

# Malaysia's New Incentive Framework :

## Aligning Investments with National Priorities

Malaysia's investment incentive regime has undergone a fundamental transformation with the introduction of the New Incentive Framework (NIF), announced under the National Budget 2026 and operationalised by the Malaysian Investment Development Authority (MIDA). The NIF represents a decisive shift from conventional, broad-based tax holidays and investment tax allowances towards tiered, outcome-based targeted incentive models that align with national development priorities and evolving global tax standards.

The redesign of Malaysia's incentive structure is driven by several converging factors, including rapid technological change, global tax reforms, and transitions towards sustainability. Notably, the implementation of the OECD/G20 Global Minimum Tax (Pillar Two) has reduced the effectiveness of traditional tax holidays as an incentive tool.

Anchored by two cornerstone national strategies; the National Investment Aspirations (NIA) and the New Industrial Master Plan 2030, the NIF seeks to reward targeted investments that generate long-term economic contribution to Malaysia, beyond the mere generation of taxable profits.

The implementation of the NIF will be phased by sector:



### **Manufacturing sector**

Effective 1 March 2026

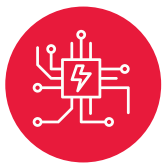


### **Services sector**

Targeted for Quarter 2 of 2026,  
subject to further announcement  
by MIDA



Eligible applicants under the NIF issued on 15 January 2026 include new or existing companies incorporated and resident in Malaysia which are undertaking new manufacturing projects within the following 15 subsectors:



**Electrical & Electronic (E&E)**



**Chemical & Chemical Products**



**Pharmaceuticals**



**Medical Devices**



**Aerospace**



**Machinery & Equipment (M&E)**



**Automotive**



**Petroleum Products & Petrochemicals**



**Oleochemicals & their derivatives**



**Food Production & Processing**



**Wood, Paper & Furniture**



**Textile, Apparel & Footwear**



**Strategic mineral-based product**



**Rubber-based products**



**Metal**

The NIF offers two mutually exclusive tax incentives, and applicants must select only one incentive per qualifying project.

### Special Tax Rate (STR)

The STR reduced corporate income tax rate, ranging from 0% to 15%, for a period of up to 15 years. Any accumulated losses incurred during the STR period can be carried forward for seven consecutive years.

### Investment Tax Allowance (ITA)

The ITA is a capital expenditure-based incentive, granting companies an allowance of up to 100% of qualifying capital expenditure (QCE) incurred within the approved period, for a period of up to 15 years. The allowance may be utilised to offset between 70% to 100% of statutory income, with any unutilised allowance to be carried forward until fully utilised.

A defining feature of the NIF is its outcome-based assessment mechanism, evaluated through the NIA Scorecard. This assessment is designed to ensure that the level of incentives granted is directly linked to the achievement of measurable, strategic outcomes, which are categorised into six strategic pillars as follows:

- ▶ Increasing economic complexity
- ▶ Creating high-value job opportunities
- ▶ Extending domestic linkages
- ▶ Developing new and existing industrial clusters
- ▶ Improving inclusivity
- ▶ Enhancing sustainability practices



Cumulative performance against these pillars determines not only the eligibility, but also the quantum and duration of the incentives awarded, which are subject to a tiered incentive structure. Stronger alignment with national priorities is rewarded through access to more favourable incentives, i.e. Tier 1. The following illustrations are examples provided by MIDA:

| Tier        | Tier 1  | Tier 2  |
|-------------|---|---|
| STR         | 5% corporate tax rate for 5 years   | 10% corporate tax rate for 5 years  |
| ITA         | Allowance of 100% based on QCE incurred for a period of 5 years. The allowance can be offset against 100% statutory income for each year of assessment (YA)                               | Allowance of 60% based on QCE incurred for a period of 5 years. The allowance can be offset against 70% of statutory income for each YA |
| Requirement | <ul style="list-style-type: none"> <li>Comply with all minimum conditions specified in the approval letter.</li> <li>Comply with additional conditions in the approval letter.</li> </ul> | <ul style="list-style-type: none"> <li>Comply with all minimum conditions specified in the approval letter.</li> </ul>                  |

Applications under NIF must be submitted online via Invest Malaysia portal at <https://investmalaysia.mida.gov.my/>. An evaluation fee of RM2,500 per application will be charged for NIF submission, with additional fees potentially arising for amendments or new submissions, including event where an incentive application is switch from the prior framework to NIF.

All applications will then be evaluated by MIDA and deliberated by the National Committee of Investment (NCI). Upon NCI's approval, applicants will receive a principle approval letter outlining the incentive type, tiering, incentive period, and compliance conditions. Applicants must subsequently determine the commencement date of the incentive and submit an application for determination of commencement YA of incentives as follows:

| Incentives | Deadline to submit application  | Commencement of incentives  |
|------------|---|---|
| STR        | Not later than 24 months from the date of the principle approval letter | YA in which the company commences the operation for the approved activity |
| ITA        | Not later than 36 months from the date of the principle approval letter | Date of first QCE incurred for the approved products/activities.          |

Failure to submit the above application within the stipulated timeframe will result in the principle approval letter being automatically cancelled.

Malaysia's adoption of the Global Minimum Tax from 2025 reinforces the relevance of the NIF's design. While incentives under the NIF remains available, multinational groups with global revenues of at least EUR 750 million may still be subject to Domestic Top-up Tax if their effective tax rate falls below 15%. As a result, the value of NIF incentives increasingly extends beyond headline tax savings to considerations such as cash timing, and long-term investment positioning in Malaysia.

### How BDO Can Help

BDO has an experienced team to assist companies in navigating the new NIF by providing tailored advisory on eligibility assessment, corporate and funding structure, application preparation and compliance requirements.

Our tax specialists offer strategic guidance on structuring investments to maximise the utilisation of available incentives, ensuring clients are best positioned to benefit from Malaysia's evolving investment landscape.

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