

B19 MULTIMEDIA SUPER CORRIDOR (MSC)

MSC MALAYSIA (formerly known as the Multimedia Super Corridor)

Introduction

As a strategy to achieve the vision of becoming a fully developed, matured and knowledge-rich society by the year 2020, Malaysia had embarked on an ambitious plan to leapfrog into the Information Age. This ambitious plan brought about the creation of the Multimedia Super Corridor (MSC), (renamed "MSC Malaysia" on 7 January 2006) which encompasses an integrated environment that encourages innovation, helps local and international companies to reach new technology frontiers, promotes partnership with global IT players and provides opportunities for mutual enrichment and success.

MSC Malaysia, measuring 15 kilometres wide and 50 kilometres long which starts from the Kuala Lumpur City Centre (KLCC) and extending down south to the site of the region's largest international airport, the Kuala Lumpur International Airport (KLIA), was launched on 27 June 1998.

Two of the global Smart Cities, Putrajaya and Cyberjaya are located in MSC Malaysia. Putrajaya is the location for the government and administrative capital of Malaysia where the concept of electronic government will be introduced. Cyberjaya is an intelligent city with multimedia industries, R&D centres, a multimedia university, shared services and outsourcing centres and operational headquarters for multinational companies wishing to direct their worldwide manufacturing and trading activities using multimedia technology. Cyberjaya has been designated as the national ICT capital.

Set to deliver a number of sophisticated investment, business, R&D and lifestyle options, MSC Malaysia is:

- A vehicle for attracting world-class technology-led companies to Malaysia, and for the development of local industries.
- A Multimedia Utopia offering a productive and intelligent environment within which a multimedia value chain of goods and services will be produced and delivered across the globe.
- An island of excellence with multimedia-specific capabilities, technologies, infrastructure, legislation, policies, and systems for competitive advantage.
- A test bed for invention, research, and other ground-breaking multimedia developments spearheaded by seven multimedia applications.
- A global community living on the leading-edge of the Information Society.
- A world of Smart Homes, Smart Cities, Smart Schools, Smart Cards and Smart Partnerships.

Malaysia offers companies of the world a unique opportunity through MSC Malaysia. Malaysian and international companies prepared to set up operations within MSC Malaysia or otherwise contribute significantly and strategically to the development of MSC Malaysia may be granted MSC Malaysia status and will enjoy various financial and non-financial incentives. The Multimedia Development Corporation (MDeC) was established to take charge of the development and implementation of MSC.

For Phase 2 of MSC Malaysia, the status of MSC designated area has been divided into two distinct categories:

- MSC Malaysia Cybercity – defined as a self-contained intelligent city with world-class business and living environment offering the 10-point MSC Malaysia Bill of Guarantees (BoGs).
- MSC Malaysia Cybercentre – defined as a building or complex with basic enabling environment offering partial BoGs.

MSC Malaysia Cybercities are Cyberjaya, Technology Park Malaysia, Universiti Putra Malaysia-Malaysia Technology Development Corporation (UPM-MTDC), Kuala Lumpur City Centre, Kuala Lumpur Tower, Penang Cybercity 1 and Kulim High Tech Park. Kuala Lumpur Sentral, the Melaka International Trade Centre, Menara MSC Cyberport in Johor, Mid Valley City, G Tower, Bangsar South City, TM Cybercentre in Kuala Lumpur, Bandar Utama, i-City Shah Alam in Selangor, Meru Raya in Ipoh and Spanion in Penang are designated as MSC Malaysia Cybercentres.

The fundamental incentive to all MSC Malaysia status companies, i.e. the 10-point MSC Malaysia BoGs will be delivered in full only in MSC Malaysia Cybercities. MSC Malaysia status awarded companies are required to be designated in MSC Malaysia Cybercity. However, MSC Malaysia status companies now have the option to locate in an MSC Malaysia Cybercentre, but will only be eligible for benefits conferred by some parts of the BoGs.

Institutions of Higher Learning (IHLs) or faculties of IHLs, and incubators are not required to locate in an MSC Malaysia Cybercity or Cybercentre, but will only be eligible for benefits conferred by some parts of the BoGs.

