



The ACA Playbook

**Claim 200% on every
Ringgit you automate.**

A practitioner's guide to Malaysia's Automation Capital Allowance — what qualifies, how MIDA and SIRIM verify it, and the traps that kill most claims before they're filed.

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A note before you read this

I've spent a decade walking into Malaysian plants — oil and gas, transit infrastructure, FMCG, semiconductors, palm oil, heavy industry. In nearly every conversation, the same pattern shows up.

The factory owner tells me he wants to automate. He's seen the AI demos. He's read the Budget speech. He knows his Monday is held together by a handful of senior operators who've been there twenty years and one of them is retiring soon.

Then I ask him: *Are you claiming Automation Capital Allowance?*

Most of the time, the answer is no. Sometimes it's *"my tax agent is looking at it."* Once it was *"what's that?"* — from a director who had already committed millions to robotics the year before.

The Automation Capital Allowance has been Malaysian tax law since Budget 2015. The current 200% framework runs until 31 December 2027. It is one of the most generous industrial tax incentives in ASEAN. And it is sitting on the table, untouched, in most plants I visit.

This guide is everything I wish more factory owners knew before they signed the first PO. No upsell, no follow-up call expected — read it, share it with your tax agent, and apply what fits. If it saves one Malaysian manufacturer a meaningful claim, the time was worth writing it.

— Dean

01 The opportunity, in plain numbers

The Automation Capital Allowance (ACA) is a tax incentive administered by the Malaysian Investment Development Authority (MIDA). For qualifying automation expenditure, it gives you **200% capital allowance**, capped at **RM10 million per company per year**, for assessment years 2023 to 2027.

200%

CAPITAL ALLOWANCE

RM10M

ANNUAL CAP

~RM4.8M

CASH SAVED @ 24%

Worked example, 24% corporate tax rate:

LINE ITEM	AMOUNT
Qualifying automation spend	RM 10,000,000
Capital allowance (200%)	RM 20,000,000
Tax saved at 24% corporate rate	RM 4,800,000

For every RM1 you spend on qualifying automation, you take RM2 off your taxable income. At the 24% corporate rate, that's roughly RM0.48 of cash back per RM1 spent — assuming you have the taxable profit to absorb it.

Two caveats most guides skip:

The deduction is non-refundable. If your taxable profit in the year of claim is less than the allowance, the unused portion carries forward — it does not become a cash refund. Profitable years get full value. Loss-making years bank the allowance for later.

Group structures matter. Each company in a group has its own RM10M cap. If you operate multiple manufacturing entities under one holding, your group ACA capacity scales with the entity count — provided each entity meets the eligibility criteria on its own.

| 02 Who actually qualifies

Four eligibility tests, all of which must be passed.

Test 1 — Incorporation

The claiming company must be incorporated under the Companies Act 2016 and tax-resident in Malaysia. Foreign branches do not qualify. A Labuan entity does not qualify for standard ACA.

Test 2 — Operating history

The company must have been in manufacturing or qualifying services activities for at least **36 months** at the point of claim. Greenfield operations are excluded — ACA is designed to reward upgrade, not entry.

Test 3 — Sector

Manufacturing, services, and agriculture sectors are all eligible under the current YA 2023–2027 framework. The earlier two-category split (labour-intensive Category 1 vs other industries Category 2) has been consolidated — the RM10 million annual cap now applies across the board.

Test 4 — Technology advancement

The automation equipment you're buying must be **more technologically advanced** than what you currently use. This is the test most claims fail. Section 03 spells out what typically passes and what typically does not.

If any one of these tests fails, the claim fails. If all four pass, you are eligible to proceed — but eligibility is not approval. Read on.

03 What counts as “automation equipment” — the SIRIM bar

This is the section most factory owners get wrong. ACA is not a discount on capex. It is a tax incentive on **technologically advanced automation** that **reduces man-hours and increases productivity** in a manufacturing or services activity. The equipment must be verified — not declared — to meet that bar.

SIRIM — the Standard and Industrial Research Institute of Malaysia — sends inspectors after the equipment has been in use for at least one month. They evaluate three things: is the equipment more advanced than what it replaces, does it measurably reduce man-hours, and is it used directly in the production activity. Scope the project with those tests in mind from day one. The table below shows what typically clears the bar.

