

LOGISTIC SERVICES





Introduction

This booklet is one of a series of 20 booklets prepared by MIDA for the purpose of providing investors with relevant information on establishing projects in the identified services sub-sectors in Malaysia. The complete list of booklets is as follows:

- Booklet 1:** General Policies, Facilities and Guidelines
- Booklet 2:** Regional Operations
- Booklet 3:** Research and Development (R&D) Services
- Booklet 4:** Logistics Services
- Booklet 5:** Specialised Technical Support Services
- Booklet 6:** Information and Communication Technology Services
- Booklet 7:** Environmental Management Services
- Booklet 8:** Distributive Trade Services
- Booklet 9:** Tourism and Travel Related Services
- Booklet 10:** Education and Industrial Training Services
- Booklet 11:** Legal Services
- Booklet 12:** Accounting, Auditing and Taxation Services
- Booklet 13:** Architectural Consultancy Services
- Booklet 14:** Surveying Consultancy Services
- Booklet 15:** Medical and Health Care Services
- Booklet 16:** Engineering and Energy Consultancy Services
- Booklet 17:** Management Consultancy Services
- Booklet 18:** Market Research Services
- Booklet 19:** Advertising Services
- Booklet 20:** Quick Reference

The Ministry of International Trade & Industry (MITI) spearheads the development of industrial activities to further enhance Malaysia's economic growth. As an agency under MITI, the Malaysian Investment Development Authority (MIDA) is in charge of the promotion and coordination of industrial development in the country.

MIDA is the first point of contact for investors who intend to set up projects in manufacturing and services sector in Malaysia. With its headquarters in Malaysia's capital city of Kuala Lumpur, MIDA has established a global network of 20 overseas offices covering North America, Europe and the Asia Pacific to assist investors interested in establishing manufacturing projects and services activities in Malaysia. Within Malaysia, MIDA has 12 branch offices in the various states to facilitate investors in the implementation and operation of their projects.

If you wish to explore investment opportunities in Malaysia, please contact MIDA for more information as well as assistance in your decision-making (please see the last page of contact details of MIDA's headquarters and state and overseas offices).

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LOGISTICS SERVICES

The term Logistics Services refers to a supply chain management process that plans, implements and controls the efficient and effective flow and storage of goods, services and related information between the point of origin and the point of consumption in order to meet customers' requirements.

The main services in this area are as follows:

- Warehousing, storage and inventory management services.
- Transportation services.
- Freight forwarding/customs clearance and shipping services.
- Integrated Logistic Services (ILS).
- International Integrated Logistic Services (IILS).
- Cold Chain Facilities.

1. WAREHOUSING SERVICES

There are three (3) types of licences, depending on the warehousing requirements of the operator. An operator can choose to operate as an ordinary warehouse, a Public Bonded Warehouse or a Private Bonded Warehouse.

Investors intending to provide warehousing services are required to incorporate a company under the Companies Act, 2016.

1.1 Licensing and Registration

(i) Ordinary Warehouse Licence

A company that wishes to provide ordinary warehousing services must apply for a licence to the relevant Local Authority.

The following approvals must be obtained before applying to the Local Authority:-

- Approval from the Department of Environment (DOE) when operators store hazardous goods.
- Approval from the Fire and Rescue Department and other Technical Agencies to ensure that the premise is equipped with an adequate number of fire extinguishers and safety alarm systems.
- Certificate of Completion and Compliance (CCC) from the Local Authority which is an official document to acknowledge that the building is safe for occupation.
 - The CCC which was implemented in 2007 replaces the Certificate of Fitness for Occupation (CFO) previously issued by the Local Authority. The CCC is issued by the project's Principal Submitting Person (PSP) who is a Professional Architect, Professional Engineer or a Registered Building Draughtsman.

(ii) Public Bonded Warehouse Licence

- A Public Bonded Warehouse operates as a central storage for the distribution of bonded goods (i.e. goods on which Customs duties and taxes have not been paid) in the country and for international trade, catering for the general public.
- Public Bonded Warehouses that store different categories of goods must comply with the following conditions:-

Category of Goods	Minimum Warehouse Space (square feet)	Minimum Paid-up Capital (RM)	Minimum Value of Goods Warehoused
Critical Goods	50,000	1,000,000	NA
Non-Critical Goods	20,000	250,000	NA

(iii) Private Bonded Warehouse Licence

- A Private Bonded Warehouse is a central storage and distribution centre for bonded goods (i.e. goods on which Customs duties and taxes have not been paid), of the companies and its related companies.
- Private Bonded Warehouses that store different categories of goods must comply with the following conditions:-

Category of Goods	Minimum Warehouse Space (square feet)	Minimum Paid-up Capital (RM)	Minimum Value of Goods Warehoused
Critical Goods	NA	150,000	5,000,000
Non-Critical Goods	NA	100,000	2,000,000

Activities that can be carried out in these warehouses are as follows:

- Warehousing
- Bulk breaking
- Re-packaging
- Re-labelling of imported goods
- Consolidation
- Entreport
- Devending

A company that wishes to provide public or private bonded warehousing services must apply to the Royal Malaysian Customs Department.

