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**2015/2016**

**Malaysian Tax and Business Booklet**

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***2015/2016  
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 2016 Malaysian Budget announced on 23 October 2015

This booklet incorporates in *coloured italics* the 2016 Malaysian Budget proposals announced on 23 October 2015. These proposals will not become law until their enactment which is expected to be in early 2016 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.

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# CONTENTS

## TAX INFORMATION

<b>INCOME TAX</b>	1
Scope of taxation	1
Basis of assessment	1
Public rulings and advance rulings	1
<b>PERSONAL INCOME TAX</b>	2
Tax residence status of individuals	2
Rates of tax	3
Personal reliefs for resident individuals	4
Tax rebates for resident individuals	6
<b>EMPLOYMENT INCOME</b>	7
Derivation	7
Exemption (short-term employees)	7
Employees of regional operations	7
Types of employment income and valuation	7
Perquisites	8
Benefits-in-kind (BIK)	9
Collection of tax	11
<b>CORPORATE INCOME TAX</b>	11
Residence status	11
Income tax rates	11
Collection of tax	12
Profit distribution	13
Losses	13
Group relief	13
Tax deductions	13
Transfer pricing	14
Thin capitalisation	14
<b>CAPITAL ALLOWANCES</b>	15
Industrial buildings	15
Plant and machinery	15
Accelerated capital allowances	16
Automation capital allowances for the manufacturing sector	18
Disposals	18
Controlled transfers	18
Disposals within 2 years	18
Unabsorbed capital allowances	18

# CONTENTS

AGRICULTURE ALLOWANCES	19
DOUBLE TAX TREATIES AND WITHHOLDING TAX RATES	20
TAX INCENTIVES	22
A. Manufacturing / Services / Trading Sector	22
B. Biotechnology	26
C. Education	27
D. Financial Services	28
E. Green Incentives	34
F. Healthcare & Wellness	35
G. Information and Communication Technology	36
H. Refinery & Petrochemical Integrated Development (RAPID)	37
I. Regional Operations	37
J. Research and Development (R&D)	39
K. Logistics	40
L. Special Economic Corridors	41
M. Tourism, Hotels and Exhibitions	42
N. Other Incentives	43
O. Further / Double Deduction	46
INCOME EXEMPT FROM TAX	48
REAL PROPERTY GAINS TAX (RPGT)	51
Scope	51
Withholding of RPGT	51
Exemptions	51
IMPORT DUTIES	53
Rates of duties	53
Tariff rate quota	53
Value of goods	53
Exemptions	53
Prohibition of imports	54
Prohibition of exports	55
GOODS AND SERVICES TAX (GST)	56
Effective date and rate of tax	56
Scope of taxation	56
Taxable person and registration	56
Type of supplies	56
Supply of goods and services	58

# CONTENTS

Recovery of input tax	60
Time limit for making claim of input tax	60
Tax invoice	60
Special schemes	61
Records and retention period	61
Returns	62
Penalties	62
<b>LICENSED MANUFACTURING WAREHOUSE</b>	<b>63</b>
<b>FREE ZONE</b>	<b>63</b>
<b>FREE TRADE AGREEMENTS</b>	<b>63</b>
<b>EXPORT DUTIES</b>	<b>65</b>
<b>EXCISE DUTIES</b>	<b>65</b>
Basis of taxation	65
Rates of duties	65
Excise licensing	65
Payment of duty	65
Exports	65
<b>STAMP DUTY</b>	<b>66</b>
Basis of taxation	66
Rates of duty	66
Stamping	67
Penalty	67
Relief / Exemption / Remission from stamp duty	68
<b>OTHER BUSINESS INFORMATION</b>	
<b>ECONOMIC INDICATORS AND DIRECTIONS</b>	<b>71</b>
Economic growth	71
Labour market	72
Inflation	72
Monetary policy	73
Ringgit	73
<b>FINANCIAL REPORTING</b>	<b>74</b>
<b>EMPLOYEES' PROVIDENT FUND (EPF)</b>	<b>75</b>
Scope of EPF	75
Rates of contributions	75
Members' accounts	76

# CONTENTS

Employer I Akaun Registration	76
Withdrawals	76
<b>EMPLOYMENT GUIDELINES</b>	<b>77</b>
Guidelines for employment of expatriates (foreign professionals)	77
Employment of foreign workers (non-professionals)	80
<b>EMPLOYEES' SOCIAL SECURITY FUND</b>	<b>81</b>
Scope of SOCSO	81
Rates of contributions	81
SOCSO monthly contribution payment deadline	82
<b>HUMAN RESOURCES DEVELOPMENT FUND (HRDF)</b>	<b>82</b>
Scope of HRDF	82
Rates of contribution	84
Financial assistance	84
<b>FOREIGN AND BUMIPUTRA EQUITY PARTICIPATION</b>	<b>84</b>
<b>EXCHANGE CONTROL</b>	<b>85</b>
Remittances abroad	85
Investment in foreign currency assets by a resident	86
Purchase of immoveable properties by non-residents	86
Borrowings in foreign currency by a resident	87
Borrowings in Ringgit by a resident	87
Foreign currency accounts	88
Non-resident's accounts	88
Import and export of currency	88
Dealing with Israel and the currency of Israel	88
Exports from Malaysia	89
Issuance of securities	89
Labuan entities	89
Special status companies	89
<b>IMPORTANT FILING / FURNISHING DATES</b>	<b>90</b>

## **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 Labuan entities including 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. 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 2016 is the year ending 31 December 2016. 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 2016 for a company which closes its accounts on 30 June 2016 is the financial year ending 30 June 2016. All income of persons other than a company, co-operative or trust body, are assessed on a calendar year basis.

### ***Public rulings and advance rulings***

To facilitate compliance with the law, the Director General of Inland Revenue (DGIR) is empowered to issue public rulings and advance rulings.



## 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 due to the following reasons are counted as part of the consecutive days, provided that the individual is in Malaysia before and after each temporary absence:-
  - business trips
  - treatment for ill-health
  - social visits not exceeding 14 days
- 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.

