



Accountants &
business advisers

Doing business in Malaysia



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Foreword



The purpose of this booklet is to provide foreign investors with a general understanding of doing business in Malaysia. It is not written as a comprehensive guide, but rather it is designed to provide information on material issues that foreign investors should consider when investing in Malaysia.

By taking advantage of the PKF International network and with our understanding of the Malaysian culture and business environment, we are able to provide comprehensive services to our clients, helping them in setting up their business and exploring opportunities in Malaysia. We look forward to co-operating with you and assisting your business to grow and achieve success in the future.

Brian Wong
International Liaison Partner
PKF Malaysia
June 2011

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Chapter 1

Introduction



Geography and population

Malaysia is a federation of thirteen states in South East Asia which was formed in 1963. It is strategically located along the Straits of Malacca and the southern part of the South China Sea. It is divided into two geographical regions:-

- the peninsular region or West Malaysia, which borders Thailand to the north and Singapore to the south; and
- the East Malaysia region bordering Kalimantan, Indonesia and Brunei.



The capital of Malaysia, Kuala Lumpur, is located centrally in West Malaysia and has an area of 329,750 km². The terrain of West Malaysia is constituted mainly by coastal plains rising to mountains and hills in the center. The weather is mainly tropical with the east coast area of the Peninsula affected by seasonal monsoons between the months of October to February.

Malaysia is a multi-ethnic society, comprising largely three main races i.e. the Malays, Chinese, and Indians. As at end 2010, the total population stood at approximately 28.3 million.

The country is rich in natural resources and is blessed with petroleum, tin, timber, copper, iron, ore, natural gas and bauxite.

Advantages of investing in Malaysia

The Malaysian economy enjoys a clear competitive advantage in producing and processing primary products due to an abundance of natural resources together with a world class transport and telecommunications infrastructure.

Malaysia also offers a low cost business environment, high skill levels, and relatively low salary costs for qualified professionals and executives. The lifestyle, climate, educational opportunities and the availability of a pool of multilingual professionals competent in English and the major Asian languages (i.e. Chinese, Indian, Malay, and Indonesian) are key advantages. The country is also a prime tourist destination offering very unique traditional attractions amidst modern-day development.

Malaysia has also introduced special taxation and financial incentives to encourage foreign investment and in particular investments into research and development and promoted activities such as manufacturing, information and communications, biotechnology, healthcare, education and industrial related technology.

Malaysia provides a good proposition as an entry point for investments into the growing South-East Asian region.

Language

The official national language is the Malay language or locally referred to as Bahasa Malaysia, while English is the primary medium of communication employed in government, commerce and general media, which is also a compulsory subject in the education system. There are also other ethnic languages widely practiced such as Chinese which is spoken predominantly by the Chinese (in various dialects notably Mandarin, Cantonese, Hokkien, Hakka, Hainan, and Foochow), and Tamil and Hindi, which are spoken by the Indians and Punjabis.

Political environment

The Malaysian political environment is strongly favourable to international and domestic business development. In particular United States, United Kingdom-Malaysia bilateral relations are productive across the board. Malaysia is a constitutional monarchy with a democratic parliamentary system of government. In practice however power is strongly concentrated with the Prime Minister. He has traditionally been the head of The United Malays National Organization (“UMNO”), which is the principal party in the governing coalition which has ruled Malaysia continuously since its independence from the United Kingdom in 1957. Currently, the residing Prime Minister is Dato’ Sri Mohd Najib bin Tun Abdul Rahman (who held office since 3rd April 2009) and his deputy is Deputy Prime Minister Tan Sri Dato’ Muhyiddin Hj. Mohd Yasin (who held office since 9th April 2009).

The five-year term for the position of the monarch is rotated among the rulers of nine out of the thirteen states in Malaysia. However the role has over time become more ceremonial and symbolic. The constitutional monarchy is nominally headed by a paramount ruler and a bicameral Parliament consisting of a non-elected upper house

and an elected lower house. At the current tenure, the residing monarch is Tuanku Mizan Zainal Abidin Ibni Almarhum Sultan Mahmud Al Muktafi Billah Shah, the Sultan of Terengganu (since 13 December 2006). All Malaysian Peninsular states have hereditary rulers except Melaka and Pulau Pinang (“Penang”). These two states along with Sabah and Sarawak in East Malaysia have governors appointed by the government. Powers of state governments are limited by the Federal Constitution. Under the terms of federation, Sabah and Sarawak retain certain constitutional prerogatives (e.g. the right to maintain their own immigration controls). Sabah holds 25 seats, while Sarawak holds 28 seats in the House of Representatives.

The administrative centre is at Putrajaya, while parliament still meets in Kuala Lumpur, the capital of Malaysia.

While being an Islamic country, Malaysia enjoys good relations with the United States (U.S.) having worked with the U.S. on many issues, including for example, the United Nations peacekeeping operations in Somalia, Cambodia and Bosnia.

Malaysia is a member of Association of South East Asian Nations (“ASEAN”), founded in 1967 with Indonesia, the Philippines, Singapore, Thailand, Brunei, Vietnam, Myanmar, Cambodia and Laos. The U.S. has strongly supported ASEAN, and participates in an annual dialogue with ASEAN – members at the level of Foreign Ministers.

ASEAN is at the moment integrating an ASEAN Free Trade Area (“AFTA”), which if successful would create a single market of over 570 million people and a combined Gross Domestic Product (“GDP”) of US\$1 trillion. Malaysia is also a member of Asia-Pacific Economic Cooperation (“APEC”), which includes the U.S., China, Japan and most of the other countries of the Pacific Rim.

Economy

Malaysia, a middle-income country, transformed itself from 1971 through the late 1990s from a producer of raw materials into an emerging multi-sector economy. Growth was attributed largely to exports, primarily in electronics.

As a result, Malaysia was hard hit by the global economic downturn and the slump in the information technology (“IT”) sector in 2001 and 2002. GDP in 2001 grew only 0.5% because of an estimated 11% contraction in exports, but a substantial fiscal stimulus package equal to United States Dollar (“USD”) 1.9 billion mitigated the worst of the recession, and the economy rebounded in 2002 with a 4.1% increase.

Malaysia struggled economically during the 1997-1998 Asian financial crisis and applied several valuable lessons to its economic management strategies that contributed to the economy’s resilience to the 2008-2009 global financial crisis. After contracting 1.7% in 2009, Malaysia’s GDP grew 7.2% in 2010. Malaysian banks are well capitalized, conservatively managed, and had no measurable exposure to the U.S. sub-prime market. The central bank maintains a conservative regulatory environment, having prohibited some of the riskier assets in vogue elsewhere. Malaysia maintains high levels of foreign exchange reserves and has relatively little external debt. Healthy foreign exchange reserves, low inflation, and a small external debt are all strengths that make it unlikely that Malaysia will experience a financial crisis over the near term similar to the one in 1997. The economy remains dependent on continued growth in the U.S., China, and Japan, which are top export destinations and key sources of foreign investment. In 2010, Malaysia ranked 23 out of 183 territories in the ranking of World Bank’s Ease of Doing Business.

The government has also taken a strong pro-active role in the development and the industrialization of the Malaysian economy. This has included significant state sector investment, a close alliance

between government and the private business community, and a variety of policies and programs to bolster the economic status of the Malay and indigenous communities, commonly referred to as "Bumiputera".

Major exports and imports

The electrical and electronics industry is Malaysia's leading industrial sector, contributing significantly to the country's manufacturing output, exports and employment. In 2004, gross output of the industry totalled USD48.2 billion, while the industry's exports of electrical and electronics products amounted to USD63.6 billion or 64.1% of total manufactured exports. The industry created 369,488 jobs opportunities, accounting for 36.6% of total employment in the manufacturing sector.

Other substantial export earnings are also derived from liquefied natural gas and petroleum products, palm oil, chemical and chemical products, machinery, appliances and parts, and wood based products. The United States of America, Japan, Singapore, the People's Republic of China (PRC) and Thailand were the top five export destinations, accounting for 52% of Malaysia's total exports in February 2009.

As the country is a finishing destination for manufacturing and assembly, major imports are related to its exports and include electrical and electronic components, chemical and chemical products, components for machinery, appliances and parts. The United States of America, China and Japan represent top three import sources.

Import controls

The Government levies custom duties on some goods entering Malaysia. Customs clearance must be obtained to import any goods. Importation of firearms or toys resembling firearms,

narcotics, obscene and pornographic materials, and pirated media are however prohibited and carry severe penalties.

Regulatory environment

The supreme law of Malaysia is a written federal constitution, which can only be amended by a two-thirds majority in Parliament. The legal system is based on English common law. The High Courts have general supervisory and revisionary jurisdiction over all the Subordinate Courts, and jurisdiction to hear appeals from the Subordinate Courts in civil and criminal matters. The Court of Appeal, in turn, hears all civil appeals against decisions of the High Courts. The Court of Appeal also hears appeals of criminal decisions of the High Court.

The Federal Court may hear appeals of civil decisions of the Court of Appeal where the Federal Court grants leave to do so. The Federal Court also hears criminal appeals from the Court of Appeal, but only in respect of matters heard by the High Court in its original jurisdiction.

There is a parallel system of state Syariah Courts which has jurisdiction only over matters involving Muslims.

Financial services

Bank Negara Malaysia is the central bank of Malaysia under the Central Bank of Malaya Act 1958 (revised 1994). It also issues the Malaysian currency, acts as banker and financial adviser to the government, administers foreign exchange control regulations, and is lender of last resort to the banking system.

As at the end of 2011, there were 8 domestic and 16 locally incorporated foreign commercial banks operating through a network of 2,651 branches across the country. A wide range of merchant banking services are provided by 15 merchant banks, many of which have affiliations with merchant banks established overseas.

Other banks include 17 Islamic banks which provide all the conventional banking services, based on Islamic concepts of banking and credit. In addition, seven conventional banks also provide Islamic banking services through a dedicated Islamic window.

Six Malaysian banking groups have a presence in 19 countries through branches, representative offices, subsidiaries and joint ventures. There are also 22 foreign banks which maintain representative offices in Malaysia. They do not conduct normal banking business but provide liaison services and facilitate information exchange between business interests in Malaysia and their counterparts.

Following the announcement in April 2009 of the liberalisation measures for the financial services sector which includes the issuances of new licences and increase of foreign equity limits, there has been great interest by international financial institutions to establish presence in Malaysia. The liberalisation measures aim to strengthen Malaysia's economic interlinkages with other economies and enhance the role of the financial sector as a key enabler and catalyst of economic growth. Malaysia also has a comprehensive Islamic banking system. Presently, Malaysia has fifteen full-fledged Islamic banks, three of which are from the Middle East, providing a broad spectrum of financial products and services based on Syariah principles. At the same time, there are five conventional banks three of which are major foreign banks, offering Islamic banking products and services via the Islamic banking window set up.

The entry of the three foreign Islamic banks enhances the competition and stimulates innovation among the Islamic banking players, and at the same time complements the Malaysian players in tapping into strategic growth areas such as investment banking and wealth management. In addition, these institutions also have plans to make Malaysia as their financial hub for this region.

In terms of product offering, more than 60 Islamic financial products and services are made available in the market. The emergence of new innovative products and financial instruments that incorporate globally accepted Syariah principles such as commodity murabahah deposits, Islamic profit rate swap, musyarakah mutanaqisah home financing and sukuk musyarakah in the industry have further elevated the domestic Islamic financial sector to the next stage of advancement.

Malaysia has several development financial institutions (DFIs) that were set up with specific objectives to develop and promote strategic economic sectors, including the manufacturing and export sectors, small and medium enterprises (SMEs), as well as the agriculture, infrastructure and maritime sectors. These DFIs complement the banking institutions by providing an array of financial and non-financial services to support development of the strategic sectors. These include the provision of medium to long-term loans, equity capital, guarantees for loans and a range of supplementary financial and business advisory services. 'Bank Perusahaan Kecil & Sederhana Malaysia Berhad' or the SME Bank, which was established in October 2005, offers financial products such as term loans and working capital including start-ups and SMEs in new growth areas, particularly to those in professional services, export-oriented activities and franchise businesses. Bank Pertanian Malaysia has recently been corporatised to Bank Pertanian Malaysia Berhad (Agrobank) in order to strengthen its role to be more effective in meeting the needs of the entire value chain of agricultural activities, including the agro-based industries.

Currency denominations

The Ringgit (unofficially known as the Malaysia dollar), is the official monetary unit of Malaysia. It is divided into 100 sen (cents) and its currency code is MYR or RM. Malaysia coins are minted in 4 denominations:-

- 5 cent (RM 0.05)
- 10 cent (RM 0.10)
- 20 cent (RM 0.20)
- 50 cent (RM 0.50)

Malaysian banknotes have long followed a colour codes originating from colonial times as follows:-

- RM1 (blue)
- RM5 (green)
- RM10 (red)
- RM50 (turquoise)
- RM100 (violet)

Exchange controls

The foreign exchange administration rules in Malaysia serve the purpose of providing an appropriate framework that will influence capital flows and facilitate currency risk management to promote financial and economic stability of the country.

The definitions of residents and non-residents, in the context of foreign exchange control, are as follows:-

Definition of *resident*

- Malaysian citizen (excluding persons who have obtained permanent resident status of a territory outside Malaysia and are residing abroad); or
- Malaysian citizen with permanent resident status of another country but resides in Malaysia; or
- Non-Malaysia citizen with permanent resident status in Malaysia and resides in Malaysia; or
- Business enterprises/societies which are operating and are registered or approved by any authority in Malaysia.

Definition of *non-resident*

- Non-Malaysian citizen; or
- Malaysia Citizen who has permanent resident status abroad and resides abroad; or
- Foreign embassies, high commissions, supranationals, central banks; or
- Business entities established abroad.