The following approvals must be obtained before applying to the Royal Malaysian Customs Department:

- Approval from DOE when operators store hazardous goods.
- Approval from the Fire and Rescue Department and other Technical Agencies.
- CCC from the Local Authority.

1.2 Other Licensing and Registration

A Public or Private Bonded Warehouse operator that is licensed under Section 65 of the Customs Act, 1967 can be given permission to act as an agent for transacting businesses relating to the import or export of goods that are stored in the licensed warehouse. For this purpose, a warehouse operator is required to obtain a Freight Forwarding Agent/Customs Agent Licence and/or Shipping Agent Licence.

Applications for the above licences except for Customs Agent Licence should be submitted directly to the Royal Malaysian Customs Department. Before acquiring a Freight Forwarding Agent/Customs Agent Licence from the Royal Malaysian Customs Department, the company must obtain an International Integrated Logistics Services (IILS) status from MIDA.

1.3 Equity Policy

- Ordinary Warehouse: There is no equity condition imposed by the Royal Malaysian Customs Department. Investors only need to obtain licence from the local authority.
- Public Bonded Warehouse: A company must have at least 30% Bumiputera equity.
- Private Bonded Warehouse: There is no equity condition imposed by the Royal Malaysian Customs Department.

1.4 Specific Immigration Procedure

The company must apply for an approval to employ expatriates from the Expatriate Committee of the Immigration Department. Upon approval of the expatriate posts, companies should forward their applications for Employment Passes to the Immigration Department for endorsement. The spouse and children of the expatriate can apply for Dependant Passes once the expatriate has been issued with the Employment Pass. The Dependant Pass may be applied together with the application for the Employment Pass or after the Employment Pass is approved. The spouse and children of the expatriate who enter the country on a visit (temporary employment or professional) will be issued a visit (social) pass.

1.5 Special Industrial Building Allowance for Warehouses

An initial allowance of 10% and an annual allowance of 3% of qualifying capital expenditure is given for buildings used as warehouses for storing goods for export and re-export.

Applications should be submitted to the Inland Revenue Board.

2. TRANSPORTATION SERVICES

2.1 Licensing and Registration

Investors intending to provide transportation services are required to incorporate a company under the Companies Act, 2016.

The following licences are required to be obtained:

(i) Licence for Commercial Vehicle and Haulage

- Transportation Services

Companies intending to provide transportation services to third parties using commercial vehicles are required to obtain Carrier Licence A and companies that provide services for their own use are required to obtain Carrier Licence C. Both licences must be obtained from the Land Public Transport Commission (SPAD) for operators in Peninsular Malaysia and Commercial Vehicles Licensing Board (CVLB) for operators in Sabah and Sarawak, in accordance with the Commercial Vehicles Licensing Board Act, 1987.

Applications should be submitted to SPAD/CVLB.

- Transportation of Container Bulk, Bulk Liquid and General Haulage

Commercial vehicles that are used in the transportation of container bulk, bulk liquid and general haulage and freight, must be registered with the Road Transport Department Malaysia (JPJ).

To register with JPJ, the following documents are required:

- Registration licence with SPAD/CVLB.
- Inspection and weighing reports from the Computerised Vehicle Inspection Centre (PUSPAKOM).
- An Ad Valorem Registration Fee (AVRF) certificate and valuation (for trailers and semi-trailers in Peninsular Malaysia).

A separate application should be submitted to JPJ for each commercial vehicle.

(ii) Licence for Transporting Scheduled Wastes

In accordance with the Environmental Quality (Scheduled Wastes) Regulations, 1989, a company transporting scheduled wastes is required to obtain a licence from Department Of Environment (DOE). The licence is valid for one (1) year and is renewable.

(iii) Licence for Transportation of Radioactive and Nuclear Materials

Companies that wish to transport nuclear and radioactive materials are required to obtain a Class D Licence from the Atomic Energy Licensing Board (AELB).

2.2 Equity Policy

Companies intending to provide transportation services are required to comply with the equity conditions imposed by SPAD/CVLB as follows:

- Licence A application: The company must have at least 51% Malaysian equity (including 30% Bumiputera equity) and up to 49% foreign equity ownership is allowed. The approval will be subjected to the decision by the Licensing Committee. For courier services providers, up to 100% foreign equity ownership is allowed.
- Licence C application: Up to 100% foreign equity ownership is allowed.