# PERSONAL INCOME TAX

## Rates of tax

### Resident individuals

	Chargeable Income RM	YA 2015		YA 2016*	
		Rate %	Tax Payable RM	Rate %	Tax Payable RM
On the first	5,000		0		0
On the next	15,000	1	150	1	150
On the first	20,000		150		150
On the next	15,000	5	750	5	750
On the first	35,000		900		900
On the next	15,000	10	1,500	10	1,500
On the first	50,000		2,400		2,400
On the next	20,000	16	3,200	16	3,200
On the first	70,000		5,600		5,600
On the next	30,000	21	6,300	21	6,300
On the first	100,000		11,900		11,900
On the next	150,000	24	36,000	24	36,000
On the first	250,000		47,900		47,900
On the next	150,000	24.5	36,750	24.5	36,750
<i>On the first</i>	<i>400,000</i>		<i>84,650</i>		<i>84,650</i>
<i>On the next</i>	<i>200,000</i>	25	<i>50,000</i>	25	<i>50,000</i>
<i>On the first</i>	<i>600,000</i>		<i>134,650</i>		<i>134,650</i>
<i>On the next</i>	<i>400,000</i>	25	<i>100,000</i>	26	<i>104,000</i>
<i>On the first</i>	<i>1,000,000</i>		<i>234,650</i>		<i>238,650</i>
<i>Above</i>	<i>1,000,000</i>	25		28	

\* *W.e.f YA 2016, tax rates for resident individuals whose chargeable income from RM600,001 to RM1,000,000 be increased by 1% and chargeable income exceeding RM1,000,000 increased by 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).

# PERSONAL INCOME TAX

## Non-resident individuals

Types of income	YA 2016 Rate (%)
Public Entertainer's professional income	15
Interest	15
Royalty	10
Special classes of income:	
<ul style="list-style-type: none"> <li>• rental of moveable property</li> <li>• technical or management services fees*</li> <li>• 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</li> </ul>	}
	10
Dividends (single tier)	Exempt
Business and employment income	28**
Income other than the above	10

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

\*\* Increased to 28% w.e.f YA 2016 (25% for YA 2015).

## Personal reliefs for resident individuals

Types of relief	YA 2016 RM
Self	9,000
Disabled individual - additional relief for self	6,000
<i>Spouse</i>	<i>4,000</i>
Disabled spouse - additional spouse relief	3,500
Child	
• <i>per child (below 18 years old)</i>	<i>2,000</i>
• <i>per child (over 18 years old):-</i> <i>receiving full-time instruction of higher education in respect of:</i>	<i>8,000</i>
<ul style="list-style-type: none"> <li>- <i>diploma level and above in Malaysia; or</i></li> <li>- <i>degree level and above outside Malaysia</i></li> </ul>	
<i>OR serving under article of indentures in a trade or profession in Malaysia</i>	
• <b>per physically / mentally disabled child</b>	<b>6,000</b>
• <i>physically / mentally disabled child (over 18 years of age)</i> <i>receiving full-time instruction at institution of higher education in respect of:</i>	<i>14,000</i>
<ul style="list-style-type: none"> <li>- <i>diploma level and above in Malaysia; or</i></li> <li>- <i>degree level and above outside Malaysia</i></li> </ul>	
<i>OR serving under articles or indentures in a trade or profession in Malaysia</i>	

## PERSONAL INCOME TAX

Types of relief	YA 2016 RM
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*
<i>Parental care relief:</i>	
-father	1,500*
-mother	1,500*
<i>(until YA2020)</i>	
<i>Employee's contribution to Social Security Organisation (SOCSO)</i>	<i>250*</i>
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*
<i>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</i>	<i>7,000*</i>
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

## PERSONAL INCOME TAX

### *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.

## **EMPLOYMENT INCOME**

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:** <ul style="list-style-type: none"> <li>• long service (more than 10 years of employment with the same employer)</li> <li>• past achievement</li> <li>• service excellence, innovation, or productivity award</li> </ul>

\*\* 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



## EMPLOYMENT INCOME

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

	Value per year
<b>Household furnishings, apparatus &amp; appliances</b>	
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
<b>Prescribed value of other benefits</b>	
- 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
<ul style="list-style-type: none"> <li>Leave passages</li> </ul>	<ul style="list-style-type: none"> <li>(i) one overseas leave passage up to a maximum of RM3,000 for fares only; or</li> <li>(ii) 3 local leave passages including fares, meals and accommodation</li> </ul>
<ul style="list-style-type: none"> <li>Employers' goods provided free or at a discount</li> </ul>	Exemption is available up to RM1,000 per annum. Any benefit exceeding RM1,000 will be subject to tax
<ul style="list-style-type: none"> <li>Employers' own services provided full or at a discount</li> </ul>	Fully exempted
<ul style="list-style-type: none"> <li>Maternity expenses &amp; traditional medicines</li> </ul>	Fully exempted
<ul style="list-style-type: none"> <li>Telephone (including mobile telephone), telephone bills, pager, personal data assistant (PDA) and broadband subscription</li> </ul>	Fully exempted, limited to one unit for each asset

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

## CORPORATE INCOME TAX

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.
- Effective from 1 January 2015, total remuneration including benefits-in-kind and value of accommodation provided to employees is subject to MTD. Payment deadline is extended from 10th of the following month to 15<sup>th</sup> of the following month.
- 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:

## CORPORATE INCOME TAX

Chargeable Income	YA 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 & 2016
Business income	25% / 24% <sup>#</sup>
Royalties	10%
Rental of moveable properties	10%
Technical or management service fees	10% <sup>**</sup>
Interest	15% <sup>***</sup>
Dividends	Exempt <sup>****</sup>
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 of a non-resident company on all income other than income from a business 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, *payment to a non-resident public entertainer* or other payments made to non-residents which are subject to Malaysian withholding tax but where the withholding tax was not paid
- *Input tax incurred by the person if the person is liable to be registered under GST but is not registered*
- *Input tax incurred by the person and the input tax is claimable by that person*
- *Output tax which is borne / absorbed by a person who is GST registered or liable to be GST registered*

### ***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.

## 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).

## CAPITAL ALLOWANCES

- expenditure on fish ponds, animal pens, cages and other structures used for agricultural or pastoral pursuits.
- General rates of capital allowance

	Initial allowance	Annual allowance
Heavy machinery	20%	20%
General plant and machinery	20%	14%
Furniture and fixtures	20%	10%
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 %
<b>Industrial buildings</b>		
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

## CAPITAL ALLOWANCES

	Initial Allowance %	Annual Allowance %
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
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
<b>Plant and machinery (P &amp; M)</b>		
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 RM 1,300 (w.e.f YA 2015) (RM1,000 prior to YA 2015) each are eligible for 100% capital allowances. The total capital allowances of such assets are capped at RM13,000 (w.e.f YA 2015) (RM10,000 prior to YA 2015) except for SMEs (as defined).



