

# DOING BUSINESS

IN MALAYSIA

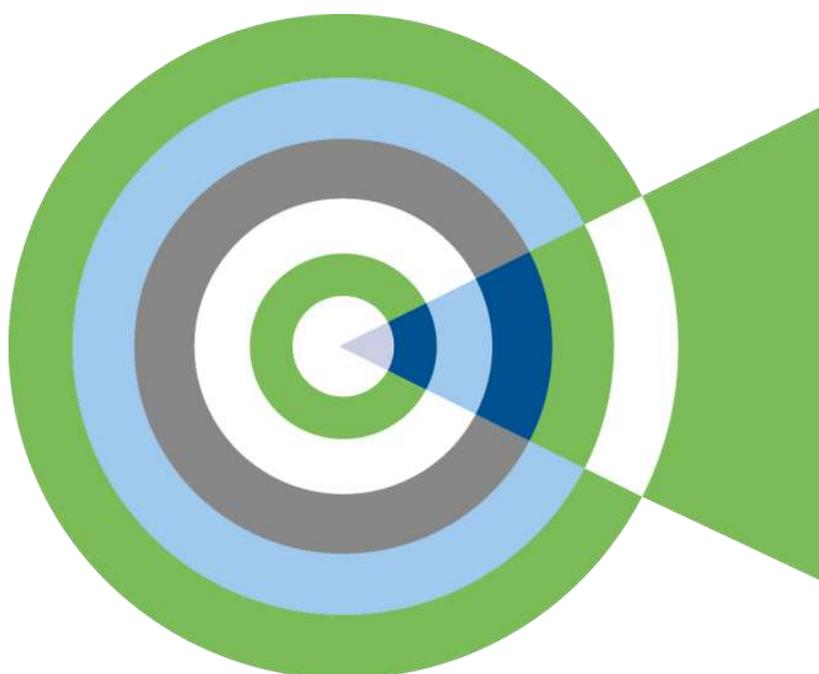


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# 1 – INTRODUCTION

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UHY is an international organisation providing accountancy, business management and consultancy services through financial business centres in over 80 countries throughout the world.

Business partners work together through the network to conduct transnational operations for clients as well as offering specialist knowledge and experience within their own national borders. Global specialists in various industry and market sectors are also available for consultation.

This detailed report providing key issues and information for investors considering business operations in Malaysia has been provided by the office of UHY representatives:

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A detailed firm profile for UHY's representation in Malaysia can be found in section 8.

Information in the following pages has been updated so that they are effective at the date shown, but inevitably they are both general and subject to change and should be used for guidance only. For specific matters, investors are strongly advised to obtain further information and take professional advice before making any decisions. This publication is current at January 2017.

We look forward to helping you do business in Malaysia.

## 2 – BUSINESS ENVIRONMENT

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### PARLIAMENT AND LAW-MAKING

Malaysia practises parliamentary democracy with a constitutional monarchy and His Royal Highness is the Paramount Ruler.

The federal constitution was legislated for this system to exist. One of its conditions is the division of the administrative power into three parts – legislative, judiciary and administrative or executive.

Malaysia is also a country which practises a system of democracy based on the federation system. Accordingly, all of the states have agreed to form the country of Malaysia. Each state surrenders part of its power, in areas such as finance, defence, education, foreign affairs and others, to be administered by the central government, as stated in the Malaysian constitution. Other areas remain under the control and administration of each state.

As a country with a constitutional monarchy, the constitution is overseen by the institutions of Yang Di-Pertuan Agong, the Paramount Ruler, the hereditary rulers of the nine states and the Council of Malay Rulers. His Royal Highness has the power to safeguard the customs and traditions of the Malay people and the administration of the Islamic religion in each state.

Seri Paduka Baginda Yang Di-Pertuan Agong is also the Paramount Ruler of the country and His Royal Highness is the highest commander of the armed forces. His Royal Highness carries out his constitutional duties with the advice of the prime minister and cabinet ministers. The hereditary rulers are heads of state of their own state and carry out their duties with the advice of their *Menteri Besar* or Chief Minister.

The parliament is the legislative authority for the federation and makes laws applicable to the federation as a whole. Parliament passes federal laws, makes amendments to existing federal laws, examines government policies, approves government expenditure and approves new taxes. The parliament also serves as the forum for criticism and focus of public opinion on national affairs.

### THE MARKET

Malaysia, with its economic strength, supportive government policies, educated workforce, developed infrastructure, vibrant business environment and quality of life, has always been an attractive market for foreign investors.