✓ LIKELY QUALIFIES

- ✓ AI-driven predictive maintenance on rotating equipment (motors, pumps, compressors, fans)
- ✓ Vision-based quality inspection replacing manual visual QC
- ✓ Robotic material handling or palletising on the production line
- ✓ Real-time process optimisation using machine learning on plant data
- ✓ Sensor and edge-analytics layer adding intelligence to existing equipment
- ✓ Self-tuning control replacing manual setpoint adjustment by operators
- ✓ Automated dimensional or metrology measurement replacing handheld tools

✗ LIKELY DOESN'T QUALIFY

- ✗ Like-for-like PLC or VFD swap with similar capability tier
- ✗ General office IT — PCs, printers, networking, productivity software
- ✗ ERP, accounting, payroll, or HR systems
- ✗ CRM, sales automation, or marketing tools
- ✗ Building automation unrelated to the production activity
- ✗ Routine spare-part replacement that maintains existing capability
- ✗ Conventional motor or pump upgrades without a new intelligence layer

IMPORTANT — SUBJECT TO MIDA & SIRIM APPROVAL

The lists above reflect typical outcomes based on the current ACA framework. Every project is evaluated on its own merits against the technological-advancement and productivity-uplift criteria. Edge cases are common — an item from either column can move to the other depending on the prior system being replaced and the documented productivity case. Always confirm with MIDA pre-approval and your tax agent before purchase.

04 The journey — from spend to claim

Six milestones, in strict order. Out of sequence, the claim fails. End-to-end: **6–12 months** depending on installation complexity.



Total elapsed: 6–12 months from kickoff to allowance claimed.

05 Three traps that kill your claim

! TRAP 1

Spending before MIDA pre-approval

Many factory owners discover ACA after the PO is signed. Retroactive applications are possible but markedly weaker. The clean path is MIDA first, spend second.

! TRAP 2

Buying like-for-like upgrades

Replacing a 2015 PLC with a 2025 PLC of similar capability usually fails the technological-advancement test. The strongest ACA projects move the plant onto a fundamentally different capability layer — sensor-rich monitoring, AI-driven optimisation, vision-based quality control, predictive maintenance on rotating equipment.

! TRAP 3

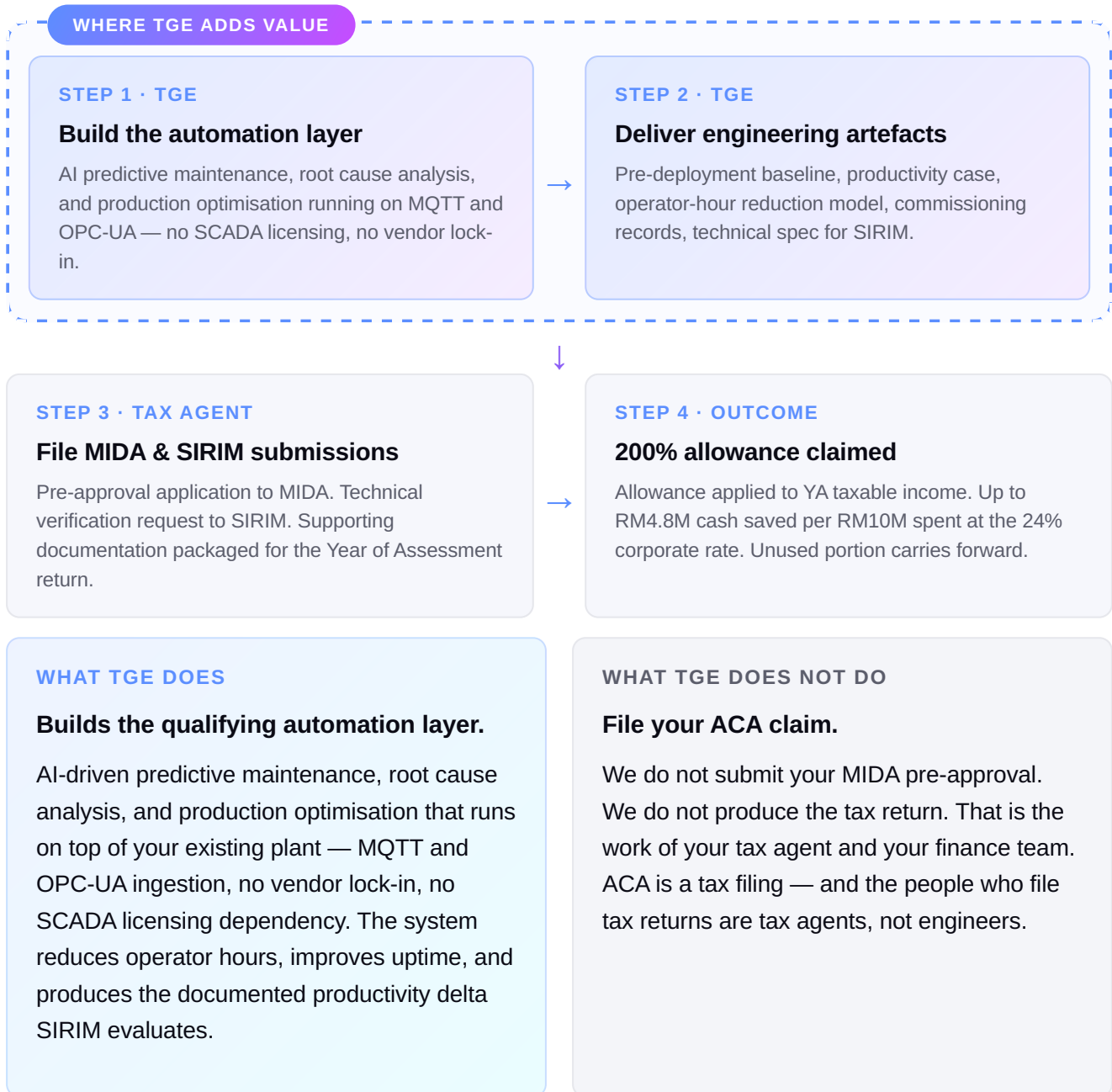
Treating ACA as a tax problem instead of an engineering problem

