2014/2015
Malaysian Tax and Business Booklet

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2014/2015
MALAYSIAN
TAX AND BUSINESS BOOKLET

A quick reference guide outlining Malaysian tax and other business information

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The information provided in this booklet is based on taxation laws and other legislation, as well as current practices, including legislative proposals and measures contained in the 2015 Malaysian Budget announced on 10 October 2014

This booklet incorporates in *coloured italics* the 2015 Malaysian Budget proposals announced on 10 October 2014. These proposals will not become law until their enactment which is expected to be in early 2015 and may be amended in the course of its passage through Parliament.

This booklet also incorporates in *coloured italics* some other proposals announced recently which have not been enacted to date.

This booklet is intended to provide a general guide to the subject matter and should not be regarded as a basis for ascertaining the liability to tax in specific circumstances. No responsibility for loss to any person acting or refraining from acting as a result of any material in this publication can be accepted by PricewaterhouseCoopers. Recipients should not act on the basis of this publication without seeking professional advice.

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INCOME TAX

Scope of taxation

Income tax in Malaysia is imposed on income accruing in or derived from Malaysia except for income of a resident company carrying on a business of air/sea transport, banking or insurance, which is assessable on a world income scope.

Income attributable to a Labuan business activity of the branch or subsidiary of a Malaysian bank in Labuan is subject to tax under the Labuan Business Activity Tax Act 1990 instead of the Income Tax Act 1967. With effect from (w.e.f) year of assessment (YA) 2008, a Labuan entity can make an irrevocable election to be taxed under the Income Tax Act 1967 in respect of its Labuan business activity.

Basis of assessment

Income is assessed on a current year basis. The YA is the year coinciding with the calendar year, for example, the YA 2015 is the year ending 31 December 2015. The basis period for a company, co-operative or trust body is normally the financial year ending in that particular YA. For example the basis period for the YA 2015 for a company which closes its accounts on 30 June 2015 is the financial year ending 30 June 2015. All income of persons other than a company, co-operative or trust body, are assessed on a calendar year basis.

Self-assessment

Under the Self-Assessment System (SAS), the responsibility for correctly assessing a person's tax liability is transferred from the Inland Revenue Board (IRB) to the taxpayer.

On the submission of the income tax return, an assessment is deemed to have been made on the taxpayer. The return is deemed to be a notice of assessment, which is deemed to be served on the taxpayer on the day that it is submitted. Refer to the section "*Important Filing / Furnishing Dates*" for deadlines on submission of income tax return for different taxpayers.

The IRB monitors taxpayers' compliance with the law through tax audits.

Public rulings and advance rulings

To facilitate compliance with the SAS, the Director General of Inland Revenue (DGIR) is empowered by provisions in the Income Tax Act 1967 to issue public rulings and advance rulings.

Public rulings are binding on the DGIR. All the public rulings can be downloaded from the IRB's website at www.hasil.gov.my

A taxpayer may request for an advance ruling from the DGIR. The DGIR may make an advance ruling on how any provision of the law applies to an arrangement described in the application. An advance ruling is only applicable to the person making the application.

PERSONAL INCOME TAX

Tax residence status of individuals

An individual is regarded as tax resident if he meets any of the following conditions, i.e. if he is:

- in Malaysia for at least 182 days in a calendar year;
- in Malaysia for a period of less than 182 days during the year ("shorter period") but that period is linked to a period of physical presence of 182 or more "consecutive" days in the following or preceding year ("longer period"). Temporary absences from Malaysia for certain specified reasons during the shorter or longer period are counted as part of the consecutive days, provided that the individual is in Malaysia before and after each temporary absence;
- in Malaysia for 90 days or more during the year and, in any 3 of the 4 immediately preceding years, he was in Malaysia for at least 90 days or was resident in Malaysia; or
- resident for the year immediately following that year and for each of the 3 immediately preceding years.

Rates of tax

Resident individuals

	Chargeable Income RM	YA 2014 Rate %	YA 2014 Tax Payable RM	YA 2015* Rate %	YA 2015* Tax Payable RM
On the first	5,000		0		0
On the next	15,000	2	300	1	150
On the first	20,000		300		150
On the next	15,000	6	900	5	750
On the first	35,000		1,200		900
On the next	15,000	11	1,650	10	1,500
On the first	50,000		2,850		2,400
On the next	20,000	19	3,800	16	3,200
On the first	70,000		6,650		5,600
On the next	30,000	24	7,200	21	6,300
On the first	100,000		13,850		11,900
On the next	150,000	26	39,000	24	36,000
On the first	250,000		52,850		47,900
On the next	150,000	26	39,000	24.5	36,750
On the first	400,000		91,850		84,650
Above	400,000	26		25	

* W.e.f YA 2015, two new chargeable bands will be introduced and tax rates will be reduced by 1% to 3%.

- A qualified person (defined) who is a knowledge worker residing in Iskandar Malaysia is taxed at the rate of 15% on income from an employment with a designated company engaged in a qualified activity in that specified region. The employment must have commenced on or after 24 October 2009 but not later than 31 December 2015.
- An approved individual under the Returning Expert Programme who is a resident is taxed at the rate of 15% on income in respect of having or exercising employment with a person in Malaysia for 5 consecutive years of assessment (YAs).

Non-resident individuals

Types of income	YA 2015 Rate (%)
Public Entertainer's professional income	15
Interest	15
Royalty	10

Types of income	YA 2015 Rate (%)
Special classes of income: • rental of moveable property • technical or management services fees* • payment for services rendered in connection with use of property or installation or operation of any plant, machinery or other apparatus purchased from a non-resident person	10
Dividends (single tier)	Exempt
Business and employment income	*26***
Income other than the above	10

* Only fees for technical or management services rendered in Malaysia are liable to tax.

*** Reduced to 25% w.e.f YA 2015.*

Personal reliefs for resident individuals

Types of relief	YA 2015 RM
Self	9,000
Disabled individual - additional relief for self	6,000
Spouse	3,000
Disabled spouse - additional spouse relief	3,500
Child	
• per child (below 18 years old)	1,000
• per child (over 18 years old) receiving full-time instruction of higher education in respect of: - diploma level and above in Malaysia; or - degree level and above outside Malaysia	6,000
• per child (over 18 years old) serving under article of indentures in a trade or profession	6,000
• per physically / mentally disabled child	*6,000*
• physically / mentally disabled child (over 18 years of age) receiving full-time instruction at institution of higher education or serving under articles or indentures in a trade or profession	*12,000*
Life insurance premiums and EPF contributions	6,000*
Private Retirement Scheme contributions and Deferred annuity scheme premium (YA 2012 to YA 2021)	3,000*
Insurance premiums for education or medical benefits	3,000*
Expenses on medical treatment, special needs or carer expenses for parents (evidenced by medical certification)	5,000*

Types of relief	YA 2015 RM
Medical expenses for self, spouse or child suffering from a serious disease (including fees of up to RM500 incurred by self, spouse or child for complete medical examination)	*6,000**
Purchase of sports equipment	300*
Fee expended for any course of study up to tertiary level other than a degree at Masters or Doctorate level, undertaken for the purpose of acquiring law, accounting, Islamic financing, technical, vocational, industrial, scientific or technological skills or qualifications or any course of study for a degree at Masters or Doctorate level undertaken for the purpose of acquiring any skill or qualification	5,000*
Purchase of supporting equipment for self (if a disabled person) or for disabled spouse, child or parent	*6,000**
Cost incurred for the purchase of books, journals, magazines and other similar publications for the purpose of enhancing knowledge	1,000*
Relief for purchase of personal computer (once every 3 years)	3,000*
Deposit for child into the Skim Simpanan Pendidikan Nasional account established under Perbadanan Tabung Pendidikan Tinggi Nasional Act 1997 (until YA 2017)	6,000*
Relief on housing loan interest for the purchase of one unit residential property where the Sale and Purchase Agreement is executed between 10 March 2009 and 31 December 2010 (given for 3 consecutive years)	10,000*

* Maximum relief

Tax rebates for resident individuals

	Rebate (RM)
Individual's chargeable income does not exceed RM35,000	400
If husband and wife are separately assessed and each chargeable income does not exceed RM35,000	400 (each)
If husband and wife are jointly assessed and the joint chargeable income does not exceed RM35,000	800
Rebate for Zakat, Fitrah or other Islamic religious dues paid	Actual amount expended

The above rebate granted is deducted from tax charged and any excess is not refundable.

EMPLOYMENT INCOME

Derivation

Employment income is regarded as derived from Malaysia and subject to Malaysian tax where the employee:

- exercises an employment in Malaysia;
- is on paid leave which is attributable to the exercise of an employment in Malaysia;
- performs duties outside Malaysia which are incidental to the exercise of an employment in Malaysia;
- is a director of a company resident in Malaysia; or
- is employed to work on board an aircraft or ship operated by a person who is resident in Malaysia.

Exemption (short-term employees)

Income of a non-resident from an employment in Malaysia is exempt:

- if the aggregate of the period or periods of employment in Malaysia does not exceed 60 days in a calendar year; or
- where the total period of employment which overlaps 2 calendar years does not exceed 60 days.

Employees of regional operations

Non-Malaysian citizens who are based in Malaysia working in Operational Headquarter (OHQ) or Regional Office (RO), or International Procurement Centre (IPC), or Regional Distribution Centre (RDC) or Treasury Management Centre (TMC) status companies would be taxable on employment income attributable to the number of days they exercise employment in Malaysia.

Types of employment income and valuation

Type of employment income	Taxable Value to employee
(a) Cash remuneration, e.g. salary, bonus, allowances/perquisites	Total amount paid by employer. Certain allowances/perquisites are exempted from tax. Please refer to “Perquisites” below.
(b) Benefits-in-kind, e.g. motorcar and petrol, driver, gardener, etc	Based on formula or prescribed value method. Certain benefits are exempted from tax. Please refer to “Benefits-in-kind” below.

Type of employment income	Taxable Value to employee
(c) Housing Accommodation (unfurnished)	
- employee or service director	Lower of 30% of cash remuneration * or defined value of accommodation
- directors of controlled companies	Defined value of accommodation
Hotel accommodation for employee or service director	3% of cash remuneration *
(d) Withdrawal from unapproved pension fund	Employer's contribution
(e) Compensation for loss of employment	Total amount paid by employer. Exemption is available under specified conditions.

* Cash remuneration does not include equity-based income.

Perquisites

The IRB issued Public Ruling 2/2013 for the valuation of perquisites given to employees. Below are some examples of perquisites:

Perquisites to employee	Taxable Value to employee
Petrol card/petrol or travel allowances and toll rates	Total amount paid by employer. Exemption available up to RM6,000 per annum if the allowances/perquisites are for official duties**
Childcare subsidies /allowances	Total amount paid by employer. Exemption available up to RM2,400 per annum**
Parking fees/allowances	Fully exempted**
Meal allowances	Fully exempted**
Interest on loan subsidies	Loans totalling RM300,000 for housing/passenger motor vehicles and education**
Income tax borne by employer	Total amount paid by employer
Award	Total amount paid by employer. Exemption available up to RM2,000 per annum for the following types of award:** • long service (more than 10 years of employment with the same employer) • past achievement • service excellence, innovation, or productivity award

** Exemptions are not extended to directors of controlled companies, sole proprietors and partnerships.

Benefits-in-kind (BIK)

The IRB has issued Public Ruling 3/2013 for the valuation of benefits-in-kind provided to employees.

The value of BIK provided for an employee may be determined by either of the following methods:

- formula method, or
- prescribed value method

Under the formula method, annual value of BIK provided to an employee is computed using the following formula:

$$\frac{\text{Cost of the asset provided as a benefit/amenity}}{\text{Prescribed life span of the asset}} = \text{Annual value}$$

- The prescribed life span for various benefits are as follows:

Items	Prescribed average life span Years
Motorcar	8
Furnishings:	
• Air-conditioner	8
• Curtains & carpets	5
• Furniture	15
• Refrigerator	10
• Sewing machine	15
Kitchen utensils/equipment	6
Entertainment and recreation:	
• Organ	10
• Piano	20
• Stereo set, TV, video recorder, CD/DVD player	7
• Swimming pool (detachable), sauna	15
• Miscellaneous	5

- Under the prescribed value method the following are some values of BIK prescribed in the Ruling:

	Value per year
Household furnishings, apparatus & appliances	
a) Semi-furnished with furniture in the lounge, dining room and bedroom	RM840
b) Semi-furnished as above and with air-conditioners or carpets or curtains	RM1,680
c) Fully furnished	RM3,360
d) Service charges and other bills (e.g. water, electricity)	Charges and bills paid by employer
Prescribed value of other benefits	
- Driver	RM7,200 per driver
- Domestic servants	RM4,800 per servant
- Gardeners	RM3,600 per gardener
- Corporate recreational club membership	Membership subscription paid by Employer

- The following are some exemptions for certain BIK:**

	Exemption
• Leave passages	(i) one overseas leave passage up to a maximum of RM3,000 for fares only; or (ii) 3 local leave passages including fares, meals and accommodation
• Employers' goods provided free or at a discount	Exemption is available up to RM1,000 per annum. Any benefit exceeding RM1,000 will be subject to tax
• Employers' own services provided full or at a discount	Fully exempted
• Maternity expenses & traditional medicines	Fully exempted
• Telephone (including mobile telephone), telephone bills, pager, personal data assistant (PDA) and broadband subscription	Fully exempted, limited to one unit for each asset

** Exemptions are not extended to directors of controlled companies, sole proprietors and partnerships.

Standard rates for motorcar and fuel provided:

Cost of car (when new) RM	Annual prescribed benefit of motorcar RM	Annual prescribed benefit of fuel** RM
Up to 50,000	1,200	600
50,001 – 75,000	2,400	900
75,001 – 100,000	3,600	1,200
100,001 – 150,000	5,000	1,500
150,001 – 200,000	7,000	1,800
200,001 – 250,000	9,000	2,100
250,001 – 350,000	15,000	2,400
350,001 – 500,000	21,250	2,700
500,001 and above	25,000	3,000

** Employee is given a choice to determine fuel benefit based on annual prescribed rates or exemption available for petrol usage.

Collection of tax

- Taxes are collected from employees through compulsory monthly deductions from remuneration under the Monthly Tax Deduction (MTD) system.
- Individuals receiving non-employment income are required to pay by compulsory bi-monthly instalments.

CORPORATE INCOME TAX

Residence status

A company is tax resident in Malaysia if its management and control is exercised in Malaysia. Management and control is normally considered to be exercised at the place where directors' meetings are held concerning management and control of the company.

Income tax rates

Resident companies are taxed at the rate of 25% *(reduced to 24% w.e.f YA 2016)* while those with paid-up capital of RM2.5 million or less* are taxed at the following scale rates:

Chargeable Income	YA 2014 & *2015*	*YA 2016*
The first RM500,000	20%	*19%*
In excess of RM500,000	25%	*24%*

* The companies must not be part of a group of companies where any of their related companies have a paid-up capital of more than RM2.5 million.