### AREA

Malaysia is located in the heart of South-East Asia, slightly north of the Equator. The total area of Malaysia is approximately 330,000 square kilometres.

It is made up of two geographical regions – the Peninsular Malaysia (or West Malaysia) comprising 11 states and the federal territory of Kuala Lumpur, on the Malay Peninsula between Thailand and Singapore, and East Malaysia, which has two states in the northern part of the island of Borneo and the federal territory of Labuan. (The Peninsular Malaysia occupies about 40% of the country's total area.)

The climate is hot and humid, with relative humidity ranges from 60 to 90%, except in the highlands.

### POPULATION

Malaysia is a multi-racial country with a population of 31 million at time of writing.

Malays, who make up about 60% of the population, are the predominant group, with Chinese, Indians and other ethnic groups making up the rest. About 80% of the nation's total population lives on the Peninsular Malaysia.

### LANGUAGE

Malaysian (*Bahasa Malaysia*) or standard Malay is the official language. However, English is widely used for business and in the tourism industry. Apart from English, Mandarin and Tamil are also common languages taught at school concurrently with *Bahasa Malaysia* and English.

### CURRENCY

The local currency is the Malaysian Ringgit (MYR).

Major hotels and larger establishments readily accept foreign currency. Foreign currencies can also be readily exchanged at banks or licensed money changers.

### ECONOMY

The economic policies and strategies of the country are set out in the National Development policy. These are implemented through the Outline Perspective Plan. The current action plan is the Eleventh Malaysia Plan (2016–2020).

The Eleventh Malaysia Plan builds upon six strategic thrusts:

1. Enhancing inclusiveness towards an equitable society
2. Improving wellbeing for all
3. Accelerating human capital development for an advanced nation
4. Pursuing green growth for sustainability and resilience
5. Strengthening infrastructure to support economic expansion
6. Re-engineering growth for greater prosperity

The Malaysian economy was projected for a 4.6% GDP growth for the year 2016 (2015 – 5.0%). Growth for 2016 was subdued, owing to a slower growth in domestic demand, attributable to the slowdown in private expenditures, both for investment and consumption. 2017 is expected to yield growth of 4.5%. The average monthly CPI inflation rate for the first eleven months of 2016 was 2.1%.

## 3 – FOREIGN INVESTMENT

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Multinational corporations from more than 40 countries have invested in more than 5000 companies in Malaysia's manufacturing sector.

Companies are attracted by the conducive business environment which has made Malaysia one of the world's top locations for offshore manufacturing operations and many have invested in multiple projects.

Foreign investors must comply with government guidelines and policies, and obtain a licence from the government for investment in the following sectors:

- High-technology manufacturing
- Energy
- Information technology
- Telecommunications
- Other sectors of strategic importance to Malaysia.

Foreign investment in any activities, other than those in manufacturing, multimedia and petroleum industries, may require the approval of the Foreign Investment Committee (FIC). With regards to exchange control or currency, transactions are regulated by the Central Bank of Malaysia (*Bank Negara Malaysia*).

Some of the related rulings pertaining to foreign investment allow for:

- The extension of a domestic credit facility by resident-controlled to non-resident-controlled companies, provided that it does not exceed MYR 50 million
- Payment to non-residents for the import of goods and services
- Repatriation of a foreign direct investor's investments, including capital, profits, dividends and interest.

Tax incentives are offered for foreign investments in the following industries:

- Manufacturing
- Tourism
- Agriculture
- Environmental protection
- Training
- Research and development
- Transport and communication.

## 4 – SETTING UP A BUSINESS

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The principal forms of business entity through which business can be conducted in Malaysia are:

- Limited companies
- Branches of a foreign company
- Sole proprietorships
- Partnerships
- Limited Liability Partnerships.

### LIMITED COMPANIES

Generally, there are three types of company – limited by shares, limited by guarantee and unlimited companies. Most businesses in Malaysia are registered as limited companies and regulated by the Companies Act 2016.

All businesses must first seek approval and be registered with the Companies Commission of Malaysia. A company can start operating only upon receipt of the certificate of incorporation.

#### COMPANY LIMITED BY SHARES

A company having a share capital may be incorporated as a private company (identified through the words '*Sendirian Berhad*' or 'Sdn. Bhd.' which appear together with the company's name) or as a public company (identified through the words '*Berhad*' or 'Bhd.' which appear together with the company's name).

The requirements to form a company are:

- A minimum of one director for private company; a minimum of two directors for public company
- A company secretary who can be either:
  - 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 Companies Commission of Malaysia (SSM).

