 lines)

Telex : MA 30220

Pengerusi : Datok Ahmad Sabki bin Jahidin

23. MALAYSIAN RUBBER RESEARCH & DEVELOPMENT BOARD (MRRDB)

(Lembaga Penyelidikan & Kemajuan Getah Malaysia)

15th Floor, Wisma Getah Asli 2

148 Jalan Ampang

P O Box 10508

50716 KUALA LUMPUR

Telefon : (03)-2614422

Telex : MRRDB MA 30954

Pengawal : (i) Encik Ahmad Farok

(ii) Cik Tan

24. MALAYSIAN RUBBER PRODUCTS MANUFACTURERS ASSOCIATION

15th Floor, Wisma Getah Asli 2

148 Jalan Ampang

P O Box 10508

50716 KUALA LUMPUR

Telefon : (03)-2611134, 2614422

Telex : MRRDB MA 30954

Presiden : Encik Shum Kwai Hong

Naib Presiden : Encik Idris bin Samad

25. MALAYSIAN RUBBER PRODUCERS COUNCIL

Bangunan Getah Asli 1

3rd Floor, 148 Jalan Ampang

P O Box 12688

50750 KUALA LUMPUR

Telefon : (03)-2482677

Telex :

Pengerusi : Tuan Haji Mazlan bin Haji Jamaluddin

Setiausaha Eksekutif : Tuan Hj Mohamed Nor bin Maidin

26. MALAYSIAN RUBBER DEVELOPMENT CORPORATION BHD (MARDEC)

(Perbadanan Kemajuan Getah Malaysia)

Jalan Kerja Air Lama

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50716 KUALA LUMPUR

Telefon : (03)-2467055

Pengurus Besar : Dr. Mahmood Kadir

Timbalan Pengurus Besar : Encik Rosli bin Kassim



27. ASSOCIATION OF NATURAL RUBBER PRODUCING COUNTRIES

1st Floor Bangunan Getah Asli

148 Jalan Ampang

50450 KUALA LUMPUR

Telefon : (03)-2481735, 2488716

28. MALAYSIAN ORCHID GROWERS ASSOCIATION (MOGA)

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Jalan Rentaka 2

Taman Sri Tebrau

80050 Johor Bharu

Johor

Telefon : (07)-339774

Pengerusi : Encik Wong Kang Ho

29. MALAYSIAN PLASTICS MANUFACTURERS ASSOCIATION

37 Tingkat 2

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Selangor Darul Ehsan

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Presiden : Encik Johnny Yong Chui Sen

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(ii) Encik K L Tan

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30. MALAYSIAN TEXTILES MANUFACTURERS ASSOCIATION

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Naib Presiden : Encik Azmi Hashim

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31. SELANGOR CHINESE TEXTILE GENERAL GOODS MERCHANTS ASSOCIATION

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Pengerusi : Encik Kok Ng Fong

32. GARMENT MANUFACTURERS ASSOCIATION OF THE STATES OF MALAYSIA

No. 9A & B, Jalan Lingkungan Brunei

Pudu

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Presiden : Encik Chow Yuen Seng

33. HANDICRAFT BOARD DEVELOPMENT CORPORATION MALAYSIA

(Perbadanan Kemajuan Kraftangan Malaysia)

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No 9 Jalan Tun Perak

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Ketua Pengarah : YM Raja Fauziah Raja Tun Uda

34. SYARIKAT PEMASARAN KARYANEKA SDN BHD

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Cable : "KARYANEKA" KUALA LUMPUR

Pengurus Perniagaan :

35. MALAYSIAN FOOTWEAR MANUFACTURERS ASSOCIATION

(Persatuan Pembuat-Pembuat Kasut Malaysian)

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Pandamaran Industrial Site

P O Box 160

42008 Port Klang

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36. MALAYSIAN INSITUTE OF FOOD TECHNOLOGY

P O Box 241

Pejabat Pos Jalan Sultan

46730 PETALING JAYA

Selangor Darul Ehsan

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37. MALAYSIAN FROZEN SEAFOOD PROCESSING ASSOCIATION

(PERSATUAN PERUSAHAAN MAKANAN SEJUK BEKU MALAYSIA)

161 Beach Street

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38. FRUITS EXPORTERS ASSOCIATION

(PERSATUAN PENGEKSPORT BUAH-BUAHAN MALAYSIA)

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Subang Airport

47200 Subang

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Presiden : Encik Arphan Ahmad

39. INSTITUTE OF STRATEGY INTERNATIONAL STUDY

(INSTITUT KAJIAN STRETEGIK DAN ANTARABANGSA (ISIS))

No. 1 Jalan Taming Sari

P O Box 12424

50778 Kuala Lumpur

40. BUMIPUTRA TIMBER PRODUCERS ASSOCIATION OF MALAYSIA

(PERSATUAN PENGUSAHA-PENGUSAHA KAYU-KAYUAN BUMIPUTRA MALAYSIA)

No.28, Tingkat 3

Lorong Medan Tuanku Satu

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Yang Di Pertua :

41. BATEK MALAYSIA BERHAD

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Taman Cahaya

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Telex :

42. FEDERATION OF ELECTRICAL ASSOCIATION OF MALAYSIA

5 Jalan Gelugor

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Telefon :

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43. MALAYSIAN PHARMACEUTICAL TRADE AND MANUFACTURERS ASSOCIATION

31A, Tingkat 1

Jalan SS 21/37

Damansara Utama

47400 PETALING JAYA

Selangor Daru Ehsan

Telefon :

Telex :

出所 : MEXPO

関連法律・制度の内容、該当部分

- 1 1986年 投資促進法に基づく輸出振興策
- 2 1967年 関税法に基づく輸出振興策
- 3 1976年 物品税法に基づく輸出振興策
- 4 1972年 売り上げ税法に基づく輸出振興策
- 5 1971年 FTZ法に基づく輸出振興策
- 6 1967年 所得税法に基づく輸出振興策
- 7 輸出再割制度（ECR）の概要
- 8 FIDA（1979年にMIDAと改名）設立関係法

## CHAPTER III

### EXPORT INCENTIVE AVAILABLE UNDER THE PROMOTION OF INVESTMENT ACT, 1986

3.1 In the previous chapter, we presented an overview of the various export incentives in Malaysia. To enable exporters to utilise these facilities, it is important that they be made familiar with the operation of these incentives and the procedural details of proffering their claims to the concerned authorities. Therefore, in this and in the subsequent chapters, the basic procedure and documentation for claiming export incentives from various Government Departments are discussed in detail, so that the costly errors of incomplete or inadequate claims are avoided.

3.2 Export Incentives available under the Promotion of Investments Act, 1986 are:

- (i) ABATEMENT OF ADJUSTED INCOME FOR EXPORTS OF MANUFACTURED PRODUCTS
- (ii) ABATEMENT OF ADJUSTED INCOME FOR THE USE OF INDIGENOUS MALAYSIAN MATERIALS IN THE PRODUCTION OF MANUFACTURED PRODUCTS FOR EXPORT
- (iii) EXPORT ALLOWANCE
- (iv) DEDUCTION FOR PROMOTION OF EXPORTS

#### Abatement Of Adjusted Income For Exports

3.3 In order to provide adequate inducement to manufacturers to promote the export of their products and to encourage greater utilisation of indigenous Malaysian materials in the production of such export products, the Government has introduced two new incentives:

- (i) Abatement of adjusted income for exports of manufactured products. The rate of abatement is equivalent to 50 per cent of export sales in relation to the total sales of the company.
- (ii) Abatement of adjusted income for the use of indigenous Malaysian materials. In this case, the rate of

abatement is equivalent to 5% of the value of indigenous Malaysian materials used in the production of export products.

3.4 Let us now discuss the various details of these incentives as in operation from the assessment year 1987.

#### What Are The Benefits Of These Incentives?

3.5 The term abatement means a deduction. Thus, the Abatement of Adjusted Income means a deduction from the adjusted profits/income of the company. The amount of adjusted income abated is exempt from the company tax of 40% and development tax of 5%. In addition, the dividends issued by the company out of the abated income (exempt account) are exempt from tax in the hands of the shareholders. This exemption of dividends from tax is also extended to second level of dividend distribution. Let us explain this with an example.

Company 'A' has distributed dividends of M\$1 million from the exempt account to its shareholders. This dividend income received by the shareholders is exempt from tax. Let us assume that one of the shareholders is company 'B'. It has received dividends of M\$200,000 from Company 'A'. Out of this amount (M\$200,00), Company 'B' distributes dividends to its shareholders. This portion of the dividend income received by the shareholders of Company 'B' is also exempt from tax.

#### Abatement Of Adjusted Income For Exports Of Manufactured Products

3.6 The amount of adjusted income abated for exports of manufactured products is arrived at by multiplying two variables, namely:

$$\text{Adjusted Income} \times \text{Rate of Abatement}$$

3.6.1 The Rate of Abatement is equal to 50% of the export sales in relation to the total sales of the company and should be calculated in each case as stated below:

**Rate of Abatement:**

$$\frac{\text{Export Sales at FOB Value}}{\text{Total Sales (Domestic + Export Sales)}} \times 50\%$$

3.6.2 Adjusted Income is arrived at by subtracting the allowable deductions and other allowances\* (agreed upon with the Department of Inland Revenue) from the Gross Income of the company.

3.7 Let us illustrate this with a simple example. A company sells its manufactured products both in the domestic as well as export markets. Its audited account of sales and adjusted income in the basis period 1986 (assessment year 1987) are briefly summarised below:

- (i) Total Sales: M\$5 million
- (ii) Total Export Sales: M\$3 million
  - (a) Export Sales on CIF terms: M\$2.5 million
  - (b) FOB value of products exported on CIF Terms: M\$2.20 million
  - (c) Export Sales on FOB Terms: M\$0.50 million
- (iii) Total Export Sales (FOB Value): [(b) plus (c) above] M\$2.70 million
- (iv) Domestic Sales M\$2 million
- (v) Adjusted Income (Agreed upon by the Department of Inland Revenue) M\$1 million

3.8 By using the above data, we will work out the Rate of Abatement and the Amount of Abatement that can be allowed in this case.

- (i) Rate of Abatement = 28.72 per cent  

$$\frac{\$2.70 \text{ million}}{\$4.70 \text{ million}} \times 50\% = 28.72\%$$
- (ii) Adjusted Income = M\$1 million
- (iii) Amount of Abatement of Adjusted Income for Export = M\$287,200

$$\text{Rate of Abatement} \times \text{Adjusted Income} \\ (28.72\%) \quad (\text{M}\$1 \text{ Million})$$

**Explanation of the Values Used in the Above Example:**

- M\$2.70 = Total FOB value of export Sales (Total of items (ii) b and (ii) c)
- M\$4.70 = Total of Domestic Sales (M\$2 million) plus FOB value of Export Sales (M\$2.70 million)
- 50% = Refers to the percentage of export sales (FOB value) in relation to Total Sales that will be considered for the purpose of computing the rate of abatement
- M\$5 million = Total Sales of the company during the basis period, 1986
- M\$1 million = Amount of Adjusted Income
- 28.72% = Rate of Abatement
- M\$287,200 = Amount of Abatement

3.9 It should be noted that the amount of total sales that are considered for the purpose of computing the Rate of Abatement is the sum total of FOB value of export sales and domestic sales. This means that where a company has sold its products overseas on CIF terms, the amount of freight and insurance will be subtracted from the CIF amount of Export Sales in order arrive at the FOB value. On this basis, the total sales in the above example has been worked out as follows:—

FOB value of		
Export Sales	=	M\$2.70 million
Domestic Sales	=	M\$2.00 million
Total Sales	=	<u>M\$4.70 million</u>

**Abatement Of Adjusted Income For The Use Of Indigenous Malaysian Materials In The Production Of Manufactured Products For Export**

3.10 Where a company utilises indigenous Malaysian materials in the production of manufactured products that are exported, it can claim an additional abatement of adjusted income equivalent to 5% of the value

\* This is subject to the condition that the company is entitled to claim deduction of expenses and allowances such as outgoings and expenses incurred on promotion of exports and export allowance.



of such materials. Let us incorporate this element in our previous example to illustrate how the total amount of Abatement of Adjusted Income will be computed. We have extracted the following data from the audited accounts of this company:

(i)	Total Sales:	M\$5	million
(ii)	Total Export Sales:	M\$3	million
	(a) Export Sales on CIF terms:	M\$2.5	million
	(b) FOB value of products exported on CIF terms:	M\$2.20	million
	(c) Export Sales on FOB terms:	M\$0.50	million
(iii)	Total Export Sales (FOB Value): [(b) plus (c) above]	M\$2.70	million
(iv)	Domestic Sales	M\$2	million
(v)	Adjusted Income	M\$1	million
(vi)	Total Value of Indigenous Malaysian Materials used by the company in the manu- facture of its products	M\$1.25	million
(vii)	Value of Indigenous Malaysian Materials used in the produc- tion of products that are exported	M\$125,000	

3.11 By using the above data, we will work out the Abatement of Adjusted Income for the use of indigenous Malaysian materials in production of export products and later compute the total abatement that will be allowed in this case.

(i)	Value of indigenous Malaysian Materials used in the Production of Products that are Exported	= M\$125,000
(ii)	Rate of Abatement	= 5%
(iii)	Amount of Abatement of Adjusted Income for the use of Indigenous Malaysian Materials in the Production of Export Products (5% of M\$125,000)	= M\$ 6,250

3.12 The total Abatement of Adjusted Income in this case will be computed

by adding the amount of two abatements as follows:—

(i)	Amount of Abatement for use of indigenous materials	=M\$ 6,250
(ii)	Amount of Abatement of Adjusted Income for Exports as worked out in paragraph 3.8(iii)	=M\$287,200
	Total Abatement	<u>M\$293,450</u>

3.13 Let us take one more example. In this case, the accounting year of the company ends on 30 June. Its exports of eligible manufactured products during the basis period July 1, 1985 to June 30, 1986 are M\$900,00. The company can claim Abatement of Adjusted Income for its exports during the period January 1 to June, 30, 1986 only. At the same time, it can also claim Export Allowance\* in respect of its exports during the period July 1 to December 31, 1985 under the repealed Investment Incentives Act, 1968. To illustrate how the Abatement of Adjusted Income and Export Allowance will be computed in this case, we have extracted the following data from the audited accounts of this company:

(i)	Total Sales (including Export Sales) during the year (1.7.85 to 30.6.86)	= M\$3 million
(ii)	Gross Income for the year of Assessment, 1987	= M\$600,000

3.14 Based on the above data, we will first work out the company's entitlement for Export Allowance and later compute the Abatement of Adjusted Income as follows:

(i)	Export Allowance	
	(a) Total FOB Value of Exports During the Period 1.7.85 to 31.12.85	=M\$400,000
	(b) Rate at which Export Allowance will be Computed	= 5%

Figs in 000' Ringgit

ITEMS	For the year 1.7.85 to 30.6.86		
	For the Period 1.7.85-31.12.85	For the Period 1.1.86-30.6.86	Total
Total Sales Including Export Sales	1,500	1,500	3,000
Domestic Sales	1,100	1,000	2,100
Export Sales (FOB value)	400	500	900
Value of Indigenous Malaysian Materials used in the Production of Export Products	65	60	125

- (c) Export Allowance Entitlement = M\$20,000  
(5% of M\$400,000)
- (ii) Adjusted Income  
(a) Gross Income = M\$600,000  
(b) Less Export Allowance = (-)20,000  
(c) Adjusted Income\*  
(as agreed upon with the Department of Inland Revenue) = M\$580,000
- (iii) Rate Abatement: 16.67 %  
 $\frac{500 \text{ (Export Sales)} \times 50\%}{1500 \text{ (Total Sales)}}$
- (iv) Amount of Abatement of Adjusted Income for Exports = M\$76,686  
Rate of Abatement x Adjusted Income  
(16.17% of M\$580,000)
- (v) Amount of Abatement of Adjusted Income on the use of Indigenous Malaysian Materials in the Production of Export Products = M\$3,000  
Rate of Abatement x Value of indigenous Malaysian Materials used in Export Products  
(5% of M\$60,000 = M\$3,000)
- (vi) Total Abatement: = M\$79,686  
(M\$76,686 + M\$3,000)

What Conditions An Export Firm Must Satisfy So As To Be Eligible To Claim These Incentives

3.15 To be eligible to claim these incentives, an export firm must satisfy the following conditions:

- (i) It must have the status of a resident company in Malaysia in the basis year for the year of assessment. Non-resident companies are not eligible to claim this incentive.
- (ii) The company should have a valid manufacturing licence issued by the Ministry of Trade and Industry under the Industrial Coordination Act, 1975 or issued by the Customs Department under the Sales Tax Act, 1972 to manufacture eligible products.
- (iii) The eligible products manufactured by the company should have been exported directly by the company. Products sold to a trading company or to a selling agent and which are subsequently exported do not qualify for this incentive. This means that the exporter should be the actual manufacturer of export products. The expression "Export" include sales of locally manufactured products to industrial establishments in Free Trade Zones and to licensed manufacturing warehouses established in Malaysia under Section 65A of the Customs Act.

\* In computing Adjusted Income, we have not taken into consideration other expenses and allowances that this company may be entitled to for deduction from the Gross Income. In actual practice, all allowable expenses and allowances would be deducted from the Gross Income in order to arrive at the Adjusted Income

- (iv) **Eligible Products:** All products manufactured in Malaysia except those listed in Appendix 1 qualify for this incentive. An essential requirement is that the eligible products should have been exported on or after 1.1.1986.
- (v) **Eligible Indigenous Malaysian Materials:** The indigenous Malaysian materials that qualify for the abatement of adjusted income are listed in Appendix 2. An important condition is that these materials should have been used in the manufacture of eligible products that are exported on or after 1.1.1986.