Non-resident companies are taxed at the following rates:

Type of income	YA 2015
Business income	25% #
Royalties	10%
Rental of moveable properties	10%
Technical or management service fees	10%**
Interest	15%***
Dividends	Exempt****
Other income	10%

* Where the recipient is resident in a country which has a double tax treaty with Malaysia, the tax rates for specific sources of income may be reduced.

** Only services rendered in Malaysia are liable to tax.

*** Interest paid to a non-resident by a bank or a finance company in Malaysia or on approved loans is exempt from tax. An approved loan is a loan granted to or guaranteed by the Malaysian government.

**** For all dividends paid, credited or distributed from 1 January 2014 onwards.

\# *Reduced to 24% w.e.f YA 2016.*

Collection of tax

An estimate of a company's tax payable for a YA must be furnished by all companies to the Director General not later than 30 days before the beginning of the basis period except for the following:

- A newly established company with paid-up capital of RM2.5 million and less is exempted from this requirement for 2 to 3 YAs, beginning from the YA in which the company commences operation subject to certain conditions.
- A company commencing operations in a YA is not required to furnish estimates of tax payable or make instalment payments if the basis period for the YA in which the company commences operations is less than 6 months.

Tax is generally payable by 12 equal monthly instalments beginning from the second month of the company's basis period (financial year).

The balance of tax payable by a company based on return submitted is due to be paid by the due date for submission of the return.

In general, tax on all income other than income from a business or employment source are collected by means of withholding tax. The withholding tax is payable within one month of crediting or paying the non-resident company.

Profit distribution

Tax on a company's profits is a final tax and dividends paid, credited or distributed from 1 January 2014 are exempt in the hands of shareholders.

Losses

Business losses can be set off against income from all sources in the current year. Any unutilised losses can be carried forward indefinitely to be utilised against income from any business source. For dormant companies, the carry forward of losses is only allowed if the shareholder continuity test is met, i.e. shareholders of the company at the beginning of the basis period for that YA are substantially the same as those at the end of the basis period for the (prior) YA in which the loss was initially ascertained.

Group relief

Under the group relief provision, a company may surrender a maximum of 70% of its adjusted loss for a YA to one or more related companies. The claimant and surrendering companies must meet the following conditions:

- Resident and incorporated in Malaysia.
- Paid-up capital of ordinary shares exceeding RM2.5 million at the beginning of the basis period.
- The same (12-month) accounting period.
- Both companies are "related companies" as defined in the law, and must be "related" throughout the relevant basis period as well as the 12 months preceding that basis period.

Companies currently enjoying certain incentives such as pioneer status (PS), ITA, reinvestment allowance, etc. are not eligible for group relief.

Tax deductions

- Generally, tax deduction is allowed for all outgoings and expenses wholly and exclusively incurred in the production of income.
- Certain expenses are specifically disallowed, for example:
  - Domestic, private or capital expenditure
  - Lease rentals for passenger cars exceeding RM50,000 or RM100,000 per car, the latter amount being applicable to vehicles costing RM150,000 or less which have not been used prior to the rental

- Employer's contributions to unapproved pension, provident or saving schemes
- Employer's contributions to approved schemes in excess of 19% of employee's remuneration
- Non-approved donations
- 50% of entertainment expenses with certain exceptions
- Employee's leave passages
- Interest, royalty, contract payment, technical fee, rental of movable property or other payments made to non-residents which are subject to Malaysian withholding tax but where the withholding tax was not paid

Transfer pricing

- The DGIR is empowered to make adjustments on transactions of goods and services if he is of the opinion that the transactions were not entered into on arm's-length basis.
- Guidelines and the following rules have been issued by the DGIR:
  - Income Tax (Transfer Pricing) Rules 2012 (w.e.f 1 January 2009)
  - Income Tax (Advance Pricing Arrangement) Rules 2012 (w.e.f 1 January 2009)

Thin capitalisation

A new provision for thin capitalisation was introduced w.e.f 1 January 2009 under which the portion of interest charge that relates to the amount of financial assistance that is excessive is disallowed as a deduction. However, the implementation of specific rules relating to this provision has been deferred to December 2015.

Loan / advances to director

Companies are deemed to derive interest income from loan or advances (sourced from internal funds of the company) provided to a director of the company for that basis period based on prescribed formula.

CAPITAL ALLOWANCES

Industrial buildings

- Qualifying expenditure (QE)

  QE for purposes of industrial building allowance is the cost of construction of buildings or structures which are used as industrial buildings. In the case of a purchased building, the QE is the purchase price.

- Industrial buildings

  An industrial building includes a building used as/for:
  - a factory, warehouse
  - a dock, wharf, jetty
  - working a farm, mine
  - supplying water or electricity, or telecommunication facilities
  - approved research and approved training
  - a private hospital, maternity home and nursing home which is licensed under the law
  - an old folks' care centre approved by the Social Welfare Department
  - for a school or an educational institution approved by the Minister of Education
  - technical or vocational training approved by the Minister of Finance
  - a hotel registered with the Ministry of Tourism

- The Minister of Finance may prescribe a building used for the purpose of a person's business as an industrial building.

- General rates of allowance for Industrial building, whether constructed or purchased (w.e.f YA 2002):
  - Initial allowance : 10%
  - Annual allowance : 3%

Plant and machinery

- Qualifying expenditure (QE)

  QE includes:
  - cost of assets used in a business, such as plant and machinery, office equipment, furniture and fittings, motor vehicles, etc.
  - the cost of construction and installation of plant and machinery (subject to payment of withholding tax where the installation is carried out by a non-resident).

  - expenditure on fish ponds, animal pens, cages and other structures used for agricultural or pastoral pursuits.

- General rates of capital allowance

	YA 2015	
	Initial allowance	Annual allowance
Heavy machinery	20%	20%
General plant and machinery	20%	14%
Furniture and fixtures	20%	10%

	YA 2015	
	Initial allowance	Annual allowance
Office equipment	20%	10%
Motor vehicles	20%	20%*

* QE for non-commercial vehicle is restricted to the maximum amount below:

	Maximum QE
• New vehicles purchased on or after 28 October 2000 where on-the-road price is RM150,000 or less	RM100,000
• Vehicles other than the above	RM50,000

- Expenditure on assets with life spans of not more than 2 years is allowed on a replacement basis.

Accelerated capital allowances

Example of assets which qualify for accelerated capital allowance rates:

	Initial Allowance %	Annual Allowance %
Industrial buildings		
Public roads and ancillary structures which expenditure is recoverable through toll collection	10	6
Buildings for the provision of child care facilities / centre	-	10
Buildings used as living accommodation for employees by a person engaged in a manufacturing, hotel or tourism business or approved service project	-	10
Buildings used as a school or an educational institution approved by the Minister of Education or any relevant authority or for the purposes of industrial, technical or vocational training approved by the Minister	-	10
Building used as a warehouse for storage of goods for export or for storage of imported goods to be processed and distributed or re-exported	-	10
Buildings purchased or constructed by a BioNexus status company for use in its approved business or expansion project	-	10

	Initial Allowance %	Annual Allowance %
Buildings constructed under an agreement with the government on a build-lease-transfer basis, approved by the Minister of Finance	10	6
Buildings constructed for the Government or statutory body under Private Financing Initiatives approved by the Prime Minister's Department under build-lease-maintain-transfer basis where no consideration has been paid by the Government or statutory body	10	6
Plant and machinery (P & M)		
Computer and information technology assets and computer software (until YA 2016)	20	80
Security control and monitoring equipment (until YA 2015)	20	80
Environmental protection equipment	40	20
P & M for building and construction	30	10, 14 or 20
P & M of a manufacturing company used exclusively for recycling wastes or further processing of wastes into a finished product	40	20
P & M of agriculture/plantation companies	20	40
P & M for maintaining the quality of power supply	20	40
Moulds used in the production of industrialised building system component	40	20

Small-value assets not exceeding RM1,000 *(RM 1,300 w.e.f YA 2015)* each are eligible for 100% capital allowances. The total capital allowances of such assets are capped at RM10,000 *(RM13,000 w.e.f YA 2015)* except for SMEs (as defined).

Additional capital allowances to increase automation the manufacturing sector

	Total Capital Allowance (%)
First category	
High labour intensive industries (e.g. rubber products, plastics, wood, furniture and textiles) - first RM4 million incurred within 2015 to 2017	*200*
Second category	
Other industries - first RM2 million incurred within 2015 to 2020	*200*

Disposals

Balancing adjustments (allowance/charge) will arise on the disposal of assets on which capital allowances have been claimed. Generally, the balancing adjustment is the difference between the tax written down value and the disposal proceeds, except that balancing charge is restricted to the amount of allowances previously claimed.

Controlled transfers

No balancing adjustments will be made where assets are transferred between persons/companies under common control. In such cases, the actual consideration for the transfer of the asset is disregarded and the disposer/acquirer is deemed to have disposed of/acquired the asset at the tax written down value.

Disposals within 2 years

Capital allowances which have been previously granted shall be clawed back if the asset is sold within 2 years from the date of purchase, except by reason of death of the owner or other reasons the DGIR thinks appropriate.

Unabsorbed capital allowances

Capital allowances are granted in respect of a business source only and any unabsorbed allowances can be carried forward indefinitely to be utilised against income from the same business source.

The carry forward and utilisation of unabsorbed capital allowances brought forward from a prior year for dormant companies are subject to the shareholder continuity test, similar to unutilised business losses.

AGRICULTURE ALLOWANCES

Qualifying agriculture expenditure	Rates %
Clearing and preparation of land	50
Planting (but not replanting) of crops on cleared land	50
Construction of a road or bridge on a farm	50
Building used as living accommodation or for welfare of a person employed in working a farm	20
Any other building	10

DOUBLE TAX TREATIES AND WITHHOLDING TAX RATES

The following countries have concluded double tax treaties with Malaysia:

	Rate of withholding tax %		
Treaty countries	Interest	Royalties	Technical Fees
Albania	10 or Nil	10	10
Australia	15 or Nil	10 or Nil	Nil
Austria	15 or Nil	10	10
Bahrain	5 or Nil	8	10
Bangladesh	15 or Nil	10 or Nil	10
Belgium	10 or Nil	10	10
Bosnia & Herzegovina [1]	10 or Nil	8	10
Brunei	10 or Nil	10	10
Canada	15 or Nil	10 or Nil	10
China, People's Republic	10 or Nil	10	10
Chile	15	10	5
Croatia	10 or Nil	10	10
Czech Republic	12 or Nil	10	10
Denmark	15 or Nil	10 or Nil	10
Egypt	15 or Nil	10	10
Fiji	15 or Nil	10	10
Finland	15 or Nil	10 or Nil	10
France	15 or Nil	10 or Nil	10
Germany	10 or Nil	7	7
Hong Kong	10 or Nil	8	5
Hungary	15 or Nil	10	10
India	10 or Nil	10	10
Indonesia	10 or Nil	10	10
Iran	15 or Nil	10	10
Ireland	10 or Nil	8	10
Italy	15 or Nil	10 or Nil	10
Japan	10 or Nil	10	10
Jordan	15 or Nil	10	10
Kazakhstan	10 or Nil	10	10
Korea Republic	15 or Nil	10 or Nil	10
Kyrgyz Republic	10 or Nil	10	10
Kuwait	10 or Nil	10	10
Laos	10 or Nil	10	10
Lebanese Republic	10 or Nil	8	10
Luxembourg	10 or Nil	8	8
Malta	15 or Nil	10	10

	Rate of withholding tax %		
Treaty countries	Interest	Royalties	Technical Fees
Mauritius	15 or Nil	10	10
Morocco	10 or Nil	10	10
Mongolia	10 or Nil	10	10
Myanmar	10 or Nil	10	10
Namibia	10 or Nil	5	5
Netherlands	10 or Nil	8 or Nil	8
New Zealand	15 or Nil	10 or Nil	10
Norway	15 or Nil	10 or Nil	10
Pakistan	15 or Nil	10 or Nil	10
Papua New Guinea	15 or Nil	10	10
Philippines	15 or Nil	10 or Nil	10
Poland (New)[1]	10 or Nil	8	8
Qatar	5 or Nil	8	8
Romania	15 or Nil	10 or Nil	10
Russian Federation	15 or Nil	10	10
San Marino	10 or Nil	10	10
Saudi Arabia	5 or Nil	8	8
Senegal[1]	10 or Nil	10	10
Seychelles Republic	10 or Nil	10	10
Singapore	10 or Nil	8	5
Sri Lanka	10 or Nil	10	10
South Africa	10 or Nil	5	5
Spain	10 or Nil	7	5
Sudan	10 or Nil	10	10
Sweden	10 or Nil	8	8
Switzerland	10 or Nil	10 or Nil	10
Syria	10 or Nil	10	10
Thailand	15 or Nil	10 or Nil	10
Turkey	15 or Nil	10	10
Turkmenistan	10 or Nil	10	Nil
United Arab Emirates	5 or Nil	10	10
United Kingdom	10 or Nil	8	8
Uzbekistan	10 or Nil	10	10
Venezuela	15 or Nil	10	10
Vietnam	10 or Nil	10	10
Zimbabwe	10 or Nil	10	10

Notes
* Argentina and the United State of Amerika – Restricted double tax treaty covering air and sea transport operations in international traffic.
* There is no withholding tax on dividends paid by Malaysian companies.
[1] Pending ratification

TAX INCENTIVES

Malaysia offers a wide range of tax incentives ranging from tax exemptions, allowances based on capital expenditure to enhanced tax deductions. Where income is exempted, tax exempt dividends may be paid out of the exempted income. For incentives by way of allowances, any unutilised allowances can generally be carried forward until fully utilised. These tax incentives are generally available for tax resident companies.

A. MANUFACTURING / SERVICES / TRADING SECTOR

Pioneer status (PS) and Investment tax allowance (ITA)

Companies intending to engage or which have commenced production less than a year in a promoted activity or promoted product in the manufacturing, food processing, agricultural, hotel, tourism or other industrial or commercial sectors may be eligible for PS or ITA.

- PS – tax exemption on 70% of statutory income for 5 years from production day.
- ITA – 60% of qualifying capital expenditure (QCE) incurred within 5 years of approval date to be offset against 70% of statutory income for each YA until fully utilised.
- A company with PS / ITA status which intends to undertake reinvestment before expiry of its PS / ITA status may opt for reinvestment allowance, provided it surrenders its PS / ITA status.

