

Doing Business Guide

Malaysia

1st Edition

Morison AAC

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About This Booklet

This booklet has been produced by Morison AAC for the benefit of its clients and associate offices worldwide who are interested in doing business in Malaysia.

Its main purpose is to provide a broad overview of the various things that should be considered by organisations considering setting-up business in Malaysia.

The information provided cannot be exhaustive and - as the underlying legislation and regulations are subject to frequent changes - we recommend anyone considering doing business in Malaysia or looking to the area as an opportunity for expansion should seek professional advice before making any business or investment decision.

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While every effort has been made to ensure the accuracy of the information contained in this booklet, no responsibility is accepted for its accuracy or completeness.

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Overview

Geography

Malaysia is located in Southeast Asia and covers an area of 330,252 km². It is made up of two main regions: Peninsular Malaysia, and part of Borneo island. These two parts of Malaysia are separated by the South China Sea. Both regions share a largely similar landscape, which features coastal plains rising to hills and mountains. Peninsular Malaysia consists of 11 states – Perlis, Kedah, Pulau Pinang, Perak, Selangor, Negeri Sembilan, Melaka, Johor, Pahang, Terengganu, Kelantan and the Federal Territories of Kuala Lumpur and Putrajaya. On the island of Borneo are Sabah and Sarawak, and the Federal Territory of Labuan off Sabah.

Malaysia enjoys an equatorial climate, with warm sunshine interspersed with monsoon rains. The average daily temperature varies from 21°C to 32°C.

Malaysia has a multi-ethnic, multi-cultural and multi-lingual society. The population is 28.3 million, comprising Malays, Chinese, Indians, Iban, Dayak, Kadazan, Dusun and others. Bahasa Malaysia is the official language, with English being widely used in the business and commercial sectors. Mandarin and Tamil are also commonly used languages, and are taught concurrently with Bahasa and English in the education system.

Political System

Malaysia practises parliamentary democracy with a constitutional monarchy, headed by the *Yang di-Pertuan Agong* (King). The *Yang di-Pertuan Agong* is elected for 5-year terms from among the nine sultans of the Peninsular Malaysia states. At the state level, the Sultan or the *Yang di-Pertua Negeri* (Governor) are the constitutional rulers in their respective states.

The authority of the Malaysian government is divided into three distinct divisions: legislative, executive and judiciary.

Legislative power is divided between federal and state legislatures. Forming the foundation of the legislative arm at federal level is the Parliament, which consists of two houses: *Dewan Rakyat* (lower house) and the Senate (upper house). At the state level is the *Dewan Undangan Negeri*. Under the Federal Constitution, elections must be held no later than every 5 years to elect members of the House of Representatives (*Dewan Rakyat*) and the State Legislative Assemblies (*Dewan Undangan Negeri*).

Federal executive power is vested in the cabinet, led by the Prime Minister. The Prime Minister must be a member of the House of Representatives who, in the opinion of the King, commands a majority in Parliament.

Legal System

The foundation of the Malaysian legal system is English common law, due largely to the colonial link in the past. The Federal Constitution, together with the constitutions of the states, legislation passed by Parliament and delegated legislation made by statutory bodies under powers conferred upon them by Acts of Parliament, form the basis of the laws under

the legal framework. The Federal Constitution can only be amended by a two-thirds majority in Parliament. Islamic law (*Shariah* law) is another important source of law that applies to the Muslim population, and runs parallel to the secular laws.

The highest court in the judicial system is the Federal Court, followed by the Court of Appeal and two high courts, one for Peninsular Malaysia and one for East Malaysia (Sabah and Sarawak). The High Court has jurisdiction over all criminal and civil matters, while the Court of Appeal hears appeals from the High Court. The Federal Court, in turn, hears appeals from the Court of Appeal, and has jurisdiction over constitutional law matters.

Infrastructure

Malaysia has one of the most developed infrastructures in Asia. There are seven international ports, the main one being at Port Klang, which is suitably situated adjacent to the Klang Valley area, the region with the highest congregation of population and commercial activities. There are over 200 industrial parks, with specialised parks such as Technology Park Malaysia and the Kulim Hi-Tech Park.

The country has a good network of road systems in Peninsular Malaysia, with the North–South Expressway linking Johor Bahru in the south to Bukit Kayu Hitam in the north, stretching over 800 km. There is also the East Coast Expressway, which cuts across Peninsular, linking the eastern part to the west. Under construction is the trans-Borneo Highway, which links the most western part of Sarawak to the most eastern tip of Sabah. All of these are complemented by an intricate network of expressways in the Klang Valley area, linking in and out of Kuala Lumpur. Moving around Kuala Lumpur is relatively easy in view of the light rail transit/monorail, as well as taxis.

Malaysia is also well served by airports, with 58 airports across the country. The most famous is Kuala Lumpur International Airport (KLIA), which is well connected to many international destinations and served by well-known carriers. The rail system is state-run and connects most major cities in the Peninsula.

The telecommunication network is well developed, with high-speed internet services and cellular phone subscriptions easily available.

The Malaysian Economy

Malaysia has an open economy and is considered one of the newly industrialised market economies. It has evolved from a highly mining-dependent and agro-based economy in the 1970s to a multi-sector economy – one that is manufacturing-based, export-driven, high-technology and knowledge-based. Malaysia is also blessed with ample natural resources, in particular reserves of oil and gas off its coasts, fertile soil and favourable climates. Today it is also one of the largest exporters and a key player in the edible oil market, thanks to its oil palm cultivation.

To move the country forward, the government has crafted a framework comprising four pillars that will drive change:

1. The Economic Transformation Plan, driven by eight Strategic Reform Initiatives (SRI), which forms the basis of the relevant policy measures
2. The 1 Malaysia (People First, Performance Now) initiative
3. The Government Transformation Program (GTP) to strengthen public services in the National Key Results Areas
4. The 10th Malaysia Plan, 2011–2015.

In 2011, the Malaysian economy recorded a steady pace of growth of 5.1% (2010: 7.2%), against the backdrop of a very challenging international economic environment. Gross domestic product (GDP) grew to RM 588.3 billion, due to stronger domestic demand, in particular private consumption supported by broad-based income growth.

Malaysia adopts a very business-friendly environment for investors. To encourage and incentivise investors, Malaysia has promoted free trade zones and special economic growth corridors. Foremost amongst these are Iskandar Malaysia in South Johor (IRDA), East Coast Economic Region (ECER), Sabah Development Corridor (SDC) and Sarawak Corridor of Renewable Energy (SCORE).

Regulatory Environment

Doing business in Malaysia would be likely to be regulated by the following authorities:

Companies Commission of Malaysia

The Companies Commission of Malaysia or CCM (*Suruhanjaya Syarikat Malaysia*) is a statutory body that regulates companies and businesses. The CCM handles the Registrar of Companies (ROC) and the Registrar of Businesses (ROB) in Malaysia. Its main role is to incorporate companies and register businesses, as well as providing company and business information to the public. It also ensures compliance with business registration and corporate legislation through comprehensive enforcement and monitoring activities, to sustain positive developments in the corporate and business sectors.