**Note:** A company which has been granted one or more of the following investment incentives is not eligible to claim Abatement of Adjusted Income for exports for duration of the tax relief period.

- (a) Pioneer Certificate, Labour Utilisation Relief, Locational Incentives and Investment Tax Credit under the repealed Investment Incentives Act (IIA), 1968.
- b) Pioneer Status, Pioneer Certificate and Investment Tax Allowance under the Promotion of Investments Act (PIA), 1986.

However, a company which has been granted approval for Investment Tax Credit (ITC) or Investment Tax Allowance (ITA) may qualify to claim Abatement of Adjusted Income for Exports before the expiry of the prescribed period of five years, provided it surrenders the ITC or ITA approval. To be able to do so, it should make a formal application to the Minister of Trade and Industry stating that it is no longer. Investment Tax Credit or Investment Tax Allowance as the case may be. Effective from the day following the date of acceptance of this request by the Minister, the company becomes eligible to claim Abatement provided it fulfills other requirements stated above.

#### Export Allowance

3.16 Effective from the year assessment,

1987, the coverage of this incentive has been enlarged to seek greater participation of the trading companies and of the producers of agricultural products in the national export effort. It is so designed as to encourage them to make greater efforts towards increasing the exports of locally manufactured products and of agricultural produce from Malaysia.

3.17 The Export Allowance is based on the export performance of the company and is computed at the rate of 5% of the gross income (export sales at FOB value) derived from export of eligible products. It is given by way of deduction from the gross income of a company to arrive at the adjusted income for income tax purposes. Let us say that a trading company had exported goods valued at M\$1 million FOB in the basis period, 1986. It can claim export allowance of M\$50,000 (5% of M\$1 million) by way of deduction from its gross income in the assessment year, 1987. This means that in computing the adjusted income for tax purpose, a deduction of M\$50,000 will be made from the Gross Income of the company.

#### Who Are Eligible To Claim This Incentive?

3.18 The following categories of exporters are eligible to claim this incentive.

- (i) Trading companies who are primarily engaged in buying and selling of goods produced by others. They can claim export allowance on their exports (FOB value) of:
  - (a) Locally manufactured products, and/or
  - (b) Agricultural produce and products produced in Malaysia.
- (ii) Any company or a business entity\* solely engaged in the production and/or marketing of agricultural produce/products. It can claim export allowance in respect of exports (FOB value) of agricultural produce/products produced in Malaysia.

\* This includes inter-alia agro-based cooperative societies, farmers' associations, sole-proprietorships and partnerships which are engaged in the production and/or marketing of agricultural produce.

Note: A company which has been granted one or more of the following investment incentives is not eligible to claim Export Allowance until after the expiry of the tax relief period.

- a) Pioneer Certificate, Labour Utilisation Relief, Locational Incentives and Investment Tax Credit under the repealed Investment Incentives Act (IIA), 1968.
- b) Pioneer Status, Pioneer Certificate and Investment Tax Allowance under the Promotion of Investments Act (PIA), 1986.

(iii) However, a company which has been granted approval for Investment Tax Credit (ITC) or Investment Tax Allowance (ITA) may qualify to claim Export Allowance before the expiry of the prescribed period of five years, provided it surrenders the ITC or ITA approval. To be able to do so, it should make a formal application to the Minister of Trade and Industry stating that it is no longer interested to claim the benefits of the Investment Tax Credit or Investment Tax Allowance as the case may be. Effective from the day following the date of acceptance of this request by the Minister, the company becomes eligible to claim Export Allowance provided it fulfills other requirements which are stated under the heading 'Conditions of Eligibility'.

#### What Are The Conditions Of Eligibility?

3.19 To be eligible to claim this incentive, an export firm should satisfy the following conditions:

- (i) It must be a resident company for the year of assessment.
- (ii) It should have exported eligible products during basis year. The products eligible for Export Allowance are:
  - a) All manufactured products produced in Malaysia except those listed in Appendix 1.
  - b) Agriculture produce and products listed in Appendix 3.
- (iii) The eligible products should have been exported on or after January 1, 1986.

(iv) Export Sales here refer to total FOB value of all shipments sent abroad.

#### Can A Company Claim Export Allowance In Respect Of Its Exports Of Eligible Products Prior To 1.1.86?

3.20 Yes, a company can claim export allowance under Section 29 of the repealed Investment Incentives Act, 1968 in respect of its exports of eligible products prior to 1.1.86. However, the rate of export allowance is different for the assessment years 1980 to 1983 and for the assessment years 1984 to 1986, as explained below:

- (i) For the assessment years 1980-83, the export allowance will be given at the rate of 2% of the export sales at ex-factory value in the basis year. In addition, a further allowance of 10% will be allowed on the increase in the export sales (ex-factory value) of the immediately preceding year.
- (ii) A company that exports its products for the first time is entitled to claim export allowance at the rate of 12% of its total export sales (at ex-factory value) during the first year of export.

#### Export Allowance For The Assessment Years 1984 to 1986

3.21 For the assessment years 1984 to 1986, the export allowance will be given at the rate of 5% of the export sales at FOB value in the basis year.

#### What Conditions An Export Firm Must Satisfy So As To Be Eligible To Claim Export Allowance For The Assessment Years 1980 to 1986

3.22 To be eligible to claim this incentive, an export firm must satisfy the following conditions.

- (i) It must have the status of a resident company in Malaysia. Non-resident companies are not eligible to claim this incentive.
- (ii) The export allowance can be claimed by the manufacturer-exporters as well as by the merchant-exporters, who purchase goods from local manufacturers for export.

- (iii) Companies, Which have been granted pioneer status, labour utilization relief or locational incentives, do not qualify for this incentive.
- (iv) This allowance can be claimed in respect of export sales of manufactured products only. The list of products which do not qualify for this incentive are given in Appendix 4.

**How To Claim Export Allowance For The Assessment Years 1980 To 1986.**

3.23 Exporters who are eligible to claim this incentive should fill out the prescribed application form (Appendix 5) in triplicate. Two copies of the completed form together with the relevant documents should be submitted to the Director-General of Inland Revenue, Kuala Lumpur. The third copy, should be submitted to the Director, Industries Division, Ministry of Trade and Industry.

**Deduction For Promotion Of Exports**

3.24 This incentive – “Deduction for Promotion of Export” was introduced as a means to encourage exporters to develop their market competence. It was realized that the major handicaps in export promotion were inadequacy of reliable information on markets abroad and insufficient promotional effort by individual exporting firms. So to encourage exporters to explore market opportunities abroad and to promote their products vigorously,

the Government decided to compensate them for their efforts in the form of a deduction for specified outgoings and expenses for the purpose of computing taxable income. In order to regulate the grant of these incentives, the Government has formulated comprehensive rules, which, inter-alia, lay down the conditions of eligibility. For facility of reference, these rules together with typical examples of various categories of expenses which qualify for deduction are reproduced in Appendix 6.

**What is the benefit of this incentive?**

3.25 Exporters who are eligible to claim this incentive are given, in addition to the normal deductions, which are allowable for income-tax purpose, a further deduction for the outgoings and expenses incurred in market surveys, export publicity and advertisement, participation in trade fairs and exhibitions, etc. In simple words, a double deduction for the outgoings and expenses incurred in export promotion is allowed to arrive at the company's adjusted income for the purpose of tax. For example, if an export firm has incurred approved outgoings and expenses on the following promotional activities, it is eligible to claim a double deduction for such expenses for the purpose of computing the taxable income for the year in which such expenses were incurred:

Item	Expenses incurred	Deduction allowed
1. Publicity and advertisement in media outside Malaysia	\$100,000	\$200,000
2. Business visits abroad	\$ 30,000	\$ 60,000*
3. Participation in trade fairs and exhibitions	\$ 20,000	\$ 40,000*
Total	\$150,000	\$300,000

\* This is only an illustration. The actual amount of deduction allowed is subject to Rule 4 of the Income Tax (Promotion of Exports) Rules, 1986 (Appendix 6).

3.26 Thus it will be seen that against the actual expenditure of \$150,000, the firm is eligible to claim a deduction of \$300,000 for the purpose of computing its taxable income.

What outgoings and expenses are eligible for this deduction?

3.27 The outgoings and expenses which qualify for this deduction are:

- (i) expenses incurred in respect of publicity and advertisements in any media outside Malaysia. This means that expenses incurred on publicity and advertisements, which are carried in newspapers, radio, television, trade and general magazines and trade directories outside Malaysia, will qualify;
- (ii) expenses directly attributable to the provision of samples without charge to prospective customers outside Malaysia including the cost of delivery of the samples.
- (iii) expenses directly attributable to carrying out export market research or obtaining export marketing information;
- (iv) expenses directly attributable to the preparation of tenders for the supply of goods or agricultural produce (not being goods or agricultural produce of the same kind and specifications as those regularly manufactured/produced or supplied by the company) to the prospective customers outside Malaysia;
- (v) expenses by way of fares in respect of travel to a country outside Malaysia by a representative of the company, the travel having been necessarily undertaken for the purpose of negotiating or concluding contracts for the sale of goods or agricultural produce on behalf of the company or for the purpose of participating in trade fairs or trade or industrial exhibitions approved by the Minister, and actual expenses, subject to a maximum of M\$200 a day, for accommodation and sustenance for the whole of the period commencing with the representative's departure from Malaysia and ending with his return. The travelling expenses of a representative of the company, who may not be an employee, also qualify for deduction;

- (vi) expenses for giving technical information to persons outside Malaysia relating generally to goods or agricultural produce offered for sale by the company excluding expenses for giving technical information to purchasers after purchase;
- (vii) expenses directly attributable to the provision of exhibits for trade fairs or trade or industrial exhibitions approved by the Minister;
- (viii) expenses for services rendered for public relations work connected with export;
- (ix) expenses directly incurred for participating in trade fairs or trade or industrial exhibitions approved by the Minister other than the expenses specified under sub-paragraphs (v) and (vii) above; and
- (x) expenses for the cost of maintaining sales offices overseas for promotion of exports from Malaysia.

Note: With regard to the outgoings and expenses that are eligible for this incentive, the Director General, Inland Revenue, has the power to limit the quantum of deductions allowed where, in his opinion, the amount expended exceeds an amount that would reasonably be expected to be incurred in the ordinary course of business.

3.28 The expenses and outgoings which do not qualify for deduction for promotion of exports are:

- (i) Expenses incurred on hiring of Consultants to improve market access conditions for Malaysian products;
- (ii) Expenses incurred on receptions and entertainment of buyers;
- (iii) Fees payable to Real Estate agent abroad for his services in locating space for overseas office;
- (iv) Goodwill/premium payable for office space rented in markets abroad;
- (v) Expenses incurred on promotion of exports of products which do not qualify for either Abatement of Adjusted Income for Exports or for Export Allowance;
- (vi) Expenses, outgoings or other payments of the kind mentioned in Section 39(1) of the Income Tax Act, 1967.

### Who Are Eligible To Claim This Incentive And What Are The Conditions Of Eligibility?

3.29 To be able to claim this incentive, an export firm should satisfy the following conditions:

- (i) It must be a resident company in Malaysia in the basis year for the year of assessment. A resident company, is defined as a company, the control and management of which is exercised in Malaysia, that is to say, the Director's meetings, formulation of policies and management of the company are carried out in Malaysia.
- (ii) The outgoings and expenses of the kind described above should have been incurred by the company during the basis period in promoting exports of manufactured, semi-manufactured and agricultural products\* in Malaysia.
- (iii) The expenses and outgoings incurred by the company on or after January 1, 1986 will qualify for this incentive.
- (iv) In respect of a pioneer company whose tax relief has not expired, no further deduction under the Rules is allowed in computing income for any accounting period within the tax-relief period. However, deductions, which fall due under the Rules, can be accumulated and the appropriate amount will be allowed in the first basis period of the business after tax-relief period.

### Deduction For Promotion Of Exports During The Assessment Years 1984 to 1986

3.30 Under Section 27 of the repealed Investment Incentives Act., 1968, the manufacturer-exporters and trading companies can claim deduction for promotion of export in respect expenses and outgoings incurred prior

to January 1, 1986. The claim for the earlier years (assessment years 1984 to 1986) should be in respect of expenses and outgoings incurred on promotion of exports of manufactured and semi-manufactured products only and not of primary or agricultural products. A list of products which did not qualify for this incentive in the years of assessment 1984 to 1986 is at Appendix 4. The claims should be proffered in the prescribed form which was in use prior to the introduction of the present change.

### How To Claim These Incentives?

3.31 The procedure for claiming the four export incentives discussed above has been standardised. The exporters who qualify and intend to claim one or more of these incentives should submit their claim in the following prescribed forms in duplicate together with all the relevant documents to the Director General of Inland Revenue. An additional copy of these forms, duly completed, should be sent to the Secretary General of the Ministry of Finance (Tax Division).

- (i) A Standard Claim Form (Appendix 7) must be completed when applying any one or more than one of the export incentives under the Promotion of Investment Act, 1986. In addition, the following relevant forms should be completed for claims in respect of specific incentives.
  - a) export of manufactured products from Malaysia and
  - b) utilisation of indigenous Malaysian materials in the production of export products
- (ii) Form 'A' (Appendix 8) must be completed by companies that intend to claim Abatement of Adjusted Income in respect of:
  - a) export of manufactured products from Malaysia and
  - b) utilisation of indigenous Malaysian materials in the production of export products
- (iii) Form 'B' (Appendix 9) must be completed by companies that intend

\* The list of manufactured products that do not qualify for this incentive is at Appendix 1. The list of agricultural products that qualify for this incentive is at Appendix 3.

to claim Export Allowance.

- (iv) Form 'C' (Appendix 10) should be completed by companies that intend to claim Deduction for Promotion of Exports.

3.32 It should be obvious that a company that intends to claim Abatement of Adjusted Income for Exports and Deduction for Promotion of Exports should complete Forms 'A' and 'C' in addition to the standard application form. (Appendix 7). Similarly, a company that intends to claim Export Allowance and Deduction for Promotion of Exports should complete Forms 'B' and 'C' in addition to the standard application form.

#### Supporting Documents

3.33 The following supporting documents are required by the Department of Inland Revenue for verification and processing of the claim and should be submitted along with the application:

- (i) A complete schedule of exports effected during the basis period for the year of assessment should be given in the chronological order (date-wise) in the prescribed format (Appendix 11).
- (ii) For claims in respect of Abatement of Adjustment Income for Exports or for Exports Allowance, the claimant should furnish the exporter's copy\* of the relevant customs\*\* form in respect all the export shipments listed in Appendix 11. However, in the following cases, the documents required in lieu of customs form are:
- a) Form FTZ 2: Exports by companies located in Free Trade Zone at Pasir Gudang

b) Invoices of sales of eligible products to licensed manufacturing warehouses established under section 65A of the Customs Act.

- (iii) For claims in respect of Abatement of Adjusted Income only, the company should furnish the following additional documents:

a) A copy of a valid manufacturing licence issued by the Ministry of Trade and Industry under the Industrial Coordination Act, 1975, or issued by the Customs Department under the Sales Tax Act, 1972. Where a company has obtained exemption from licensing to manufacture eligible goods, it should furnish documentary evidence to prove that it has been granted such exemption.

b) A separate schedule of exports effected during the immediate previous year. For example, if the claim pertains to the basis period commencing in 1985 and ending in 1986, a separate schedule of exports should also be furnished for the period pertaining to 1985.

c) A statement showing gross sales and domestic sales during the basis period as per audited accounts.

d) A statement showing the value of indigenous Malaysian materials used in the production of export products [this is required only in respect of claim for Abatement of Adjusted Income on the value of indigenous Malaysian materials used in the production of export products].

- (iv) For claims in respect of Export Allowance by a trading company: documentary evidence should be furnished to establish the fact that the

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\* Exporter's copy of the relevant customs form is the one which bears the official stamp of the Customs authorising the release of cargo for export.

\*\* Customs 2: for exports to any destination outside Malaysia or for sales of locally produced goods to industrial establishments in the Free Trade Zones.

Customs Form 8: for movement of goods from FTZs and from licensed manufacturing warehouses to the place/port/airport for export.



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export products were manufactured in Malaysia.

- (v) For claims in respect of deduction for promotion of exports, the company should furnish the relevant receipts, vouchers or any other document as proof of the expenses incurred in connection with promotion of exports.

These include, inter alia, used airline tickets, hotel receipts, food bills, copies of sales contract negotiated with buyers abroad, and copies of letters from the Ministry of Trade and Industry approving the company's participation in the trade fairs/ exhibitions overseas.

## CHAPTER IV

### EXPORT INCENTIVES AVAILABLE UNDER THE CUSTOMS ACT, 1967

4.1 The Export Incentives under the Customs Act, 1967 are given in the form of refund and rebate of import duties and surtax on import contents of export products or total/partial exemption of duties on specified imported products, raw materials and components. The objective of these tax concessions is to remove the disincentives to export effort by providing relief from the burden of local taxation. This is based on the principle that the commodity taxation should be confined only to goods that are meant for home consumption, whether the goods are imported or produced locally.

4.2 It is a matter of common knowledge that the manufactured goods exported from Malaysia have to compete in an altogether different environment in the international markets, where the conditions prevailing are not identical with those in the home market. Apart from the import restrictions, currency convertibility, tariffs and non-tariff barriers, etc., they have to contend with factors like competition from countries similarly placed and producing more or less similar goods. Therefore, the objective of giving refund/rebate/exemption of import duty and surtax is to relieve the exporters of the burden of local duties so that they can offer their products at competitive export prices.

4.3 In fulfilment of the above objective and to further support the national export effort, the Government gives three types of export incentives under the Customs Act, 1967:

- (i) (a) Drawback of import duties and surtax on imported raw materials and components used in the manufacture of finished export products under Section 99 of the Act.
- (b) Drawback of import duties and surtax on re-export of imported goods under Section 93 of the Act.

