

Technology, Media and Telecommunications & Data Protection

# The Government of Malaysia Launches the Malaysia Digital Initiative

## Introduction

On 4 July 2022, the Government of Malaysia launched a new digital economy initiative, Malaysia Digital, which particularly focuses on the development of nine key emerging digital economy areas in the country ("**Malaysia Digital Initiative**"). This initiative is intended to succeed and replace the 25-year-old Multimedia Super Corridor ("**MSC Malaysia**") agenda, as well as become the primary national strategic initiative to boost the country's digital economy. The Malaysia Digital Initiative was established by the Ministry of Communications and Multimedia, through its digital economy agency, the Malaysian Digital Economy Corporation ("**MDEC**").

Against the background of this new transition, in this Update, we seek to provide you with a brief overview of the said initiative as well as the Malaysia Digital Status ("**MD Status**") offering.

## Overview of the Malaysia Digital Initiative

The Malaysia Digital Initiative has been established to fulfil the following three strategic objectives:

- (a) drive digital adoption among young entrepreneurs, companies and the *rakyat*;
- (b) support local technology companies to become local champions and successful international players; and
- (c) attract high-value foreign digital investments.

The intended vision behind this initiative is to particularly accelerate the economic growth in nine specific areas, namely, (i) digital trade, (ii) digital agriculture, (iii) digital services, (iv) digital cities, (v) digital health, (vi) digital finance, (vii) digital content, (viii) digital tourism, and (ix) Islamic digital economy. Pursuant to this new initiative, MDEC will establish various platforms for active participation and discourse by industry players as well as allow interested parties to provide their feedback on the Malaysia Digital Initiative. Private-sector representatives from relevant industry bodies and organisations will also be appointed to be subject matter experts to provide consultation in relation to the digital economy to interested parties.

To accomplish these goals, the Government of Malaysia, through MDEC, will also be introducing two initial Malaysia Digital Catalytic Programmes ("**Pemangkin**"), which are DE Rantau and Digital Trade.

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DE Rantau is a scheme aiming to make Malaysia the preferred Digital Nomad Hub by increasing digital adoption, promoting professional mobility, and driving tourism around the nation. Digital Trade, on the other hand, seeks to promote interoperability, harmonisation of standards and approaches to regulatory frameworks, as well as facilitate trade both within and beyond our borders. To mobilise the initiative, MDEC has also set up the Malaysia Digital Coordination Committee, whose primary function is to coordinate the administration and operations relating to the Malaysia Digital Initiative, including awarding MD Status to qualifying enterprises.

### MD Status

The Government of Malaysia, through MDEC, awards MD Status to eligible companies that participate in and undertake any of the prescribed activities under the initiatives ("**MD Activities**"). The grant of MD Status entitles eligible companies to a set of incentives, rights, and privileges from the Government of Malaysia, subject to necessary approvals, and compliance with applicable laws, regulations, and other conditions. The new MD Status offers greater agility for local and international digital companies to choose from competitive fiscal and non-fiscal incentives.

In the light of this offering, MDEC has issued the [Guidelines on Malaysia Digital Status](#) which came into force on 30 June 2022. The document sets out the guidelines for the grant of MD Status, including the access to benefits and incentives thereunder, eligibility criteria, applicable conditions, and post approval matters, which we summarise below.

### MD Activities

As mentioned, certain technology-focused activities have been prescribed as activities which would qualify a company to apply for MD Status. These activities are largely the same as the eligible activities prescribed under the MSC Malaysia initiative, save for the introduction of several new emerging technology areas including virtual, augmented and/or extended reality, drone technology, and advanced telecommunication technology.

Qualifying activities under this initiative are activities related to research, development, and commercialisation of solutions and/or provision of services in relation to any of the following areas:

Big data analytics	Artificial intelligence	Financial technology	Internet of things	Cybersecurity
Integrated circuit design and embedded software	3D printing	Robotics	Autonomous technologies	Systems/network architecture design and support

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Data centre and cloud	Blockchain	Creative media technology	Sharing economy platform	User interface and user experience
Global business services or knowledge process outsourcing	Virtual, augmented and/or extended reality	Drone technology	Advance telecommunication technology	Any other emerging technologies deemed significant for the digital ecosystem <sup>1</sup>

#### Eligibility and Conditions

A company is required to meet the following criteria to be eligible to apply for MD Status:

- (a) incorporated under the Companies Act 2016 and resident in Malaysia; and
- (b) proposes to carry out, or is currently carrying out, one or more of the MD Activities.

Once the MD Status has been awarded, there are several conditions that the company must meet within 12 months from the date of the award:

- (a) commencement of operation and undertaking of the activities which have been approved by MDEC in Malaysia;
- (b) employment of minimum two full-time employees, comprising knowledge workers<sup>2</sup>, with a minimum average monthly base salary of RM5,000; they must be employed for the activities approved under the MD Status;
- (c) minimum annual operating expenditure of RM50,000 incurred for the activities approved under the MD Status; and
- (d) minimum paid-up capital requirement of RM1,000.

<sup>1</sup> Subject to approval by the Approval Committee under MDEC.

<sup>2</sup> A “**knowledge worker**” is an individual who holds one of the following: (a) tertiary qualification from an institution of higher learning (in any field); (b) diploma in ICT, engineering, technology, or specialised certification with at least two years of relevant experience in a field which involves heavy use of technology; or (c) professional, executive, management and technical work categories in information technology enabled services, information technology/IS professionals, finance/accounting, business administration, engineering, medical, legal, and also includes: (i) foreign workers with knowledge-based skills that are not prevalent in Malaysia and required by MD Status companies; and (ii) workers who are utilised for their creative talent to produce value-added creative work for MD Status companies ([Appendix 2 of the Guidelines on Malaysia Digital Status](#)).