The CCM is responsible for the administration and enforcement of the following legislations:

- Companies Act, 1965, including Companies Regulations, 1966
- Registration of Businesses Act, 1956, including Registration of Businesses Rules, 1957
- Trust Companies Act, 1949 (Act 100).

Inland Revenue Board of Malaysia

The Inland Revenue Board of Malaysia or IRB (*Lembaga Hasil Dalam Negeri*) acts as an agent to provide services in assessing, administering, collecting and enforcing the payment of income tax and other taxes that are under the board's jurisdiction.

The IRB is responsible for the following:

- Business income tax
- Petroleum tax
- Real property gains tax
- Stamp duty
- Self-assessment system.

Intellectual Property Corporation of Malaysia

The Intellectual Property Corporation of Malaysia, also known as MyIPO (*Perbadanan Harta Intelek Malaysia*), handles registration and enforcement matters pertaining to intellectual property, including patents, trademarks, industrial designs, copyrights, geographical indications and integrated circuit (IC) layout designs.

MyIPO is responsible for the administration and enforcement of the following legislations:

- Intellectual Property Corporation of Malaysia Act, 2002 (Act 617)
- Trade Marks Act, 1976

- Patents Act, 1983
- Industrial Designs Act, 1996
- Geographical Indications Act, 2000
- Copyright Act, 1987
- Layout Designs and Integrated Circuit Act, 2000.

Employees Provident Fund

The Employees Provident Fund or EPF (*Kumpulan Wang Simpanan Pekerja*) is a social security institution formed according to the Laws of Malaysia, Employees Provident Fund Act, 1991. It provides retirement benefits for members through management of their savings in an efficient and reliable manner. The EPF also offers a convenient framework for employers to meet their statutory and moral obligations of their employees.

Social Security Organisation

The Social Security Organisation or SOCSO (*Pertubuhan Keselamatan Sosial*) is tasked to administer, enforce and implement the Employees' Social Security Act, 1969. Employees benefit under the Employment Injury Insurance Scheme and the Disability Pension Scheme, as they are given coverage against job-related injury and disability, workplace accidents, occupational diseases and death.

Human Resource Development Council

The Human Resource Development Council (HDRC) was created under the Human Resources Development Act, 1992 to administer the Human Resource Development Fund in order to help increase the knowledge and skill intensity of the workforce, also to equip workers with specialised and up-to-date skills as production techniques become increasingly automated and businesses more competitive.

Central Bank of Malaysia

A key role of the Central Bank of Malaysia (*Bank Negara Malaysia*) is to ensure the prudent conduct of monetary policy (which has seen generally low and stable inflation for decades), thus preserving the purchasing power of the Ringgit. The Bank is also responsible for bringing about financial system stability and fostering a sound and progressive financial sector, as well as for administering the Exchange Control Act, 1953 to impose duties and restrictions in relation to gold, currency, payments, securities, debts, and the import, export, transfer and settlement of property.

Royal Malaysian Customs Department

The Royal Malaysian Customs (*Jabatan Kastam Diraja Malaysia*) is responsible for matters related to duties imposed on foreign investors and tourists, including sales tax and service tax.

Financial Reporting

The Framework

The Financial Reporting Foundation (FRF) is established under the Financial Reporting Act, 1997. Together with the Malaysian Accounting Standards Board (MASB), it provides the new framework for financial reporting in Malaysia.

This new framework comprises an independent standard-setting structure with representation from all parties in the standard-setting process, including preparers, users, regulators and the accounting profession.

As a trustee body, the FRF has responsibility for the oversight of MASB performance, financing and funding arrangements, and offers an initial source of views for the MASB on proposed standards and pronouncements. It has no direct responsibility with respect to standard-setting; this responsibility rests solely with the MASB.

The MASB is a statutory body that issues accounting standards. On 19 November 2011 the MASB introduced a new accounting framework, the Malaysian Financial Reporting Standards (MFRS), which is mandatory for financial periods beginning on or after 1 January 2012 with the exception of construction and agriculture-based industries. These businesses will adopt the MFRS for financial periods beginning on or after 1 January 2013. This is part of MASB's plan to fully converge with International Financial Reporting Standards (IFRS).

The MASB-approved accounting standards thus comprise:

- Malaysian Financial Reporting Standards (MFRS)
- Private Entities Reporting Standards (PERS).

Only private entities (defined as private companies incorporated under the Companies Act, 1965) can apply the PERS.

Statutory and Accounting Requirements

Directors must present financial statements of the company to the shareholders in a general meeting no later than 18 months after incorporation and, subsequently, at least once in every calendar year at intervals of not more than 15 months.

The financial statements must be prepared in accordance with the MASB-approved accounting standards and the provisions of the Companies Act, 1965, and audited by an approved auditor. The auditor's report must indicate whether the financial statements have been properly drawn up so as to give a true and fair view of the company's affairs and in accordance with the MASB-approved accounting standards and provisions of the Companies Act.

The requirements under the Companies Act, 1965 for foreign companies doing business in Malaysia, in respect of accounting records and audited financial statements, are similar to those for companies incorporated in Malaysia, as stated above.

Business Organisation Structures

Malaysia offers abundant opportunities for those who wish to pursue business in the country. There are four ways of carrying out business in Malaysia:

- Incorporating a local company
- Registering a foreign company
- Registering a sole proprietorship
- Registering a partnership.

Incorporating a Local Company

Two types of company can be incorporated under the Companies Act, 1965 (CA):

- A company limited by shares
- A company limited by guarantee.

Company Limited by Shares

The most common type of company incorporated for the purpose of carrying on business is a company limited by shares. A company limited by shares may be incorporated as a:

- Private limited company – identified through the abbreviation 'Sdn Bhd' (*Sendirian Berhad*) at the end of the company's name
- Public limited company – identified through the abbreviation 'Bhd' (*Berhad*) at the end of the company's name.

The requirements to form a local company are:

- A minimum of two subscribers to the shares of the company (Section 14 of the CA)
- A minimum of two directors (Section 122 of the CA)
- A company secretary – this can either be an individual who is a member of a professional body prescribed by the Minister of Domestic Trade and Consumer Affairs, or an individual licensed by the CCM.

Both the director and company secretary shall have their principal or only place of residence within Malaysia (Sections 122 and 139 of the CA).

Incorporation procedures of a company are:

Name Search and Application for Name

A name search must be conducted to determine whether the proposed name of the company is available. When the proposed company name is approved by the CCM, it is valid for 3 months from the date of approval.

Lodgement of Incorporation Documents

Incorporation documents (as explained below) must be submitted to the CCM within 3 months from the date of the approval of the company's name, failing which a fresh application for a name search must be done.