- (ii) Exemption of import duty and surtax on machinery, raw materials and components under Section 14 of the Act.

- (iii) Manufacture of export goods under customs bond under Section 65A of the Act.

4.4 In the following paragraphs, we shall discuss in detail the various aspects of these incentives and the procedure for claiming them from the concerned Government Departments.

### SECTION I DRAWBACK OF CUSTOMS DUTIES

#### What Is Meant By Drawback?

4.5 Though many exporters are conversant with the term "drawback" and what it means, yet there are some who may not understand clearly what it precisely means; what the scope of drawback is and for what purpose and with what objective drawback is given. The term "drawback" obviously denotes drawing back something which was paid earlier. Thus, the drawback has come to be synonymous with refund of duties paid on certain materials used in the manufacture of specified products which are exported from a country. It also means the refund of duty paid on imported goods, when such goods, having been subjected to duty earlier, are exported.

4.6 It may be noted that drawback arises with reference to the export of goods and its payment is made to the person, who performs the job of exporting. Two situations under which customs duties may be claimed as drawback are:

- (i) Where goods are imported on payment of duties, leviable at the customs point of entry, and are re-exported as such. In other words, it means re-export of imported goods.
- (ii) Where imported raw materials or components are used in the manufacture of other goods and such manufactured goods are exported. In these cases, the materials and/or components would have borne duties at the point of entry at the customs station and, therefore, the duties paid

would become refundable;

- 4.7 The type of case referred to in (i) above concerns merely re-export and this aspect is dealt with in detail in a separate paragraph at the end of this Section. Here we may discuss drawback of duties on imported raw materials and components used in the manufacture of finished export products;

#### Are All Export Products Which Use Imported Raw Materials And Components Eligible For Drawback?

- 4.8 Under Section 99 of the Customs Act, all goods used in the manufacture of other goods are allowed full drawback of customs duties when exported as a part of the finished export products. However, drawback of customs duties are not allowed on packaging materials as these are not used in the manufacturing process.

#### How Does This Incentive Benefit An Export Firm?

- 4.9 This may be illustrated with an example. Suppose a manufacturer-exporter of bicycles imports 1,000 bicycle saddles at the CIF value of M\$6,000. At the time of importation, he pays import duty and surtax to the Customs Department as follows:—

(i) CIF value of 1,000 bicycle saddles:	M\$6,000.00
(ii) Import duty @\$3.00 per saddle:	M\$3,000.00
(iii) Surtax @ 5%	M\$ 300.00

- 4.10 Thus, the total amount of duties paid by him is M\$3,300.00 (M\$3,000.00 as import duty + M\$300.00 as surtax). When this manufacturer exports complete bicycles fitted with imported bicycle saddles, he is eligible to claim drawback of the amount of import duty and surtax, he had paid earlier.

- 4.11 From the above example, it will be seen that the drawback of customs

duties is relevant only in respect of those imported raw materials and components, which form a part of the finished export product.

#### How Should A Manufacturer Avail Of The Drawback Facility?

##### Approval Of Drawback Facility

- 4.12 The first requirement is to seek approval of the Customs and Excise Department to manufacture and export goods under claim for drawback. For this, the manufacturer-exporter should submit an application (Appendix 12) requesting for the drawback facility to the Customs office located nearest to his factory. The following details must be furnished in the application in order to enable the Customs office to process the application and grant approval:

- (i) Location of the factory;
- (ii) Description of goods manufactured for export;
- (iii) Description of raw materials and components on which drawback will be claimed;
- (iv) Composition/weight of raw materials used in the manufacture of the finished goods. The formula for the manufacture of finished export products should be attached;
- (v) Calculation of duty drawback for each type of finished goods that are exported;
- (vi) Percentage of wastage of imported raw materials during the manufacturing process; and
- (vii) Details of the manufacturing process (a flow chart should be attached).

- 4.13 As soon as approval is granted, the manufacturer may export and claim drawback on the approved goods. However, should there be any delay in getting approval, claims for duty drawback will be entertained\* in

\* This is subject to the condition that the intention to claim drawback has been duly endorsed on the relevant Customs Form at the time of export.

respect of the goods exported after the date of lodgement of the application for the drawback facility with the Customs.

#### Conditions Of Eligibility

4.14 To be eligible to export goods under claim for drawback, a manufacturer-exporter should comply with all the requirements that are prescribed by the Customs and Excise Department. Some of the most common requirements are:—

- (i) that the export goods are manufactured in the factory approved by the Director General of Customs;
- (ii) that adequate provision is made for the control and supervision of that factory to the satisfaction of the Director General of Customs. Also, the manufacturer-exporter should establish a procedure for the proper storage, receipt and issue of imported raw materials and components and of the finished export goods;
- (iii) that the exporter-manufacturer keeps such books of accounts as the Director-General may require for the purpose of ascertaining the quantity of the prescribed goods;
- (iv) that the raw materials and components from abroad are imported by the manufacturer-exporter. If he buys these imported raw materials from a local merchant, then he is not eligible to claim drawback of customs duty on such raw materials;
- (v) that the export goods manufactured by using imported raw materials and components are exported within a period of 12 months from the date on which customs duties on such raw materials and components were paid.

#### Who Can Claim Drawback?

4.15 A manufacturer of export goods who has been granted drawback facility is entitled to claim drawback of customs duties when such goods are:—

- (i) exported out of the country either by the manufacturer himself or by any other person including a trading company. Where the goods are exported by the company other than the manufacturing company, the claim for drawback must be submitted by the manufacturing company which has been granted approval for drawback facility. In support of its claim for drawback, the manufacturing company should furnish copies of sales invoices evidencing the sale of such goods to the exporting company.
- (ii) sold to buyers in Free Trade Zones or to buyers in the Islands of Labuan and Langkawi. [Sale of goods to FTZs and to the above mentioned islands are treated as export\*].

#### What Is The Procedure For Claiming Drawback Of Customs Duties?

4.16 A manufacturer intending to export goods under claim for drawback should make the following endorsement on the Customs Form 2:

"I hereby give notice of my intention to claim drawback of customs duties in accordance with the provisions of Section 99 of the Customs Act, 1967 regarding the goods\*\* which were manufactured by .....  
(name of company) at .....  
(Place)"

4.17 At the port of shipment, the export goods under claim for drawback are examined by the Customs and, if found all right, the consignment is

\* For details see Chapter VII.

\*\* In the example in para 4.9, it was mentioned that the bicycle saddles were imported on payment of the customs duties. When complete bicycles fitted with imported saddles are exported, the exporter will declare that he is claiming drawback of the customs duties paid on the bicycle saddles.

released for shipment. After the goods are shipped, the exporter files a claim for duty drawback with the Industries Division of the nearest local Customs office in the prescribed form (Customs Form 15 – Appendix 13) in triplicate together with the following documents:

- (i) A copy of the Export Declaration Form (Customs Form 2) duly endorsed by the Customs confirming exportation of finished export products.
- (ii) A copy of the Import Declaration Form (Customs Form 1) evidencing payment of duties on the imported raw materials and components used in the manufacture of the export products.
- (iii) A statement giving the following details in respect of export products:
  - (a) Number of packages in an export case (carton), number of cartons (cases) in an export consignment, and the quantity of products packed in each package;
  - (b) Description and quantity of export products in each consignment;
  - (c) Amount of customs duties paid on imported materials; the quantity of imported materials used in the production of export products; the balance quantity in stock and the amount (in Ringgit) representing the element of duties on imported materials used in the production of a unit of finished export product.

Note: This statement should be duly signed by an authorised official of the company confirming that the goods in respect of which drawback is claimed have been exported.

- (iv) Receipts, invoices and any other document that may be necessary to substantiate the claim for drawback.

4.18 The claim for duty drawback can be preferred for each export consignment separately or for several consignments which may be consolidated under a single claim.

## PAYMENT OF DUTY DRAWBACK

4.19 The claim will be processed by the Customs Department and the amount of drawback so determined paid to the exporter. In order to accelerate the processing of drawback claims and to expedite payment, the Customs and Excise Department has introduced a system of Advance Payment. Under this system, payment of duty drawback will be made promptly based solely on the claim and the supporting documents submitted by the exporter. This means that verification of documents and other details will be made subsequently. With the introduction of this system, the exporters are not likely to experience any delay in getting payment of duty drawback.

### Drawback Of Customs Duties Under Section 93 Of The Customs Act

4.20 The trade flows among various countries offer a number of opportunities to firms in Malaysia to import goods from one country for re-export to a third country. The objective of these transactions is to make profit by taking advantage of the price differential. Suppose an agency house in Kuala Lumpur imports 10 weighbridges from Czechoslovakia at the CIF value of M\$60,000 for sale in the domestic market and for re-export to the neighbouring countries, e.g. Thailand and Singapore. It sells two weighbridges in the local market and exports the remaining eight to Thailand. At the time these weighbridges were imported into Malaysia, the agency house had to pay the import duty and sales tax as follows:

– CIF value of 10 weighbridges:	M\$60,000
– Import duty 5%	M\$ 3,000
– Sales tax @ 10% of the CIF value plus import duty	M\$ 6,300
	Total: M\$69,300

4.21 It will be seen from the above that although the weighbridges were

imported at the CIF value of M\$6,000 per weighbridge (M\$60,000 for 10), the landed cost of a weighbridge after payment of duties is M\$6,930 (M\$69,300 for 10). The agency house has received an export order for eight weighbridges from Thailand. The price offered by the importer is M\$6,800 for one weighbridge CIF Bangkok. Now the question arises whether it will be profitable for the agency house to accept this order. It will be worthwhile to accept the offer only if the agency house is assured that it can get back the import duty and sales tax which it had paid earlier on the eight weighbridges when these were imported into Malaysia. Under Section 93 of the Customs Act, 1967, the agency house is eligible for drawback of import duty on re-export of imported weighbridges to the maximum extent of 9/10th of the duty paid at the time of importation. Similarly, it can also claim drawback of sales tax\* under Section 29 of the Sales Tax Act, 1972. Based on these provisions, the agency house will work out its profit on this transaction as follows:—

#### Conditions Of Eligibility For Claiming Drawback Under Section 93 Of The Customs Act

4.22 The exporter should fulfill the following conditions of eligibility for claiming drawback:

- (i) the goods are identified as imported goods to the satisfaction of a senior officer of the Customs at the Customs port/place of re-export;
- (ii) the drawback claimed in respect of any one consignment of re-export of goods is not less than five ringgit;
- (iii) the goods are re-exported within twelve months of the date on which the customs duties were paid;
- (iv) payment of drawback on a class of goods to which the goods to be re-exported belong, has not been prohibited by regulations made under the Act;
- (v) a written notice is given to the Senior Customs Officer at/or before the time of re-export that

(i) Landed cost of 8 weighbridges in Kuala Lumpur @ M\$6,930 per weighbridge	M\$55,440
(ii) Freight and other charges from Kuala Lumpur to Bangkok	M\$ 3,000
(iii) Total cost to agency house for re-exporting 8 weighbridges from Kuala Lumpur to Bangkok	M\$58,440
(iv) Elements of import duty and sales tax on 8 weighbridges @ M\$930 per weighbridge	M\$ 7,440
(v) Duty drawback to which the agency house is entitled to @ 9/10 of the import duty paid on 8 weighbridges plus the full amount of sales tax.	M\$ 7,200
(vi) Less drawback of duties = M\$7,200	
(vii) Net cost to agency house CIF Bangkok (iii—vi) (M\$58,440 — 7,200)	M\$51,240
(viii) Export price of 8 weighbridges CIF Bangkok @ M\$6,800 per weighbridge	M\$54,400
(ix) Profit to agency house (viii—vii)	M\$ 3,160

4.21 Thus, by taking advantage of the drawback facility, the agency house is able to make a profit in this case.

\* For further details on drawback of sales tax, see Chapter VI.

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a claim for drawback will be made, and such a claim is made and established to the satisfaction of the Customs within three months of the date of re-export;

(vi) the goods have not been used after importation.

4.23 The amount of drawback allowed shall be calculated at the rate at

which the customs duties were levied at the time of import, or at the rate at which the customs duties are leviable on goods of a like description at the time of re-export of the goods, whichever is lower. The procedure for claiming drawback is identical to that outlined in respect of duty drawback under Section 99 of the Customs Act.

## SECTION II

### EXEMPTION FROM PAYMENT OF CUSTOMS DUTIES

#### Exemption From Customs Duties On Raw Materials And Components For Export Production

4.24 With a view to encouraging the establishment of export-oriented industries, which need imported raw materials and components for export production, the Government allows full exemption from import duty and surtax on such raw materials and components. This incentive is given as an alternative to drawback. Among other things, an essential requirement is that the components and raw materials, in respect of which exemption is sought, are not available locally in Malaysia or even if they are manufactured locally, their quality and specifications do not meet acceptable standards and/or are very highly priced. To enable manufacturer-exporters to avail of this facility, we give below a brief outline of the procedure that must be followed in each case.

4.25 The application for exemption of import duty and surtax should be submitted in the prescribed Form TAC-4 (Appendix 14) to the Chairman, Malaysian Industrial Development Authority (MIDA). If the quantity of raw materials and components approved for exemption, prove to be insufficient to meet the demand for production of additional volume of finished products for export during a specified period, the manufacturer-exporter should submit a separate application for exemption from duties on the import of additional quantity of such materials in Form TAC-4-1.

4.26 All applications for exemption from duties are thoroughly scrutinised and evaluated by a Special Advisory Committee on Tariffs (SACT). The applicants should, therefore, furnish correct and complete details in support of their request for exemption from duties, particularly in respect of the following items:

(i) The tariff classification of the inputs (raw materials and components) to be

imported should be correctly stated. It is advisable to check the tariff classification of these items with the Royal Customs and Excise Department.

(ii) The description of raw materials and components to be imported should be stated in the same form as it would appear in the commercial invoice.

(iii) The quantity of raw materials and components to be imported should be based on the export performance of the previous years plus a reasonable projected rate of growth during the current and the subsequent years. In support of his request for the import of a specific quantity of raw materials and components, the applicant should furnish:—

(a) Input/output ratio of the raw materials used for the production of finished export products;

(b) Utilisation of raw materials imported and the export performance during the current and/or previous exemption period. This information is particularly relevant in evaluating the applications of those manufacturer-exporters who are seeking extension of the exemption or making request for the import of additional quantity of raw materials during the current exemption period.

(c) The applicant who is applying for exemption for the first time and who has no past export performance to his credit should give an indication of the potential export business that he expects to generate during the next 12 months. In such cases, exemption may be granted subject to the condition that it would be operative only on presentation of the confirmed export orders by the applicant to the Ministry of Finance.

4.27 The application for exemption of duties must be proffered by the manufacturer-exporter himself — and not by any other person who may undertake to import the materials on his behalf. However, with the introduction of the Export Credit Refinancing (ECR) Scheme, this requirement has been relaxed to cover suppliers who under-



take to manufacture whole or a part of the export product against a specific order placed on them by the exporter. Let us illustrate this with an example:

- 4.27.1 An exporter 'A' in Malaysia receives an export order for bicycles. He may enter into an arrangement with a local firm (let us call it Supplier 'B') to manufacture bicycles for him. The exporter 'A' agrees to open a domestic letter of credit in favour of Supplier 'B' for a specified amount. It is likely that Supplier 'B' may need imported components, say bicycle gears. He can apply for exemption from import duty and surtax on bicycle gears that he would import against the order of the Exporter 'A'. Please note that in this illustration the rôle of Supplier 'B' is that of a manufacturer of bicycles and bicycle components. He may as well be a manufacturer-exporter of bicycles.

#### Period Of Validity

- 4.28 The exemption from import duty and surtax is given for a specific period, generally for one year, commencing from the date the application for exemption is received in MIDA. For the import of additional quantity of raw materials during the current exemption period, the validity of exemption granted commences from the date of application and expires at the end of the current exemption period.

#### Facility For Release Of Imported Materials Under A Bank Guarantee

- 4.29 It should be noted that the application for exemption from duties should be made prior to the importation of raw materials and components. However, where a decision on the application for exemption is pending with MIDA, the manufacturer-exporter can obtain release of imported components and raw materials without payment of duties by furnishing a bank guarantee to the Customs for an amount equal to the amount of duties payable. This facility is given

when a declaration is made on the Customs Form I that approval for exemption is pending with MIDA or with the Ministry of Finance. When the exemption is subsequently granted by the Ministry of Finance, the bank guarantee will be returned by the Customs to the manufacturer-exporter.

#### Exemption From Customs/Duties And Sales Tax On Import Of Machinery And Equipment By An Industrial Unit

- 4.30 This is a general exemption applicable to all industrial units irrespective of whether the unit is engaged in production for exports or for the domestic market. The objective is to encourage investment in plant and machinery for the establishment of new industrial units or for expansion of existing undertakings. The plant and machinery thus imported will be eligible for exemption from import duty, surtax and sales tax. This exemption is usually granted subject to the following conditions:

- (i) The machinery must be new and unused;
- (ii) It must be used directly in the manufacturing process;
- (iii) The company should have obtained approval from the Ministry of Trade and Industry to establish the industry or to expand its existing manufacturing facilities. Companies which are exempted from licensing under the Industrial Coordination Act, 1975 are also eligible to apply for exemption;
- (iv) The machinery must be imported in the name of the Company concerned;
- (v) Other conditions that may be imposed under the provision of section 14 of the Customs Act for the proper custody and use of the machinery.