Non-residents are free to invest in Malaysia in any form. They may also obtain financing from licensed onshore banks (licensed commercial and Islamic banks in Malaysia) both in Ringgit and foreign currency.

In addition, they are able to enter into foreign exchange contracts with licensed onshore banks to manage their exchange risk exposures arising from their ringgit investments.

Non-residents are allowed to exchange their foreign currency into Ringgit and vice versa of any amount as well as repatriate their capital, profits and income earned from Malaysia in foreign currency.

In line with the Malaysian government's aim to reduce cost of doing business and encourage better risk management activities, residents are allowed to manage their funds through domestic and foreign placement of foreign currency funds, undertake investment activities outside Malaysia and enter into risk management arrangement with licensed onshore banks in Malaysia.

Government policy on foreign investment

Malaysia has always welcomed investments in its manufacturing sector. Desirous of increasing local participation in this activity, the government encourages joint-ventures between Malaysian and foreign investors.

Equity Policy for New, Expansion or Diversification Projects

The level of exports had been used to determine foreign equity participation in manufacturing projects. However, since 31 July 1998, the Malaysian government had relaxed the equity policy guidelines for all applications for investments in new as well as expansion/diversification projects in the manufacturing sector. Under this relaxation, foreign investors could hold 100% of the equity irrespective of the level of exports.

However, this relaxation did not apply to specific activities and products where Malaysian companies had the capabilities and expertise. These activities and products include paper packaging, plastic packaging (bottles, films, sheets and bags), plastic injection moulded components, metal stamping and metal fabrication, wire harness, printing and steel service centres. In these cases, specific equity guidelines prevailed.

To further enhance Malaysia's investment climate, equity holdings in all manufacturing projects were fully liberalised effective from 17 June 2003. Foreign investors can now hold 100% of the equity in all investments in new projects, as well as investments in expansion/diversification projects by existing companies, irrespective of the level of exports and without any product/activity being excluded.

The new equity policy also applies to:

- Companies previously exempted from obtaining a manufacturing license but whose shareholders' funds have now reached RM2.5 million or have now engaged 75 or more full-time employees and are thus required to be licensed.
- Existing licensed companies previously exempted from complying with equity conditions, but are now required to comply due to their shareholders' funds having reached RM2.5 million.

Equity Policy Applicable to Existing Companies

Equity and export conditions imposed on companies prior to 17 June 2003 will be maintained.

However, companies can request for these conditions to be removed. The government will be flexible in considering such requests and approval will be given based on the merits of each case. Companies with export conditions can apply for approval from MIDA to sell in the domestic market based on the following guidelines:

- Up to 100% of their output for those products with nil duty or those not produced locally
- Up to 80% of their output if the domestic supply is inadequate or there has been an increase in imports from ASEAN for products with Common Effective Preferential Tariff (CEPT) duties of 5% and below.

Protection of Foreign Investment

Malaysia's commitment in creating a safe investment environment has persuaded more than 4,000 international companies from over 50 countries to make Malaysia their offshore base.

A company whose equity participation has been approved will not be required to restructure its equity at any time as long as the company continues to comply with the original conditions of approval and retain the original features of the project.

Communications

Internal and external communications and transportation are excellent. The telephone direct dialling system gives instantaneous international communication from both fixed and mobile units.

Chapter 2

Intellectual Property Protection



Intellectual property protection in Malaysia comprises patents, trademarks, industrial designs, copyright, geographical indications and layout designs of integrated circuits. Malaysia is a member of the World Intellectual Property Organization (WIPO) and a signatory to the Paris Convention and Berne Convention which govern these intellectual property rights.

In addition, Malaysia is also a signatory to the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) signed under the auspices of the World Trade Organization (WTO). Malaysia provides adequate protection to both local and foreign investors. Malaysia's intellectual property laws are in conformance with international standards and has been reviewed by the TRIPS Council periodically.

Patents

The Patents Act 1983 and the Patents Regulations 1986 govern patent protection in Malaysia. An applicant may file a patent application directly if he is domicile or resident in Malaysia. A foreign application can only be filed through a registered patent agent in Malaysia acting on behalf of the applicant.

Similar to legislations in other countries, an invention is patentable if it is new, involves an inventive step and is industrially applicable. In accordance with TRIPS, the Patents Act stipulates a protection period of 20 years from the date of filing of an application. Under the Act, the utility innovation certificate provides for an initial duration of

ten years protection from the date of filing of the application and renewable for further two consecutive terms of five years each subject to use. The owner of a patent has the right to exploit the patented invention, to assign or transmit the patent, and to conclude a licensed contract.

In accordance with TRIPS, under the scope of compulsory licence, the Act allows for importation of patented products that are already in the other countries' market (parallel import). The Government can prohibit commercial exploitation of patents for reasons of public order or morality. The Act was amended to include provision for Patent Cooperation Treaty (PCT) and to allow importation under the scope of compulsory license.

Malaysia has acceded to the PCT in the year 2006 and effective from 16 August 2006, the PCT International Application can be made at the Intellectual Property Corporation of Malaysia (MyIPO).

Trade marks

Trade mark protection is governed by the Trade Marks Act 1976 and the Trade Marks Regulations 1997.

The Act provides protection for registered trade marks and service marks in Malaysia. Once registered, no person or enterprise other than its proprietor or authorised users may use them. Infringement action can be initiated against abusers. The period of protection is ten years, renewable for a period of every ten years thereafter. The proprietor of the trade mark or service mark has the right to deal or assign as well as to license its use.

In accordance with TRIPS, Malaysia prohibits the registration of well-known trade marks by unauthorised persons and provides for border measures to prohibit counterfeit trade marks from being imported into Malaysia.

Malaysia accedes to the Nice and Vienna Agreement on 28 June 2007 which were enforced on 28 September 2007. Nice Agreement is concerning the International Classification of Goods and Services for the purpose of the registration of marks whereas the Vienna Agreement establishes a classification for marks, which consist of or contain figurative elements. Both agreements are significant to facilitate trade mark registration.

As with patents, while local applicants may file applications on their own, foreign applicants will have to do so through registered trade mark agents.

Industrial Designs

Industrial design protection in Malaysia is governed by the Industrial Designs Act 1996 and Industrial Designs Regulations 1999. The Act provides the rights of registered industrial designs as that of a personal property capable of assignment and transmission by operation of the law.

To be eligible for registration, industrial designs must be new and do not include a method of construction or design that is dictated solely by function. In addition, the design of the article must not be dependent upon the appearance of another article of which it forms an integral part.

Local applicants can file registrations individually or through a registered industrial designs agent. However, foreign applicants will need to seek the services of a registered industrial designs agent. Registered industrial designs are protected for an initial period of five years which may be extended for another two 5-year terms, providing a total protection period of 15 years.

Copyright

The Copyright Act 1987 provides comprehensive protection for copyrightable works. The Act outlines the nature of works eligible for

copyright (which includes computer programs), the scope of protection, and the manner in which the protection is accorded. There is no registration of copyright works.

Copyright protection in literary, musical or artistic works is for the duration of the life of the author and 50 years after his death. In sound recordings, broadcasts and films, copyright protection is for 50 years after the works are first published or made.

The Act also provides protection for the performer's rights in a live performance which shall continue to subsist for fifty years from the beginning of the calendar year following the year in which the live performance was given.

A unique feature of the Act is the inclusion of provisions for its enforcement. The amendment of the Copyright Act 1987, which was enforced on 1 October 2003 confers power of arrest (including arrest without warrant) to enforcement officers of the Ministry of Domestic Trade and Consumer Affairs. This special team of officers of the MDTCA is appointed to enforce the Act and is empowered to enter premises suspected of having infringing copies and to search and seize infringing copies and contrivances.

Layout Design of Integrated Circuits

The Layout Designs of Integrated Circuits Act 2000 provides for the protection of layout designs of integrated circuits based on originality, creator's own invention and the fact that the creation is freely created. There is no registration for the layout design of an integrated circuit.

The duration of protection is 10 years from the date of its commercial exploitation or 15 years from the date of creation if not commercially exploited. The Act also allows for action to be taken by the owner if such rights recognised under the Act has been infringed. The right can also be transferred either partly or wholly by way of assignment, licence, wills or through the enforcement of law.

The Act is implemented in compliance with the TRIPS Agreement to provide a guarantee to investors in Malaysia's electronics industry and to ensure the growth of technology in the country.

Geographical Indications

The Geographical Indications Act 2000 provides protection upon registration to goods following the name of the place where the goods are produced. This protection is applicable to goods such as wine and spirit, or natural or agricultural products or any product or handicraft or industry. Geographical indications which are contrary to public order or morality shall not be protected under the Act.

Chapter 3

Business Structure



Types of business structure

Any business enterprise in Malaysia must take one of the following forms:-

- a locally incorporated company limited by shares; The company may be a public company which must be post-fixed with the word 'Berhad', or often abbreviated as 'Bhd', at the end of its name. Private companies are denoted by the words 'Sendirian Berhad' or abbreviated as 'Sdn Bhd';
- a company limited by guarantee;
- branch of a foreign company;
- a sole proprietorship;
- a partnership;
- a trust.

Companies incorporated in Malaysia are regulated by the Malaysian Companies Act, 1965.

Companies limited by shares

This is a company where the personal liability of members is limited to the amount if any, unpaid on their shares. A company may be either a private or a public company. However, the most popular is a private limited company, whose articles of association restricts the right of its members to transfer their shares, restricts membership to 50 and prohibits any invitation to the public to subscribe for its shares or debentures or to deposit money with it. A public company however, is generally one that desires to raise capital from the public. Such companies typically go on to seek listing of their shares on a Malaysian stock exchange.

Any two or more persons may incorporate a company. Incorporation of a company under the Companies Act, 1965 requires an application to be made to the Companies Commission of Malaysia ("CCM") to approve the proposed name of the intended company. Documents such as the Memorandum and Articles of Association of the company and other documents must be lodged with the CCM. On payment of a registration fee, which depends on the amount of the company's authorised share capital, a Certificate of Incorporation will be issued by the CCM. This Certificate is conclusive evidence of the existence of the company. The incorporation of a company generally takes three to six weeks.

Companies limited by guarantee

In a company limited by guarantee, the member's liability is limited by the Memorandum to the amount the member undertakes to contribute to the company in the event the company is wound up. This type of company is not used for commercial undertakings but for clubs, trade associations, charitable bodies and professional bodies.

Foreign companies and foreign investments

Foreign businesses may choose to operate in Malaysia via one of the following options:-

- register a branch office if the investor is a foreign company;
- incorporate a separate Malaysian company as its subsidiary;
- acquire all or a majority of the shares of an existing Malaysian company; or
- enter into joint venture with a Malaysian company or individual typically through holding shares
- in a newly-incorporated joint venture company

In the case of a branch of a foreign company, a formal registration of the foreign branch with CCM is a requirement, which involves the submission of applications for approval, before the commencement of business.

Upon approval, applicants must lodge the following documents with the CCM:

- A certified copy of its Certificate of Incorporation (or a document of similar effect) from the country of origin;
- A certified copy of its Charter, Statute or Memorandum and Articles of Association or other instrument constituting or defining its constitution;
- A list of its directors and certain statutory particulars regarding them;
- Where there are local directors, a memorandum stating the powers of those directors;
- A memorandum of appointment or power of attorney authorising one or more persons resident in Malaysia to accept on behalf of the company, service of process and any notices required to be served on the company; and
- A statutory declaration in the prescribed form made by the agent of the company.

Upon payment of registration fee, that depends on the amount of the authorised share capital (converted to Ringgit Malaysia) of the foreign company, a Certificate of Registration of a Foreign Branch will be issued by the CCM. The certificate is conclusive evidence of the existence of the foreign branch. The registration of a foreign branch generally takes three to six weeks

Sole proprietorship and partnerships

A sole proprietorship is an unincorporated business owned by one person. Since the business is not a separate legal entity (like a corporation) the owner is personally liable for all business debts. Before commencement of a business under a sole proprietorship, registration must be made with the Registrar of Business under the Registration of Business Ordinance 1965.

A partnership is an unincorporated business entity consisting of not less than two and not more than 20 partners. Partnerships are assumed to exist where partners carry on a business in common, in view of making a profit, and share profits and losses proportionately. Registration must be formalised at the Registrar of Business also under the Registration of Business Ordinance 1965.

Trusts

Trusts may be public (e.g. for a specific purpose or charity) or private (for benefit of private individuals) and may be formed as either non-fixed (where all or some interests in the trust are at the discretion of the trustee such as discretionary trusts) or fixed trusts (where the interests in the trust are fixed such as unit trusts). Unit trusts are often used for public investments in the form of property trusts or cash management trusts.

Chapter 4

Business Finance



Equity financing

Foreign businesses that intend to raise public funds through an official / approved securities exchange must be locally incorporated public limited companies. The sole official / approved securities exchange in Malaysia is operated by Bursa Malaysia Securities Berhad (“Securities Exchange”), a wholly owned subsidiary Bursa Malaysia Berhad. This demutualised securities exchange comprises 2 markets namely Main Board, which is principally the main market; and the ACE Market, a secondary market with less stringent listing requirements open to companies of all sizes and from all economic sectors.

The securities industry in Malaysia is governed by the following Acts of Parliament:

- Securities Industry (Central Depositories Act) 1991
- Securities Commission Act 1993
- Capital Market Services Act 2007
- Companies Act 1965.

Any proposals to raise public funds via any of the markets of the Securities Exchange must be approved by the Securities Commissions (“SC”). The SC which was established on 1 March 1993 under the Securities Commission Act 1993, is a self-funding statutory body with investigative and enforcement powers. Its main functions include regulating, monitoring and developing the securities industry in Malaysia, as well as advising the Government of Malaysia and Central Bank of Malaysia on policy matters. SC also acts on behalf of the Foreign Investment Committee which oversees certain transactions that falls within its purview pertaining to acquisitions, mergers and take-over of local companies involving foreign interests.