Incorporation documents to be lodged with the CCM:

1. Memorandum and Articles of Association

- An original copy of the Memorandum and Articles of Association, each to be stamped by the Stamp Office of the Inland Revenue Board at a fee of RM 100.
- The nature of business of the company will be stated in the object clause in the Memorandum
- The first directors and secretaries shall be named in the Articles of Association
- The subscribers to the company's shares shall sign the Memorandum and Articles of Association in front of a witness
- Table A of the Fourth Schedule in the CA may be adopted as the Articles of Association of the company (section 30 of the CA).

For the incorporation of a private company, the Articles of Association (section 15 of the CA) shall contain the following stipulations:

- Restriction on the right to transfer the company's shares
- Limitation on the number of members not to exceed 50
- Prohibition on any invitation to the public to subscribe the shares/debentures of the company
- Prohibition on any invitation to the public to deposit money with the company.

2. Form 48A (Statutory Declaration by a Director or Promoter before Appointment)

The director or promoter declares under oath that he/she is not bankrupt, and has not been convicted and imprisoned.

3. Form 6 (Declaration of Compliance)

This declaration states that all the requirements of the CA have been complied with. It must be signed by the company secretary handling the registration and who is named as the first secretary in the Memorandum and Articles of Association.

4. Additional documents:

- Original Form 13A of the CA
- A copy of the letter from the CCM approving the name of the company
- A copy of the identity card of each director and company secretary, or a copy of the passport where a foreign director is appointed.

Incorporation Fees

Each application for the incorporation of a company shall be accompanied with payment, as per the schedule below.

Authorised Share Capital (RM)	Fees (RM)
Up to 100,000	1,000
100,001 – 500,000	3,000
500,001 – 1 million	5,000
1,000,001 – 5 million	8,000
5,000,001 – 10 million	10,000
10,000,001 – 25 million	20,000
25,000,001 – 50 million	40,000
50,000,001 – 100 million	50,000
100,000,001 and above	70,000

Certificate of Incorporation

A certificate of incorporation will be issued by the CCM upon compliance with the incorporation procedures and submission of the duly completed incorporation documents.

Maintenance of a Local Company

Generally, a local company is required to:

- Convene an annual general meeting (AGM) yearly
- Lodge the annual return and audited accounts yearly
- Lodge statutory documents when there are changes in the registered particulars [Form 49 – Return Giving Particulars in Register of Directors, Managers and Secretaries and Changes of Particulars], registered office [Form 44 – Notice of Situation of Registered Office and Office Hours and Particulars of Changes] or matters relating to share capital of the company [Form 24 – Return of Allotment of Shares]
- Lodge various other statutory documents that need to be notified or registered with the CCM, e.g. Form 11 (Notice of Resolution), Form 25 (Statement Containing Particulars of Shares Allotted Otherwise Than For Cash), Form 27 (Notice of Redemption of Redeemable Preference Shares), Form 28 (Notice of Increase in Share Capital), etc.

Annual General Meeting and Accounts

Section 143(1) of the Companies Act, 1965 requires a company to hold its first annual general meeting (AGM) within 18 months of its incorporation. The subsequent AGM must be held once in every calendar year and not more than 15 months after the holding of the last preceding AGM.

Section 165 of the Companies Act, 1965 requires all companies to lodge the annual return within 1 month of the AGM. The annual return of a company shall be in accordance with the Eighth Schedule of the Act, which includes:

- A copy of the last audited accounts comprising the balance sheet and profit and loss accounts certified by a director, manager or secretary of the company (including every document required to be attached thereto)
- A certified copy of the auditor's report.

For an exempt private company (a private company having not more than 20 members, none of whom are corporations having direct or indirect interest in its shares) that is solvent, the attachment of the audited accounts may be substituted by a certificate signed by a director, a company secretary and auditor, declaring that:

- The company is an exempt private company
- The audited accounts, in compliance with the provisions of the CA, have been tabled in the company's AGM
- The company is able to meet its liabilities as and when they fall due as at the date of the audited profit and loss account.

Section 167 of the Companies Act, 1965 requires every company and the directors and managers thereof to keep such accounting and other records that would enable true and fair profit-and-loss accounts and balance sheets to be prepared from time to time.

Section 169 of the Companies Act, 1965 requires for the audited accounts of the company to be tabled at the AGM within 18 months after its incorporation, subsequent in every calendar year at an interval of not more than 15 months and not more than 6 months from the date of the financial year end.

Company Limited by Guarantee

A company limited by guarantee is defined as 'a company formed on the principle of having the liability of its members limited by the Memorandum to such amount as the members may respectively undertake to contribute to the assets of the company in the event of its being wound up'.

The company's Memorandum and Articles of Association provides for the members' liability to be limited to the amount they 'guarantee' or undertake during the winding up of the company.

A Foundation is a company limited by guarantee (CLG), and it is registered with the CCM. However, an application for prior approval by the Minister of Domestic Trade is required before the company can be formed.

A Foundation is formed for the purpose of providing recreation or amusement or promoting commerce, industry, art, science, religion, charity, pension or superannuation schemes or

any other object useful to the community, and will apply its profits, if any, or other income in promoting its objects and will prohibit the payment of any dividend to its members. Therefore, the objects of such a company are bound to be restricted to those specified above and incidental or conducive thereto.

The Minister may require the proposal to be appropriately advertised, either generally or in a particular case, and can direct that the company be registered as having limited liability, without the addition of the word '*Berhad*' to its name. A licence issued under these conditions can be revoked by the Minister at any time.

Other than Foundation, Institute, Academy, Corporation, Alliance, Federal, Chamber, Council, Fund, Memorial and Centre are also allowed to be used in its proposed name. However, Association, Union, Society, and names that are related to any political party are not allowed. Names connected with government agencies, unless the incorporation or activities of the company is sponsored by the agencies concerned, will not be allowed.

The directors of the Foundation are required to submit a personal resume to include their biodata. The CCM will conduct security screening procedures on promoters or proposed directors involved in charity, religious, environment or any other category that the CCM considers it necessary to monitor. Proof of contribution of at least RM 1 million is an essential issue for the registration of the foundation.

Registration of a Foreign Company

A foreign company may establish its place of business or carry out business within Malaysia by registering with the CCM as a 'branch office' in accordance with the provisions of the Companies Act, 1965. A foreign company is defined as a company, corporation or other body incorporated outside Malaysia; or a body which under the law of its place of origin may sue or be sued, or hold property in the name of the secretary or other officer of the body or association duly appointed for that purpose, and which does not have its head office or principal place of business in Malaysia.

Registration Procedures

- Name Search and Application for Name

A name search must be conducted to determine whether the proposed name of the company is available for registration. The proposed name of the foreign company must be the same name as registered in its country of origin. If approved, the company's name is valid for 3 months from the date of approval.