- 4.31 The application for exemption from customs duties on machinery and equipment must be submitted in the prescribed form (BCP-2/80) to the Secretary-General, Ministry of Finance. Simultaneously, copies of the application should be extended to the (i) Industries Division of the Ministry of Trade and Industry (ii) Royal Customs and Excise

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Department (iii) Factories and  
Machineries Department, Ministry  
of Labour. The application must be  
submitted prior to the importation  
of the machinery.

## SECTION III

### MANUFACTURE OF EXPORT PRODUCTS UNDER CUSTOMS BOND (LICENSED MANUFACTURING WAREHOUSE)

4.32 As an alternative to drawback of customs duties on imported raw materials and components used in the manufacture of finished export products and to further assist the development of export-oriented industries the Government has amended the Customs Act, 1967 to provide facilities for the manufacture of export goods under Customs Bond (Section 65A of Customs Act, 1967). Under this provision, export-oriented units are allowed the facility to import raw materials and components without payment of import duty, surtax and sales tax for manufacturing export products. Such manufacturing units should take a licence from the Customs Department to manufacture export goods under Customs Bond. The bonded factory can be set up anywhere in the customs area and not necessarily near the port of entry. Preferably, it should be located in the areas earmarked as industrial areas or rural areas.

#### What Are The Requirements Of Setting Up A Factory Under Customs Bond?

4.33 The manufacturers who want to set up a factory under Customs Bond for production or assembly of export goods should submit the prescribed application form duly filled in to the senior officer of the Customs in charge of the district for grant of facility under Section 65A of the Customs Act. This application should preferably be submitted at the same time as the application for approval to establish the industry is submitted to the Ministry of Trade and Industry. The purpose of this advance application is to seek approval of the Customs in principle. When approval in principle is given, the manufacturer will be asked to submit proposals on the layout plan of the factory, including drawings and details about construction, plant and equipment, etc. The layout plan must provide for:

- (i) separate storage space for raw materials and the waste products of the factory;
- (ii) separate storage space for finished dutiable goods;
- (iii) separate space earmarked for the installation of plant and equipment for the manufacture of dutiable goods; and
- (iv) separate space for Customs Office and a residential quarter for the Customs Officer located at the factory.

4.34 When the Director General of Customs is satisfied that the plans submitted are in order, he will sign a copy of the plans in token of his approval. Thereafter, the manufacturer can proceed with the construction of the factory and installation of plant and machinery. When the factory is ready for operation, it will be inspected by a Senior Customs Officer. If all is satisfactory, the manufacturer will be asked to furnish a security for a specified amount for the due payment of all duties and fees and for the proper conduct of the business. On furnishing the security and on payment of the licence fee, a licence to commence production will be issued under Section 65A of the Customs Act.

4.35 Where a manufacturer intends to produce excisable goods in a bonded factory, he should simultaneously apply for an Excise Licence under Section 20 of the Excise Act, 1976.

4.36 The licensee must keep a daily record of the issue and the receipt of raw materials/components, finished export products and waste products in the proper form.

4.37 Where semi-finished products are sent out of the factory for further processing, the manufacturing unit to which these are sent should either be a bonded warehouse/factory under Section 65/65A, or the licensee should have obtained exemption from payment of duty.

4.38 The licence fee for a Licensed Manufacturing Warehouse (bonded

factory) is fixed in each case at the discretion of the Director-General of Customs and is calculated on the basis of the expenses incurred in enforcing customs control and operation. Presently, the licence fee is \$1201 per annum inclusive of the fee of \$1,200 per annum for the licence under Section 65 of the Customs Act, 1967. This is so because a bonded factory (Licensed Manufacturing Warehouse) is not only a producing unit but also a warehouse for non-duty paid imported raw materials and finished goods. The licence fee of \$1,201 is, in fact, the fee for two licences — \$1,200 for a licence under Section 65 and a nominal fee of one Ringgit for a licence under Section 65A.

- 4.39 An important condition for the grant of licence is that the Customs Department should be able to exercise physical control on the movement of goods to and from the bonded factory, except in cases where the Customs Department has agreed to exercise only a documentary control.

#### Obligation To Export Products Manufactured In A Licensed Manufacturing Warehouse (LMW)

- 4.40 At least 80 per cent of all the products manufactured in a LMW must be exported. Subject to the fulfilment of this requirement, if a manufacturer-exporter wants to release some goods for domestic consumption, assuming that he has no immediate order for such goods from overseas, he can do so with the prior approval of the Customs and provided such approval is given, customs duties and sales tax will be levied on such goods, as if these were imported into Malaysia for the first time. Similarly, all the waste products

arising in the manufacturing process can be taken out of the LMW after payment of the duty thereon. The materials, which have no commercial value, can be destroyed with the approval and in the presence of an officer of the Customs Department.

#### Import Of Raw Materials And Machinery

- 4.41 A Licensed Manufacturing Warehouse is allowed to import only raw materials and components to be used in the manufacture of export products without payment of customs duties and sales tax. For the import of machinery, equipment and spare parts, the licensed manufacturer should seek prior approval from the nearest Customs office. Once approval is granted, machinery and equipment also can be imported without payment of customs duties and sales tax. However, the import of all items of machinery and equipment must be declared in the Customs Form 1 and a certificate of exemption endorsed on it by the licensed manufacturer.

#### Local Purchase Of Raw Materials\* And Machinery

- 4.42 The licensed manufacturer is also eligible to purchase locally produced raw materials and components and machinery and equipment, including spare parts, without payment of sales tax. He must, however, furnish a certificate of exemption signed by himself, to the Sales Tax Licensee at the time of purchase. Similarly, the excisable goods used directly in the manufacture of export products in a LMW shall not be subject to excise duty, and the movement of such excisable goods from a licensed factory/warehouse shall be deemed to be a movement for export. Excise Form 8 will be used for consignment of these goods from the licensed factory to LMW.

\* All these items must be used for the production of finished or semi-finished export goods at the LMW.

**Movement Of Imported Raw Materials  
And Components From The Port/Place  
Of Import To A Licensed Manufacturing  
Warehouse**

- 4.43 The LMW should arrange movement of imported raw materials and components from the port of entry into the factory on the Customs Form 8 without payment of duty. At the factory, the Customs Form 8 will be presented to the Customs Officer, who will physically check the materials with the details stated in the Customs Form 8.
- 4.44 From the Customs port of entry to the factory, the imported raw materials and components should be transported by railway or in vehicles approved by Customs Department. No approval of the Customs is necessary if the goods are transported by rail.
- 4.45 The licensee should furnish a bank guarantee to cover the full amount of the duties on the imported raw materials and components before their removal from the port of entry to his factory.

**Procedure Regarding Export Of Goods  
From A Licensed Manufacturing  
Warehouse**

- 4.46 The details of the finished export goods should be declared in the Customs Form 8 at the time of their removal from the factory for export through the port of shipment. The procedure for the movement of such goods from the factory for export is identical to the procedure for the movement of dutiable goods from one Customs station to another Customs station. In this case, the movement is from the LMW to the port of shipment.
- 4.47 The Customs Officer at the factory will countersign the Customs Form 8 at the time of removal of the finished goods for export. At the port of shipment, the goods will be checked with reference to the details in the Customs Form 8. In case the goods are transported in sealed vans, no physical check is made. The Customs officer at the port will

examine the seals to ensure that these have not been tampered with. The shipment of goods will be effected on Customs Form 8.

**Procedure Regarding Sub-Contracting  
A Portion Of The Manufacturing Process  
By A Licensed Manufacturing Warehouse**

- 4.48 A licensed manufacturer can entrust a part of the manufacturing process to another manufacturer with the approval of the Ministry of Finance. For example, a bicycle manufacturer, who has set up a Licensed Manufacturing Warehouse for the manufacture of bicycles, may need to send out certain components, e.g. handle bars, for electroplating to a unit outside the factory. For this, he should seek prior approval of the Ministry of Finance. If approved, exemption from payment of customs duties and sales tax on consignment of such goods into the Customs area will be automatically granted subject to the condition that the goods will be returned to the LMW on completion of processing or sub-contract work. The Customs Form 9 will be used for the consignment of these goods from LMW into the Customs Area.

## CHAPTER V

### EXPORT INCENTIVES AVAILABLE UNDER THE EXCISE ACT, 1976

5.1 The Excise duty is a form of tax levied on specified goods manufactured in Malaysia, but the tax on such goods is payable when these are removed from the factory for home consumption. This means that no tax (excise duty) is payable when these goods are removed from the factory for export to any place outside Malaysia. Thus, the exporters of excisable goods are relieved of the burden of the excise duty on such goods. This enhances their competitive capability. Therefore, the exemption of excisable goods from the levy of the excise duty on their exportation is a strong inducement to exporters. It is an incentive which is given by both the *developing and the developed* countries to encourage exporters to participate in the export effort more actively. In Malaysia, this incentive has certain special features which will be discussed in this chapter.

#### On What Goods Is Excise Duty Levied?

5.2 The goods subject to the excise duty are notified from time to time in the Government Gazette. A list of products subject to the excise duty and the rate at which this duty is levied are given in Excise Duties Order, 1981, (Appendix 15).

#### What Are The Export Incentives Available Under The Excise Act, 1976?

5.3 Under the Excise Act, 1976, the following two incentives are available to manufacturer-exporters:

- (i) They can remove excisable goods for export without payment of the excise duty; and
- (ii) Drawback of the excise duty on excisable raw materials used in the manufacture of export goods.

5.4 These incentives are available only to manufacturer-exporters who hold a valid excise licence to manufacture excisable goods, and to those who use duty-paid raw materials as

ingredients in the manufacture of export goods. Merchant-exporters and agency houses, who buy excisable goods from a licensed manufacturer for export, are not eligible for these incentives.

#### What Is The Procedure For Removal Of Excisable Goods For Export?

- 5.5 The excisable goods can be removed from the factory for:
- (i) Domestic consumption on payment of duty;
  - (ii) Export to a place outside Malaysia without payment of duty;
  - (iii) Storage in another warehouse licensed under Section 25 of the Excise Act, without payment of duty. For example, a manufacturer may remove excisable goods from his factory without payment of duty under bond to another licensed warehouse in the port area or elsewhere for storage, pending their shipment overseas;
  - (iv) Storage in any place as the Minister may approve, upon furnishing a security to the Director-General of Customs.

5.6 When finished excisable goods are removed from the licensed factory for export, the exporter has to make a declaration in the Excise Form 8 (Appendix 16) to the Excise officer at the factory, stating that the consignment of goods which he is removing, without payment of duty, is meant for export. Normally, four copies of the Excise Form 8 are submitted. The Excise officer authorises the removal of such goods on the Excise Form 8 subject to the condition that the licensee must furnish an evidence of export in due course. The Excise officer sends one copy of the Excise Form 8 to the Senior Excise Officer of the district for record. The remaining three copies are returned to the exporter. The exporter sends two copies of the Excise Form along with the consignment to the port of shipment. The Customs officer at the port will verify and identify the packages as listed in the Excise Form 8. On completion of shipment, he will certify the fact of shipment

on the Excise Form 8 and send a copy thereof to the Senior Excise Officer of the district. In this manner, the fact of export of excisable goods, on which excise duty was not paid at the time of their removal, is established and the licensee is discharged of the obligation to furnish proof of export.

5.7 According to the Rules prescribed by the Customs and Excise Department, it is incumbent upon the manufacturer to transport non-duty paid excisable goods for export by rail to the port of shipment. However, in cases where railway facilities are not available or where it has become necessary to transport the goods to the port of shipment by road, the licensee-manufacturer has to seek prior permission of the Customs and Excise Department. The procedure for seeking this permission is outlined below:

- (i) Submit an application to the Senior Excise Officer of the district giving the registration number of the vehicle, the name of the driver and the attendant, and the reasons for which it is necessary for the licensee to use this mode of transport; and
- (ii) Furnish adequate bank guarantee for an amount to cover the total excise duty on the consignment removed by road transportation;

5.8 The Senior Excise Officer of the district will forward this application with his recommendations to the Director of Customs and Excise of the State\*, where it will be processed and the decision communicated to the licensee.

#### Export Of Excisable Goods To Free Trade Zone

5.9 The excisable materials used in the manufacture of goods by an industrial establishment located in a Free Trade Zone shall not be subject to excise duty. Accordingly, the sale and move-

ment of such goods from the licensed premises to a factory in a Free Trade Zone is treated as export of dutiable goods from Malaysia. Under the Excise Act, 1976, a Free Trade Zone is deemed to be a place outside the Federation. This also means that the excisable goods, if manufactured in a Free Trade Zone area, will not be subject to the provisions of the Excise Act, 1976.

#### What Is The Procedure For Claiming Drawback Of Excise Duty On Raw Materials Used In The Manufacture Of Export Goods?

5.10 Under the Excise Duties (Drawback Order) 1981, an exporter is entitled to claim drawback of excise duty on the excisable raw materials used in the production of other products when such products are exported out of Malaysia. To be able to avail themselves of this facility, manufacturer-exporters are advised to obtain prior approval of the Customs and Excise Department to manufacture export goods with drawback facility. For this purpose, they should submit an application to the Customs and Excise Department through the Senior Excise Officer of the district. Along with this application they should furnish inter-alia the following details:—

- (i) The formula of manufacture of the finished export products, where excisable raw materials are used as ingredients; and
- (ii) A sample of the finished export product.

5.11 The Customs and Excise Department will compute the duty element in the finished product and give their approval to the manufacturer for commencing production. Such approval is generally given, subject to the following conditions:—

- (i) The finished products have been manufactured at the approved

\* The application for inter-state movement of non-duty paid excisable goods by lorries is forwarded to the Customs and Excise Headquarters for approval.

- premises;
- (ii) Satisfactory arrangements have been made for the control and supervision of such premises and for the receipt and issue of the relevant goods;
  - (iii) Proper books of account are maintained by the manufacturer; and
  - (iv) The finished goods are exported within 12 months from the date on which excise duty was paid on the raw materials used in their manufacture.

5.12 On completion of shipment, the exporter will file a claim for drawback of duty on the excisable materials used in the manufacture of the finished export goods with the Senior

Excise Officer of the district. There is no prescribed application form for filing the claim. Claims can be proffered on the letterhead of the exporter giving all the relevant details of the shipment. A copy of the export declaration form duly certified by the Customs giving proof of shipment of the goods, should be enclosed with the application. The claim for drawback should be filed within 12 months from the date of payment of duty on the raw materials used in the manufacture of the finished export products.

5.13 The claim is processed by the Customs and Excise Department and the amount of drawback due is paid to the exporter.



## CHAPTER VI

### EXPORT INCENTIVES AVAILABLE UNDER THE SALES TAX ACT, 1972

6.1 The Sales Tax was introduced in Malaysia through an Act of Parliament; it came into force on February 29, 1972. Under this Act, the following regulations/orders, governing the levy, payment, collection and exemption of tax were issued:

- (i) The Sales Tax Regulations, 1972;
- (ii) The Sales Tax (Exemption) Order, 1980; and
- (iii) The Sales Tax (Exemption from Licensing) Order, 1972.

6.2 Generally speaking, the Sales Tax is a single-stage tax, which is levied on all imported and manufactured goods **except those exempted** under the aforesaid exemption/orders. The current rate of the tax is 10% ad valorem except on certain items, such as intoxicating liquor (including beer and stout), manufactured tobacco, and cigarettes, where the rate of tax is 15%. On taxable goods manufactured in Malaysia, the tax is charged by the manufacturer at the time the goods are sold. The amount of the tax charged is to be shown separately in the invoice. The tax thus collected by the manufacturer is payable to the Customs Department within 28 days after the end of the taxable period. On taxable goods imported into Malaysia, the sales tax is charged at the time the goods are cleared from the customs control.

#### In What Manner Is A Manufacturer-Exporter Affected By The Sales Tax Act, 1972?

6.3 Every manufacturer of taxable goods, whether he is an exporter or otherwise, has to obtain a licence from the Customs and Excise Department before commencing the production of goods. There are, however, a few exceptions to this rule, namely:

- (i) Manufacturers of taxable goods, whose disposal of such goods (by sale or otherwise) do not exceed M\$100,000 during the preceding

12 months and is not likely to exceed that amount during the next 12 months; and

- (ii) Contractors, i.e. persons manufacturing taxable goods from materials owned by another person, whose total charges for the work done do not exceed \$20,000 during the preceding 12 months and is not likely to exceed that amount during the next 12 months.

6.4 The persons falling in categories (i) and (ii) above are not required to obtain a licence. They are, however, required to obtain a certificate of exemption, renewable every year, from the Customs and Excise Department through the Senior Sales Tax Officer of the district having jurisdiction over their manufacturing facilities. All other manufacturers of taxable goods have to apply for a licence in Form ST-1 to the Senior Officer of Sales Tax in charge of the district. Before a licence is granted, the Sales Tax officer may ask a manufacturer to furnish a security for due payment of the tax and for compliance with the various requirements under the Sales Tax Act.

#### Exemption From Sales Tax On Goods Exported

6.5 Insofar as export of taxable goods is concerned, the Government offers the following incentives in the form of either exemption from tax or drawback/refund of tax.

- (i) No sales tax is payable on taxable goods when such goods are:—
  - (a) exported out of the country by a licensed manufacturer or by any person or a trading company approved by the Director-General of Customs. One of the essential requirements is that the exporter (other than the licensed manufacturer) should have bought these goods from a licensed manufacturer and exported these within six months from the date of purchase.
  - (b) Sold\* to a manufacturing establishment in a Free Trade Zone for use directly in the manufacture of

- approved finished products.
- (c) Sold to a Licensed Manufacturing Warehouse (LMW) established under Section 65A of the Customs Act 1967 for use directly in the manufacture of approved finished products.
  - (d) Sold to buyers in the Islands of Labuan and Langkawi (except petroleum and a few other products).
- (ii) Drawback of sales tax can also be claimed by the exporter in respect of:
- (a) Export of indigenous tax-paid goods by a merchant-exporter or an agency house;
  - (b) Re-export of imported goods.
- (iii) Exemption from payment of sales tax on locally manufactured and imported taxable raw materials and components used in the manufacture of finished products irrespective of the fact whether the finished products are exported or consumed locally. The purpose of granting this exemption is to avoid double taxation.
- (iv) Refund of sales tax to a distributor/importer on the tax paid raw materials and components supplied by him free of tax to a licensed manufacturer for use in the production of finished products irrespective of whether the finished products are exported or sold in the domestic market.
- (v) In special cases\*, a licensed manufacturer is allowed a credit of sales tax equivalent to 1/12th of the value of raw materials and components purchased by him from the open market at a price inclusive of sales tax.