Loan funding

The banking system and the development finance institutions are the major institutional sources of credit to the industrial sector in Malaysia. Malaysia has several development finance institutions (“DFIs”) that specialise in providing medium to long-term loans, equity capital and guarantees for loans to promote strategic sectors in the Malaysian economy such as the agriculture, infrastructure, shipping, manufacturing and export sectors, and Small Medium Enterprises (SMEs). DFIs also provide consulting and advisory services besides financial, technical and managerial advice and assistance.

Examples of DFIs include Exim Bank, which is the result of merger of Export-Import Bank of Malaysia and Malaysia Export Credit Insurance Berhad. Exim bank finances and facilitates the export and import of goods, services and overseas projects with emphasis on non-traditional markets. Exim Bank also provides insurance for export credit, export finance and overseas investment insurance and guarantees facilities. Another example is, Bank Perusahaan Kecil dan Sederhana Malaysia Berhad or SME Bank (formerly known as ‘Bank Industri dan Teknologi Malaysia Berhad), which was established in October 2005. SME Bank provides a comprehensive range of financial and ancillary services for SMEs.

Grants & soft loans

In its effort to promote certain strategic sectors in the economy, the Malaysian government offers various government grants via relevant government agencies. Some examples of Malaysian government grants are as follows:-

a) **Multimedia Super Corridor (“MSC”) Research and Development Grant Scheme**

Companies with MSC status, which meet local equity ownership requirement, are entitled to apply for R&D grant from Multimedia Development Corporation (“MDeC”).

Conceptualised in 1996, the MSC is an Information Communication and Technology (“ICT”) hub, hosting more than 900 multinationals, foreign-owned and home-grown Malaysian companies focused on multimedia and communications products, solutions, services and research and development.

The MSC R&D Grant Scheme (“MGS”) is designed to help local companies or joint ventures to innovate and develop relevant multimedia technologies and applications which would contribute to the overall development of MSC. MDeC has been given the responsibility of administering and awarding R&D grants to MSC-Status companies, particularly Malaysian SMEs.

To be eligible for MSC R&D Grant Scheme, the applicant must already have MSC status accreditation and must be at least 30% Malaysian owned.

b) **Financial Assistance Schemes to SMEs**

Grants and soft loans are provided to SMEs to improve their production processes, increase productivity and provide greater market access. Further details of such financial assistance are as follows:-

Grants - Industrial Technical Assistance Fund

The objectives of the schemes are to assist SMEs in the areas of:-

(i) *Business Planning and Development*

The scheme provides assistance to SMEs to undertake studies in business planning, technology and market development. SMEs can also implement Cleaner Production Project to reduce waste generation or improve energy efficiency in their production processes. The maximum grant allocated per company is RM40,000.

(ii) *Product and Process Improvement*

The scheme provides assistance to SMEs to improve and upgrade existing products, product designs and processes. The maximum grant allocated per company is RM500,000.

(iii) *Productivity and Quality Improvement and Certification*

This scheme assists SMEs to undertake productivity and quality improvement and to comply with international quality standards and certification. The maximum grant allocated per company is RM250,000.

(iv) *Market Development*

With the aim supporting SMEs in undertaking promotional activities for the export market, Malaysian government introduced Market Development Grant (“MDG”) managed by the Malaysia External Trade Development Corporation (“MATRADE”). The maximum grant allocated per company is RM100,000.

Grants - Fund for Enhancing Product Packaging Design and Labelling Capabilities of SMEs

The scheme provides assistance to SMEs to acquire and improve product packaging, design and labeling, thus enabling companies to enhance product appearance and comply with market requirements. The maximum grant allocated per company is RM200,000.

Grants - Special Fund for Development and Promotion of Halal Products

The purpose of the scheme is to encourage participation from Malaysia companies in the development and promotion of *halal* products and services. The fund is eligible for companies in the food and non-food sectors such as pharmaceutical, cosmetics and toiletries, as well as services related to the handling, storage and distribution of *halal* products. The maximum grant allocated per company is RM150,000. Halal, in Arabic language, refers to anything that is permissible under Islam.

Soft Loans for SMEs

The Soft Loan for SME is implemented to assist existing and new start-up companies in project, fixed assets and working capital financing.

Soft Loan Scheme for Factory Relocation

SMEs operating at non-designated industrial sites are hampered from gaining access to institutional credits, government assistance programmes and limited capacity to expand. This Soft Loan Scheme provides assistance for SMEs to relocate their factories to designated industrial sites.

Soft Loan Scheme for ICT Adoption

This scheme provides assistance in the form of soft loan for SMEs to utilise ICT to improve competitiveness, efficiency and productivity.

To be eligible for the aforementioned financial assistance, applicants must fulfill the following criteria:-

- Manufacturing companies or companies providing manufacturing related services incorporated under Companies Act, 1965 with annual sales turnover of not exceeding RM25 million or full time employees not exceeding 150.
- For the services sector businesses must be incorporated under the Registration of Business Ordinance, 1956 with an annual sales turnover not exceeding RM5 million or full-time employees not exceeding 50.
- At least 60% equity held by Malaysians.
- Possess valid premise license.

Strategic sectors which have been earmarked for the provision of such financial assistance by the Malaysian government are as follows:-

- Manufacturing or companies providing manufacturing-related services, namely engineering support services such as calibration, electroplating, machining, heat treatment, metal casting and metal forging;
- Distributive trade;
- Logistics; and
- Professional management services.

Financial assistance is given in the form of matching grant where 50% of approved project cost is borne by the Malaysian government and the remainder by the applicant. Small and Medium Industries Development Corporation (“SMIDEC”) has been given the responsibility to administer and award the said financial assistance except for MDG which falls within the purview of MATRADE.

Chapter 5

Investment Incentives



In Malaysia, tax incentives, both direct and indirect, are provided for in the Promotion of Investments Act 1986, Income Tax Act 1967, Customs Act 1967, Sales Tax Act 1972, Excise Act 1976 and Free Zones Act 1990. These Acts cover investments in the manufacturing, agriculture, tourism (including hotel) and approved services sectors as well as R&D, training and environmental protection activities.

The direct tax incentives grant partial or total relief from income tax payment for a specified period, while indirect tax incentives are in the form of exemptions from import duty, sales tax and excise duty.

The following are some popular incentives provided by the Government. For further information on other incentives that may not be covered in this guide, please speak with us directly on what other options are available.

Manufacturing

Main Incentives for Manufacturing Companies

The major tax incentives for companies investing in the manufacturing sector are the Pioneer Status and the Investment Tax Allowance.

Eligibility for Pioneer Status and Investment Tax Allowance is based on certain priorities, including the level of value-added, technology

used and industrial linkages. Eligible activities and products are termed as "promoted activities" or "promoted products".

(i) Pioneer Status

A company granted Pioneer Status enjoys a 5-year partial exemption from the payment of income tax. It pays tax on 30% of its statutory income, with the exemption period commencing from its Production Day (defined as the day its production level reaches 30% of its capacity).

Unabsorbed capital allowances as well as accumulated losses incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company.

To encourage investments in promoted areas i.e. the States of Perlis, Sabah and Sarawak and the designated "Eastern Corridor" of Peninsular Malaysia, applications received from companies located in these areas will enjoy a 100% tax exemption on their statutory income during their 5-year exemption period. Applications received by 31 December 2010 are eligible for this incentive.

(ii) Investment Tax Allowance

As an alternative to Pioneer Status, a company may apply for Investment Tax Allowance (ITA). A company granted ITA is entitled to an allowance of 60% on its qualifying capital expenditure (factory, plant, machinery or other equipment used for the approved project) incurred within five years from the date the first qualifying capital expenditure is incurred.

The company can offset this allowance against 70% of its statutory income for each year of assessment. Any unutilised allowance can be carried forward to subsequent years until fully utilised. The remaining 30% of its statutory income will be taxed at the prevailing company tax rate.

For the promoted areas i.e. the States of Perlis, Sabah and Sarawak and the designated "Eastern Corridor" of Peninsular Malaysia, applications received from companies located in these areas will enjoy an allowance of 100% on the qualifying capital expenditure incurred within a period of five years. The allowance can be utilised to offset against 100% of the statutory income for each year of assessment.

Incentives for Relocating Manufacturing Activities to Promoted Areas

In order to reduce the costs of doing business and to provide a competitive business environment, existing companies which relocate their manufacturing activities to the promoted areas, are eligible for the following incentives:

- i. Pioneer Status with income tax exemption of 100% of statutory income for a period of five years; Unabsorbed capital allowances as well as accumulated losses incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company; or
- ii. Investment Tax Allowance of 100% on the qualifying capital expenditure incurred within a period of five years. The allowance can be utilised to offset against 100% of the statutory income for each year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised.

Incentives for High Technology Companies

A high technology company is a company engaged in promoted activities or in the production of promoted products in areas of new and emerging technologies

A high technology company qualifies for:

- i. Pioneer Status with income tax exemption of 100% of the statutory income for a period of five years. Unabsorbed capital allowances as well as accumulated losses incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company; or
- ii. Investment Tax Allowance of 60% (100% for promoted areas) on the qualifying capital expenditure incurred within five years from the date the first qualifying capital expenditure is incurred. The allowance can be utilised to offset against 100% of the statutory income for each year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised.

The high technology company must fulfil the following criteria:

- i. The percentage of local R & D expenditure to gross sales should be at least 1% on an annual basis. The company has three years from its date of operation or commencement of business to comply with this requirement.
- ii. Scientific and technical staff having degrees or diplomas with a minimum of 5 years experience in related fields should comprise at least 7% of the company's total workforce.

Incentives for Strategic Projects

Strategic projects involve products or activities of national importance. They generally involve heavy capital investments with long gestation periods, have high levels of technology, are integrated, generate extensive linkages, and have significant impact on the economy. Such projects qualify for:

- i. Pioneer Status with income tax exemption of 100% of the statutory income for a period of ten years; Unabsorbed capital allowances as well as accumulated losses incurred during the

pioneer period can be carried forward and deducted from the post pioneer income of the company; or

- ii. Investment Tax Allowance of 100% on the qualifying capital expenditure incurred within five years from the date the first qualifying capital expenditure is incurred. This allowance can be offset against 100% of the statutory income for each year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised.

Incentives for Small and Medium-Scale Companies

Small and medium-scale companies with a paid-up capital of RM2.5 million and below are eligible for a reduced corporate tax of 20% on chargeable incomes of up to RM500,000. The tax rate on the remaining chargeable income is maintained at 26%.

Small-scale manufacturing companies incorporated in Malaysia with shareholders' funds not exceeding RM500,000 and having at least 60% Malaysian equity are eligible for the following incentives:

- i. Pioneer Status with income tax exemption of 100% of the statutory income for a period of five years. Unabsorbed capital allowances as well as accumulated losses incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company; or
- ii. Investment Tax Allowance of 60% (100% for promoted areas) on the qualifying capital expenditure incurred within five years. This allowance can be offset against 100% of the statutory income for each year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised.

A sole proprietorship or partnership is eligible to apply for this incentive provided a new private limited/limited company is formed to take over the existing production/activities. To qualify for the

incentive, a small-scale company has to comply with one of the following criteria:

- i. The value-added must be at least 15%; or
- ii. The project contributes towards the socio-economic development of the rural population.

The company shall carry out the manufacture of products or participate in activities listed as promoted products and activities for small-scale companies.

Effective from the year assessment of 2009, for the purpose of imposition of income tax and tax incentives, the definition of SMEs is reviewed as a company resident in Malaysia with a paid up capital of ordinary shares of RM2.5 million or less at the beginning of the basis period of a year of assessment whereby such company cannot be controlled by another company with a paid up capital exceeding RM2.5 million.

Incentives to Strengthen Industrial Linkages

To encourage large companies to participate in an Industrial Linkage Programme (ILP), expenditure incurred in training of employees, product development and testing, and factory auditing to ensure the quality of vendors' products, will be allowed as a deduction in the computation of income tax.

Vendors, including small and medium-scale companies that propose to manufacture promoted products or participate in promoted activities in an ILP, are eligible for the following incentives:

- i. Pioneer Status with income tax exemption of 100% of the statutory income for a period of five years. Unabsorbed capital allowances as well as accumulated losses incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company; or

- ii. Investment Tax Allowance of 60% (100% for promoted areas) on the qualifying capital expenditure incurred within five years. This allowance can be offset against 100% of the statutory income for each year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised.

To encourage vendors to manufacture promoted products or participate in activities for the international market, vendors in an approved ILP who are capable of achieving world-class standards in terms of price, quality and capacity, will be eligible for the following incentives:

- i. Pioneer Status with income tax exemption of 100% of the statutory income for a period of ten years; Unabsorbed capital allowances as well as accumulated losses incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company; or
- ii. Investment Tax Allowance of 100% on the qualifying capital expenditure incurred within a period of five years which the company can offset against 100% of the statutory income for each year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised.

Incentives for the Machinery and Equipment Industry

Production of Specialised Machinery and Equipment

Companies undertaking activities in the production of specialised machinery and equipment, namely, machine tools, plastic injection machines, plastic extrusion machinery, material handling equipment, packaging machinery, robotics and factory automation equipment, specialised/process machinery or equipment for specific industries, and parts and components of the mentioned machinery and equipment, are eligible for:

- i. Pioneer Status with income tax exemption of 100% of the statutory income for a period of ten years. Unabsorbed capital allowances as well as accumulated losses incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company; or
- ii. Investment Tax Allowance of 100% on the qualifying capital expenditure incurred within five years from the date the first qualifying capital expenditure is incurred. This allowance can be offset against 100% of the statutory income for each year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised.

