PATENT MONETISATION

# Turning Patents into Grant & Tax Value

A Malaysian SME's guide to funding innovation — turning patent protection into government grants, tax incentives and lower innovation cost.

GRANTS TAX INCENTIVES COST SAVINGS

**White Paper — Volume 1: Malaysia**

Pintas Advisory · Patents, Incentives & IP Monetisation

*A Singapore edition (Volume 2) will follow.*

# Executive Summary

**Malaysian SMEs are sitting on more government funding than they realise — and most of it is unlocked by a single, often-overlooked asset: the patent.**

SMEs generate close to 40% of Malaysia's GDP and almost half its jobs, yet they consistently under-invest in R&D, under-protect their intellectual property, and under-claim the incentives built for them. Three of the country's flagship programmes turn on the same asset — a protected invention:

| RM4M | 200% | 0–10% |
|---|---|---|
| R&D grant, up to 85% government-funded — MOSTI PEMACU 2.0 | Capital allowance on up to RM10M of automation spend | Corporate tax for up to 15 years under the NIF |

Yet the leverage only exists if protection, R&D scoping, eligible-cost tracking and incentive selection are prepared **early — before the disclosure, grant or tax deadline passes.** File too late, disclose too early, or pick the wrong tax route, and the value is lost, often irreversibly. This paper explains, in plain terms for founders and CEOs, how a Malaysian SME turns patent protection into grant funding and after-tax value.

# 1. The SME Reality: Big Contribution, Persistent Gaps

Malaysian SMEs are the backbone of the economy — but they punch below their weight on innovation, and rarely capture the funding designed for them.

| 39.5% | 48.7% | 14.3% | RM80.5k |
|---|---|---|---|
| of national GDP — RM652.4 billion in value added (2024) | of national employment — 8.10 million people | of total exports (RM196.8 billion in 2024) | labour productivity per worker — rising, but trailing large firms |

*Source: Department of Statistics Malaysia (DOSM), MSME Performance 2024.*

## Where the gaps are

- **Financing is the perennial constraint.** Malaysian SMEs lean heavily on self-financing (around 51%) and family and friends (17%); limited collateral keeps formal growth capital out of reach — which is precisely why non-dilutive grants and tax relief matter. *(Bank Negara Malaysia SME survey; World Bank)*
- **R&D is thin.** The share of Malaysian SMEs investing in R&D trails regional ASEAN peers, and private R&D is dominated by large and foreign-owned firms. Financial constraints are the single biggest internal barrier to SME innovation performance. *(World Bank; Asian Academy of Management Journal, 2023)*
- **Intellectual property is under-used.** Roughly **seven in ten patent applications filed in Malaysia come from non-residents** — local innovators, especially SMEs, under-protect their ideas, even though e-filing starts from around RM290. The barrier is strategy and awareness, not cost. *(WIPO; MyIPO)*
- **Incentives go unclaimed.** Programme awareness and outreach remain key weaknesses; many SMEs simply do not know what they qualify for, or find the rules too complex to navigate. *(Commentary on NIMP 2030; tax-awareness studies)*

**The through-line**

The money exists — but SMEs under-protect their IP and under-claim the incentives that IP unlocks. Closing that gap is what this paper is about.

## 2. The Innovator's Dilemma

A patent protects an invention. But protection alone does not pay for itself — and many SMEs treat filing as a legal formality rather than a financial strategy. In Malaysia's incentive landscape, the reverse is true: a patent is the **key that unlocks non-dilutive funding and lower tax.** The problem is timing and sequencing.

- **Disclose before you file, and you may lose patentability** — closing the door on both protection and the incentives that depend on it.
- **Apply for a grant without declaring your IP incentive, and you forfeit it** — MOSTI's patent incentives must be stated in the application.
- **Choose the wrong tax route, and you are locked in** — under the NIF, the choice between the two headline tax incentives is final once accepted by MIDA.

**The bottom line**

A patent becomes monetisable only when protection, R&D scoping, cost tracking and incentive selection are prepared **together, and ahead of the deadline.**

## 3. Why the Patent Is the Key

**It is a required deliverable.** Under MOSTI PEMACU 2.0, every funded project must produce at least one intellectual-property registration — alongside a minimum viable product and trained personnel — by the end of the funding period.

**It is a scored advantage.** Under the NIF, applications are evaluated using the National Investment Aspirations (NIA) Scorecard. One of its pillars directly credits a company whose product has a patent or a pending application. A better score means a better incentive package.

**It is a funding multiplier.** MOSTI pays cash incentives specifically for patent activity: RM500 on disclosure, RM5,000 on filing, and RM10,000 on grant of a project patent — provided the incentive was declared at application.

