



Doing Business in Malaysia
2021-2022
Mazars in Malaysia

mazars



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Editorial

Welcome to Malaysia!

Considering Malaysia as a potential location for your business is a smart choice.

Malaysia offers many outstanding advantages: a highly qualified workforce, a strategic location in Asia and SouthEast Asia, competitive tax rates, business friendly legislation, significant investment incentives, a cost-effective business environment and is a member of ASEAN.

This guide offers you an overview of the main features of Malaysia as a potential location for your business. This guide is meant to be a practical resource and will be updated regularly. The information in this guide is based on data as at January 2021.

Ofcourse, we will be more than happy to provide you with any further information that you need so please feel free to contact us. You can find our contact details on the last page of this guide.

We are looking forward to welcoming you to Malaysia.



Chong Fah Yow
Managing Partner, Mazars in
Malaysia





We, at Mazars, are dedicated to delivering tailor-made solutions and services to our clients wherever they are in the world. International, integrated and independent, we are a partnership specialising in audit, tax and advisory services. We care about the success of our clients and people, we preserve the integrity of our industry, and we are committed to passing on a just and prosperous world to future generations.

Our values guide us in everything we do: how we work with our clients, how we develop our people and what role we play in our communities. Not only have our values contributed to our firm's decades-long story of growth, they also demonstrate our commitment to going above and beyond what is expected of us – today and tomorrow.

Integrity

Responsibility

Diversity and respect

Technical excellence

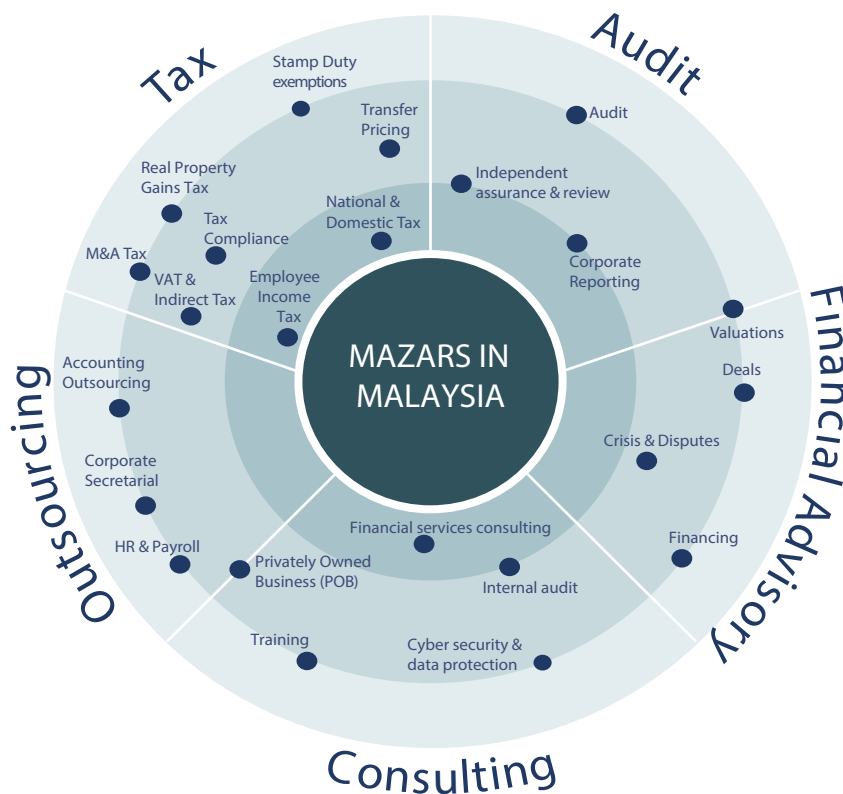
Independence

Stewardship

What we do

Services tailored to our clients' needs

We operate as one team, taking a collaborative, integrated approach that allows us to deliver consistent and personalised services to our clients – large and small – across all sectors and geographies. We use our expertise and our independence to do what is right.



Audit & Assurance

We have the technical knowledge, commitment to quality and dedication to service to provide clients with a first-class audit.

Consulting

With unprecedented levels of disruption, we aim to guide our clients through business issues and find opportunities. From managing risk to introducing new, complex technology, we have it covered.

Tax

We provide bespoke advice in all areas of taxation, helping corporates and private clients at both national and international levels.

Outsourcing

We have a strong track record in helping businesses internationalise. Our outsourcing services are flexible and scalable, enabling you to react quickly to change in your business or markets.

