



# MALAYSIA

## INVESTMENT IN THE MANUFACTURING SECTOR

Policies, Incentives and Facilities

## FACTS ON MALAYSIA

### TOTAL AREA

330,000 square kilometres  
(127,000 square miles)

### POLITICAL STRUCTURE

A federation of 13 states

### SYSTEM OF GOVERNMENT

Parliamentary democracy with a constitutional monarch

### FEDERAL CAPITAL

Kuala Lumpur

### ADMINISTRATIVE CENTRE

Putrajaya

### POPULATION

27.73 million

### MAJOR ETHNIC GROUPS

Malays, Chinese, Indians,  
Kadazans, Ibans

### MAJOR LANGUAGES

Malay (official language), English,  
Mandarin, Tamil

### MAJOR RELIGIONS

Islam, Buddhism, Christianity,  
Hinduism

### TIME

GMT + 8 hours  
US Eastern Standard Time + 13  
hours

### CLIMATE

Tropical - warm and sunny  
throughout the year.  
Daily temperatures range from  
33°C (90°F) in the afternoon to  
22°C (70°F) during the night.

### CURRENCY

Ringgit Malaysia (RM) which is  
divided into 100 sen

### EXCHANGE RATE

The Ringgit exchange rate  
operates on a managed-float  
regime against a trade-weighted  
basket of currencies.



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<http://www.mida.gov.my>



## THE LOCATION

Malaysia lies just above the equator, right in the heart of South-East Asia. Peninsular Malaysia, with 11 states, is at the southernmost tip of the Asian Continent, while the states of Sabah and Sarawak are located on the northern and western coasts of the island of Borneo.

 Location of MIDA's offices



The Ministry of International Trade & Industry (MITI) spearheads the development of industrial activities to further enhance Malaysia's economic growth. As an agency under MITI, the Malaysian Industrial Development Authority (MIDA) is in charge of the promotion and coordination of industrial development in the country.

MIDA is the first point of contact for investors who intend to set up projects in the manufacturing and services sectors in Malaysia. With its headquarters in Malaysia's capital city of Kuala Lumpur, MIDA has established a global network of 19 overseas offices covering North America, Europe and the Asia Pacific to assist investors interested in establishing manufacturing projects and services activities in Malaysia. Within Malaysia, MIDA has 12 branch offices in the various states to facilitate investors in the implementation and operation of their projects.

If you wish to investigate investment opportunities in Malaysia, please contact MIDA for more information as well as assistance in your decision-making (please see the last page of contact details of MIDA's headquarters and state and overseas offices.)

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IMMIGRATION PROCEDURES .....

MANPOWER FOR INDUSTRY .....

BANKING, FINANCE AND EXCHANGE ADMINISTRATION .....

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## Chapter 1

# GETTING STARTED

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# GETTING STARTED

## 1. APPROVAL OF MANUFACTURING PROJECTS

### 1.1 The Industrial Co-ordination Act 1975

The Industrial Co-ordination Act 1975 (ICA) was introduced with the aim to maintain an orderly development and growth in the country's manufacturing sector.

The ICA requires manufacturing companies with shareholders' funds of RM2.5 million and above or engaging 75 or more full-time paid employees to apply for a manufacturing licence for approval by the Ministry of International Trade and Industry (MITI).

Applications for manufacturing licences are to be submitted to the Malaysian Industrial Development Authority (MIDA), an agency under MITI in charge of the promotion and coordination of industrial development in Malaysia.

#### **The ICA defines:**

- "Manufacturing activity" as the making, altering, blending, ornamenting, finishing or otherwise treating or adapting any article or substance with a view to its use, sale, transport, delivery or disposal; and includes the assembly of parts and ship repairing but shall not include any activity normally associated with retail or wholesale trade.
- "Shareholders' funds" as the aggregate amount of a company's paid-up capital, reserves, balance of share premium account and balance of profit and loss appropriation account, where:
  - Paid-up capital shall be in respect of preference shares and ordinary shares and not including any amount in respect of bonus shares to the extent they were issued out of capital reserve created by revaluation of fixed assets.
  - Reserves shall be reserves other than any capital reserve created by revaluation of fixed assets and provisions for depreciation, renewals or replacements and diminution in value of assets.
  - Balance of share premium account shall not include any amount credited therein at the instance of issuing bonus shares at premium out of capital reserve by revaluation of fixed assets.
- "Full-time paid employees" as all persons normally working in the establishment for at least six hours a day and at least 20 days a month for 12 months during the year and who receive a salary.

This includes traveling sales, engineering, maintenance and repair personnel who are paid by and are under the control of the establishment.

It also includes directors of incorporated enterprises except those paid solely for their attendance at board of directors meetings. The definition encompasses family workers who receive regular salaries or allowances and who contribute to the Employees Provident Fund (EPF) or other superannuation funds.

## 1.2 Guidelines for Approval of Industrial Projects

Malaysia's industrial growth has been rapid over the last decade. This has created a high demand for labour in the manufacturing sector which, in turn, has caused a tightening in the labour market situation.

In view of this, the government's guidelines for approval of industrial projects in Malaysia are based on the Capital Investment Per Employee (C/E) Ratio. Projects with a C/E Ratio of less than RM55,000 are categorised as labour-intensive and thus will not qualify for a manufacturing licence or for tax incentives. Nevertheless, a project will be exempted from the above guidelines if it fulfils one of the following criteria:

- The value-added is 20% or more
- The Managerial, Technical and Supervisory (MTS) Index is 15% or more
- The project undertake promoted activities or manufacture products as listed in the List of Promoted Activities and Products for High Technology Companies
- It is located in the promoted areas i.e. the States of Perlis, Sabah and Sarawak and the designated Eastern Corridor of Peninsular Malaysia (the states of Kelantan, Terengganu, Pahang and the district of Mersing in the State of Johor)
- Existing companies (formerly exempted) applying for a manufacturing licence.

### Expansion of Production Capacity and Product Diversification

A licensed company which desires to expand its production capacity or diversify its product range by manufacturing additional products will need to apply to MIDA.

## 2. INCORPORATING A COMPANY

### 2.1 Methods of Conducting Business in Malaysia

In Malaysia, a business may be conducted:

- i. By an individual operating as a sole proprietor, or
- ii. By two or more (but not more than 20) persons in partnership, or
- iii. By a locally incorporated company or by a foreign company registered under the provisions of the Companies Act 1965.

All sole proprietorships and partnerships in Malaysia must be registered with the Companies Commission of Malaysia (SSM) under the Registration of Businesses Act 1956. In the case of partnerships, partners are both jointly and severally liable for the debts and obligations of the partnership should its assets be insufficient. Formal partnership deeds may be drawn up governing the rights and obligations of each partner but this is not obligatory.

### **2.1.1 Company Structure**

The Companies Act 1965 governs all companies in Malaysia. The Act stipulates that a person must register a company with the SSM in order to engage in any business activity.

It provides for three types of companies:

- i. A company limited by shares where the personal liability of its members is limited to the par value of their shares and the number of shares taken or agreed to be taken by them
- ii. A company limited by guarantee where the members guarantee to meet liability up to an amount nominated in the Memorandum and Articles of Association in the event of the company being wound up
- iii. An unlimited company, where there is no limit to the members' liability.

### **2.1.2 Company Limited by Shares**

The most common company structure in Malaysia is a company limited by shares. Such limited companies may be either private (Sendirian Berhad or Sdn. Bhd.) or public (Berhad or Bhd.) companies.

A company having a share capital may be incorporated as a private company if its Memorandum and Articles of Association:

- i. Restricts the right to transfer its shares
- ii. Limits the number of its members to 50, excluding employees in the employment of the company or its subsidiary and some former employees of the company or its subsidiary.
- iii. Prohibits any invitation to the public to subscribe for its shares and debentures
- iv. Prohibits any invitation to the public to deposit money with the company.