The applicable minimum number of director(s) and the company secretary shall have their principal place of residence in Malaysia.

#### BRANCHES OF FOREIGN COMPANIES

A foreign company may carry on business in Malaysia by either:

- Incorporating a local company with the SSM, or
- Registering the foreign company in Malaysia with the SSM.

A foreign company is defined under the Companies Act as:

- a) A company, corporation, society, association or other body incorporated outside Malaysia, or
- b) An unincorporated society association, or other 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.

**SOLE PROPRIETORSHIP**

These are basically one-owner businesses which are generally small operations.

The registration of a sole proprietorship is governed by the Registrar of Business under the Registration of Business Ordinance 1965. However, no foreign individual or companies can be registered as a sole proprietor with the Companies Commission of Malaysia.

**PARTNERSHIP**

These are business concerns consisting of no fewer than two and not more than 20 partners.

The registration of a partnership is also governed by the Registrar of Business under the Registration of Business Ordinance 1965. The Companies Commission of Malaysia in practice also does not permit companies or foreign individuals to be registered as partners in a partnership.

**LIMITED LIABILITY PARTNERSHIP**

Limited Liability Partnership (LLP) is an alternative business vehicle regulated under the Limited Liability Partnerships Act 2012 which combines the characteristics of a company and a conventional partnership.

The LLP is featured with the protection of limited liability to its partners similar to the limited liability enjoyed by shareholders of a company coupled with flexibility of internal business regulation through partnership arrangement similar to a conventional partnership. Any debts and obligations of the LLP will be borne by the assets of the LLP and not that of its partners'. An LLP has the legal status of a body corporate which is capable of suing and being sued in its own name, holding assets and doing such other acts and things in its name as bodies corporate may lawfully do and suffer. LLP also offers flexibility in terms of its formation, maintenance and termination while simultaneously has the necessary dynamics and appeal to be able to compete domestically and internationally.

## 5 – LABOUR

Malaysian employment is governed by the Employment Act 1955 which regulates the minimum terms and conditions for employees earning MYR 2,000 per month and below.

The Act also provides for payment of compensation covered by the Employees Social Security Act 1969 for injuries caused by accidents arising from employment.

### FOREIGN EMPLOYEES

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, companies are allowed to bring in expatriate personnel i.e. 'key post' or 'time post'. Key posts are posts that are permanently filled by foreigners whereby time post are position filled on specified time.

The Malaysian Government has issued the following guidelines on the employment of expatriate personnel; there are two stages in the employment of expatriates:

- a) Application for an expatriate post from relevant authorised bodies determined by the nature of the business.
- b) Upon approval of the expatriate posts by the approving bodies, the company must submit an application to the Immigration Department for endorsement of the employment pass.

- For Companies undertaking Manufacturing Activities, R&D Activities, Hotel and Tourism Projects and applying Tax Incentives under MIDA's (Malaysian Investment Development Authority) Purview:

Companies undertaking manufacturing activities, R&D activities, hotels with 4-star rating or higher; and tourism projects and other services and applying the tax incentives under MIDA's purview are eligible to be considered for expatriate posts with the minimum paid-up capital as follows:

- 100% Malaysian-owned company: MYR250,000.
- Jointly-owned by foreign and Malaysian: MYR350,000.
- 100% foreign-owned company: MYR500,000.

The approval for the term posts will be imposed the following conditions:

- Minimum basic salary of at least MYR5,000;
- Minimum academic qualification and minimum experience;
  - ❖ For a manufacturing company :
    - Degree with at least 3 years' experience in the relevant field; and/or
    - Diploma with at least 5 years' experience in the relevant field; and/or
    - High School Certification with at least 10 years' experience in the relevant field; or Academic qualifications / experience proposed by companies, whichever is higher.
  - ❖ Contract R&D Company, R&D Company and in-house R&D company:
    - Degree with at least 3 years' experience in the relevant field; and/or
    - Diploma with at least 5 years' experience in the relevant field; or academic qualifications / experience proposed by companies, whichever is higher.

- ❖ For 4-star hotel and above and tourism projects:
  - Minimum academic qualification is Degree with at least 5 years' working experience in the hotel/tourism industry.

The number of expatriate posts will be considered based on the merits of the case. However, a wholly and majority foreign-owned contract R&D Company, R&D Company and in-house R&D Company will be subjected to the maximum of 50% of total R&D personnel i.e. in the ratio of 1 expatriate to 1 Malaysian R&D personnel. The duration of term post can be considered for a maximum of 5 years.

