

 <small>(Previously known as Malaysia Automotive Institute)</small>	Document No:	Page: 1 of 9
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Title: Standard Operating Procedure (SOP) Cost Benefit Analysis (CBA)		Project Manager:

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1. PURPOSE

- 1.1 The purpose of this document is to define the procedure and requirements for Customised Incentives (CI) application through the evaluation of Cost Benefit Analysis (CBA). This procedure shall serve as a guide for applicants with regard to their request for tax exemption such as excise duty, import duty or sales tax.

2. SCOPE

- 2.1 This procedure applies to all automotive industry players/ manufacturers/ franchise in Malaysia that manufacture and assembled Energy Efficient Vehicle (EEV) or Next Generation Vehicle (NxGV) certified in Malaysia.

3. BACKGROUND

- 3.1 The CI refers to incentives that enable higher multiplier than the standard Industrial Linkage Program (ILP) ratio (greater than ratio 1:1) that results in higher import, excise duty and sales tax reduction by taking into account of potential benefits to the country i.e. new investment, higher employment rates and technology adoption. The CI may also consider duties reduction percentage of vehicle subject to strategic business plan of respective companies and ABDC discussion.

4. CUSTOMISED INCENTIVE APPLICATION TIMELINE

- 4.1 Application for CI should be submitted 3 months before project begins. Similarly, any application for extension of incentives should be submitted 3 months prior to its expiry date.

5. DOCUMENT REQUIRED FOR CUSTOMISED INCENTIVES APPLICATION

- 5.1 For the purpose of CI application, OEM shall submit the following documents to MARii:

- 5.1.1 Application letter should be addressed to MITI, and carbon copy (cc) to MOF and MARii as attention line below:

Ministry of International Trade and Industry (MITI)
Industrial Development Division,
Menara MITI, No. 7,
Jalan Sultan Haji Ahmad Shah,
50480 Kuala Lumpur

Uncontrolled when printed:
For the most current copy, contact cba@marii.my

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(Attn.: Senior Director of Industrial Development Division)

- 5.1.2 CBA document with official signatory by OEM which include the EV1 form (using RMCD format);
 - 5.1.3 Overall business strategy slides;
 - 5.1.4 Project proposal slides;
 - 5.1.5 Relevant supporting document for project proposal i.e. investment, list of local vendors, list of company personnel and etc.;
 - 5.1.6 The Person-in-Charge (PIC) or contact point;
 - 5.1.7 Technical details for each models (slides) including the comparison between old and new model if applicable; and
- 5.2 Any further information to support the CBA application shall be provided by the company upon requests by the ABDC through MARii.
- 5.3 After the final submission of documents in clause 5.1, any amendments to the application will be treated as a new application.
- 5.4 For enquiries and clarification, please refer to:-
- Malaysia Automotive, Robotics and IoT Institute (MARii)
MARii website : www.marii.my
Tel : (603) 8318-7742
Fax : (603) 8318-7743
Email : cba@marii.my
- 5.5 The approval of CI shall be granted upon approval of ILP standard value by ABDC and it is compulsory for the OEMs to submit the ILP standard application to MIDA. However, the application of CI and ILP may be done concurrently.
- 5.6 One of the criteria for tax incentive eligibility will be based on technical requirements of the type of vehicle powertrain. MARii will validate the type of vehicle powertrain and ABDC will recommend the tax incentives eligibility based on the affirmation by MARii. Apart from this, OEMs shall also obtain vehicles' classification from RMCD for tax declaration.
- 5.7 EEV certification is a pre-requisite requirements for CI application and shall be in accordance of Malaysian Standard (MS) 2722 : Energy Efficient Vehicle (EEV) Requirements. EEV certification is administered and endorsed by MARii. However, previously approved EEV Certification by JPJ is still valid until notified otherwise.