A public company can be formed or, alternatively, a private company can be converted into a public company subject to Section 26 of the Companies Act 1965. Such a company can offer shares to the public provided:

- i. It has registered a prospectus with the Securities Commission
- ii. It has lodged a copy of the prospectus with the SSM on or before the date of its issue.

A public company can apply to have its shares quoted on the Kuala Lumpur Stock Exchange (KLSE) subject to compliance with the requirements laid down by the exchange. Any subsequent issue of securities (e.g. issue by way of rights or bonus, or issue arising from an acquisition, etc.) requires the approval of the Securities Commission.

## **2.2 Procedure for Incorporation**

To incorporate a company, a person must apply to the SSM using Form 13A together with a payment of RM30 in order to determine if the proposed name of the intended company is available. The application will be approved if name is available and the proposed name will be reserved for the applicant for three months.

The following documents are to be submitted to the SSM within the three months to secure the use of the proposed name:

- Memorandum and Articles of Association
- Declaration of Compliance (Form 6)
- Statutory Declaration by a person before appointment as a director, or by a promoter before incorporation of a company (Form 48A).

The Memorandum of Association documents the company's name, the objectives, the amount of its authorised capital (if any) proposed for registration and its division into shares of a fixed amount.

The Articles of Association describes the regulations governing the internal management of the affairs of the company and the conduct of its business.

Once the Certificate of Incorporation is issued, the subscribers to the Memorandum together with such other persons as may from time to time become members of the company shall be a body corporate, capable of exercising the functions of an incorporated company and of suing and being sued. It has a perpetual succession under common seal with power to hold land, but with such liability on the part of the members to contribute to its assets in the event of it being wound up, as provided for in the Companies Act 1965.

### **2.2.1 Requirements of a Locally Incorporated Company**

A company must maintain a registered office in Malaysia where all books and documents required under the provisions of the Act are kept. The name of the company shall appear in legible romanised letters, together with the company number, on its seal and documents.

A company cannot deal with its own shares or hold shares in its holding company. Each equity share of a public company carries only one vote at a poll at any general meeting of the company. A private company may, however, provide for varying voting rights for its shareholders.

The secretary of a company must be a natural person of full age who has his principal or only place of residence in Malaysia. He must be a member of a prescribed body or is licensed by the Registrar of Companies. The company must also appoint an approved company auditor to be the company auditor in Malaysia.

In addition, the company shall have at least two directors who each has his principal or only place of residence within Malaysia. Directors of public companies or subsidiaries of public companies normally must not exceed 70 years of age. It is not incumbent that a company director also be a shareholder.

### **2.3 Registration of Foreign Companies**

A foreign company desiring to conduct business or establish a place for one in Malaysia must register with the SSM. The same registration procedure applies whereby an application must be submitted on Form 13A to the SSM in Kuala Lumpur or any of its branch offices in Malaysia, with a payment of RM30. If the intended name of the foreign company is available, the application will be approved and the name reserved for three months.

Upon approval, applicants must lodge the following documents with the SSM:

- i. A certified copy of its Certificate of Incorporation (or a document of similar effect) from the country of origin
- ii. A certified copy of its Charter, Statute or Memorandum and Articles of Association or other instrument constituting or defining its constitution
- iii. A list of its directors and certain statutory particulars regarding them (Form 79)
- iv. Where there are local directors, a memorandum stating the powers of those directors
- v. A memorandum of appointment or Power of Attorney authorising one or more persons resident in Malaysia to accept on behalf of the company, service of process and any notices required to be served on the company
- vi. A statutory declaration in the prescribed form made by the agent of the company (Form 80). The appointed agent undertakes all acts required to be done by the company under the Companies Act 1965. Any change in agents must be reported to the SSM within one month from the date of change together with the appropriate fee.

Every foreign company shall, within a month of establishing a place of business or commencing business within Malaysia, lodge with the SSM for registration notice of the situation of its registered office in Malaysia using the prescribed form.

A foreign incorporated company must file a copy of the annual return each year within one month of its annual general meeting. Within two months of its annual general meeting, the company must file a copy of the balance sheet of the head office, a duly audited statement of assets used and liabilities arising out of its operations in Malaysia, and a duly audited profit and loss account.

### **E-Lodgment**

E-lodgment also known as e-filing is one of the SSM e-services initiatives in supporting of the e-government programme. This service would enable companies, business or their authorised personnel to lodge selected statutory required documents over the Internet through the myGovernment portal/ Public Service Portal (PSP).

For further information please visit SSM website at [www.ssm.com.my](http://www.ssm.com.my)

## **3. GUIDELINES ON EQUITY POLICY**

### **3.1 Equity Policy in the Manufacturing Sector**

Malaysia has always welcomed investments in its manufacturing sector. Desirous of increasing local participation in this activity, the government encourages joint-ventures between Malaysian and foreign investors.

## **Equity Policy for New, Expansion or Diversification Projects**

The level of exports had been used to determine foreign equity participation in manufacturing projects. However, since 31 July 1998, the Malaysian government had relaxed the equity policy guidelines for all applications for investments in new as well as expansion/diversification projects in the manufacturing sector. Under this relaxation, foreign investors could hold 100% of the equity irrespective of the level of exports.

However, this relaxation did not apply to specific activities and products where Malaysian companies had the capabilities and expertise. These activities and products include paper packaging, plastic packaging (bottles, films, sheets and bags), plastic injection moulded components, metal stamping and metal fabrication, wire harness, printing and steel service centres. In these cases, specific equity guidelines prevailed.

To further enhance Malaysia's investment climate, equity holdings in all manufacturing projects were fully liberalised effective from 17 June 2003. Foreign investors can now hold 100% of the equity in all investments in new projects, as well as investments in expansion/diversification projects by existing companies, irrespective of the level of exports and without any product/activity being excluded.

### **The new equity policy also applies to:**

- i. Companies previously exempted from obtaining a manufacturing licence but whose shareholders' funds have now reached RM2.5 million or have now engaged 75 or more full-time employees and are thus required to be licensed.
- ii. Existing licensed companies previously exempted from complying with equity conditions, but are now required to comply due to their shareholders' funds having reached RM2.5 million.

## **Equity Policy Applicable to Existing Companies**

Equity and export conditions imposed on companies prior to 17 June 2003 will be maintained.

However, companies can request for these conditions to be removed. The government will be flexible in considering such requests and approval will be given based on the merit of each case. Companies with export conditions can apply for approval from MIDA to sell in the domestic market based on the following guidelines:

- Up to 100% of their output for those products with nil duty or those not produced locally
- Up to 80% of their output if the domestic supply is inadequate or there has been an increase in imports from ASEAN for products with Common Effective Preferential Tariff (CEPT) duties of 5% and below.

## **3.2 Protection of Foreign Investment**

Malaysia's commitment in creating a safe investment environment has persuaded more than 4,000 international companies from over 50 countries to make Malaysia their offshore base.



## Equity Ownership

A company whose equity participation has been approved will not be required to restructure its equity at any time as long as the company continues to comply with the original conditions of approval and retain the original features of the project.

## Investment Guarantee Agreements

Malaysia's readiness to conclude Investment Guarantee Agreements (IGAs) is a testimony of the government's desire to increase foreign investor confidence in Malaysia.

IGAs will:

- Protect against nationalisation and expropriation
- Ensure prompt and adequate compensation in the event of nationalisation or expropriation
- Provide free transfer of profits, capital and other fees
- Ensure settlement of investment disputes under the Convention on the Settlement of Investment Disputes of which Malaysia has been a member since 1966.