Financial Advisory

We provide certainty and clarity to clients during critical business lifecycle events – whether it's raising funds, developing an acquisition strategy, restructuring or carrying out an investigation.

General Information

Key country figures

Malaysia is located in the Southeast Asia, composed of two noncontiguous regions: Peninsular Malaysia (Semenanjung Malaysia), also called West Malaysia (Malaysia Barat), which is on the Malay Peninsula, and East Malaysia (Malaysia Timur) on island of Borneo. The Malaysian capital Kuala Lumpur, and the administrative centre is located at Putrajaya.



Currency

Malaysia Ringgit (MYR)

Languages

The national language is Malay. English, (widely used in business) Mandarin and Tamil.

Government

based on federal parliamentary democracy with a constitutional monarch. Yang di-Pertuan Agong (the King) is the head of the state. The prime minister is the head of the government.

Population

32.7 million (of which Malays or Bumiputra make up 70% of the ethnic composition)

Religions

Islam, Buddhism, Christianity, Hinduism

Climate

Average daily temperatures throughout Malaysia vary between 21°C to 32°C, with high humidity and rainfall throughout the year.

General Information

<h2>Geography</h2>	<ul style="list-style-type: none">Malaysia covers an area of 330,323 square kilometres and lies entirely in the equatorial zone. It is made of 13 states in Peninsular Malaysia (Johor, Kedah, Kelantan, Melaka, Negeri Sembilan, Pahang, Perak, Perlis, Penang, Selangor, Terengganu as well as the Federal Territories of Kuala Lumpur and Putrajaya) and East Malaysia (Sabah and Sarawak as well as the Federal Territory of Labuan)
<h2>Political System</h2>	<ul style="list-style-type: none">The political system in Malaysia is based on federal parliamentary democracy with a constitutional monarch. Yang di-Pertuan Agong (the King) is the head of the state. The prime minister is the head of the government. Federal and state governments are formed following elections every five years.
<h2>Legal System</h2>	<ul style="list-style-type: none">The legal system has its roots in the English common law system. The supreme law of the land is the Malaysian Federal Constitution. Federal laws enacted by the Parliament of Malaysia apply throughout the country. There are also state laws enacted by the State Legislative Assemblies which apply in the specific state.
<h2>Business Hours</h2>	<ul style="list-style-type: none">Office hours are generally 8:00 a.m. to 5:00 p.m. with 1 hour lunch break, from Monday to Friday.Government office normally operate on a five-day week.Government office hours are generally from 8.00 a.m. to 5.00 p.m, Monday to Friday.There is normally a long lunch break on Friday to allow the Muslims to perform their prayers.
<h2>Name card</h2>	<ul style="list-style-type: none">The exchange of name card is common in business meetings.
<h2>Physical Contact</h2>	<ul style="list-style-type: none">Handshakes are fairly common when meeting someone in Malaysia. One should avoid physical contact between opposite sexes. It is best to leave the initiative to the counterpart before placing one's hand over.Due to new norm, Malaysian practise no contact gesture by putting right hand on left chest when greet someone.

An aerial photograph of a paved road winding through a dense green forest. A red car is driving on the road, moving away from the viewer. The road has white lane markings and a dashed center line. The surrounding forest is lush and green, with various tree species visible.

General information

-2.7%*

GDP growth

-1.4%*

Inflation

32.75m*

Population

12[^]

World bank ease of
doing Business rank

* data collected from Department of Statistics Malaysia
as of fourth quarter 2020

[^] data collected from World bank as of 2020

Setting up a business organisation

The principal forms of business organisation in Malaysia are sole proprietorships, conventional partnerships, limited liability partnerships, companies, branches of foreign companies and representative offices.

An incorporated company may be limited by shares, limited by guarantee or an unlimited company. A company is a separate legal entity created under the Companies Act 2016. It is able to own properties, enter contracts, sue and be sued in its own name.

The establishment and operations of a company are governed by the Companies Act 2016, and regulated by the Companies Commission of Malaysia (“CCM”).

Generally, it takes about 1 week to incorporate a company or 1 to 2 months to register a branch of a foreign company in Malaysia.



Establishing an entity

Company

An incorporated company may be limited by shares, limited by guarantee or an unlimited company. A company is a separate legal entity created under the Companies Act 2016. It is able to own properties, enter contracts, sue and be sued in its own name.