Production of Heavy Machinery

Existing locally-owned companies that reinvest in the production of heavy machinery such as cranes, quarry machinery, batching plant and port material handling equipment, are eligible for the following incentives:

- i. Pioneer Status with income tax exemption of 70% (100% for promoted areas) on the increased statutory income arising from the reinvestment for a period of five years. Unabsorbed capital allowances as well as accumulated losses incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company; or
- ii. Investment Tax Allowance of 60% (100% for promoted areas) on the additional qualifying capital expenditure incurred within a period of five years. The allowance can be offset against 70% (100% for promoted areas) of the statutory income for each year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised.

Production of Machinery and Equipment

Existing locally-owned companies that reinvest in the production of machinery and equipment, including specialised machinery and equipment and machine tools, are eligible for the following incentives:

- i. Pioneer Status with income tax exemption of 70% (100% for promoted areas) on the increased statutory income arising from the reinvestment for a period of five years. Unabsorbed capital allowances as well as accumulated losses incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company; or
- ii. Investment Tax Allowance of 60% (100% for promoted areas) on the additional qualifying capital expenditure incurred within a period of five years. The allowance can be offset against 70% (100% for promoted areas) of the statutory income for each year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised.

Automotive Component Modules or Systems

New and existing companies that undertake design, R&D and production of qualifying automotive component modules or systems are eligible for:

- i. Pioneer Status with income tax exemption of 100% of the statutory income for a period of five years. Unabsorbed capital allowances as well as accumulated losses incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company; or
- ii. Investment Tax Allowance of 60% (100% for promoted areas) on the qualifying capital expenditure incurred within five years from the date the first capital expenditure is incurred. The allowance can be offset against 100% of the statutory income for each year

of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised.

The qualifying modules or systems are front corner modules, rear corner modules, instrument panel modules, struts and absorbers and spring assembly modules, bumper modules, front cross member modules, function integrated door modules, fuel tank modules, seat modules, pedal modules, door trim modules, floor console modules, tyre and wheel modules, brake systems, wiper systems, exhaust systems, audio systems, heater ventilation air-conditioning systems, air bag systems, power and signal distribution systems, alarm systems, seat belt systems, exterior lighting systems, body in white modules, engine management systems, safety systems, telematics, navigational systems, engine fuel injection systems, and vehicle intelligence systems.

Utilisation of Oil Palm Biomass

Companies that utilise oil palm biomass to produce value-added products such as particleboard, medium density fibreboard, plywood, and pulp and paper are eligible for the following incentives:

(i) New Companies

- a. Pioneer Status with income tax exemption of 100% of the statutory income for a period of ten years. Unabsorbed capital allowances as well as accumulated losses incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company; or
- b. Investment Tax Allowance of 100% on the qualifying capital expenditure incurred within a period of five years. The allowance can be offset against 100% of the statutory income for each year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised.

(ii) Existing Companies that Reinvest

- a. Pioneer Status with income tax exemption of 100% of the increased statutory income arising from the reinvestment for a period of ten years. Unabsorbed capital allowances as well as accumulated losses incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company; or
- b. Investment Tax Allowance of 100% on the additional qualifying capital expenditure incurred within a period of five years. The allowance can be offset against 100% of the statutory income for each year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised.

Additional Incentives for the Manufacturing Sector

(i) Reinvestment Allowance

Generally, Reinvestment Allowance (RA) is given to companies engaged in manufacturing*, and selected agricultural activities that reinvest for the purposes of expansion, automation, modernisation or diversification of its existing business into any related products within the same industry on condition that such companies have been in operation for at least 12 months. This condition has been revised to at least 36 months, effective from the year of assessment 2009.

The RA is given at the rate of 60% on the qualifying capital expenditure incurred by the company, and can be offset against 70% of its statutory income for the year of assessment. Any unutilised allowance can be carried forward to subsequent years until fully utilised. A company can offset the RA against 100% of its statutory income for the year of assessment if:

The company undertakes reinvestment projects in the promoted areas i.e. the States of Perlis, Sabah, and Sarawak and the designated "Eastern Corridor" of Peninsular Malaysia; or

The company attains a productivity level exceeding the level determined by the Ministry of Finance. For further details on the prescribed productivity level for each sub-sector, please contact the Inland Revenue Board

The RA will be given for a period of 15 consecutive years beginning from the year the first reinvestment is made. Companies can only claim the RA upon the completion of the qualifying project, i.e. after the building is completed or when the plant/machinery is put to operational use. With effect from the year of assessment 2009, company purchasing an asset from a related company within the same group where RA has been claimed on that asset is not allowed to claim RA on the same asset.

Assets acquired for the reinvestment cannot be disposed off within a period of two years from the time of the reinvestment and with effect from the year of assessment 2009 this provision is extended to five years.

(ii) Accelerated Capital Allowance

After the 15-year period of eligibility for RA, companies that reinvest in the manufacture of promoted products are eligible to apply for Accelerated Capital Allowance (ACA). The ACA provides a special allowance, where the capital expenditure is written off within three years, i.e. an initial allowance of 40% and an annual allowance of 20%.

Applications should be submitted to the IRB accompanied by a letter from MIDA certifying that the companies are manufacturing promoted products.

SMEs are eligible for the following incentives:

ACA on expenses incurred on plant and machinery acquired in the year of assessment 2009 and 2010. This allowance is to be claimed within one year that is in the year of assessment the asset is fully

acquired. This incentive is effective for the year of assessment 2009 and 2010; and

SMEs are not subject to the maximum limit of RM10,000 for capital allowance on small value assets. This incentive is effective from the year of assessment 2009.

(iii) Accelerated Capital Allowance on Equipment to Maintain Quality of Power Supply

In order to reduce the cost of doing business caused by interruptions in the power supply, companies which incur capital expenditure on equipment to ensure the quality of power supply, are eligible for Accelerated Capital Allowance (ACA) for a period of two years which allows the companies to write off the capital expenditure within two years, i.e. an initial allowance of 20% and an annual allowance of 80%. Only equipment determined by the Ministry of Finance is eligible for the ACA.

(iv) Accelerated Capital Allowance on Security Control Equipment

Generally, Accelerated Capital Allowance (ACA) is given on security control equipment installed in the factory premises of companies licensed under the Industrial Coordination Act 1975. This allowance is eligible to be claimed within one year. However, effective from the year of assessment 2009, this allowance is extended to all business premises. Security control equipment which are eligible for the allowance are:

- Anti-theft alarm system;
- Infra-red motion detection system;
- Siren;
- Access control system;
- Closed circuit television;
- Video surveillance system;
- Security camera;
- Wireless camera transmitter; and

- Time lapse recording and video motion detection equipment.

(v) Incentive for Industrialised Building System

Industrial Building System (IBS) will enhance the quality of construction, create a safer and cleaner working environment as well as reduce the dependence on foreign workers. Companies which incur expenses on the purchase of moulds used in the production of IBS components are eligible for Accelerated Capital Allowances (ACA) for a period of three years.

(vi) Tax Exemption on the Value of Increased Exports

To promote exports, manufacturing companies in Malaysia qualify for:

- A tax exemption on statutory income equivalent to 10% of the value of increased exports, provided that the goods exported attain at least 30% value-added; or
- A tax exemption on statutory income equivalent to 15% of the value of increased exports, provided that the goods exported attain at least 50% value-added.

To further encourage the export of Malaysian goods, a locally-owned manufacturing company with Malaysian equity of at least 60% is eligible for:

- A tax exemption on statutory income equivalent to 30% of the value of increased exports, provided the company achieves a significant increase in exports;
- A tax exemption on statutory income equivalent to 50% of the value of increased exports, provided the company succeeds in penetrating new markets;
- A full tax exemption on the value of increased exports, provided the company achieves the highest increase in export in its category.

(vii) Group Relief

To enhance private sector investment, group relief is provided under the Income Tax Act 1967 to all locally incorporated resident companies. Effective from the year of assessment 2009, group relief is increased from 50% to 70% of the current year's unabsorbed losses to be offset against the income of another company within the same group (including new companies undertaking activities in approved food production, forest plantation, biotechnology, nanotechnology, optics and photonics) subject to the following conditions:

- a) The claimant and the surrendering companies each has a paid-up capital of ordinary shares exceeding RM2.5 million;
- b) Both the claimant and the surrendering companies must have the same accounting period;
- c) The shareholding, whether direct or indirect, of the claimant and the surrendering companies in the group must not be less than 70%;
- d) The 70% shareholding must be on a continuous basis during the preceding year and the relevant year;
- e) Losses resulting from the acquisition of proprietary rights or a foreign-owned company should be disregarded for the purpose of group relief; and
- f) Companies currently enjoying the following incentives are not eligible for group relief:
 - Pioneer Status
 - Investment Tax Allowance/Investment Allowance
 - Reinvestment Allowance
 - Exemption of Shipping Profits

- Exemption of Income Tax under section 127 of the Income Tax Act 1967; and
- Incentive Investment Company

With the introduction of the above incentive, the existing group relief incentive for approved food production, forest plantation, biotechnology, nanotechnology, optics and photonics will be discontinued. However, companies granted group relief incentive for the above activities shall continue to offset their income against 100% of the losses incurred by their subsidiaries.

Multimedia Super Corridor

The Multimedia Super Corridor (MSC), a 15-by-50 kilometre (9-by-30 mile) zone extending south from Malaysia's capital city and business hub, Kuala Lumpur, is a perfect environment for companies wanting to create, distribute and employ multimedia products and services.

MSC Status is the recognition granted by the Government of Malaysia through the Multimedia Development Corporation (MDeC) to companies that participate and undertake ICT activities in the MSC. Companies with MSC status enjoy a set of incentives and benefits that is backed by the Government of Malaysia's Bill of Guarantees.

MSC status multimedia companies operating in Malaysia MSC Cybercities/ Cybercentres namely Cyberjaya, Technology Park Malaysia, Kuala Lumpur City Centre, UPM-MTDC, Penang Cybercity-1, Kulim High Tech Park in Kedah, KL Sentral, Melaka International Trade Centre and MSC Cyberport Johor as well as multimedia faculties located in institutions of higher learning outside the cybercities, are eligible for the following incentives/facilities:

- Pioneer Status with income tax exemption of 100% of the statutory income for a period of 10 years or Investment Tax Allowance of 100% on the qualifying capital expenditure

incurred within a period of five years to be offset against 100% of statutory income for each year of assessment.

- Eligibility for R&D grants (for majority Malaysian-owned MSC Status companies)

Other Benefits

- Duty-free import of multimedia equipment
- Intellectual property protection and a comprehensive framework of cyberlaws
- No censorship of the Internet
- World-class physical and IT infrastructure
- Globally competitive telecommunication tariffs and services
- Consultancy and assistance by the Multimedia Development Corporation to companies within the MSC
- High quality, planned urban development
- Excellent R&D facilities
- Green and protected environment
- Import duty, excise duty and sales tax exemption on machinery, equipment and materials.

Special Investment Zones and Economic Growth Corridors

Besides MSC, the Government has also introduced other various measures to facilitate economic growth, spur investments and channel the rural-urban divide in the country. These measures include the implementation of:

Growth Corridors:

- Iskandar Malaysia: Southern Johor;
- Northern Corridor Economic Region (NCER);
- East Coast Economic Region (ECER);
- Sabah Development Corridor; and
- Sarawak Corridor of Renewable Energy.

Industrial Parks:

- Technology Park Malaysia (TPM) in Bukit Jalil, Kuala Lumpur;
- Kulim Hi-Tech Park in Northern State of Kedah;
- Halal Parks
- Sabah Development Corridor; and
- Sarawak Corridor of Renewable Energy.

Free Industrial Zones (FIZ) whereby it is designated to cater the needs of export-oriented industries. Companies within the FIZs are allowed for duty-free imports of raw materials, components, parts, machinery and equipment directly required in the manufacturing process.

Licensed Manufacturing Warehouse (LMW) is catered companies to set up at areas without FIZs but enjoy facilities similar to companies by establishment in FIZs.

Operational Headquarters

An approved operational headquarters (OHQ) generally refers to a company that provides qualifying services to its offices or related companies regionally and globally.

A company that establishes an OHQ in Malaysia can be considered for tax incentives and facilities under the OHQ incentive programme. A company is granted OHQ status and tax incentives under Section 127 of the Income Tax Act 1967 for the provision of qualifying services to its offices or related companies within and outside Malaysia.

Companies that meet the following criteria can apply for OHQ status and incentives:

- Locally incorporated 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

- Appoint at least three senior professional/ management personnel
- Serve at least three related companies outside Malaysia
- Have a sizeable network of companies outside Malaysia which includes the parent company or headquarters, and other related companies
- Have a well-established network of companies that employ a significant and substantial number of qualified professionals, technical and supporting personnel
- Carry out a minimum of **three (3)** qualifying services

The **qualifying services** are as follows:

- General management and administration
- Business planning and coordination
- Coordination of procurement of raw materials, components and finished products
- Technical support and maintenance
- Marketing control and sales promotion planning
- Data/ information management and processing
- Research and development (R&D) work carried out in Malaysia on behalf of its offices or related companies within or outside Malaysia
- Training and personnel management for its offices or related companies within or outside Malaysia
- Treasury and fund management services to its offices or related companies outside Malaysia
- Corporate financial advisory services to its offices and related companies outside Malaysia

The **treasury and fund management services** include:

- Providing credit facilities, transacting or investing in stocks, shares and securities (including bonds, notes, certificates of deposits and treasury bills) in foreign currencies that are issued either by foreign governments, foreign banks outside Malaysia, or companies that are neither incorporated nor a resident in Malaysia

- Transacting or investing in certificates of deposits, notes and bonds denominated in a foreign currency that are issued by any offshore bank in Labuan
- Investing in foreign currency deposits with designated banks in Malaysia or offshore banks in Labuan
- Foreign exchange transactions and interest rate/currency swaps for hedging purposes that are made in a foreign currency and conducted through authorised dealers and licensed offshore banks in Labuan
- Transactions in financial futures contracts or options for hedging purposes made only with a member of an exchange approved by Malaysia's central bank, Bank Negara Malaysia (BNM).