- Lodgement of Registration Documents

Registration documents must be submitted to the CCM within 3 months from the date of approval of the company's name, failing which a fresh application for a name search must be done. If any of the registration documents described above is in a language other than Bahasa Malaysia or English, a certified translation of such documents in Bahasa Malaysia or English is required. The following documents must be lodged with the CCM:

- A certified copy of the certificate of incorporation or registration of the foreign company
- A certified copy of the foreign company's charter, statute or Memorandum and Articles of Association or other instruments defining its constitution
- Form 79 (Return by Foreign Company Giving Particulars of Directors and Changes of Particulars)
- A Memorandum of appointment or power of attorney authorising the person(s) residing in Malaysia, to accept on behalf of the foreign company any notices required to be served on such foreign company
- Form 80 (Statutory Declaration by Agent of Foreign Company). and
- Additional documents consisting of:
 - The original copy of Form 13A; and
 - A copy of the letter from SSM approving the name of the foreign company.

Certificate of Registration

A certificate of registration will be issued by CCM upon compliance with the registration procedures and submission of the duly completed registration documents.

Maintenance of a Foreign Company Registered with CCM

Generally, a foreign company is required to:

- Lodge an annual return yearly
- Lodge its balance sheets yearly
- Lodge returns where documents are changed or altered.

Section 332A of the Companies Act, 1965 requires a foreign company to lodge its annual return made up to the date of its AGM once in every calendar year. The annual return in the prescribed Form 80A must be lodged within 1 month after the date to which it is made up or within such further period as the Registrar, in special circumstances, allows.

Section 336 of the Companies Act, 1965 requires a foreign company to lodge with the CCM a copy of its balance sheet made up to the end of its last financial year in such form and containing such particulars and accompanied by copies of such documents as the company is required to annex with its balance sheet by the law applicable to that company in the place of its incorporation within 2 months of its AGM. If such balance sheet or audited accounts is not written in Bahasa Malaysia or English, a certified translation must be appended. The foreign company should also attach a statutory declaration (Form 87) verifying that the copies attached are true copies. In addition to the balance sheet and other documents required to be lodged, the foreign company must also lodge the following documents:

- An audited statement showing its assets and liabilities arising out of its operations in Malaysia as at the date to which the balance sheet is made

- An audited profit-and-loss account that complies with the requirements of the Ninth Schedule
- A report of an approved company auditor.

Where a foreign company is not required by the law of the place of its incorporation to hold an AGM and prepare a balance sheet, the company shall prepare and lodge with the Registrar a balance sheet within such period, in such form and containing such particulars and to annex thereto such documents as if it is a local company incorporated under the Malaysian Companies Act, 1965.

Registration of a Sole Proprietorship or Partnership

Apart from incorporating a local company, business activities can also be carried out by individuals as a sole proprietorship or a partnership.

A sole proprietorship is a business wholly owned by a single individual, using their personal name (as on their identity card) or a trade name. A partnership is a business owned by two or more, but not exceeding 20, persons. Business includes every form of trade, commerce, craftsmanship, calling, profession or other activity carried on for the purpose of gain, but does not include any office or employment or any charitable undertaking or any occupation specified in the Schedule of the Registration of Businesses Act, 1956.

To be eligible for registration of businesses, the person must be a Malaysian citizen or permanent resident, aged at least 18 years.

A registered sole proprietor using their personal name for business purposes cannot take an additional business partner. A partnership can change its status to a sole proprietorship using a trade name, and vice versa.

Registration of Interest Schemes

An interest scheme involves the pooling of financial contributions from the public in exchange for an interest in a particular scheme. Section 84 of the Companies Act, 1965 defines 'interest' as a right to participate or right to interest in any:

- Profits, assets or realisation of a business
- Common enterprise with expectation of profits, rent or interest
- Time-sharing scheme
- Investment contract.

Therefore, the interest holders are entitled to the usage of the facilities and services provided under the scheme or profit or returns, depending on the nature of the scheme.

Only public companies (Bhd.) are allowed to sell interest schemes in Malaysia. The sale of an interest scheme is governed by the provisions under Division 5 of Part IV of the Companies Act, 1965. In addition, the promoter of the scheme is required to adhere to the policy guidelines and requirements issued by the CCM from time to time in regulating an

approved scheme. Currently, the types of interest scheme operated in Malaysia are golf clubs, recreational clubs, time-sharing schemes, marina clubs and oil palm share-farming schemes.

The promoter of the scheme is required to lodge the executed trust deed and draft prospectus with the CCM. A certificate of registration of prospectus will be issued before the promoter of the scheme can start selling memberships to the public. It is therefore advisable for the applicant to appoint a competent person, such as a lawyer or consultant, to handle the registration process and to prepare the necessary documents.

Taxation

Scope of Charge

Income tax is chargeable upon the income of any person. Any individual who has income – accruing in or derived from Malaysia, or received in Malaysia from outside Malaysia – is subject to income tax. However, income received in Malaysia by any person other than a resident company carrying on business of banking, insurance or sea or air transport for 1 year of assessment derived from sources outside Malaysia is exempt from tax.

To modernise and streamline the tax administration system, the self-assessment system was implemented for companies, sole proprietors, partnerships, cooperatives and salaried groups and the assessment of income tax is based on a current-year basis.

Types of Direct Tax

i. Company Tax

Resident and non-resident companies		25%
Resident companies with paid-up capital of RM ≤2.5 million at the beginning of the basis period for 1 year of assessment; such companies do not control/are not controlled by another company that has a paid-up share capital of RM >2.5 million in respect of ordinary share capital		
*	on the first RM 500,000 chargeable income	20%
*	on subsequent chargeable income	25%

ii. Petroleum Income Tax (PITA)

A person who has signed a petroleum agreement with Petronas or the Malaysia–Thailand Authority, and carries out petroleum operation		38%
'Chargeable person' means one of the following:		
*	Petroleum Nasional Berhad	
*	Malaysia–Thailand Joint Authority	
*	Any person carrying on petroleum operations under a petroleum agreement with either of the above	
'Person' includes a company, a partnership or other body of person and corporation sole.		
'Petroleum operations' means searching for, winning or obtaining of petroleum in Malaysia (by drilling, mining, extracting etc.), all operations incidental thereto and sale or disposal of petroleum so won or obtained, and transportation within Malaysia of petroleum so won or obtained to any point of sale or export. It excludes transportation outside Malaysia; refining or liquefying; dealing with products so refined or liquefied; and service involving the supply and used of rigs, derricks, ocean tankers and barges.		
From the year of assessment 2010, the assessment system under PITA has changed to the current-year basis and the self-assessment system.		

