



Proposed Amendments to Industrial Coordination Act 1975

TOWNHALL SESSION

14 February 2025

BACKGROUND

- ① The **Industrial Co-ordination Act 1975 (ICA)** provides for the **co-ordination and orderly development of manufacturing activities in Malaysia.**
- ② This Act requires person(s) engaging in any manufacturing activity, with **shareholders' funds of RM2.5 million and above OR employing 75 or more full-time paid employees to obtain a Manufacturing License.** This includes company with 100% of foreign equity
- ③ Companies that do not meet the criteria for ML are required to obtain **ICA 10 (exemption for ML)**

ML & ICA 10: ESSENTIAL PRE-REQUISITES FOR INCENTIVE ELIGIBILITY

Exemption from import duty

Exemption for import duty on raw materials and components used in the production of furnished products. Also exemption from sales tax.



Pioneer status

Company will have tax exemption from 70% to 100% of statutory income for 5 to 10 years



Investment tax allowance

Applicants can get allowance between 60% to 100% on qualifying capital expenditure that occurs between a period of 5 to 10 years



Re-investment allowance

Offered as a financial incentive to MY resident manufacturing and agricultural businesses. With condition that business exist for at least 36 months



WHY ARE WE DOING THIS REVIEW?

1.

Old and outdated act: To ensure that ICA **remains aligned with** evolving regulatory efficiency

2.

To **better understand** and **develop** the industry:
data/information gathering and public private consultation

3.

To develop a **resilient supply chain**, incorporating lessons from the **COVID-19 pandemic** and **adapting to policy shifts** eg. policy changes during the Trump administration

4.

Ensure the regulation process is **efficient, straightforward, and industry-friendly.**

THE AMENDMENTS TO THE ICA WERE GUIDED BY 5 KEY PRINCIPLES

1. **Facilitating the Investor's Journey** – Streamline regulatory processes and improve transparency to attract and retain investments
2. **Anchored on digitalisation and data-driven growth, analytics** will position **mid-tier companies** as a link between large and small enterprises, boosting **SME integration** into the supply chain.
3. **A fair and equitable playing field** for manufacturers through a **tier-based fees & penalties**
4. **Develop a compliant and ethical industry** through **strong enforcement** that eliminates non-compliant practices that raises overall industry standards, and strengthens investor confidence.
5. **Whole-of-Government Approach** – eg. strengthen collaboration with local authorities (PBTs) to ensure effective enforcement and a cohesive regulatory framework.

ENGAGEMENTS HAVE BEEN CONDUCTED WITH SELECTED MINISTRIES/ AGENCIES, ASSOCIATIONS & CHAMBERS



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Ministries/ Agencies

Kementerian Ekonomi

Kementerian Pengangkutan

Kementerian
Pembangunan Usahawan
dan Koperasi

SME Corp

Kementerian Perumahan &
Kerajaan Tempatan

Jabatan Kerajaan Tempatan

SIRIM, MPC

State Agencies

UPEN PERAK

Majlis Bandaraya Shah Alam

Majlis Bandaraya Seberang Perai

Majlis Perbandaran Kulai

Majlis Perbandaran Kuantan

Majlis Perbandaran Hang Tuah
Jaya

Majlis Perbandaran Port Dickson

Majlis Bandaraya P.Pinang

IRDA, ECERDC, NCIA

Associations

Federation of Malaysian
Manufacturers (FMM)

Chemical Industries Council of
Malaysia (CICM)

Association of Malaysian Medical
Industries (AMMI)

SME Association of Malaysia

Malaysian Plastics
Manufacturers Association

Machinery and Engineering
Industries Federation

E&E Association of Malaysia

Malaysia Aerospace Industry
Association

Others

Malaysia Thai Business
Council

Japanese Chamber of Trade &
Industry, Malaysia (JACTIM)

Malaysia – Qatar Business
Council

Malaysia – Sweden Business
Council

Head of Logistics Nexus

**Investment Promotion
Agencies** Invest Melaka, Invest
Penang, Invest Selangor,
Invest Perak, Invest Sabah,
Invest Johor, Invest Sarawak,
invest Kelantan