Malaysia has concluded Investment Guarantee Agreements with the following groupings and countries (in alphabetical order):

## Groupings

- \* Association of South-East Asian Nations (ASEAN)
- \* Organisation of Islamic Countries (OIC)

## Countries

Albania	Germany	Pakistan
Algeria	Ghana	Papua New Guinea
Argentina	Guinea	Peru
Austria	Hungary	Poland
Bahrain	India	Romania
Bangladesh	Indonesia	Saudi Arabia
Belgo-Luxembourg	Iran	Senegal
Bosnia Herzegovina	Italy	Spain
Botswana	Jordan	Sri Lanka
Burkina Faso	Kazakhstan	Sudan
Cambodia	Korea, North	Sweden
Canada	Korea, South	Switzerland
Chile	Kuwait	Taiwan
China	Kyrgyz Republic	Turkey
Croatia	Laos	Turkmenistan
Cuba	Lebanon	United Arab Emirates
Czech Republic	Macedonia	United States of America
Denmark	Malawi	Uruguay
Djibouti	Mongolia	Uzbekistan
Egypt	Morocco	Vietnam
Ethiopia	Namibia	Yemen
Finland	Netherlands	Zimbabwe
France	Norway	



## **Convention on the Settlement of Investment Disputes**

In the interest of promoting and protecting foreign investment, the Malaysian government ratified the provisions of the Convention on the Settlement of Investment Disputes in 1966. The Convention, established under the auspices of the International Bank for Reconstruction and Development (IBRD), provides international conciliation or arbitration through the International Centre for Settlement of Investment Disputes located at IBRD's principal office in Washington.

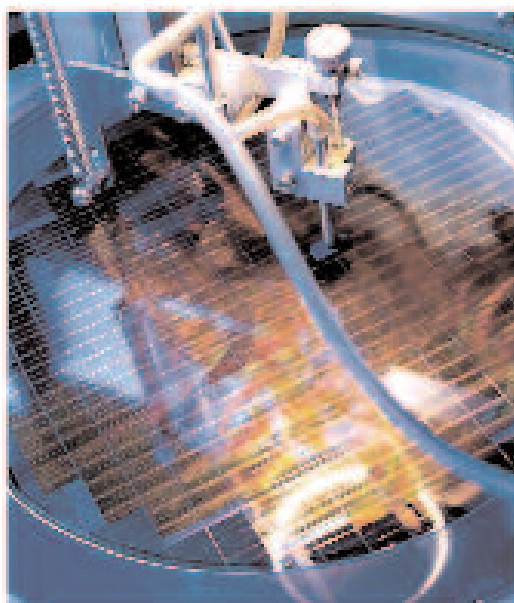
## **Kuala Lumpur Regional Centre for Arbitration**

The Kuala Lumpur Regional Centre for Arbitration was established in 1978 under the auspices of the Asian-African Legal Consultative Committee (AALCC) - an inter-governmental organisation cooperating with and assisted by the Malaysian government.

A non-profit organisation, the Centre serves the Asia Pacific region. It aims to provide a system to settle disputes for the benefit of parties engaged in trade, commerce and investments with and within the region.

Any dispute, controversy or claim arising out of or relating to a contract, or the breach, termination or invalidity shall be decided by arbitration in accordance with the Rules for Arbitration of the Kuala Lumpur Regional Centre for Arbitration.





## Chapter 2

# INCENTIVES FOR INVESTMENT

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2. INCENTIVES FOR THE AGRICULTURAL SECTOR
3. INCENTIVES FOR THE BIOTECHNOLOGY INDUSTRY
4. INCENTIVES FOR THE TOURISM INDUSTRY
5. INCENTIVES FOR ENVIRONMENTAL MANAGEMENT
6. INCENTIVES FOR RESEARCH AND DEVELOPMENT
7. INCENTIVES FOR MEDICAL DEVICE INDUSTRY
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9. INCENTIVES FOR APPROVED SERVICE PROJECTS
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13. INCENTIVES FOR KNOWLEDGE-BASED ACTIVITIES
14. INCENTIVES FOR THE MANUFACTURING RELATED SERVICES
15. INCENTIVES FOR OPERATIONAL HEADQUARTERS
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# INCENTIVES FOR INVESTMENT

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# INCENTIVES FOR INVESTMENT

In Malaysia, tax incentives, both direct and indirect, are provided for in the Promotion of Investments Act 1986, Income Tax Act 1967, Customs Act 1967, Sales Tax Act 1972, Excise Act 1976 and Free Zones Act 1990. These Acts cover investments in the manufacturing, agriculture, tourism (including hotel) and approved services sectors as well as R&D, training and environmental protection activities.

The direct tax incentives grant partial or total relief from income tax payment for a specified period, while indirect tax incentives are in the form of exemptions from import duty, sales tax and excise duty.

## 1. INCENTIVES FOR THE MANUFACTURING SECTOR

### 1.1 Main Incentives for Manufacturing Companies

The major tax incentives for companies investing in the manufacturing sector are the Pioneer Status and the Investment Tax Allowance.

Eligibility for Pioneer Status and Investment Tax Allowance is based on certain priorities, including the level of value-added, technology used and industrial linkages. Eligible activities and products are termed as “promoted activities” or “promoted products”. (See Appendix I: List of Promoted Activities and Products – General)

#### (i) Pioneer Status

A company granted Pioneer Status enjoys a 5-year partial exemption from the payment of income tax. It pays tax on 30% of its statutory income\*, with the exemption period commencing from its Production Day (defined as the day its production level reaches 30% of its capacity).

Unabsorbed capital allowances as well as accumulated losses incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company.

To encourage investments in promoted areas i.e. the States of Perlis\*\*, Sabah and Sarawak and the designated “Eastern Corridor”+ of Peninsular Malaysia, applications received from companies located in these areas will enjoy a 100% tax exemption on their statutory income during their 5-year exemption period. Applications received by 31 December 2010 are eligible for this incentive.

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

+ *The “Eastern Corridor” of Peninsular Malaysia covers the States of Kelantan, Terengganu and Pahang, and the district of Mersing in the State of Johor.*

\*\* *The State of Perlis was declared as one of the promoted areas with effect from 2 September 2006 and companies undertaking promoted activities or promoted products in this state will be eligible for incentives presently given to such areas.*



Applications for Pioneer Status should be submitted to the Malaysian Industrial Development Authority (MIDA).

## **(ii) Investment Tax Allowance**

As an alternative to Pioneer Status, a company may apply for Investment Tax Allowance (ITA). A company granted ITA is entitled to an allowance of 60% on its qualifying capital expenditure (factory, plant, machinery or other equipment used for the approved project) incurred within five years from the date the first qualifying capital expenditure is incurred.

The company can offset this allowance against 70% of its statutory income for each year of assessment. Any unutilised allowance can be carried forward to subsequent years until fully utilised. The remaining 30% of its statutory income will be taxed at the prevailing company tax rate.

For the promoted areas i.e. the States of Perlis, Sabah and Sarawak and the designated “Eastern Corridor” of Peninsular Malaysia, applications received from companies located in these areas will enjoy an allowance of 100% on the qualifying capital expenditure incurred within a period of five years. The allowance can be utilised to offset against 100% of the statutory income for each year of assessment. Applications received by 31 December 2010 are eligible for this incentive.

Applications should be submitted to MIDA.

## **1.2 Incentives for Relocating Manufacturing Activities to Promoted Areas**

In order to reduce the costs of doing business and to provide a competitive business environment, existing companies which relocate their manufacturing activities to the promoted areas, are eligible for the following incentives:

- i. Pioneer Status with income tax exemption of 100% of statutory income for a period of five years; Unabsorbed capital allowances as well as accumulated losses incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company; or
- ii. Investment Tax Allowance of 100% on the qualifying capital expenditure incurred within a period of five years. The allowance can be utilised to offset against 100% of the statutory income for each year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised.

Applications should be submitted to MIDA.

## **1.3 Incentives for High Technology Companies**

A high technology company is a company engaged in promoted activities or in the production of promoted products in areas of new and emerging technologies (See Appendix III: List of Promoted Activities and Products – High Technology Companies). A high technology company qualifies for:

- i. Pioneer Status with income tax exemption of 100% of the statutory income for a period of five years. Unabsorbed capital allowances as well as accumulated losses incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company; or

- ii. Investment Tax Allowance of 60% (100% for promoted areas) on the qualifying capital expenditure incurred within five years from the date the first qualifying capital expenditure is incurred. The allowance can be utilised to offset against 100% of the statutory income for each year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised.