The establishment and operations of a company are governed by the Companies Act 2016, and regulated by the Companies Commission of Malaysia (“CCM”).

Generally, it takes about 1 to 2 weeks to incorporate a company or 1 to 2 months to register a branch of a foreign company in Malaysia. Shelf companies are readily available and can be bought and used within days.

At minimum, a company shall have one director. A company shall have at least one director whose principal place of residence is Malaysia. The management control of a company is normally vested in the board of directors which holds fiduciary responsibility to the company. A company must have a registered office and keep its accounts and records in Malaysia. Every company must appoint a qualified company secretary, who must be a natural person and whose principal place of residence is in Malaysia. Every company is required to lodge annual returns with the CCM based on their respective anniversary incorporation date.

Company Limited by Shares

The liability of a shareholder of a company limited by shares is limited to the contributed share capital. A company limited by shares may be either a private company or a public company. A private company shall have no more than 50 shareholders. A company is easily identifiable by its name which contains the words “Sendirian Berhad” (abbreviation: “Sdn Bhd”), while the name of a public company contains the word “Berhad” (abbreviation: “Bhd”).

At minimum, a company may be formed with one shareholder (whether a natural person or a corporate body) and one director. All shares issued by a company shall have no par value. A company may issue its shares at any price.

Company Limited by Guarantee

A company limited by guarantee shall be a public company. Commonly used for the purpose of charity or to serve other national or public interests.

The liability of a member of a company limited by guarantee is limited to any amount which the member has undertaken to contribute to the company in the event of it being wound up.

Branch of a Foreign Company

A foreign incorporated company which intends to carry out business in Malaysia, but does not wish to incorporate a company in Malaysia, may register a branch in Malaysia.

A branch of a foreign company shall be wholly owned by the foreign company, and the foreign company is liable to liabilities of its branch(es) in Malaysia.

Setting up a branch is more appropriate for a foreign company which plans to operate in Malaysia on a short-term basis and is not carrying out wholesale or trade retail businesses.

A branch of a foreign company is required to have at least 1 person resident in Malaysia to be the authorised agent in Malaysia. A branch of a foreign company in Malaysia must keep the records of its Malaysian operations in Malaysia. The appointed agent shall be answerable for the acts, matters and things, as are required to be done by the the foreign company under the Companies Act 2016; and be personally liable for all penalties imposed on the foreign company for any contravention of the Companies Act 2016.

Establishing an entity

Sole proprietorship and Conventional partnership

These are the simplest forms of business organisation and are usually more suitable for small-scale businesses. Both the sole proprietors and the partners are subject to unlimited liability with regard to the debts of the business.

Businesses carried out under sole proprietorships and conventional partnerships must be registered with the Registrar of Business ("ROB"). Sole proprietorships and conventional partnerships are not required to lodge financial statements with ROB.

Limited Liability Partnership

A limited liability partnership ("LLP") is a corporate body and has a legal personality separate from its partners. The LLP has perpetual succession. Any change in the partners of a LLP shall not affect its existence, rights or liabilities. Accordingly, a LLP gives the partners the flexibility of operating as a partnership whilst giving them limited liability. It combines the benefits of a partnership with those of a private limited company.

A LLP must have at least 2 partners consisting of natural persons or corporate bodies. A LLP must appoint a compliance officer, and have a registered office and keep its accounts and records in Malaysia.

The establishment and operations of a LLP are governed by the Limited Liability Partnerships Act 2012, and regulated by the CCM.

Representative office

A foreign entity may establish a presence in Malaysia by setting up a representative office.

A representative office is prohibited from carrying out business in Malaysia, as it is not a permanent business setup in Malaysia. Establishment of a representative office is suitable for foreign investors who wish to explore the business environment in Malaysia before making investment decisions, e.g. market research, feasibility studies, promotional and liaison work on behalf of its principal entity.

The proposed operational expenditure of a representative office must be at least RM300,000 per annum. The representative office should be financed by funds emanating from sources outside Malaysia.

Foreign business restrictions

Only a Malaysian citizen or a permanent resident of Malaysia can register a sole proprietorship business or a general partnership business in Malaysia.

Foreign investors are permitted to incorporate a 100% foreign-owned company in Malaysia although at least one director must be resident in Malaysia.



Accounting and Audit

As required by the Companies Act 2016, the directors of every company shall prepare financial statements of the company, and have the annual financial statements audited by an approved company auditor. The audited financial statements of a private company shall be circulated to all its members within 6 months from the date of the financial year end and filed within 7 months from the date of the financial year end.