Enhanced PS / ITA

Qualifying industry	Pioneer status		Investment tax allowance	
	Incentive	TRP[1] (years)	Incentive	TRP[1] (years)
High technology companies engaged in new and emerging technologies	100% of SI[2]	5	60% QCE[3] against 100% SI	5
Companies participating in automotive component modules	100% of SI	5	60% QCE against 100% SI	5
Companies producing specialised machinery and equipment	100% of SI	5 + 5	100% QCE against 100% SI	5
Companies providing technical and vocational	-	-	100% QCE against 70% SI	10

Qualifying industry	Pioneer status		Investment tax allowance	
	Incentive	TRP[1] (years)	Incentive	TRP[1] (years)
training, and private higher education institution providing qualifying science courses				
Projects of national and strategic importance	100% of SI	5 + 5	100% QCE against 100% SI	5
Companies using oil palm biomass to produce value added products	100% of SI	5 + 5	100% QCE against 100% SI	5
Companies reinvesting in post-pioneer period in production of • heavy machinery, specialised machinery, and equipment • cold chain facilities and services for perishable agriculture produce	70% of SI	5	60% QCE against 70% SI	5
Companies with halal / other quality certification producing halal food	-	-	100% QCE against 100% SI	5
Providers of industrial design services (until 31 Dec 2016)	70% of SI	5	-	-

Notes
*The above list is not exhaustive. Refer to the other relevant industries in this guide for further details
[1]Tax relief period (in terms of years).
[2]Statutory income
[3]Qualifying capital expenditure

Special incentive scheme

A company incorporated and resident in Malaysia, deriving income from an "approved business" which is approved by the Minister of Finance.
Incentive:
- Income tax exemption of 70% of statutory income (or any other rate prescribed by the Minister) of the approved business; or
- Income tax exemption on statutory income of the approved business by way of an allowance (rate of allowance to be determined by the Minister)

Allowance for increased export

A resident company engaged in manufacturing or agriculture, which has exported manufactured products or agricultural produce, or services.
Incentive:
Allowance at the following rates, deductible up to 70% of statutory income:

	% of value added*	Allowance (% of increased exports)
Manufactured products	30	10
	50	15
Agricultural produce	-	10
Designated “Qualifying Services”		50

*Value added means ex-factory price less total cost of raw materials.

Local companies engaged in manufacturing or agricultural activities qualify for enhanced allowance rates of:

- 30% of increased export value where significant increase (at least 50%) in exports is achieved;
- 50% of increased export value if new markets are penetrated; or
- 100% of increased export value if the company is awarded the “Export Excellence Award” by the Ministry of International Trade and Industry. For services, this incentive rate is extended to recipients of “Export Excellence Award (Services)” and “Brand Excellence Award”.

Approved services project (ASP)

Resident companies in the communication, utilities and transportation services subsectors which have incurred QCE on ASP that is, a project in any of the above services subsectors, which has been approved by the Minister of Finance.
Incentive:

- Investment allowance of 60% of QCE incurred within 5 years to be offset against 70% of statutory income, or
- Section 127 exemption from tax of 70% of statutory income for 5 years.
- Industrial building allowance for buildings constructed or purchased for ASP purposes.
- Exemption from customs duty and sales tax on imported material and machinery which is not available locally, or, if locally purchased, such items must be used as direct inputs in ASP.

Enhanced relief is available for projects of national and strategic importance:
- Investment allowance of 100% of QCE to be offset against 100% of statutory income, or
- Section 127 exemption of 100% of statutory income for 10 years.

Food production

Company that invests in its subsidiary company which is engaged in approved food production activities is eligible for tax deduction equivalent to the amount of investment made in that subsidiary.

Subsidiary company engaged in approved food production activities is eligible for 100% tax exemption on statutory income for 10 years for new project or 5 years for expansion project (Applications by 31 December 2015 to the Ministry of Agriculture and Agro-based Industry).

Reinvestment allowance

A Malaysian resident company which has been in operation for not less than 36 months and has incurred QCE on a factory, plant and machinery used in Malaysia to expand, modernise, automate, or diversify existing manufacturing business or approved agriculture project.
Incentive:
- Allowance of 60% of QCE to be offset against 70% of statutory income for 15 years beginning from the YA the reinvestment allowance is first claimed.
- Allowance of 60% of QCE to be offset against 100% of statutory income where the qualifying project has achieved the level of productivity as prescribed by the Minister of Finance.

B. BIOTECHNOLOGY

Company undertaking biotechnology activity with approved BioNexus status from Malaysian Biotechnology Corporation Sdn Bhd.
Incentive:
- 100% exemption for 10 years (new business) or 5 years (expansion project) from the first year in which the company derives statutory income; or ITA of 100% on QCE incurred within a period of 5 years to be offset against 100% of statutory income.
- Concessionary tax rate of 20% on statutory income derived from an approved business for 10 years upon expiry of tax exempt period.
- Industrial building allowance of 10% over 10 years on buildings used solely for approved business or expansion project of a BioNexus company.

- Stamp duty and real property gains tax exemptions given to a BioNexus company undertaking approved merger and acquisition scheme with a biotechnology company.
- Import duty and sales tax exemption on raw materials/components and machinery/equipment.

Company or individual **investing in a BioNexus company** is eligible for tax deduction equivalent to the total investment in seed capital and early stage financing.

Bioeconomy Community Development Programme

Company undertaking Research and Development (R&D) activity for the development of Bioeconomy and applications for incentives received by Malaysian Biotechnology Corporation Sdn Bhd from 1 January 2014 to 31 December 2018.
Incentive:

- *Tax deduction for acquisition of technology platform in bio-based industry.*
- *Import duty exemption on R&D equipment for companies that invest in pilot plants (for pre-commercialisation purposes).*
- *Special incentive for operational cost incurred on human capital development for Centre of Excellence for R&D.*

C. EDUCATION

Private higher education institutions (PHEIs)

PHEIs incurring expenses on development of new courses which comply with regulatory requirements relating to those courses.

Incentive:
Deduction on the expenses to be claimed over a period of 3 years.

Non-profit oriented school

Non-profit oriented school approved and recognized by the Ministry of Education (MOE).
Incentive:
Tax exemption on income from management of the school.

Profit Oriented Private or International School

Profit oriented private school or international school registered with MOE.
Incentive:

- 70% income tax exemption for a period of 5 years or ITA of 100% on QCE incurred within 5 years which can be used to offset 70% of statutory income (application received by 31 December 2015).
- Import duty and sales tax exemption for educational equipment (applications from 8 October 2011).
- Double deduction for overseas promotional expenses (from YA 2012).

Pre-School Education / Kindergarten

Private pre-school / kindergarten registered with MOE.
Incentive:

- Tax exemption on statutory income from the business of the pre-school / kindergarten for a period of 5 years (from YA 2013).
- IBA at annual rate of 10% for building used as pre-school / kindergarten.

D. FINANCIAL SERVICES

Closed-end fund company

Malaysian incorporated public limited company engaged wholly in investment of funds in securities and approved by the Securities Commission (SC).
Incentive:

- Tax exemption on gains from realisation of investments and certain interest income.
- Deduction of up to 25% of "permitted expenses".

Foreign fund management company

Malaysian incorporated company licensed to provide fund management services.
Incentive:
10% tax on chargeable income from the provision of management services to foreign investors.

Underwriting, distributing or dealing in sukuk

Holder of relevant licence and registered person under the Capital Markets and Services Act 2007 (CMSA) carrying out activities of arranging, underwriting and distributing of or dealing in non-Ringgit sukuk originating from Malaysia.
Incentive:
Tax exemption on statutory income from such activities. (YA 2009 to YA 2014)

Issuance of agro-sukuk, retail sukuk and retail debentures

Company that issues Agro-sukuk, retail sukuk and retail debentures approved by the SC or the Labuan Financial Services Authority (Labuan FSA).
Incentive:
- Double deduction on the expenses for the issuance of approved Agro-Sukuk (YA 2013 to YA 2015) and also on additional expenses for issuance of approved retailed debentures (YA 2012 to YA 2015).
- Single deduction on additional expenses for the issuance of retail sukuk (YA 2012 to YA 2015).
- Stamp duty exemption on instruments relating to the sale and purchase of retail debentures and retail sukuk as approved by the SC under the CMSA executed by individual investors (for instruments executed from 1 October 2012 to 31 December 2015).

Islamic banking and takaful business

Licensed Islamic banks or banking units and takaful operators or units conducting business in international currencies.
Incentive:
- Tax exemption on statutory income from business conducted in international currencies (YA 2007 to YA 2016).
- Stamp duty exemption on certain instruments relating to Islamic banking, takaful activities and Islamic capital market under a scheme to promote Malaysia International Islamic Financial Centre executed from 1 January 2007 to 31 December 2016.

Islamic fund management

Fund management company providing fund management services on funds established under the Syariah principles and approved by the SC.
Incentive:
Tax exemption on statutory income from the above fund management services (YA 2008 to YA 2016).

Islamic securities

Company that incurs expenditure in the issuance of Islamic securities based on certain Syariah principles and approved by the SC or the Labuan FSA.
Incentive:
Deduction on the above issuance expenditure (YA 2011 to YA 2015 – where approved by SC or Labuan FSA; YA 2012 to YA 2015 – where issued under

Wakalah principle; *YA 2016 to YA 2018 – where issued under Ijarah and Wakalah principles*).

Islamic stock broking company

Newly established Islamic stock broking company that applies to Bursa Malaysia from 2 September 2006 to 31 December 2015 and commences its business within 2 years from the date of approval.
Incentive:
Deduction on the establishment expenditure.

Listing of foreign companies and foreign products in Bursa Malaysia

Licensed and registered person which provides advisory services in structuring and listing of a foreign corporation or the listing of a foreign investment product on an approved stock exchange.
Incentive:
Tax exemption on statutory income from the above advisory services (YA 2009 to YA 2013).

Real Estate Investment Trust (REIT) / Property Trust Fund (PTF)

REIT/PTF approved by the SC.
Incentive:
- Tax exemption on all income if at least 90% of total income is distributed.
- Stamp duty exemption on instruments of transfer/deed of assignment relating to the purchase of real property and instruments of transfer of real property to REIT/PTF.
- Real property gains tax exemption on disposal of real property to REIT.
- Final withholding tax of 10% on dividends paid by REIT to non-corporate or foreign institutional investors (1 January 2009 till 31 December 2016).
- Special single deduction for consultancy, legal and valuation service fees incurred in the establishment of REIT.
- No balancing charge on disposal of industrial building from a company to a REIT. The REIT is eligible to claim the balance of unclaimed industrial building allowance of the disposer if the disposer company owns 50% or more of the units in the REIT.

Special purpose vehicle (SPV) for Islamic financing

SPV established solely for the purpose of complying with Syariah principles in

the issuance of Islamic securities.
Incentive:

- The SPV is not subject to income tax and not required to comply with administrative procedures under the Income Tax Act 1967.
- Company that established the SPV is allowed a deduction for cost of issuance of Islamic securities. The company is deemed to be the recipient of the SPV's income and taxed accordingly.

Venture capital industry

1. Venture capital company (VCC)

VCC that invests in early stage financing of a venture company (VC) which is not the VCC's related company at the point of first investment.
Incentive:

(i) Tax exemption on income from all sources, other than interest income from savings or fixed deposits and profits from Syariah-based deposits for the following duration:

Exempt Period	Conditions
10 years	- at least 70% of invested funds is invested in VC; or - at least 50% of invested funds is invested in VC in the form of seed capital

(ii) Deduction of the value of investment made in a VC against business income.

2. Individual investor

Individual who invests in the early stage financing of a VC.
Incentive:
Deduction of the value of investment made in a VC against business income.

3. Angel investor

Resident individual who invests not more than 30% of the shares in an Investee Company

Incentive:
Exemption of aggregate income in the second YA following the investment for a sum equal to the amount invested in the Investee Company (applications received by Ministry of Finance (MoF) from 1 January 2013 to 31 December 2017).

- Angel investor is unrelated to Investee Company
- At least 51% of ordinary shares of Investee Company is directly owned by a citizen (other than an Angel Investor).
- Subject to other conditions to be specified by MoF.

4. Venture capital management company (VCMC)

Incentive:
Tax exemption on income from the share of profits with a VCC on any investment made by the VCC as stipulated in the agreement.

Treasury Management Centre (TMC)

A company providing centralised treasury management services (applications by 31 December 2016) to its group of related companies (within or outside the country) in Malaysia.
Incentive:

- 70% tax exemption on statutory income arising from qualifying treasury services rendered to related companies for 5 years.
- Withholding tax exemption on interest on borrowings from non-resident person for the purpose of providing qualifying services.
- Stamp duty exemption on instruments of loan agreements and service agreements for qualifying activities executed between 8 October 2011 and 31 December 2016.
- Expatriates are taxed only on the portion of their chargeable income attributable to the number of days they are in Malaysia.

Tun Razak Exchange (TRX) (formerly known as Kuala Lumpur International Financial District)

Incentives for TRX status companies:

- *100% tax exemption for a period of 10 years*

Incentives for TRX Marquee status companies:

- Stamp duty exemption on the following instruments executed by TRX Marquee status company:

Instruments	Execution period
Instruments of transfer for purchase of commercial property	-
Loan agreement, any lease or agreement for lease of commercial property	31 January 2013 to 31 December 2020
Service agreement	1 January 2014 to 31 December 2022

- Industrial building allowance and accelerated capital allowance.
- Additional 50% tax deduction of rental payment incurred for building used for business in TRX.
- Deduction of relocation cost incurred to relocate to TRX.

Incentives for property developers in TRX:

- 70% tax exemption for a period of 5 years for property developers in TRX.

Business Trust (BT)

BT established under the CMSA.
Incentive (provided on one-off basis at the initial stage of establishment):

- Stamp duty exemption on instruments of transfer of businesses, assets or real properties to a BT for instruments executed from 1 January 2013 to 31 December 2017.
- RPGT exemptions for disposal of real properties or shares in a real property company to a BT from 1 January 2013 to 31 December 2017.

E. GREEN INCENTIVES

Conservation of energy

Applications for the incentive must be made by 31 December 2015.

Providing energy conservation services	Conserving energy for own consumption
Tax exemption of 100% of statutory income for 10 years, or ITA of 100% QCE incurred within 5 years to be offset against 100% statutory income	- ITA of 100% QCE incurred within 5 years to be offset against 100% statutory income
Import duty and sales tax exemption on energy conservation equipment not produced locally.	
Sales tax exemption on purchase of equipment from local manufacturers.	

Green Building Index (GBI) Certification

A person (resident in Malaysia) who has obtained a GBI certificate issued by the Board of Architects Malaysia from 24 October 2009 until 31 December 2014.
Incentive:
Exemption of statutory income equal to the amount of qualifying expenditure incurred for the purpose of obtaining the GBI certificate.

"Qualifying expenditure" means additional expenditure incurred for construction of a building, alteration, renovation, extension or improvement of an existing building or plant or machinery.

Renewable energy source

Applications for the incentives must be made by 31 December 2015.