## CAPITAL ALLOWANCES

### *Automation capital allowances for the manufacturing sector*

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

### **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:

Treaty countries	Rate of withholding tax %		
	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 <sup>1</sup>	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
Mauritius	15 or Nil	10	10

## DOUBLE TAX TREATIES AND WITHHOLDING TAX RATES

Treaty countries	Rate of withholding tax %		
	Interest	Royalties	Technical Fees
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	15 or Nil	10 or Nil	10
Poland (New)	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 <sup>1</sup>	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.

<sup>1</sup> 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 <sup>1</sup> (years)	Incentive	TRP <sup>1</sup> (years)
High technology companies engaged in new and emerging technologies	100% of SI <sup>2</sup>	5	60% QCE against 100% SI	5
Companies participating in automotive component modules	100% of SI	5	60% QCE against 100% SI	5
Selected industries:	100% of SI	5 + 5	100% QCE against 100% SI	5
<ul style="list-style-type: none"> <li>• Machinery and equipment</li> </ul>				

## TAX INCENTIVES

Qualifying industry	Pioneer status		Investment tax allowance	
	Incentive	TRP <sup>1</sup> (years)	Incentive	TRP <sup>1</sup> (years)
<ul style="list-style-type: none"> <li>• Specialised machinery and equipment</li> <li>• Oil palm biomass</li> <li>• Renewable energy</li> <li>• Conservation of energy</li> </ul>				
Companies providing technical and vocational training, and private higher education institution providing qualifying science courses	-		100% QCE against 70% SI	10
Projects of national and strategic importance	100% of SI	5 + 5	100% QCE against 100% SI	5
Companies reinvesting in post-pioneer period in production of <ul style="list-style-type: none"> <li>• resource based</li> <li>• food processing</li> <li>• research and development</li> <li>• hotel business and tourism activities</li> <li>• oil palm biomass to produce value added products</li> <li>• cold chain facilities and services for perishable agriculture produce</li> </ul>	70% of SI	5	60% QCE against 70% SI	5
Small scale companies	100% of SI	5	60% QCE against 100% 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

<sup>1</sup> Tax relief period (in terms of years).

<sup>2</sup> Statutory income

## ***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 <i>or</i> 20 <sup>#</sup>	10
	50 <i>or</i> 40 <sup>#</sup>	15
Agricultural produce	-	10
Designated “Qualifying Services”		10 / 50

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

<sup>#</sup> *Companies with paid-up capital not exceeding RM2.5 million for YA 2016 to 2018*

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 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 (*extended to 31 December 2020*) to the Ministry of Agriculture and Agro-based Industry.

### **Reinvestment allowance (RA)**

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.

### *A special reinvestment allowance will be extended for QCE incurred:*

- *from YA 2016 - 2018 for companies where RA incentive period ends in YA 2015 or prior*
- *from YA 2017 - 2018 for companies where RA incentive period ends in YA 2016*
- *for YA 2018 for companies where RA incentive period ends in YA 2017*

## **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 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 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.

#### ***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).

- Double deduction on additional expenses for issuance of approved retail debentures (YA 2012 to YA 2015). *Extended to YA2018.*
- *Double deduction on additional expenses for issuance of sukuk under the principles of Mudharabah, Musyarakah, Istina', Murabahah and Bai' Bithaman Ajil based on tawarruq (YA 2016 to YA 2018).*
- Single deduction on additional expenses for the issuance of retail sukuk (YA 2012 to YA 2015).
- *Single deduction on additional expenses for the issuance of sukuk under the principles of Ijarah and Wakalah (YA 2016 to YA 2018).*
- 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).

### ***Issuance of sustainable and responsible investments sukuk (SRI sukuk)***

*Company that issues SRI sukuk approved by, or authorised by or lodged with the SC.*

*Incentive:*

- *Tax deduction on issuance costs of SRI sukuk (YA 2016 to YA 2020).*

### ***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). *Extended for another 4 years to YA 2020*

### ***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.

### ***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).  
*Extended to 31 December 2019.*
- Final withholding tax of 25% on dividends paid by REIT to non-resident company. *Reduced to 24% w.e.f. YA 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 Sukuk***

SPV established solely for the purpose of complying with Syariah principles in the issuance of *Sukuk*.

*Incentive:*

- The SPV is not subject to income tax and not required to comply with administrative procedures under the Income Tax Act 1967.
- Company/REIT/PTF that established the SPV is allowed a deduction for cost of issuance of *Sukuk*. The company/REIT/PTF 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	<ul style="list-style-type: none"> <li>- at least 70% of invested funds is invested in VC; or</li> <li>- at least 50% of invested funds is invested in VC in the form of seed capital</li> </ul>

- (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)***

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 exemption on energy conservation equipment not produced locally.	

### **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 exemption on equipment used to generate energy from renewable sources not produced locally	

## 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

### 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.

#### ***Multimedia Super Corridor***

**MSC status company** in highly capital intensive activities is eligible for PS of 100% tax exemption on statutory income for 5 + 5 years, or ITA of 100% QCE against 100% statutory income for 5 years.

ICT companies relocating to Cybercities/Cybercentres are eligible for PS of 100% tax exemption on statutory income for 10 years or ITA of 100% QCE against 100% statutory income for 5 years.

MSC status company outside MSC designated areas are given 75% tax exemption of statutory income for 5 years, and 100% tax exemption on statutory for another 5 years if relocated within MSC designated areas.

### **H. 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 and another 5 years for reinvesting after the initial 10 years has expired.
- Tax exemption for 15 consecutive YAs on income derived 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.

### **I. REGIONAL OPERATIONS**

#### ***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;
- that not more than 20 per cent of the Company's annual sales is derived from the trading of commodities
- 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.

## **Global Incentive for Trading (GIFT) programme**

Labuan company can apply to Labuan FSA to establish a Labuan International Commodity Trading Company under the GIFT programme to trade in physical and related derivative instruments of the following commodities in foreign currency:

- (a) petroleum and petroleum-related products including liquefied natural gas (LNG);
- (b) agriculture products;
- (c) refined raw materials;
- (d) chemicals; and
- (e) based minerals

*Incentive:*

- (i) 3% corporate tax rate on chargeable profits as reflected in audited accounts under the Labuan Business Activity Tax Act 1990; 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.

## **Principal Hub**

A Malaysian incorporated company which uses Malaysia as a base for its regional and global businesses and operations to manage, control and support its key functions including risk management, decision making, strategic business activities, trading, finance, management and human resources.