2.3 Specific Immigration Procedure

The company must apply for an approval to employ expatriates from the Expatriate Committee of the Immigration Department. Upon approval of the expatriate posts, companies should forward their applications for Employment Passes to the Immigration Department for endorsement. The spouse and children of the expatriate can apply for Dependant Passes once the expatriate has been issued with the Employment Pass. The Dependant Pass may be applied together with the application for the Employment Pass or after the Employment Pass is approved. The spouse and children of the expatriate who enter the country on a visit (temporary employment or professional) will be issued a visit (social) pass.

3. FREIGHT FORWARDING/CUSTOMS CLEARANCE AND SHIPPING SERVICES

Investors intending to undertake freight forwarding and shipping services are required to incorporate a company under the Companies Act, 2016.

3.1 Licensing and Registration

- (a) Companies planning to operate as Freight Forwarding Agents/Customs Agent and Shipping Agents are required to obtain the relevant licences from the Royal Malaysian Customs Department in accordance with Section 90 of the Customs Act, 1967.
- (b) For a company to qualify for a Freight Forwarding Agents/Customs Agent Licence, it must obtain an International Integrated Logistics Services (IILS) status from MIDA before acquiring the licence from the Royal Malaysian Customs Department.

Paid-up Capital Requirement

The paid-up capital requirement for different categories of Freight Forwarding Agents/Customs Agents and Shipping Agents are as follows:

Activity	Paid-up Capital	Approval Period for New Application
Freight forwarding/ customs clearance and shipping	Not less than RM100,000.00 (Ringgit Malaysia) - for companies registered under Companies Act 2016	1 year (renewable)
	RM50,000.00 (Ringgit Malaysia) - for companies registered under Registration of Businesses Act 1956	1 year (renewable)

Applications should be submitted to the Royal Malaysian Customs Department.

3.2 Equity Policy

- **Freight Forwarding Agent/Customs Agent**
 - Before acquiring a Freight Forwarding Agent/Customs Agent Licence from the Royal Malaysian Customs Department, the company must obtain an International Integrated Logistics Services (IILS) status from MIDA.
- **Shipping Agent**
 - 100% foreign equity ownerships is allowed.

4. INTEGRATED LOGISTICS SERVICES (ILS)

The main activities in the Integrated Logistics Services (ILS) are freight forwarding, warehousing, transportation and other related value-added services such as distribution, procurement and supply chain management in an integrated basis.

Companies intending to undertake ILS activities are required to obtain the respective operating licences from the various licensing agencies.

Companies undertaking ILS are eligible for Pioneer Status (PS) or Investment Tax Allowance (ITA). An existing approved logistics company that has enjoyed the ILS incentive can be considered for 2nd round of the ILS incentive. The objective of granting the incentive is to create an efficient and competitive logistics industry to encourage the integration and consolidation of the various transport intermediaries along the logistics supply chain in Malaysia. In this regard, Malaysian companies are encouraged to expand and venture into higher value-added services to enable them to compete globally.

4.1 Tax Incentives

New and existing companies providing the above services are eligible to apply for incentives under the Promotion of Investments Act, 1986.

The tax incentives are as follows:

- Pioneer Status
 - Pioneer Status with a tax exemption of 70% of the statutory income for a period of five (5) years.
- Investment Tax Allowance (ITA)
 - ITA of 60% on the qualifying capital expenditure incurred within a period of five (5) years. The allowance can be offset against 70% of the statutory income for each year of assessment. Unutilised allowances can be carried forward to subsequent years until fully utilised.

4.2 Eligibility criteria

Companies that meet the following criteria can apply for the ILS incentives:-

- Incorporated under the Companies Act, 2016
- At least 60% of its equity is held by Malaysians

- ILS providers should undertake the following three (3) principal activities:
 - Warehousing
 - Transportation
 - Freight forwarding

In addition to the above activities, the company should undertake at least one (1) of the following activities:

- Distribution;
- Other related and value-added services (e.g. palletising, product assembly/ installation, bulk breaking, consolidation, packaging/re-packaging, procurement, quality control, labelling/re-labelling, testing, etc); or
- Supply chain management.

Companies should have the following minimum infrastructure

- Commercial Vehicles: 20 units
- Warehousing facilities: 5,000 m²

4.3 Equity policy

An ILS company that is approved with tax incentive under the Promotion of Investments Act, 1986 must have at least 60% Malaysian equity.

4.4 Specific Immigration Procedures

Companies that have been approved for incentives to provide ILS can apply for expatriate posts, namely Key Posts and Time Posts. Upon approval, companies should forward their applications for Employment Passes to the Immigration Department for endorsement.

Applications for incentives and expatriate posts should be submitted to MIDA.