6 AMENDMENT OF APPROVED CUSTOMISED INCENTIVES APPLICATION

- 6.1 In any case of OEM intend to request for amendment on the approved CI including its condition, a formal letter should be written to MITI and carbon copy (cc) to MOF, RMCD, MARii and MIDA for further action;
- 6.2 CI amendment can be considered subject to the production of incentivised model that has not been carried out as per following cases:
 - 6.2.1 Changes in desired incentives after approval of CI or commitment approved is not as per OEM's request. OEM may revise current business plan such as adding more investment, increase localisation and export; and
 - 6.2.2 Additional model to receive incentive subject to sharing same investment.
- 6.3 Notwithstanding with the requirements in the clause 6.2, CI amendments also can be considered subject to the Return of Investment (ROI) calculation for the following cases:
 - 6.3.1 Additional quantities;
 - 6.3.2 Changes of localisation values as per latest approval by ABDC;
 - 6.3.3 Changes of export plan;
 - 6.3.4 Changes of model code that effect cost structure; and
 - 6.3.5 Changes of additional latest technology that aligned with NAP especially the critical technologies, parts and components list in the NAP 2020.
- 6.4 MARii shall revise the CBA as per amendment request and present the findings to ABDC for discussion and recommendation to MOF;
- 6.5 However, CI amendment shall not be entertained subject to the following cases:
 - 6.5.1 Appeal for desired incentive without revising business plan; and
 - 6.5.2 Cancellation of incentives on approved models, if the application was based on incentive package.
- 6.6 Customised Incentive (CI) will not be considered for the vehicle model that has been excised using the standard ILP value/ sold in the market. The new incentive application may be considered for future facelift or full model change. The approved incentives value must be channelled entirely to the buyer.

- 6.7 Manufacturers can appeal **at most two (2) times** on the incentives application after the incentive approval letter is issued by MOF.

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7 EXTENSION OF CUSTOMISED INCENTIVE APPROVAL

7.1 In any cases of OEM intend to request an extension on the approved CI, formal letter should be written to MITI and carbon copy (cc) to MOF, RMCD, MARii and MIDA.

7.2 The extension of the CI shall be contingent upon the outcome of audit.

7.3 The Extension Criteria

7.3.1 Pass Criteria:

- a. **Audit Score:** 100%
- b. **Action Required:** The acceptable threshold for audit performance is set at 100% for extension to be considered.

7.3.2 Passing with Justification Criteria:

- a. **Audit Score:** 80% - 99%
- b. **Action Required:** OEM that score between 80% and 99% are required to submit a letter of justification for non-compliance of the commitments. Incentive extension will be considered after the submission of justification letter subject to the consensus from ABDC and approval by MOF.

7.3.3 Fail Criteria:

- a. **Audit Score:** < 80%
- b. **Action Required:** Incentive extension will not be considered, and OEM is required to submit a letter of justification for the non-compliance of the commitments.

7.4 Submission of Justification Letter

Company is obligated to provide a written explanation and justification within 14 days from the date of issuance of MOF's show cause letter.

7.5 Additional Extension Period

A maximum extension of 7 days will be granted upon request by OEM.

7.6 However, all clauses in Paragraph 7 are subject to the ABDC's discretion.

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8 CANCELLATION OF CUSTOMISED INCENTIVES APPROVAL

- 8.1 In any cases of OEM that intends to cancel the CI approval issued by MOF, a subsequent formal letter of request shall be issued to MITI/ MOF and cc to RMCD, MARii and MIDA to inform the decision. The request will be further deliberated in ABDC and later recommended to MOF for final approval of cancellation.

9 MONITORING

- 9.1 MARii with the assistance from MITI/RMCD/MIDA shall conduct periodical commitment verification on OEM based on the stipulated interval that is mentioned in the CI approval letter and this commitment verification shall also be applicable for extension in CI application;
- 9.2 OEM shall be responsible for all information submitted through CBA as commitment to the CI approval; and
- 9.3 All necessary supporting documents for commitment verification purposes must be submitted by OEM to MARii.
- 9.4 OEM shall be responsible to provide any information requested by the commitment verification auditor within 14 days from the date of request. Failure in providing the information will result to cancellation on the extension of tax incentive and the company is required to submit a new application for approval.

ABBREVIATION

CBA	Cost Benefit Analysis
CI	Customised Incentives
EEV	Energy Efficient Vehicle
ILP	Industrial Linkage Program
MARii	Malaysia Automotive Robotics and IoT Institute
MIDA	Malaysian Investment Development Authority
MITI	Ministry of International Trade and Industry
MOF	Ministry of Finance
NAP	National Automotive Policy
NxGV	Next Generation Vehicle
OEM	Original Equipment Manufacturers
PIC	Person in Charge
RMCD	Royal Malaysian Customs Department
ROI	Return on Investment

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