- Operational Headquarters (OHQs), Regional Development Corporations (RDCs) & International Procurement Centres (IPCs):

The applications for expatriate posts for OHQs, RDCs & IPCs can be considered based on the criterion of a minimum paid-up capital of RM500,000. The number of expatriate posts will be considered based on the company's requirements and will be granted by posts and the availability of expertise among Malaysians and efforts have been made to appoint Malaysians to fill the posts. The duration of term posts is for a maximum of 5 years.

The approval of expatriate posts for RDCs, IPCs and OHQs will be imposed the following conditions:

- Minimum basic salary of at least MYR5,000 for expatriate posts
- Degree with at least 5 years' experience in the relevant field; or academic qualifications / experience proposed by companies, whichever is higher.

- Regional Establishments (RE) / Regional Office (RO)

The applications for expatriate posts (term posts) for REs/ROs can be considered based on the following criteria:

- Minimum operating expenditure of at least MYR300,000 per annum.
- Minimum basic salary of at least MYR5,000 for expatriate posts.

The number of term posts to be considered and the duration for the term post approval will be in line with the duration of the RE/RO status, subject to the merits of each case.

The approval for expatriates will be granted by both posts and individuals.

- Technical & Vocational Training Institutions & Other Services

All applications for expatriate posts relating to education should be submitted to the Ministry of Education / Ministry of Human Resource for approval prior to the final approval on the work permit by the Immigration Department.

- Other services without tax incentives and unregulated services

Applications for expatriate posts for other services and unregulated services' sub-sectors than previously mentioned should be directly submitted to the Immigration Department. MIDA provides facilitation for companies applying to Immigration for expatriate positions.

## 6 – TAXATION

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Malaysian taxation is imposed on income accruing in or derived from Malaysia.

Malaysia's taxes are assessed on a current year basis and are regulated by a self-assessment system for all corporate and individual taxpayers.

### TAXATION

The Malaysian taxation system consists of two types of taxes – direct and indirect.

Direct taxes are as follows:

- Income tax
- Real property gains tax (RPGT) (re-introduced with effect from 1 January 2010)
- Petroleum income tax
- Stamp duty.

Indirect taxes are as follows:

- Excise duty
- Import and export duty
- Sales tax (replaced by Goods and Services Tax w.e.f. 1 April 2015)
- Service tax (replaced by Goods and Services Tax w.e.f. 1 April 2015)
- Goods and Services tax (GST).

### DIRECT TAXES

#### CORPORATE TAX

Companies with a paid-up ordinary share capital which exceeds MYR 2.5 million (whether resident or non-resident) are currently taxed at a rate of 24% (w.e.f. Year of Assessment 2016) on all income or profits derived from Malaysia (except those incomes which are exempted under the Malaysian law).

Effective from the Year of Assessment (YA) 2004, all resident small/medium enterprises (SMEs) with a share capital of less than MYR 2.5 million (at the beginning of basis period) are taxed at a preferential rate of 19% (18% w.e.f. Year of Assessment 2017) on their first MYR 500,000. Chargeable income and the balance will be taxed at the current prevailing tax rate.

However, with effect from YA 2017 and YA 2018 only, the income tax rate be reduced based on the percentage of increase in chargeable income as compared to the previous year of assessment as follows:

% OF INCREASE IN CHARGEABLE INCOME AS COMPARED TO THE IMMEDIATE PRECEDING YEAR OF ASSESSMENT	% OF REDUCTION ON INCOME TAX RATE	REDUCED INCOME TAX RATE ON INCREASE IN CHARGEABLE INCOME (%)
LESS THAN 5%	NIL	24
BETWEEN 5%–9.99%	1	23
BETWEEN 10%–14.99%	2	22
BETWEEN 15%–19.99%	3	21
EXCEEDING 20%	4	20

However, with effect from the YA 2009, the preferential rate for SMEs will not be applicable if more than:

- 50% of the paid-up capital in respect of ordinary shares of the company is directly or indirectly owned by a related company
- 50% of the paid-up capital in respect of ordinary shares of the related company is directly or indirectly owned by the first-mentioned company, and
- 50% of the paid-up capital in respect of ordinary shares of the first-mentioned company and the related company is directly or indirectly owned by another company.

A ‘related company’ is defined as a company which has a paid-up capital exceeding MYR 2.5 million in respect of ordinary shares.

#### PERSONAL INCOME TAX

Resident individuals are subjected to tax at graduated tax rates after the deduction of personal reliefs. The resident individual tax rates are as shown in Appendix II.

Non-resident individuals are taxed on income derived from Malaysia at a flat rate of 28% (w.e.f. YA2016) with no personal reliefs given.

