

Angel Investor Application Explanatory Notes and Guidance Note

EXPLANATORY NOTES

Angel Tax Incentives

To stimulate and encourage angel investments into start-ups in Malaysia, the Government of Malaysia is prepared to give an incentive by way of tax deduction to qualified individual investor(s) based on the qualified investments into a qualified start-up.

1. Qualifying Period

The angel tax incentive will be open for qualifying investments made from 1 January 2013 to 31 December 2017. The investment made by accredited angel investor(s) must be approved by the Ministry of Finance.

2. Eligibility Criteria for Angel Investors

- a. Must be a tax resident in Malaysia
- b. Either considered as a High Net Worth Individual or a High Income Earner
 - a. High Net Worth Individual – Total wealth or net personal assets of RM3million and above or its equivalent in foreign currencies; or
 - b. High Income Earner - The gross annual income of not less than RM180,000 in the preceding period of 12 months; or jointly with his or her spouse, with gross annual income of RM250,000 in the preceding period of 12 months

3. Eligibility Criteria of the Investment made by Angel Investors

- a. Investment must be made by qualified angel investor(s) into qualified start-up(s);
- b. Investment must not be from an immediate family members i.e. spouses, children, parents, grandparents and siblings;
- c. Shall be for the sole purpose of financing the activities as approved by the Ministry of Finance;
- d. Investment is made by the angel investor for a period of two (2) years prior to the deduction;
- e. Shares issued to the angel investor(s) is not disposed off within a period of two (2) years from the date the investment is made;
- f. Shall not be more than thirty percent (30%) of the issued and paid-up capital of the qualified start-up(s) and shares issued must be in the form of ordinary shares;

- g. Minimum investment amount of RM5,000.00 and up to a maximum amount of RM500,000.00 per annum in total;
- h. The investment to be made are paid in full and in cash (not in kinds) where there is no obligation to pay back by the start-up(s) to angel investor(s);
- i. Shares issued by the start-up(s) must be reflected in the Shareholders' Agreement; and
- j. The shares issued to the angel investor(s) must be in terms of ordinary shares only.

4. Tax Deduction

- a. angel investor will qualify for tax deduction equivalent to the amount of investment made by the angel investor in the start-up. The deduction will be made in the third (3rd) year of the shareholding period.
- b. In the event the value of investment exceeds the aggregate income of the angel investor for that year of assessment, any excess amount will not be refunded nor be carried forward to be set-off against the angel investor's future income in other years of assessment.

5. Angel Investor Accreditation

Angel investor accreditation is only valid for a period of two (2) years. Accreditation can be renewed as and when required. MBAN has the right to review the qualifying criteria for angel investor as and when required during the period.

GUIDANCE NOTE

Malaysian Business Angel Network (“MBAN”) is the official trade association and governing body for angel investors and angel clubs in Malaysia. MBAN has been entrusted by the Ministry of Finance Malaysia (“MoF”) to accredit Angel Investors for Angel Tax Incentive Programme and any other relevant programme under the purview of MoF. MBAN will process prospective Angel Investor personal data strictly in accordance with the Personal Data Protection Act 2010 [Act 709 of the Laws of Malaysia]. The information you provide on your application form will be used for the following purposes.

- To enable your application for accreditation as an Angel Investor under the Angel Tax Incentive Programme and any other relevant programme under MoF to be considered.
- To enable MBAN to initiate your record as an Angel Investor under the Angel Tax Incentive Programme and any other relevant programme under MoF, should your application be approved.
- If you do not wish to be accredited under the Angel Tax Incentive Program your documents will NOT be submitted to the government.
- To compile statistics for use by MBAN or Cradle Fund Sdn Bhd or for reporting to relevant Government agencies and departments, but no information that will identify you as an individual.

If your application is unsuccessful, your application form and any supporting documents accompanying your application will be destroyed at the end of one (1) calendar month from the date of the letter of rejection sent to you.