Generating renewable energy from biomass, hydropower (not exceeding 10 MW) or solar power	Generating renewable energy for own consumption
Tax exemption of 100% of statutory income for 10 years, or ITA of 100% QCE incurred within 5 years to be offset against 100% statutory income	- ITA of 100% QCE incurred within 5 years to be offset against 100% statutory income
Import duty and sales tax exemption on equipment used to generate energy from renewable sources not produced locally	
Sales tax exemption on purchase of equipment from local manufacturers	

Green Technology

Incentive:

- *Investment Tax Allowance for purchase of green technology equipment.*
- *Income tax exemption on the income from the use of green technology services and system.*

F. HEALTHCARE & WELLNESS

Private healthcare facilities

Resident incorporated company that undertaking new private healthcare facility business or expansion, modernization, refurbishment of an existing private healthcare facility business.
Incentive:
Tax exemption of statutory income of its qualifying project equal to 100% of QCE incurred for 5 years (for application received from 1 January 2010 to 31 December 2014).

Health tourism

Healthcare service provider resident in Malaysia offering services to foreign clients in Malaysia.
Incentive:
Allowance for increase in export equal to 100% of the value of increased export to be offset against 70% of statutory income (YA 2010 to YA 2014).

Medical Tourism

New and existing company that undertakes expansion, modernization, refurbishment to provide private healthcare facility to at least 5% healthcare traveller from their total patients.
Incentive:
Tax exemption of statutory income equal to 100% of QCE incurred for 5 years (for application received from 1 January 2015 to 31 December 2017).

Mines Wellness City (MWC)

Application received by MIDA on or after 1 January 2013

MWC Developers undertaking development activities in MWC	MWC Development Managers undertaking activities in MWC	MWC Operators undertaking qualifying activities in MWC
Tax exemption of 100% of statutory income until YA 2023; or Tax exemption of 100% of statutory income derived from rental of a MWC building until YA 2026; and 50% stamp duty exemption on instruments of transfer or lease of land or building until 31 December 2023	Tax exemption of 100% of statutory income until YA 2023	Tax exemption of 70% of statutory income for a period of 5 years; or ITA of 60% QCE incurred within 5 years to be offset against 70% statutory income Applications received by MIDA from 1 January 2013 until 31 December 2026

G. INFORMATION AND COMMUNICATION TECHNOLOGY

Cost of developing websites

Expenditure incurred on development of an electronic commerce enabled websites for a business is given an annual deduction of 20% for 5 years.

Offshore trading via website in Malaysia

An approved offshore trading company trading with non-residents through a website in Malaysia, in foreign goods for consumption outside Malaysia.

Incentive:
Income tax exemption based on a specified formula for a period of 5 years.

H. OTHER INCENTIVES

Proprietary rights

Manufacturing company with at least 70% owned by Malaysian which acquires proprietary rights (e.g. patents, industrial design, trademarks) to be used for purposes of the business.
Incentive:
Deduction on the cost of acquisition of the proprietary rights to be claimed over a period of 5 years.

Childcare centre

Private childcare centre registered with the Department of Social Welfare.
Incentive:

- Tax exemption on income from the business of the childcare centre for 5 years.
- IBA at annual rate of 10% for building used as childcare centre.

Small Malaysian Service Providers

Enterprise fully owned by Malaysian in certain service sectors, which has annual sales turnover of less than RM5 million or less than 50 full-time employees, and carried out a scheme of merger or acquisition approved by the Small and Medium Enterprises Corporation Malaysia.
Incentive:

- Flat tax rate of 20% on all taxable income for 5 years from date of completion of the merger (applications received within 3 years from 3 July 2012).

- Stamp duty exemption on certain instruments executed pursuant to the scheme mentioned above from 3 July 2012 to 2 July 2015.

Anchor Companies under Vendor Development Programme (VDP)

Anchor companies that implement VDP and have the Memorandum of Understanding with Ministry of International Trade and Industry (MITI) signed from 1 January 2014 to 31 December 2016.
Incentive:
Double deduction (for 3 YAs) for expenses incurred (not exceeding RM300,000 per year) to carry out specified activities in relation to product development, capability improvement and human capital development.

Acquisition of foreign owned company

Malaysian incorporated company carrying on business of manufacturing or providing selected services in Malaysia approved by Malaysian Investment Development Authority (MIDA) acquires a foreign owned company and uses the high technology to increase performance or enhancement of technology and processes of the company's operation in Malaysia.

- An annual deduction of 20% of the cost of acquisition of foreign owned company for 5 years

Special deduction for audit fees

Single deduction of the statutory audit fee incurred.

Industrial Area Management

Private sector maintaining public facilities or infrastructure.
Incentive:

Managing, maintaining and upgrading industrial estates in less developed area	*100% tax exemption for a period of 5 years*
Managing industrial estates in other areas	*70% tax exemption for a period of 5 years*

I. REFINERY AND PETROCHEMICAL INTEGRATED DEVELOPMENT (RAPID)

Petroliam National Berhad (Petronas), related companies of Petronas or companies which Petronas has an equity holding and carries out qualifying activity (QA) within RAPID complex.

Incentive:

- Withholding tax exemption on payments received by non-resident.
- 100% of QCE to be offset against 100% of statutory income for 10 consecutive YAs.
- 100% of QCE to be offset against 100% of statutory income for 5 consecutive YAs for reinvesting after the initial 10 years (as stated above) has expired.
- Tax exemption for 15 consecutive YAs on income derived by Malaysian resident company from QA in RAPID complex and a 50% income tax exemption for a further 5 YAs immediately after the expiry of the first 15 YAs.
- Stamp duty exemption on all instruments in relation to QA in RAPID complex executed from 10 October 2011 to 31 December 2021.
- Deduction of pre-commencement expenses within 4 years from commencement of the QA, which must be on or after 1 October 2010.

J. REGIONAL OPERATIONS

International Procurement Centre (IPC)

Company incorporated in Malaysia with the following criteria:

- minimum paid-up capital of RM500,000 and minimum annual business spending of RM1.5 million;
- handling of goods directly through Malaysian ports and airports;
- minimum turnover of RM50 million by third year of operations.

Incentive:

- Tax exemption on income for 10 years excluding income from local sales exceeding 20% of total sales, subject to annual turnover exceeding RM100 million and other conditions.
- Customs duties exemption on import of raw materials, components or finished products into Free Zones or licensed manufacturing warehouses for repacking, cargo consolidation and integration before distribution to final consumers.
- Expatriate posts to be granted based on needs.
- Foreign currency accounts to retain export proceeds are allowed.

International trading company

Company incorporated in Malaysia with the following criteria:

- registered with MATRADE and at least 60% Malaysian owned equity;
- has minimum annual sales turnover of RM10 million;
- uses local services for banking, finance, insurance and use local ports and airports.

Incentive:

Tax exemption equivalent to 20% of the increased export value to be offset against 70% of statutory income for 5 years.

Operational Headquarters (OHQ) company

Company incorporated in Malaysia with the following criteria:

- providing qualifying services approved by Malaysian Investment Development Authority (MIDA) to its offices or related companies within or outside Malaysia;
- paid-up capital of at least RM500,000 with minimum annual business spending of RM1.5 million.

Incentive:

Tax exemption on for 10 years excluding income from qualifying services provided to related companies in Malaysia exceeding 20% of total income from qualifying services.

Regional Distribution Centre (RDC)

Company incorporated in Malaysia with the following criteria:

- minimum paid-up capital of RM500,000 and minimum annual business spending of RM1.5 million;
- annual turnover of RM100 million or more.

Incentive:

- Tax exemption for 10 years excluding income from local sales exceeding 20% of total sales.
- Import duty and sales tax exemption on goods for distribution.
- Expatriate posts granted based on needs.

Global Incentive for Trading (GIFT) programme

Labuan company which trades in physical and related derivative instruments of the following commodities in foreign currency can apply to Labuan FSA to be under the GIFT programme:

(a) petroleum and petroleum-related products including liquefied natural gas (LNG);

(b) minerals and base minerals;
(c) Agriculture products;
(d) Refined raw materials; and
(e) Chemicals.

Incentive:

(i) 3% tax rate on chargeable profits as reflected in audited accounts; *or*
(ii) Tax exemption on chargeable profit for first 3 years of its operation if the company is licenced before 31 December 2014 to be purely in the trading of LNG. Thereafter, it will be subject to tax as per (i) above.

K. RESEARCH AND DEVELOPMENT (R&D)

Income Tax Exemption and Investment Tax Allowance

Entity	Incentive
Approved research company or institution	100% tax exemption on adjusted income for 5 years
Company undertaking approved in-house R&D projects	ITA of 50% on QCE for 10 years to be set off against 70% of statutory income.
Contract R&D company which provides R&D services to third parties	PS with 100% tax exemption on statutory income for 5 years; or ITA of 100% on QCE for 10 years to be set off against 70% of statutory income.
R&D company undertaking projects for its own group and third parties	ITA of 100% on QCE for 10 years to be set off against 70% of statutory income

Double deduction

- Revenue expenditure incurred on approved research.
- Cash contributions to approved research institutions.
- Payment for services of approved research companies or institutions / contract R&D companies / non-related R&D companies / related R&D companies which are not enjoying the ITA incentive.

Industrial building allowance

QCE incurred on buildings used for approved research.

Commercialisation of resource-based and non-resource based R&D findings

- Investor company
  - incorporated and tax resident in Malaysia and owns at least 70% of the equity of the company that commercialises resource-based or non-resource based R&D findings

  Incentive:
  Tax deduction equivalent to the amount of investment made in subsidiary (Applications received from 11 September 2004).
- Company undertaking commercialisation project
  - incorporated in Malaysia with at least 70% Malaysian equity ownership

  Incentive:
  PS with 100% tax exemption on statutory income for 10 years (Applications received from 29 September 2012 until 31 December 2017)

Commercialisation of R&D findings is within a year from approval of the incentive.

L. LOGISTIC

Shipping

A resident person (including a partnership) carrying on a business of transporting passengers or cargo by sea on Malaysian ships or time or voyage charter of Malaysian ships owned by that person.

Incentive:
Income tax exemption of:-

- 100% of statutory income until YA 2013; and
- 70% of statutory income from YA 2014.

Integrated logistics services (ILS)

A company or a group operation (at least 60% Malaysian owned) undertaking ILS. 3 principal activities of freight forwarding, transportation and warehousing and 1 additional other designated activity must be undertaken.
Incentive:

- PS with 70% tax exemption on statutory income for 5 years; or
- ITA of 60% on QCE for 5 years to be set off against 70% of statutory income.

M. SPECIAL ECONOMIC CORRIDORS

Iskandar Malaysia (IM)

IDR-status company is eligible for 100% tax exemption on statutory income derived from qualifying activities provided to any person situated both within an approved node and outside Malaysia; or outside Malaysia only, for 10 years.

Developer is eligible for 100% tax exemption on statutory income from:
(a) disposal of rights over land in an approved node (until YA 2015); and
(b) rental or disposal of a building located in an approved node (until YA 2020).

Development manager is eligible for 100% tax exemption on statutory income from provision of management, supervisory or marketing services to developers (until YA 2020).

N. TOURISM, HOTELS AND EXHIBITIONS

Conference promotion

Resident conference promoter organising conferences held in Malaysia where at least 500 foreign participants are brought in annually.
Incentive:
100% tax exemption on statutory income from organising conferences.

Domestic tours

Resident company organising domestic tour packages where the total local tourists is 1,500 or more per year.
Incentive:
Tax exemption on income from domestic tour packages (YA 2013 to YA 2015).

Group inclusive tours

Resident incorporated company carrying on an inbound tour operating business approved and registered with the Ministry of Tourism and Culture Malaysia where inbound tourists from outside Malaysia is 750 or more for the period .
Incentive:
Tax exemption on income from such tours (YA 2013 to YA 2015).

International trade exhibition

Resident incorporated company organising international trade exhibitions approved by MATRADE held in Malaysia with at least 500 foreign visitors per year.
Incentive:
100% tax exemption on statutory income from organising exhibitions.

4 and 5 star hotels

Applications must be received by 31 December 2016.

New investment in Sabah and Sarawak	New investment in Peninsular Malaysia
Tax exemption under PS of 100% of statutory income for 5 years, or ITA of 100% of QCE incurred within 5 years to be offset against 100% of statutory income.	Tax exemption under PS of 70% of statutory income for 5 years, or ITA of 60% of QCE incurred within 5 years to be offset against 70% of statutory income.

All hotels

Hotels registered with the Ministry of Tourism and Culture Malaysia which are expanding, modernising and renovating, are eligible for 60% ITA to be set off against 70% of statutory income for 5 years.

O. FURTHER / DOUBLE DEDUCTION

Examples of expenses that qualify for double deduction:

- Allowances paid by a company to participants of the Capital Market Graduate Training Scheme for **unemployed graduates**, for 3 years from the date of certification of the Training Scheme.
- Expenditure incurred by companies on the training of employees under an **approved training program**.
- *Expenditure incurred by companies on the training of employees to **obtain industry recognised certifications and professional qualifications** approved by agencies appointed by the Minister of Finance (w.e.f YA 2015).*
- Expenses incurred in obtaining recognized quality systems, standards and **halal certification**.
- Expenses incurred in the promotion of Malaysia as an **International**

Islamic Financial Centre (YA 2008 to YA 2015).

- Expenditure incurred on advertising **Malaysian brand names** registered locally or overseas and professional fees paid to companies promoting or advertising Malaysian brand names.
- Export credit **insurance premiums** based on takaful concept.
- **Freight charges** paid by manufacturers exporting rattan and wood-based products, excluding sawn timber and veneer (until YA 2015).
- **Freight charges** incurred by manufacturers for shipping goods from Sabah and Sarawak to any ports in Peninsular Malaysia.
- **Insurance premiums** for the import and export of goods where risks are insured with an insurance company incorporated in Malaysia (until YA 2015).
- Promotional expenditure incurred on seeking **opportunities for the export** of manufactured products, agricultural produce and services.
- Remuneration paid to an employee who is **physically or mentally handicapped.**
- Expenditure incurred by companies in conducting an **approved internship** programme *for students pursuing full-time degree programme in higher education institution* (YA 2012 to YA 2016).
- *Expenditure incurred by companies in conducting an **approved internship** programme for students in vocational and diploma courses (YA 2015 to YA 2016).*
- Expenditure incurred by private companies in providing **scholarships** to Malaysian students pursuing study at diploma and bachelor's degree in local institutions of higher learning registered with the Ministry of Higher Education (YA 2012 to YA 2016).
- Expenditure incurred by companies in participating in **career fairs** abroad that are endorsed by TalentCorp (YA 2012 to YA 2016).
- Expenditure incurred by employers for the provision and maintenance of **child care centres**.
- **Childcare allowance** given by employers to employees.
- Interest expense and all costs involved in obtaining loans by a rescuing contractor to revive an **abandoned housing project** for 3 consecutive YA (for applications 1 January 2013 to 31 December 2015).
- Salary cost being the difference between the original wages and the **minimum wages** paid under the minimum wages policy by SMEs, cooperatives, associations and organizations employers (from 1 January 2014 to 31 December 2014).

