



GUIDELINES ON MALAYSIA DIGITAL STATUS

CONTENTS

1.0	INTRODUCTION	3
1.1	MALAYSIA DIGITAL (MD)	3
2.0	ELIGIBILITY CRITERIA	4
3.0	CONDITIONS OF MD STATUS	4
4.0	OTHER GENERAL CONDITIONS	5
5.0	BENEFITS TO MD STATUS COMPANIES	5
5.1	MD BILL OF GUARANTEES (BoGs).....	5
5.2	OTHER BENEFITS.....	6
6.0	SUSTAINABLE DEVELOPMENT GOALS	6
7.0	MD STATUS APPLICATION PROCESS	7
8.0	POST APPROVAL APPLICATION	7
8.1	Adding New Activities.....	7
8.2	Post Approval Changes	8
9.0	REPORTING AND MONITORING	8
10.0	REVOCAION OF STATUS	9
11.0	SURRENDER OF STATUS	9
12.0	ENQUIRIES AND SUPPORT	10
13.0	EFFECTIVE DATE	10

1.0 INTRODUCTION

This document sets out the guidelines for the grant of Malaysia Digital Status, including the access to benefits and incentives thereunder, eligibility criteria, applicable conditions and post approval matters.

1.1 MALAYSIA DIGITAL (MD)

Since its introduction in 1996, MSC Malaysia has catalysed and transformed Malaysia into a knowledge-based economy. The strategic initiative was created to foster a conducive ecosystem driven by high-end infrastructure development and ICT companies' catchment within the identified corridors.

MSC Malaysia, driven by the Malaysia Digital Economy Corporation (MDEC) as the nation's lead digital economy agency, has contributed immensely towards the growth of the nation's digital economy. With the rapid shift of socio-economic norms in response to the constant advancements of digital technology and in steering the digital economy, MDEC's approach and MSC Malaysia too, need to evolve to meet new trends, challenges and progressing needs.

MSC Malaysia is now rebranded to **Malaysia Digital (MD)**. This new enhanced initiative serves to accelerate the sustainable growth of Malaysia's digital economy and create substantial digital economic spill-over through equitable access to digital tools, knowledge, and income opportunities. Malaysia Digital will drive digital transformation of focus areas that present high growth potential, opportunities and importance.

The Government of Malaysia, through Malaysia Digital Economy Corporation (MDEC), awards MD Status to eligible companies that participate in and undertake any of the MD activities. The grant of MD Status entitles eligible companies to a set of incentives, rights and privileges from the Government of Malaysia, namely the MD Bill of Guarantees (BoGs), subject to necessary approvals, compliance of applicable conditions and applicable laws and regulations.

2.0 ELIGIBILITY CRITERIA

2.1 To be eligible to apply for the award of MD Status, a company is required to meet the following criteria:

- (a) Incorporated under the Companies Act 2016 and resident in Malaysia; and
- (b) Proposing to carry out or is currently carrying out one or more of the MD activities.

2.2 MD activities are listed in **Appendix 1**. The activities, upon approval of MD Status, will be known as “MD Approved Activities” in this document.

3.0 CONDITIONS OF MD STATUS

Conditions to be complied within 12 months from date of award of MD Status:		
1.	Activity	Commencement of operation and undertaking of the MD Approved Activities in Malaysia
2.	Knowledge Workersⁱ	Minimum 2 full-time employees (comprising knowledge workers) with minimum average monthly base salary of Ringgit Malaysia Five Thousand (RM5,000.00) , employed for the MD Approved Activities
3.	Operating Expenditureⁱⁱ	Minimum annual operating expenditure of Ringgit Malaysia Fifty Thousand (RM50,000.00) incurred for the MD Approved Activities
4.	Paid-up Capital	Minimum of Ringgit Malaysia One Thousand (RM1,000.00)

ⁱ Definition of “knowledge worker” is available in Appendix 2.

ⁱⁱ Operating Expenditures is defined as the expenses incurred on items consumed in the course of undertaking MD Approved Activities which may include expenses such as salary and other staff related expenses, utility and connectivity charges, rental, professional fees (secretarial, auditing, accounting, legal, etc), administrative and management expenses and marketing and promotional expenses.

4.0 OTHER GENERAL CONDITIONS

- 4.1 The implementation of the MD Approved Activities, similar to any other business activities, is subject to compliance and adherence to the applicable laws and regulations as enacted by the Government of Malaysia.
- 4.2 MD Status companies 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 the MD Approved Activities.