The funds for carrying out the treasury and fund management activities are to be obtained only through borrowings made from authorised banks in Malaysia and offshore banks in Labuan; or from the OHQ company's paid-up capital, its accumulated profits derived from qualifying activities, or the accumulated profits of its offices or from borrowings sourced from outside Malaysia.

An OHQ set up by a financial institution is prohibited from providing treasury and fund management services to its related companies in Malaysia unless the related companies are institutions licensed under the Banking and Financial Institution Act 1989 (BAFIA).

The **corporate financial advisory services** include:

- Provision of credit administration denominated in currencies other than the Malaysian Ringgit for related companies
- Arrangement of credit facilities denominated in currencies other than the Malaysian Ringgit for related companies
- Arrangement of interest rate or currency swaps in currencies other than the Malaysian Ringgit
- An OHQ company may take over claims held by related companies and/or from third parties outside Malaysia at a discounted price (factoring)

- All products and services which related companies invoice to each other can be re-invoiced by the OHQ (re-invoicing)
- Netting of payments, other than the export proceed for goods exported from Malaysia, among related companies vis-à-vis the OHQ, is freely allowed
- An OHQ company may purchase machinery, equipment or real estate with a view to lease them to its related companies (leasing)
- An OHQ company may purchase machinery, equipment or real estate belonging to related companies with a view to lease them back to the same related companies (sales and lease back arrangements).

Equity Requirements

A company granted OHQ status and incentives under Section 127 of the Income Tax Act 1967, is allowed 100% foreign equity ownership.

Incentives

An approved OHQ company is eligible for 100% income tax exemption for a period of 10 years under Section 127, Income Tax Act 1967 for income derived from the following sources:

i. Business Income

Income arising from services rendered by an OHQ company to its offices or related companies outside Malaysia

ii. Interest

Income derived from interest on foreign currency loans extended by an OHQ company to its offices or related companies outside Malaysia

iii. Royalties

Royalties received from R&D work carried out in Malaysia by an OHQ company on behalf of its offices or related companies outside Malaysia.

The income generated by an OHQ company in providing qualifying services to its offices and related companies in Malaysia will not be taxed during its tax-exempt period, provided such income does not exceed 20% of its overall income derived by providing qualifying services. Any excess of the 20% limit will not be exempted from tax.

An existing OHQ company will be given a 100% income tax exemption for its remaining exemption period.

Other Facilities

Other facilities accorded to an approved OHQ are as follows:

- Open foreign currency account (FCA) with licensed onshore banks to retain any amount of export proceeds in foreign currency.
- Open FCA with licensed onshore banks, licensed offshore banks in Labuan or overseas banks for crediting foreign currency receivables, other than export proceeds, with no limit imposed on the overnight balances.
- Obtain any amount of domestic credit facilities in ringgit
- Obtain any amount of foreign currency credit facilities from licensed onshore banks and licensed merchant banks in Malaysia and from any non-residents, provided the OHQ does not on-lend to, or raise the funds on behalf of, any resident
- Invest abroad any amount, including extension of credit facilities to their related overseas companies, to be funded with foreign currency funds or borrowing. They may also convert any amount if they have no domestic credit facilities or up to RM10 million if they have domestic credit facilities into foreign currency per calendar year for investment abroad

- Use professional services of foreign firms, provided that such services are not available locally
- Acquire fixed assets as long as the fixed assets are used for the purpose of carrying out the operations of the OHQ
- Import duty, excise duty and sales tax exemption on machinery, equipment and materials.
- Expatriates working in OHQ companies are taxed only on the portion of their chargeable income attributable to the numbers of days that they are in Malaysia.

Expatriate Employment

There are two stages in the employment of expatriates: Application for an expatriate post and an endorsement of employment pass.

Companies applying for OHQ status can also apply for expatriate posts, including key posts. The approval will be granted according to the companies' requirements subject to the condition that the company has a minimum paid-up capital of RM500,000. All applications should be submitted to MIDA.

Upon approval of the expatriate posts by MIDA, the company must submit an application to the Immigration Department for endorsement of the Employment Pass. Once the Employment Pass has been endorsed, the expatriate can be hired.

International Procurement Centres / Regional Distribution Centres

An international procurement centre (IPC) is a locally incorporated company, which carries on a business in Malaysia to undertake procurement and sale of raw materials, components and finished products for its group of related companies and unrelated companies in Malaysia and abroad. This would include procurement from, and sales made to, local sources and third countries.

A regional distribution centre (RDC) is a collection and consolidation centre 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 value-added activities involved are bulk breaking, repackaging and labelling.

Companies that meet the following criteria can apply for an IPC/RDC status:

- Locally incorporated 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
- Utilisation of Malaysian ports and airports A minimum annual sales turnover of RM50 million by the third year of operation
- Domestic sales of not more than 20% of its annual sales value. Not more than 30% of its annual sales turnover is derived from sourcing of goods from outside Malaysia to overseas destinations via drop shipment.

Equity Requirements

A company granted IPC/RDC status and incentives under Section 127 of the Income Tax Act 1967, is allowed 100% foreign equity ownership.

Incentives

An approved IPC/RDC status company can be considered for:

- Full tax exemption of statutory income for 10 years, under Section 127 of the Income Tax Act 1967
- Dividends paid from the exempt income will be exempted from tax in the hands of its shareholders

To qualify for the above incentives, an approved IPC/RDC status company must fulfil the following additional criteria:

- Annual sales turnover of at least RM100 million.
- Sales to the domestic market including sales to free zones (FZs) and licensed manufacturing warehouses (LMWs) are limited to 20% of its sales turnover. If sales to the domestic market exceed 20%, the additional sales will not be exempted from income tax.

Other Benefits

An approved IPC/RDC status company will enjoy the following benefits:

- Expatriate posts based on the requirements of the IPC/RDC
- Open one or more foreign currency account (FCA) with licensed commercial banks to retain its export proceed without any limit
- Enter into foreign exchange forward contracts with licensed commercial banks to sell forward export proceeds based on its projected sales
- Bring in raw materials, components or finished products with customs duty exemption into free industrial zones (FIZs), free commercial zones (FCZs), licensed manufacturing warehouse (LMWs) and bonded warehouses for re-packaging, cargo consolidation and integration before distribution to its final consumers.
- Expatriates working in IPC/RDC companies are taxed only on the portion of their chargeable income attributable to the numbers of days that they are in Malaysia.

Expatriate Employment

Companies applying for IPC/RDC status can also apply for expatriate posts, including key posts. The approval will be granted according to the companies' requirements subject to the condition that the company has a minimum paid-up capital of RM500,000.

Upon approval of the expatriate posts by MIDA, the company must submit an application to the Immigration Department for endorsement of the Employment Pass. Once the Employment Pass has been endorsed, the expatriate can be hired.

Chapter 6

Accounting



Statutory Accounting Requirements

The Companies Act, 1965 imposes an obligation on the directors to keep accounting and other records that will sufficiently explain the transactions and financial position of the company and enable accounts to be audited. A company's accounts must give a true and fair view of its state of affairs and must explain the transactions adequately, and recorded within 60 days from completion. The statutory audited accounts must be supported by a directors' report and the auditor's report certifying that the financial statements give a true and fair view. The accounts must be presented to the shareholders at the AGM.

The accounting records must be kept at the registered office of the company or at a place within Malaysia. A resolution must be made by the directors if the accounting records are not kept at the registered office. Accounting records may be kept outside Malaysia if it is so decided by the directors but statements and records must be kept at a place in Malaysia to enable the preparation of true and fair accounts. If the Companies Commission of Malaysia (CCM) requires to sight the accounting records, they must be made available to the CCM for inspection. Accounting records should be retained for seven years after the completion of the transactions.

A duly audited profit and loss account must be laid before the company's annual general meeting (AGM) not later than 18 months from the date of incorporation and within six months from the date of the company's financial year end. Thereafter, the profit and loss account must be presented before the AGM at least once in every

calendar year at intervals of not more than 15 months. The accounts should be made up to a date not more than six months before the date of the meeting. An annual return must be filed with the CCM together with the audited accounts and the directors' report within one month of the AGM. A Malaysian company must file with the CCM, an annual return made up to the date of the AGM or a date not later than 14 days after the date of the AGM. The return must contain the particulars required under the Companies Act.

A foreign company is required to lodge with the CCM within two months of its AGM, a copy of its balance sheet made up to the end of its last financial year and supporting documents, if applicable. In addition, it must lodge a duly audited profit and loss account which complies with the provisions of the Companies Act regulating foreign companies, an audited statement showing the assets used in and the liabilities arising out of its operations in Malaysia and an approved auditor's report which complies with the provisions of the Companies Act.

Audit Requirements

The Companies Act requires a company to appoint a qualified and approved external auditor to audit its books. At any time before the first AGM of the company, the directors or the members of the company are required to appoint a qualified and approved external auditor who will hold office until the first AGM. At each subsequent AGM of the company, the members shall appoint the auditors of the company who will hold office until the conclusion of the next AGM.

The main statutory duty of the auditors is to report to the members of the company on the accounts or consolidated accounts to be laid before the company at the AGM.

The Companies Act specifically provides for the disclosures to be made in the auditor's report and the auditor must form an opinion on the accounts. The balance sheet and profit and loss account for the financial year must show a true and fair view of the results of the

company, and must comply with the statutory requirements of the Ninth Schedule of the Companies Act. Accounts have also to be prepared for the Inland Revenue Board for the purpose of assessment to income tax.

Accounting Standards

In addition to the Companies Act, the local accounting bodies have issued accounting standards which all members of the bodies must comply with. For auditing purposes, the accounting bodies adopt international standards on auditing which have been approved by their Councils. In addition, some local auditing guidelines and technical bulletins have been issued by the accounting bodies and are referred to for best current practice.

Since 1978, the Malaysian Accounting Standards Board (MASB) has been incorporating the provisions of international accounting standards into local accounting standards. Malaysia is today exercising efforts to fully converge with International Financial Reporting Standards (IFRS) in order to enhance the quality and consistency of reporting in the capital and financial markets. To facilitate a phased changeover to IFRS, the effective date for applying *FRS 139 Financial Instruments: Recognition and Measurement* is 1 January 2010. Entities that are required to comply with approved accounting standards under the Financial Reporting Act 1997, primarily those with a requirement to prepare or lodge accounts under any law administered by the Securities Commission, and Bank Negara Malaysia, will be required to meet IFRS requirements.

By 1 January 2012, all approved accounting standards applicable to entities other than private entities will converge fully with IFRS. This convergence plan will not affect private entities that are currently applying the Private Entity Reporting Standards (PERS).

Chapter 7

Taxation



Overview of taxes in Malaysia

Malaysian taxation is territorial in scope whereby income derived from sources in Malaysia and income received in Malaysia from outside Malaysia is subject to tax. Malaysia has signed Tax Treaties with over 68 countries.

The principal statute is the Income Tax Act, 1967 which governs the taxation of income. Effective from Year of Assessment (YA) 2009, the income tax rate for corporations is 25% and for individuals is on graduated rates up to a maximum of 26%.

With effect from YA 2004, income received in Malaysia by any person, other than a resident company carrying on business of banking, insurance or sea or air transport, for a year of assessment derived from sources outside Malaysia is exempted from tax.

To modernise and streamline the tax administration system, the assessment of income tax was changed to a current year basis of assessment from YA 2000. The self-assessment system was implemented for companies in YA 2001 and, for businesses, partnerships, co-operatives and salaried group, in YA 2004.

There are no capital gains taxes in Malaysia except for Real Property Gains Tax which is assessable on realty related transactions and the rates of tax of 5%, which the Real Property Gains Tax has been suspended by the Government since 1 April 2007 had been reinstated from 1 January 2010.

There are also direct tax legislations covering import duty and excise duty ranging from 5% to 300% and sales tax and service tax ranging from 5% to 10%

Scope of taxes: Residency

Resident Individual

The tax residence status for an individual is normally determined by his/her duration of stay in Malaysia, and is not bound by reference to the nationality or citizenship. Generally, if a person stays in Malaysia for at least 182 days (not necessarily consecutive) in a calendar year, he/she would be treated as a resident. However, there are other conditions where the individual can be treated as a resident even if he stays for less than 182 days.

A Resident individual is assessable on income derived from sources in Malaysia and income received in Malaysia from outside Malaysia. With effect from YA 2004, income remitted into Malaysia from overseas by a resident individual, a trust body, a cooperative and a Hindu Joint Family will be exempted from income tax.

Resident individuals are normally entitled to a host of tax relief and rebates provided under the domestic tax legislation. Effective from YA 2009, taxable incomes of resident individuals are subject to graduated tax rates from 0% to 26%.

Non-Resident Individual

A Non-Resident individual is assessable only on income derived from sources in Malaysia. Non-residents are not eligible to claim tax relief and rebates, and are subject to a tax of 26% on their taxable income.

Resident Company

A company is generally considered a resident for Malaysian tax purposes if at any time during a basis year for a YA, the control and management of its business are exercised in Malaysia.

Effective from YA 1995, a resident company is assessable on income derived from Malaysia except for banking, insurance, shipping and air transport businesses are taxed on world income scope.

Non-Resident Company

A Non-Resident company is liable to Malaysian tax when it carries on a business through a permanent establishment in Malaysia and is assessable on income derived only from sources within Malaysia.

Sources of income liable to tax

The following sources of income are liable to tax:

- gains and profits from a trade, profession and business;
- gains or profits from an employment (salaries, remunerations, etc.);
- dividends, interests or discounts;
- rents, royalties or premiums;
- pensions, annuities or other periodic payments; and
- other gains or profits of an income nature.