Financial statements shall be prepared in accordance with approved accounting standards in Malaysia. Private companies shall prepare their financial statements in accordance with the Malaysian Private Entities Reporting Standard ("MPERS") or Malaysian Financial Reporting Standards ("MFRS"). All other companies shall prepare financial statements using MFRS. MFRS are identical to International Financial Reporting Standards ("IFRS") in all respects other than the nomenclature. MPERS is word-for-word the IFRS for SME, except for the requirements on income tax and property development activities.

The following categories of private companies may be qualified for audit exemption:

- Dormant companies
- Zero-revenue companies
- Threshold-qualified companies (i.e. revenue \leq RM100,000; total assets \leq RM300,000; and \leq 5 employees)



Work permits and visas

Generally, a visa is not required for citizens of Commonwealth and ASEAN countries, except for Bangladesh, Cameroon, Ghana, Mozambique, Nigeria, Pakistan, India, Sri Lanka and Myanmar.

Foreigners can obtain a short term social visit pass for social or business visits, but such a pass cannot be used for the purpose of employment. A foreigner intending to work in Malaysia must apply for either a visitor's pass (temporary employment or professional) or an employment pass. A dependant pass can be granted to the families of expatriates, i.e. spouse and children of an employment pass holder.

As of 1 January 2021 positions should be open to Malaysians via the MYFutureJobs portal for at least 30 days before being offered to an expatriate unless the position is exempt from this requirement.

Employment of foreign staff - Employment of expatriates

The Malaysian government is desirous that Malaysians are eventually trained and employed at all levels of employment. Thus, companies are encouraged to train more Malaysians. Notwithstanding this, where there is a shortage of trained Malaysians, companies are allowed to bring in expatriate personnel.

Key Posts

Key posts are posts that are permanently filled by foreigners. These are high level managerial posts in a foreign-owned private company operating in Malaysia. Key posts are posts essential for a company to safeguard its interest and investment. The expatriates are responsible for determining the company's policies to achieve its goals and objectives.

Time Posts

Time posts are positions filled during specified time periods.

Executive Posts

These are intermediate managerial and professional posts. The post requires professional qualifications, practical experience, skills and expertise related to the specific job. The expatriates are responsible for implementing the company's policies and supervision of the staff.

Non-executive Posts

These are technical posts that require specific technical or practical skills and experience



Employment of foreign workers (non-executive)

In Malaysia, foreign workers can be employed in the manufacturing, construction, plantation, agricultural, services and domestic help sectors. The services sector consists of eleven sub sectors: restaurant, cleaning services, cargo handling, launderette, caddy in golf club, barber, wholesale/ retail, textile, metal/scrap/recycl activities, welfare homes and hotel/resort island.

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

According to relevant regulations, the minimum wage in Malaysia shall be RM1,100 (monthly).



Foreign exchange

Malaysia continues to maintain a liberal foreign exchange administration policy, the existing measures being mainly prudential measures to support the overall macroeconomic objective of maintaining monetary and financial stability while safeguarding the balance of payments position of the country. The foreign exchange administration policies have been progressively liberalised to enhance the competitiveness of the company and to achieve greater efficiency in the conduct of trade and investments.

The Malaysian markets are easily accessible by global investors. There is free mobility of inflow and outflow of capital for investments in Malaysia.

Non-residents are free to invest in any form of Ringgit assets either as direct or portfolio investments; and they are free to remit out divestment proceeds, profits, dividends or any income arising from these investments in Malaysia. Non-residents may undertake the settlement for trade in goods and services in foreign currency or Ringgit with residents.



Taxation - Corporate Income Tax

Generally, income tax is imposed upon the income accruing in or derived from Malaysia. The exception to the general rule is that income derived by tax residents from the businesses of banking, insurance and air/ sea transport operations is chargeable to tax on a world income scope.

Basis of assesment and tax year

Income is assessed to tax on a current year basis. Generally, a company is assessed to tax based on its financial year (i.e. the year of assessment). A company is required to declare its income (both business income and non-business income) for a year of assessment based on its audited financial statements or management accounts in the event that the company is eligible for exemption from audit under the Companies Act 2016.

Resident status

A company is a tax resident in Malaysia if the management and control of its business/affairs are exercised in Malaysia. Management and control is considered to be exercised at the place where the directors hold their meetings.