## 4. Malaysia's Three Pillars of Funding

PILLAR 1 · GRANT

### MOSTI PEMACU 2.0 — Non-Dilutive R&D Grants

The Dana Pemacu Teknologi Strategik (PEMACU) 2.0, administered by MOSTI, funds R&D with a clear path to commercialisation. For most SMEs, the relevant scheme is the bottom-up **Technology Development Fund (TeD)**.

| What you can receive | Detail |
|---|---|
| Grant ceiling (TeD) | **Up to RM4,000,000** |
| Grant ceiling (SRF / SRF-RFP) | Up to RM10,000,000 (strategic themes) |
| SME / start-up contribution | **15% cash** matching (up to **85% government-funded**) |
| Funding period | Up to 36 months · 40% advance on signing |

**Deliverables by project end:** at least one MVP or working prototype; **one intellectual-property registration**; two trained personnel; and an infographic/video in the End-of-Project report.

**Eligibility (SMEs & start-ups):** SSM-registered, >50% Malaysian-owned, minimum paid-up RM10,000, technology-based, operating 1–5 years; project at minimum TRL 4, targeting TRL 7; prior-art search submitted.

> **Patent incentives — declare at application**
> Disclosure **RM500** · Filing **RM5,000** · Grant **RM10,000** (one-off, on proof). Not declared in the application means not payable.

PILLAR 2 · TAX

## Automation Capital Allowance — Accelerated Tax Relief

The Automation Capital Allowance (Automation CA), administered by MIDA, rewards companies investing in automation and Industry 4.0 to raise productivity.

| 200% | RM10M | 2023–27 |
|---|---|---|
| Capital allowance on the first RM10 million of qualifying spend | Expenditure ceiling per company | Years of assessment the window is open |

- Incorporated under the Companies Act 2016 and resident in Malaysia; in manufacturing/services for at least **36 months**.
- Manufacturers need a **Manufacturing Licence (ML)** or **ICA 10 exemption**; service firms need the relevant regulator's permit.
- Must **adapt at least one Industry 4.0 element** — big-data analytics, cloud, AR, cybersecurity, AI, additive manufacturing, system integration, simulation, IoT, autonomous robots or advanced materials.
- Jointly evaluated by **MIDA (non-technical) and SIRIM (technical)**, including a site verification.

> **Watch the exclusivity rule**
> The Automation CA is mutually exclusive with certain incentives (e.g. Reinvestment Allowance, PIA incentives) in the same year of assessment — sequencing matters.

PILLAR 3 · TAX

## The New Incentive Framework (NIF)

Introduced through Budget 2026 and open from **1 March 2026**, the NIF is a tiered, outcome-based tax regime aligned with the NIA and NIMP 2030. It offers two **mutually exclusive** headline incentives.

| Incentive | What it does | Range |
|---|---|---|
| **Special Tax Rate (STR)** | Reduced corporate income tax rate for a set period | **0–10%** new investment; 0–15% LDA; 3–12% small co. — up to 15 yrs |
| **Investment Tax Allowance (ITA)** | Offsets qualifying capex against statutory income | Up to **100%** of QCE, offsetting 70–100% of income — up to 15 yrs |

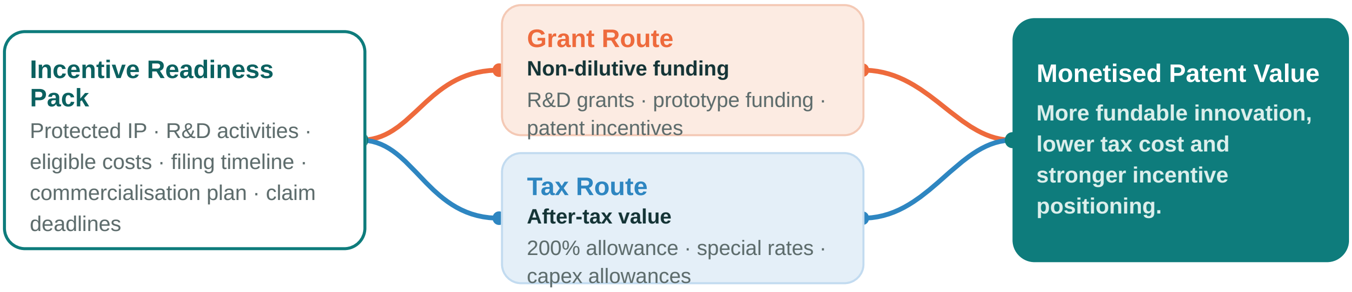
**The choice is irreversible**

Applicants select one route — and the selection is **final once accepted by MIDA.** Model the STR-vs-ITA decision against your capital profile before committing.

**Awarded via the NIA Scorecard** across six pillars — economic complexity (R&D, technology, 4IR), high-value jobs, domestic linkages, **industrial cluster (patent / pending application)**, inclusivity and sustainability. A higher score earns a better package. A valid ML / ICA 10 is a prerequisite throughout.

