

## FACT SHEET: INCENTIVES FOR RESEARCH AND DEVELOPMENT

Incentives for Research and Development (R&D) are intended to encourage investment in university and company research and investment in research and development for start up, technology based companies.

Currently incentives for R&D are consistent across all states in Malaysia and at present there are no additional R&D incentives for businesses that invest in Sarawak, however, there may be exceptions for research and development that offers strategic value to the state and is consistent with the state's strategic goals.

The Promotion of Investment Act 1986 defines Research and Development (R&D) as follows:

"Any systematic or intensive study carried out in the field of science or technology with the object of using the results of the study for the production or improvement of materials, devices, products, produce or processes."

However, it does not include:

- Quality control of products or routine testing of materials, devices, products or produce.
- Research in social sciences or humanities.
- Routine data collection.
- Efficiency surveys or management studies.
- Market research or sales promotions.

To lay the foundations for more integrated R&D in the future, companies that carry out designing or prototyping as an independent activity are now also eligible for R&D incentives.

For more information on what constitutes a Research and Development company please download the [Incentives for Research & Development Companies fact sheet](#).

R&D companies are entitled to an Investment Tax Allowance (ITA) of 100% on the relevant capital expenditure incurred within 10 years. For more information on ITAs, please download the [Investment Tax allowance fact sheet](#). This type of research is different to in house research. For information on in house research, please download the [Incentives for In-House Research and Development fact sheet](#).

It is important to note that R&D companies and any associated companies that prefer not to use the ITA can instead enjoy double taxation for payments made to the R&D company for R&D work carried out.

There are also incentives for researchers to commercialise research findings. For more information, please contact your account manager or visit the [Malaysian Investment Development Authority \(MIDA\) website](#) to learn more about these Federal incentives.