- Training and consultancy fees to design an appropriate Flexible Work Arrangement for 3 YAs (for applications received by TalentCorp from 1 January 2014 to 31 December 2016).
- Expenses for Goods and Services Tax (GST) related training of employees in accounting and information & communication technology (YA 2014 to YA 2015).
- *Expenditure incurred by companies participating in Skim Latihan 1Malaysia for unemployed graduates (from 1 June 2012 to 31 December 2020).*
- ***Scholarships** provided by companies to Malaysian students pursuing study in the vocational and technical fields in institutions recognised by the Government (YA 2015 to YA 2016).*

INCOME EXEMPT FROM TAX

Income exempt from tax includes:

- **Compensation for loss of employment and payments for restrictive covenants:**
  - fully exempted if due to ill health; or
  - RM10,000 for every completed year of service with the same employer or with companies in the same group if not due to ill health.
- **Death gratuities** or sums received as consolidated compensation for death or injuries.
- **Dividends** paid, credited or distributed by co-operative societies to their members.
- **Fees or honorarium** (not part of official duties) for validating, moderating or accrediting franchised educational programmes in higher educational institutions which are verified by the National Accreditation Board.
- **Foreign income** of any person (other than a resident company carrying on the business of banking, insurance or sea or air transport) arising from sources outside Malaysia and remitted into Malaysia.
- **Grant or subsidy** received from the Federal or State Government.
- **Housing and Labuan Territory allowance** received by a Malaysian citizen from an employment in Labuan with a Labuan entity (exempt to the extent of 50% of gross allowance) (YA 2011 to YA 2020).
- **Income arising from transactions made under a Securities Borrowing and Lending Agreement** to a borrower and a lender arising from a loan of securities listed on Bursa Malaysia and the return of the same or equivalent securities, and the corresponding exchange of collateral, in respect of securities borrowing and lending transactions (excludes

dividends, lending fees, interest earned on collateral and rebates).

- **Income from employment** on board a ship (defined) used in a business operated by a resident owner of a ship registered under the Merchant Shipping Ordinance 1952.
- **Income from director's fees** received by a non-Malaysian citizen director of a Labuan entity (YA 2011 to YA 2020).
- **Income of any person** from the provision of qualifying professional services rendered in Labuan to a Labuan entity is exempt to the extent of 65% of the statutory income (YA 2011 to YA 2020).
- **Income of a non-Malaysian citizen** from exercising of an employment in a managerial capacity with a Labuan entity in Labuan, co-located office or marketing office is exempt to the extent of 50% of gross income from the employment (YA 2011 to YA 2020).
- **Interest** accruing to any person for bonds issued under the Bon Simpanan Malaysia Siri Kedua (BSM 2) by Bank Simpanan Nasional.
- **Interest** paid or credited to any person in respect of:
  - any savings certificate issued by the government.
  - Islamic securities originating from Malaysia, other than convertible loan stock, issued in any currency other than Ringgit and approved by SC or the Labuan FSA.
- **Interest** income derived by non-resident persons from a bank or finance company licensed under Banking and Financial Institutions Act 1989 (now known as the Financial Services Act 2013) or Islamic Banking Act 1983 (now known as the Islamic Financial Services Act 2013), or any other financial institution approved by the Minister of Finance.
- **Interest** income paid or credited by non-resident companies from:
  - securities issued by the Government; or
  - Islamic securities or debentures issued in Ringgit Malaysia, other than convertible loan stocks, approved by the SC.
- **Interest or bonus, gains or profits** received by a resident individual from deposits placed in licensed institutions.
- **Interest** paid or credited to any individual in respect of Merdeka bonds issued by the Central Bank of Malaysia.
- **Interest or discount** paid or credited to any individual, unit trust and listed closed-end fund in respect of:
  - bonds or securities issued or guaranteed by the Government;
  - debentures or Islamic Securities, other than convertible loan stock, approved by the SC; or
  - Bon Simpanan Malaysia issued by the Central Bank of Malaysia.

- **Pensions** paid to a person, which is derived from an employment exercised in Malaysia where:
  - the recipient has reached the age of 55 or the compulsory retirement age; or
  - retirement is due to ill health.
- **Perquisites** (in cash or in kind) for long service (more than 10 years of employment with the same employer), past achievement or service excellence, innovation, or productivity award up to an amount or value of RM2,000 a YA.
- ***Profit** earned by individual investors from investments made through Investment Account Platform is exempted from tax for 3 consecutive years starting from the first year profit is earned.*
- **Retirement gratuities are fully exempt**:
  - where the retirement is due to ill health, or on or after reaching the age of 55 or other compulsory age of retirement, from an employment which has lasted 10 years with the same employer or with companies in the same group; or
  - upon reaching compulsory retirement age pursuant to an employment contract or collective agreement at the age of 50 but before 55 and that employment has lasted 10 years with the same employer or with companies in the same group.
- **Royalties** received by non-resident franchisors from registered private higher educational institutions for approved franchised educational programmes.
- **Royalties** received by an individual resident in Malaysia in respect of:

	Amount exempted per YA RM
Publication of, or the use of, or the right to use, any artistic work	10,000
Recording discs or tapes	10,000
Publication of, or the use of, or the right to use, any literary work or any original painting	20,000
Any musical composition	20,000

- **Statutory income derived from members' subscription fees** received by trade associations.
- **Statutory interest income** derived by resident banks or financial institutions for 3 consecutive YAs from a rescuing contractor or developer of an abandoned project (for loans applied from 1 January 2013 to 31 December 2015).

REAL PROPERTY GAINS TAX (RPGT)

Scope

Every person whether or not resident in Malaysia is chargeable to RPGT on gains arising from the disposal of real property and shares in real property company (RPC).

Real property is defined as any land situated in Malaysia and any interest, option or other right in or over such land. A RPC is a controlled company holding real property or shares in another RPC as a major asset (i.e. defined value not less than 75% of the value of its total tangible assets).

The RPGT rates are as follows:

Disposal	RPGT rates effective 1 Jan 2014		
	Companies	Individuals (Citizens & Permanent Residents)	Individuals (Non Citizens)
Within 3 years	30%	30%	30%
In the 4th year	20%	20%	30%
In the 5th year	15%	15%	30%
In the 6th and subsequent years	5%	0%	5%

Disposal	RPGT rates for companies and individual		
	1 Jan 2010 to 31 Dec 2011	1 Jan 2012 to 31 Dec 2012	1 Jan 2013 to 31 Dec 2013
Up to 2 years	5%	10%	15%
Exceeding 2 until 5 years	5%	5%	10%
Exceeding 5 years	0%	0%	0%

Withholding of RPGT

With effect from 1 January 2010, where the consideration consists of wholly or partly of money, an acquirer of chargeable asset must withhold 2%* of the total value of the acquisition price to be paid or the whole of that money to the IRB within 60 days from the date of disposal.

** W.e.f 1 January 2015, the retention rate will be increased from 2% to 3%*

Exemptions

The following are examples of some exemptions from RPGT:

- an amount of RM10,000 or 10% of the chargeable gain, whichever is greater, accruing to an individual.
- gain accruing to an individual who is a citizen or a permanent resident in respect of the disposal of one private residence.
- gain accruing to the Government, State Government, or a local authority.
- disposal of assets in connection with securitization of assets from 1 January 2001.
- disposal of assets to REIT and Property Trust Funds.
- disposal of assets in relation to *Sukuk Kijang* with effect from 25 July 2013.
- gain accruing on the conveyance of chargeable asset upon conversion of a conventional partnership or private company to a limited liability partnership.

In certain transactions such as the following, the disposal price is deemed to be equal to acquisition price:

- transfer of assets between spouses.
- gifts made to the Government, State Government, local authority or approved charity.
- disposal of asset as a result of compulsory acquisition under law.
- disposal of chargeable asset pursuant to a scheme of financing approved by the Central Bank of Malaysia, Labuan FSA, Malaysian Co-operation Societies Commission or the SC as a scheme which is in accordance with the principles of Syariah.

SERVICE TAX

Basis of taxation

Service tax is a consumption tax levied and charged on any taxable service provided by any taxable person.

Service tax will be replaced with a single broad based Goods and Services Tax (GST) *effective from 1 April 2015.*

Rate of tax

The rate of service tax is 6% ad valorem effective from 1 January 2011 (previously 5%). This tax is levied on all taxable services, except for the provision and issuance of charge or credit card, the service tax is as follows:-

(i) RM50 per year on the principal card; and
(ii) RM25 per year on the supplementary card.

The service tax is chargeable on the date of the issuance of the card and every 12 months thereafter or part thereof after the issuance of the card or on the date of the renewal of the card and every 12 months thereafter or part thereof after the renewal of the card.

Taxable person/licensing

Any taxable person who carries on business of providing taxable service must apply for a licence, and the term "person" includes an individual, a firm, society, association, a company and every other juridical person.

No fee is payable for the issuance of a licence.

Taxable persons and taxable services

A complete list of taxable persons and taxable services can be found in the Second Schedule to the Service Tax Regulations 1975. The following is a summary:

Taxable person	Annual sales turnover (RM)
Operators of hotels with more than 25 rooms (subject to some exclusions)	*
Operators of restaurants, bars, snack-bars, coffee houses or places located in hotels with more than 25 rooms, providing food, drinks and tobacco products wholly eat-in or partly take-away	*

Taxable person	Annual sales turnover (RM)
Operators of restaurants, bars, snack-bars, coffee houses or places located outside hotels, providing food, drinks and tobacco products wholly eat-in or partly take-away (subject to some exclusions)	3 million (Effective 1 July 2008)
Operators of food courts	3 million (Effective 1 July 2008)
Operators of night-clubs, dance halls and cabarets	*
Operators of approved health-centres and massage parlours	*
Operators of 1st, 2nd or 3rd Class Public House and 1st or 2nd Class Beer House	*
Operators of private clubs	300,000
Operators of golf course or golf driving range (including operators of private clubs having total annual sales turnover of RM300,000 or less or any hotel having 25 or less rooms)	*
Licensed private hospitals	300,000
Insurance companies	*
Any person providing communication services who is registered under the Communications And Multimedia Act 1998 or licensed under the Communications and Multimedia (Licensing) Regulations 2000	*
Any person who is given permission to act as agent for transacting business relating to the import or export of any goods or luggage under section 90 of the Customs Act 1967	*
Any person who is licensed under section 65 or 65E of the Customs Act 1967 and who is also given permission to act as an agent for transacting business relating to the import or export of any goods or luggage that is stored in the licensed warehouse or inland clearance depot	*
Operators of parking space for motor vehicles	150,000
Courier-services companies	150,000
Operators of motor vehicles service and/or repair centres	150,000
Licensed private agencies	150,000
Employment agencies	150,000
Hire-and-drive car and hire-car service companies	300,000
Advertising companies	300,000
Public Accountants	**
Advocates and Solicitors	**

Taxable person	Annual sales turnover (RM)
Professional Engineers	**
Architects	**
Licensed or Registered Surveyors/Registered Valuers, Appraisers and Estate Agents	**
Consultants (subject to some exclusions)	**
Management companies	**
Any person who is regulated by Bank Negara Malaysia and provides credit card or charge card services through the issuance of a credit card or a charge card	*

* No threshold

** No threshold effective 1 January 2008

Taxable services

Taxable services include the provision of rooms for lodging/sleeping accommodation, health services, certain professional services, certain telecommunication services including bandwidth services and certain value added services, management services, security services, provision of parking space, provision of golf course, golf driving range or services related to golf or golf driving range, courier delivery services (other than to destinations outside Malaysia), provision and issuance of charge card or credit card whether or not annual subscription or fee is imposed, the sale or provision of food, drinks and tobacco products and paid broadcasting services.

With effect from 1 January 2003, certain professional services provided to companies within the same group would not be taxable subject to certain qualifying criteria.

Payment of service tax/taxable period

Service tax is due when payment is received for taxable services rendered. If payment is not received within 12 calendar months from the date of issuance of invoice, the tax is due on the day immediately after the expiry of the 12-month period.

Any service tax that falls due during a taxable period, which is 2 calendar months, is payable to the customs authorities within 28 days after the end of the taxable period.

Refund of service tax on doubtful debts or "bad debts"

A licensee is eligible for a refund of service tax in relation to debts deemed as "bad debts" or provided as doubtful debts, subject to conditions. This includes debts which cannot be collected after 6 months from the date of payment of tax.

SALES TAX

Basis of taxation

Sales tax is a single-stage tax imposed on certain locally manufactured goods, and on similar goods imported. Labuan, Langkawi, Tioman and Free Zones, do not fall within the ambit of this tax. Sales tax is a consumption tax and under the system, the onus is on the manufacturers to levy, charge and collect the tax from their customers.

In the case of imported goods, sales tax is collected from the importer at the time the goods are released from customs control.

Sales tax will be replaced with a single broad based Goods and Services Tax (GST) *effective from 1 April 2015.*

Value of goods

The valuation of goods for sales tax purposes is based on the World Trade Organsation (WTO) principles of customs valuation.

Rates of tax

Sales tax is generally an ad valorem tax. Specific rates of sales tax are currently only imposed on certain classes of petroleum (generally, refined petroleum). The ad valorem rates are as follows:

Class of goods	Rate %
Fruits, certain foodstuff, timber and building materials	5
Cigarettes and tobacco	5
Liquor and alcoholic drinks	5
All other goods, except petroleum subject to specific rates and goods not specifically exempted	10

Taxable goods

All goods manufactured in Malaysia or imported are taxable unless they are specifically exempted by order of the Minister of Finance.

Goods exempted

- All exports are exempted from sales tax.
- Goods which are specifically exempted include:
  - Live animals, fish, seafood and certain essential food items including meat, milk, eggs, vegetables, fruits, bread, etc.
  - Medical and educational equipment including sports equipment, books, etc.
  - Photographic equipment and films.
  - Motorcycles below 201 c.c. capacity, bicycles for adult use including parts and accessories.
  - Machinery for textile industry, food preparation industry, paper and printing industry, construction industry, metal industry, etc.
  - Primary commodities including cocoa, rubber and their related products.
  - Naturally occurring mineral substances, chemicals, etc.
  - Helicopters, aircraft, ships and other vessels.

Licensing

No person is permitted to manufacture taxable goods unless the person is duly licensed as a licensed manufacturer. The term “manufacture” in relation to goods other than petroleum, means the conversion by manual or mechanical means of organic or inorganic materials into a new product by changing the size, shape or nature of such materials and includes the assembly of parts into pieces of machinery or other products but does not include the installation of machinery or equipment for the purpose of construction. In relation to petroleum, the term “manufacture” means refining or compounding and includes the addition of foreign substance.