*Incentive:*

An approved principal hub providing qualifying services is eligible for either one of the 3-tier corporate tax rate:

	Tier 3		Tier 2		Tier 1	
Blocks (years)	5	+5*	5	+5*	5	+5*
Tax rate	10%		5%		0%	

Subject to requirements on annual business spending, high value job creation and serving at least 3 countries outside Malaysia.

(applications received by MIDA from 1 May 2015 to 30 April 2016)

\* Additional block of five years are subject to incremental commitment of existing employment and business spending.

With the introduction of this new incentive, the tax incentives for International Procurement Centre, Operational Headquarters and Regional Distribution Centre are no longer available for new applicants from 1 May 2015.

### **J. 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.

### **K. LOGISTICS**

#### ***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 70% of statutory income from YA 2014

#### ***Integrated logistics services (ILS)***

A company or a group operation (at least 60% Malaysian owned) undertaking ILS. Three (3) principal activities of freight forwarding, transportation and warehousing and one (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.

### ***L. 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).

#### ***Northern Corridor Economic Region***

**Approved agricultural projects, Seeds research and development centres, and Operator of Premier Industrial Park** are eligible for 100% tax exemption on statutory income for 10 years, or ITA of 100% QCE on 100% statutory income for 5 years.

#### ***East Coast Economic Region***

**Approved developers** undertaking development in industrial park or free zone are eligible for 100% tax exemption on statutory income for 10 years.

**Approved development managers and approved park managers** providing management services in industrial park or free zone are eligible for 100% tax exemption on statutory income for 10 years.

**Investors** of related companies undertaking qualifying activities are given a deduction on the value of investment made.

**Companies undertaking qualifying activities** are eligible for 100% tax exemption on statutory income for 10 years, or ITA of 100% QCE on 100% statutory income for 5 years.



### ***Sarawak Corridor of Renewable Energy and Sabah Development Corridor***

The existing incentives for various industries and approved activities are available, which includes PS, ITA, deductions for research and development and reinvestment allowance.

### ***M. 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) *(extended to YA 2016 to YA 2018)*.

#### ***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) *(extended to YA 2016 to YA 2018)*.

### ***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.

## ***N. 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.

### ***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.

*Incentive:*

- An annual deduction of 20% of the cost of acquisition of foreign owned company for 5 years (applications received by MIDA from 1 July 2012 to 31 December 2016)

### **Industrial Area Management**

*A company approved and licensed by a Local Authority to undertake management of an existing industrial estate and with minimum 70% of the annual income of the industrial area management is derived from the compulsory activities (i.e. management, upgrading and maintenance activities within industrial estate)*

*Incentive:*

*100% tax exemption on statutory income for 5 years.*

*(applications received by MIDA from 1 January 2015 to 31 December 2017)*

### **Less Developed Areas**

*Existing company expanding its operation into less developed areas or newly established company which undertakes manufacturing or services in the less developed area and which will lead to substantial creation of employment and rural development*

*Incentive*

- *100% income tax exemption up to 15 years of assessment (5+5+5 years)*
- *100% Investment tax allowance on qualifying capital expenditure incurred for 10 years to be setoff against 100% of statutory income*
- *Stamp duty exemption on the transfer or lease of land or building in relation to the manufacturing and services activities.*
- *Withholding tax exemption on fees for technical advice, assistance or services; or royalty in relation to manufacturing and services up to 31 December 2020*
- *Import duty exemption on:*
  - (a) raw materials and components not locally produced and directly used in the manufacturing of finished goods*
  - (b) machinery and equipment not produced locally and directly used in the activities in selected services*

*(applications received by MIDA from 1 January 2015 to 31 December 2020)*

### **Independent Conformity Assessment Bodies (ICAB)**

An independent conformity assessment service company offering services to its clients to test their products, materials, systems or services for conformance to international specifications or safety standards and other conformities.

Incentive:

New ICAB	Existing ICAB
100% tax exemption on statutory income arising from qualifying activities for a period of 5 years. Or ITA of 60% QCE incurred within 5 years to be offset against 100% statutory income.	ITA of 60% QCE incurred within 5 years to be offset against 100% statutory income.

(ICAB must obtain accreditation from certain bodies and for application received by MIDA from 1 January 2016 until 31 December 2018).

### **O. FURTHER / DOUBLE DEDUCTION**

Examples of expenses that qualify for double deduction:

- 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.
- 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).
- Training and consultancy fees for implementing or enhancing 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).

## INCOME EXEMPT FROM TAX

- **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.
  - *sukuk* originating from Malaysia, other than convertible loan stock, issued in any currency other than Ringgit and *approved or authorised by, or lodged with, the SC, or approved by* the Labuan FSA.
- **Interest** income derived by non-resident persons from a bank or finance company licensed under Financial Services Act 2013 or 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
  - *sukuk* or debentures issued in Ringgit Malaysia, other than convertible loan stocks, *approved or authorised by, or lodged with, 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 *sukuk*, other than convertible loan stock, *approved or authorised by, or lodged with, 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.*



## INCOME EXEMPT FROM TAX

- **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.
- **Retirement gratuity or termination payment other than gratuities which are fully exempted, up to an amount not exceeding RM1,000 per completed year of service.**
- **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		
	Companies	Individuals (Citizens & Permanent Residents)	Individuals (Non Citizens)
Within 3 years	30%	30%	30%
In the 4 <sup>th</sup> year	20%	20%	30%
In the 5 <sup>th</sup> year	15%	15%	30%
In the 6 <sup>th</sup> and subsequent years	5%	0%	5%

### Withholding of RPGT

With effect from 1 January 2015, where the consideration consists of wholly or partly of money, an acquirer of chargeable asset must withhold 3% 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.

### 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.

- 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.

## 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 imposed on a 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.

