



**GUIDELINES ON TRANSITION OF MSC
MALAYSIA TO MALAYSIA DIGITAL**

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1.0 INTRODUCTION

- 1.1 Pursuant to the announcement by Prime Minister on 4 July 2022, MSC Malaysia is now rebranded¹ as Malaysia Digital (MD). For the purpose of branding, MSC Malaysia Status Company is now known as Malaysia Digital Company (“the Company”).
- 1.2 This document sets out the guidelines for **the transition of MSC Malaysia to Malaysia Digital initiative**, including the benefits and incentives thereunder, applicable conditions and post approval matters.
- 1.3 This document is an updated version of the guidelines titled **Guidelines on Transition of MSC Malaysia Status Company to Malaysia Digital Status** issued on **29 December 2022**.

2.0 MALAYSIA DIGITAL (MD)

- 2.1 Since its introduction in 1996, MSC Malaysia has catalysed and transformed Malaysia into a knowledge-based economy. MSC Malaysia, driven by MDEC as the nation’s lead digital economy agency, has contributed immensely towards the growth of the nation’s digital economy.
- 2.2 With the rapid shift of socio-economic norms in response to the constant advancements of digital technology and in steering the Malaysia Digital Economy Blueprint (MyDIGITAL), the Government and MDEC have introduced Malaysia Digital (MD)² as the new national strategic initiative to accelerate and further develop our digital economy.
- 2.3 Malaysia Digital aims to merge digital with the economy and position Malaysia as a globally competitive digital nation by promoting the use of digital in all economic activities across all sectors.

¹ Malaysia Digital Brand Guidelines for MD Company is available in MDEC’s Brand Book at [https://mdec.my/static/pdf/about-mdec/MDEC%20Brand%20Book_EN%20\[External\].pdf](https://mdec.my/static/pdf/about-mdec/MDEC%20Brand%20Book_EN%20[External].pdf).

² Details on MD is available at MD Website

2.4 This initiative also serves to create substantial digital economic spill-over through equitable access to digital tools, knowledge and income opportunities nationwide.

3.0 EXPANSION OF LOCATION AND REMOVAL OF MINIMUM OFFICE SPACE REQUIREMENT

3.1 The Company is allowed to operate and undertake its approved activities in any location within Malaysia (“Approved Activity”)³.

3.2 Following the above, the minimum office space requirement is no longer applicable for the Company.

3.3 Items 3.1 and 3.2 take effect from 25 March 2022 as approved by the Government.

4.0 COMPLIANCE TO THE STATUS CONDITIONS

4.1 The Company is required to continue to adhere to the existing conditions for the MSC Malaysia status as stated in the approval letter and/or Conditions of Grants (“COG”) issued to the Company including any approved variation of conditions (“Approval Letter”). Existing conditions may include the following:

- Undertaking of Approved Activity;
- number or/and percentage (%) of Knowledge Workers⁴;
- salary;
- investment;
- research and development expenditures;
- paid up capital; and
- other applicable conditions.

³ Referring to the Approved Activity as per Approval Letter.

⁴ Definition of Knowledge Workers is in Appendix 1.

- 4.2 Any variation of conditions during the tax exemption period shall be subject to the approval of the National Committee on Investment (NCI) since the same set of conditions applies to both the status and the tax exemption.
- 4.3 In the event of non-compliance of the status conditions, the status may be revoked and the effective date of revocation of status shall be determined by the approval committee comprising representatives from the Government (“Approval Committee”).

5.0 OTHER GENERAL CONDITIONS

- 5.1 The Company must also comply with all applicable permit/licensing requirements and ensure that the required permit/license has been obtained from the relevant authority for the implementation of its Approved Activity.
- 5.2 The Company shall not transfer or assign the status or any benefits, rights and/or obligations thereunder to any third party.

6.0 SUSTAINABLE DEVELOPMENT GOALS

- 6.1 The Company is highly encouraged to align operations to the Government’s carbon neutral and environmental, social and governance (ESG) goals⁵.

7.0 BENEFITS OF MD COMPANY

- 7.1 The Company will continue to enjoy the offerings under the MD Bill of Guarantees (“BoGs”). Existing approvals for incentives or benefits under the BoGs will continue to subsist subject to compliance of existing applicable conditions.

⁵ Government’s sustainable development goals published at <https://www.epu.gov.my/en/sustainable-development-goals>

- 7.2 The benefits under the BoGs are subject to separate approvals being obtained (if required), applicable eligibility criteria and conditions⁶, as well as applicable laws and regulations.
- 7.3 The Company may carry out its Approved Activity in the designated location to enjoy the world class physical and information infrastructure as well as competitive telecommunication tariff as per the BoGs.
- 7.4 Details of the BoGs and the explanatory notes are available in MDEC website.
- 7.5 The Company is also eligible to access other benefits such as:
1. Access to local and international market and ecosystem;
 2. Business matching and partnership;
 3. Grant and funding facilitation; and/or
 4. Participation in MD catalytic programmes.

The above benefits are subject to the applicable eligibility criteria and conditions of the respective programme.

8.0 POST APPROVAL MATTERS

8.1 Adding New Activity

- (a) The Company may apply to add new activity under its status if the new activity meets the criteria specified in Appendix 2. The process and criteria are similar to a new status application.
- (b) Application is to be submitted through the system that is available at MDEC website.