Exemption from licensing

A manufacturer of taxable goods whose total sales value did not exceed RM100,000 in the preceding year and is not expected to exceed RM100,000 during the next twelve months may apply for a certificate of exemption from licensing. The certificate is renewable on a yearly basis. However, such manufacturer may choose to be licensed in order to enjoy tax-free inputs.

In addition, certain manufacturing operations are also exempted from the licensing requirements. They include the developing and printing of photographs and production of film slides, preparation of ready-mixed concrete, repacking of bulk goods, repair of second hand goods and the installation of air conditioners in motor vehicles.

Tax-free raw material

In order to maintain the single-stage concept, there are facilities available to allow for inputs (raw materials and components) to be imported or acquired free of sales tax by a licensed manufacturer for use in the manufacturing process.

Drawback

A licensed manufacturer or importer can claim drawback on the sales tax paid in respect of goods, which are subsequently exported.

Payment of sales tax/taxable period

Generally, sales tax shall be due at the time the taxable goods are sold, or disposed of otherwise than by sale by the taxable person. Any sales tax that falls due during any taxable period, which is normally 2 calendar months, shall be paid to the customs authorities within 28 days from the expiration of the taxable period. However, in relation to the classes of petroleum that are subject to sales tax, special provisions apply regarding the time when sales tax is due and payable.

Refund of sales tax on doubtful debts or "bad debts"

A licensee is eligible for a refund of sales tax in relation to debts deemed as "bad debts" or provided as doubtful debts", subject to conditions. This includes debts which cannot be collected after 6 months from the date of payment of tax.

IMPORT DUTIES

Rates of duties

Import duties are levied on goods that are subject to import duties and imported into the country. Import duties are generally levied on an ad valorem basis but may also be imposed on a specific basis. The ad valorem rates of import duties range from 2% to 60%. Raw materials, machinery, essential foodstuffs and pharmaceutical products are generally non-dutiable or subject to duties at lower rates.

Tariff rate quota

Effective 1 April 2008, Malaysia implemented tariff rate quota (TRQ) on selected agricultural products, such as chicken, milk and cream, hen eggs, cabbages. Under TRQ, the tariff charged depends on the volume of imports. Imports within quota (volume) attract duties at a lower tariff rate while a higher tariff rate applies on goods in excess of the quota volume “out-quota tariff rate”. The quota applicable is determined by the relevant agency, e.g. Department of Veterinary Services.

Value of goods

The value of goods for the purpose of computing import duties is determined largely in accordance with the WTO principles of customs valuation.

Exemptions

There is a range of duty exemptions on specific goods that prescribed persons are eligible to claim, subject to prescribed conditions under an Order made by the Minister. In addition, manufacturers are eligible to apply for merit-based duty exemptions on:

- raw materials and components used directly for the manufacture of goods for export and domestic markets.
- dutiable machinery and equipment which are used directly in the manufacturing process.

Approval is subject to Confirmation of Local Availability rule. Manufacturers are required to apply to the relevant authorities for exemption.

Prohibition of imports

Import restrictions are seldom imposed except on a limited range of products for protection of local industries or for reasons of security and public safety. An import licence has to be obtained for the importation of prohibited goods.

GOODS AND SERVICES TAX (GST)

Effective date and rate of tax

GST is to be implemented in Malaysia effective from 1 April 2015 at a rate of 6%.

Scope of taxation

- GST is chargeable on all taxable supplies of goods and services made in the course or furtherance of a business in Malaysia by a taxable person.
- GST is also charged on the importation of goods and services into Malaysia.
- Supplies made by the Federal and State Government departments are not within the scope of GST except for some services prescribed by the Minister of Finance. Supplies made by the local authorities and statutory bodies in relation to regulatory and enforcement functions are also not within the scope of GST.

Taxable person and registration

- A taxable person is a person who makes taxable supplies in Malaysia with annual turnover exceeding RM500,000. Such person is required to be registered for GST.
- Calculation of annual turnover for registration is based on the total value of taxable supplies for a 12 months period.
- A person who makes taxable supplies below the threshold are not required to register but may register on a voluntary basis.

Type of supplies

1. **Standard rate supply**

   Standard rated supply means goods and services supplied by businesses that are subject to GST at the rate of 6%. All imported goods and services except those prescribed as zero rated and exempt will be subject to GST at the rate of 6%.

2. **Zero-rated supply**

   Zero-rated supply means goods and services supplied by businesses which are subject to a GST tax rate of zero percent. GST paid on their inputs can be claimed as credits.

3. Exempt supply

Exempt supply means goods and services supplied by businesses that do not attract GST, but GST paid on their inputs cannot be claimed as credit.

Details of the goods and services included under the above categories of supplies can be obtained from the Royal Malaysian Customs Department's official portal http://gst.customs.gov.my

The Government has proposed to broaden the scope of items that will not be subject to GST in order not to burden the rakyat. Among the items that are proposed not to impose GST on or given GST relief are all types of fruits, white bread and wholemeal bread, coffee/tea powder, various types of noodles, the national essential medicine, reading materials, text books, religious books, newspaper, 300 units of electricity and the retail sale of RON95 petrol, diesel and LPG.

LICENSED MANUFACTURING WAREHOUSE (LMW)

Manufacturers who export 80% or more of their finished products can apply for LMW status. Raw materials, components and machinery used in the manufacturing process are exempted from import duties and sales tax.

FREE ZONE

A free zone is deemed to be a place outside Malaysia for customs purposes. Subject to certain exclusions, goods and services can be brought into, produced or provided in a free zone without payment of customs duty, excise duty, sales tax or service tax.

FREE TRADE AGREEMENTS

Malaysia has concluded several regional and bilateral free trade agreements and several more are still under negotiation. One of the key features of free trade agreements is the preferential tariff treatment accorded to member countries. Currently, the following free trade agreements are in force:

- ASEAN Trade in Goods Agreement
- ASEAN-China Free Trade Agreement
- ASEAN-Korea Free Trade Agreement
- ASEAN-Australia-New Zealand Free Trade Agreement

- ASEAN-Japan Comprehensive Economic Partnership Agreement
- ASEAN-India Trade in Goods Agreement
- Preferential Trade Agreement Amongst D-8 Member States
- Malaysia-Pakistan Closer Economic Partnership
- Malaysia-Japan Economic Partnering Agreement
- Malaysia-Chile Free Trade Agreement
- Malaysia-India Comprehensive Economic Cooperation Agreement
- Malaysia-New Zealand Free Trade Agreement
- Malaysia-Australia Free Trade Agreement
- Malaysia-Turkey Free Trade Agreement

The preferential tariff treatment and the rules of origin may vary from one free trade agreement to another.

EXPORT DUTIES

Export duties are generally imposed on the country's main commodities such as crude petroleum and palm oil for revenue purposes.

EXCISE DUTIES

Basis of taxation

Excise duties are imposed on a selected range of goods manufactured in Malaysia or imported into Malaysia. Goods which are subject to excise duty include beer/stout, cider and perry, rice wine, mead, undenatured ethyl alcohol, brandy, whisky, rum and tafia, gin, cigarettes containing tobacco, motor vehicles, motorcycles, playing cards and mahjong tiles.

Rates of duties

The rates of excise duties vary from a composite rate of 10 sen per litre and 15% for certain types of spirituous beverages, to as much as 105% for motorcars (depending on engine capacity).

Excise licensing

Unless exempted from licensing, a manufacturer of tobacco, intoxicating liquor or goods subject to excise duties must have a licence to manufacture such goods.

A warehouse licence is required for storage of goods subject to excise duty.

However, a licence to manufacture tobacco, intoxicating liquor or goods subject to excise duty also permits the holder to store such goods.

Payment of duty

As a general rule, duty is payable at the time the goods leave the place of manufacture. However, excise duty on a predefined list of motor vehicles for transport of persons is not payable until the vehicles are registered with the Road Transport Department, provided that a security is provided (up to maximum of 4 years from the date of removal from the place of manufacture).

Exports

No excise duty is payable on dutiable goods that are exported.

STAMP DUTY

Basis of taxation

Stamp duty is chargeable on instruments and not on transactions. If a transaction can be effected without creating an instrument of transfer, no duty is payable.

An unstamped or insufficiently stamped instrument is not admissible as evidence in a court of law, nor will it be acted upon by a public officer.

With effect from 1 January 2009, payment of stamp duty by way of electronic medium is available for persons who have registered with the Collector.

Rates of duty

The rates of duty vary according to the nature of the instruments and transacted values.

Generally, transfer of properties can give rise to significant stamp duty:

- **Properties (other than shares or marketable securities)**

	Value RM	Rate	Duty payable RM
On the first	100,000	RM1 per RM100 or part thereof	1,000
On the next	400,000	RM2 per RM100 or part thereof	8,000
	500,000		9,000
In excess of	500,000	RM3 per RM100 or part thereof	

- **Shares**

  RM3 for every RM1,000 or any fraction thereof based on consideration, or value whichever is greater. The Stamp Office generally adopts one of the 3 methods for valuation of ordinary shares for purposes of stamp duty:
  - price earnings ratio;
  - net tangible assets; and
  - sale consideration.

- **Service Agreements and Loan Agreements**

  Stamp duty of 0.5% on the value of the services/loans. However, stamp duty may be exempted or stamp duty in excess of 0.1% may be remitted for the following instruments:

  (i) Service agreement (executed on and after 1 January 2011):

		Stamp duty
All service agreement (one tier)		Ad valorem rate of 0.1%
Multi-tier service agreement		
(a) Non-government contract (i.e. between private entity and service providers	First level	Ad valorem rate of 0.1%
	Subsequent level(s)	Up to RM50
(b) Government contract (i.e. between Federal /State Government of Malaysia or State / local authority and service providers)	First level	Exempted
	Second level	Ad valorem rate of 0.1%
	Subsequent level(s)	Up to RM50

  (ii) Loan agreement / loan instrument:
  Ringgit Malaysia loan agreements generally attract stamp duty at 0.5%. However, a reduced stamp duty liability of 0.1% is available for RM loan agreements or RM loan instrument without security and repayable on demand or in single bullet repayment.

Stamping

Instruments executed in Malaysia which are chargeable with duty must be stamped within 30 days from the date of execution. When the instruments are executed outside Malaysia, they must be stamped within 30 days after they have first been received in Malaysia.

Penalty

The penalty imposed for late stamping varies based on period of delay. The maximum penalty is RM100 or 20% whichever is higher.

Relief/Exemption/Remission from stamp duty

Examples of the exemptions, remissions or reliefs of stamp duty available are as follows:

Financing instrument

- Stamp duty exemption on instrument of agreement for a loan or financing in relation to a **Micro Credit Scheme** (approved by the National Small and Medium Enterprise Development Council) between a borrower and a participant bank of financial institutions executed on or after 1 January 2012.
- Stamp duty exemption on all loan or financing instruments in relation to the **Professional Services Fund** for an amount up to RM50,000 between a borrower and Bank Simpanan Nasional executed on or after 1 January 2012
- Remission of 50% on loan agreement instrument to **finance purchase of only one unit of residential property by a Malaysian citizen at a price not exceeding RM400,000** executed during 1 January 2013 to 31 December 2014 *(extended to residential property priced not exceeding RM500,000 executed from 1 January 2015 to 31 December 2016)*. Provided the purchaser does not own any other residential property at the date of execution of the sale and purchase agreement.
- Stamp duty exemption on instrument of loan agreement for the purchase of a residential property priced up to RM300,000 under the **PR1MA Scheme** executed from 1 January 2012 to 31 December 2016
- Stamp duty exemption on all instruments of an Asset Sale Agreement & Asset Lease Agreement executed between customer and financier made under Syariah law principles for **renewing any Islamic revolving financing facility**, provided instrument for existing facility is duly stamped (effective 13 September 2003)
- Stamp duty on any instruments of an Asset Lease Agreement executed between a customer and a financier made under the Syariah principles for **rescheduling or restructuring any existing Islamic financing facility** is remitted to the extent of the duty that would be payable on the balance of the principal amount of the existing Islamic financing facility, provided instrument for existing Islamic financing facility has been duly stamped (effective 13 September 2003)

- Stamp duty exemption on all instruments relating to the **purchase of property by any financier for the purpose of lease back** under the principles of Syariah or any instrument by which the financier shall assume the contractual obligations of a customer under a principal sale and purchase agreement (effective 13 September 2003)

Instrument of transfer

- Relief on the **transfer of assets between associated companies**, where either company owns 90% or more of the other company, or where a third company owns 90% or more of both associated companies (conditions apply).
- Remission of 50% of stamp duty chargeable on the instrument **of transfer of immovable property operating as voluntary disposition between parent and child.** Exemption for instruments of transfer of immovable property operating as voluntary disposition between husband and wife.
- Remission of 50% on instruments of transfer for **purchase of only one unit of residential property by a Malaysian citizen at a price not exceeding RM400,000** executed from 1 January 2013 to 31 December 2014 *(extended to residential property priced not exceeding RM500,000 executed from 1 January 2015 to 31 December 2016)*. Provided the purchaser does not own any other residential property at the date of execution of the sale and purchase agreement.
- Stamp duty exemption on all instruments of transfer of land, business, asset and share in relation to the **conversion of a conventional partnership or a private company to be a limited liability partnership** (effective 1 January 2013)

Scheme of merger, acquisition or amalgamation

- Relief on the transfer of the undertakings or shares under a **scheme of reconstruction or amalgamation of companies** (conditions apply).
- Stamp duty exemption on the following instruments executed for a **scheme of merger or acquisition between qualifying Malaysian service providers** carried out from 3 July 2012 to 2 July 2015 and approved by the Small and Medium Enterprises Corporation Malaysia:
  - Contracts or agreements for sale or lease of land, building, machinery and equipment
  - Instrument of transfer and memorandum of understanding
  - Loan or financing agreement
  - First tenancy agreement

Others

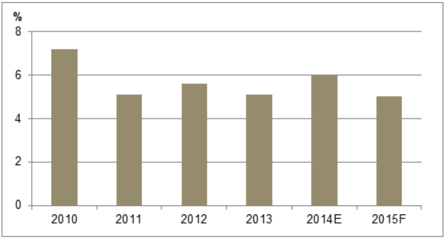
- Stamp duty exemption on specified instruments for the purpose of a **securitisation transaction** executed on or after 1 January 2001.
- Stamp duty exemption on all instruments relating to the issue of, offer for subscription or purchase of, or invitation to subscribe for or purchase **debentures or Islamic securities** approved by the Securities Commission and the transfer of such debentures or Islamic securities (effective 1 July 2000).
- Stamp duty remission in excess of RM200 is remitted for all instruments of **contract notes relating to the sale of any shares, stock or marketable securities:**
  - listed on a stock market of an approved stock exchange (effective 17 March 2003); or
  - in companies in Malaysia or elsewhere between a local broker and an authorised nominee on behalf of a foreign broker (effective 1 November 1998).
- Stamp duty exemption on all instruments executed by a Labuan entity in connection with a **Labuan business activity**; including Memorandum and Articles of Association and constitutional documents under which a Labuan entity is established and all instruments of transfer of shares in a Labuan entity (effective 11 February 2010).