Categories of goods requiring an import licence into Malaysia include, but are not limited to:

- Animal and plant products
- Certain food products, medical devices, pharmaceuticals and cosmetics
- Certain electrical operated machinery
- Sugar
- Copying machines, colour toner other than black
- Motor vehicles for the transport of persons, goods or materials
- Motor cycles, auto-cycles and cycles fitted with an auxiliary motor
- High speed duplicator including master electronic control, master playback with or without loop pin and slave recorder
- Film or tapes for magnetic recording commonly known as pancakes excluding in cassettes or cartridge
- Liquid milk in any form including flavoured milk recombined or reconstituted
- Liquid sterilised flavoured milk including flavoured milk recombined or reconstituted
- Cereal flour
- Billets of iron or steel
- Alloy steel and high carbon steel
- Stranded wire, cables, cordage, ropes, plaited bands and the like of aluminium wire
- Insulated electric wire, cable, bars and strip and the like, whether or not fitted with connectors
- Polymers of ethylene in primary forms
- Polymers of propylene in primary forms
- Heavy machineries
- Plastic waste
- Chlorofluorocarbons (CFCs)
- Medicines and pharmaceutical goods
- Petroleum
- Telecommunications equipment
- Tobacco products, alcoholic beverages
- Radioactive/nuclear materials/prescribed substances

- Hybrid Information Communication Technology (ICT) products which are integrated with a communication module for connecting to a public communications network or for radio communication utilising the frequency band up to 420THz

### ***Prohibition of exports***

Export restrictions are seldom imposed except on a limited range of products for reasons of security and public safety. An export license has to be obtained for the exportation of prohibited goods.

Categories of goods requiring an export licence include, but are not limited to:-

- Milk and milk products
- Oils and fats of palm oil excluding margarine, imitation ghee, shortening and palm kernel oil
- Cement clinker
- Portland cement
- Slags, dross, scaling and similar waste of iron and steel, zinc
- Scrap and other waste of iron and steel, copper, nickel, lead, zinc, tin, magnesium
- Tin slag and hardhead of tin
- Zinc dust, powders and flakes
- Naphtha
- Cinematograph film exposed but not developed of 16mm or 35mm
- Roofing tiles
- Textiles to European Economic Community, United States, Canada, Sweden, Norway, Finland and Austria
- Military clothing and equipment
- Bricks
- Unwrought tin, unalloyed (tin ingot)
- Sugar
- Billets of iron or non-alloy steel
- Bars and rods of iron or non-alloy steel
- Stainless steel vessels, pumps of medium or large capacity and drivers (gas turbines and electric motors) designed for used in the transportation of crude oil and natural gas and equipment designed for use in crude oil export terminals (to Libya)

Import and export license applications may be submitted electronically via DagangNet (e-Permit) or manually to the relevant license/permit processing authority. Approvals are paper based.

## GOODS AND SERVICES TAX (GST)

### **Effective date and rate of tax**

GST has been implemented with effect 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 are not within the scope of GST except for services prescribed by the Minister of Finance. Supplies made by the local authorities and statutory bodies in respect of their regulatory and enforcement functions are also not within the scope of the tax.

### **Taxable person and registration**

- A taxable person is a person who makes taxable supplies in Malaysia with annual turnover exceeding RM500,000. Such persons are required to be registered for GST. Refer to the chapter on *important filing/ furnishing dates* for registration details.
- 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 is not required to register but may register on a voluntary basis.

### **Type of supplies**

#### **1. Standard rated 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 supplies 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.

*Presently, the zero-rated supplies include:*

- *Medicines in the National Essential Medicines List (“NEML”)*
- *Export of goods*
- *Treated water to domestic consumers*
- *First 300 units of electricity to domestic consumers*
- *Food items such as live poultry, eggs and selected vegetables*
- *International services*

*[Additional items on foodstuff such as soybean-based and organic-based milk for infant and children, dhal, lotus root and water chestnut and medicines such as all types of controlled drug under the Poisons List Group A, B, C and D as well as an additional 92 brands of over-the counter medicines are proposed to be zero-rated with effect from 1 January 2016.]*

### **3. Exempt supply**

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

*Supplies that are GST exempt include:*

- *Risk based financial services*
- *Educational and related educational services by approved educational providers*
- *Child care services provided by any child care centre registered under the Child Care Centre Act 1984*
- *Healthcare services provided by any registered or licensed private healthcare facilities*
- *Sale or lease of land or building for residential*
- *Sale or lease of land for agriculture or general use purposes*
- *Certain investment precious metal*
- *Public transportation services*

*[Domestic air transportation services for economy class passengers on Rural Air Services routes are proposed to be exempt from GST with effect from 1 January 2016.]*



## 4. Supply granted relief

*GST relief can be granted in 2 ways; relief from charging GST or relief from payment of GST. This means that certain taxable goods or services supplied or purchased by businesses are granted relief from charging GST or paying GST, subject to certain conditions being met.*

*Examples of such supplies include:*

- *Supply of goods made in a fund raising event*
- *Certain goods and services supplied within the Joint Development Area*
- *Certain equipment and materials purchased by public higher educational institutions*
- *Supply of goods at a duty free shop*

*[Teaching materials and equipment purchased by skills training providers conducting approved and accredited programmes, re-importation of goods temporarily exported for the purpose of promotion, research or exhibitions, re-importation of eligible equipment temporarily exported for the purpose of rental and lease are proposed to be granted relief from payment of GST with effect from 1 January 2016.]*

Details of the goods and services included under the above categories of supplies can be obtained from the website of the Royal Malaysian Customs Department ("RMCD") (<http://gst.customs.gov.my>).

## **Supply of goods and services**

### **1. Definition**

"Goods" are defined to mean any kind of movable and immovable property but exclude money.

"Services" are defined as anything which is done or to be done for a consideration that is not a supply of goods. Consideration can either be money or something else that has a monetary value.

### **2. Place of supply**

Goods are treated as supplied in Malaysia if they are in Malaysia when the supply takes place. This applies both to goods that stay in Malaysia and those that are taken out of Malaysia (exports).

A supply of services will be treated as made in Malaysia if the supplier of those services belongs in Malaysia. Services are treated as not made in Malaysia if the person supplying the services does not belong in Malaysia.

To belong in Malaysia, a person would have to have a business establishment or fixed establishment in Malaysia, or their normal place of residence is in Malaysia. A fixed establishment includes a branch or an agency through which a person carries on a business. Where a supplier has establishments in more than one country, the place most closely connected with the supply would be treated as the place from where the supply is made.

### **3. Time of supply**

The time when any individual supply is deemed to have taken place is the time of supply. This is also referred to as the tax point.

For a supply of goods, the basic tax point is:

- (a) When the goods are removed if the goods are to be removed; or
- (b) When the goods are made available if the goods are not to be removed.

For supplies of services, the tax point is the when the services are performed.

If an invoice is issued or payment is received before the basic tax point, the tax point shall be the earlier of the date when:

- (a) The tax invoice is issued; or
- (b) The payment is received.

If a tax invoice is issued within 21 days after the basic tax point, the date of the invoice would be taken to be the tax point.

