

RKT

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Malaysia's New Incentive Framework

February 2026

The New Incentive Framework (“NIF”) shifts Malaysia’s tax incentive regime fundamentally from **promoted list mechanism** to **tiered, outcome-based assessment approach** and prioritises granting incentives to investment which delivers measurable and strategic outcomes to the country.

The following has been released in relation to the NIF in January 2026: -



a. Guidelines of Tax Incentives for New Investment in the **Manufacturing Sector** under the NIF (As at 15 January 2026); and



b. Frequently Asked Questions about the NIF (“FAQs”) (As at 19 January 2026)

The above guidelines and FAQs are subject to changes from time to time and can be downloaded from Malaysian Investment Development Authority (“MIDA”)’s official website: -



Operational Guidelines



FAQs

Implementation Timeline

NIF will be implemented in phases: -

Sectors	Implementation Timeline
Manufacturing Sector	Effective 1 March 2026 (Note 1)
Services Sector	Effective 2nd quarter of 2026 (Note 2)

Note 1:

- Tax incentive application submitted **from 1 March 2026** will be assessed under the NIF. Please note that granting of tax incentives under the NIF will be provided for under the Income Tax Act 1967 (“the Act”).
- **Important Cut-Off:** The final date to submit tax incentive application under the Promotion of Investment Act 1986 (“PIA 1986”) is **28 February 2026 at 3pm**. For those who are in the midst of applying to MIDA under the existing tax incentive regime, businesses may wish to expedite the planned applications before the deadline to avoid losing access to the intended tax incentive scheme.

Note 2 - Actual date will be announced in due course.

Key Highlights

Areas	Key Takeaways										
Eligible Sectors (Manufacturing - 15 sectors)	<ol style="list-style-type: none"> 1. Aerospace 2. Automotive 3. Chemical and Chemical Products 4. Electrical and Electronics (E&E) 5. Food Production and Processing 6. Machinery and Equipment (M&E) 7. Medical Devices 8. Metal 9. Oleochemicals and their derivatives 10. Petroleum Products and Petrochemicals 11. Pharmaceuticals 12. Rubber-based Products 13. Strategic Minerals-based Products 14. Textile, Apparel and Footwear 15. Wood, Paper and Furniture 										
Eligible Applicants	<p>New or existing companies (companies incorporated under the Companies Act 2016 and resident in Malaysia) undertaking new investments in manufacturing.</p>										
Categories of Incentives	<ol style="list-style-type: none"> 1. The two (2) primary tax incentives are Special Tax Rate (“STR”) and Investment Tax Allowance (“ITA”) (mutually exclusive). 2. Categories of incentives available are: - <table border="1" data-bbox="480 1402 1549 1906"> <thead> <tr> <th data-bbox="480 1402 828 1498">Categories of Incentives</th> <th data-bbox="828 1402 1227 1498">STR</th> <th data-bbox="1227 1402 1549 1498">ITA</th> </tr> </thead> <tbody> <tr> <td data-bbox="480 1498 828 1648">New Investment</td> <td data-bbox="828 1498 1227 1648">STR of 0% to 10% for a period of up to 15 years</td> <td data-bbox="1227 1498 1549 1906" rowspan="3">ITA of up to 100% for a period of up to 15 years – to be offset between 70% to 100% of statutory income</td> </tr> <tr> <td data-bbox="480 1648 828 1767">Less Developed Areas</td> <td data-bbox="828 1648 1227 1767">STR of 0% to 15% for a period of up to 15 years</td> </tr> <tr> <td data-bbox="480 1767 828 1906">Small Companies</td> <td data-bbox="828 1767 1227 1906">STR of 3% to 12% for a period of up to 15 years</td> </tr> </tbody> </table>	Categories of Incentives	STR	ITA	New Investment	STR of 0% to 10% for a period of up to 15 years	ITA of up to 100% for a period of up to 15 years – to be offset between 70% to 100% of statutory income	Less Developed Areas	STR of 0% to 15% for a period of up to 15 years	Small Companies	STR of 3% to 12% for a period of up to 15 years
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Key Highlights (Cont'd)

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<p>Pre-Qualifiers and Sector Requirements</p>	<ol style="list-style-type: none"> 1. Manufacturing Licence is required. 2. Key sector-specific requirements: - <ul style="list-style-type: none"> ▪ Capital Investment Per Employees of RM140,000 ▪ Adoption of automation / Industrial Revolution (IR) 4.0 ▪ Sustainable practices (in relation to waste management, sustainable raw materials, water and energy consumption) ▪ Workforce requirement (i.e. Having at least 80% of Malaysian workers from the total workforce) ▪ Design & development expenditures of at least 1% of annual gross sales
<p>National Investment Aspirations ("NIA") Scorecard</p>	<ol style="list-style-type: none"> 1. Under the NIF, the NIA Scorecard serves as the core evaluation / assessment tool which measures and quantifies the tangible outcomes and impact of an investment against the performance indicators. 2. Six pillars (performance indicators) of the NIA Scorecard are: - <ol style="list-style-type: none"> a. Increase economic complexity b. Create high value job opportunities c. Extend domestic linkages d. Develop new and existing industrial cluster e. Improve inclusivity f. Enhance sustainability practices 3. During the assessment, a score is given for each indicator. The final score represents the overall level of quality of the investment and impacts the STR % and level of ITA companies can obtain. The higher the score, the better the tax incentive package.