The 10-point MSC Malaysia BOGs are:

- World class physical and information infrastructure
- Unrestricted employment of knowledge workers
- Freedom of ownership
- Freedom of sourcing capital globally for MSC Malaysia infrastructure and borrowing funds
- Competitive financial incentives including no income tax or an investment tax allowance for up to 10 years and no duties on import of multimedia equipment
- Regional leader in Intellectual Property protection and cyber laws
- No censoring of Internet
- Globally competitive telecoms tariffs
- Tender key MSC Malaysia infrastructure contracts to leading companies willing to use MSC as their regional hub
- High powered implementation agency to act as an effective one-stop super shop.

MSC Malaysia is also encouraging Malaysia to be the global hub for shared services and outsourcing (SSO) activities.

Eligibility for MSC Malaysia status

Companies seeking MSC Malaysia status and eligibility for incentives will need to fulfill the following criteria:

- They must be a provider or a heavy user of multimedia products and services.
- They must employ substantial number of knowledge workers.

- Provide technology transfer and/or knowledge to Malaysia, or otherwise contribute to the development of MSC Malaysia, or support Malaysia's k-economy initiatives.
- They should not be engaged in non-qualifying activities such as manufacturing, trading and consultancy (generally providing professional advice and not tied to any new multimedia application developed in-house by the applicant).

Once the companies are granted MSC Malaysia status, they will be expected to operate in compliance with the following additional conditions:

- Establish a separate legal business entity for MSC Malaysia-qualifying businesses and activities (can be a locally incorporated company or a branch of a foreign company).
- Where the MSC Malaysia-status company is not a newly established company, MSC Malaysia tax incentive is only applicable on the "value-added" part of the income. This will be further discussed below.
- Locate MSC Malaysia operations within MSC Malaysia designated cybercities which include Cyberjaya, Technology Park, UPM-MTDC Incubation Centre I and the Petronas Twin Towers within six months from the date of approval.
- Ensure that at least 15% of the total number of employees of MSC Malaysia status company are knowledge workers.
- Comply with MSC Malaysia environmental guidelines as stipulated in:
 - Environmental Guidelines for MSC Malaysia Investor's Guide
 - Physical Planning Guidelines for MSC Malaysia September 2000
 - Urban Design Guidelines for Cyberjaya September 2000.

Institutions of higher learning (IHLs) with faculties offering an internationally recognised standard of higher education in multimedia, information technology, engineering (selected), the sciences (selected) and other related fields that will contribute to the development of human resources for MSC Malaysia could also qualify for MSC Malaysia status.

IHLs seeking MSC Malaysia status must satisfy the following criteria:

- Provide or be a heavy user of multimedia products and services.
- Grant either diploma or degree courses in multimedia, information technology and related fields for a training period covering a minimum period of two years and above.
- Establish a multimedia faculty or a qualified faculty conducting multimedia courses, programmes and related activities.
- Employ a substantial number of knowledge workers.
- Conduct and support R&D activities.
- Be registered as a separate legal entity.
- Comply with Lembaga Akreditasi Negara guidelines.

Applicable courses must only be related to multimedia, information technology and communication fields.

Incubators which house early stage growth companies involved in ICT/Multimedia (e.g. software, e-commerce, telecoms), biotechnology and/or bio-informatics could also apply for MSC Malaysia-status.

Incubators seeking MSC Malaysia status must satisfy the following criteria:

- House early stage growth companies (i.e. seed-level or start-up companies, see definition below) involved in the ICT/Multimedia (e.g. software, e-commerce, telecom), biotechnology and/or bio-informatics.
- Provide basic facilities like water and electricity, internet access (minimum bandwidth of 128kbps), share facilities (e.g. meeting room, reception, audio-visual systems), business advisory services (in-house or outsourced) and minimum 2,000 sq ft floor space.
- Dedicated management team to provide business support services in nurturing incubatees besides managing the physical infrastructure. All newly formed incubators must register with the Companies Commission of Malaysia within one month of obtaining MSC Malaysia status.
- Definition of “early stage growth companies”:
 - Seed level-companies that have been incorporated within the past two years and have ideas or concepts that require funds for proof of concept;
 - Start up-companies that may be in the process of setting up or have been in business for a short time and require capital for commercialisation of their products/solutions. These companies may not be generating profits yet.