Applications should be submitted to MIDA.

The high technology company must fulfil the following criteria:

- i. The percentage of local R & D expenditure to gross sales should be at least 1% on an annual basis. The company has three years from its date of operation or commencement of business to comply with this requirement.
- ii. Scientific and technical staff having degrees or diplomas with a minimum of 5 years experience in related fields should comprise at least 7% of the company's total workforce.

#### **1.4 Incentives for Strategic Projects**

Strategic projects involve products or activities of national importance. They generally involve heavy capital investments with long gestation periods, have high levels of technology, are integrated, generate extensive linkages, and have significant impact on the economy. Such projects qualify for:

- i. Pioneer Status with income tax exemption of 100% of the statutory income for a period of ten years; Unabsorbed capital allowances as well as accumulated losses incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company; or
- ii. Investment Tax Allowance of 100% on the qualifying capital expenditure incurred within five years from the date the first qualifying capital expenditure is incurred. This allowance can be offset against 100% of the statutory income for each year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised.

Applications should be submitted to MIDA.

#### **1.5 Incentives for Small and Medium-Scale Companies**

Small and medium-scale companies with a paid-up capital of RM2.5 million and below are eligible for a reduced corporate tax of 20% on chargeable incomes of up to RM500,000. The tax rate on the remaining chargeable income is maintained at 26%.

Small-scale manufacturing companies incorporated in Malaysia with shareholders' funds not exceeding RM500,000 and having at least 60% Malaysian equity are eligible for the following incentives:

- i. Pioneer Status with income tax exemption of 100% of the statutory income for a period of five years. Unabsorbed capital allowances as well as accumulated losses incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company; or
- ii. Investment Tax Allowance of 60% (100% for promoted areas) on the qualifying capital expenditure incurred within five years. This allowance can



be offset against 100% of the statutory income for each year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised.

A sole proprietorship or partnership is eligible to apply for this incentive provided a new private limited/limited company is formed to take over the existing production/activities.

To qualify for the incentive, a small-scale company has to comply with one of the following criteria:

- i. The value-added must be at least 15%; or
- ii. The project contributes towards the socio-economic development of the rural population.

The company shall carry out the manufacture of products or participate in activities listed as promoted products and activities for small-scale companies (See Appendix V: Small Scale Companies)

Applications should be submitted to MIDA.

Effective from the year of assessment 2009, for the purpose of imposition of income tax and tax incentives, the definition of SMEs is reviewed as a company resident in Malaysia with a paid up capital of ordinary shares of RM2.5 million or less at the beginning of the basis period of a year of assessment whereby such company cannot be controlled by another company with a paid up capital exceeding RM2.5 million.

## **1.6 Incentives to Strengthen Industrial Linkages**

To encourage large companies to participate in an Industrial Linkage Programme (ILP), expenditure incurred in training of employees, product development and testing, and factory auditing to ensure the quality of vendors' products, will be allowed as a deduction in the computation of income tax.

Vendors, including small and medium-scale companies that propose to manufacture promoted products or participate in promoted activities in an ILP (See Appendix IV: Industrial Linkage Programmes), are eligible for the following incentives:

- i. Pioneer Status with income tax exemption of 100% of the statutory income for a period of five years. Unabsorbed capital allowances as well as accumulated losses incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company; or
- ii. Investment Tax Allowance of 60% (100% for promoted areas) on the qualifying capital expenditure incurred within five years. This allowance can be offset against 100% of the statutory income for each year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised.

To encourage vendors to manufacture promoted products or participate in activities for the international market, vendors in an approved ILP who are capable of achieving world-class standards in terms of price, quality and capacity, will be eligible for the following incentives:

- i. Pioneer Status with income tax exemption of 100% of the statutory income for a period of ten years; Unabsorbed capital allowances as well as accumulated losses incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company; or
- ii. Investment Tax Allowance of 100% on the qualifying capital expenditure incurred within a period of five years which the company can offset against 100% of the statutory income for each year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised.

Applications received by 31 December 2010 are eligible for these incentives.

Applications should be submitted to MIDA.

## **1.7 Incentives for the Machinery and Equipment Industry**

### **1.7.1 Incentives for the Production of Specialised Machinery and Equipment**

Companies undertaking activities in the production of specialised machinery and equipment, namely, machine tools, plastic injection machines, plastic extrusion machinery, material handling equipment, packaging machinery, robotics and factory automation equipment, specialised/process machinery or equipment for specific industries, and parts and components of the mentioned machinery and equipment, are eligible for:

- i. Pioneer Status with income tax exemption of 100% of the statutory income for a period of ten years. Unabsorbed capital allowances as well as accumulated losses incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company; or
- ii. Investment Tax Allowance of 100% on the qualifying capital expenditure incurred within five years from the date the first qualifying capital expenditure is incurred. This allowance can be offset against 100% of the statutory income for each year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised.

Applications should be submitted to MIDA.

### **1.7.2 Additional Incentives for the Production of Heavy Machinery**

Existing locally-owned companies that reinvest in the production of heavy machinery such as cranes, quarry machinery, batching plant and port material handling equipment, are eligible for the following incentives:

- i. Pioneer Status with income tax exemption of 70% (100% for promoted areas) on the increased statutory income arising from the reinvestment for a period of five years. Unabsorbed capital allowances as well as accumulated losses incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company; or
- ii. Investment Tax Allowance of 60% (100% for promoted areas) on the additional qualifying capital expenditure incurred within a period of five years. The allowance can be offset against 70% (100% for promoted areas) of the statutory income for each year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised.

### **1.7.3 Additional Incentives for the Production of Machinery and Equipment**

Existing locally-owned companies that reinvest in the production of machinery and equipment, including specialised machinery and equipment and machine tools, are eligible for the following incentives:

- i. Pioneer Status with income tax exemption of 70% (100% for promoted areas) on the increased statutory income arising from the reinvestment for a period of five years. Unabsorbed capital allowances as well as accumulated losses incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company; or
- ii. Investment Tax Allowance of 60% (100% for promoted areas) on the additional qualifying capital expenditure incurred within a period of five years. The allowance can be offset against 70% (100% for promoted areas) of the statutory income for each year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised.

### **1.8 Incentives for Automotive Component Modules or Systems**

New and existing companies that undertake design, R&D and production of qualifying automotive component modules or systems are eligible for:

- i. Pioneer Status with income tax exemption of 100% of the statutory income for a period of five years. Unabsorbed capital allowances as well as accumulated losses incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company; or
- ii. Investment Tax Allowance of 60% (100% for promoted areas) on the qualifying capital expenditure incurred within five years from the date the first capital expenditure is incurred. The allowance can be offset against 100% of the statutory income for each year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised.

The qualifying modules or systems are front corner modules, rear corner modules, instrument panel modules, struts and absorbers and spring assembly modules, bumper modules, front cross member modules, function integrated door modules, fuel tank modules, seat modules, pedal modules, door trim modules, floor console modules, tyre and wheel modules, brake systems, wiper systems, exhaust systems, audio systems, heater ventilation air-conditioning systems, air bag systems, power and signal distribution systems, alarm systems, seat belt systems, exterior lighting systems, body in white modules, engine management systems, safety systems, telematics, navigational systems, engine fuel injection systems, and vehicle intelligence systems.

### **1.9 Incentives for the Utilisation of Oil Palm Biomass**

Companies that utilise oil palm biomass to produce value-added products such as particleboard, medium density fibreboard, plywood, and pulp and paper are eligible for the following incentives:

#### **(i) New Companies**

- a. Pioneer Status with income tax exemption of 100% of the statutory income for a period of ten years. Unabsorbed capital allowances as well as accumulated losses incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company; or

- b. Investment Tax Allowance of 100% on the qualifying capital expenditure incurred within a period of five years. The allowance can be offset against 100% of the statutory income for each year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised.