Key Highlights (Cont'd)

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Effective Date of Application and Application Related Matters	<ol style="list-style-type: none"> 1. Effective Date of Application - Application received by MIDA from 1 March 2026. 2. Application is required to be submitted via MIDA's online portal at https://investmalaysia.mida.gov.my/. An evaluation fee of RM2,500 per application applies. 3. All applications are subject to the National Committee on Investment ("NCI")'s consideration and approval.
Compliance and Reporting	<ol style="list-style-type: none"> 1. Any claims of tax incentive is subject to audit by the Inland Revenue Board of Malaysia. 2. Successful applicants must comply with ALL prescribed conditions [including compliance with Malaysia's Global Minimum Tax legislation] and submit an Annual Compliance Report to MIDA within 7 months after the end of each Year of Assessment, throughout the incentive period.
Existing Approved Incentives	<p>Existing approved incentives under PIA 1986 and existing incentive package under the Act remain unchanged, i.e. Companies with approved incentives (under the PIA 1986 and existing incentive package under the Act) before the implementation of NIF may still enjoy the incentives in accordance with the approval provisions and terms.</p>
Switching Application between Regimes (From Existing Tax Incentive Regime to NIF)	<ol style="list-style-type: none"> 1. Companies with approved application are not entitled to switch their approval to NIF. 2. Companies with application pending for MIDA's evaluation may switch to NIF if such evaluation has not been completed by MIDA and the Company has not commenced its operations (i.e. the first sales / commercial invoice issued by the Company for the promoted products / activities). 3. Please note that switching the application to NIF may give rise to different set of information to be submitted to MIDA and a new evaluation fee will be imposed for the new application.



How We Can Assist

No.	Scope of Services
1	Tax advisory on tax incentive <ul style="list-style-type: none">▪ Assessment on eligibility of tax incentive▪ Strategic tax incentive planning
2	Tax incentive application submission and support
3	Tax incentive compliance, monitoring and reporting

KEY CONTACTS



Dato' Robert Teo
Managing Partner

☎ +603 2610 2886
✉ roberteo@rktmalaysia.com

CORPORATE TAX COMPLIANCE



Anston Cheah
Executive Director

☎ +603 2610 2829
✉ anston.cheah@rktmalaysia.com



Nicole Chong
Director

☎ +603 2610 2830
✉ nicole.chong@rktmalaysia.com

TAX AUDIT & INVESTIGATION



Anston Cheah
Executive Director

☎ +603 2610 2829
✉ anston.cheah@rktmalaysia.com



Rachel Low
Associate Director

☎ +603 2610 2988
✉ lowwl@rktmalaysia.com

TAX ADVISORY



Anston Cheah
Executive Director

☎ +603 2610 2829
✉ anston.cheah@rktmalaysia.com



Lee Pei Fern
Senior Manager

☎ +603 2610 2995
✉ leepf@rktmalaysia.com

PERSONAL TAX



Mayadevi Karpayah
Director

☎ +603 2610 2831
✉ mayadevi@rktmalaysia.com



Lynda Harun
Associate Director

☎ +603 2610 2832
✉ lynda@rktmalaysia.com

INDIRECT TAX



Anston Cheah
Executive Director

☎ +603 2610 2829
✉ anston.cheah@rktmalaysia.com



Mayadevi Karpayah
Director

☎ +603 2610 2831
✉ mayadevi@rktmalaysia.com

TRANSFER PRICING



Carolyn Kam
Executive Director

☎ +603 2610 2996
✉ carolyn.kam@rktmalaysia.com



Athirah Mior Shahar
Associate Director

☎ +603 2610 2997
✉ athirah.shahar@rktmalaysia.com



Contact Us

Kuala Lumpur

5th Floor, Penthouse, Wisma RKT
Block A, No.2 Jalan Raja Abdullah
Off Jalan Sultan Ismail,
50300 Kuala Lumpur, Malaysia
Tel : +603 2610 2888

Johor Office

Suite 16-02, Level 16, Menara Landmark,
No. 12, Jalan Ngee Heng,
80888 Ibrahim International Business District,
Johor Bahru, Johor, Malaysia
Tel : +607 276 2828

General Email: info@rktmalaysia.com

Connect to
www.rktmalaysia.com