## 5. One IP Strategy, Two Routes

Read together, the three pillars form a single strategy with two payoffs from the same protected invention. The **Incentive Readiness Pack** feeds both, and the output is monetised patent value.




- **The grant route (non-dilutive funding):** MOSTI R&D grants, prototype funding and patent incentives — cash in, no equity given up.
- **The tax route (after-tax value):** the Automation CA's 200% allowance and the NIF's reduced rate or investment allowance — lower cost out.

## 6. An Illustrative Journey

*A simplified, illustrative sequence — not a guarantee of outcome.*

1. **Protect**
   A manufacturer developing a smart-sensor system files its patent before any public disclosure and confirms freedom-to-operate.
2. **Structure R&D**
   It defines qualifying experimental-development activities, reaches TRL 4 with a working prototype, and tracks technical work and eligible costs from day one.
3. **Map incentives**
   It applies to MOSTI TeD — declaring the patent incentives — while planning capital spend that will later qualify for the Automation CA (the system embeds IoT and AI).

4. **Claim & monetise**
   On completion it delivers the IP registration and prototype, claims the patent incentives, and evaluates the NIF tax route, where its granted patent strengthens the NIA Scorecard.

The same invention, protected once, is now leveraged across a grant, a capital allowance and a tax-rate application.

## 7. The 60-Second Readiness Check

1. **Protected before disclosure?**
   File before you present to any grant panel, investor or partner — public disclosure can destroy patentability.
2. **R&D activities clearly scoped?**
   Document the technical work, milestones and commercial outcome; be ready to show TRL evidence and a prior-art search.
3. **Costs mapped to incentives?**
   Track R&D, filing, capex and innovation costs from the start — you cannot claim what you did not record.
4. **Routes selected — deliberately?**
   Declare patent incentives in the MOSTI application, and model the STR-vs-ITA choice before committing, because it is irreversible.

## 8. Common — and Costly — Mistakes

- **Disclosing before filing.** The single most expensive error: it can void patentability and, with it, the incentives that depend on the patent.
- **Forgetting to declare the patent incentive.** MOSTI's disclosure/filing/grant incentives must be stated in the application; claim them later and it is too late.
- **Treating the STR/ITA choice casually.** Under the NIF the selection is final once accepted by MIDA.
- **Missing the licence prerequisite.** The Automation CA and NIF both assume a valid Manufacturing Licence or ICA 10 exemption — secure it before, not during, the application.
- **Ignoring mutual-exclusivity rules.** The Automation CA cannot be stacked with certain incentives in the same year of assessment.
- **Leaving cost tracking until claim time.** Unrecorded eligible expenditure is unrecoverable expenditure.

**The pattern behind every mistake**

Each one is a **timing failure** — a decision made, or a record missed, after the window had already closed. Prepared early, none of them happen.

# 9. How Pintas Helps

Pintas aligns patent strategy, government grants and tax-incentive sequencing into one plan — so protection, funding and after-tax value are prepared together, ahead of every deadline. Our work spans IP protection, IP valuation and IP monetisation, and incentive readiness for Malaysian SMEs and start-ups.

### Start here — three moves this quarter

1. **Protect first**
   File any unprotected core invention before your next pitch, demo or partner meeting — disclosure can close the door on both the patent and the incentives that depend on it.
2. **Map your incentives**
   Match your R&D and capital-expenditure plans to MOSTI PEMACU 2.0, the Automation CA and the NIF — and record every eligibility deadline and licence prerequisite.
3. **Decide deliberately**
   Model the STR-vs-ITA choice against your capital profile, and declare your patent incentives, before you submit any application.

**Is your patent strategy ready for grant and tax claims?**

Ask Pintas for a patent-monetisation review before your next disclosure, grant application or tax-planning cycle.

**Book a free review**

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### References & Sources

**Statistics & studies:** Department of Statistics Malaysia, MSME Performance 2024; Bank Negara Malaysia SME financing survey; World Bank, Malaysian SME Program Efficiency Review (2022); Asian Academy of Management Journal, internal barriers to innovation among Malaysian SMEs (2023); WIPO, IP Statistical Country Profile: Malaysia; Intellectual Property Corporation of Malaysia (MyIPO).

**Primary incentive sources:** Garis Panduan Dana Pemacu Teknologi Strategik (PEMACU) 2.0, MOSTI (updated 6 February 2026); Guidelines and Procedures for the Application of Automation Capital Allowance for Manufacturing and Services Sectors, MIDA (as of 1 July 2024); Guidelines of Tax Incentives for New Investment in the Manufacturing Sector under the NIF, MIDA (as at 15 January 2026).