**(ii) Existing Companies that Reinvest**

- a. Pioneer Status with income tax exemption of 100% of the increased statutory income arising from the reinvestment for a period of ten years. Unabsorbed capital allowances as well as accumulated losses incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company; or
- b. Investment Tax Allowance of 100% on the additional qualifying capital expenditure incurred within a period of five years. The allowance can be offset against 100% of the statutory income for each year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised.

**1.10 Additional Incentives for the Manufacturing Sector**

**(i) Reinvestment Allowance**

Generally, Reinvestment Allowance (RA) is given to companies engaged in manufacturing\*, and selected agricultural activities that reinvest for the purposes of expansion, automation, modernisation or diversification of its existing business into any related products within the same industry on condition that such companies have been in operation for at least 12 months. This condition has been revised to at least 36 months, effective from the year of assessment 2009.

The RA is given at the rate of 60% on the qualifying capital expenditure incurred by the company, and can be offset against 70% of its statutory income for the year of assessment. Any unutilised allowance can be carried forward to subsequent years until fully utilised.

A company can offset the RA against 100% of its statutory income for the year of assessment if:

- The company undertakes reinvestment projects in the promoted areas i.e. the States of Perlis, Sabah, and Sarawak and the designated "Eastern Corridor" of Peninsular Malaysia; or
- The company attains a productivity level exceeding the level determined by the Ministry of Finance. For further details on the prescribed productivity level for each sub-sector, please contact the Inland Revenue Board (see Useful Addresses – Relevant Organisations)

The RA will be given for a period of 15 consecutive years beginning from the year the first reinvestment is made. Companies can only claim the RA upon the completion of the qualifying project, i.e. after the building is completed or when the plant/machinery is put to operational use. With effect from the year of assessment 2009, company purchasing an asset from a related company within the same group where RA has been claimed on that asset is not allowed to claim RA on the same asset.

*\* With effect from year of assessment 2009, manufacturing activities will be given a more specific and clear definition under Schedule 7A, Income Tax Act 1967.*

Assets acquired for the reinvestment cannot be disposed off within a period of two years from the time of the reinvestment and with effect from the year of assessment 2009 this provision is extended to five years.

Companies that intend to reinvest before the expiry of its tax relief period, can surrender their Pioneer Status or Pioneer Certificate for purpose of cancellation and be eligible for RA.

Applications for RA should be submitted to the Inland Revenue Board (IRB), while applications for the surrender of Pioneer Status or Pioneer Certificate for RA should be submitted to MIDA.

## **(ii) Accelerated Capital Allowance**

After the 15-year period of eligibility for RA, companies that reinvest in the manufacture of promoted products are eligible to apply for Accelerated Capital Allowance (ACA). The ACA provides a special allowance, where the capital expenditure is written off within three years, i.e. an initial allowance of 40% and an annual allowance of 20%.

Applications should be submitted to the IRB accompanied by a letter from MIDA certifying that the companies are manufacturing promoted products.

SMEs are eligible for the following incentives:

- ACA on expenses incurred on plant and machinery acquired in the year of assessment 2009 and 2010. This allowance is to be claimed within one year that is in the year of assessment the asset is fully acquired. This incentive is effective for the year of assessment 2009 and 2010; and
- SMEs are not subject to the maximum limit of RM10,000 for capital allowance on small value assets. This incentive is effective from the year of assessment 2009.

Applications for ACA should be submitted to the Inland Revenue Board (IRB).

## **(iii) Accelerated Capital Allowance on Equipment to Maintain Quality of Power Supply**

In order to reduce the cost of doing business caused by interruptions in the power supply, companies which incur capital expenditure on equipment to ensure the quality of power supply, are eligible for Accelerated Capital Allowance (ACA) for a period of two years which allows the companies to write off the capital expenditure within two years, i.e. an initial allowance of 20% and an annual allowance of 80%.

Only equipment determined by the Ministry of Finance is eligible for the ACA.

Applications should be submitted to the IRB.

## **(iv) Accelerated Capital Allowance on Security Control Equipment**

Generally, Accelerated Capital Allowance (ACA) is given on security control equipment installed in the factory premises of companies licensed under the Industrial Coordination Act 1975. This allowance is eligible to be claimed within one year. However, effective from the year of assessment 2009, this allowance is extended to all business premises. Security control equipment which are eligible for the allowance are:

- Anti-theft alarm system;
- Infra-red motion detection system;
- Siren;
- Access control system;
- Closed circuit television;
- Video surveillance system;
- Security camera;
- Wireless camera transmitter; and
- Time lapse recording and video motion detection equipment.

Applications submitted to the IRB from the year of assessment 2009 to 2012 are eligible for this allowance.

**(v) Incentive for Industrialised Building System**

Industrial Building System (IBS) will enhance the quality of construction, create a safer and cleaner working environment as well as reduce the dependence on foreign workers. Companies which incur expenses on the purchase of moulds used in the production of IBS components are eligible for Accelerated Capital Allowances (ACA) for a period of three years.

This incentive is effective from the year of assessment 2006.

Applications should be submitted to IRB.

**(vi) Tax Exemption on the Value of Increased Exports**

To promote exports, manufacturing companies in Malaysia qualify for:

- A tax exemption on statutory income equivalent to 10% of the value of increased exports, provided that the goods exported attain at least 30% value-added; or
- A tax exemption on statutory income equivalent to 15% of the value of increased exports, provided that the goods exported attain at least 50% value-added.

To further encourage the export of Malaysian goods, a locally-owned manufacturing company with Malaysian equity of at least 60% is eligible for:

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

Claims should be submitted to the IRB.



### **(vii) Group Relief**

To enhance private sector investment, group relief is provided under the Income Tax Act 1967 to all locally incorporated resident companies. Effective from the year of assessment 2009, group relief is increased from 50% to 70% of the current year's unabsorbed losses to be offset against the income of another company within the same group (including new companies undertaking activities in approved food production, forest plantation, biotechnology, nanotechnology, optics and photonics) subject to the following conditions:

- a) The claimant and the surrendering companies each has a paid-up capital of ordinary shares exceeding RM2.5 million;
- b) Both the claimant and the surrendering companies must have the same accounting period;
- c) The shareholding, whether direct or indirect, of the claimant and the surrendering companies in the group must not be less than 70%;
- d) The 70% shareholding must be on a continuous basis during the preceding year and the relevant year;
- e) Losses resulting from the acquisition of proprietary rights or a foreign-owned company should be disregarded for the purpose of group relief; and
- f) Companies currently enjoying the following incentives are not eligible for group relief:
  - Pioneer Status
  - Investment Tax Allowance/Investment Allowance
  - Reinvestment Allowance
  - Exemption of Shipping Profits
  - Exemption of Income Tax under section 127 of the Income Tax Act 1967; and
  - Incentive Investment Company

With the introduction of the above incentive, the existing group relief incentive for approved food production, forest plantation, biotechnology, nanotechnology, optics and photonics will be discontinued. However, companies granted group relief incentive for the above activities shall continue to offset their income against 100% of the losses incurred by their subsidiaries.

This incentive is effective from the year of assessment 2006.

Claims should be submitted to the IRB.

*Note: Please refer to Section 18 for other incentives related to the manufacturing sector.*

## 2. INCENTIVES FOR THE AGRICULTURAL SECTOR

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

- Agro-based cooperative societies and associations
- Sole proprietorships and partnerships engaged in agriculture.

Companies producing promoted products or engaged in promoted activities (See Appendix I: List of Promoted Activities and Products – General) in the agricultural sector qualify for the following incentives:

### 2.1 Main Incentives for the Agricultural Sector

#### (i) Pioneer Status

As in the manufacturing sector, companies producing promoted products or engaged in promoted activities are eligible for Pioneer Status.

A Pioneer Status company enjoys a partial exemption from income tax. It pays tax on 30% of its statutory income for five years, commencing from its Production Day (defined as the day of first sale of the agriculture produce).

Unabsorbed capital allowances as well as accumulated losses incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company.