#### How Can A Merchant-Exporter (Trader) Claim Drawback Of Sales Tax On Locally Manufactured Goods When Such Goods Are Exported?

- 6.6 We have stated in the foregoing paragraph that no sales tax is payable on taxable goods if exported. Strictly speaking, this facility is available to a licensed manufacturer-exporter of such goods. What about the merchant-exporter who buys taxable goods for export from a licensed manufacturer? For example, a merchant-exporter receives an export order for automobile tyres and tubes from an importer in Thailand. He purchases these goods from a licensed manufacturer on payment of the full price of tyres and tubes plus 10% sales tax. He exports these tyres and tubes to Thailand. Can he claim back the amount he has paid as sales tax to the licensed manufacturer at the time of purchasing these goods?
- 6.7 Yes, the merchant-exporter can claim drawback of the sales tax under Section 29 of the Sales Tax Act, 1972. For this purpose, he must follow the prescribed procedure outlined below:
- (i) At the time of exporting the said goods, the merchant-exporter should declare on the Customs Form 2 that he will claim drawback of the sales tax under Section 29 of the Sales Tax Act, 1972.
  - (ii) An essential requirement is that the goods should be exported within 12 months from the date on which the sales tax was paid.
  - (iii) Claim for drawback should be preferred in the Sales Tax Form No. 8 (Appendix 17) in duplicate

\* Sale of goods to buyers in Free Trade Zones (FTZs) and in the Islands of Labuan and Langkawi is treated as Export.

\* This facility is made available only to those licensed manufacturers who, because of the size of their business and limited financial resources, cannot afford to procure raw materials and components free of tax from other manufacturers/vendors.

and submitted to the Sales Tax District Office within three months from the date of export. The claim should be supported with the following documents:

- (a) A copy of the Customs Form 2 duly certified by the Customs that the goods have been exported; and
- (b) Invoice of the licensed manufacturer showing the amount of sales tax paid to him at the time when such goods were bought by the merchant-exporter.

If the claim is in order, the amount of the sales tax will be refunded to the exporter in the form of drawback.

6.8 As an alternative to claiming drawback, a merchant-exporter\* can purchase taxable goods (automobile tyres and tubes in the above example) for export without payment of sales tax from a licenced manufacturer. To avail of this facility, the merchant-exporter must fulfil the following requirements:

- (i) He should first seek the approval of the Director-General of Customs to purchase taxable goods for export without payment of sales tax from a licensed manufacturer;
- (ii) He should export these goods within six months from the date of purchase; and
- (iii) He should maintain a proper account of the goods purchased by him without payment of tax and the export of such goods within the stipulated period.

#### Can An Exporter Claim Drawback Of Sales Tax On Re-Export Of Imported Tax Paid Goods?

6.9 Since the sales tax is payable on all taxable goods, when imported into Malaysia, the Government allows drawback of tax when such goods are re-exported from the country. The procedure for claiming drawback is identical to that outlined in the preceding paragraph, viz:

- (i) Declare the intention to claim drawback of the sales tax under Section 29 of the Sales Tax Act on the Customs Form 2 at the time of re-exporting the imported goods; and
- (ii) File claim in the sales tax Form 8 for drawback within three months from the date of export together with the following documents:
  - (a) Customs Form 2, duly certified by the customs that the said goods have been exported; and
  - (b) A copy of the Import Declaration Form giving evidence of payment of the sales tax at the time when such goods were imported into Malaysia.

6.10 However, there is a slight variation in the procedure outlined above, when the exporter also wants to claim drawback of the customs duties (import duty and surtax) along with the sales tax, which he had originally paid when these goods were imported into the country. It may be recalled that the sales tax on the taxable imported goods is collected along with the import duty and surtax, if any, by the Customs at the point of entry. Therefore, when such goods are re-exported from the country, the exporter is obviously interested in claiming drawback of both the customs duties (import duty plus surtax) and the sales tax. To be able to do so, the exporter is advised to proffer his claim for drawback in the Customs Form 15 instead of the Sales Tax Form 8. The conditions of eligibility and procedure for claiming drawback of the customs duties on re-export of imported goods under Section 93 of the Customs Act have been discussed earlier in Chapter IV. Invariably the claim will be supported with the following documents:

- (i) Customs Form 2, duly certified by the Customs of the port of shipment that the goods have been shipped; and
- (ii) The Import Declaration Form giving information about the amount of the

\* The term merchant-exporter in this context means any person or a company.

customs duties and the sales tax, which were paid at the time when these goods were imported into Malaysia.

6.11 Among other requirements, an important condition of eligibility is that the imported goods should not have been taken into use prior to their export. Further, it should be possible for the Customs Officer to establish the identity of the export goods as being the same which were imported.

#### Exemption From Payment Of Sales Tax On Locally Manufactured And Imported Raw Materials And Components Used In The Manufacture Of Finished Taxable Products

6.12 This can best be illustrated with the help of an example. Suppose a manufacturer sets up a factory to manufacture sewing machines. Since sewing machines are subject to sales tax, he had to apply for a licence to the Sales Tax office. Let us assume that he is granted a Sales Tax Licence. Let us further assume that he decides to manufacture only 70% of the parts of a sewing machine and the remaining 30% he intends to procure either locally or from abroad. Since sewing machine parts are also subject to sales, tax, he will, technically speaking, be required to pay the sales tax on the parts which he buys locally or imports from abroad.

6.13 For illustration, let us say that he imports sewing machine needles from abroad and buys arms for sewing machines locally. On each of these items, the rate of the sales tax is 10%. If he is made to pay the sales tax on these items as well as on the complete sewing machines, this would amount to double taxation. Therefore, in order to avoid the possibility of double taxation, the Government has made a special provision in the Sales Tax Act, whereby a manufacturer can obtain taxable raw materials either locally or from abroad without payment of the sales tax. This facility is available to a licensed manufacturer irrespective of whether

the products for which he is licensed are sold in the domestic market or in overseas markets. Thus, under the Sales Tax Act, 1972, a licensed manufacturer is eligible to obtain:

- (i) Taxable materials and components without payment of sales tax from another licensee of sales tax. For example, a shoe manufacturer can obtain leather from a leather manufacturer without payment of the sales tax.
- (ii) Import-taxable materials and components without payment of the sales tax. A manufacturer of office stationery may import paper without payment of the sales tax. Or a manufacturer of sewing machines may import "sewing machine needles" without payment of the sales tax.

6.14 For availing of facilities at (i) and (ii) above, the licensed manufacturer has to obtain the approval of the Sales Tax Officer. This approval is sought by making an application in duplicate in the form ST 5 (Appendix 18) to the Sales Tax Office of the district, wherein the applicant's principal place of business is located. When approved, a certificate of approval is recorded in the Form ST 5, a copy of which is returned to the licensed manufacturer. Each certificate bears a distinct number. By quoting this number, the licensed manufacturer is able to import or purchase locally taxable raw materials and components for use in the manufacture of the finished products without payment of the sales tax.

6.15 Let us also discuss what additional facilities are available to a licensed manufacturer in the following two situations:--

- (i) Where a licensed manufacturer is unable to import and/or procure raw materials and components free of tax directly from an overseas supplier or from a licensed manufacturer of these materials because the overseas exporter/local manufacturer has given sole selling rights to a distributor in Malaysia; and
- (b) Where a licensed manufacturer farms out a portion of the manu-

facturing process to another licensed manufacturer and wants to get back the processed products without payment of sales tax on the portion of the manufacturing process that was farmed out.

Situation (i):

- 6.16 The licensed manufacturer can obtain taxable raw materials and components from the local distributor in Malaysia without payment of sales tax. Similarly, he can also place an order with any local supplier who is willing to supply these goods free of tax to him. The procedure to be followed in this case is similar to the one stated in para 6.14 above except that application to the sales tax office for approval should be made in form ST 5A.

Situation (ii):

- 6.17 The licensed manufacturer is allowed to farm out a portion of the manufacturing process to another licensed manufacturer and to get back such goods free of tax. To be able to do so, he should seek approval of the Sales Tax Officer. This approval is sought by submitting an application in duplicate in Form ST 5B to the Sales Tax Officer of the district where the applicant's principal place of business is located.

Refund Of Sales Tax

- 6.18 Suppose a licensed manufacturer of garments is in urgent need of textile fabrics. Since textile fabric is a taxable item, the manufacturer applies in the Form ST 5 to the Sales Tax Office for approval to obtain the fabric from a mill without payment of sales tax. Once this approval is given, he can obtain the fabric from the mill without payment of the sales tax by quoting Form ST 5 reference number.
- 6.19 Suppose further that the mill is not in a position to supply the fabric immediately. Since the manufacturer of garments needs the fabric urgently, he decides to buy it from the cloth

merchant, who had bought this fabric from the mill at a price inclusive of the sales tax several months ago. The licensed manufacturer may request the cloth merchant to sell the fabric at a tax-free price. If the cloth merchant agrees to sell the fabric at a tax-free price, he can apply to the Sales Tax District Office for the refund of the sales tax previously paid by him to the mill on the fabrics. The refund of the sales tax in such cases is granted under Section 31 of the Sales Tax Act, 1972. The application for the refund is to be made in the Form ST 4.

Credit Of Sales Tax

- 6.20 There is also a special provision to provide relief from the incidence of sales tax to such small-scale licensed manufacturers, who because of the size of their operations and limited financial resources cannot procure tax-free materials under any of the facilities mentioned above. In their case, credit of sales tax (paid by them as a part of the price of tax-paid raw materials purchased) is allowed. The amount of credit allowed is equivalent to 1/12th of the value of raw materials and components purchased by them from the open market at a price inclusive of sales tax. To be able to avail of this facility (commonly termed as credit system), the licensed manufacturer has to seek prior approval of the Director-General of Customs under Section 31A of the Sales Tax Act. It must be mentioned that the credit of sales tax will be an amount that is deductible from the amount of sales tax that the Licensed Manufacturer is required to pay during any taxable period.

## CHAPTER VII

### EXPORT INCENTIVES AVAILABLE UNDER THE FREE TRADE ZONE ACT, 1971

#### Establishment Of Export-Oriented Industries In A FTZ

- 7.1 As a further measure to encourage exports, the government has established Free Trade Zones (FTZs) at various places\* in the country. The industrial units located in the Free Trade Zones are given the facility to import and export goods with minimum of customs formalities. For example, they are entitled to import machinery, raw materials and components, etc., from abroad without payment of customs duties or sales tax. Furthermore, the goods manufactured and exported from a Free Trade Zone are not subject to excise duty or sales tax. In other words, all approved goods brought in or exported out of a FTZ are exempted from provisions of the Customs Act,\*\* the Excise Act and the Sales Tax Act. However, certain categories of goods such as office equipment, building materials and vehicles are not exempted from duty/taxes when brought in for use in a Free Trade Zone.
- 7.2 In terms of legal interpretation, a Free Trade Zone is defined as a place outside the Federation. However, there are provisions in the Act, which restrict the scope of this legal definition. For example, sales tax-free entry of goods into a Free Trade Zone has been restricted only to those goods\*\*\* which would be used

directly in the manufacture of other goods and are approved by the Minister, or which are meant for export. Therefore, taxable goods other than those described under Section 5 of the Free Trade Zone Act, 1971, shall not be permitted without payment of the sales tax, notwithstanding the fact that a Free Trade Zone has been defined under Section 2 of the Sales Tax Act, 1972 as a place outside the Federation.

- 7.3 The management and control of the Free Trade Zones is vested in the Free Trade Zone Authority. The types of industries which can be established in a Free Trade Zone are notified in the Government Gazette.
- 7.4 As has been stated earlier, export and import of goods from and into a Free Trade Zone are subject to the minimum control of the Customs. However, the Customs Department ensures that the dutiable goods that are brought into a FTZ area without payment of duty, and the finished products manufactured there, are not taken out for domestic consumption, without payment of the duties. For this purpose, the movement of goods to and from a Free Trade zone is regulated by the Customs Office located near the point of entry/exit in each Free Trade Zone.

#### Duty-Free Import Of Approved Goods By A Manufacturing Unit In A FTZ

- 7.5 Any manufacturer establishing an industry in a FTZ will be importing raw materials and components for export production. On arrival of

\* — Sungei Way, Selangor  
 — Bayan Lepas, Penang  
 — Tanjung Keling, Melaka  
 — Batu Berendam, Melaka  
 — Pringgit & Bukit Baru, Melaka

— Prai, Seberang Prai  
 — Ulu Klang, Selangor  
 — Plentong, Johor  
 — Telok Panglima Garang  
 — Selangor

\*\* Except as required under Section 31 of the Customs Act, 1967.

\*\*\* Raw materials, components, machinery and equipment imported or purchased from local manufacturers for use in the production of finished products.

these import consignments at the airport or the seaport, he will take delivery and arrange movement of the goods into the Free Trade Zone without payment of customs duties.

(i) Arrival of Goods at Customs Airport or Seaport

- (a) The owner of the goods or his agent will submit an application in the Customs Form 8 in quadruplicate giving full particulars of the goods, including their value.
- (b) On demand by a competent officer of the Customs, the owner of the goods or his agent will produce for inspection all documents relating to goods, such as invoice, bill of lading and certificate of origin.
- (c) The goods will be loaded in the presence or under the direction of the competent officer of the Customs Department.

(ii) Movement of Goods from Customs Airport or Seaport to Free Trade Zone

- (a) The owner of the goods or his agent will furnish security (bank guarantee) to the competent officer of the Customs Department for due observance of the Customs Act, and all Regulations and Orders made thereunder in respect of the goods to be moved into and out of a Free Trade Zone.
- (b) The goods shall be moved by rail or by vehicles approved by the Director-General of Customs. The Customs require that such vehicles should be so constructed that the goods carried in them are effectively under the Customs locks/seals, and the goods cannot be removed from such vehicle otherwise than by breaking the locks/seals.
- (c) If this is impossible because of the nature of the goods to be carried in a vehicle, in compliance with the requirements in (b) above, a Customs escort may be provided.

- (d) The route to be taken by the approved vehicles may be prescribed by the Customs Officer.

(iii) Arrival of Goods at a Free Trade Zone

- (a) On arrival of the approved vehicles carrying the goods at a FTZ, the owner of the goods or his agent will present the approved application on the Customs Form 8 to the Customs Officer on duty at the check point.
- (b) Customs locks/seals will be examined by the aforesaid officer.
- (c) Where it is deemed necessary by the Customs to inspect/examine the goods, such inspection or examination will be made when the goods are being unloaded at the godown/factory inside a Free Trade Zone.

Procedure Regarding Export Of Goods From A FTZ

7.6 The procedure to be followed for export of goods from a Free Trade Zone is described below in the proper sequence:

(i) Removal of Goods from A Free Trade Zone For Export

- (a) The owner of the goods will submit an application on Customs Form 8 in quadruplicate, giving full particulars of the export goods, including their value.
- (b) On demand by the competent officer of the Customs, the owner of the goods or his agent will produce for Customs inspection all documents relating to the goods such as invoice and packing list.
- (c) The goods will be loaded in the presence of, or under the direction of the competent officer of the Customs.

(ii) Movement of Goods From Free Trade Zone to Customs Airport or Seaport

- (a) The owner of the goods or his

agent will furnish security (bank guarantee) to the competent officer of the Customs for due observance of the Customs Act and all observance of the Customs Act and all Regulations and Orders made thereunder in respect of the goods to be moved into and out of the Free Trade Zone.

- (b) The goods shall be moved by rail or vehicles approved by the Director-General of Customs. The Customs require that such vehicles should be so constructed that the goods carried in them could effectively be under the Customs locks/seals, and that goods could not be removed from such vehicles otherwise than by breaking the locks/seals.
  - (c) If this is impossible because of the nature of the goods to be carried in a vehicle, in compliance with the requirements in (b) above, the Customs escort may be provided.
  - (d) The route to be taken by the approved vehicles may be prescribed by the Customs Officer.
- (iii) Arrival of Goods at the Place/Port of Export
- (a) On arrival of the approved vehicles carrying the goods at the port of shipment, the owner of the goods or his agent will present the approved application in Customs Form 8 to the competent officer of the Customs at the port together with other supporting documents.
  - (b) Customs locks/seals will be examined by the aforesaid officer.
  - (c) Where it is deemed necessary by the Customs to inspect/examine the goods, such inspection or examination will be made when the goods are being unloaded at the port.

It may be noted that the import and export of goods into and from a Free Trade

Zone is effected on the Customs Form 8, as illustrated above.

How Is The Movement To Goods From One Free Trade Zone To Another Free Trade Zone Or From A Free Trade Zone To The Customs Area Or From The Customs Area To A Free Trade Zone Regulated?