#### PERSONAL TAX RELIEFS

Resident individuals are entitled to the following personal tax reliefs from YA 2016 onwards:

TABLE 1

*Personal income tax relief*

NO.	TYPE OF INDIVIDUAL TAX RELIEFS	AMOUNT (MYR )
1	Self and dependent	9000
2	Medical expenses for parents (scope extended from YA 2011, see Budget 2011 summary)	5,000 (max)
3	Basic supporting equipment for disabled taxpayer, spouse, children or parent	6,000 (max)
4	Disabled individual (in addition to self tax relief above)	6,000
5	Education fees (individual) for acquiring qualifications at tertiary level or any course of study at post-graduate level in	7,000 (max)

	technical, vocational, industrial, scientific, technological, law, accounting, Islamic financing or skills	
6	Medical expenses for serious diseases	6,000 (max)
7	Purchase of books, journals, magazines and publications	1,000 (max)
8	Purchase of computer (once every three years)	3,000 (max)
9	Net saving in <i>Skim Simpanan Pendidikan Nasional</i>	6,000 (max)
10	Purchase of sports equipment for sport activities	300 (max)
11	Income tax relief on interest of housing loan*terms applies	10,000 (max) for three consecutive years
12	Husband/wife (for joint assessment) /alimony payments	4,000
13	Further deduction of MYR 6,000 if the taxpayer is a disabled person and another MYR 3,500 if the spouse (i.e. husband/wife) is also a disabled person	6,000 (taxpayer) 3,500 (spouse)
14	Ordinary child relief (regardless of number of children) for children below 18 years old and single	2,000 per child
15	Children aged 18 years old and above, not married and pursuing diplomas or above qualifications in Malaysia and bachelor degrees or above outside Malaysia in programs and in higher education institutes accredited by related government authorities	8,000 per child
16	Disabled child Additional relief of MYR 6,000 for a disabled child not married	6,000
17	EPF and life insurance (scope extended from YA 2011, see Budget 2011 summary)	6,000 (max)
18	Private retirement scheme	3,000 (max)
19	Insurance premium for education or medical benefit	3,000 (max)
20	Parental care for parent who are resident in Malaysia, aged 60 years and above, and annual income does not exceed MYR24,000 *terms applies	1,500 (each parent)
21	Social Security Organisation Scheme (SOCSO)	250 (max)
22	Medical examination expenses (for taxpayer, spouse or child)	500 (max)

## TAX REBATES

Income tax rebates for resident individuals with chargeable income less than MYR 35,000 are shown in the table below.

**TABLE 2**

*Income tax rebates for resident individuals*

NO. TAX REBATE	YEAR OF ASSESSMENT 2009 ONWARDS (MYR)
a Separate assessment:	
Wife	400
Husband	400
b Combined assessment:	
Wife	400
Husband	400
Total	800
b Assessment where husband/wife does not have any total income:	
Wife	400
Husband	400
Total	800

## OTHER TAX REBATES

**TABLE 3**

*Specific tax rebates*

NO. TAX REBATE	MYR
a Zakat/Fitrah	Subject to the maximum of tax charged
b Fees/levy on foreign workers	Subject to the maximum of tax charged (only applicable for resident foreign workers who worked in Malaysia)

## WITHHOLDING TAX

Non-resident individuals are subject to a withholding tax on the following sources of income:

- 10% on special classes of income such as use of movable property, technical advice, assistance or services; installation services on the supply of plant, machinery, etc; personal services associated with the use of intangible property
- 10% on royalties
- 15% on services of a public entertainer  
10% on gains or profits taxable under Section 4(f) of the Income Tax Act 1967, such as commissions guarantee fees and introducer's fees.

With effect from 17 January 2017, special classes of income under Section 4A (i) and (ii) (e.g. technical advice and installation services) shall be deemed to be derived from Malaysia irrespective of services were performed in Malaysia or outside Malaysia. Therefore, it will be subject to withholding tax.

**REAL PROPERTY GAINS TAX (WITH EFFECT FROM 1 JANUARY 2014)**

Capital gains are generally not subject to tax in Malaysia. However, any capital gain arising from the disposal of real properties and shares in the Real Property Company (RPC) will be subject to RPGT.

'Real properties' are defined as any land situated in Malaysia and any interest, options or other rights in or over such land. An RPC is a controlled company holding real property or shares in another RPC of which the defined value is not less than 75% of the value of the company's total tangible assets.

For individuals, the rates shown in the table below apply.