Companies performing SSO activities intending to apply for MSC Malaysia status must satisfy the following criteria:

- More than 70% of the revenue must be from outside Malaysia.
- Employ at least 85% knowledge workers.
- With minimum of 100 employees by the third year of operation.
- 70% of investment/operation to be in an MSC–designated area within six months of MSC Malaysia approval.

Incentives for companies with MSC Malaysia status

With effect from 25 October 1996, companies awarded MSC Malaysia status and whose activities or products are of national and strategic importance will enjoy the government’s BoGs and other compelling incentives including:

A Financial Incentives

- Malaysian income tax exemption under Pioneer status incentive on 100% of statutory income for five years extendable to 10 years, or 100% investment tax allowance (ITA) on qualifying capital expenditure for five years to be utilised against statutory income for five years for new companies which are engaged in highly capital-intensive activities or whose multimedia activities are treated as cost centres.
- No duties on importation of multimedia equipment used directly in the operation of business.
- R&D grants for local small and medium-sized enterprises in MSC Malaysia (for majority Malaysian-owned MSC Malaysia status companies.)
- Effective 1 October 2002, non-resident companies are exempted from payments of income tax in Malaysia in respect of the following types of income received from the approved MSC Malaysia status company:
 - (a) payment for technical advice or technical services;
 - (b) licensing fees in relation to technology development; and
 - (c) interest on loans for technology development.

This means that MSC Malaysia company is exempted from deducting the withholding tax under S. 109 and S. 109B of the Income Tax Act 1967 (Income Tax (Exemption) (No. 13) Order 2005).

- Effective from 8 September 2007, incentives for ICT activities including computer software development are to be rationalised as follows:
 - (a) Companies undertaking ICT activities including computer software development located outside Cybercities and Cybercentres be centralized in the Cybercities and Cybercentres and be given MSC Malaysia status company incentives:
 - (i) pioneer status with tax exemption of 100% of statutory income for a period of 10 years; or
 - (ii) ITA of 100% on qualifying capital expenditure incurred for a period of five years. This allowance can be offset against 100% of statutory income for each year of assessment.
 - (b) MDeC to be the sole agency to process and recommend incentives for companies undertaking ICT activities including computer software development.

For companies already operating in Malaysia, MSC Malaysia tax incentives will apply to the “value-added” income which is defined as the company’s additional statutory income above the average income for the past three years, or to the value of new investment made in MSC Malaysia.

For further details on ITA incentives, please refer to Promotion of Investments (Determination of Assets under S. 29B in respect of MSC status companies) Order 2001.

B Non-financial Incentives

- No restriction on the employment of foreign knowledge workers.
- Support from the MDeC’s one-stop client centre that will expedite visas and other licences and permits.
- Freedom of ownership.
- Exemption from exchange control and foreign currency regulations.

C Other Benefits

- Intellectual property protection and a pioneering and comprehensive framework of cyber laws can be enjoyed by MSC Malaysia-status applicants irrespective of location.
- The Internet free from censorship for the benefit of companies, institutions of higher education or faculties granted MSC Malaysia status, irrespective of location.
- From Y/A 2006, Industrial Building Allowance of 10% would be given to owners of new buildings occupied by MSC Malaysia-status companies in Cyberjaya (including completed buildings which are yet to be occupied by MSC-status companies) for 10 years.

For applicants located within MSC Malaysia:

- World-class physical and IT infrastructure.
- Globally competitive telecommunication tariffs and services guarantees.
- High-quality, planned urban developments.
- Excellent R&D facilities, including the region’s first Multimedia University.
- Green environment protected by strict zoning.

Application procedure

MSC Malaysia status application is available online via: <http://wizard.msc.com.my/wizard/Home.aspx>