Movement Of Goods From One FTZ To Another FTZ Or To Licensed Manufacturing Warehouse (LMW)

7.7 The movement of goods from one Free Trade Zone to another Free Trade Zone is regulated in the same manner as the movement from a port of landing to a Free Trade Zone: Since the goods, after being released from one Free Trade Zone, pass through the Customs area before arrival at another Free Trade Zone, these are treated in transit. Therefore, when a manufacturer in a FTZ:

- (i) Sells the goods to another factory in another Free Trade Zone or to a Licensed Manufacturing Warehouse (LMW); or
- (ii) Consigns the goods (raw materials and semi-finished products etc.) for further processing or finishing to another factory in another FTZ or to a LMW.

he should comply with all the formalities, as stated above, under the heading "Removal of Goods from a Free Trade Zone for Export". The same procedure for movement of goods will apply in reverse, when the goods are returned after processing/finishing to the consignor.

Movement Of Goods From A Free Trade Zone To The Principal Customs Area

7.8 Since the goods manufactured in a Free Trade Zone are exclusively meant for export, their diversion into the domestic market (Principal Customs Area) is treated as import into Malaysia. Therefore, prior approval of the Customs and the Ministry of Trade and Industry should be obtained to sell these goods to an importer in the Customs area. If the approval is granted, the local purchasers of such goods (technically



known as importers) will have to present to the Customs Officer at the Free Trade Zone an import declaration form and other relevant documents such as, import licence and commercial invoice. The Customs Officer, may allow the import of goods on payment of import duty, surtax and sales tax as if these goods are imports into the Federation from some other country.

- 7.9 A manufacturer in a FTZ must seek prior approval of the Ministry of Finance for any arrangements that he makes for the movement of raw materials, components or semi-finished products into the principal customs area for further processing or sub-contract work. If approved, exemption from payment of customs duties and sales tax on the movement of such goods into the customs area will be automatically granted, subject to the condition that the goods will be returned to the FTZ on completion of processing or sub-contract work. The Customs Forms 1 and 2 will be used for the movement of such goods from FTZ into the Customs area and from customs area into the FTZ, respectively.

#### Movement Of Goods From The Principal Customs Area To A Free Trade Zone

- 7.10 The movement of goods from the Principal Customs Area to a Free Trade Zone is treated as export from Malaysia. For example, a factory in a Free Trade Zone may require certain electronic components, which it purchases from a manufacturer located in the Principal Customs Area. The components supplied by this manufacturer to the factory in the FTZ will be treated as exports from Malaysia. Therefore, the manufacturer will have to fill in the Customs Form 2 and prepare other documents such as invoice and packing list and submit these to the Customs Department for approval. A certificate from the manufacturer in the FTZ stating that the goods will be used directly in the production of finished products should be endorsed on the Customs Form 2. The supplier

of such goods should also arrange to obtain export licence and/or pay export duty, if required.

- 7.11 After obtaining the Customs approval to export, the supplier can arrange to deliver the goods to the factory in the Free Trade Zone. At the Free Trade Zone, the Customs Officer will examine whether the goods brought in have been duly authorised by the Customs Officer on the Customs Form 2.
- 7.12 Since the supplies made by the local manufacturer in the customs area to a factory in a Free Trade Zone are treated as exports from Malaysia, the manufacturer is eligible to claim drawback of duties on the imported raw materials and components which he may have used in the manufacture of the products supplied by him. The procedure for claiming drawback in this case is identical to that outlined earlier in Chapter IV, entitled "Export Incentives Under the Customs Act".

#### Will The Excise Duty Be Payable On Excisable Goods Consigned From The Principal Customs Area To A Factory In A FTZ?

- 7.13 For the purpose of the Excise Act, 1976, a Free Trade Zone shall be deemed to be a place outside the Federation of Malaysia. Excisable goods used directly in the manufacture of finished products in a Free Trade Zone shall not be subject to excise duty and the movement of such excisable goods from a licensed factory/warehouse through the Principal Customs Area shall be deemed to be a movement for export of dutiable goods for consumption in a place outside the Federation. Similarly, excisable goods manufactured in a Free Trade Zone shall not be subject to the provisions of the Excise Act and its Regulations. In other words, no excise licence will be necessary by a manufacturer producing excisable goods in a Free Trade Zone.
- In this context, it may be relevant to reproduce an extract from Section 5 of the Free Trade Zone Act, 1971.

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"Goods of any description, except those specifically and absolutely prohibited by law, which would be used directly for the manufacture of other goods and are approved by the

Minister or which are meant for export, may be brought into a Free Trade Zone without payment of any customs duty, excise duty or sales tax".

## CHAPTER VIII

### Export Incentives Under The Income Tax Act, 1967

8.1 In order to facilitate export operations and encourage trade and industry to make concerted efforts towards expansion and diversification of exports, the Government has introduced two additional export incentives under the Income-tax Act, 1967.

- (i) Industrial Building Allowance.
- (ii) Double Deduction of Premium Payments for Export Credit Insurance.

#### Industrial Building Allowance

8.2 This incentive is intended to encourage export-oriented industries to incur capital expenditure on construction of storage facilities such as warehouses and bulk storage installation for the storage of export goods. Therefore, effective from the assessment year 1984, the companies that have incurred capital expenditure on construction of buildings for storage of export goods are entitled to claim an additional incentive i.e. Industrial Building Allowance.

8.3 The Industrial Building Allowance is given at the rate of 2 percent per annum in addition to the initial allowance of 10 percent. This means that a firm would be able to write off 12 percent of eligible capital expenditure incurred on the construction of such buildings in the first year of assessment and 2 per cent for the subsequent years of assessment.

#### Double Deduction Of Premium Payments For Export Credit Insurance

8.4 In the fiercely competitive world trading conditions prevailing today, exporters from various countries vie with one another in offering very attractive terms. Besides factors like quality, price, delivery schedules and after-sales service, an important consideration is given to the terms of credit that the exporter is prepared to offer. Other things being equal, an

exporter offering his products at liberal credit terms may score over other exporters of similar products. However, extending credit to overseas buyers, poses two problems to an exporter. First, he has to find adequate funds to offer credit and secondly, he should be prepared to bear the risks involved in extending credit to foreign buyers.

8.5 In order to protect exporters against losses arising from commercial and non-commercial risks, the Government of Malaysia introduced the scheme of export credit insurance. The scheme is administered by Malaysian Export Credit Insurance Berhad (MECIB). MECIB offers to underwrite the credit risks attending export business for a premium. Thus, protected against the risks inherent in selling goods to buyers abroad, the exporter is enabled to take on more business and to break into new markets by offering attractive credit terms. The premium paid by a company for credit insurance is eligible for double deduction from its Gross Income for the purpose of computing its adjusted income for the basis period. For example, if an export firm has paid M\$20,000 as premium for credit insurance in the basis period, it is eligible to claim double deduction i.e. M\$40,000 from its Gross Income for the purpose of computing its adjusted income for that basis period. This incentive is available from the assessment year, 1986.

## CHAPTER IX

### PRE-SHIPMENT AND POST-SHIPMENT FINANCING OF EXPORTS UNDER EXPORT CREDIT REFINANCING (ECR) SCHEME

9.1 As part of the Malaysian Government's endeavour to promote and diversify exports, the Bank Negara has introduced a scheme to provide ready access to export credit and to reduce its effective cost. The two types of facilities available under the scheme\* are:

- (i) Pre-shipment Export Credit Refinancing Facility
- (ii) Post-shipment Export Credit Refinancing Facility

9.2 The scheme is administered by Bank Negara Malaysia and is operated by commercial banks. Its salient features and operational details are described in the following paragraphs.

#### Export Credit – Its Availability and Cost

9.3 The export financing mechanism evolved under the scheme embraces two essential aspects of credit: its availability and its cost.

9.3.1 Availability of Credit: In order to ensure that no worthwhile export order languishes for want of credit, the scope and coverage of ECR pre-shipment and post-shipment credit facilities have been enlarged to provide greater access to financing. Now, working capital finance for buying, processing, packing and shipping of eligible export goods is made available not only to manufacturer-exporters but also to trading companies and suppliers of finished export products and of raw materials and components (processed or otherwise) that are used in the production process. Furthermore, there is no limit on the amount of credit that

can be made available by a commercial bank to a firm for financing its export-related operations.

#### 9.3.2 Cost of Credit (Rate of Interest):

Under the scheme, the cost of credit has been kept low in order to strengthen the competitive ability of the exporters. They can get export finance from commercial banks at a preferential rate of interest\*\* of 4% per annum. All pre-shipment and post-shipment advances granted by a commercial bank to an exporter are eligible for refinancing from Bank Negara at the concessional rate of interest of 2.5% per annum.

#### Criteria for Eligibility:

9.4 Credit facilities at the preferential rate of interest are made available in respect of export products that are eligible for such facilities. The criteria for eligibility are:

9.4.1 Product Eligibility: All types of export goods are eligible for financing facilities except those that are specially listed as not eligible. A list of products not eligible for financing under the scheme is at Appendix 19.

9.4.2 Domestic Raw Material Content: The value of domestic raw materials and components in the finished export product should be at least 30% of the total cost of raw materials and components used in the production of such product.

9.4.3 Value-Added: The value-added through processing of raw materials (domestic and imported) into finished export products should not be less than 20%. Value added is worked out as follows:

$$\frac{OT - IT}{OT} \times 100$$

\* The revised ECR Scheme was launched by Bank Negara on a pilot basis on 15.10.1986. Based on the result of the pilot test, the scheme will be further refined and introduced nationwide.

\*\* The rates of interest are subject to change.

Where OT = Ex-factory price of the product. Let us say, it is M\$500.00 per unit

IT = Total cost of raw materials and components (domestic and imported) used in production of one unit of the product. Let us say, it is M\$350.00

Value added in this case will be 30%:

$$\frac{500 - 350}{500} \times 100 = 30\%$$

9.5 In the actual application of the criteria 9.4.2 and 9.4.3 above, the commercial banks have been authorised by Bank Negara to exercise a certain degree of flexibility within certain limits. The limits are: the maximum shortfall tolerance level should not exceed 2% for both value-added and domestic raw material content. However, the criteria of 30% use of domestic raw materials and components is applied more strictly in order to encourage the use of such materials in the production of export products.

9.6 One can see at a glance the application of the criteria in the matrix below:—

Local Materials Content \ Value Added	Less than 28%	31 – 60%	More than 60%
Less than 18%	No Access	No Access	Access after approval by Bank Negara Malaysia
21 – 30%	No Access	Access	Access
More than 30%	Access after approval by Bank Negara Malaysia	Access	Access

#### Further Enlargement of the Coverage of ECR Facilities

9.7 With a view to alleviating the problems of exporters of primary agricultural products, coverage of ECR facility has been enlarged to include certain primary commodities that have not undergone significant processing. These include, inter-alia crude palm oil and other crude vegetable oils (mainly crude palm kernel oil) and rubber products. A list of such commodities that are eligible for financing under the scheme is at Appendix 20.

9.8 In consonance with the enlargement of the coverage of ECR scheme as stated above, the criteria of eligibility for access to financing have been further liberalised in respect of products listed in Appendix 20. This means that the requirement of a minimum of 30% domestic raw material content and a minimum value-added of 20% will not apply to these products for the purpose of determining their eligibility for financing under the scheme.

#### Pre-Shipment Credit Facility under ECR

9.9 In recent months, a number of major changes have been effected to enlarge the coverage of pre-shipment credit facility for the export sector. The

main features of the revamped pre-shipment credit facility are briefly described below.

Who are eligible to obtain pre-shipment credit?

9.10 The following categories of exporters, manufacturers and suppliers of inputs and final export products are eligible for the pre-shipment credit facility under the ECR Scheme:

- (i) **Exporters:**  
Manufacturer-exporters and merchant-exporters (trading companies) who export eligible export products;
- (ii) **First-Stage Suppliers (Indirect Exporters)**
  - (a) Manufacturers who undertake to produce either whole or a part of eligible export products against specific orders placed on them by manufacturer-exporters and/or trading companies;
  - (b) Malaysian Importer\* of foreign inputs e.g. components/raw materials used in the manufacture of the finished/intermediate export product or a component thereof;
  - (c) Suppliers of eligible export products to trading companies;
- (iii) **Second-Stage Suppliers (Indirect Exporters)**
  - (a) Suppliers of inputs to manufacturers (First Stage Suppliers) for further processing to produce a part or whole of an eligible export product;
  - (b) Malaysian importer\*\* of foreign inputs to be used in products manufactured by the first-stage supplier.

Methods of obtaining pre-shipment finance

9.11 There are two alternative methods of obtaining pre-shipment finance from a commercial bank by an exporter:

(i) **Order Based Method**

Pre-shipment credit can be granted against evidence of an export order which may be a purchase order, sales contract, letter of credit or a telex order. In the case of telex orders, these must be subsequently confirmed by either a sales contract or a purchase order from the overseas buyer.

(ii) **Certificate of Performance (CP) Method**

- (a) A Certificate of Performance is given to those exporters who have a track record of export performance/or one year and have exported at least M\$3 million of eligible products per annum during the preceding 12 months. However, in the case of exports of agricultural products, (livestock, fish, prawns, fruits, vegetables and flowers) the eligibility requirement for a Certificate of Performance has been reduced from M\$3 million to a minimum of M\$1 million of exports of eligible products and a track record of export performance for one year.
- (b) The Certificate of Performance is issued by Bank Negara at the request of the exporter and on the recommendation of the commercial bank and is valid for a specific period. This Certificate forms the basis for the grant of pre-shipment credit as distinct from the order-based method.

**Types of Pre-shipment Loans**

9.12 The following four types of pre-shipment loans are available to various categories of exporters and suppliers of inputs as indicated against each.

\* Applicable in cases where a manufacturer-exporter decides to import foreign inputs through an established importer in Malaysia.

\*\* The first stage supplier referred to in (ii) (a) above may himself import foreign inputs instead of importing this through a third party. Therefore, the role of an importer in (iii) (b) above is relevant in cases where he is the sole selling agent of his principal abroad for the sale of specific products in Malaysia.

Types of Loan	Categories of Exporters and Suppliers who are Eligible	Purpose of Loan
1. Value-Added (VAL)	1. Manufacturer-exporters 2. Suppliers i.e. producers and manufacturers of finished and/or intermediate products and raw materials who undertake some value-added activities a) First-Stage Suppliers b) Second-Stage Suppliers	Financing of overhead expenses. The minimum amount of VAL is 30% of the total loan to which an exporter/supplier is entitled to.
2. Domestic Input Loan (DIL)	-- do --	Financing the purchase of various inputs for the production/processing of export products such as raw materials, components and semi-finished products from the domestic suppliers
3. Foreign Input Loan (FIL)	1. Manufacturer-exporters 2. Importer of foreign inputs	Financing the purchase of foreign inputs such as raw materials, components and semi-finished products from overseas for use in the production of export products
4. Domestic Output Loan (DOL)	Trading Companies	Financing the purchase of export products from domestic manufacturers and suppliers

#### The Quantum of Pre-Shipment Loans

9.13 The aggregate amount of various types of Pre-Shipment Loans that can be granted to an eligible exporter and/or his suppliers has been fixed at:

- (i) 80% of the value of an export order or sales contract rounded downwards to the nearest thousand ringgit\*;
- (ii) the eligible amount specified in the Certificate of Performance issued by

Bank Negara. Generally speaking, it is 70 per cent of the total value of exports of eligible products during the preceding 12 months for a period not exceeding 4 months.

#### Disbursement of Loans

9.14 In order to ensure that pre-shipment credit granted to exporters and their suppliers is used for the purpose for which it is intended, Bank Negara has laid down the following guidelines for

\* Ringgit equivalent of an export order will be determined by converting the foreign currency amount at the spot rate of exchange at the time of financing the export.

disbursement of various types of pre-shipment loans by commercial banks.

#### 9.14.1 Value-Added Loan:

- (i) Manufacturer-exporters and first stage domestic suppliers (including suppliers to Trading Companies\*\*) can draw upon Value-Added Loan soon after:
  - (a) the issuance of a domestic letter(s) of credit in favour of their supplier(s) or
  - (b) the receipt of confirmation of sale from the overseas supplier or after the issuance of an import Letter of Credit to the foreign supplier. This applies to cases where domestic material inputs are not required i.e. all inputs are imported
- (ii) Second-stage domestic supplier can draw upon VAL on confirmation of the purchase order or upon concluding a sales contract with his supplier.
- (iii) First and Second-Stage Domestic Suppliers can draw upon VAL on presenting their buyer's Domestic Letter of Credit when they do not require any domestic or foreign inputs.

#### 9.14.2 Domestic Input Loan (DIL)

The DIL may be drawn down only against documents presented in accordance with the terms and conditions specified in a sight ECR-DLC except, in the case of the second-stage supplier where the DIL may be drawn down upon presentation of goods to him by his suppliers.

#### 9.14.3 Foreign Input Loan

The FIL may be drawn down against documents evidencing the delivery of imported materials, irrespective of the terms of payment (whether Letter of Credit, documents against payment of acceptance). Where the Malaysian manufacturer obtains:

- (i) sight payment terms for his imports, the FIL may be drawn down up to the maturity of the pre-shipment bill provided the documents are presented

for financing within twenty one (21) days from the date of invoice;

- (ii) usance payment terms for a period not exceeding two (2) months for his imports, the FIL may be drawn down at maturity of the import bill for a period corresponding to the remaining usance of the pre-shipment bill.

#### 9.14.4 Other Cases Where Supplies are Procured from a Large Number of Small Manufacturers/Producers

In the case of exporters and their suppliers who procure their inputs from many small and scattered local suppliers, the following procedure will be adopted for meeting their credit needs:

- (i) the buyer may draw down the VAL without the issuance of ECR-DLC;
- (ii) where the buyer advances cash to the small scattered suppliers, (who must be final suppliers of a homogenous product) he should, after delivery of products by the suppliers, present documents evidencing such cash advances to the commercial bank. The documents will be in the form of a standard summary of cash payments advanced during a specific period of time;
- (iii) the commercial bank will reimburse the buyer with the equivalent amount of funds advanced, and books a DIL in the buyer's name;
- (iv) The payment for such purchases is restricted to M\$20,000 per month a supplier
- (v) The buyer will maintain a complete record of the cash payments made, and this record will be available for examination by the commercial bank or Bank Negara Malaysia. It should contain the following information:
  - (i) name and address of the recipients
  - (ii) date and amount of the cash advanced
  - (iii) acknowledgement of receipt by the recipient;
  - (iv) date of delivery of product(s) by the recipient;

\*\* Trading companies and merchant exporters are not eligible for VAL but their suppliers are eligible.