iii. Personal Tax

Chargeable Income (RM)	Calculations (RM)	Rate %	Tax (RM)
0–2,500	On the first 2,500	0	0
2,501–5,000	Next 2,500	1	25
5,001–10,000	On the first 5,000 Next 5,000	3	25 150
10,001–20,000	On the first 10,000 Next 10,000	3	175 300
20,001–35,000	On the first 20,000 Next 15,000	7	475 1,050
35,001–50,000	On the first 35,000 Next 15,000	12	1,525 1,800
50,001–70,000	On the first 50,000 Next 20,000	19	3,325 3,800
70,001–100,000	On the first 70,000 Next 30,000	24	7,125 7,200
>100,000	On the first 100,000 Next RM	26	14,325

iv. Stamp Duty

The Stamp Act, 1949 levies two types of duties: 'fixed' and 'ad valorem' duties. Fixed duties are those imposed without any relation to the consideration or amount expressed in an instrument, while *ad valorem* duties are those levied in relation to the value of the consideration disclosed in an instrument. The First Schedule of the Stamp Act, 1949 lists the instruments that are subject to the fixed and *ad valorem rates* of duty.

v. Real Property Gains Tax

The chargeable gains from the disposal of real properties that are held for >5 years will be exempted from the real property gains tax (RPGT). Therefore, any gains from the disposal of real properties in which the holding period is <5 years from the date of acquisition of the real properties will be subjected to RPGT. This exemption is applicable on gains from all types of real property, including shares in real property companies disposed by all categories of property owners who are individuals (citizens, permanent residents, non-citizens and non-permanent resident of Malaysia) and companies, as well as other property owners.

Holding period	RPGT rate		
	Companies	Individual (citizen and permanent resident)	Individual (non-citizen)
Up to 2 years	10%	10%	10%
2–5 years	5%	5%	5%
>5 years	0%	0%	0%

vi. Withholding Tax

Malaysia has a fairly comprehensive withholding tax system on payments to non-residents. In order to ensure efficient tax collection, the Malaysian Tax Authority has appointed the payer as an agent responsible to collect withholding tax from such non-residents upon paying or crediting such payment to the non-residents.

The various types of withholding taxes are charged on the following types of payments to non-residents:

*	Special classes of income include fees paid for services in connection with the installation of plant and machinery, technical advice and rent or other payment in respect of moveable property. In respect of installation of plant and machinery and technical advice, the services must be rendered in Malaysia	10%
*	Contract payment paid to non-resident contractors <ul style="list-style-type: none"> • Service portion of contract payment • Service portion of employee 	10% 3%
*	Interest	15%
*	Royalty	10%
*	Gain or profits under Section 4(f) such as introductory fee, commission, guarantee fee, etc.	10%
*	Public entertainer	15%

Types of Indirect Tax

i. Sales Tax

Sales tax is imposed on all goods manufactured in or imported into Malaysia, unless specifically exempted. The standard sales tax rate is 10%, while certain non-essential goods are subject to 5% sales tax under the Sales Tax Act, 1972.

Rate
5–10%

ii. Service Tax

Service tax is imposed on taxable services provided by taxable persons. Services include services provided by professionals (such as lawyers, engineers, architects, surveyors and consultants), advertising firms, private hospitals, insurance companies, communication companies, hotels and restaurants

Rate
6%

iii. Excise Duty

Excise duty is levied on imported and locally manufactured goods under the Excise Act, 1976. The goods are listed under the Excise Duties Order, 2004. Goods include:

	Rate
Motorcars	75–105%
4-wheel drive	60–105%
Motorcycle	20–30%
Intoxicating liquor	RM 0.10 + 15% per litre to RM 42.50 per 100% vol. per litre + 15% RM0 22
Cigarettes	RM 0.19 per cigarette + 20%

iv. Customs (import and export) Duties

Import duties Import duties are levied on goods imported into Malaysia. The rates may be imposed on an <i>ad valorem</i> basis or on a specific basis. The prevailing <i>ad valorem</i> rates are 2–60%, depending on the types of goods imported	Rate 2–60%
Export duties Export duties are imposed on certain goods, and duties must be paid before the goods are allowed to be exported from Malaysia. The rates of export duty on different categories of goods are as indicated in the Custom Duties Order, 1996	Rate 5–20%, or specific rates

Tax Relief for Resident Individuals

An individual is a resident of Malaysia if they remain in Malaysia for ≥ 182 days in a calendar year for 1 year of assessment. Tax reliefs are given only to an individual who is a resident of Malaysia; non-resident individuals are not entitled to tax relief. The tax reliefs for individuals are outlined below.

No.	Types of tax relief	Amount (RM)
1	Self and dependent	9,000
2	Medical expenses for parents	5,000 (Limited)
3	Basic supporting equipment	5,000 (Limited)
4	Disabled individual	6,000
5	Education fees (Individual)	5,000 (Limited)
6	Medical expenses for serious diseases	5,000 (Limited)
7	Complete medical examination	500 (Limited)
8	Purchase of books, journals, magazines and publications	1,000 (Limited)
9	Purchase of personal computer	3,000 (Limited)
10	Net saving in National Education Savings Scheme	3,000 (Limited)
11	Purchase of sport equipment for sport activities	300 (Limited)
12	Subscription fees for broadband registered in the name of the individual	500 (Limited)
13	Interest expended to finance purchase of residential property. Relief of up to RM 10,000/year for 3 consecutive years from the first year the interest is paid. Subject to the following conditions: <ul style="list-style-type: none"> • the taxpayer is a Malaysian citizen and a resident • limited to one residential unit • the sale and purchase agreement is signed between 10 March 2009 and 31 December 2010 	

No.	Types of tax relief	Amount (RM)
	<ul style="list-style-type: none"> the residential property is not rented out. <p>Where:</p> <ul style="list-style-type: none"> 2 or more individuals are eligible to claim relief for the same property Total interest expended by those individuals exceeds the allowable amount for that year. <p>Each individual is allowed an amount of relief for each year based on the following formula:</p> $\frac{A \times B}{C}$ <p>Where:</p> <ul style="list-style-type: none"> A = Total interest allowable in the relevant year B = Total interest expended by the relevant individual in the relevant year C = total interest expended by all the individuals. 	10,000 (Limited)
14	Husband/wife/alimony payments	3,000 (Limited)
15	Disabled wife/husband	3,500
16	Ordinary child relief	1,000
17	Each unmarried child aged ≥ 18 years who is receiving full-time education ('A-level', certificate, matriculation or preparatory courses).	1,000
18	<p>Each unmarried child aged ≥ 18 years:</p> <ul style="list-style-type: none"> Receiving further education in Malaysia in respect of an award of diploma or higher (excluding matriculation/ preparatory courses) Receiving further education outside Malaysia in respect of an award of degree or its equivalent (including Master's or PhD) <p>The instruction and educational establishment must be approved by the relevant government authority</p>	4,000
19	<p>Disabled child</p> <p>Additional exemption of RM 4,000 for disabled child age 18 years old and above, not married and pursuing full-time instruction at a university, college or other establishment of higher education or serving under articles or indentures.</p>	5,000 4,000
20	Life insurance and EPF	6,000 (Limited)