ECONOMIC INDICATORS AND DIRECTIONS

Economic growth

The Malaysian economy to expand by 5.5%- 6% in 2014 and is expected to sustain a positive growth of 5%-6% in 2015 driven by resilient domestic demand, strong private investments and improved global economic conditions. However, overall growth could be affected by a number of factors including the Government's fiscal consolidation, uneven global economic recovery as well as closure of quantitative easing in the US.

Malaysia's GDP growth

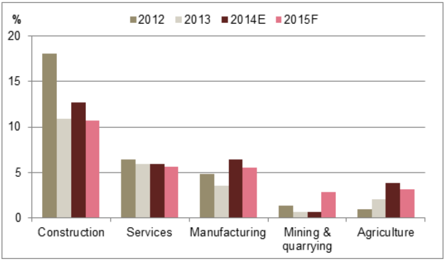


Source: Economic Report, 2014/2015

Economic growth by sector

The construction sector continues to lead growth at 12.7% on the back of continued implementation of infrastructure projects. Growth in the manufacturing sector escalated to 6.4% supported by resilient domestic demand and recovery in the external sector, while agriculture's growth of 3.8% was supported by higher palm oil yields.

GDP growth by sector



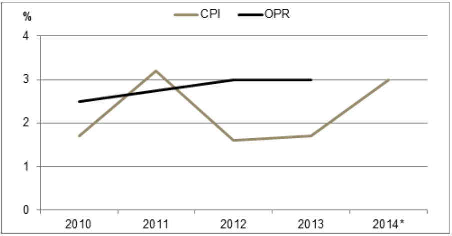
Economic growth by aggregate demand

Private consumption is projected to increase to 6.2% on the back of resilient domestic demand. Whereas, private sector investments will continue to be strong at 12.7% supported by ongoing implementation of Economic Transformation Programme (ETP) and Government development projects. Meanwhile, export momentum to remain sustainable going into 2015 is backed by continued growth in both electrical and electronics (E&E), and non E&E exports.

Inflation and interest rate

Inflation to reach 3.3% in 2014 and is expected to increase to 4%-5% in 2015 as domestic cost factors increases due to continued subsidy rationalization and GST implementation. There will be a possible hike in interest rate in 2015, with a 0.25% increase in Overnight Policy Rate (OPR) to 3.50% in view of US Federal Reserve monetary tightening measures.

Consumer price index (CPI) and OPR

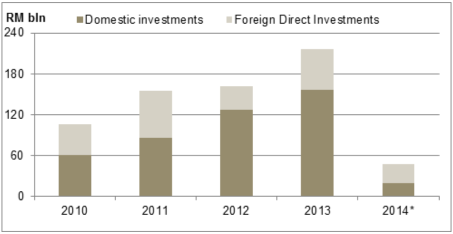


**For the period of January – August 2014*
Source: Economic Report, 2014/2015

Investments

Approved investments reached a new record of RM216.5 billion in 2013 (2012: RM167.8 billion). For the Jan-June 2014 period, MIDA approved investments worth RM47.4 billion out of which foreign investments accounted for 58.9% of total approved investments.

Approved investments



**For the period of January – June 2014*

Source: MIDA, Economic Report, 2014/2015

FINANCIAL REPORTING

The Malaysian Accounting Standards Board (MASB) has been established as the sole authority for issuing accounting standards and other financial reporting pronouncements in Malaysia. All financial statements prepared pursuant to any law administered by the Securities Commission Malaysia, Bank Negara Malaysia and the Companies Commission of Malaysia have to comply with approved accounting standards issued by the MASB.

MASB Approved Accounting Standards for Entities other than Private Entities

Entities other than Private Entities shall apply the Malaysian Financial Reporting Standards (MFRS) Framework which is identical to the International Financial Reporting Standards (IFRS), for annual periods beginning on or after 1 January 2012, with the exception of Transitional Entities (TEs). TEs are entities subject to the application of MFRS 141 Agriculture and/or IC Interpretation 15 Agreements for the Construction of Real Estate.

TEs shall comply with the MFRS Framework for annual periods beginning on or after 1 January 2017. They may apply the older Malaysian national GAAP (known as Financial Reporting Standards Framework) for annual periods beginning before 1 January 2017. An entity that consolidates or equity accounts the TEs are also granted similar exception.

MASB Approved Accounting Standards for Private Entities

Private entities shall comply with either:

- Private Entity Reporting Standards (PERS) in their entirety for financial statements with annual periods beginning before 1 January 2016; or
- Malaysian Private Entities Reporting Standards (MPERS) in their entirety for financial statements with annual periods beginning on or after 1 January 2016; or
- MFRS in their entirety.

Private entities are defined as private companies incorporated under the Companies Act 1965 that:

(a) are not required to prepare / lodge any financial statements under any law administered by the SC or BNM; and

(b) are not a subsidiary / associate of / jointly controlled by an entity which is required to prepare / lodge any financial statements under any law administered by the SC or BNM.

EMPLOYEES' PROVIDENT FUND

Scope of EPF

The Employees' Provident Fund (EPF) is a compulsory savings scheme established to provide a measure of security for old age retirement to its members.

Expatriates and foreign workers, who are not Malaysian citizens or permanent residents are not required to contribute to EPF although they may elect to do so.

Rates of contributions

The statutory rates of contributions are as follows:

	Malaysian citizens and permanent residents (mandatory)		Expatriates and foreign workers	
	% of contribution of employee's wages (minimum)			
	Employer	Employee	Employer	Employee
Till age 60				
Income > RM5,000	12%	11%	RM5 per person	11%
Income ≤ RM5,000[2]	13%			
Age 60 and above, till 75 (From 1 February 2008)				
Income > RM5,000	6%[1]	5.5%[1]	RM5 per person	5.5%
Income ≤ RM5,000[2]	6.5%[1]			

[1] Exceptions:
EPF monthly rate of contributions is maintained at 12% (employer's share) and 11% (employee's share) under the following circumstances:

i. Employees who have attained the age of 55 years before 1 February 2008 and have not made 55 years withdrawal before 1 February 2008;
ii. Employees who have made 55 years withdrawal before 1 February 2008 and have elected to re-contribute to EPF before 1 February 2008.

[2] If the employer pays bonus to an employee who receives monthly wages of RM5,000.00 and below and upon receiving the said bonus renders the wages received for that month to exceed RM5,000.00, the calculation of the employer contribution rate shall be calculated at the rate of 13% / 6.5%, and the total contribution which includes cents shall be rounded to the next ringgit.

Effective 3 January 2010, the 1Malaysia Retirement Saving Scheme was introduced to allow self-employed and individuals without fixed monthly income to contribute voluntarily based on the amount that they can afford.

Members' accounts

Effective 1 January 2007, the EPF account is divided into 2 parts:

	% of contributions
Account I - for retirement purposes at age 55	70
Account II - for housing, education, medical, Hajj and withdrawal at age 50	30

Withdrawals

EPF members are entitled to withdraw the full amount of contributions:

- upon the death of the member (withdrawal made by beneficiary(ies));
- on attaining the age of 55 years;
- if the member is prevented from engaging in any further employment by reasons of physical or mental incapacitation;
- on leaving Malaysia permanently (for non-Malaysian or Malaysian citizens who have revoked or renounced their citizenships);

Under Account 2, members are entitled to withdraw for:

- the purchase or construction of a residential house or for purposes of reducing a housing mortgage on satisfying the prescribed conditions;
- on attaining the age of 50 years;
- purchase of a second house on condition that the first house is sold;
- reduction or settlement of housing loan balance;
- for housing loan repayment (withdrawal on a monthly basis) for one house;
- setting aside part of savings to enable member to obtain a higher housing loan amount under the flexible housing withdrawal scheme;
- further education for self and children's tertiary education;
- medical expenses incurred for the treatment of critical illnesses for themselves and their families;
- finance part of the cost of Hajj (up to RM3,000) by eligible Muslim EPF members (effective 1 January 2013)

Alternatively, members may choose to withdraw under the "Retirement Periodical Payment Scheme" upon reaching the age of 55 years. Withdrawal payment can be made in part lump sum and part monthly periodical payment or monthly periodical payments for all savings.

Members at any time before reaching 55 years can make the withdrawal from savings exceeding RM1 million, subject to a minimum of RM50,000 at every interval of 3 months.

Members who have reached 55 years and have not withdrawn all of their savings, can withdraw the annual dividend of their savings.

Effective 1 February 2008, members can invest not more than 20%, (subject to minimum withdrawal of RM1,000 at 3 months interval) of their credit in excess of Basic Savings in Account 1 in approved external funds. The required Basic Saving in Account 1 varies according to age, ranging from a minimum of RM1,000 for members at age 18 to RM120,000 at age 55.

EMPLOYMENT GUIDELINES

Guidelines for employment of expatriates

Approvals for expatriate posts are given by different authorized bodies or agencies depending on the type of core business of the company. The MIDA approves expatriate posts in the following fields:

- Manufacturing
- Manufacturing related services – Regional Office, OHQ, IPC, Overseas Mission, etc
- Hotel and tourism industry
- Research and Development

The guidelines on employment of expatriate personnel issued by MIDA, are as follows:

- For manufacturing companies with foreign paid up capital of:

  (a) USD2 million and above:

    - Automatic approval for up to 10 expatriate posts including 5 key posts, (top management post) for durations of up to 10 years for executive posts and 5 years for non-executive posts.

  (b) above USD200,000 but less than USD2 million:

    - Automatic approval for up to 5 expatriate posts including at least 1 key post (top management post), for durations of up to 10 years for executive posts and 5 years for non-executive posts.

  (c) less than USD200,000:

    - Consideration is given (based on merits of each case) for key posts where foreign paid-up capital is at least RM500,000. Time/Term posts can be considered for up to 10 years for executive posts requiring professional qualifications and experience and 5 years for non-executive posts that require technical skills and experience.

- For Malaysian-owned manufacturing companies:
  - Approval is given upon request (application), for employment of expatriates for technical posts, including R&D posts.

Other approving agencies for expatriate post:

- Multimedia Development Corporation (MDeC) - for expatriate posts and skilled workers in IT based companies with MSC status
- Public Service Department (PSD) – doctors and nurses in government hospitals and clinics; lecturers and tutors in government institutions of higher learning; contract posts in public services and jobs offered by Public Service Commission or related government agencies
- Central Bank of Malaysia (BNM) – posts in banking, finance and insurance sectors
- Securities Commission (SC) – employment in Security and Share market
- Expatriate Committee (EC) – employment in sectors other than the above

The employment of Malaysian nationals at all levels should, wherever possible, reflect the multi-racial composition of the country.

The following minimum paid-up share capital requirement must be fulfilled before an application of expatriate position can be processed by the EC:

	RM
100% Malaysian owned company	250,000
Malaysian and Foreign owned company	350,000*
100% Foreign owned company	500,000

* If the applied post is a key post, foreign capital in the company must be at least RM500,000.

Minimum salary of the expatriate employee is RM5,000 per month.

Employment of foreign workers

Employment of foreign workers is subject to conditions which are determined from time to time and will be considered after failing to find qualified local or permanent residents.

Employment of foreign workers are allowed in the manufacturing, construction, plantation, agricultural, domestic help sectors and 3 services sub sectors i.e. restaurants, cleaning and sanitation, resort island.

Nationals from the following countries are allowed to work in the specified sectors:

Nationals of	Approved Sector
Indonesia (female only), Cambodia, Laos, Myanmar, Nepal, Pakistan, Philippines (male only), Sri Lanka, Thailand, Vietnam, Turkmenistan, Uzbekistan, Kazakhstan	Manufacturing, construction, plantation, agricultural and services sectors
Indonesia (male only)	Same as above excluding manufacturing
India	Services (restaurant only); Construction (fixing of high voltage cable only); Agriculture; and Plantation

An annual levy is imposed on employers of foreign workers. The rate of levy varies according to the category of worker.

The One Stop Centre in the Ministry of Home Affairs handles applications for foreign workers except for application for domestic helpers which are processed by the Immigration Department.

EMPLOYEES' SOCIAL SECURITY FUND

Scope of SOCSO

The Social Security Organisation (SOCSO) administers the following schemes:

- Employment Injury Insurance Scheme;
- Invalidity Pension Schemes.

These schemes are aimed at providing cash and medical benefits to employees in case of temporary or permanent disablement/invalidity, death and employment injury, including occupational diseases.

All employees with monthly wages of RM3,000 or less are covered by the schemes. Any employee falling within the schemes will continue to remain within the schemes notwithstanding that his or her monthly wages may subsequently exceed the threshold of RM3,000.

Rates of contributions

The rates of contributions are as follows:

- The first category (Employment Injury Insurance Scheme and Invalidity

Pension Scheme) of contribution is by both the employer and employee, restricted to a maximum of RM51.65 and RM14.75 respectively. Applicable to employees below age of 60 years effective 1 January 2013.

- The second category (Employment Injury Insurance Scheme only) of contribution is solely by the employer for an employee who is not eligible for coverage under the Invalidity Pension Scheme, restricted to a maximum of RM36.90. Applicable to employees aged 60 years and above effective 1 January 2013.
- Employees who earn more than RM3,000 and who have never registered nor contributed may choose to register and contribute, provided that both employer and employee are agreeable.

With effect 1 January 2013, the age limit for first time employees contributing under the Invalidity Scheme has been changed from *before reaching the age of* 50 to before reaching the age of 55 and will no longer be eligible when an employee reaches the age of 60.

The qualifying/eligible age of for Invalidity Scheme has been amended as follows:

1. When an employee first contributed under the First Category and have yet to reach the age of 55 when the Act was gazetted, he shall continue to contribute under the First Category. Upon reaching the age of 60 he shall contribute under Second Category.
2. When an employee first contributed under the First Category and continued to contribute under Second Category upon reaching the age of 55 but have yet reach the age of 60 when the Act was gazetted, he shall contribute under First Category. Upon reaching the age of 60 he shall contribute under Second Category.
3. When the employee first contributed under Second Category and have yet to reach the age of 55 when the act was gazetted, he shall contribute under First Category. Upon reaching the age of 60 shall contribute under Second Category.
4. When the employee first contributed under Second Category and have reached the age of 55 when the Act was gazetted, he shall continue to contribute under the Second Category.
5. When the employee first join the company at the age of 55 when the act is gazetted and has not contributed under any Category, he shall contribute under Second Category.

HUMAN RESOURCES DEVELOPMENT FUND (HRDF)

Scope of HRDF

The HRDF is aimed at helping the manufacturing, services and transportation sectors to develop the technical skills of their employees through involvement in training schemes.

Effective 1 June 2014 there is an expansion of the scope of coverage of the HRDF to 19 new subsectors, which are 2 subsectors in mining and quarrying sector and 17 in the service sector.