**TABLE 4**

*Individuals – citizens and permanent residents*

YEAR OF DISPOSAL	RATE OF TAX
Within the 1st and 2nd years	30%
Within the 3rd year	30%
Within the 4th year	20%
Within the 5th year	15%
Within the 6th year and thereafter	0%

For companies, the following rates shown in the table below apply.

**TABLE 5**

*Companies*

YEAR OF DISPOSAL	RATE OF TAX
Within the 1st and 2nd years	30%
Within the 3rd year	30%
Within the 4th year	20%
Within the 5th year	15%
Within the 6th year and thereafter	5%

For individuals who are non-citizens and non-permanent residents, the rates shown in the table below apply.

**TABLE 6**

*Individuals – non-citizens and non-permanent residents*

YEAR OF DISPOSAL	RATE OF TAX
Within the 1st and 5th years	30%
Within the 6th year and thereafter	5%

Effective from 1 January 2014, all gains arising from the disposal of real property in Malaysia will be subjected to RPGT. For companies and individuals who are Malaysian citizens and permanent residents, a tax rate of 30% will be imposed for a holding period of up to 3 years, 20% for a holding period exceeding 3 years and up to 4 years and 15% for a holding period exceeding 4 years and up to 5 years. RPGT of 5% will be imposed for a holding period exceeding 5 years for companies while individuals who are Malaysian citizens or permanent residents will not suffer RPGT if the holding period exceeds 5 years. Individuals who are not Malaysian citizens will be subject to RPGT at the rate of 30% for a holding period up to 5 years and 5% for a holding period exceeding 5 years.

### SALES TAX

Sales tax in Malaysia is a single-stage tax imposed on taxable goods manufactured locally and/or imported. Taxable goods means goods of a class or kind not currently exempted from sales tax.

The Sales Tax Act 1972 and its related legislation, applies throughout Malaysia, excluding the Joint Development Area, Labuan, Langkawi and Tioman. Licensed manufacturing warehouses are deemed to be placed outside Malaysia and, as such, do not fall within the scope of the tax.

Sales tax is an 'ad valorem' tax and can be computed based on the value of the taxable goods sold, used or disposed of, or imported. Specific sales tax rates are currently imposed only on certain classes of petroleum (generally refined petroleum).

Broadly, sales tax is chargeable at the following rates:

- |  |      |
|--|------|
| • Fruits, certain foodstuff, timber and building materials | 5%   |
| • Liquor and alcoholic drinks                              | 5%   |
| • Cigarettes and tobacco products                          | 5%   |
| • All other goods not specifically exempted                | 10%. |

With effect from 1 April 2015, the Sales tax is abolished and replaced by the Goods and Services Tax (GST).

### SERVICE TAX

Service tax is a consumption tax levied and charged on any taxable service provided by any taxable person. This Act applies throughout Malaysia, excluding Langkawi, Labuan, Tioman and the Joint Development Authority. The Free Trade Zone is deemed to be outside Malaysia.

The rate of service tax with effective from 1 January 2011 was 6% of the price, charge or premium of the taxable service. The list of taxable persons and taxable services are set out in the Second Schedule of the Service Tax Regulations 1975.

With effect from 1 April 2015, the Service tax is abolished and replaced by the Goods and Services Tax (GST).

### GOODS AND SERVICES TAX (GST)

The Goods and Services Tax regime came into effect on 1 April 2015 in Malaysia. The GST was introduced at a rate of 6%. GST is multi-stage broad based consumption tax imposed on any supply of goods or services made in Malaysia by a taxable person in the course or furtherance of any business. In addition, GST is also charged and levied on the importation of goods and services into Malaysia. A taxable person is entitled to claim GST incurred (input tax credit) for his business acquisitions subject to certain conditions as may be prescribed by the Royal Customs Department Malaysia.

### DOUBLE TAXATION AGREEMENTS

Double taxation agreements (DTAs) are signed between countries to avoid the incidence of double taxation on income such as business profits, dividends, interest and royalties which are derived in one country and remitted to another country. Malaysia has signed 68 DTAs with various countries.