Applications received from companies located in the promoted areas i.e. the States of Perlis, Sabah and Sarawak and the designated "Eastern Corridor" of Peninsular Malaysia, will enjoy a 100% tax exemption on their statutory income during their 5-year exemption period.

Applications received by 31 December 2010 are eligible for this incentive.

Applications should be submitted to MIDA.

#### (ii) Investment Tax Allowance

As an alternative to Pioneer Status, companies producing promoted products or engaged in promoted activities can apply for Investment Tax Allowance (ITA). A company granted ITA is eligible for an allowance of 60% on its qualifying capital expenditure incurred within five years from the date the first qualifying capital expenditure is incurred.

Companies can offset this allowance against 70% of their statutory income for each year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised. The remaining 30% of the statutory income is taxed at the prevailing company tax rate.

Applications received from companies located in the promoted areas i.e. the States of Perlis, Sabah and Sarawak, and the designated "Eastern Corridor" of Peninsular Malaysia, will enjoy an allowance of 100% on the qualifying capital expenditure incurred within a period of five years. The allowance can be offset against 100% of the statutory income for each year of assessment.

Applications received by 31 December 2010 are eligible for this incentive.



Applications should be submitted to MIDA.

To increase the benefits to agricultural projects, qualifying capital expenditure is defined to include expenditure incurred on:

- Clearing and preparation of land
- Planting of crops
- Provision of plant and machinery used in Malaysia for the purpose of crop cultivation, animal farming, aquaculture, inland fishing or deep-sea fishing, and other agricultural or pastoral pursuits
- Construction of access roads including bridges, construction or purchase of buildings (including those provided for the welfare of people or as living accommodation), and structural improvements on land or other structures which are used for crop cultivation, animal farming, aquaculture, inland fishing and other agricultural or pastoral pursuits. Such roads, bridges, buildings, structural improvements on land and other structures should be on land forming part of the land used for the purpose of such crop cultivation, animal farming, aquaculture, inland fishing and other agricultural or pastoral pursuits

In view of the time lag between start-up and processing of the produce, integrated agricultural projects qualify for ITA for an additional five years for expenditure incurred for processing or manufacturing operations.

Applications should be submitted to MIDA.

### **(iii) Incentives for Food Production**

#### **a) Incentives for New Projects**

To encourage food production, a company which invests in a subsidiary company engaged in food production, together with the subsidiary company, qualify for one of the following incentive packages:

##### **Incentive Package A:**

- i. A company which takes up at least 70% equity in a subsidiary company engaged in food production receives a tax deduction equivalent to the amount of investment made in that subsidiary; and
- ii. The subsidiary company enjoys full income tax exemption on its statutory income for ten years commencing from the first year the company enjoys profits, in which:
  - losses incurred before and during the exemption period can be brought forward after the exemption period of ten years;
  - dividends paid from the exempt income are exempted in the hands of the shareholders.

##### **Incentive Package B:**

- i. A company which takes up at least 70% equity in a subsidiary company engaged in food production will be given group relief for the losses incurred by the subsidiary company before it records any profit, and

- ii. The subsidiary company enjoys full income tax exemption on its statutory income for 10 years commencing from the first year the company enjoys profits, in which:
- losses incurred during the tax exemption period can be brought forward after the exemption period of ten years; and
  - dividends paid from the exempt income are exempted in the hands of the shareholders.

The eligible food products are as approved by the Minister of Finance. These include kenaf, deep-sea fishing, vegetables, fruits, herbs, spices, aquaculture, and the rearing of cattle, goats and sheep.

Companies should commence food production within a period of one year from the date the incentive is approved.

Applications received by 31 December 2010 are eligible for these incentives.

Applications should be submitted to the Ministry of Agriculture and Agro-based Industry.

#### **b) Incentives for Existing Companies which Reinvest**

An existing company that reinvests in the production of the above food products qualifies for the same incentives for a period of five years.

The food production project for both new and existing companies should commence within a year from the date the incentive is approved. Applications should be submitted to the Ministry of Agriculture and Agro-based Industry by 31 December 2010.

#### **c) Tax Incentives for 'Halal' Food Production**

To encourage new investments in 'halal' food production for the export market and to increase the use of modern and state-of-the-art machinery and equipment in producing high quality 'halal' food that comply with international standards, companies which invest in 'halal' food production and have obtained 'halal' certification from the Department of Islamic Development Malaysia (JAKIM) are eligible for the Investment Tax Allowance of 100% of qualifying capital expenditure incurred within a period of five years. This allowance can be offset against 100% of the statutory income in the year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised.

Applications should be submitted to MIDA.

For further information on obtaining 'halal' certification from JAKIM, please visit JAKIM's website at <http://www.halal.gov.my/>

#### **(iv) Incentive for Reinvestment in Food Processing Activities**

A locally-owned manufacturing company with Malaysian equity of at least 60% that reinvests in promoted food processing activities is eligible for:

- a. Pioneer Status with income tax exemption of 70% (100% for promoted areas) of statutory income for a period of five years. Unabsorbed capital allowances as well as accumulated losses incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company; or

- b. Investment Tax Allowance of 60% (100% for promoted areas) on the additional qualifying capital expenditure incurred within a period of five years. The allowance can be offset against 70% (100% for promoted areas) of the statutory income for each year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised.

## **2.2 Additional Incentives for the Agricultural Sector**

### **(i) Reinvestment Allowance**

Persons or companies engaged for at least 36 months in the production of essential food such as rice, maize, vegetables, tubers, livestock, aquatic products, and any other activities approved by the Minister of Finance are eligible for Reinvestment Allowance (RA).

The RA is in the form of an allowance of 60% of the qualifying capital expenditure incurred within a period of 15 years beginning from the year the first reinvestment is made. The allowance can be offset against 70% of the statutory income in the year of assessment. Unutilised allowances can be carried forward to the following years until fully utilised. Companies that undertake reinvestment projects in the promoted areas i.e. the States of Perlis, Sabah, and Sarawak and the designated "Eastern Corridor" of Peninsular Malaysia, can offset the allowance fully against their statutory income for that year of assessment.

The qualifying capital expenditure includes expenditure incurred on:

- Clearing and preparation of land
- Planting of crops
- Provision of plant and machinery used in Malaysia for the purpose of crop cultivation, animal farming, aquaculture, inland fishing or deep-sea fishing, and other agricultural or pastoral pursuits
- Construction of access roads including bridges, construction or purchase of buildings (including those provided for the welfare of people or as living accommodation), and structural improvements on land or other structures which are used for crop cultivation, animal farming, aquaculture, inland fishing and other agricultural or pastoral pursuits. Such roads, bridges, buildings, structural improvements on land and other structures should be on land forming part of the land used for the purpose of such crop cultivation, animal farming, aquaculture, inland fishing and other agricultural or pastoral pursuits

Claims should be submitted to the IRB.

### **(ii) Incentives for Reinvestment in Resource-Based Industries**

These incentives are offered to companies that are at least 51% Malaysian-owned and are in the rubber, oil palm and wood-based industries producing products which have export potential. Companies in these industries reinvesting for expansion purposes are eligible for:

- a. Pioneer Status with income tax exemption of 70% (100% for promoted areas) of statutory income for a period of five years. Unabsorbed capital allowances as well as accumulated losses incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company; or

- b. Investment Tax Allowance of 60% (100% for promoted areas) on the additional qualifying capital expenditure incurred within a period of five years. The allowance can be offset against 70% (100% for promoted areas) of the statutory income for each year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised.

Applications should be submitted to MIDA.

### **(iii) Incentives for Modernising Chicken and Duck Rearing**

To promote modernisation and the usage of environment-friendly practices in the agricultural sector, chicken and duck rearers who reinvest for the purpose of shifting from the opened house system to the closed house system will be eligible for Reinvestment Allowance (RA) for a period of 15 consecutive years commencing from the first year the reinvestment is made. This incentive is effective until the year of assessment 2010.