### **4. Value**

The value of a supply is the amount upon which the GST is charged. Where the supply is for a consideration in money, the value of the supply is taken to be such amount, with the addition of the tax, equal to the consideration.

## ***Recovery of input tax***

### **1. General**

GST incurred on acquisitions (input tax) of goods and services attributable to making taxable supplies (i.e. standard-rated or zero-rated supplies) may be deductible against GST payable.

Input tax of goods and services attributable to making exempt supplies is not allowed for any claim of deduction.

### **2. Partial exemption**

A GST registered person who makes both taxable and exempt supplies is only allowed to claim input tax related to his taxable supplies. Input tax that relates to both taxable and exempt supplies must be attributed pro-rata, based on the value of taxable supplies as a percentage of total supplies (taxable and exempt).

### **3. Blocked input tax**

Input tax recovery is disallowed for certain types of purchases, e.g. passenger motor cars, recreational club subscription, benefits for employee's family members, entertainment to non-employees or non-customers, etc.

## ***Time limit for making claim of input tax***

The input tax should be claimed in the taxable period in which the taxable person holds the tax invoice of the acquisition. If the claim was not being made, the Director General ("DG") of Customs may allow the person to make the claim within six years from the date of supply.

## ***Tax invoice***

A registered person is required to issue a tax invoice when he makes a taxable supply. The following particulars must be shown on tax invoice:

- the word "tax invoice" in a prominent place
- the tax invoice serial number
- the date of issuance of the tax invoice
- the name, address and GST identification number of the supplier
- the name and address of the recipient of the goods or services
- a description sufficient to identify the goods or services supplied

- for each description, distinguish the type of supply for zero rate, standard rate and exempt, the quantity of the goods or the extent of the services supplied and the amount payable, excluding tax
- any discount offered
- the total amount payable excluding tax, the rate of tax and the total tax chargeable to be shown separately
- the total amount payable inclusive of the total tax chargeable
- if the amount for the above 2 items is expressed in foreign currency, that amount shall be converted to Ringgit Malaysia.

A registered person may write to the DG of Customs to apply for certain particulars of the tax invoice to be omitted. A registered person is also allowed to issue electronic tax invoice in-lieu of tax invoice in paper form.

### **Special schemes**

*There are a number of special schemes available for selected businesses such as manufacturing, toll-manufacturing, second-hand car trading, jewellery manufacturing, farming, and warehousing. These special schemes help to alleviate cash flow problems arising from charging or paying GST and are subject to qualifying conditions.*

*Details of the special schemes can be obtained from the website of the Royal Malaysian Customs Department ("RMCD") (<http://gst.customs.gov.my>).*

### **Records and retention period**

Every taxable person must keep full and up-to-date records for all transactions which affect or may affect his tax liability, including the following records:

- all records of goods and services supplied by or to that taxable person including tax invoices, invoices, receipts, debit note, credit note and export declaration forms
- all records of importations of goods
- all other records as the Director General may determine

The records described above must be kept for a period of 7 years in either Malay or English language. The records can be kept in electronic format but must be readily accessible and convertible in writing.

## **Returns**

### **1. Periods**

Every registered person will be allocated monthly or quarterly taxable periods depending on the annual business turnover. The return must be filed with the RMCD no later than 1 month after the end of the given period.

### **2. Payment**

Any payment due with a return must be made no later than the last day the return is due to be made.

### **3. Refund**

When a refund is due from the RMCD, it is to be made within:

- 14 working days from the date of the online submission of the return; or
- 28 working days from the date of the manual submission of the return.

Refund period may be subject to verification of returns.

### **4. Bad debts**

A GST registered business can claim for the GST paid on bad debts. The bad debt must be over 6 months old and all reasonable efforts must have been made to collect it. Subject to complying with certain requirements, a claim can be made for the GST element of the unpaid debt in the next return.

## **Penalties**

There are penalties for various offences and errors such as the following:

- Failure to register
- Incorrect return
- Late submission of GST return
- Late payment of GST
- Evading GST
- Knowingly obtaining a false refund
- Issuing tax invoice with GST whilst not registered
- Failure to keep records
- Obstruction of RMCD officer

The maximum amount of penalty on conviction per offence is RM50,000. Imprisonment term may also be imposed in addition to the penalty. The RMCD has the power to compound offences and effectively reach out of court settlements. The amount compounded is restricted to 50% of the maximum penalties on conviction.

### 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.

Although Import Duty is exempted for goods delivered to Licensed Manufacturing Warehouse (LMW), Goods and Service Tax (GST) is charged at the point of Customs clearance. As all exports are zero rated, LMW operators/exporters who mainly re-export their finished products do not collect output tax on their supplies or only collect a minimum amount of output tax which can help them offsetting against the GST paid on their imports. This would therefore cause a cash flow problem to them because they would have to pay GST upfront.

To help to alleviate their cash flow problem, the Approved Trade Scheme (ATS) has been introduced to allow a LMW to suspend the GST payable on imported goods (i.e. raw materials) until the finished goods are subsequently re-exported.

### 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 or excise duty.

### 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

## ***LICENSED MANUFACTURING WAREHOUSE***

- 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, indented ethyl alcohol, brandy, whisky, rum and tafia, gin, cigarettes containing tobacco, motor vehicles, motorcycles, playing cards and mah-jong tiles.

#### ***Rates of duties***

The rates of excise duties vary from a composite rate of 10 cents 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%
<b>Multi-tier service agreement</b>		
(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 RM500,000** executed during 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)

- *20% stamp duty exemption on the principal or primary instrument of financing for Shariah-compliant housing financing instruments executed on or after 1 January 2016 to 31 December 2017.*

### *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 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*

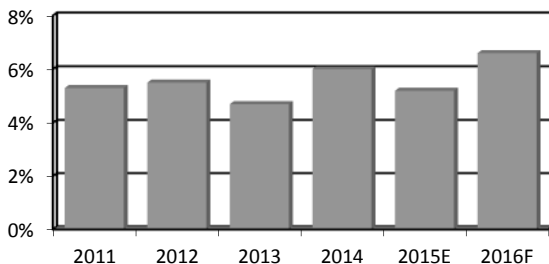
- Stamp duty exemption on specified instruments for the purpose of a **securitisation transaction** executed on or after 1 January 2001.
- Stamp duty exemption on all instruments relating to the issue of, offer for subscription or purchase of, or invitation to subscribe for or purchase **debentures or 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).

