

## **SETTING UP A REGIONAL DISTRIBUTION CENTER (RDC)**

### **1. DEFINITION**

A Regional Distribution Center (RDC) is a collection and consolidation center for finished goods, components and spare parts produced by its own group of companies for its own brand to be distributed to dealers, importers or its subsidiaries or other unrelated companies within or outside the country. Among the activities involved are bulk breaking, repackaging and labeling.

### **2. ELIGIBILITY CRITERIA FOR RDC STATUS**

To be eligible, a company must fulfill the following criteria:

- local incorporation under the Companies Act 1965;
- a minimum paid-up capital of RM0.5 million;
- a minimum total business spending (operating expenditure) of RM1.5 million per year;
- incremental usage of Malaysian ports and airports;
- a minimum annual sales turnover of RM50 million by the third year of operation;
- located in free zones (free industrial zones or free commercial zones) or licensed warehouses (public and private) or licensed manufacturing warehouses

As a general rule, sales by an approved RDC to the domestic market is limited to not more than 20% of its annual sales value.

A RDC is also allowed to source goods from outside Malaysia for shipment to overseas destinations via drop shipment up to 30% of its annual sales turnover.

### **3. FACILITIES ACCORDED TO RDC**

- 100% equity holding by the promoter;
- expatriate posts will be approved based on the requirements of the RDC;
- open one or more foreign currency accounts with any licensed commercial bank to retain its export proceeds, without any limit imposed;
- enter into foreign exchange forward contracts with any licensed commercial bank to sell forward its export proceeds, based on its projected sales;

- Customs duty exemption for raw materials, components or finished products brought into free industrial zones, licensed manufacturing warehouses, free commercial zones and bonded warehouses for repackaging, cargo consolidation and integration before distribution to its final consumers.

#### **4. TAX INCENTIVES ACCORDED TO RDC**

An approved RDC company is also eligible for the following tax incentives:

- full tax exemption on its statutory income for 10 years;
- dividends paid from exempt income is exempted from tax in the hands of the shareholder

However, to qualify for the above incentives, an approved RDC company must also fulfill the following additional criteria:

- it must have an annual sales turnover of at least RM100 million;
- sales to domestic market is limited to 20% of sales turnover and if sales to domestic market exceeds 20%, the additional sales will not be tax exempt;
- sales to FZs and LMWs are considered as domestic sales.

#### **5. APPLICATION**

Application forms can be obtained from:

Director General  
Malaysian Industrial Development Authority  
Manufacturing Services Division  
1<sup>st</sup> floor Plaza Sentral  
Jalan Stesen Sentral 5  
Kuala Lumpur Sentral  
50470 Kuala Lumpur  
Malaysia

Tel: (603) 2267 3633

Fax: (603) 2273 4216

E-mail: [services@mida.gov.my](mailto:services@mida.gov.my)

Website: [www.mida.gov.my](http://www.mida.gov.my)