Chargeable income is arrived at after adjusting for allowable expenses incurred in the production of the income, capital allowances and incentives, where applicable. Section 34 of the Income Tax Act 1967 allows specific provisions for bad or doubtful debts. However, no deduction for book depreciation is allowed although capital allowances are granted. Subject to conditions met, unabsorbed business losses may be carried forward indefinitely to offset against business income including companies with pioneer status, provided that the cessation of the period falls on or after 30 September 2005.

The Tax Year

Companies are governed by the Self Assessment System from Year of Assessment 2001. Under the Self Assessment System, where a Tax Return is furnished to the Inland Revenue Board (IRB), an assessment is deemed served on the day on which the Tax Return is furnished and is based on the amount of chargeable income and tax payable (if any) submitted for that year of assessment.

Basis Period

Companies

With effect from Year of Assessment 2000 (current year basis), a company is assessed on its income derived on a current year basis as opposed to the preceding year basis. However in the case of a business where the financial year ends on a date other than 31 December the IRB accepts the financial year ending within the current calendar year as the basis period, instead of the calendar year. For example a company which makes up its annual accounts to 30 September will be assessed to tax on its profits for the year ended 30 September 2001 in Year of Assessment 2001.

Individuals

With effect from Year of Assessment 2000 (current year basis), income tax on individuals is assessed on income derived in the current year (i.e. taxed on a current year basis).

Change of Accounting Date

Where a business changes its accounting date, the IRB may direct the manner in which profits will be assessed for the two assessment years following the year in which the change occurs. The principle behind this practice is to ensure that no income for any period should fall out of assessment and that no basis period should be less than twelve months except in certain circumstances where the

change is necessary due to provisions of some law. The IRB has recently issued a series of public rulings that deal with determining basis periods.

Return of Income

Under the Self Assessment System, the form for the return of income for companies will be issued quarterly depending on the accounting year end of the companies and companies are required to submit their income tax returns within 6 months, or any extended time as may be granted by the IRB, from the close of the accounting period which constitutes the basis period for the year of assessment.

Personal tax returns have to be filed with the IRB by 30 April in the year following the Year of Assessment if the person has chargeable income for that Year of Assessment or has filed or is required to file a return in the immediate preceding Year of Assessment. For an individual who arrives in Malaysia during a particular Year of Assessment and is chargeable to tax for that particular year or the year immediately following that particular year, he is required to give notice of chargeability within 2 months of his arrival.

In line with the changeover to the Self Assessment System in stages, income is assessed on a current year basis as opposed to a preceding year basis for all categories of tax payers.

Payment of Tax

As a general rule, the tax assessed must be paid within thirty days from the date of issue of the notice of assessment, notwithstanding any appeals lodged. A penalty of 10% is imposed if the tax is not paid within thirty days and an additional penalty of 5% is added after sixty days of the first penalty imposition if any amount remains unpaid.

For the tax return submitted under the Self Assessment System (which is deemed to be a notice of assessment), the balance of income tax payable net of instalments paid for the year of assessment must be paid on the due date for the submission of the tax return.

Companies, Trust Bodies, Co-operative Societies

Companies which are governed by the Self Assessment System, are required to furnish an estimate of tax payable for a year of assessment in the prescribed form to the IRB generally not later than 30 days before the beginning of the basis period for a year of assessment. Companies which commence operations in a year of assessment have to furnish the estimate of tax payable to the IRB within 3 months from the date of the commencement of operations. A revision to the estimate of tax payable for a year of assessment may be made either upwards or downwards in the sixth month of the basis period for a year of assessment (e.g. in the month of June if the company's financial year ends in December).

After furnishing the estimate of tax payable to the IRB a company is required to settle the estimated tax payable in equal monthly instalments as determined by the number of months in the basis period.

Generally, each instalment must be paid to the IRB by the 10th day of each calendar month beginning from the second month of the basis period for the year of assessment. For a company which commences business in a year of assessment, tax instalments must be paid to the IRB by the 10th day of each calendar month beginning from the sixth month of the basis period for that year of assessment.

Persons (other than companies) with Businesses

Section 107B of the Income Tax Act, 1967 empowers the Director General of Inland Revenue to direct businesses (other than companies) to pay their taxes by instalments on account of tax which is or may be payable. Effective 2001, these taxpayers are required to make five bi-monthly payments commencing March. All payments must be made within 30 days of the due date. A penalty of 10% will be imposed for failure to comply with the instalment scheme.

Where a directive has been given, the taxpayer is allowed to apply for a variation in the amount to be paid by instalments. Such an

application must be made not later than 30 June in the Year of Assessment. Where the application for variation in the amount of the tax payable results in the under-estimation of tax by more than 30% compared to the final tax liability, a penalty of 10% will be imposed on the amount in excess of the 30% allowance for under estimation.

Generally, where the tax payable under an assessment exceeds the tax payable under the instalment scheme, the excess will have to be settled within the normal thirty days from the date of the assessment.

Where no notice of instalment payment has been received, the taxpayer will be required to settle the tax within the normal 30 days from the date of issue of the Notice of Assessment.

Under the Self-Assessment System effective Year of Assessment 2004, the balance of income tax payable net of instalment payment for a Year of Assessment must be paid by the due date of the submission of the tax return (i.e. by 30 April in the year following the Year of Assessment).

Employees

In the case of employees, taxes are paid through the schedular tax deduction system whereby the employer is required to deduct tax from the employees' monthly remuneration according to a pre determined schedule of deductions. The amounts deducted must be remitted monthly to the IRB not later than the 10th day of the following calendar month. Any balance of income tax payable net of the amount deducted under the schedular tax deduction system would have to be settled within the normal thirty days from the date of issue of the Notice of Assessment. Effective Year of Assessment 2004, this balance would have to be settled by the due date of the submission of the tax return (i.e. by 30 April in the year following the Year of Assessment).

Corporation tax

A company, whether resident or not, is assessable on income accrued in or derived from Malaysia. Income derived from sources outside Malaysia and remitted by a resident company is exempted from tax, except in the case of the banking and insurance business, and sea and air transport undertakings. A company is considered a resident in Malaysia if the control and management of its affairs are exercised in Malaysia.

Taxable income of companies is generally subject to corporate tax at the rate of 25% with effect from YA 2009. This rate also applies to the following entities:

- a trust body;
- an executor of an estate of an individual who was domiciled outside Malaysia at the time of his death; and
- a receiver appointed by the court.

A company carrying on petroleum upstream operations is subject to Petroleum Income Tax of 25% from 38%, with effect from YA 2011.

Small and medium sized enterprise (SME) companies which fulfill the conditions will be subject to tax at the following rates:-

For the first RM500,000 taxable income	20%
Balance of taxable income thereafter	25%

The following are the recent key changes of the Malaysian income tax system and administration.

Single Tier System

To simplify and ease the administrative burden under the previous tax imputation system, a single tier tax system has been introduced with effect from YA 2008. Under this new system, tax imposed on a company's profit is a final tax and dividends distributed are exempted from tax in the hand of shareholders.

During the transition period, tax credits brought forward under the previous system would still be made available for franking of dividends, subject to terms and conditions. The transition period will end by 31 December 2013.

Advance Ruling

With effect from YA 2007, a taxpayer may request for an advance ruling from the Director General of Inland Revenue (DGIR) on the application of any provision of the Income Tax Act 1967 to a particular type of arrangement or transaction.

Group Relief

With effect from YA 2006, group relief is made available to all locally incorporated resident companies, subject to terms and conditions. Under this provision, a company may elect to surrender 50% of its tax losses to related claimant companies and it is proposed that from YA 2009, the rate of group relief be increased to 70%.

Transfer Pricing Regulation

Effective from YA 2009, it is proposed that specific provisions be established to empower the Malaysian tax authorities to make adjustments on transfer pricing and thin capitalisation cases to ensure transactions carried out between related companies, especially cross border transactions, are based on arm's length principles.

Advance Pricing Arrangements

It is proposed that effective from YA 2009, companies can now apply to the Malaysian tax authorities for an advance pricing arrangements via a prescribed form and shall contain particulars necessary as required by the tax authorities.

Investment Incentives

Malaysia offers a wide range of tax incentives for foreign and local investors to promote investments in selected industry sectors and/or promoted areas. The current trend is now focused more on the services sector such as Islamic financial services, information and communication technology, education, and tourism. Pioneer Status, Investment Tax Allowance, and Reinvestment Allowance are some of the major tax incentives available in Malaysia for the investors.

Interest Deductions

Interest paid on loans and other debts is deductible to the extent it relates to borrowings made for income producing purposes.

For payment of interest to non-residents, the interest is liable to tax at 15% (or less, under certain Double Taxation Agreements) on gross interest. The payer of the interest is required to withhold the tax and pay this to the IRB within one month of paying or crediting the interest. Interest paid on 'approved loans' or by licensed banks in Malaysia to non-residents (other than interest accruing to a place of business in Malaysia of a non-resident person) is exempt from tax.

Interaction with International Tax Regime

Malaysia is a signatory to a number of Double Taxation Agreements (DTA), based upon the OECD model. Malaysia has signed treaties with over 68 countries and counter parties include the United States

of America, the United Kingdom, Japan, China India and many European nations.

Foreign income will be subject to Malaysian tax when it is received or remitted to Malaysia by a resident individual. Prior to Year of Assessment 1995, income derived from overseas and remitted to Malaysia by a resident company was generally chargeable to income tax. Such income where received in Malaysia is now exempt from income tax unless the recipient is carrying on the business of banking, insurance, shipping or air transport. From Year of Assessment 1998, foreign income received in Malaysia by a unit trust is also exempt from tax.

For countries having DTAs with Malaysia, bilateral relief is available to a resident in respect of foreign taxes paid. The amount of credit given will be the lower of the tax suffered in the foreign country and the Malaysian tax attributable to the foreign income. For countries with no DTA with Malaysia, unilateral relief is given which is restricted to the lower of half the tax suffered in the foreign country or the Malaysian tax attributable to the foreign income.

Certain DTAs provide that whilst interest on approved loans, long-term loans and approved industrial royalties are exempt from tax in Malaysia, double taxation relief is to be given in the foreign country as though Malaysian tax has been paid. This is termed as tax sparing, which may also be available for dividends paid by a Malaysian company whose income is exempt from tax under the various tax incentives under the Promotion of Investments Act, 1986 and the Income Tax Act, 1967. This is to prevent neutralisation of the tax incentive given by Malaysia.

Taxation of Partnerships & Trusts

A partnership is not charged to tax as a separate entity. Tax is instead charged on the individual partners on their share of the adjusted income from the partnership.

The chargeable income of a trust body, irrespective of resident status, is currently assessed to tax at a flat rate of 26%. The significance of residence lies in ascertaining the income that is taxable on the trust. Generally, residence is established if any one of the trustees is resident in the basis year. The income of a trust body is assessable to tax separately from the income of a beneficiary from a source in relation to the trust. Generally, distributions to beneficiaries cannot be deducted in computing the chargeable income of a trust body but the IRB may, in practice, allow such deductions where both the trust and beneficiary are resident in the relevant basis year. The beneficiary is otherwise entitled to a credit for tax paid by the trust body in respect of his income therefrom.

Real Property Gains Tax

Capital gains are generally not subject to tax in Malaysia. Prior to 1 April 2007, real property gains tax was chargeable on gains arising from the disposal of real property situated in Malaysia or of interest, options or other rights in or over such land as well as the disposal of shares in real property companies. The following are tax rates applicable for Malaysian citizens and permanent residents:

Disposal within 2 years	30%
Disposal in the 3rd year	20%
Disposal in the 4th year	15%
Disposal in the 5th year	5%
Disposal in the 6th year and thereafter - Company	5%
- Individual	Nil

Citizens and permanent residents also enjoy an exemption of RM5,000 or 10% of the gains whichever is the greater, besides a one-time tax exemption on the gains arising from the disposal of one private residence.

For non-citizens and non-permanent resident individuals, gains from the disposal of real property within five years are taxed at a flat rate of 30%, after which the tax rate will be 5%.

Real Property Gains Tax has been suspended until further notice by the Government since 1 April 2007.

Sales Tax

Sales tax is a single stage tax imposed at the import or manufacturing levels. In Malaysia, manufacturers of taxable goods are required to be licensed under the Sales Tax Act 1972. Companies with a sales turnover of less than RM100,000 and companies with Licensed Manufacturing Warehouse (LMW) status are exempted from this licensing requirement. However, companies with a sales turnover of less than RM100,000 have to apply for a certificate of exemption from licensing.

Licensed manufacturers are taxed on their output while manufacturers that are not licensed or exempted from licensing, need to pay tax on their inputs. To relieve small-scale manufacturers from paying sales tax upfront on their inputs, they can opt to be licensed under the Sales Tax Act 1972 in order to purchase tax-free inputs. With this, small-scale manufacturers can opt to pay sales tax only on their finished products.

Sales tax is generally at 10%. However, raw materials and machinery for use in the manufacture of taxable goods are eligible for exemption from the tax, while inputs for selected non-taxable products are also exempted.

Certain non-essential foodstuffs and building materials are taxed at 5%, general goods at 10%, liquor at 20% and cigarettes at 25%. Certain primary commodities, basic foodstuffs, basic building materials, certain agricultural implements and heavy machinery for use in the construction industry are exempted. Certain tourism and

sports goods, books, newspapers and reading materials are also exempted.

Service Tax

A service tax applies to certain prescribed goods and services in Malaysia including food, drinks and tobacco; provision of rooms for lodging and premises for meetings, conventions, and cultural and fashion shows; health services, and provision of accommodation and food by private hospitals.