No.	Types of tax relief	Amount (RM)
21	Premium on new annuity scheme or additional premium paid on existing annuity scheme, commencing payment from 1 January 2010 (amount exceeding RM 1,000 can be claimed together with life insurance premium)	1,000 (Limited)
22	Insurance premium for education or medical benefit	3,000 (Limited)

Tax Rebate for Resident Individuals

Tax rebate is given to resident individuals where the chargeable income for the relevant year of assessment does not exceed RM 35,000. The tax rebate is as follows:

Type of assessment	Amount (RM)
Separate assessment	
• Husband	400
• Wife	400
Combined assessment	
• Husband	400
• Wife	400
Assessment where husband or wife does not have any total income	
• Husband	400
• Wife	400

Double Taxation Agreements

The double taxation agreement (DTA) provides for a reduced rate of withholding tax or even exemption. The various rates accorded under the double taxation agreement are as follows:

		Royalties %	Interest %	Technical fee %	Sec.4(f) income %
1.	Albania, Republic	10	Nil or 10	10	10
2.	Argentina*	10	15	10	10
3.	Australia‡	Nil or 10	Nil or 15	Nil**	10
4.	Austria	10	Nil or 15	10	10
5.	Bahrain‡	8	Nil or 5	10	10
6.	Bangladesh	Nil or 10	Nil or 15	10	10
7.	Belgium‡	10	Nil or 10	10	10
8.	Bosnia & Herzegovina‡	8	10	10	10
9.	Brunei	10	10	10	10
10.	Canada	Nil or 10	Nil or 15	10	10
11.	Chile	10	Nil or 15	5	10
12.	China, People's Republic‡	Nil or 10	Nil or 10	10	10
13.	Croatia	Nil or 10	Nil or 10	10	10
14.	Czech Republic	10	Nil or 12	10	10
15.	Denmark	Nil or 10	Nil or 15	10	10
16.	Egypt	10	Nil or 15	10	10
17.	Fiji	10	Nil or 15	10	10
18.	Finland	Nil or 10	Nil or 15	10	10
19.	France	Nil or 10	Nil or 15	10	10
20.	Germany – Old agreement	Nil or 10	Nil or 15	Nil	Nil
	Germany – New agreement	7	10	7	0
21.	Hungary	10	Nil or 15	10	10
22.	India	Nil or 10	Nil or 10	10	10
23.	Indonesia‡	10	Nil or 15	10	10
24.	Ireland	8	Nil or 10	10	10
25.	Islamic Republic of Iran	Nil or 10	Nil or 15	10	10
26.	Italy	Nil or 10	Nil or 15	10	10
27.	Japan	10	Nil or 10	10	10
28.	Jordan	10	Nil or 15	10	Nil

		Royalties %	Interest %	Technical fee %	Sec.4(f) income %
29.	Kazakhstan	10	10	10	10
30.	Korea, Republic	Nil or 10	Nil or 15	10	10
31.	Kuwait‡	10	Nil or 10	10	10
32.	Kyrgyz, Republic	10	Nil or 10	10	10
33.	Laos	10	10	10	-
34.	Lebanon	Nil or 8	Nil or 10	10	10
35.	Luxembourg	Nil or 8	Nil or 10	8	10
36.	Malta	10	Nil or 15	10	10
37.	Mauritius	10	Nil or 15	10	10
38.	Mongolia	10	Nil or 10	10	10
39.	Morocco	Nil or 10	Nil or 10	10	10
40.	Myanmar	10	Nil or 10	10	10
41.	Namibia	5	Nil or 10	5	10
42.	Netherlands	Nil or 8	Nil or 10	8	10
43.	New Zealand	Nil or 10	Nil or 15	10	10
44.	Norway	Nil or 10	Nil or 15	10	10
45.	Pakistan	Nil or 10	Nil or 15	10	10
46.	Papua New Guinea	10	Nil or 15	10	10
47.	Philippines	Nil or 10	Nil or 15	10	10
48.	Poland	Nil or 10	Nil or 15	10	10
49.	Qatar	8	Nil or 5	8	10
50.	Romania	Nil or 10	Nil or 15	10	10
51.	Russia	10	Nil or 15	10	10
52.	San Marino	10	10	10	-
53.	Saudi Arabia – Old agreement*	10	15	10	-
	Saudi Arabia – New Agreement	8	Nil or 5	8	10
54.	Senegal‡	10	10	10	10
55.	Seychelles‡	10	10	10	10
56.	Singapore – Old Agreement	10	Nil or 15	10	-
	Singapore – New Agreement	8	Nil or 10	5	10
57.	South Africa	5	10	5	10
58.	Spain	7	Nil or 10	5	10
59.	Sri Lanka	10	Nil or 10	10	10

		Royalties %	Interest %	Technical fee %	Sec.4(f) income %
60.	Sudan	10	Nil or 10	10	10
61.	Sweden – Old Agreement	Nil or 10	Nil or 15	10	-
	Sweden – New Agreement	Nil or 8	Nil or 10	8	10
62.	Switzerland	Nil or 10	Nil or 10	10	10
63.	Syria	10	10	10	10
64.	Taiwan	10	10	7.5	10
65.	Thailand	Nil or 10	Nil or 15	10	10
66.	Turkey†	10	Nil or 15	10	10
67.	Turkmenistan	10	Nil or 10	Nil	Nil
68.	United Arab Emirates	10	Nil or 5	10	10
69.	United Kingdom	8	Nil or 10	8	10
70.	United States of America*	10	15	10	10
71.	Uzbekistan	10	Nil or 10	10	10
72.	Venezuela	10	15	10	10
73.	Vietnam	10	Nil or 10	10	10
74.	Zimbabwe†	10	Nil or 10	10	10

*Limited double tax treaty.

†Gazetted DTAs; not yet entered into force.

‡Protocol that amends limited articles of the treaty; has been gazetted, but not yet entered into force.

**The Inland Revenue Board concedes that where an Australian resident renders technical services in Malaysia, the payer of fee need not withhold tax on the income derived from Malaysia if the Australian resident has no permanent establishment in Malaysia.

Incentives for Investment

Manufacturing Sector

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. The list of 'promoted' (eligible) activities or products can be downloaded from the Malaysian Investment Development Authority (MIDA) www.mida.gov.my.

a) Pioneer Status

A company granted pioneer status enjoys a 5-year partial exemption from payment of income tax. It pays tax on 30% of its statutory income,* with the exemption period commencing from its 'production day' (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 company's post-pioneer income.

** Statutory income is derived after deducting revenue expenditure and capital allowances from the gross income.*

b) 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 5 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.

Agricultural Sector

The Promotion of Investments Act, 1986 states that the term 'company' in relation to agriculture includes:

- Agro-based co-operative societies and associations
- Sole proprietorships and partnership engaged in agriculture.

Companies producing promoted products or engaged in promoted activities (a list of promoted products/activities can be downloaded from the MIDA website) qualify for pioneer status or investment tax allowance, as defined above for the manufacturing sector.