9.14.5 Each draw down shall be for a minimum of M\$2,000.

#### Procedure of Obtaining Pre-Shipment Credit

9.15 The procedure for obtaining Pre-Shipment credit under the ECR Scheme from commercial banks by exporters and their suppliers has been explained in the booklet "Guidelines of Export Credit Refinancing Facilities" issued by Bank Negara. Exporters are advised to get themselves fully familiar with this procedure and discuss their specific needs for Pre-Shipment credit with their commercial banks. In this chapter, however, we would like to mention only a few essential details of the procedure:

#### Line of Credit

9.15.1 To facilitate grant of credit, the exporter and his suppliers (first-stage and second-stage suppliers) must establish a line of credit\* with their respective banks.

#### Pre-Shipment Bill

9.15.2 When a commercial bank agrees to grant a Pre-Shipment Loan, it draws a Pre-Shipment Bill on the customer (exporter or his supplier) for a specified amount to mature at a fixed future date. The customer accepts the Bill. It then becomes a legal undertaking by the customer to repay the amount on maturity of the Bill or earlier as the case may be.

#### Minimum Amount of a Pre-Shipment Bill

9.15.3 An essential condition is that the minimum amount of a Pre-Shipment Bill should not be less than M\$10,000. Also, the Ringgit equivalent of a Pre-Shipment Bill should be expressed to the nearest thousand Ringgit not exceeding the Ringgit equivalent of the export order/sales contract or the amount specified in the Certificate of

Performance or in the ECR Domestic Letter of Credit, as the case may be.

#### Liquidation of Pre-Shipment Loans

9.15.4 In export transactions where sight Bills of Exchange are drawn by the exporter on the buyer overseas, the commercial bank will utilise the proceeds of the export bills to liquidate the ECR Pre-shipment Loans. In cases, where usance Bills of Exchange are drawn by the exporter on the buyer overseas, the commercial bank will utilise the proceeds of the Post-Shipment ECR to liquidate or reduce the outstanding ECR Loans. However, exports who obtain pre-shipment credit under the Certificate of Performance Method, may utilise 70 per cent of the export proceeds or 70 per cent of the post-shipment ECR proceeds to liquidate their outstanding pre-shipment Loans.

9.15.5 In order to ensure that the Pre-Shipment Loans are liquidated in accordance with the above-mentioned procedure, it is stipulated that exporters shall forward their export bills for collection or negotiation to the same commercial bank(s) which granted them the Pre-Shipment ECR Loans. Another important condition is that the minimum value of a shipment (in cases where partial shipments are allowed) should not be less than M\$10,000 unless otherwise specified in the sales contract or the Letter of Credit. However, where the export proceeds received are insufficient to liquidate the Pre-Shipment Loan during the period of validity of a Certificate of Performance (CP), the outstanding portion of the loan may be carried forward to the next CP period, subject to the fulfilment of certain conditions.

\* In establishing a line of credit for their customers, banks take into consideration several aspects of the applicant's business operations and credit standing.

## Interest Payable on Pre-Shipment Loans

9.16 The interest payable on Pre-Shipment Loans (VAL, DIL, FIL and DOL) will be calculated on the basis of daily outstanding balances as follows:—

$$I = \frac{P \times R \times T}{365 \times 100}$$

Where I = Interest  
P = Pre-shipment Loan outstanding  
R = Rate of interest per annum  
T = Number of days lapsed since interest was last computed and debited

## Duration of Pre-Shipment Credit

9.17 Under the ECR Scheme, the maximum period for which Pre-Shipment Credit can be granted is four months including the number of days\* that are needed to send the documents by mail to the importer or his bank in a foreign centre. The actual number of days for which pre-shipment financing will be made available to an exporter or his supplier will be different in each case as explained below:

(i) Order-based Method

(a) Exporter

Between the time when the export order or sales contract is finalised and presented to the commercial bank and the date of shipment/exports of goods from Malaysia, plus the standard en-route period as specified in Appendix 21, if the terms of payment are on sight basis.

(b) Indirect Exporters (Domestic Suppliers)

Between the time when an ECR Domestic Letter of Credit is finalised and presented to a commercial bank and the date of receipt of payment from the issuing bank.

(ii) Certificate of Performance Method

For the duration for which the Certificate of Performance is valid.

## Minimum Amount of Drawing Against Loans

9.18 The minimum amount of each draw down against any of loans\*\* approved by the bank shall not be less than M\$2,000. This means that partial deliveries of the goods ordered can be made by suppliers subject to the condition that the value of the supplies delivered at any one time will not be less than M\$2,000 in value.

## 9.19 Cancellations, Shortfalls, Non-Performance and Abuse

(i) +Cancellation of export orders by overseas buyers

In cases of cancellation of export orders by overseas buyers, exporters will not be penalised and the pre-shipment loans will not be withdrawn until the original maturity date. Such cancellation must be duly reported to the commercial bank which has granted credit facilities to the exporter.

(ii) +Cancellation of local purchase orders by director/indirect exporters

In cases, where such a cancellation is agreeable by both the parties concerned (buyer and the supplier), the Pre-Shipment ECR loans will be recalled immediately. Such cancellation must be reported to the commercial bank.

(ii) Non-performance by direct and indirect exporters

In cases of non-performance, the errant direct and indirect exporters will repay the outstanding loans at a penalty rate of 4% over the base lending rate to their commercial bank. The commercial bank will report cases of non-performance immediately to Bank Negara and pre-liquidate all the relevant pre-shipment loans with Bank Negara without penalty. Direct and indirect exporters who do not perform may be barred from ECR financing for such period of time as Bank Negara may deem appropriate. Pre-shipment ECR financing will not be extended to any substitute supplier.

\* The standard en route period of different destinations is given in Appendix 21.

\*\* Loans such as VAL, DIL, FIL and DOL.

+ Commercial Banks will report such cases to Bank Negara immediately.

## Post-Shipment Credit Facility under ECR

9.20 Post-Shipment Credit is needed to bridge the gap between the time of shipment and the receipt of export proceeds. The more the gap in the time-period, the more acute is the need for credit. It is to meet this need that Post-Shipment Credit at a preferential rate of interest is made available to the exporters in Malaysia by commercial banks in respect of consignments sold on credit terms to overseas buyers. Availability of credit at a preferential rate of interest helps an exporter to reduce the cost of financing exports. This, in turn, contributes to an overall reduction in the cost of goods, thereby increasing the competitiveness of the Malaysian export products. This also enables a Malaysian exporter to extend credit facilities to foreign importers for a longer period, thereby making his sales terms more attractive.

### Duration of Export Credit at a Concessional Rate

9.21 Under the Scheme, export credit is given for the number of days for which credit has been extended by the Malaysian exporter to the foreign buyer or up to a maximum period of six months, whichever is less. This means that the export credit facilities under the scheme are restricted to transactions where the terms of payment are Documents against the Acceptance of the Usance Bill. Let us see how the restriction with regard to the period financing operates in the following two situations:

- (i) The Malaysian exporter has sold goods on a 30-day credit to an overseas buyer. He is eligible to obtain bank credit at the concessional rate of interest for 30 days plus a few days more that are needed to get the bill accepted by the importer at a foreign centre. The standard en route period for different destinations, which may be included in the usance or Substitution Bills for Post-Shipment Refinancing, is given in Appendix 21.

- (ii) The Malaysian exporter has sold goods on a 180-day credit to a foreign importer. He is eligible to obtain bank credit at the concessional rate of interest for 180 days inclusive of the number of days it takes to get the bill accepted by the buyer overseas.

### Procedure for Obtaining Post-Shipment Credit

9.22 To obtain credit under the Scheme, the exporter, after effecting shipment of the goods, should present all the shipping documents together with the relevant Bill of Exchange,\*\* drawn by him on the importer abroad, to his bank for acceptance/collection. The following are the essential documents that he must furnish in order to enable the bank to process his request for Post-Shipment Credit under the Scheme:

- (i) A copy of Commercial Invoice;
- (ii) A copy of the Customs Export Declaration Form; and
- (iii) Bill of Lading or any other transport document evidencing the export of goods from Malaysia.

9.23 The bank examines the documents and if it finds them in order, it draws a 'Substitution Bill' on the exporter for the ringgit equivalent of the bill of exchange in accordance with the formula given in paragraph 9.24. Soon after the exporter accepts the Substitution Bill, the bank credits the amount of the bill to his account.

9.24 In determining the amount of the Substitution Bill, the bank will convert the foreign currency amount stated in the Bill of Exchange into Ringgit at the prevailing spot rate of exchange or at the contracted forward exchange rate at the time of financing. The Ringgit amount will be rounded downwards to the nearest thousand Ringgit. For example, when the Ringgit equivalent of an export bill is M\$64,775, the nominal value of the Substitution Bill will be M\$64,000. However, the actual amount of Post-shipment Credit that will be made

\*\* The Ringgit equivalent of an export bill should not be less than M\$10,000.

available by a bank to an exporter is calculated by applying the following formula:--

$$P = \frac{NV}{36,500} = \frac{NV \times 36,500}{36,500 \times r \times t}$$

P = Proceeds

NV = Nominal value or maturity value, i.e. M\$64,000 (expressed to the nearest thousand)

r = Rate of interest per annum, i.e. 4%

t = Number of days to maturity, i.e. 90 days

$$P = \frac{M\$64,000 \times 36,500}{36,500 + 4 \times 90}$$

$$= M\$63,375.00$$

M\$63,375.00 (This is the amount to be credited to the exporter's account)

9.25 As soon as the exporter accepts the Substitution Bill, the appropriate amount of the funds are credited to his account. The bank discounting the Substitution Bill will present it to Bank Negara for refinancing.

9.26 On maturity of the bill, the exporter will repay the bank the nominal value of the Substitution Bill, which in the above example will be M\$64,000.00. Where an exporter uses both Pre-shipment and Post-shipment ECR facilities for a single export transaction, the commercial bank shall ensure that the proceeds of the Post-shipment ECR are used to liquidate the Pre-shipment ECR facility.

#### Collection of Proceeds from Abroad

9.27 After discounting the Substitution Bill, the bank forwards the Bill of Exchange drawn by the exporter on the importer and other relevant documents to its correspondent bank abroad. The foreign correspondent bank will get the bill accepted by the importer and later collect the proceeds from him on maturity of the bill.

9.28 If the importer fails to accept the Bill of Exchange on presentation, it will be treated as a dishonoured bill. As soon as the exporter's bank in Malaysia is informed of this, it will debit the account of the exporter for the discounted amount of the relevant Substitution Bill for the number of days remaining to maturity at the original rate of financing.

#### Reduction in Amount of Export Proceeds

9.29 Sometimes, owing to various commercial reasons, it becomes necessary to accept a reduction in the value of an export shipment after it has reached the port of destination. In cases where the reduction is 10% or more, the commercial bank which provided export credit financing will draw a new Substitution Bill on exporter for the reduced amount. The bank will debit the exporter with the cost of resale of the original Substitution Bill and credit him with the proceeds after discounting the new bill at the original rate of discount. Where the reduction in the export proceeds is less than 10%, no change is made in the original Substitution Bill.

## MALAYSIA

## Act of Parliament

No. 13 of 1965

FEDERAL INDUSTRIAL DEVELOPMENT  
AUTHORITY (INCORPORATION) ACT, 1965

An Act to incorporate the Federal Industrial Development Authority to be charged with responsibility for the promotion and co-ordination of industrial development in the Federation.

( )

BE it ENACTED by the Duli Yang Maha Mulia Seri Paduka Baginda Yang di-Pertuan Agong with the advice and consent of the Dewan Negara and Dewan Rakyat in Parliament assembled, and by the authority of the same, as follows:

1. (1) This Act may be cited as the Federal Industrial Development Authority (Incorporation) Act, 1965, and shall come into operation on such date as the Minister may be notification in the Gazette appoint, such date not being earlier than the date on which the notification is published.

Short title,  
commencement  
and application.

(2) This Act shall have effect throughout the Federation.

2. (1) There is hereby established a body corporate by the name of "The Federal Industrial Development Authority" (hereinafter referred to as "The Authority") with perpetual succession and a common seal, and power to acquire and hold movable or immovable property and dispose thereof or otherwise deal

Establishment  
of the  
Authority.

(2) The provisions of the Schedule to this Act shall have effect with respect to the Authority.

(3) The Authority shall consist of:

- (a) a Chairman;
- (b) a Deputy Chairman;
- (c) The Director-General of the Authority;
- (d) a representative of the Treasury;
- (e) a representative of the Ministry of Trade and Industry; and
- (f) ten other members of whom not more than seven shall represent institutions of trade, manufacturing industry, industrial financing and industrial development.

A455/79

A455/79

A455/79

(4) The members mentioned in sub-section (3), other than the Director-General of the Authority shall be appointed by the Minister.

\* After the commencement of Act A455 of 1979 "the Authority" shall be known as "Lembaga Kemajuan Perindustrian Malaysia" or in English "the Malaysian Industrial Development Authority"; and all references in any written law to the Authority shall be construed accordingly.

(5) The Minister may appoint a person to be a temporary Chairman, Deputy Chairman or other member of the Authority during the temporary incapacity from illness, or during the temporary absence from the Federation, of the Chairman, Deputy Chairman or member, as the case may be.

A455/79 (6) A member of the Authority, other than the Director-General of the Authority, shall unless his appointment is sooner resigned or revoked, hold office for such term as may be specified in the instrument appointing him, and shall be eligible for re-appointment:

Provided that member, other than the Chairman or Deputy Chairman shall not hold office for a term exceeding three years at any one time.

3. (1) The Chairman and the Deputy Chairman of the Authority shall be appointed upon such terms and conditions as the Minister may determine.

Salaries of  
Chairman  
and Deputy  
Chairman  
and fees  
and allowances  
of members.

(2) There shall be paid to the members of the Authority such fees and allowances as the Minister may determine.

4. The Minister may give to the authority directions of a general nature, not inconsistent with the provisions of this Act as to the exercise of the the functions of the Authority.

Direction on  
Policy by the  
Minister.

5. It shall be the functions of the Authority to promote and co-ordinate industrial development in the Federation, and to advise the Minister on the formulation of policies in respect thereof and for that purpose, the Authority may -

Functions  
of the  
Authority.

- (a) undertake or cause to be undertaken economic feasibility studies of industrial possibilities;
- (b) undertake industrial promotion work (whether in the Federation or abroad);
- (c) facilitate exchange of information and co-ordination among institutions engaged in or connected with industrial development;
- (d) recommend policy on industrial site development and, where it deems fit, undertake the development of such sites;
- (e) evaluate applications for pioneer status;
- (f) report annually to the Minister on the progress and problems of industrialization in the Federation and make recommendations on the manner in which such problems may be dealt with; and

FEDERAL INDUSTRIAL DEVELOPMENT AUTHORITY (INCORPORATION)

(g) generally do all such matters and things as may be incidental to or consequential upon the exercise of its powers or the discharge of its functions under this Act.

5A. Without prejudice to section 5, it shall also be the functions of the Authority to advise the Federal Government, either on its own motion or on being referred to it by the Minister or the Minister of Finance on measures for the protection and promotion of industries including the imposition and alteration of, and exemption from, customs and other duties, and import and export licensing.

"Additional functions of the Authority."

5B. (1) The functions of the Authority under section 5A shall be discharged by the Special Advisory Committee on Tariffs and the Tariff Advisory Committee as hereinafter provided.

Special Advisor Committee on Tariffs and Tariff Advisory Committee.

A455/79 (2) The Special Advisory Committee on Tariffs shall consist of a Deputy Secretary to the Ministry of Trade and Industry who shall be the Chairman and three members representing the Treasury, the Ministry of Trade and Industry and the Authority respectively.

(3) The Special Advisory Committee on Tariffs shall advise the Federal Government on any request considered urgent by the Government for measures for the protection and promotion of industries referred to the Authority under section 5A.

(4) The Tariff Advisory Committee shall consist of the Chairman of the Special Advisory Committee on Tariffs who shall be the Chairman, three official members comprising the three members of the Special Advisory Committee on Tariffs and not more than two unofficial members selected by the Chairman from a panel appointed by the Minister after consultation with the Minister of Finance.

5C. (1) The Tariff Advisory Committee may appoint one or more sub-committees to inquire into and report on any matter before the Committee or arising in the course of its proceedings.

Powers of Tariff Advisory Committee

(2) At a meeting of the Tariff Advisory Committee the quorum shall be two official members and one unofficial member of the Committee; and at a meeting of a sub-committee appointed under subsection (1) the quorum shall be not less than half the members of the sub-committee, including at least one official member of the Tariff Advisory Committee.

(3) At a meeting of the Tariff Advisory Committee or a sub-committee appointed under subsection (1) the Chairman of the Tariff Advisory Committee, if present, shall preside and in his absence an official member nominated by him.

(4) No member of the Tariff Advisory Committee shall take any part to the proceedings of this Committee or sub-committee on any matter in which he has to his knowledge any direct or indirect pecuniary interest, unless he has declared that interest to the Committee or sub-committee, as the case may be.

(5) Subject to this Act and any regulations made thereunder, the Tariff Advisory Committee may make rules to regulate its proceedings or proceedings of its sub-committee, and in any matter not governed by the rules of a sub-committee shall comply with any general directions given at the time of its appointment by the Tariff Advisory Committee.