AMENDMENT 1: IN LIGHT OF THE EXTENSIVE AMENDMENTS TO THE ICA 1975, IT IS RECOMMENDED THAT A NEW, FORWARD-LOOKING ACT BE INTRODUCED UNDER A NEW NAME, ANCHORED IN INDUSTRY DEVELOPMENT AND FUTURE GROWTH



INDUSTRIAL DEVELOPMENT ACT 2025

Rationale

- Reflects a proactive approach to **growth, innovation, and competitiveness** beyond mere regulation. It enables broader initiatives like industrial park governance, ensuring strategic planning and sustainability.
- Aligns it with Malaysia's **Industrial Master Plan and National Investment Aspirations**, emphasising transformation, technology, and sustainability. It reflects a commitment to progressive policies that attract global investors and enhance Malaysia's supply chain position.
- Conveys a **forward-looking, investment-friendly framework** that gives confidence to domestic and international investors, that Malaysia is focused on facilitating industrial expansion and modernisation.

AMENDMENT 2: CRITERIA FOR LICENSING IS PROPOSED TO FOLLOW DEFINITION SET BY SME CORP WHICH IS TO USE SALES TURNOVER AS A CRITERIA INSTEAD OF SHAREHOLDERS' FUND

Current criteria for Manufacturing License

The Act requires person(s) engaging in any manufacturing activity, with **shareholders' funds of RM2.5 million and above** OR **employing 75 or more full-time paid employees** to **obtain a Manufacturing License**. This includes company with 100% of foreign equity.

Moving forward, it is recommended is to adopt definition by Majlis Pembangunan Usahawan dan PKS Kebangsaan for consistency in policy, fair access to benefits, and efficient regulation

SIZE	MICRO		SMALL		MEDIUM	
	Sales turnover	Employees	Sales Turnover	Employees	Sales Turnover	Employees
MANUFACTURING	<RM300k	< 5 employees	RM300k to < RM15 mil	5 to < 75 employees	RM15 mil to ≤ RM50 mil	75 to ≤ 200 employees

- *Manufacturing License for small, medium and large companies.*
- *Only companies established under Companies Act in the 'micro' status required to register. Manufacturing status will be granted.*

BENCHMARKING WITH SINGAPORE AND THAILAND REVEALS INSIGHTS ON LICENSING COSTS AND VALIDITY

	SINGAPORE	THAILAND	MALAYSIA (UNDER CURRENT ICA)
 License for manufacturing companies	i. Factory Registration (FR) ii. Manufacturing License (ML)	Factory license	i. Business License (BL) ii. Manufacturing License (ML)
 Validity period	i. FR: 5 years ii. ML: Annual	5 years	i. BL: Annual ii. ML: No validity period
 License fee	i. FR: RM140 – RM42k ii. ML: Rate based on industry: - Active ingredients: RM105k - Medical device: RM3.7k	Approximately RM12k	i. BL: By factory size and location ii. ML: RM1500 (ML) RM1000 (ICA10)
 Renewal fee	i. FR: RM140 – RM42k ii. ML: - Active ingredients: RM50k - Medical device: RM3.7k	Flat rate: RM12k	Only for business license, rate same as the original license fee
 Penalty for not obtaining ML	For active ingredients: RM166k Imprisonment: Up to 2 years	RM25k Imprisonment: Up to 2 years	RM2k Imprisonment: 6 months

AMENDMENT 3: TIER-BASED FEE AND PENALTY IS PROPOSED TO ALIGN WITH INDUSTRY STANDARDS & IMPROVE COMPLIANCE



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Proposed revision:

- Fee is proposed to be based on size of company
- Failure to obtain ML/falsifying document/failure to provide required information or will be based on the size of the company

Company size	Current fees (RM)	Company size	New Registration Fee (RM)	Fee for License validation every 3 years (RM)	Penalty for failure to apply for license (RM)	Penalty for falsifying the license <i>(20% higher than not obtaining license)</i> (RM)	Penalty for failure to provide information OR provide misleading/false information (RM)
MICRO (ICA10)	1,000	MICRO (MS)*	500	200			
SMALL (ICA10)	1,000	SMALL (ML)	1,800	850	30,000	36,000	10,000
MEDIUM (ML)	1,500	MEDIUM (ML)	2,500	1,500	100,000	120,000	30,000
LARGE (ML)	1,500	LARGE (ML)	8,000	7,000	300,000	360,000	100,000