The tax also applies to professional and consultancy services provided by accountants, advocates and solicitors, engineers, architects, surveyors (including valuers, assessors and real estate agents), advertising agencies, consultancy firms, management service providers, insurance companies, motor vehicle service and repair centres, telecommunication services companies, security and guard services agencies, recreational clubs, estate agents, parking space services operators, courier service firms and veterinary doctors.

Professional services provided by a company to companies within the same group, subject to conditions being met, will be exempted from the current service tax of 5%. Courier services provided from a point within Malaysia to a destination outside Malaysia will also be exempted from the service tax of 5%.

Generally, the imposition of service tax is subject to a specific threshold based on an annual turnover ranging from RM150,000 to RM500,000, such as these;

- i. car rental agencies licensed under the Commercial Vehicles Licensing Board Act 1987 having an annual sales turnover of RM300,000 and above;
- ii. employment agencies having an annual sales turnover of RM150,000 and above;
- iii. companies providing management services, including project management and coordination services, having an annual sales turnover of RM150,000 and above;

- iv. hotels having more than 25 rooms and restaurants within such hotels are also subject to this tax.

Stamp Duty

The Assessment and collection of Stamp Duties is sanctioned by statutory law now described as the Stamp Act 1949. The Stamp Act 1949 provides for:-

The imposition of Ad Valorem Duties (that is, according to the value) on:

- i. Instruments of transfer (implementing a sale or gift) of property including marketable securities (meaning loan stocks and shares of public companies listed on the Kuala Lumpur Stock Exchange), shares of other companies and of non tangible property, for example, book debts, benefits to legal rights and goodwill;
- ii. Instruments creating interests in property, for example Tenancies and Statutory Leases
- iii. Instrument of security for monies including instruments creating contracts for payment of monies or obligation for payment of monies (generally described as "Bond");
- iv. Certain capital market instrument, for example, Contract Notes and

The imposition of Fixed Duties on:

- i. A number of other legal, commercial, mercantile or capital market instruments, for example, Power or Letter of Attorney, Articles of Association of a Company, Promissory Notes, Policy of Insurance etc; and
- ii. A duplicate or a subsidiary or a collateral instrument when it can be shown that the original or principal or primary instrument has been duly stamped.

Purchase Of Property

a. Business Undertaking

In the case of purchase of any business undertaking, the contract of sale and purchase is chargeable to ad valorem duty on the price relating to goodwill, debt and other chose-in action. The rate of duty is the same as that of immovable property.

b. Immovable Property

The prescribed rate of duty is as shown below. The duty at this rate is also payable where the instrument of transfer constitutes a Deed of Assignment executed on sale or gift of the contractual interest on the property.

- *On the first RM100,000:*
RM1.00 for every RM100 or fractional part of RM100.
- *On any amount in excess of RM100,000 but not exceeding RM500,000:*
RM2.00 for every RM100 or fractional part of RM100.
- *On any amount in excess of RM500,000:*
RM3.00 for every RM100 or fractional part of RM100.

Stock, Shares or Marketable Securities

The prescribed rate of duty is RM3.00 for every RM1,000 or fractional part of RM1,000 on the price or value thereof on the date of transfer, whichever is the greater.

Tenant and Landlord

The lease or tenancy instrument which secures annual rent not exceeding RM2,400 is *exempted* from duty and presentation of these instruments at a stamping office or centre is not necessary.

The prescribed rate of duty on the instrument which secures annual rent exceeding RM2,400 is as follows:

<i>When the lease is for a period</i>	<i>Duty Rate</i>
Not exceeding one year	RM1.00
Exceeding one but not exceeding three years	RM2.00
Exceeding three years or for any indefinite period	RM4.00

(For every RM 250 or part thereof in excess of RM2, 400)

If the consideration for tenancy constitutes or includes a premium, additional duty is chargeable and it is calculated on the amount of the premium at the rate chargeable on immovable property.

Person Receiving Financing

Where the undertaking for discharge of a debt is:

- by way of Promissory Note, the duty on the note is RM10.00 irrespective of whether it is executed in favour of a commercial bank, merchant bank or borrowing company or otherwise. The stamping must be completed *before* the instrument is executed.
- secured by way of mortgage, charge, debenture and others, the duty on the principal security is calculated at the rate of RM 5.00 for every RM 1000.00 or part thereof.

It is proposed that, with effect from year 2009, stamp duty on all loan and service agreements excluding education loans be set ad valorem at RM5.00 for every RM1,000 or part thereof. Stamp duty on education loans be fixed at RM10.00.

Import Duty

The principal legislation governing import duty is the Customs Act, 1967. Generally, import duty is payable on imported goods at the time of clearance from Customs' control. The rates of import duty generally ranges from nil to 200% depending on the category of goods imported, as classified under the Harmonised System (HS) of classification. However, certain goods may attract higher rates of duties of up to 300%. Import duties are generally levied on an ad valorem basis but may also be imposed on a specific basis.

Malaysia is committed to the ASEAN Common Effective Preferential Tariff (CEPT) Scheme. Under the CEPT Scheme, import duties imposed on most manufactured goods of ASEAN origin will be reduced to between 0% to 5% by 1 January 2003.

With effect from 1 January 2000, Customs has adopted the rules of valuation under the WTO Valuation System in its Customs (Rules of Valuation) Regulations, 1999 for the purposes of levying import duty.

Chapter 8

Foreign Personnel & Immigration



Passport and Visa Requirements

All persons entering Malaysia must possess valid national passports or other internationally recognised travel documents valid for travel to Malaysia. These documents must be valid for at least six months beyond the date of entry into Malaysia. Those with passports not recognised by Malaysia must apply for a document in lieu of the passport as well as a visa issued by Malaysian missions abroad. Applications for visas can be made at the nearest Malaysian mission abroad. In countries where Malaysian missions have not been established, applications can be made to the nearest British High Commission or Embassy.

<i>Requirements</i>	<i>Citizens of:</i>
<i>No visa required</i>	Commonwealth Countries (except India, Bangladesh, Cameroon, Ghana, Mozambique, Nigeria, Pakistan and Sri Lanka)
<i>No visa required for business or social visits not exceeding 30 days</i>	ASEAN Countries (except Myanmar) and United States of America (except for employment).
<i>No visa required for social visits not exceeding 30 days</i>	Brunei and Singapore

<i>Visa required*</i>	Angola, Bangladesh, Bhutan, Burkina Faso, Burundi, Cameroon, Central African Republic, China, Colombia, Comoros, Congo Democratic Republic, Congo Republic, Cote D'Ivoire, Equatorial Guinea, Eritrea, Ethiopia, Ghana, Guinea- Bissau, Hong Kong (Certificate of Identity), India, Liberia, Mali, Mozambique, Myanmar (normal passport), Nepal, Nigeria, Pakistan, Rwanda, Sri Lanka, Serbia & Montenegro, Taiwan, United Nations (Laissez Passer), and Western Sahara
<i>Visa with reference required **</i>	Afghanistan
<i>Visa required for social visits exceeding 14 days</i>	Iraq, Libya, Macao (Travel Permit/ Portugal Certificate of Identity), Palestine, Sierra Leone, Somalia, South Yemen, and Syria
<i>Visa required for social visits exceeding 15 days</i>	Iran
<i>Visa required for social visits exceeding 30 days</i>	Armenia, Azerbaijan, Barbados, Belarus, Benin, Bolivia, Bulgaria, Cambodia, Cape Verde, Chad, Chile, Costa Rica, Ecuador, El Salvador, Estonia, Gabon, Georgia, Greece, Guatemala, Guinea Republic, Haiti, Honduras, Hong Kong SAR, Kazakhstan, Latvia, Lithuania, Macao SAR, Macedonia, Madagascar, Moldova, Mauritania, Mexico, Monaco, Mongolia, Nicaragua, North Korea, North Yemen, Panama, Paraguay, Portugal, Russia, Sao Tome and Principe, Senegal, Slovenia, Sudan, Surinam, Tajikistan, Togo, Ukraine, Upper Volta, Uzbekistan, Vatican City, Venezuela, Zaire, and Zimbabwe.

<i>Visa required for social visits exceeding 90 days</i>	Albania, Algeria, Argentina, Australia, Austria (Vienna), Bahrain, Belgium, Bosnia-Herzegovina, Brazil, Croatia, Cuba, Czech Republic, Denmark, Egypt, Finland, France, Germany, Hungary, Iceland, Ireland, Italy, Japan, Jordan, Kirgystan, Kuwait, Kyrgyz Republic, Lebanon, Liechtenstein, Luxembourg, Morocco, Netherlands, Norway, Oman, Peru, Poland, Qatar, Romania, St. Marino, Saudi Arabia, Slovakia, South Korea, Spain, Sweden, Switzerland, Tunisia, Turkey, Turkmenistan, United Arab Emirates, United Kingdom, Uruguay, and Yemen
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For nationals of Israel , visas and prior approvals from Malaysia 's Ministry of Internal Security are required.

For nationals of Republic of Serbia and the Republic of Montenegro, visas and prior approvals from Malaysia's Ministry of Home Affairs are required.

Nationals from other countries other than those stated above (except Israel), no visa is required for visits not exceeding one month.

Note:

* *Visa without reference is issued by the Malaysian mission in the respective country.*

** *Visa with reference is visa approved by the Immigration Department*

Employment of Expatriate Personnel

The Malaysian government is desirous that Malaysians are eventually trained and employed at all levels of employment. Thus, companies are encouraged to train more Malaysians so that the employment pattern at all levels of the organisation reflects the multi-racial composition of the country.

Notwithstanding this, where there is a shortage of trained Malaysians, foreign companies are allowed to bring in expatriate personnel. In addition, foreign companies are also allowed "key posts", that is, posts that are permanently filled by foreigners.

To further improve Malaysia's investment environment and promote technology transfer and the inflow of foreign skills into Malaysia, the government has further liberalised the policy on the employment of expatriate personnel. With effect from 17 June 2003, the new guidelines on the employment of expatriate personnel is as follows:

- a) Manufacturing companies with foreign paid-up capital of US\$2 million and above:
 - Automatic approval is given for up to 10 expatriate posts, including five key posts.
 - Expatriates can be employed for up to a maximum of 10 years for executive posts, and five years for non-executive posts
- b) Manufacturing companies with foreign paid-up capital of more than US\$200,000 but less than US\$2 million:
 - Automatic approval is given for up to five expatriate posts, including at least one key post.
 - Expatriates can be employed for up to a maximum 10 years for executive posts, and five years for non-executive posts
- c) Manufacturing companies with foreign paid-up capital of less than US\$200,000 will be considered for both key posts and time posts based on current guidelines. They are:
 - Key posts can be considered where the foreign paid-up capital is at least RM500,000. This amount, however, is only a guideline and the number of key posts allowed depends on the merits of each case.

- Time posts can be considered for up to 10 years for executive posts that require professional qualifications and practical experience, and five years for non-executive posts that require technical skills and experience. For these posts, Malaysians must be trained to eventually take over the posts.
 - The number of key posts and time posts allowed depends on the merits of each case.
- d) For Malaysian-owned manufacturing companies, automatic approval for the employment of expatriates for technical posts, including R & D posts, will be given as requested.

An expatriate personnel employed in the manufacturing sector, excluding ICT related activities, should be at least 27 years old. For ICT related activities, an expatriate personnel employed should be at least 21 years old.

An expatriate personnel who is transferred from one post to another within the same company will be required to obtain a new employment pass. His original employment pass will be amended to reflect the change in post. A new expatriate personnel replacing another must also obtain a fresh employment pass.

All employment passes are valid for the period approved for the post. However, for key post holders, employment passes will be issued on a five-year renewable basis except in circumstances where:

- the validity of the expatriate's passport is less than five years,
- the expatriate's employment contract is less than five years,
- or
- the employer requires the services of the expatriate for less than five years.

Holders of employment passes will be issued with multiple entry visas valid for the duration of the employment pass.

Employment of Foreign Labour

In Malaysia, foreign workers can be employed in the manufacturing, construction, services (domestic servants, restaurant workers, cleaners, workers in cargo handling, workers in welfare homes, launderettes, island resorts and caddies in golf clubs) and agricultural sectors.

Only nationals from the specified countries below are allowed to work in the selected sectors:

<i>Nationals of:</i>	<i>Approved Sectors</i>
Indonesia Cambodia Laos Myanmar Nepal Pakistan Philippines Sri Lanka Thailand Vietnam	Manufacturing, services, agricultural and construction.
Turkmenistan Uzbekistan Kazakhstan	Manufacturing, services and construction
India	Agricultural, services (cooks) and construction (fixing of high voltage cable).

Approval is based on the merits of each case and subject to conditions that will be determined from time to time. Applications to employ foreign workers will only be considered when efforts to find qualified local citizens and permanent residents have failed.

An annual levy on foreign workers is imposed as follows:

Approved Sectors	Annual Levy
Manufacturing	RM1,200
Services	RM1,200 -1,800
Construction	RM1,200
Agricultural	RM 360 -540
Domestic Help	RM 360

Work permits

All foreign nationals are prohibited from working in Malaysia unless they obtain the relevant migrant work permit. There are three classes of work permits which are category specific and which are processed differently, namely;

- i. Expatriate – that may include expatriates serving executive and non-executive posts;
- ii. Foreign skilled/semi-skilled workers – that include labour for manufacturing, plantation, construction and service sectors (e.g. domestic help); and
- iii. Foreign skilled workers – that include artists, missionaries, and volunteers.

All applications are made to the Ministry of Home Affairs through the Immigration Department of Malaysia.

Permanent residence

Generally, applications are made for permanent residence in Malaysia for facilitating legal marriage and family arrangements and are subject to the approval of the Ministry of Home Affairs and the Immigration Department of Malaysia. The candidate will require to evidence residence in Malaysia for a continuous period of not less than 5 years under a valid Entry Permit preceding the date of application for permanent residence.