5. INTERNATIONAL INTEGRATED LOGISTICS SERVICES (IILS)

An International Integrated Logistics Services (IILS) provider is a company that provides integrated and seamless logistics services (door-to-door) along the logistics supply chain as a single entity on a regional or global scale.

Eligible companies can apply for the IILS status and upon approval be issued the Freight Forwarding Agent/Customs Agent licence by the Royal Malaysian Customs Department. However, this status is not a guarantee for the consideration of tax incentives under the Promotion of Investments Act, 1986.

5.1 Eligible Applicants

New entrants or existing logistics service providers may apply.

5.2 Qualifying Criteria

- (i) Local incorporation under the Companies Act, 2016.
- (ii) Must undertake the following three (3) principal activities:
 - Warehousing
 - Transportation
 - Freight forwarding, including customs clearanceAnd at least one of the following activities:
 - Distribution
 - Other related and value-added logistics services/activities
 - Supply chain management
- (iii) Manage at least:
 - 20 units of commercial vehicles; and
 - 5,000 m² of warehouse space
- (iv) Employ majority Malaysians and preference must be given to local professionals.
- (v) Use Malaysia as a hub for logistics supply chain services in the region.
- (vi) Have good networks with logistics service providers abroad in order to provide seamless integrated logistics services for the regional market.
- (vii) Substantial usage of ICT infrastructure throughout the logistics chain and value-added activities.
- (viii) Compulsory attendance of the Customs Agent course conducted by the Royal Malaysian Customs Department. However, staffs who have attended this course are exempted from this requirement.

5.3 Equity Policy

A company that is approved with ILS status is allowed 100% foreign equity ownership.

6. COLD CHAIN FACILITIES

Companies undertaking cold chain facilities provide a wide range of services including cold room, refrigerated truck and other related services such as the collection, storage and distribution of perishable local agricultural produce.

6.1 Licensing and Registration

Investors intending to provide cold room and refrigerated truck facilities and related services that involving warehousing and transportation services are required to:-

- Incorporate a company under the Companies Act, 2016
- Obtain operating licences for:
 - Public/Private Bonded Warehouse
 - Licences for Commercial Vehicles and Haulage (Class A Licence)

6.2 Tax Incentives

Companies providing cold chain facilities and services for perishable agricultural produce such as fruits, vegetables, flowers, ferns, meat and aquatic products are eligible for consideration for Pioneer Status (PS) or Investment Tax Allowance (ITA).

The tax incentives are as follows:-

(a) New Company

- PS with tax exemption of 70% of statutory income for five (5) years; or
- ITA of 60% of qualifying capital expenditure incurred within five (5) years. The allowance can be offset against 70% of the statutory income for each year of assessment. Unutilised allowances can be carried forward until fully absorbed.

(b) Existing Company

- PS with tax exemption of 70% on the increased statutory income arising from reinvestment for a period of five (5) years; or
- ITA of 60% of the additional qualifying capital expenditure incurred within a period of five (5) years. The allowance can be offset against 70% of the statutory income in each year of assessment. Unutilised allowances can be carried forward until fully absorbed.

6.3 Eligibility Criteria

- Incorporate a company under the Companies Act, 2016.
- The applicant must be an independent service provider.

6.4 Eligible Activities

- The provision of cold room facilities or refrigerated transportation for local agriculture produce with or without other post-harvest activities including cleaning, washing, grading, freezing/chilling and packing
- The provision of cold room facilities or refrigerated transportation for locally produced processed products

6.5 Qualifying Income

- At least 60% of the company's revenue must be derived from the provision of cold room facilities, refrigerated transportation and other related services for local agricultural produce.

6.6 Exemption from Import Duty on Machinery and Equipment

Companies providing cold chain facilities intending to import machinery and equipment that are not available locally can apply for import duty.

6.7 Specific Immigration Procedures

Companies applying for incentives to provide cold chain facilities can also apply for expatriate posts namely Key Posts and Time Posts. Upon approval, companies should forward their applications for Employment Passes to the Immigration Department for endorsement.

All applications for incentives, duty exemptions and expatriate posts should be submitted to MIDA.

7. GENERAL AGREEMENT ON TRADE IN SERVICES (GATS), ASEAN FRAMEWORK AGREEMENT ON SERVICES (AFAS) AND FREE TRADE AGREEMENTS (FTAs)

The updates and information on Schedule of Specific Commitments of GATS, AFAS and FTAs is available in MITI's website www.miti.gov.my



Malaysian Investment Development Authority

MIDA Sentral, No.5, Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur, Malaysia

Tel: (603) 2267 3633 Fax: (603) 2274 7970

Website: www.mida.gov.my E-mail: investmalaysia@mida.gov.my

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