(6) (a) The Tariff Advisory Committee may hold any inquiry into the matter before it on any review, reference or application or, if it sees fit, separate inquiries into the several matters so before it.

Conduct of  
inquiries.

(b) In every inquiry under this subsection the following provisions shall have effect, that is to say -

- (i) notice of any inquiry to be held by the Tariff Advisory Committee shall be given not less than three weeks beforehand by notification in the Gazette and in such other manner as it may think appropriate;
- (ii) the Tariff Advisory Committee may receive evidence orally or in writing, and may require oral evidence to be given on oath and written evidence to be verified on oath or by statutory declaration;
- (iii) for the summoning and examination of witness, for the administration of oaths and for compelling the production of documents, the Tariff Advisory Committee shall have the powers of a Sessions Court; and
- (iv) the Tariff Advisory Committee may retain any document produced before it on an inquiry for such period as may be reasonable to allow it to examine the document and take copies or extracts.

(c) For the purposes of this subsection, a public inquiry shall be held only where the Tariff Advisory Committee considers it desirable in the public interest so



FEDERAL INDUSTRIAL DEVELOPMENT AUTHORITY (INCORPORATION)

to do or if the Minister or the Minister of Finance so directs; and in every case where a public inquiry is held the following provisions shall, in addition to the provisions of paragraph (b), have effect, that is to say -

- (i) the Committee shall sit in public to receive oral evidence; and
  - (ii) the Committee may, during the course of its proceedings, make any written evidence available for inspection to any person desiring or required to give evidence.
- (d) No person shall be compellable to give any evidence or to produce any document under this subsection which would disclose any secret process of manufacture.

6. (1) The expenses of the Authority up to such amount as may be authorised by the Minister for any one year shall be defrayed out of the funds of the Authority provided by Parliament.

Finance

(2) Before the beginning of September of each year the Authority shall submit to the Minister an estimate of the expenses (including those for development projects) for the following year in such form and with such particulars as the Minister may require; and the Minister shall before the beginning of November of that year notify the Authority of the amount authorised for expenses generally or of the amounts authorised for each description of expenditure.

(3) The Authority may at any time submit to the Minister a supplementary estimate for any one year and the Minister may allow the whole or any part of the additional expenditure included therein.

7. (1) The Authority shall keep proper accounts and other records in respect of its operation and shall prepare statements of accounts in respect of each financial year.

Accounts  
and Audit.

(2) The accounts of the Authority shall be audited annually by the Auditor-General or other auditor appointed by the Authority with the approval of the Minister.

(3) After the end of each financial year, and as soon as the accounts of the Authority have been audited, the Authority shall cause a copy of the statement of accounts to be transmitted to the Minister, together with a copy of any observations made by the Auditor-General or other auditor appointed under subsection (2) on any statement or on the accounts of the Authority.

(4) Minister shall cause a copy of every such statement and observations to be laid on the table of each House of Parliament.

8. (1) The Authority shall not later than 31st day of March of each year, cause to be made and transmitted to the Minister a report dealing with the activities of the Authority during the preceding year and containing such information relating to the proceedings and policy of the Authority as the Minister may from time to time require.

Annual Report

(2) The Minister shall cause a copy of every such report to be laid on the table of each House of Parliament.

9. (1) All members, officers and servants of the Authority shall be deemed to be public servants within the meaning of the Penal Code.

Application of Penal Code and obligation of secrecy.

(2) Except for the purposes of this Act or of any criminal proceedings under this Act, no member, officer or servant of the Authority shall disclose any information with respect to any individual business, which has been obtained by him in the course of his duties and which is not published in pursuance of this Act; and a person contravening the provisions of this subsection shall be guilty of an offence and shall be liable on conviction to imprisonment for a term not exceeding six months or to a fine not exceeding one thousand dollars or to both.

A123/72

"(3) In this section, 'members of the Authority' includes members of the Special Advisory Committee on Tariffs and the Tariff Advisory Committee constituted under section 5B"

10. The Minister may make such regulations as he thinks necessary or expedient for the better carrying into effect of the purposes and provisions of this Act.

Regulations

11. In this Ordinance, unless the context otherwise requires-

Interpretation

"Authority" means the Federal Industrial Development Authority established under section 2;

A455/79

"Director of the Authority" means the Director-General of the Authority appointed in accordance with the provisions of the Schedule to this Act;

"Minister" means the Minister charged with the responsibility for industrial development.

SCHEDULE

(Section 2(2) and 11)

1. (1) The following persons shall be disqualified from being appointed or being members of the Authority -

- (a) a person who is of unsound mind or is otherwise incapable of performing his duties;
- (b) a bankrupt;
- (c) a person who has been convicted of an offence and sentenced to imprisonment for a term of not less than one year.

(2) A member of the Authority shall vacate his office if he fails to attend three consecutive meetings of the Authority without the permission in writing of the Minister or if he becomes disqualified under sub-paragraph (1).

2. (1) The quorum of the Authority shall be seven.

(2) If on any question to be determined by the Authority there is an equality of votes, the Chairman or other member acting as Chairman shall have a casting vote.

(3) Subject to sub-paragraphs (1) and (2) the Authority shall determine its own procedure.

(4) The seal of the Authority shall be authenticated by the Chairman, or other member acting as Chairman, and one other member of the Authority, and any document purporting to be sealed with the said seal, authenticated as aforesaid, shall until the contrary is shown to be deemed to have been validly executed.

3. (1) The Authority -

A455/79

(a) shall, with the approval of the Minister, appoint an executive officer who shall be the Director-General of the Authority to perform such of the duties of the Authority as may be delegated to him;

(b) may appoint such other officers and servants as may be necessary;

A455/79

Provided that the appointment of the first Director-General of the Authority shall be made, and shall not be revoked except, by the Minister.

(2) The terms and conditions of service of officers and servants of the Authority shall require the approval of the Minister.

A455/79

(3) The Authority may with the approval of the Minister make rules for the establishment and management of a contributory provident fund for the Director-General of the Authority and the officers and servants appointed under this paragraph, and for the payment of pensions,

A455/79

allowances or gratuities to the said Director-General, officers and servants on retirement or otherwise ceasing to hold office as such Director-General, officers or servants.

4. A member of the Authority having any interest in any company or undertaking with which the Authority propose to make any contract or having any interest in any such contract or in any matter under discussion by the Authority shall disclose to the Authority the fact of his interest and the nature thereof, and such disclosure shall be recorded in the minutes of the Authority, and unless specifically authorised thereto by the Chairman, the member shall take no part in any deliberation or decision of the Authority relating to the contract.

(Received the Royal Assent  
on the 18th Day of January, 1965)



# LAWS OF MALAYSIA

Act A123

FEDERAL INDUSTRIAL DEVELOPMENT  
AUTHORITY (INCORPORATION) (AMEND-  
MENT) ACT, 1972

[S. 3]

4

ACT A455

General  
amend-  
ments.  
13/65.

3. The Federal Industrial Development Authority (Incorporation) Act 1965 is amended by substituting the words "Director-General" and "Trade" respectively for the words "Director" and "Commerce" wherever they appear.

KUALA LUMPUR  
DICETAK OLEH KETUA PENGARAH PERCETAKAN DAN DITEBARKAN DENGAN PERINTAH PADA  
1HD MAC 1979  
*Harga: 20 sen*

LAWS OF MALAYSIA

Act A455

FEDERAL INDUSTRIAL DEVELOPMENT  
AUTHORITY (CHANGE OF NAME AND  
AMENDMENT) ACT 1979

An Act to change the name of the Federal Industrial Development Authority and to amend the Federal Industrial Development Authority (Incorporation) Act 1965.

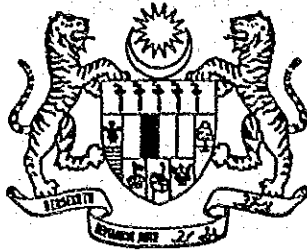
[ ]

BE IT ENACTED by the Duli Yang Maha Mulia Seri Paduka Baginda Yang di-Pertuan Agong with the advice and consent of the Dewan Negara and Dewan Rakyat in Parliament assembled, and by the authority of the same, as follows:

1. This Act may be cited as the Federal Industrial Development Authority (Change of Name and Amendment) Act 1979. Short title.

2. (1) The Federal Industrial Development Authority, which in this Act is referred to as "the Authority", established under section 2 of the Federal Industrial Development Authority (Incorporation) Act 1965, shall after the commencement of this Act be known as "Lembaga Kemajuan Perindustrian Malaysia" or in English "the Malaysian Industrial Development Authority"; and all references in any written law to the Authority shall be construed accordingly. Change of name. 13/65.

(2) The change of name provided by subsection (1) shall not affect any rights or obligations of the Authority or render defective any legal proceedings by or against it; and any legal proceedings that could have been continued or commenced by or against it prior to the commencement of this Act may be continued or commenced under its new name.



# **LAWS OF MALAYSIA**

**Act A455**

**FEDERAL INDUSTRIAL DEVELOPMENT  
AUTHORITY (CHANGE OF NAME AND  
AMENDMENT) ACT 1979**



Date of Royal Assent ... .. 30th March, 1972

Date of publication in *Gazette* ... .. 3rd April, 1972

LAWS OF MALAYSIA

Act A123

FEDERAL INDUSTRIAL DEVELOPMENT  
AUTHORITY (INCORPORATION) (AMEND-  
MENT) ACT, 1972

An Act to amend the Federal Industrial Development  
Authority (Incorporation) Act, 1965.

[4th April, 1972.]

BE IT ENACTED by the Duli Yang Maha Mulia Seri  
Paduka Baginda Yang di-Pertuan Agong with the advice  
and consent of the Dewan Negara and Dewan Ra'ayat in  
Parliament assembled, and by the authority of the same, as  
follows:

1. This Act may be cited as the Federal Industrial Develop- Short title.  
ment Authority (Incorporation) (Amendment) Act, 1972.

2. The Federal Industrial Development Authority (Incor- Amendment  
of 13/65.  
poration) Act, 1965 (hereinafter referred to as "the principal  
Act") is hereby amended by inserting immediately after  
section 5, the following new sections 5A, 5B and 5C—

"Additional  
functions  
of the  
Authority.

5A. Without prejudice to section 5, it shall also  
be the functions of the Authority to advise the  
Federal Government, either on its own motion  
or on being referred to it by the Minister or the  
Minister of Finance on measures for the pro-  
tection and promotion of industries including the  
imposition and alteration of, and exemption from,  
customs and other duties, and import and export  
licensing.

Special  
Advisory  
Committee  
on Tariffs  
and Tariff  
Advisory  
Committee.

5B. (1) The functions of the Authority under  
section 5A shall be discharged by the Special  
Advisory Committee on Tariffs and the Tariff  
Advisory Committee as hereinafter provided.

(2) The Special Advisory Committee on Tariffs  
shall consist of a Deputy Secretary to the Ministry  
of Commerce and Industry who shall be the

Chairman and three members representing the Treasury, the Ministry of Commerce and Industry and the Authority respectively.

(3) The Special Advisory Committee on Tariffs shall advise the Federal Government on any request considered urgent by the Government for measures for the protection and promotion of industries referred to the Authority under section 5A.

(4) The Tariff Advisory Committee shall consist of the Chairman of the Special Advisory Committee on Tariffs who shall be the Chairman, three official members comprising the three members of the Special Advisory Committee on Tariffs and not more than two unofficial members selected by the Chairman from a panel appointed by the Minister after consultation with the Minister of Finance.

Powers of  
Tariff  
Advisory  
Committee.

5c. (2) The Tariff Advisory Committee may appoint one or more sub-committees to inquire into and report on any matter before the Committee or arising in the course of its proceedings.

(2) At a meeting of the Tariff Advisory Committee the quorum shall be two official members and one unofficial member of the Committee; and at a meeting of a sub-committee appointed under subsection (1) the quorum shall be not less than half the members of the sub-committee, including at least one official member of the Tariff Advisory Committee.

(3) At a meeting of the Tariff Advisory Committee or a sub-committee appointed under subsection (1) the Chairman of the Tariff Advisory Committee, if present, shall preside and in his absence an official member nominated by him.

(4) No member of the Tariff Advisory Committee shall take any part in the proceedings of this Committee or sub-committee on any matter

FEDERAL INDUSTRIAL DEVELOPMENT AUTHORITY (INCORPORATION)  
(AMENDMENT)

in which he has to his knowledge any direct or indirect pecuniary interest, unless he has declared that interest to the Committee or sub-committee, as the case may be.

(5) Subject to this Act and any regulations made thereunder, the Tariff Advisory Committee may make rules to regulate its proceedings or proceedings of its sub-committee, and in any matter not governed by the rules of a sub-committee shall comply with any general directions given at the time of its appointment by the Tariff Advisory Committee.

Conduct of  
inquiries.

(6) (a) The Tariff Advisory Committee may hold any inquiry into the matter before it on any review, reference or application or, if it sees fit, separate inquiries into the several matters so before it.

(b) In every inquiry under this subsection the following provisions shall have effect, that is to say—

- (i) notice of any inquiry to be held by the Tariff Advisory Committee shall be given not less than three weeks beforehand by notification in the *Gazette* and in such other manner as it may think appropriate;
- (ii) the Tariff Advisory Committee may receive evidence orally or in writing, and may require oral evidence to be given on oath and written evidence to be verified on oath or by statutory declaration;
- (iii) for the summoning and examination of witnesses, for the administration of oaths and for compelling the production of documents, the Tariff Advisory Committee shall have the powers of a Sessions Court; and
- (iv) the Tariff Advisory Committee may retain any document produced before it on an inquiry for such period as may be reasonable to allow it to examine the document and take copies or extracts.

(c) For the purposes of this subsection, a public inquiry shall be held only where the Tariff Advisory Committee considers it desirable in the public interest so to do or if the Minister or the Minister of Finance so directs; and in every case where a public inquiry is held the following provisions shall, in addition to the provisions of paragraph (b), have effect, that is to say—

(i) the Committee shall sit in public to receive oral evidence; and

(ii) the Committee may, during the course of its proceedings, make any written evidence available for inspection to any person desiring or required to give evidence.

(d) No person shall be compellable to give any evidence or to produce any document under this subsection which would disclose any secret process of manufacture.”

Amendment of section 9. 3. Section 8 of the principal Act is hereby amended by inserting the following subsection (3)—

“(3) In this section, ‘members of the Authority’ includes members of the Special Advisory Committee on Tariffs and the Tariff Advisory Committee constituted under section 5b.”.

Repeal. 29/63. 4. (1) The Tariff Advisory Board Act, 1963 is hereby repealed.

P.U. (A) 278/70. (2) The Emergency (Essential Powers) Ordinance No. 43, 1970 is hereby repealed.

Research items :

I. A brief description of the present situation  
concerning in

II. Demand & Supply

- (1) Domestic production
- (2) Market share of the imported products
- (3) Competition between domestic products and imported ones
- (4) Domestic consumption
- (5) Consumption patterns
- (6) Quality, design & Brand

III. Export & Import

- (1) Export situation  
(Including the figures of Export for 1983~1987  
—volume & value—by country)
- (2) Import situation  
(Including the figures of Import for 1983~1987  
—volume & value—by country)

IV. Distribution

- (1) Distribution Channel (including Mark-ups in each stage)
- (2) Pricing
- (3) Sales Strategy

V. Import Duties & Regulations

- (1) Custom Duties
- (2) Related Regulations

VI. Future Outlook

Describe the prospects for the future of the market

Industry to be Studied : Survey Programme on

Areas to be Studied :

<Survey Items and Contents>

1. Summary of Industry

Based on the results of the survey of the individual items mentioned in 2. and on, a summary will be made of the state of industry from the viewpoints of production, sales, exports, corporate management, level of technology and product development, etc. and projections will be given on the future of the industry.

2. Trends in Industry

Based on statistics of production of individual items (shipments) of the past 10 years, clarification will be made on the trends in production activities of industry as a whole and trends by individual items.

Further, through interviews with related persons in the government and industry and key manufacturers, in particular on the following points, it will be learned what kind of problems have been faced and the efforts which have been made to overcome them.

- [1] Production system
- [2] Labor problems
- [3] Production of raw materials, parts
- [4] Competitiveness (production costs)
- [5] Safety standard, regulations, and product inspections

### 3. Trends in Exports

Based on statistics for exports of individual products during the past 10 years, clarification will be made of the trends in exports by item and destination, of the change in the items, etc.

Further, through interviews with related persons in the government and industry, key manufacturers, export trading companies, etc., information will be obtained on problems, especially on the following, and means for overcoming them.

- [1] Safety standards, regulations, and product inspections
- [2] Export channels
- [3] Export prices
- [4] Product development and design
- [5] Development of overseas markets and marketing activities
- [6] Competitive relations in overseas markets

### 4. Industrial Promotion Policies and Export Promotion policies

It will be learned from related government officials and related persons in the industry and companies what kind of policies the government has taken and what systems it has established to overcome the problem clarified in the above-mentioned sections 2 and 3 what kind of effects these have had.

Further, what kind of promotional measures and preferential measures have been taken in the areas of financing, taxation, and customs duties will be summarized.

### 5. Case Studies of key Companies

Case studies will be made, based on the following points, covering five to 10 key manufactures, (ones important in exports too):

- [1] Histories of companies
- [2] Trends in key production and export items
- [3] State of procurement of raw materials
- [4] Use of government assistance and promotional measures
- [5] Development of export strategies
- [6] Tie-ups with overseas companies and moves toward overseas investment
- [7] Managers

### 6. Collection of Related Materials, pamphlets, etc.

Materials, pamphlets, export-oriented catalogs, and other materials of



industry and manufacturers obtained during the process of this survey will be appended.





JICA