## ECONOMIC INDICATORS AND DIRECTIONS

### **Economic growth**

Malaysia's economy is expected to grow at a steady rate of 4% - 5% in 2016 (2015: 6.0%). Domestic demand is expected to remain the key driver of growth provided by resilient private consumption, stable labour market conditions and investment activities. However, the implementation of Goods and Services Tax (GST) and weaker performance in the export-oriented industries may erode growth in the short-term.

### *Malaysia's GDP growth*



Source: Economic Intelligence Unit, October 2015

### *Economic growth through domestic demand*

Private sector expenditure will remain a main driver for domestic growth, with private consumption and investments expected to grow by 6.4% and 6.7% respectively in 2016. This has helped offset the contraction in exports' growth due to the decline in commodity prices and slower growth in emerging markets.

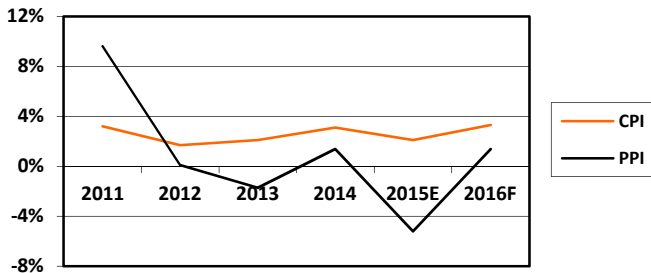
### ***Labour Market***

The labour market conditions remained broadly stable, with sustained labour force participation rate at 67.6% in 2015 (2014: 67.5%). Employment was supported by job gains in the services sector, especially in the wholesale, retail, transportation, storage and communications sub-sectors. Malaysia continues to enjoy close to full employment, with unemployment rate at 3.1% in 2015 (2014: 3.0%).

### ***Inflation***

Headline inflation, the consumer price index (CPI), has remained subdued in 2015 due to the generally low commodity prices such as crude oil. The Producer Price Index declined further on an annual basis to - 5.7% (2014: 1.4%), similarly driven by lower prices in the commodity-related components.

However, it is expected to peak in early 2016 as one-off floods and GST effects ends and then moderate to 2.0% – 2.5% for the remainder of the year.



### ***Monetary Policy***

Bank Negara Malaysia is unlikely to change its monetary policy stance in 2015 and also going into 2016. The downside risks arising from uncertainty in commodity prices, weak emerging markets growth and volatility in financial markets suggests that the Overnight Policy Rate should hold steady at 3.25%.

### ***Ringgit***

The ringgit has weaken against the US dollar, up to more than 20% in 2015, due to the strengthening of the US dollar amid improving US economy and expectation of interest rate hikes. Furthermore, the ringgit experienced sharper declines resulting from plunging crude oil prices, slowdown in China's economy, domestic political factors and outflow of funds from emerging markets. Malaysia external position remains strong with international reserves amounting to RM415 billion in September 2015, and an estimated trade surplus of RM75.1 billion for 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 2018. They may apply the older Malaysian national GAAP (known as Financial Reporting Standards Framework) for annual periods beginning before 1 January 2018. 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
<b>Till age 60</b>				
Income > RM5,000	12%			
Income ≤ RM5,000 <sup>2</sup>	13%	11%	RM5 per person	11%
<b>Age 60 and above, till 75 (From 1 February 2008)</b>				
Income > RM5,000	6% <sup>1</sup>			
Income ≤ RM5,000 <sup>2</sup>	6.5% <sup>1</sup>	5.5% <sup>1</sup>	RM5 per person	5.5%

<sup>1</sup> 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.

<sup>2</sup> 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

**Employer I Akaun Registration**

Effective 1 January 2015 all employer should register EPF I Akaun and the monthly EPF contribution can be made via I Akaun. EPF will no longer accept the manual KWSP 6A to remit monthly EPF contribution.

The employer can view their monthly contribution amount and download statement via I Akaun.

**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).

## **EMPLOYMENT GUIDELINES**

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 (foreign professionals)***

Approvals for expatriate posts are given by different authorized bodies or agencies depending on the type of core business of the company. Upon approval of the expatriate posts by the approving bodies, the company must submit an application to the Immigration Department for endorsement of the employment pass.

The MIDA approves expatriate posts in the following fields:

- Manufacturing
- Manufacturing related services – Representative/ Regional Office, Principal Hub (“PH”), Treasury Management Centre (“TMC”), Overseas Mission, etc
- Hotel and tourism industry
- Research and Development

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

### **1. Companies undertaking Manufacturing Activities, R&D Activities, Hotel and Tourism Projects and applying Tax Incentives under MIDA's Purview**

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

- 100% Malaysian-owned company: RM250,000.
- Jointly-owned by foreign and Malaysian: RM350,000.
- 100% foreign-owned company: RM500,000.

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

### **2. Principal Hub (PH) and Treasury Management Centre (TMC)**

The applications for expatriate posts for PH and TMC can be considered based on the criterion of a minimum paid-up capital of RM2.5m and RM0.5m respectively. The number of expatriate posts will be considered based on the company's requirements and will be granted by posts and the availability of expertise among Malaysians and efforts have been made to appoint Malaysians to fill the posts. The duration of term posts is for a maximum of 5 years.

### **3. Regional Establishments (RE) / Representative Office (RO)**

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

- Minimum operating expenditure of at least RM300,000 per annum.
- Minimum basic salary of at least RM5,000 for expatriate posts.

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

### 4. Technical & Vocational Training Institutions & Other Services

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

### 5. Other services without tax incentives and unregulated services

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

Other approving agencies for expatriate post include:

- Multimedia Development Corporation (MDeC) - for expatriate posts and skilled workers in IT based companies
- 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 Services Division (ESD) – employment in sectors other than the above

The following minimum paid-up share capital requirement must be fulfilled before an application of expatriate position can be filed with ESD:

	RM
100% Malaysian owned company	250,000
Joint venture (minimum foreign equity is 30%)	350,000
100% Foreign owned company	500,000
Foreign-owned companies, foreign equity at 51% and above, operating in the Wholesale, Retail and Trade (WRT) Sectors OR involved in the subsectors on unregulated services	1,000,000

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

### ***Employment of foreign workers (non-professionals)***

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 is allowed in the manufacturing, construction, plantation, agricultural, services and domestic help sectors. Services sector consists of 11 sub sectors (i.e. restaurants, cleaning services, cargo handling, launderette, caddy in golf club, barber, wholesale/retail, textile, metal/scraps/recycle activities, welfare homes and hotel/ resort island.