This incentive is given on condition that the minimum rearing capacity of the closed house system is as follows:

- 20,000 broiler chickens/broiler ducks per cycle; or
- 50,000 layer chickens/layer ducks per cycle; or
- 20,000 parent or grandparent stock of chickens/ducks per cycle

Effective from the year of assessment 2009 to the year of assessment of 2010, chicken and duck rearers who reinvest to expand the closed house system in existing or new locations will also be eligible for RA as follows:

- a. Companies located in the promoted areas will be eligible for RA of 60% on qualifying capital expenditure which can be set-off against 100% of the statutory income.
- b. Companies located outside the promoted areas will be eligible for RA of 60% on qualifying capital expenditure which can be set-off against 70% of the statutory income.

All projects must be approved by the Ministry of Agriculture and Agro-based Industry.

Claims should be submitted to the IRB.

### **(iv) Accelerated Capital Allowance**

Upon the expiry of the Reinvestment Allowance (RA), companies that reinvest in promoted agricultural activities and food products are eligible to apply for the Accelerated Capital Allowance (ACA). These activities include the cultivation of rice, maize, vegetables, tubers, livestock, aquatic products and any other activities approved by the Minister of Finance.

The ACA provides a special allowance to write off the capital expenditure within two years, i.e. an initial allowance of 20% in the first year and an annual allowance of 40%.

Claims should be submitted to the IRB, accompanied by a letter from MIDA certifying that the companies are undertaking promoted agricultural activities or producing promoted food products.

#### **(v) Agricultural Allowance**

A person or a company carrying on an agricultural activity can claim Capital Allowances and special Industrial Building Allowances under the Income Tax Act 1967 for certain capital expenditure. Capital expenditure which qualifies includes expenditure incurred on:

- Clearing and preparation of land
- Planting of crops
- Provision of plant and machinery used in Malaysia for the purpose of crop cultivation, animal farming, aquaculture, inland fishing or deep-sea fishing, and other agricultural or pastoral pursuits
- Construction of access roads including bridges, construction or purchase of buildings (including those provided for the welfare of people or as living accommodation), and structural improvements on land or other structures which are used for crop cultivation, animal farming, aquaculture, inland fishing and other agricultural or pastoral pursuits. Such roads, bridges, buildings, structural improvements on land and other structures should be on land forming part of the land used for the purpose of such crop cultivation, animal farming, aquaculture, inland fishing and other agricultural or pastoral pursuits

A company continues to get the allowance for as long as it incurs the expenditure, regardless of whether it already enjoys Pioneer Status or ITA.

Claims should be submitted to the IRB.

#### **(vi) Accelerated Agriculture Allowance for the Planting of Rubberwood Trees**

To ensure a regular supply of rubberwood for the furniture industry, a non-rubber plantation company that plants at least 10% of its plantation with rubberwood trees is eligible for the Accelerated Agriculture Allowance whereby the write-off period of the capital expenditure incurred on land preparation, planting and maintenance of rubberwood cultivation is accelerated from two years to one year. This incentive is effective until the year of assessment 2010.

Applications should be submitted to the Ministry of Plantation Industries and Commodities.

Claims should be submitted to the IRB.

#### **(vii) 100% Allowance on Capital Expenditure for Approved Agricultural Projects**

Schedule 4A of the Income Tax Act 1967 provides for a 100% allowance on capital expenditure for Approved Agricultural Projects as approved by the Minister of Finance. This covers qualifying capital expenditure incurred within a specific time frame for a farm that cultivates and utilises a specified minimum acreage as stipulated by the Minister of Finance.

Approved agricultural projects are those for the cultivation of vegetables, fruits (papaya, banana, passion fruit, star fruit, guava and mangosteen), tubers, roots, herbs, spices, crops for animal feed and hydroponic-based products; ornamental fish culture; fish and prawn rearing (pond culture, tank culture, marine cage culture, and off-shore marine cage culture); cockles, oysters, mussels, and seaweed culture; shrimp, prawn and fish hatchery; and certain species of forest plantations.

The incentive enables a person carrying on such a project to elect to deduct the qualifying capital expenditure incurred in respect of that project from his aggregate income, including income from other sources. Where there is insufficient aggregate income, the unabsorbed expenditure can be carried forward to subsequent years of assessment. Where he so elects, he will not be entitled to any capital allowance or agricultural allowance on the same capital expenditure.

The qualifying capital expenditure includes expenditure incurred on:

- Clearing and preparation of land
- Planting of crops
- Provision of plant and machinery used in Malaysia for the purpose of crop cultivation, animal farming, aquaculture, inland fishing or deep-sea fishing, and other agricultural or pastoral pursuits
- Construction of access roads including bridges, construction or purchase of buildings (including those provided for the welfare of people or as living accommodation), and structural improvements on land or other structures which are used for crop cultivation, animal farming, aquaculture, inland fishing and other agricultural or pastoral pursuits. Such roads, bridges, buildings, structural improvements on land and other structures should be on land forming part of the land used for the purpose of such crop cultivation, animal farming, aquaculture, inland fishing and other agricultural or pastoral pursuits.

This incentive is not available to companies that have been granted incentives under the Promotion of Investments Act 1986 and whose tax relief periods have not started or have not expired.

Claims should be submitted to the IRB.

#### **(viii) Tax Exemption on the Value of Increased Exports**

A company which exports fresh and dried fruits, fresh and dried flowers, ornamental plants and ornamental fish is eligible for a tax exemption of its statutory income equivalent to 10% of the value of its increased exports.

Claims should be submitted to the IRB.

#### **(ix) Incentives for Companies providing Cold Chain Facilities and Services for Food Products**

Companies providing cold room and refrigerated truck facilities and related services such as the collection and treatment of locally produced perishable food products qualify for Pioneer Status or Investment Tax Allowance (ITA).

#### **New Companies**

New companies that provide cold chain facilities and services for perishable agricultural produce are eligible for:

- a. Pioneer Status with income tax exemption of 70% (100% for promoted areas) of the statutory income for a period of five years. Unabsorbed capital allowances as well as accumulated losses incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company; or



- b. Investment Tax Allowance of 60% (100% for promoted areas) on the additional qualifying capital expenditure incurred within a period of five years. The allowance can be offset against 70% (100% for promoted areas) of the statutory income for each year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised.

### **Existing Companies that Reinvest**

Existing locally owned companies that reinvest in cold chain facilities and services for perishable agricultural produce are eligible for the following incentives:

- a. Pioneer Status with a tax exemption of 70% (100% for promoted areas) on the increased statutory income arising from the reinvestment for a period of five years. Unabsorbed capital allowances as well as accumulated losses incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company; or
- b. Investment Tax Allowance of 60% (100% for promoted areas) on the additional qualifying capital expenditure incurred within a period of five years. The allowance can be offset against 70% (100% for promoted areas) of the statutory income in each year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised.

Applications should be submitted to MIDA.

### **(x) Double Deduction for Expenses to Obtain "Halal" Certification and Quality Systems and Standards Certification**

To enhance the competitiveness of Malaysian companies in the global market for "halal" products including "halal" food, double deduction will be given for the purpose of income tax computation to companies which incur expenses in obtaining;

- a. quality system and standards certification as well as 'halal' certification from JAKIM
- b. international quality systems and standards certification

Claims should be submitted to the IRB.

### **(xi) Double Deduction on Freight Charges for Export of Rattan and Wood-based Products**

Manufacturers who export rattan and wood-based products (excluding sawn timber and veneer) qualify for double deduction on freight charges.