Biotechnology Industry

A company undertaking biotechnology activity that has been approved with BioNexus status by the Malaysian Biotechnology Corporation Sdn. Bhd. is eligible for the following incentives:

- a) An exemption from tax on 100% statutory income:
 - for a period of 10 consecutive years of assessment from the first year the company derived statutory income from the new business; or
 - for a period of 5 consecutive years of assessment from the first year the company derived statutory income from the existing business and expansion project.
- b) An exemption of 100% statutory income derived from a new business or an expansion project that is equivalent to an allowance of 100% of qualifying capital expenditure incurred for a period of 5 years.
- c) A BioNexus status company is entitled to a concessionary tax rate of 20% on statutory income from qualifying activities for 10 years upon the expiry of the tax exemption period.

Hotel and Tourism Industry

Tourism projects, including eco-tourism and agro-tourism projects, are eligible for tax incentives. These include hotel businesses (construction of new hotels, or expansion/modernisation of existing hotels), tourist projects (including indoor and outdoor theme parks), construction of holiday camps, recreational projects (including recreational camps and construction of convention centres with a capacity to accommodate $\geq 3,000$ participants).

Tax incentives for the hotel and tourism industry are pioneer status or ITA, defined as for the manufacturing sector except that the 'production day' is determined by the Minister of International Trade and Industry.

Research and Development (R&D)

The Promotion of Investments Act, 1986 defines R&D as 'any systematic or intensive study carried out in the field of science or technology with the objective of using the results of the study for the production or improvement of materials, devices, products, produce or processes'.

a) Contract R&D Company

A contract R&D company – i.e., a company that provides R&D services in Malaysia to a company other than its related company – is eligible for:

- Pioneer status with income tax exemption of 100% of the statutory income for 5 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

- ITA of 100% on the qualifying capital expenditure incurred within 10 years. The allowance can be offset against 70% of the statutory income for each year of assessment. Any unutilised capital allowances can be carried forward to subsequent years until fully utilised.

b) R&D Company

A R&D company – i.e., a company that provides R&D services in Malaysia to its related company or to any other company – is eligible for an ITA of 100% on the qualifying capital expenditure incurred within 10 years. The allowance can be offset against 70% of the statutory income for each year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised.

Should the R&D company opt not to avail itself of the allowance, its related companies can enjoy double deduction for payments made to the R&D company for services rendered.

c) In-house Research

A company that undertakes in-house R&D to further its business can apply for an ITA of 50% of the qualifying capital expenditure incurred within 10 years. The company can offset the allowance against 70% of its statutory income for each year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised.

Multimedia Super Corridor (MSC)

The MSC Malaysia is modelled to be a world-class hub for the development and nurturing of the nation's information and communications technology (ICT) industry. It provides a perfect environment for companies wanting to create, distribute and employ multimedia products and services.

MSC Malaysia 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 Malaysia. Companies with MSC Malaysia status enjoy a set of incentives and benefits that is backed by the Government of Malaysia's Bill of Guarantees.

MSC Malaysia status multimedia companies operating in MSC Malaysia Cybercities or Cybercentres are eligible for the following incentives/facilities:

- a) Pioneer status with income tax exemption of 100% of the statutory income for a period of 10 years; or
- b) ITA of 100% on the qualifying capital expenditure incurred within a period of 5 years to be offset against 100% of statutory income for each year of assessment.

Other Incentives

a) Reinvestment Allowance

Reinvestment allowance (RA) is given to existing companies engaged in manufacturing, and selected agricultural activities that reinvest for the purposes of expansion, automation, modernisation or diversification of their existing business into any related products within the same industry, on condition that such companies have been in operation for ≥ 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 attains a productivity level exceeding the level determined by the Ministry of Finance.

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 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, a 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 of within a period of 5 years from the time of the reinvestment and effective from the year of assessment 2009.

b) Tax Exemption on Value of Increased Exports

To further encourage the promotion of exports, resident companies in manufacturing, agricultural and services sectors that export goods (having a value-added element) or services are given a partial exemption from income tax. The exemption is given against statutory income (restricted to 70%) of an amount equal to 10% or 15% of the value of increased exports.

Details of the exemption are as follows:

- Exemption of statutory income equivalent to 10% or 15% of the value of increased exports for manufacturers, provided that goods exported attain at least 30% or 50% value-added, respectively
- Exemption of statutory income equivalent to 10% of the value of increased exports for companies that export fresh and dried fruits, fresh and dried flowers, ornamental plants and ornamental fish
- Exemption of statutory income equivalent to 10% of the value of increased exports for companies in the services sector offering legal, accounting, engineering consultancy, architecture, marketing, business consultancy, office services, construction management, building management, plantation management, health and education services.

To further encourage the export of Malaysian goods, a locally owned manufacturing company with Malaysian equity of $\geq 60\%$ is eligible for:

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

c) **Malaysian International Trading Company (MITC)**

To encourage trading companies to play a more significant role in enhancing exports, a company approved as an 'international trading company' is granted an income tax exemption of 20% of the value of increased exports for 5 consecutive years. The amount of income so exempted is set off against 70% of the statutory income.

In order to qualify for the exemption, the MITC shall obtain a letter from Malaysia External Trade Development (MATRADE) certifying that the following conditions have been fulfilled:

- The company is incorporated in Malaysia and $\geq 60\%$ of the issued share capital of the company is Malaysian-owned
- The company has achieved annual sales of RM >10 million
- $\leq 20\%$ of the company's annual sales are derived from the trading of commodities (such as pepper, cocoa, palm oil, tobacco, rubber, forestry products, minerals, etc.)
- The company uses local services for the purpose of banking, finance and insurance, and uses local ports or airports.

d) **Venture Capital Industry**

Generally, a venture capital company (VCC) is eligible for income tax exemption for 10 years subject to the investment condition as follows:

- $\geq 50\%$ of funds invested in venture companies must be in seed capital; or
- $\geq 70\%$ of funds invested in venture companies must be in start-up or early-stage financing.

To stimulate and further promote the funding of venture companies, VCCs investing in venture companies with $\geq 30\%$ of its funds in seed capital, start-up or early-stage financing are eligible for income tax exemption for 5 years.

e) **Double Deduction for Promotion of Exports**

Certain expenses incurred by resident companies in seeking opportunities to export Malaysian manufactured and agricultural products and services qualify for double deduction.