*Only issued to companies registered under Companies Act

AMENDMENT 4: A TRUST FUND WILL BE ESTABLISHED UNDER THE ACT TO DRIVE INDUSTRY DEVELOPMENT

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Fee & penalty will be deposited into the fund
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Funds will be used for initiatives that strengthen licensing efficiency & foster industry growth
- 

Resources will also be used for capacity building and regulatory compliance support
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Key benefit includes sustainable source of funding to enhance policy implementation and coordination eg. Industrial parks

INCOME FROM INCREASED LICENSING FEES WILL BE DIRECTED TOWARDS INITIATIVES THAT IMPROVES EFFICIENCY & DRIVE INDUSTRY GROWTH

CURRENT SCENARIO

IMPLEMENTATION OF IDA 2025

1. 'One size fits all' forms for application process	- Easier application process with customised forms based on size of company and type of industry - Simplified application process/fast track for small and non-sensitive industries
2. Application through Invest Malaysia Portal	- Upgrade the system to manage new registrations, renewals, and self-regulation. A chatbot/customer service will assist applicants online - Improvements in the time taken for review and approval: i) Delegation of power from LO for ML approval will shorten approval period ii) Customised forms for ML application iii) Establish the licensing conditions based on types and size of industry iii) Review and streamline internal approval process
3. Absence of data analytics	- Implementation of data analytics to enhance supply chain efficiency, promoting domestic companies as vendors for MNCs and large enterprises. - Establish evidence based decision making - Predictive analysis for forecasting future trends, anticipating challenges and opportunities.
4. Absence of systematic enforcement	- Self declaration and empowerment of industry - Enforcement will be rolled out with collaboration with PBTs and IPAs - Strengthening capacity of MITI and MIDA offices at state level - Establishment of a core enforcement team in MITI
5. Absence of a dedicated fund for industry development	Revenue from the trust fund will be used for industry development initiatives eg. Industrial park
6. There has been no customer survey conducted to assess performance.	MIDA/MITI to conduct customer satisfaction survey to assess service levels and drive continuous improvement initiatives

AMENDMENT 5: LICENSE VALIDATION EVERY 3 YEARS

1. Validation process is intended to **update company records**, ensure **adherence to regulations**, and **track industry growth**
2. **Automated validation system** – Low-risk license holders will go through a simplified validation
3. The data and information gathered will support **informed decision-making** in managing the industry. For example, during emergencies, it enables a **swift** and **effective response**

AMENDMENT 6: NEW MONITORING AND ENFORCEMENT MECHANISM IS PROPOSED TO ENSURE COMPLIANCE WITH REGULATIONS & IMPROVE ACCOUNTABILITY

Failure of companies to register for a minimal fee will result in a higher penalty

Higher penalty as a deterrent



IPAs, along with MIDA and MITI offices, will provide support to effectively enforce ML regulations

Collaboration with IPAs



An enforcement team is proposed to be set-up in MITI as focal point

Enforcement team in MITI



Collaboration with PBTs/state



Systematic enforcement will be implemented in partnership with state agencies

Self regulation via digitilisation



Self-regulation will be enhanced through the use of IT solutions to strengthen compliance

AMENDMENT 7: INCLUDE A NEW PROVISIONS FOR INDUSTRIAL PARK MANAGEMENT

Existing gaps

1	Absence of a consolidated database on IPs
2	Absence of definition/categorization for IPs for Malaysia
3	Need to establish standardised criteria for the functions of park managers
4	Absence of mechanism to resolve maintenance issues and infrastructure requirements
5	Transition towards green IPs

Short-term Recommendations

For inclusion in ICA



Explicit mention about green manufacturing and green industrial parks



Set condition in the ML for companies:

- to set-up its premise within recommended IPs: specials incentives/renewal fee waiver can be considered for companies that comply
- To transition towards green manufacturing

Medium-term Recommendations

Set up a dedicated entity to oversee the planning and development of IPs. Proposed scope:



