CIRCULAR NO: 20/2026 DATE: 10 February 2026

TO: ALL MEMBERS

NEW INCENTIVE FRAMEWORK

Reference is made to the **ANNOUNCEMENT** by the Malaysia Investment Development Authority (MIDA) dated 15 January 2026.

The New Incentive Framework (NIF) represents a major structural reform under Budget 2026. It shifts Malaysia toward a tiered, outcome-based incentive model aligned with National Investment Aspirations (NIA) and the New Industrial Master Plan (NIMP) 2030.

For all members, this shift underscores a critical change: incentives will no longer be applied on a blanket basis. Instead, eligibility and benefits will be determined by demonstrated, measurable contributions to the national economy, including but not limited to technology adoption, skills development and sustainability outcomes.

1. Core Mechanism: Two Mutually Exclusive Incentive Pathways
   Companies must select one of the following options; this election is final upon submission to MIDA.

A. Special Tax Rate (STR)
   - Corporate tax reduced to **0%–10% for up to 15 years** (depending on category).
   - Losses incurred during STR period can be carried forward for seven years.

B. Investment Tax Allowance (ITA)
   - **Up to 100% allowance** on qualifying capital expenditure (QCE) for up to 15 years.
   - Offset up to **70–100% of statutory income**.
   - Unutilised ITA can be carried forward until fully used.

2. Incentive Categories Relevant to MPMA Members

CATEGORY	INCENTIVE HIGHLIGHTS
New Investments	STR 0–10% OR ITA up to 100% (15 years)
Less Developed Areas	STR 0–15% OR ITA up to 100%
Small Companies	STR 3–12% (15 years)

Note for Members: This is particularly crucial for plastics SMEs operating outside the Klang Valley, as many will qualify for the enhanced "Less Developed Area" advantages.

3. Determining Your Incentive Tier: The NIA Scorecard
   The specific tier and rate within the above categories will be determined by an assessment against the NIA Scorecard, which evaluates projects based on:

- Economic value creation
- Creating high-value jobs
- Technology adoption (IR4.0, automation)
- Local supply chain strengthening
- Environmental sustainability (ESG)

- Talent development (80% Malaysian employment)

A higher score directly correlates with a more favourable incentive tier.

4. Critical Deadlines & Transitional Rules
   Final Deadline for Old Regime: Applications under the previous Promotion of Investments Act (PIA) incentives must be submitted by 28 February 2026 (3:00 PM).

   Post-Deadline: All new applications for manufacturing incentives will be assessed exclusively under the NIF.

Immediate Action Required: Members with pending expansion, diversification, or automation projects must align their application timelines with this absolute deadline.

5. Key Benefits for MPMA Members

BENEFIT	**WHY IT MATTERS**
Lower tax rate up to 0%	Boost cash flow for expansion and modernisation
ITA up to 100%	Ideal for high-capex plastics processing upgrades
Better support for automation/IR4.0	Helps address labour shortages and productivity gaps
ESG rewards	Supports transition to circular plastics economy
Focus on local supply chains	Promotes stronger MPMA member linkages

ACTIONS REQUIRED
All MPMA members are urged to:

1. Understand which incentive (STR or ITA) fits your business model.
2. Align your investment plans with NIA Scorecard requirements.
3. Act before 28 Feb 2026 if using existing PIA incentives.
4. Strengthen documentation: ESG, automation, jobs, capex plans.
5. Leverage MPMA support to build collective capacity (training, tooling, supply chain).

For additional clarification, please contact MIDA through their contact centre at +603 2267 3633.

For further enquiries, please do not hesitate to contact MPMA at E:khairil@mpma.org.my

The official **Guidelines** and Frequently Asked Questions (**FAQ**) for the NIF are available via the linked resources provided by MIDA.

Thank you.
MALAYSIAN PLASTICS MANUFACTURERS ASSOCIATION

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Executive Director