Tax rates

A resident company is subject to corporate tax at 24% of its chargeable income. Where a resident company qualifies as a small and medium-sized enterprise, i.e. a resident company with a paid-up ordinary share capital of RM2.5 million or less at the beginning of the basis period and gross income from business sources not exceeding RM50 million for the basis period for that YA; and belongs to a group of companies with a paid-up ordinary share capital of RM2.5 million or less, such resident company is entitled to a preferential tax rate of 17% on the first RM600,000 of its chargeable income. The chargeable income in excess of RM600,000 is taxed at 24%.

A non-resident company is subject to a flat corporate tax rate of 24% on its business income.

Income of a non-resident company that is not attributable to a business carried out by that nonresident in Malaysia is taxed at the following rates:

Tax rates

	Rate*
Dividends (single tier)	Tax-exempt
Interest	15%
Royalty	10%
Rental of moveable property	10%
Technical or management service fee*	10%
Sportsperson / Entertainers' professional income	15%
Income other than the above	10%

* The double taxation agreements may provide for lower rates.

Taxation - Corporate Income Tax

Distribution of dividends

Malaysia adopts the single tier tax system of taxation. Under this system, the tax charged on a company is a final tax and dividends distributed to shareholders will be exempted from tax.

Tax compliance

A new company or branch needs to register an income tax file and an employer file with the tax authorities. In addition, the new company is also required to provide an estimate of its tax payable within the first 3 months of the beginning of its operations.

Tax incentives

There are various tax incentives to promote investments in Malaysia which are available for investors who incorporate subsidiary companies in Malaysia. Tax incentives are generally given in the form of tax exemptions on profit and further-tax allowances or deductions on capital expenditure incurred. Some of the tax incentives are mutually exclusive.

Pioneer Status

Pioneer Status incentive is an exemption from income tax on 70% of statutory income (profit after deduction of capital allowances) for a period of five years.

As an alternative to pioneer status, a new or existing company which participates in a promoted activity or produces a promoted product is eligible for Investment Tax Allowance which is a further tax allowance on capital expenditure incurred.

A resident company engaged in manufacturing, agricultural, international trading or approved service sector, which exports its goods or services, is eligible for the increased export allowance on the value of increased exports at a rate ranging from 10% to 100%.

An approved Principal Hub company is eligible for a 3-tiered corporate taxation rate ranging from 0% to 10% over a period of 5 years with an extension for another 5 years.

Multimedia Super Corridor ("MSC") Status

Multimedia Super Corridor ("MSC") Status companies that participate and undertake information and communication technology activities in Cybercities which are approved by the Multimedia Development Corporation and fulfilled certain prescribed criteria are eligible for tax exemption.

Development Regions

For Development Regions, The Malaysian government has identified various strategic locations for promotion of investments for national economic advancement. These locations are and will be equipped with all the necessary infrastructures (both financial and non-financial) as well as customised tax incentives for the creation of a business-friendly environment.

Iskandar Development Region (IDR)

Iskandar Development Region represents a special economic zone in South Johor between Senai Airport and Ports of Tanjung Pelepas and Pasir Gudang. Iskandar Regional Development Authority ("IRDA") was set up in order to develop the IDR into a strong and sustainable metropolis of international standing.

Taxation - Personal Income Tax

Generally, income tax is imposed upon any income accruing or derived from Malaysia. The income of an individual commonly consists of gains or profits from an employment, profession or vocation.

Basis of assesment and tax year

Employment income is regarded as derived from Malaysia if the employment is exercised in Malaysia and is subject to Malaysian tax regardless of the location of the employer or the location where the remuneration is paid. Gross employment income includes monetary and non-monetary benefits such as salaries, bonuses, allowances, perquisites, commissions, paid leave, fees, wages and benefits-in-kind. Certain prescribed perquisites and benefits-in-kind are exempted from tax.

Tax rates

A tax resident is taxed on a scale ranging from 0% to 30% depending on the level of chargeable income. A non-tax resident is subject to tax on its business and employment income at a flat rate of 30%.

Personal relief

A tax resident is entitled to claim personal relief in arriving at his chargeable income. No personal relief is available for a non-tax resident.

Tax rates

	Rate*
Dividends (single tier)	Tax-exempt
Interest	15%
Royalty	10%
Rental of moveable property	10%
Technical or management service fee	10%
Sportsperson / Entertainers' professional income	15%
Other income	10%

* The double taxation agreements may provide for lower rates.