Employers engaged in the following activities must register and contribute to the HRDF:

Type of activity	No. of employees
• Manufacturing	50 or more
• Manufacturing with a paid-up capital of RM2.5 million or more	10 to 49
• Manufacturing with a paid-up capital of less than RM2.5 million	10 to 49*
• Mining and quarrying (petroleum and gas extraction; mineral and stone quarrying)	50 or more
• Mining and quarrying (petroleum and gas extraction; mineral and stone quarrying) with a paid-up capital of RM2.5 million or more	10 to 49
• Mining and quarrying (petroleum and gas extraction; mineral and stone quarrying) with a paid-up capital of less than RM2.5 million	10 to 49*
• Service sector (hotel industry; air transport services; tour operators and travel agencies; telecommunications; freight forwarders; shipping; postal/courier services; advertising; computer services; energy; training; higher education; direct selling; port services; engineering support and maintenance services; research & development; warehousing services; security services; private hospital services; gas, steam and air-conditioning supply; water treatment and supply; sewerage; waste management and material recovery services; production of motion picture, video and television programme, sound recording and music publishing; information service; tourism enterprise; building and landscape services; event management; early childhood education;	10 or more

Type of activity	No. of employees
health support services, franchise; sale and repair of motor vehicles; private broadcasting services; driving school; and veterinary services)	
• Service sector (food and beverage services)	30 or more
• Service sector (hypermarket, supermarket and departmental store services)	50 or more

* Such employers have the option to contribute to the HRDF at the rate of 0.5% of the employees' monthly wages.

The 19 new subsector employers, who register within the Special Period from 1 June 2014 until 30 November 2014, will be entitled to exemption from the payment of levy and interest until 30 November 2014; and other incentives or benefits provided by HRDF for registered employers.

Rates of contribution

- 1% of employees' monthly wages on a monthly basis for all employers except for small employers under manufacturing sector, mining and quarrying sector.
- 0.5% rate for small employers under the manufacturing sector, mining and quarrying sector.

Financial assistance

An employer who has paid the levy upon registration is eligible to receive financial assistance at rates ranging from 50% to 100% of the allowable costs incurred for the purpose of training employees under various training schemes including the following:

- SBL (Skim Bantuan Latihan) and Special SBL Scheme;
- PROLUS (Program Latihan yang Diluluskan);
- PLT (Pelan Latihan Tahunan);
- PERLA (Perjanjian Latihan Dengan Penyelia Latihan);
- Computer-based training Scheme (Software Development);
- Apprenticeship Training Schemes;
- Joint Training Scheme;
- Information Technology and Computer-Aided Training;
- Purchase of Training Equipment and Setting Up of Training Room Scheme;
- English Language Programs for workers under the HRDF;

- SME On-The-Job Training;
- SME Training Partners Scheme (SMETAP);
- Accreditation of Prior Achievement scheme (APA).

FOREIGN AND BUMIPUTRA EQUITY PARTICIPATION

The foreign equity participation rules in Malaysia have been gradually liberalised through the years. Examples of industry sectors liberalised are as follows:-

- Manufacturing - Equity holdings were fully liberalised from 17 June 2003 whereby 100% foreign participation is allowed. However, any equity and export conditions imposed prior to 17 June 2003 continue to apply. Request for removal of these conditions may be made depending on the merits of each case.
- Financial services - The limit on foreign equity ownership of investment banks, Islamic banks, insurance companies and takaful operators was raised from 49% to 70% in 2009. From 9 June 2014, 100% foreign equity ownership is allowed for unit trust management companies and new foreign unit trust management companies may also enter Malaysia. For credit rating agencies, equity shareholdings will be liberalised from 1 January 2017. Fully foreign owned international credit rating agencies may also enter Malaysia from that date.
- Services - the liberalisation of several services sub-sectors was announced over the course of the last 5 years allowing for 100% foreign participation.

In addition, the Foreign Investment Committee no longer imposes the requirement of at least 30% Bumiputra equity following the repeal of the revised Guidelines for the Acquisition of Interest, Mergers and Takeovers by Local and Foreign Interests on 30 June 2009.

Regulators in strategic sectors such as water, telecommunications, ports and energy will however continue to impose Bumiputra equity conditions as seen fit, in light of national interest.

EXCHANGE CONTROL

Seven notices were issued under the Financial Services Act 2013 (FSA) and the Islamic Financial Services Act 2013 (IFSA) to set out the rules for exchange control in Malaysia.

Some of the more common transactions dealt with under the notices are as follows:

Remittances abroad

A resident is freely permitted to:

- **Make payment in Ringgit* to non-residents for -**
  - settlement of a Ringgit asset including any income and profit due from the Ringgit asset;
  - settlement of domestic and international trade in goods and services;
  - income earned or expense incurred in Malaysia;
  - settlement of a commodity murabahah transaction between a resident and non-resident participant undertaken through a resident commodity trading service provider;
  - settlement of reinsurance for domestic insurance business or retakaful for domestic takaful business between a resident and a person licensed to undertake Labuan insurance or takaful business;
  - settlement of a Ringgit denominated non-financial guarantee issued by a person licensed to undertake Labuan banking business in favour of a resident; or
  - any purpose between immediate family members.

  * Payment in Ringgit must be made into an external account of the non-resident or an external account of a non-resident financial institution

- **Make payment in foreign currency to non-residents** for any purpose (other than derivatives), including settlement of import of goods and services and payment to non-resident immediate family members (for any purpose);

- **Buy or sell foreign currency against another foreign currency** with licensed onshore banks for any purpose.

- **Buy or sell Ringgit against foreign currency** with a licensed onshore bank (other than an international Islamic bank) on spot or forward basis for current account transactions or financial account transactions based on firm commitment or anticipatory basis.

- **Make payment in foreign currency to resident company for settlement of domestic trade in goods and services provided the foreign currency funds are sourced from the resident payer's (with export earnings) foreign currency accounts.**

Investment in foreign currency assets by a resident

A resident (entity, individual, sole proprietor or general partnership) without domestic Ringgit credit facilities is free to invest any amount abroad.

A resident entity with domestic Ringgit facilities may invest any amount abroad from conversion of Ringgit up to RM50 million per annum (RM50 million is determined based on aggregate borrowing of entities within its group of entities or direct shareholder**).

A resident individual, sole proprietor or general partnership with domestic Ringgit facilities may invest any amount abroad from conversion of Ringgit up to RM1 million per annum.

**'Direct shareholder' means a shareholder with at least 10% shareholding in a resident entity.

Purchase of immoveable properties by non-residents

Non-residents may borrow domestically for financing properties used for productive (real) activities such as manufacturing in Malaysia.

Non-residents are permitted to borrow any amount of Ringgit credit facilities from residents to finance the purchase or construction of any residential or commercial property in Malaysia (excluding financing for purchase of land only).

Borrowings in foreign currency by a resident

A resident entity is free to:

- borrow any amount in foreign currency from licensed onshore banks or from its resident or non-resident entities within its group of entities or direct shareholder or through issuance of foreign currency debt securities to another resident.
  However, where a non-resident special purpose vehicle is set up solely to obtain borrowings from any person which is not part of the resident entity's group of entities, the prevailing aggregate limit of RM100 million equivalent continues to apply.
- obtain up to RM100 million equivalent in aggregate from other non-residents or a non-resident financial institution for other financing activities.

A resident individual, sole proprietor or general partnership is free to borrow up to RM10 million equivalent in aggregate from a licensed onshore bank or a non-resident. Notwithstanding this, any amount of foreign currency may be borrowed from an individual's immediate family member.

A resident is free to refinance outstanding approved borrowing in foreign currency (including principal and accrued interest).

Borrowings in Ringgit by a resident

A resident entity is allowed to borrow in Ringgit, including through the issuance of tradable Ringgit private debt securities or Islamic private debt securities:-

- from its non-resident entity within its group of entities or direct shareholder to finance activities in the real sector (defined) in Malaysia; or
- up to RM1 million in aggregate from other non-residents for use in Malaysia.

However where a non-resident special purpose vehicle is set up solely to obtain borrowings from any person which is not part of the resident entity's group of entities or direct shareholder, the prevailing aggregate limit of RM1 million on Ringgit borrowings from non-residents continue to apply.

A resident individual, sole proprietor or general partnership is allowed to borrow in Ringgit up to RM1 million in aggregate from any non-resident other than a non-resident financial institution for use in Malaysia. Notwithstanding this, Ringgit may be borrowed from an individual's non-resident immediate family member or an individual's non-resident employer in Malaysia (subject to employment terms).

Ringgit borrowings obtained by residents are allowed to be converted (i.e. swapped) to foreign currency debt obligation with a licensed onshore bank (other than a licensed international Islamic bank), provided that the rules on foreign currency borrowings obtained by residents are complied with.

Foreign currency accounts

In general, a resident is allowed to open foreign currency accounts with licensed onshore banks or non-resident financial institutions.

A resident individual is allowed to maintain for any purpose, individual or joint foreign currency accounts with another resident individual and also with a non-resident individual who is an immediate family member.

Non-resident's accounts

A non-resident may open and maintain an external account with any financial institution in Malaysia. There is no restriction on the amount of Ringgit funds to be retained in the external account.

Funds in the external account may be used for the payment to a resident for own account for transactions such as:

- purchase of Ringgit assets or payment for goods and services in Malaysia;
- converting Ringgit into foreign currency with a licensed onshore bank for repatriation abroad.

Import and export of currency

A resident and non-resident traveller is free to import or export Ringgit notes up to USD10,000.

Dealing with Israel and the currency of Israel

A resident or a non-resident in Malaysia is not allowed to undertake or engage in any dealing or transaction with Israel or any dealing or transaction involving the currency of Israel without Bank Negara Malaysia's approval.

Exports from Malaysia

Resident exporters are required to submit quarterly reports on their export related transactions if the gross export proceeds exceed RM50 million per year.

Issuance of securities

Residents are permitted to issue any securities provided that the issuance of debt securities to non-residents are subject to the prevailing rules on borrowing from non-residents.

Non-residents are permitted to issue foreign currency securities in Malaysia.

Labuan entities

Effective from 30 June 2013, all Labuan entities are automatically declared as non-residents for foreign exchange control purposes. All foreign exchange rules applicable to a non-resident will apply to a Labuan entity.

Special status companies

Special status companies, for example, approved operational headquarters, treasury management companies, MSC Malaysia companies are granted additional flexibilities.

Please refer to Bank Negara Malaysia's website at www.bnm.gov.my for more information on exchange control matters.

IMPORTANT FILING/FURNISHING DATES

Type of return	Form	Due date
Income tax		
All taxpayers		
Notification of change of address	CP600B	Within 3 months of change
Individual (without business income)*		
Notification of chargeability of an individual who first arrives in Malaysia	No prescribed form	Within 2 months of date of arrival
Submission of income tax return* - Resident - Non-resident	 BE/BT** M/MT**	 By 30 April in the year following that YA
* W.e.f YA 2014, tax returns are not required to be filed for specific groups of employees where requirements are met. MTD will be final tax.		
Individual (with business income)		
Submission of income tax return - Resident - Non-resident	 B/BT** M/MT**	By 30 June in the year following that YA
** Forms for knowledge workers (Refer to Personal Income Tax section)		
Company		
Submission of estimate of tax payable	CP 204	30 days before the beginning of the basis period
Submission of revised estimate of tax payable	CP 204A	In the sixth or/and ninth month of the basis period
Submission of income tax return (must be prepared based on audited accounts w.e.f YA 2014)	C	Within 7 months from the date following the close of its accounting period
Furnishing of particulars of payment made to agent, dealer & distributor	CP58	By 31 March of the following year
Deceased Person's Estate/ Body of Persons	TP/TF/TJ	By 30 April (without business income) or 30 June (with business income) in the year following that YA

Type of return	Form	Due date
Partnership	P	By 30 June in the year following that YA
Limited Liability Partnership	PT	Within 7 months from the date following the close of its accounting period
Co-operative society	C1	Same as above
Trust Body	TA	Same as above
Unit Trust	TC	Same as above
Business Trust	TN	Same as above
Real Estate Investment Trust/ Property Trust Fund	TR	Same as above
Employer		
Return of remuneration by an employer	E	By 31 March of the following year
Statement of remuneration of employee	EA	By last day of February of the following year
Notification of employee's commencement of employment	CP 22	Within one month of commencement of employment
Notification of employee's cessation of employment (in certain prescribed cases)	CP 22A	Not less than one month before cessation
Notification of employee leaving Malaysia for more than 3 months	CP 21	Not less than one month before expected date of departure
Statement of tax deduction by employer under Monthly Tax Deduction Scheme	CP 39	Within 10 days after month end
Withholding tax		
Interest or *royalty* to non-residents	CP 37	Within one month of paying or crediting the non-resident, whichever is earlier
Contract payments to non-resident contractors	CP 37A	Same as above
Technical and *management* service fees, rental of moveable properties, etc. to non-residents	CP 37D	Same as above

Type of return	Form	Due date
Technical and *management* services fees, rental of moveable properties, etc. to non-residents carrying out activities in the Joint Development Area	CP 37D (1)	Same as above
Real Estate Investment Trust income exempted at the Trust level distributed to unit holders (other than resident companies)	37E	Within one month of distributing income to the unit holders
Family fund, family re-Takaful fund or general fund income distributed to participants	37E(T)	Within one month of distributing income to the participants
Payments to a non-resident person in relation to any *gains* or *profits* falling under *Section 4(f)*	37F	Within one month of paying or crediting the non-resident, whichever is earlier
Withdrawal of contribution from a private retirement scheme fund	37G	Within one month of paying the amount
Real property gains tax		
Return of disposal of real property / shares in real property company	CKHT 1A/1B & CKHT 3 (if applicable)	Within 60 days after disposal of real property / shares in real property company
Return of acquisition of real property / shares in real property company	CKHT 2A & CKHT 502 (if applicable)	Within 60 days after acquisition of real property / shares in real property company
Sales tax		
Submission of tax return	CJP 1	Within 28 days after end of each taxable period
Service tax		
Submission of tax return	CJP 1	Within 28 days after end of each taxable period
Goods and services tax (GST)		
GST registration (refer to page 55 on requirement for a person to register)		
Existing business	GST-01	31 December 2014
New business (annual turnover exceeds or expected to exceed the	GST-01	28 days from the end of the month the annual turnover exceeded or is

Type of return	Form	Due date
threshold after 1 April 2015)		expected to exceed the threshold
GST return	GST-03	Last day of the month following the end of the taxable period OR 30 days from the end of the taxable period (where taxable period is varied)
Social Security Organisation (SOCSO)		
Submission of remittance form	8A	Not later than last day of the following month
Employees' Provident Fund		
Schedule of Monthly contributions together with cheque	EPF 6 (Form A)	Within 15 days after month end for each month

PwC in Malaysia

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