ACA is filed by your tax agent. But it is *won or lost* by your engineering scope. Tax agents do not write SIRIM technical justifications well; they file forms. The technical case is your responsibility — or your automation partner's.

This third trap is the gap most factory owners don't see until they are already in it.

06 Where TGE fits in your ACA roadmap

Here is the handoff in plain language. TGE builds the qualifying automation. Your tax agent files the claim. We hand over the engineering artefacts that make their filing clean.



When TGE deploys, the artefacts you'll need for the claim come as part of the engagement: pre-deployment baseline, productivity case, operator-hour reduction model, commissioning records, and the technical specification SIRIM evaluates. If your tax agent has never filed an ACA claim before, the framework is published and most large firms have the muscle memory. We'll point you to the relevant MIDA guidelines if you ask.

07 Your next three steps

If you are reading this and you can see at least one automation project on your roadmap in the next 18 months, here is the sequence.

1

Run the four eligibility tests against your company

Test 1 to Test 4 from Section 02. Pass all four and ACA is on the table. Fail one and you may have a workaround at the group level — worth a conversation with your tax agent before you write the idea off.

2

Map your roadmap against the SIRIM bar

Sensor-driven monitoring layers, AI optimisation, predictive maintenance, vision-based QC — these are the cleanest cases. Conventional PLC and VFD refreshes are the weakest. Rank your roadmap accordingly.

3

Decide who writes the technical justification

Your tax agent files the claim. Someone has to build the engineering case underneath it. If you don't have that capability in-house, that's the conversation worth having with an automation partner before procurement begins.

About TGE Corporation

TGE builds AI-driven operational technology platforms for Malaysian manufacturers. Local LLM models trained on customer OT data, MQTT and OPC-UA ingestion, no SCADA licensing dependency, no vendor lock-in. Built to deploy fast across heavy industry, semiconductors, FMCG, process manufacturing, and palm oil — on the equipment you already own.

- **Predictive maintenance** for rotating equipment — motors, pumps, compressors, fans.
- **Root cause analysis and quality control** for production-line defects.
- **Production optimisation** through real-time setpoint and recipe tuning.



Ready to scope an ACA-qualifying project?

DM me on Instagram with your industry and a one-line description of the production problem you're solving. I read every one.

INSTAGRAM

[@dean.tge](https://www.instagram.com/dean.tge)

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This guide is general information about Malaysian tax incentives, not tax advice. Confirm specifics with your licensed tax agent and the current MIDA guidelines before filing. Framework cited: Automation Capital Allowance for Manufacturing & Services Sectors, MIDA, current to YA 2027.