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MIDA Automation Capital Allowance (Automation CA) Application

1. Company and Digitalisation Services Overview

What is Automation Capital Allowance (Automation CA)?

The **Automation Capital Allowance (Automation CA)** is a **Malaysian government tax incentive** designed to boost & integrate adoption of automation and **Industry 4.0 technologies** in the **manufacturing and services sectors**.

Key Tax Incentive Features:

- **Capital allowance of 200%** on automation-related capital expenditure (CAPEX)
- Claimable up to **RM10 million per year of assessment (YA)** from **2023 to 2027**
- Applies to **automation equipment, software, and systems** that enhance productivity

2. MIDA Reference and Guidelines

For full guidelines and application forms, please refer to MIDA's official portal:



https://www.mida.gov.my/wp-content/uploads/2024/07/Guideline-for-New-Automation-CA_Services.pdf



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3. Eligibility Checklist for Manufacturing & Services Sector Clients

The Automation CA incentive targets companies actively investing in **automation and digitisation** upgrades. Use the checklist below to evaluate eligibility :-

3.1. Basic Eligibility Criteria

Requirement	Status (✓/✗)
Incorporated in Malaysia under Companies Act 2016	
Operational for at least 36 months	
Engaged in eligible services/manufacturing sector	
Project involves automation or digitalisation system	
CAPEX on qualifying equipment/software is ≤ RM10 million	
Includes at least one Industry 4.0 element (e.g. IoT, AI, cloud)	
Project improves productivity, reduces labor or enhances quality	
Not claiming other overlapping incentives in same YA (e.g. RA, ITA)	

3.2. Examples of Eligible Services Sector Activities

Below are service sector categories that can qualify if automation or Industry 4.0 is applied:

Sector	Qualifying Tax-Incentivised Example
Logistics & Warehousing	Automated picking, inventory systems, RFID-based tracking
Healthcare / Hospitals	Automated diagnostics, smart energy control, IoT ward monitoring
Hospitality	Smart room automation, HVAC optimization, energy monitoring
Retail / F&B Chains	Cold chain monitoring, kitchen automation, automated inventory (not POS)
Facilities Management	Smart metering, predictive maintenance, IoT fault monitoring
Utilities	Digital SCADA, IoT flow sensors, automated switching/valves
Agriculture / Agro-Tech	IoT irrigation, drone monitoring, automation for harvesting/drying
Construction	BIM-integrated automation, prefabrication, safety monitoring
Education Institutions	Smart labs/classrooms, energy optimization via sensors
Tech Service Providers	Providing automation & digitalisation solutions to clients



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3.3. Examples of Eligible Manufacturing Sector Activities

Manufacturing companies are eligible to claim Automation CA for qualifying automation or Industry 4.0 upgrades. Below are examples:

Manufacturing Industry	Examples of Qualifying Activities
Facilities Maintenance	IoT-based equipment health monitoring, CMMS systems, AI predictive alerts, automated fault detection, smart HVAC maintenance dashboards
Food & Beverage	Automated filling, IoT temperature/humidity tracking, predictive maintenance
Semiconductor / Electronics	Automated test handlers, AI-based yield optimization, defect detection
Automotive	Robotic assembly lines, smart material handling, AI for predictive quality control
Steel & Metal Fabrication	CNC automation, production planning dashboard, IoT-powered welding monitors
Plastic / Rubber	Injection moulding with digital control, real-time monitoring, energy analytics
Textiles / Apparel	Pattern cutting automation, smart conveyors, machine health monitoring
Furniture / Wood	CNC routers, automated sanding/painting lines, defect detection systems
Pharmaceuticals	Automated cleanroom monitoring, AI-assisted batch production, smart HVAC controls
Paddy / Rice Processing	IoT-based drying control (e.g., APD system), moisture prediction, smart silos

3.4. Industry 4.0 Technologies Recognized by MIDA

Your digitalisation/automation system must include at least one of the following Industry 4.0 pillars:

- IoT (Internet of Things)
- Big Data Analytics
- Cloud Computing
- Artificial Intelligence (AI)
- Augmented Reality
- Cybersecurity
- Autonomous Robots
- System Integration
- Simulation
- Advanced Materials



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4. Description of Digitalisation Services Offered

Tanand Technology provides digitalisation services to services & manufacturing companies that include IoT sensor deployment, integration of cloud-based energy monitoring systems, and AI-driven control optimization for HVAC, chiller systems, and process lines.

Key Services Include:

- **Energy Management System (EMS)** deployment
- **Smart BACS automation control** for pumps, fans, chillers, AHUs, FCUs, inverters, actuators
- **Real-time IoT-based data acquisition for production optimization**
- **Machine Learning and predictive analytics** to reduce production downtime, increase productivity and reduce energy consumption.
- **Energy Optimization**
- **Industry Focus:** offering digital transformation, automation integration, and energy management solutions to manufacturing & services clients
- **IoT-driven predictive maintenance**
- Integration with CMMS
- **Smart FM automation**
- **Real-time performance dashboards with OEE, MTTR, and escalation system**

5. Sample Government Incentives Benefit Calculation

Sample Scenario:

- CAPEX Incurred by Tanand solution for Client Deployment:
- **RM1,000,000**
- Automation CA Eligibility:
- **200% of RM1,000,000 = RM2,000,000**
- Corporate Tax Rate: **24%**
- **Total Tax Saving: RM2,000,000 × 24% = RM480,000**



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Tax Saving Incentive Breakdown Over Two Years:

Year of Assessment	CAPEX Claimed (RM)	Automation CA (200%) (RM)	Tax Saving (24%) (RM)
2025	500,000	1,000,000	240,000
2026	500,000	1,000,000	240,000



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6. Documents Required from Manufacturing Clients

Clients must submit the following documents:

- I. Business License (Local Authority)
- II. Manufacturing License (ML) or MIDA Exemption Letter
- III. Tax Incentive Approval Letters (if any)
- IV. Certified Documents by External Auditor:
 - a. List of Installed Equipment
 - b. Purchase Orders, Invoices, Delivery Orders
 - c. Proof of Full Payment
- V. Technical Proposal and System Diagrams
- VI. SIRIM Site Verification Request

7. Application Process Flowchart

Step-by-step Process:

- a) Client prepares and certifies required documents
- b) Online submission via **MIDA InvestMalaysia portal**
- c) MIDA reviews and forwards to SIRIM
- d) SIRIM will conducts technical verification & site visit
- e) SIRIM shall submits report to MIDA once verified
- f) MIDA issues Consideration Letter (cc: MITI, MOF, IRBM)
- g) Client declares capital expenditure in tax returns to IRBM and get the government incentive returns