Details of the DTAs signed can be downloaded from the income tax website at [www.hasil.gov.my](http://www.hasil.gov.my)

**TABLE 7**

*Countries where DTAs apply*

Albania	Iran	Romania
Argentina	Italy	Russia
Australia	Japan	Saudi Arabia
Austria	Jordan	Seychelles
Bahrain	Kazakhstan	Singapore
Bangladesh	Korea	South Africa
Belgium	Kuwait	Spain
Bosnia & Herzegovina	Kyrgyz Republic	Sri Lank
Canada	Lebanon	Sudan
Chile	Luxembourg	Sweden
China	Malta	Switzerland
Croatia	Mauritius	Syria
Czech Republic	Mongolia	Taiwan
Denmark	Morocco	Thailand
Egypt	Myanmar	Turkey
Fiji	Namibia	United Arab Emirates
Finland	Netherlands	United Kingdom
France	New Zealand	USA
Germany	Norway	Uzbekistan
Hungary	Pakistan	Venezuela
India	Papua New Guinea	Vietnam
Indonesia	Philippines	Zimbabwe
Ireland	Poland	

## TAX INCENTIVES

The Malaysian government offers a whole range of tax incentives to attract foreign investors.

Applications for tax incentives should be made to the Malaysian Industrial Development Authorities (MIDA), a division of the Ministry of International Trade and Industry.

To ensure foreign investors can secure their investments, Malaysia employs investment guarantee agreements (IGAs), which guarantee the investor against expropriation and allows the free remittance and repatriation of capital.

A summary of the incentives available for various industries are listed below.

Incentives for manufacturing sector are as follows:

- Pioneer status
- Investment tax allowance
- Reinvestment allowance
- Export credit refinancing facility
- Double deduction for export credit insurance premium
- Double deduction for promoting exports
- Incentives for research and development
- Incentives for training
- Incentives for storage, treatment and disposal of toxic and hazardous waste
- Incentives for small-scale companies
- Incentives for high-technology industries or strategic industries
- Incentives for the manufacture of machinery and equipment
- Incentives for the 'Multimedia Super Corridor'
- Incentives for information and communication technology
- Incentives for relocating manufacturing activities to promoted areas
- Incentives to strengthen industrial linkages
- Incentives for automotive component modules
- Accelerated Capital Allowance
- Incentive for industrialised building systems
- Tax exemption on the value of increased exports
- Group relief.

Incentives for the agricultural sector are as follows:

- Pioneer status
- Investment tax allowance
- Agricultural allowance
- Export credit refinancing facility
- Double deduction for promotion of exports
- Double deduction of export credit insurance premium
- Industrial building allowance
- Reinvestment allowance
- Incentives for research and development
- Incentives for food production

- Incentives for an existing company which reinvests
- Incentives for companies providing cold chain facilities and services for food products
- Incentives for modernising chicken and duck rearing
- Accelerated capital allowance
- Tax exemption on the value of increased exports
- Double deduction for expenses to obtain 'Halal' certification and quality systems and standards certification
- Double deduction on freight charges for export of rattan and wood based products.

Incentives for the tourism sector are as follows:

- Pioneer status
- Investment tax allowance
- Enhanced incentives for undertaking new investments
- Incentives for reinvestment in hotels and tourism projects
- Incentives for the luxury yacht industry
- Industrial building allowance
- Double deduction for expenses incurred on approved training
- Double deduction on overseas promotion
- Double deduction on approved trade fairs
- Tax exemption for tour operators
- Tax exemption for promoting international conference and trade exhibitions
- Deduction on cultural performances
- Incentive for car rental operators.

## 7 – ACCOUNTING & REPORTING

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All limited companies in Malaysia are governed by the Companies Act 1965.

The Act includes provisions relating to:

- Maintenance and retention of accounting records
- Maintenance of registers and minutes relating to directors and shareholders and their meetings
- The form and content of annual accounts
- The publication to shareholders and the public filing of annual accounts
- The requirements for annual accounts to be audited
- The penal provisions for incorrect or unsatisfactory annual accounts.

There are no regulations directly governing the accounting practices of unincorporated businesses, such as sole proprietorships and partnerships. However, such unincorporated businesses would have to comply with Income Tax Ruling 4 / 2000 as mentioned below.

### ACCOUNTING STANDARDS

Financial reporting in Malaysia adopts the framework of the Financial Reporting Foundation (FRP), established under the Financial Reporting Act 1997, and the Malaysian Accounting Standards Board (MASB).

All financial statements prepared pursuant to any law administered by the Securities Commission, the Central Bank and the Companies Commission of Malaysia have to comply with MASB-approved accounting standards.

The MASB has issued ED 75 IFRS-compliant Financial Reporting Standards and plans to fully converge with International Financial Reporting Standards (IFRS) on 1 January 2012. This will result in the Malaysian financial reporting framework being recognised as an IFRS-compliant financial reporting framework.

The existing framework is virtually the same as the IFRS framework, except for IAS 41 Agriculture, IFRIC 15 Agreements for the Construction of Real Estate, different effective dates and additional transitional provisions in a limited number of standards.