Where the applicant is a male husband who is a foreigner of a citizen of Malaysia, such person will have to reside in Malaysia for a continuous period not less than 10 years under a valid Entry Permit preceding the date application for a permanent residence.

“Malaysia My 2nd Home” (MM2H) Programme

The MM2H Programme is promoted by the Government to allow foreigners who fulfill certain criteria, to stay in Malaysia for as long as possible on a multiple-entry social visit pass, which is initially for a period of ten (10) years, but is renewable. The criteria are:

Upon application

- i. Applicants aged below 50 years are required to show proof of liquid assets worth a minimum of RM500,000 and offshore income of RM10,000 per month.
- ii. Applicants aged 50 and above may comply with the financial proof of RM350,000 in liquid assets OR proof of government approved pension funds of RM10,000 per month.
- iii. New applicants who have purchased properties worth at least RM 1 million qualify to place a lower fixed deposit amount upon approval.

For candidates below the age of 50, upon approval :

- Open a fixed deposit account of RM300,000.00.
- After a period of one year, the participant can withdraw up to RM150,000.00 for approved expenses relating to house purchase, education for children in Malaysia and medical purposes.

- Must maintain a minimum balance of RM150,000.00 from second year onwards and throughout stay in Malaysia under this programme.

Approved participants who have purchased and owned property which were bought at RM1 million and above in Malaysia may comply with the basic fixed deposit requirement of RM 150,000. This amount may not be withdrawn until the participant decides to terminate his participation in MM2H Programme.

For candidates above the age of 50, upon approval I

- Can either choose to:
 - Open a fixed deposit account of RM150,000.00 ; OR
 - Show proof of government approved pension funds of RM10,000
- After a period of one year, participant who fulfills the fixed deposit criterion can withdraw up to RM50,000.00 for approved expenses relating to house purchase, education for children in Malaysia and medical purposes.
- Participant must maintain a minimum balance of RM100,000.00 from the second year onwards and throughout his/her stay in Malaysia under this programme.

Approved participants who have purchased and owned property which were bought at RM1 million and above in Malaysia may comply with the basic fixed deposit requirement of RM 100,000. This amount may not be withdrawn until the participant decides to terminate his participation in MM2H programme.

Applicants must have insurance coverage with a local insurance company in Malaysia and a Medical Report from a local medical institution.

Accommodation rates

Rented Accommodation, Furnished

	Prime Urban Residential Area in Kuala Lumpur (per month)		Suburbs of Kuala Lumpur (per month)	
Houses	RM	US\$	RM	US\$
Bungalow	6,000 - 30,000	1,811 - 9,053	2,500 - 13,000	754 - 3,923
Double Semi-detached	4,000 - 13,000	1,207 - 3,923	1,800 - 7,000	543 - 2,112
Terrace	2,000 - 7,000	604 - 2,112	1,200 - 2,400	362 - 724
Apartments / Condominiums				
1-bedroom	1,500 - 3,000	453 - 905	1,000 - 1,500	302 - 453
2-bedroom	2,500 - 6,500	754 - 1,961	1,300 - 2,500	392 - 754
3-bedroom	3,500 - 15,000	1,056 - 4,526	1,600 - 3,000	483 - 905

Sources: CH Williams Talhar & Wong Sdn Bhd & Colliers, Jordan Lee & Jaafar Sdn Bhd

(Note: USD1 = approx RM3.00)

Useful Contacts



Malaysian Industrial Development Agency (MIDA)

Block 4, Plaza Sentral
Jalan Stesen Sentral 5
Kuala Lumpur Sentral
50470 Kuala Lumpur
Malaysia

Tel : 603-2267 3633
Fax : 603-2274 7970
Email : promotion@mida.gov.my
Website: <http://www.mida.gov.my/>

Ministry Of International Trade & Industry (MITI)

Block 10, Government Office Complex
Jalan Duta 50622
Kuala Lumpur, Malaysia

Tel: (603) 6203 3022
Fax: (603) 6201 2337/ 6203 1303
Website: www.miti.gov.my
Email: mitiweb@miti.gov.my

Malaysia External Trade Development Corporation (MATRADE)

Menara MATRADE
Jalan Khidmat Usaha Off Jalan Duta
50480 Kuala Lumpur
Malaysia

Tel: (603) 6207 7077
Fax: (603) 6203 7037
Toll-free: 1800-88-7280
Website: www.matrade.gov.my
E-mail: info@matrade.gov.my

Ministries

PRIME MINISTER'S DEPARTMENT

Perdana Putra Building
Federal Government Administrative
Centre
62502 Putrajaya
Malaysia

Tel: (603) 8888 8000
Fax: (603) 8888 3444
Website: <http://www.pmo.gov.my>
E-mail: ppmnun@pmo.gov.my

MINISTRY OF AGRICULTURE AND AGRO-BASED INDUSTRY

Wisma Tani, Lot 4G1
Precinct 4
Federal Government Administrative Centre
62624, Putrajaya
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Tel: (603) 8870 1000
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Website: <http://www.agrolink.moa.my/>
E-mail: webmaster@agri.moa.my

MINISTRY OF CULTURE, ARTS AND HERITAGE MALAYSIA

Menara TH Perdana, Maju Junction
1001, Jalan Sultan Ismail
50694 Kuala Lumpur
Malaysia

Tel: (603) 2612 7600
Fax: (603) 2693 5114 / 2697 6100
Website: <http://www.heritage.gov.my>
E-mail: info@heritage.gov.my,
webmaster@heritage.gov.my

MINISTRY OF DEFENCE

Jalan Padang Tembak
50634 Kuala Lumpur
Malaysia

Tel: (603) 2692 1333
Fax: (603) 2691 4163
Website: <http://mod.gov.my>
E-mail: cpa@mod.gov.my

MINISTRY OF DOMESTIC TRADE AND CONSUMER AFFAIRS

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Federal Government Administrative
Centre
62623 Putrajaya
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Tel: (603) 8882 5500 / 1800-886-800
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Website: <http://www.kpdnhep.gov.my>
E-mail: nsuzana@kpdnhep.gov.my

MINISTRY OF EDUCATION

Federal Government Office Complex,
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Federal Government Administrative Centre
62604 Putrajaya
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Tel: (603) 8884 6000
Fax: (603) 8889 5235
Website: <http://www.moe.gov.my>
E-mail: webmaster@moe.gov.my,
julina@bdpk.moe.gov.my

MINISTRY OF ENERGY, WATER AND COMMUNICATIONS

Block E4/5, Government Complex,
Parcel E
Federal Government Administrative
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62668 Kuala Lumpur
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Tel: (603) 8883 6000
Fax: (603) 8889 5235
Website: <http://www.ktkm.gov.my>
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norliza@ktak.gov.my

MINISTRY OF ENTREPRENEUR AND COOPERATIVE DEVELOPMENT

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62604 Putrajaya
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E-mail: webmaster@mecd.gov.my

MINISTRY OF FEDERAL TERRITORIES

Level 1-4, Block 2, PjH Tower, Precinct 2
Federal Government Administrative Centre
62100 Putrajaya
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Website: <http://www.kwp.gov.my>
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MINISTRY OF FINANCE

Finance Ministry Complex, Precint 2
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MINISTRY OF FOREIGN AFFAIRS

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Website: <http://www.kln.gov.my>
E-mail: webmaster@kln.gov.my

MINISTRY OF HEALTH

Block E1, E6, E7 & E10, Parcel E
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jamilah_shahid@moh.gov.my,
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MINISTRY OF HIGHER EDUCATION

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pro@mohe.gov.my

MINISTRY OF HOME AFFAIRS

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E-mail: pro@moha.gov.my

MINISTRY OF HOUSING AND LOCAL GOVERNMENT

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E-mail: pro@kpkt.gov.my,
pentadbiran@kpkt.gov.my

MINISTRY OF INFORMATION

4th Floor, Wisma TV
Angkasapuri, Bukit Putra
50610 Kuala Lumpur
Malaysia

Tel: (603) 2282 4297
Fax: (603) 2284 8115/2287 7926
Website: <http://www.kempen.gov.my>
E-mail: webmaster@kempen.gov.my

MINISTRY OF NATURAL RESOURCES AND ENVIRONMENT

Level 1-4, Tower Block 4G3, Precinct 4
Federal Government Administrative
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Tel: (603) 8887 1200
Fax: (603) 8888 9987
Website: <http://www.nre.gov.my>
E-mail: webmaster@nre.gov.my

MINISTRY OF HUMAN RESOURCE

Level 6-9, Block D3, Parcel D
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62502 Putrajaya
Malaysia

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Website: <http://www.mohr.gov.my>
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norbaya@mohr.gov.my

MINISTRY OF INTERNAL SECURITY

Level 3, Block D1 & D2, Parcel D
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62546 Putrajaya
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Tel: (603) 8886 8000
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Website: <http://www.mois.gov.my>
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MINISTRY OF PLANTATION INDUSTRIES AND COMMODITIES

6th – 13th Floor, Lot 2G4, Precinct 2
Federal Government Administrative Centre
62654 Putrajaya
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Tel: (603) 8880 3300
Fax: (603) 8880 3482
Website: <http://www.kppk.gov.my>
E-mail: info@kppk.gov.my

MINISTRY OF RURAL AND REGIONAL DEVELOPMENT

Level 5-9, Block D9, Parcel D
Federal Government Administrative
Centre
62606 Putrajaya
Malaysia

Tel: (603) 8886 3500/ 3700
Fax: (603) 8886 3801
Website: <http://www.rurallink.gov.my>
E-mail: webmaster@rurallink.gov.my

MINISTRY OF SCIENCE, TECHNOLOGY AND INNOVATIONS

Level 1-7, Block C5
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62662 Putrajaya
Malaysia

Tel: (603) 8885 8000
Fax: (603) 8888 9070
Website: <http://www.mosti.gov.my>
E-mail: webmaster@mosti.gov.my

MINISTRY OF TOURISM

6th, 21st, 34th-36th Floor
Menara Dato' Onn
Putra World Trade Centre
45 Jalan Tun Ismail
50480 Kuala Lumpur
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Tel: (603) 2693 7111
Fax: (603) 2693 0881
Website: <http://www.motour.gov.my>
E-mail: info@motour.gov.my

MINISTRY OF TRANSPORT

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**MINISTRY OF WOMEN, FAMILY &
COMMUNITY DEVELOPMENT**

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E-mail: info@kpwkm.gov.my

MINISTRY OF WORKS

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**MINISTRY OF YOUTHS AND
SPORTS**

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Other Relevant Organizations

BANK NEGARA MALAYSIA

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Website: <http://www.bnm.gov.my>
E-mail: info@bnm.gov.my

BURSA MALAYSIA BERHAD

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COMPANIES COMMISSION OF MALAYSIA (CCM)

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DEPARTMENT OF ENVIRONMENT

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DEPARTMENT OF INDUSTRIAL RELATIONS

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DEPARTMENT OF LABOUR

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**DEPARTMENT OF OCCUPATIONAL
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EMPLOYEES PROVIDENT FUND

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**EXPORT-IMPORT BANK OF MALAYSIA
(EXIM BANK)**

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Tel: (603) 2034 6666
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**HUMAN RESOURCE
DEVELOPMENT BERHAD**

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Tel: (603) 2098 4800/ 3200
Fax: (603) 2093 5722
Website: <http://www.hrdnet.com.my>
E-mail: administrator@hrdnet.com.my

IMMIGRATION DEPARTMENT

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62550 Kuala Lumpur
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Website: <http://www.imi.gov.my>
E-mail: pro@imi.gov.my

INTELLECTUAL PROPERTY CORPORATION MALAYSIA

Level 32, Menara Dayabumi
Jalan Sultan Hishamuddin
50623 Kuala Lumpur
Malaysia

Tel: (603) 2263 2198/ 2199
Fax: (603) 2274 1332
Website: <http://www.mipc.gov.my>
E-mail: general@myipo.gov.my

MALAYSIAN INDUSTRIAL DEVELOPMENT FINANCE BHD (MIDF)

21st Floor, Bangunan Amanah Capital
82 Jalan Raja Chulan
50200 Kuala Lumpur
Malaysia

Tel: (603) 2161 9011/2164 6070
Fax: (603) 2161 7580/ 2163 1549/ 1451
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E-mail: lhdn@hasilnet.org.my

LABUAN OFFSHORE FINANCIAL SERVICES AUTHORITY (LOFSA)

Level 17, Main Office Tower
Financial Park Complex, Jalan
Merdeka
87000 Federal Territory Labuan
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MALAYSIAN TECHNOLOGY DEVELOPMENT CORPORATION SDN BHD (MTDC)

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E-mail: comms@mtdc.com.my

MALAYSIAN INDUSTRY-GOVERNMENT GROUP FOR HIGH TECHNOLOGY

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MULTIMEDIA DEVELOPMENT CORPORATION SDN BHD

MSC Headquarters
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Selangor Darul Ehsan
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Toll free: 1-800-88-8338 (within Malaysia)
Fax: (603) 8315 3113
Website: <http://www.mdec.com.my>
E-mail: cllc@mdec.com.my

PORT KLANG AUTHORITY

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MALAYSIA TOURISM PROMOTION BOARD

17th Floor, Menara Dato' Onn
Putra World Trade Centre
45, Jalan Tun Ismail
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Tel: (603) 2615 8188
Fax: (603) 2693 5884/ 0207
Website: <http://www.tourism.gov.my>
E-mail: enquiries@tourism.gov.my

NATIONAL PRODUCTIVITY CORPORATION (NPC)

Lorong Produktiviti Off Jalan Sultan
P.O. Box 64
46200 Petaling Jaya, Selangor
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Website: <http://www.mdc.com.my>
E-mail: yazid@npc.org.my

ROYAL CUSTOMS MALAYSIA

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SME BANK

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SOCIAL SECURITY ORGANISATION (SOCSO)

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