The eligible expenses are those incurred in:

- Overseas advertising, publicity and public relations work
- Supplying samples abroad, including delivery costs
- Undertaking export market research
- Preparing tenders for supply of goods overseas
- Supplying of technical information abroad
- Preparing exhibits and participation costs in trade/industrial exhibitions, virtual trade shows and trade portals and fares for overseas travel by company employees for business
- Accommodation expenses up to RM 300/day and sustenance expenses up to RM 150/day for company representatives who travel overseas for business
- Maintaining sales offices and warehouses overseas to promote exports
- Hiring professionals to design packaging for exports, subject to the company using local professional services
- Undertaking feasibility studies for overseas projects identified for the purpose of tenders
- Preparing architectural and engineering models, perspective drawings and 3D animations for participating in competitions at international level
- Participating in trade or industrial exhibitions in the country or overseas
- Participating in exhibitions held in Malaysian Permanent Trade and Exhibition Centres overseas

Partnerships and sole proprietorships registered with the CCM are also eligible for the above incentive. To qualify, they must provide the following professional services:

- Legal
- Accounting (including taxation and management consultancy)
- Architectural (including town planning and landscaping)
- Engineering and integrated engineering (including valuation and quantity surveying)
- Medical or dental.

f) Double Deduction for the Promotion of Malaysian Brand Names

To promote Malaysian brand names, a company that is a registered proprietor of a Malaysian brand, or a company within the same group, is eligible for double deduction on expenditure incurred in advertising the brand, subject to the following conditions:

- The company must be >50% owned by the registered proprietor of the Malaysian brand name
- The deduction can only be claimed by one company in a year of assessment

- The products must meet export quality standard.

The qualifying advertising expenditure refers to the cost of advertising brand name goods through:

- Advertisements on the internet where the host website is located in Malaysia
- Magazines/newspapers printed in Malaysia
- Local licensed television stations
- Advertisement hoardings located in Malaysia that are approved by the local authority
- Trade publications printed in Malaysia
- Sponsoring an approved international sporting event held in Malaysia
- Sponsoring an approved international trade conference/exhibition approved by MATRADE and held in Malaysia.

Living in Malaysia

Malaysia is one of the most hospitable and friendly places in the world to work and live. The country has a great geographical location as it is located at the tropics, meaning that it is blessed with sunshine and a warm climate throughout the year.

The multi-ethnic and multi-cultural diversity heritage of the country permeates its culture and food. The interesting diversity of culture is reflected in various festivals that bring together many races for the celebrations. This diversity is also reflected in Malaysian food, which fuses many styles and tastes.

Most Malaysians speak at least two languages, typically Bahasa Malaysia (the national language), English and their own mother tongue. It is easy to get around in Malaysia, as the people are friendly and helpful.

Immigration Requirements

1. Travel Documents and Visas

Every person entering Malaysia must possess a valid national passport or internationally recognised travel document valid for travel to Malaysia. Any person not in possession of a passport or travel document that is recognised by the Malaysian government must obtain a document in lieu of a passport. All travel documents must be valid for >6 months from the date of entry into Malaysia. In addition, foreign nationals may require a visa to enter Malaysia, depending on their nationality. If so required, the visa must be obtained in advance from the Malaysian Representative Office before entering the country.

2. Passes

Foreign nationals have to obtain a pass besides a visa (where required) that allows them to stay temporarily. A pass is an endorsement in the passport constituting permission to stay for the approved duration.

i. Passes Issued at Point of Entry

Foreign visitors entering the country with a valid passport and visa can obtain a visit pass (social), issued at the point of entry solely for the purpose of a social and/or business visit – such as owners and company representatives entering Malaysia to attend a company meeting or seminar, inspect the company's accounts or to ensure the smooth running of the company; or investors or businessmen entering to explore business opportunities and investment potential.

ii. Passes Issued Upon Arrival in Malaysia

- Other than applications for entry for the purpose of social or business visits, all applications for other passes (employment, professional visit, dependant, student) must

be made upon arrival in Malaysia

- Applicants for such passes must have sponsorship in Malaysia where the sponsors agree to be responsible for the maintenance and repatriation of the visitors from Malaysia if necessary
- An employment pass is required for foreigners who enter the country to take up a contract of employment with a minimum period of 2 years and earn a monthly income of RM ≥5,000. The employee must be aged ≥27 years, with a minimum of 5 years of working experience in a related field. Spouses and children of foreigners who have been issued with an employment pass can apply for dependants' passes
- Professional visit passes are issued to foreigners on a short-term contract with an agency such as artistes, researchers, lecturers/speakers and members of international organisations. The validity period of the pass varies, but it does not exceed 12 months at any one time.

iii. Employment of Highly Qualified Expatriate Personnel

The Malaysian government aims to attract and retain top talent to work in the country. It offers the 'talent' residence pass to highly qualified expatriates who wish to work on a long-term basis in the country. Criteria for eligibility are high achievers who have worked in Malaysia for 3 years, with a minimum total of 5 years' experience and gross taxable income of RM 144,000 per annum. The person must have paid Malaysian income tax for 2 years and must be suitably qualified.

Comfortable Housing

There is a wide selection of comfortable housing in Malaysia. According to a survey on expatriate living costs by the Malaysian International Chamber of Commerce and Industry, monthly rentals for accommodation can range from as low as RM 1,600–3,000 (US\$ 516–967) for a furnished three-bedroom condominium in the suburbs of Kuala Lumpur to RM 6,000–30,000 (US\$ 1,935–9,677) for a luxury bungalow in the upmarket neighbourhood of Kenny Hills, closer to the city centre.

International Schools

There are over 30 international schools registered with the Ministry of Education. These schools are located in the federal territories of Kuala Lumpur and Labuan, and in the states of Johor, Kelantan, Melaka, Negeri Sembilan, Pahang, Penang, Perak, Sabah and Sarawak. They include American and British-style international schools as well as French, German, Japanese and Taiwanese schools that have facilities for pre-school to college education.

An Unsurpassed Lifestyle

Life in Malaysia is an adventure. The year-long warm and sunny climate offers an unsurpassed lifestyle, especially for people who love the outdoors. Families can spend an exciting

weekend at Malaysia's national parks with their magnificent rivers and mountains; fly to one of the many island retreats for snorkelling and scuba diving; or drive for a game of golf in a cool hill resort. For those who prefer to be indoors, ultra-modern shopping complexes offer the latest in designer fashions, leather goods and electronic items at very competitive prices.

Shopping

With the wide range of foodstuffs and consumer products available in the supermarkets and department stores, expatriates will find Malaysia a home-from-home. Establishments in Malaysia cater for every taste and budget and range from huge shopping malls to hypermarkets and smaller specialty stores. A novelty for expatriates is the pasar malam (night market), where hawker stalls sell almost anything – from fresh fruits and vegetables to clothing and shoes. Malaysia is also a treasure chest of artefacts and antiques, and expatriates usually take back with them not only fond memories of their stay but also many a desirable collector's item.

Where dining is concerned, Malaysia is one of the countries in the world where a family can afford to eat out almost every day of the week. Depending on budget, the choice of eating places can range from elegant hotels and chic sidewalk cafes to fast food outlets and hawker stalls. No one ever gets bored with the limitless variety of cuisines on offer.

An unmissable attraction in the federal capital of Kuala Lumpur is the Petronas Twin Towers, the world's tallest twin buildings, where one can enjoy world-class performances in the acoustically perfect Petronas Philharmonic Hall.



The Next Step

Contact Morison AAC to discuss your needs.

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