⁶ Applicable eligibility criteria and conditions are specified in the relevant guidelines available in MDEC's website.

- (c) Each application will be assessed by MDEC and thereafter presented to the Approval Committee for deliberation, consideration and decision.
- (d) The Approval Committee's decision will be notified through a decision letter. Successful applicant is required to acknowledge and accept the terms of the Approval Letter.
- (e) The additional Approved Activity is subject to the conditions of the existing Approved Activity.

8.2 Post Approval Changes

- (a) The Company is required to notify MDEC for the following:
 - 1. Change in the equity structure (paid-up capital and/or shareholder) of the Company;
 - 2. Change in the name of the Company;
 - 3. Change in the name of the product or services (re-branding) stated under the Approved Activity in the Approval Letter;

by completing, signing and submitting the necessary form in the system, available at MDEC website together with the required supporting documents.

- (b) The Company is required to notify MDEC in the event the Company has changed its business operating address, contact person(s) and/or contact details.
- (c) The Company will receive an acknowledgement letter once the changes are accepted by MDEC, the Approval Committee and/or NCI.
- (d) Any variation to the conditions specified in the Approval Letter will require the approval from the Approval Committee and/or NCI.

9.0 REPORTING AND MONITORING

- 9.1 The Company is required to submit annually all true, correct and complete information and/or documents as may be requested by MDEC for the purpose of reporting on the progress of the Approved Activity and/or determining compliance of the applicable conditions through a Self-Declaration Form (SDF) or other detailed standard forms as specified by MDEC.
- 9.2 All information submitted by the Company must first be verified by an independent external auditor appointed by the Company at its own costs, or in such other manner as may be specified by MDEC.
- 9.3 MDEC may from time to time request the Company to provide such information and/or documents in relation to its Approved Activity and operations for the purpose of monitoring the status conditions such as SSM documents and annual audited account.
- 9.4 The compliance of conditions by the Company is subject to MDEC's assessment and final decision.

10.0 REVOCATION OF STATUS

- 10.1 The status may be revoked in the event of non-compliance of the conditions by the Company.
- 10.2 The effective date of revocation of status shall be determined by the Approval Committee.
- 10.3 With the revocation of status, all incentives and benefits granted under the status will also be withdrawn in accordance with the applicable laws and regulations.

11.0 SURRENDER OF STATUS

11.1 The status may be surrendered by the Company at any time.

11.2 The acceptance of the surrender request is subject to the assessment by MDEC that there is no non-compliance of status conditions. In the event of non-compliance of status conditions, the status may be revoked in accordance with the revocation process specified in Paragraph 10.0.

11.3 The surrender request, if accepted, shall take effect from the date of approval of such request by the Approval Committee.

11.4 With the surrender of the status, the Company shall cease to enjoy any incentives and benefits granted under the status.

12.0 ENQUIRIES AND SUPPORT

For enquiries and clarification, please refer to:

MDEC Client Contact Centre (CliC)

Tel. no.: +603-8315 3000

Toll free no.: 1-800-88-8338 (within Malaysia)

Email: clic@mdec.com.my

13.0 EFFECTIVE DATE

This guideline is effective from 25 March 2022.

ISSUED BY MALAYSIA DIGITAL ECONOMY CORPORATION (MDEC)

ISSUED DATE: XXXXX

Disclaimer: The information contained in these Guidelines is to provide details, explanations and/or clarifications on the grant of MD Company status. You are advised to refer to the applicable legislations. MDEC cannot accept responsibility for any action or decision made in reliance of these Guidelines or any liability incurred or loss suffered as a consequence of relying on these Guidelines. These Guidelines are not intended to address all possible investment or tax issues that may arise and you are advised to conduct your own due diligence and/or seek professional advice in respect of these issues. MDEC reserves its right to amend or update these Guidelines from time to time, based on approval of the Government of Malaysia.

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APPENDIX 1

KNOWLEDGE WORKERS DEFINITION

A “knowledge worker” is an individual who holds one of the following:

- Tertiary qualification from an institution of higher learning (in any field); or
- Diploma in ICT, engineering, technology or specialized certification plus at least 2 years’ relevant experience in a field that is a heavy user of technology; or
- Professional, executive, management and technical work categories in information technology enabled services eg. Information Technology / IS Professionals, Finance / Accounting, Business Administration, Engineering, Medical, Legal,

and also includes:

- foreign workers with knowledge-based skills that are not prevalent in Malaysia and required by MD Company.
- workers who are utilised for their creative talent to produce value-added creative work for MD Company.

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APPENDIX 2

THE MD ACTIVITIES

Research, development and commercialization of solution and/or provision of services in relation to any of the following technologies or areas:

1. big data analytics (BDA);
2. artificial intelligence (AI);
3. financial technology (Fintech);
4. internet of things (IoT);
5. cybersecurity (technology/software/design and support);
6. data centre and cloud;
7. blockchain;
8. creative media technology;
9. sharing economy platform;
10. user interface and user experience (UI/UX);
11. integrated circuit (IC) design and embedded software;
12. 3D printing (technology/software/design and support);
13. robotics (technology/software/design);
14. autonomous technologies;
15. systems/network architecture design and support;
16. global business services or knowledge process outsourcing;
17. virtual, augmented and/or extended reality;
18. drone technology;
19. advance telecommunication technology; or
20. other emerging technologies deemed significant for the digital ecosystem subject to approval by the Approval Committee.

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