Taxation - Sales & Service Tax

Sales Tax

Effective 1 September 2018, GST has been repealed and is replaced by Sales Tax and Service Tax. Sales tax is a single stage tax which is charged and levied on:

- Taxable goods manufactured in Malaysia by a registered manufacturer and sold, used or disposed by him; or
- Taxable goods imported into Malaysia.

Taxable persons

A person who manufactures taxable goods in Malaysia is required to be registered as a registered manufacturer. The manufacturer is responsible for computing, charging and collecting sales tax from its customers and for paying over the tax so collected to the Customs authorities.

Sales tax registration

A manufacturer of taxable goods whose total sales value of goods manufactured over a 12-month period exceeds or is expected to exceed RM500,000 is liable to register not later than the last day of the month following the month when the threshold is reached. Voluntary registration may be considered for manufacturers of taxable goods whose turnover is below threshold of RM500,000.

Rate of sales tax

Sales tax is an ad valorem tax based on group of taxable goods:

Tax rates

	Rate*
Foodstuffs, building materials, prefabricated buildings, laptops, personal computer, telephone, watches, perfumes, cosmetic and beauty products, camera	5%
Other goods not specifically exempted	10%

Filing of Sales Tax Returns

Sales tax is accounted on accrual basis for each taxable period of every 2 month which is due not later than the last day of the following month after the end of a taxable period.

Taxation - Sales & Service Tax

Service Tax

Service tax is charged on taxable services provided in Malaysia by a registered person.

Taxable persons

Certain service providers whose annual sales exceeds a certain threshold are prescribed as taxable persons.

Taxable services

Taxable services include the provision of foods, drinks, tobacco, rooms for lodging accommodation, health care, betting / gaming services, professional services, consultancy services, information technology services, management services, employment services, security services, telecommunication services, courier services, digital services, etc.

Service tax registration

A provider of taxable services whose total value of taxable services over a 12-month period exceeds or is expected to exceed the prescribed threshold is liable to register not later than the last day of the month following the month when the threshold is reached. Voluntary registration may be considered for providers of taxable services whose turnover is below threshold.

Rate of service tax

The service tax is fixed at 6% on the value of all taxable services except for provision of credit card or charge card services. Service tax of RM25 is imposed on the issuance of principal or supplementary credit card or charge card and on every subsequent year or part thereof.

Filing of Service Tax Returns

Effective 1 January 2020, a foreign service provider who provides digital service to a consumer in Malaysia with the total value of digital services exceeding RM500,000 will be liable to be registered as a foreign registered person under Section 56C of the Service Tax Act 2018.

Taxation - Real Property Gains Tax ("RPGT")

Real Property Gains Tax ("RPGT")

Real Property Gains Tax ("RPGT") is imposed on any person with respect to gains derived from the disposal of:

- any land situated in Malaysia and any interest, option or right in or over such land; and
- shares in a real property company ("RPC").

Effective 1 January 2019, RPGT is imposed at the following rates:

Disposal	Citizen; Permanent Resident	Company incorporated in Malaysia	Non-Citizen; Non-Permanent Citizen; company not incorporated in Malaysia
Within 3 years	30	30	30
In the 4th year	20	20	30
In the 5th year	15	15	30
In the 6th year onwards	5	10	10



Taxation - Other taxes

Excise duties

Excise duties are imposed on a specific range of goods manufactured in or imported into Malaysia. The rates of excise duty range from 4 cents to 105%.

Import duties

Import duties are generally imposed on goods imported into Malaysia. The rates of import duties range from 0% to 60%.

Export duties

Export duties are imposed on the main commodities produced in Malaysia such as petroleum and palm oil. The duties are imposed at the rate of 10% for crude petroleum and at cost plus for other commodities.

Stamp duty

Stamp duty is chargeable normally with either impressed or adhesive stamps on certain instruments and documents. The rate of the duty varies according to the nature of the instruments / documents and the transacted value.

Properties (Other than shares on marketable securities)

Value	Rate
On the first RM100,000	RM1 per RM100 or part thereof
On the next RM400,000	RM2 per RM100 or part thereof
On the next of RM500,000	RM3 per RM100 or part thereof
In excess of RM1,000,000	RM4 per RM100 or part thereof
Securities:	
Securities	RM3 for every RM1,000 or any fraction thereof based on consideration or value, whichever is greater.

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 42,000 professionals – 26,000 + in Mazars' integrated partnership and 16,000 + via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws

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