The Companies Commission of Malaysia, Bursa Malaysia and Securities Commission are empowered by law to monitor compliance with MASB standards.

### INCOME TAX RULING

Under Inland Revenue Board Public Ruling 4 / 2000, all companies must keep records and books of accounts including a cash book, sales ledger, purchase ledger and a general ledger. The books should be written up at regular intervals.

Appropriate entries for each transaction should be recorded as soon as possible (in any case not later than 60 days after the transaction). Supporting documents such as invoices, bank statements, paying-in slips, cheque stubs, receipt of payments, payroll records and copies of receipts issued should be retained.

Receipts issued should be serially numbered.

#### AUDIT REQUIREMENTS

The Companies Act 2016 requires that the annual accounts include a report from qualified registered auditors to the shareholders. The newly gazetted Act has introduced provisions whereby the Registrar may exempt any private company from having to appoint an auditor if the company meets a stipulated set of criteria. At time of writing, the authoritative criteria are still being debated.

#### FILING OF ACCOUNTS

All limited companies are required to file their audited accounts with the Companies Commission of Malaysia unless they are private exempt companies.

## 8 – UHY REPRESENTATION IN MALAYSIA

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UHY in Malaysia is the Malaysian member of UHY, one of the world's leading medium-size accountancy organisations.

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For more information on UHY, our people and services, please visit our website:

[www.uhy.com.my](http://www.uhy.com.my)

## APPENDIX I – SOURCES OF INFORMATION

### BUSINESS ENVIRONMENT

Bank Negara Malaysia (Central Bank) [www.bnm.gov.my](http://www.bnm.gov.my)

Ministry of Trade & Industry [www.miti.gov.my](http://www.miti.gov.my)

Bursa Malaysia (Stock Exchange) [www.bursamalaysia.com.my](http://www.bursamalaysia.com.my)

Companies Commission of Malaysia [www.ssm.com.my](http://www.ssm.com.my)

Malaysian Institute of Chartered Secretaries & Administrators [www.maicsa.org.my](http://www.maicsa.org.my)

### FOREIGN INVESTMENT

Malaysian Industrial Development Authority (MIDA) [www.mida.gov.my](http://www.mida.gov.my)

Foreign Investment Committee [www.fic.gov.my](http://www.fic.gov.my)

### TAXATION

Inland Revenue Board [www.hasil.org.my](http://www.hasil.org.my)

Kastam Diraja Malaysia (Royal Customs) [www.customs.gov.my](http://www.customs.gov.my)

Chartered Tax Institute of Malaysia [www.ctim.org.my](http://www.ctim.org.my)

### ACCOUNTING AND REPORTING

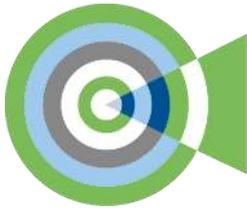
Malaysian Institute of Accountants [www.mia.org.my](http://www.mia.org.my)

Companies Commission of Malaysia [www.ssm.com.my](http://www.ssm.com.my)

Securities Commission of Malaysia [www.sc.com.my](http://www.sc.com.my)

**APPENDIX II – MALAYSIAN TAX RATES FOR RESIDENT INDIVIDUALS**

CHARGEABLE INCOME (MYR)	CALCULATION (MYR)	RATE %	TAX (MYR)
0 – 2500	On the first 2,500	0	0
2,501 – 5,000	Next 2,500	0	0
5,001 – 10,000	On the first 5,000		0
	Next 5,000	1	50
10,001 – 20,000	On the first 10,000		50
	Next 10,000	1	100
20,001 – 35,000	On the first 20,000		150
	Next 15,000	5	750
35,001 – 50,000	On the first 35,000		900
	Next 15,000	10	1,500
50,001 – 70,000	On the first 50,000		2,400
	Next 20,000	16	3,200
70,001 – 100,000	On the first 70,000		5,600
	Next 30,000	21	6,300
100,001 – 150,000	On the first 100,000		11,900
	Next 50,000	24	12,000
150,001 – 250,000	On the first 150,000		23,900
	Next 100,000	24	24,000
250,001 – 400,000	On the first 250,000		47,900
	Next 150,000	24.5	36,750
400,001 – 600,000	On the first 400,000		84,650
	Next RM200,000	25	50,000
600,001 – 1,000,000	On the first 600,000		134,650
	Next RM400,000	26	104,000
1,000,001 and over	On the first 1,000,000		238,650
	Exceeding 1,000,000	28	



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