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Additionally, a company that has been granted MD Status must ensure that the implementation of the approved activities is compliant with all applicable laws and regulations including ensuring that the necessary permit/licence has been obtained from the relevant authority for such implementation.

#### Benefits

When a company is awarded with the MD Status, it will be granted access to a particular set of incentives, rights and privileges. These benefits are collectively termed as the MD Bill of Guarantees ("**BoGs**"). The BoGs represents the manifestation of the Government's intention to facilitate the growth and development of MD Status companies. Under the BoGs, MD Status companies are eligible to access (or apply for) and/or enjoy the following incentives and privileges:

- (a) foreign knowledge worker quota and passes;
- (b) tax incentives (i.e. income tax exemption or investment tax allowance);
- (c) multimedia/ICT equipment import duty and sales tax exemption;
- (d) competitive and ready infrastructure for business available at Malaysia Digital cybercities/cybercentres;
- (e) freedom of ownership by being exempted from local ownership requirements;
- (f) flexibility to source capital and funds globally; and
- (g) MDEC as the one-stop agency for MD status companies;

The benefits under the MD BoGs are subject to separate approvals, where required, as well as fulfilment of any applicable eligibility criteria, and conditions and requirements under any applicable laws and regulations. These will depend on the nature of business of the company in question.

#### Application Procedure and Continuing Obligations

In order to facilitate the application of prospective applicants, MDEC has launched a separate [Malaysia Digital Platform](#) to consolidate and ease the application procedure. Each applicant, however, must complete the application form within 30 days of its registration on the platform. No extension is allowed for the application. Each application for the award of MD Status will be assessed by MDEC and thereafter presented to an Approval Committee comprising various Government representatives for deliberation and decision.

As an MD Status company grows and diversifies, it may apply with MDEC to add new MD activities.

All MD Status companies are also subject to continuing monitoring and reporting obligations, including submitting any information and/or documents as may be requested by MDEC for the purposes of reporting on the progress of their approved activities, on a yearly basis.

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## **Endnote**

The Malaysia Digital Initiative is predicted to have a major impact in increasing the nation's access to digital resources, information, and employment opportunities as well as in luring high-value investments from foreign businesses, which collectively in turn, will bring Malaysia's digital economy to greater heights. Further, all interested and eligible parties are certainly encouraged to apply for MD Status in view of the abundance of benefits that an MD Status company would be entitled to.

Should you require further information on the Guidelines on Malaysia Digital Status or require our assistance in applying for MD Status with MDEC, please feel free to reach out to our team at your convenience, through any of the **Christopher & Lee Ong** partners listed hereunder.

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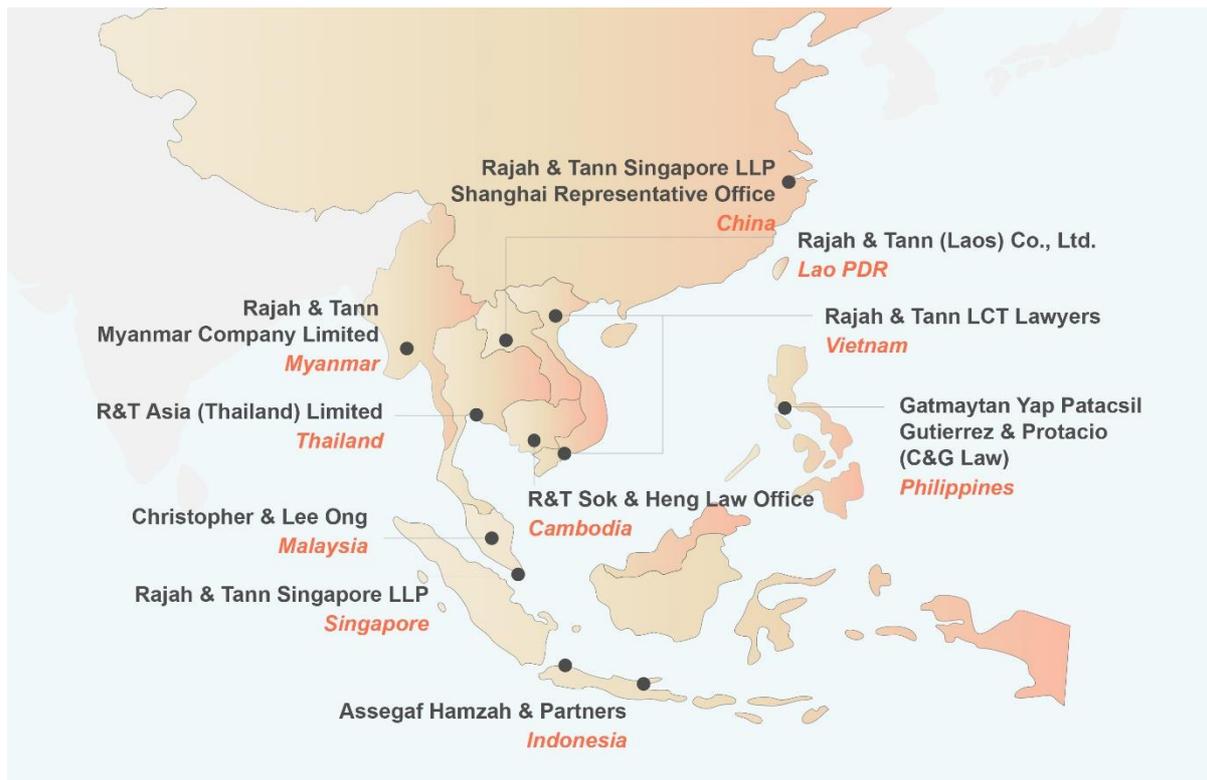
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