Develop database on IPs by consolidating info from multiple sources



Develop definition/ categorisation for IPs



Develop standardised criteria for the functions of park managers



Prepare an overall blueprint for industrial park in collaboration with the state



Facilitate transition to Eco Industrial Parks

Other Amendments



New Definition for Manufacturing Activity

- **Revise the definition of manufacturing activity** to include remanufacturing and other potential upcoming manufacturing activities



Delegation of power

- MITI Minister, instead of PM, to appoint Licensing Officer



ICA 10 Rebranding

- Redefine ICA 10 as manufacturing status for micro companies



Revocation of ML

- To add provision that companies that do not engage in manufacturing activity within **24-36 months**, the license will be revoked



Removal of prescribed form

- The Licensing Officer to be allowed to **amend the form** and set the conditions customised to the different types of sectors and industries



A new Regulation

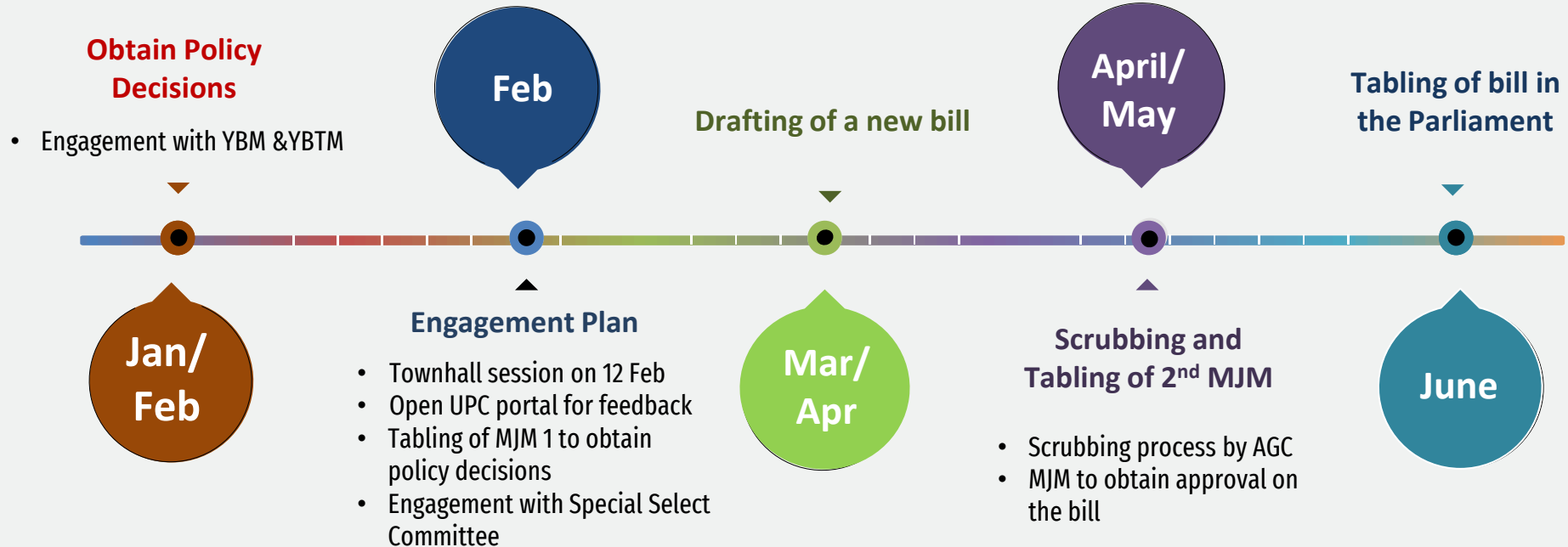
- **Authority of LO**: set the conditions and approval criteria for ML and changes to the form
- **Delegation of Authority** by LO
- Mechanism for **monitoring**
- Mechanism for **enforcement**
- List of **sensitive/highly polluting** industries



Abolish Industrial Advisory Council

- To leverage consultative councils

NEXT STEPS: TARGETING THE TABLING OF THE BILL IN JUNE 2025 WHILE MANAGING A TIGHT TIMELINE



Unified Public Consultation Portal





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