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

Nationals of	Approved Sector
Indonesia), Cambodia, Laos, Myanmar, Nepal, Pakistan, Philippines (male only), Sri Lanka, Thailand, Vietnam, Turkmenistan, Uzbekistan, Kazakhstan	Manufacturing, construction, plantation, agricultural and services sectors
India	Services (cooks, wholesale/retail, barber, metal/scraps/recycle, textile); 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 **RM4,000** 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 **RM4,000**.

### **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 **RM4,000** 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.

### ***SOCSCO Monthly Contribution Payment Deadline***

Effective from July 2015 onwards the SOCSCO monthly contribution payment deadline is on the 15th of the following month.

## ***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.

## HUMAN RESOURCES DEVELOPMENT FUND

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; health support services, franchise; sale and repair of motor vehicles; private broadcasting services; driving school; and veterinary services)	10 or more
• 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.

### ***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;
- Information Technology and Computer Based Training;
- Purchase of Training Equipment Industrial Training Schemes (ITS)
- Future Workers Training (FWT)
- Recognition Prior Learning (RPL)
- SME Training Partners Scheme (SMETAP);
- SME Training Needs Analysis (SME TNA)
- SME "On-The-Job" Training

## **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.

## *EXCHANGE CONTROL*

- Services – since 2009, there were liberalization initiatives in several services sub-sectors (e.g. tourism, computer & related services, healthcare, education, telecommunication, etc.), allowing for up to 100% foreign participation in these sectors.

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 immovable 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](http://www.bnm.gov.my) for more information on exchange control matters.



## IMPORTANT FILING/FURNISHING DATES

### IMPORTANT FILING/FURNISHING DATES

Type of return	Form	Due date
<b>Income tax</b>		
<b>All taxpayers</b>		
<i>Notification</i> of change of address	CP600B	Within 3 months of change
<b>Individual (without business income)*</b>		
<i>Notification</i> of chargeability of an individual who first arrives in Malaysia	No prescribed form	Within 2 months of date of arrival
<i>Submission</i> of income tax return*		
- Resident	BE/BT**	By 30 April in the year following that YA
- Non-resident	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.		
<b>Individual (with business income)</b>		
<i>Submission</i> of income tax return		By 30 June in the year following that YA
- Resident	B/BT**	
- Non-resident	M/MT**	
** Forms for knowledge workers (Refer to Personal Income Tax section)		
<b>Company</b>		
<i>Submission</i> of estimate of tax payable	CP 204	30 days before the beginning of the basis period
<i>Submission</i> of revised estimate of tax payable	CP 204A	In the sixth or/ninth month of the basis period
<i>Submission</i> of income tax return (must be prepared based on audited accounts w.e.f YA 2014)	e-C	Within 7 months from the date following the close of its accounting period
<i>Furnishing</i> of particulars of payment made to agent, dealer & distributor	CP58	By 31 March of the following year
<b>Deceased Person's Estate/ Body of Persons</b>	TP/TF/TJ	By 30 April (without business income) or 30 June (with business income) in the year following that YA

## IMPORTANT FILING/FURNISHING DATES

Type of return	Form	Due date
<b>Partnership</b>	P	By 30 June in the year following that YA
<b>Limited Liability Partnership</b>	PT	
<b>Co-operative society</b>	C1	
<b>Trust Body</b>	TA	Within 7 months from the date following the close of its accounting period
<b>Unit Trust</b>	TC	
<b>Business Trust</b>	TN	
<b>Real Estate Investment Trust/ Property Trust Fund</b>	TR	
<b>Employer</b>		
<i>Return of remuneration by an employer</i>	E	By 31 March of the following year
<i>Statement of remuneration of employee</i>	EA	By last day of February of the following year
<i>Notification of employee's commencement of employment</i>	CP 22	Within one month of commencement of employment
<i>Notification of employee's cessation of employment (in certain prescribed cases)</i>	CP 22A	Not less than one month before cessation
<i>Notification of employee leaving Malaysia for more than 3 months</i>	CP 21	Not less than one month before expected date of departure
<i>Statement of tax deduction by employer under Monthly Tax Deduction Scheme</i>	CP 39	Within 15 days after month end
<b>Withholding tax</b>		
<i>Interest or royalty to non-residents</i>	CP 37	
<i>Contract payments to non-resident contractors</i>	CP 37A	Within one month of paying or crediting the non-resident, whichever is earlier
<i>Technical and management service fees, rental of moveable properties, etc. to non-residents</i>	CP 37D	

## IMPORTANT FILING/FURNISHING DATES

Type of return	Form	Due date
<i>Technical and management services fees, rental of moveable properties, etc. to non-residents carrying out activities in the Joint Development Area</i>	CP 37D (1)	Within one month of paying or crediting the non-resident, whichever is earlier
<i>Real Estate Investment Trust income exempted at the Trust level distributed to unit holders (other than resident companies)</i>	37E	Within one month of distributing income to the unit holders
<i>Family fund, family re-Takafal fund or general fund income distributed to participants</i>	37E(T)	Within one month of distributing or crediting income to the participants, whichever is earlier
<i>Payments to a non-resident person in relation to any gains or profits falling under Section 4(f)</i>	37F	Within one month of paying or crediting the non-resident, whichever is earlier
<i>Withdrawal of contribution from a private retirement scheme fund</i>	37G	Within one month of paying the amount
<b>Real property gains tax</b>		
<i>Return of disposal of real property / shares in real property company</i>	CKHT 1A/1B & CKHT 3 (if applicable)	Within 60 days after disposal of real property / shares in real property company
<i>Return of acquisition of real property / shares in real property company</i>	CKHT 2A & CKHT 502 (if applicable)	Within 60 days after acquisition of real property / shares in real property company
<b>Goods and services tax (GST)</b>		
<b>GST registration</b>		
<i>Person whose annual taxable turnover exceeds or expected to exceed the threshold</i>	GST-01	28 days from the end of the month the annual turnover exceeded or is expected to exceed the threshold

## IMPORTANT FILING/FURNISHING DATES

Type of return	Form	Due date
<b>GST return</b>		
<i>Registered person</i>	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)
<i>Non-registered person paying for imported services</i>	GST-04	Last day of the following month after payment is made
<b>Social Security Organisation (SOCSO)</b>		
<i>Submission of remittance form</i>	8A	Within 15 days after month end for each month
<b>Employees' Provident Fund</b>		
<i>Schedule of Monthly contributions together with cheque</i>	EPF 6 (Form A)	Within 15 days after month end for each month

## PwC in Malaysia

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