5.0 BENEFITS TO MD STATUS COMPANIES

5.1 MD BILL OF GUARANTEES (BoGs)ⁱⁱⁱ

- (a) MD Bill of Guarantees (BoGs) is a set of incentives, rights and privileges made available for MD Status companies. The BoGs reflects the Government's intention to provide an environment in Malaysia that is conducive to the development of MD Status companies.
- (b) Under the MD BoGs, MD Status companies are eligible to access or apply for, amongst others:
1. Foreign knowledge worker quota and passes;
 2. Tax incentives (income tax exemption or investment tax allowance);
 3. Multimedia/ICT equipment import duty and sales tax exemption;
 4. Competitive and ready infrastructure for business available at MD Cybercities/Cybercentres;
 5. Freedom of ownership by exempting from local ownership requirements;
 6. Flexibility to source capital and funds globally; and/or
 7. MDEC as the one-stop agency for MD Status companies.
- (c) The benefits under the MD BoGs are subject to separate approvals being obtained (if required), applicable eligibility criteria and conditions^{iv}, as well as applicable laws and regulations.

ⁱⁱⁱ Details on BoGs are available in the MDEC website: <http://www.mdec.my/malaysiadigital/apply>

^{iv} Applicable eligibility criteria and conditions are specified in the relevant guidelines available in MDEC's website.

- (d) An MD Status company may enjoy tax incentive under MD BoGs or any tax incentive programme offered by Government of Malaysia, subject to the applicable eligibility criteria and conditions of the said tax incentive programme.

5.2 OTHER BENEFITS

MD Status companies are also eligible to access facilitation of 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.

6.0 SUSTAINABLE DEVELOPMENT GOALS

- 6.1** MD Status companies are highly encouraged to align operations to the Government's carbon neutral and environmental, social and governance (ESG) goals^v.

^v Government's sustainable development goals published at <https://www.epu.gov.my/en/sustainable-development-goals>

7.0 MD STATUS APPLICATION PROCESS

- 7.1 Application for the award of MD Status is to be submitted through the system that is available on MDEC's website^{vi}.
- 7.2 New applications are subject to a non-refundable processing fee, which is published on the website.
- 7.3 Each application for the award of MD Status will be assessed by MDEC and thereafter presented to an approval committee comprising representatives from the Government ("Approval Committee") for deliberation, consideration and decision.
- 7.4 The Approval Committee's decision will be notified through a decision letter. Successful applicants are required to acknowledge and accept the terms of the approval letter.
- 7.5 Upon the acknowledgment and acceptance of the approval letter, an MD Status Digital Certificate will be issued to the company.
- 7.6 Unsuccessful applicants may re-apply by submitting a new application to MDEC, subject to meeting the eligibility criteria.
- 7.7 The MD Status is perpetual, subject to continued compliance of all approved conditions.

8.0 POST APPROVAL APPLICATION

8.1 Adding New Activities

- (a) An MD Status company may apply to add new MD activities under its MD Status. The process and criteria are similar to submitting a new MD Status application.
- (b) Applications are to be submitted through the system that is available on MDEC's website.

^{vi} The application system can be accessed from: <http://www.mdec.my/malaysiadigital/apply>

- (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 applicants are required to acknowledge and accept the terms of the approval letter.
- (e) The approval for additional MD Approved Activities will be subject to the same original MD Status conditions.

8.2 Post Approval Changes

- (a) The MD Status company is required to notify MDEC of the following:
 1. Change in the paid-up capital (higher than the minimum condition), equity or shareholding structure 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 MD Approved Activities in the approval letter;

by completing, signing and submitting the necessary forms in the system, available on MDEC's website together with the required supporting documents.

- (b) The MD Status 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 MD Status company will receive an acknowledgement from MDEC once the changes are made.
- (d) Any variation to the conditions of MD Status specified in the approval letter, other than the above changes, will require the approval of the Approving Committee.

9.0 REPORTING AND MONITORING

- 9.1 The MD Status 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 MD Approved Activities 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 MD Status company must first be verified by an independent external auditor appointed by the MD Status 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 MD Status company to provide such information and/or documents in relation to its activities and operations for the purpose of monitoring the conditions of MD Status such as SSM documents and annual audited account.
- 9.4 The compliance of conditions by the MD Status company is subject to MDEC's assessment and final decision.

10.0 REVOCATION OF STATUS

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

11.0 SURRENDER OF STATUS

- 11.1 The MD Status may be surrendered by the MD Status 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 MD Status conditions. In the event of non-compliance of MD Status conditions, the MD 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 MD Status, the company shall cease to enjoy any incentives and benefits pursuant to MD BoGs granted under the MD Status.

12.0 ENQUIRIES AND SUPPORT

For enquiries and clarification, please refer to:

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 the issued date.

ISSUED BY MALAYSIA DIGITAL ECONOMY CORPORATION (MDEC)

ISSUED DATE: 30 June 2022

Disclaimer: The information contained in these Guidelines is to provide details, explanations and/or clarifications on the grant of MD 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

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.

APPENDIX 2

(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 Status companies.
- workers who are utilised for their creative talent to produce value-added creative work for MD Status companies.

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