*Note: Please refer to Section 18 for other incentives related to the agricultural sector.*

## **3. INCENTIVES FOR THE BIOTECHNOLOGY INDUSTRY**

### **3.1 Main Incentives for the Biotechnology Industry**

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

- a. An exemption from tax on 100% statutory income:
  - i. for a period of ten (10) consecutive years of assessment from the first year the company derived statutory income from the new business; or
  - ii. for a period of five (5) consecutive years of assessment from the first year the company derived statutory income from the existing business and expansion project; or
- b. An exemption of 100% statutory income derived from a new business or an expansion project that is equivalent to an allowance of 100% of qualifying capital expenditure incurred for a period of five (5) years.
- c. A BioNexus Status company is entitled to a concessionary tax rate of 20% on statutory income from qualifying activities for ten (10) years upon the expiry of the tax exemption period
- d. Tax exemption on dividends distributed by a BioNexus status company;
- e. Exemption of import duty and sales tax on raw materials/components and machinery and equipment;
- f. Double deduction on expenditure incurred for R&D; and
- g. Double deduction on expenditure incurred for the promotion of exports;
- h. With effect from 2 September 2006, buildings used solely for the purpose of biotechnology activities will be eligible for Industrial Building Allowance to be claimed over a period of ten years.

### **3.2 Incentives for Investment in a BioNexus Status Company**

#### **(i) Investment by a Company or Individual in a BioNexus Status Company**

A company or an individual (that carry on business) investing in a BioNexus status company is eligible for a tax deduction equivalent to the total investment made in seed capital and early stage financing.

#### **(ii) Tax Incentives for Mergers and Acquisitions with a Biotechnology Company**

A BioNexus status company undertaking merger and acquisition with a biotechnology company is eligible for exemption of stamp duty and real property gain tax within a period of five years until 31 December 2011.

Applications should be submitted to the Malaysian Biotechnology Corporation (BiotechCorp)

### **3.3 Biotechnology Funding for BioNexus Companies**

BiotechCorp provides funding to BioNexus Status companies under its Biotechnology Commercialisation Grant (BCG).

Three components of the Commercialisation Grant are as follows:



**a. Seed Fund**

- Up to RM2.5 million per company

Purpose: To fund seed or start-up costs in setting up biotech companies and to assist towards the development and commercialisation of biotechnology projects and R&D findings of priority and core areas.

**b. Research & Development Matching Fund**

- Maximum of RM1.0 million per project

Purpose: To provide matching fund for R&D projects which can develop new or improved products and/or processes and/or technologies and lead to further development and commercialisation within the Malaysia's Biotechnology Focus Areas.

**c. International Business Development Matching Fund**

- Maximum of RM1.25 million per project

Purpose: To promote the expansion of BioNexus Status Companies into the global market.

## **4. INCENTIVES FOR THE TOURISM INDUSTRY**

Tourism projects, including eco-tourism and agro-tourism projects, are eligible for tax incentives. These include hotel businesses, construction of holiday camps, recreational projects including summer camps, and construction of convention centres with a capacity to accommodate at least 3,000 participants.

Hotel businesses refer to the following:

- Construction of medium and low-cost hotels (up to a three-star category hotel as certified by the Ministry of Tourism);
- Expansion/modernisation of existing hotels

### **4.1 Incentives for the Hotel and Tourism Industry**

**(i) Pioneer Status**

A company granted Pioneer Status enjoys a 5-year partial exemption from the payment of income tax. It will only have to pay tax on 30% of its statutory income, commencing from its Production Day which is determined by the Minister of International Trade and Industry.

Applications received from companies located in the promoted areas i.e. the States of Perlis, Sabah, and Sarawak, the Federal Territory of Labuan and the designated "Eastern Corridor" of Peninsular Malaysia are eligible for a 100% tax exemption of their statutory income during the 5-year exemption period.

Unabsorbed capital allowances as well as accumulated losses incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company.

Applications received by 31 December 2010, are eligible for this incentive.

Applications should be submitted to MIDA.

#### **(ii) Investment Tax Allowance**

As an alternative to Pioneer Status, a company may apply for Investment Tax Allowance (ITA). A company granted the ITA gets an allowance of 60% (100% for promoted areas) on the qualifying capital expenditure incurred within five years from the date on which the first qualifying capital expenditure is incurred.

Companies can offset this allowance against 70% (100% for promoted areas) of statutory income in the year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised.

Applications received by 31 December 2010 are eligible for these incentives.

Applications should be submitted to MIDA.

#### **(iii) Enhanced Incentives for Undertaking New Investments**

Companies undertaking new investments in 4 and 5 star hotels in Sabah and Sarawak are eligible for the following incentives:

- a. Pioneer Status, with income tax exemption of 100% of the statutory income for a period of five years. Unabsorbed capital allowances as well as accumulated losses incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company; or
- b. Investment Tax Allowance of 100% on the qualifying capital expenditure incurred within a period of five years. The allowance can be offset against 100% of the statutory income in each year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised.

Applications received from 30 August 2008 to 31 December 2013 are eligible for these incentives.

Applications should be submitted to MIDA.

#### **(iv) Incentives for Reinvestment in Hotels and Tourism Projects**

Companies that reinvest in the expansion, modernisation and renovation of hotels and tourism projects are eligible for another round of Pioneer Status or Investment Tax Allowance as follows:

- a. Pioneer Status, with income tax exemption of 70% (100% for promoted areas) of the statutory income for a period of five years. Unabsorbed capital allowances as well as accumulated losses incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company; or
- b. Investment Tax Allowance of 60% (100% for promoted areas) on the qualifying capital expenditure incurred within a period of five years. The allowance can be offset against 70% (100% for promoted areas) of the statutory income in each year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised.

#### **(v) Incentives for the Luxury Yacht Industry**

The luxury yacht industry is promoted as part of tourism products and is eligible for the following incentives:

- Companies that construct luxury yachts are eligible for the Pioneer Status incentive.

Applications should be submitted to MIDA

- Companies that carry out repair and maintenance activities for luxury yachts in the island of Langkawi, Malaysia are eligible for an income tax exemption of 100% for five years.

Applications should be submitted to the Ministry of Finance.

- Companies that provide chartering services of luxury yachts in the country are eligible for income tax exemption of 100% for a period of five years.

Claims should be submitted to the IRB.

#### **4.2 Additional Incentives for the Tourism Industry**

##### **(i) Double Deduction on Overseas Promotion**

Hotels and tour operators qualify for a double deduction on the expenditure incurred for promotional activities overseas. The qualifying expenditure are:

- expenditure on publicity and advertisements in any mass media outside Malaysia
- expenditure on publication of brochures, magazines and guide books, including delivery costs that are not charged to the overseas customers;
- expenditure on market research into new markets overseas, subject to the prior approval of the Minister of Tourism;
- expenditure that includes fares to any country outside Malaysia to negotiate or secure a contract for advertising or participating in trade fairs, conferences or forums approved by the Minister of Tourism. Such expenses are subject to a maximum of RM300 per day for lodging and RM150 per day for food for the duration of the stay overseas;
- expenditure in organising trade fairs, conferences or forums approved by the Minister of Tourism; and
- expenditure on the maintenance of sales offices overseas for purposes of promoting tourism in Malaysia.

Claims should be submitted to the IRB

##### **(ii) Double Deduction on Approved Trade Fairs**

Companies are also eligible for a double deduction on expenditure incurred in participating in an approved international trade fair in Malaysia.

Claims should be submitted to the IRB.

### **(iii) Tax Exemption for Tour Operators**

#### **a. Foreign Tourists**

Tour operators who bring in at least 500 foreign tourists in groups in a year inclusive of tours that enter and exit the country by air, sea or land transportation, will be exempted from tax in respect of income derived from the business of operating such tours. This incentive is only applicable to tour operators licensed by the Ministry of Tourism.

#### **b. Local Tourists**

Companies that organise domestic tour packages for at least 1,200 local tourists per year qualify for tax exemption on the income earned. A domestic tour means any tour package within Malaysia participated by local tourists (excluding inbound tourists) by air, land or sea transportation involving at least one night's accommodation.

The incentive is available until the year of assessment 2011.

Claims should be submitted to the IRB.

### **(iv) Tax Exemption for Promoting International Conference and Trade Exhibitions**

- a. Local companies which promote international conferences in Malaysia qualify for tax exemption on the income earned from bringing at least 500 foreign participants into the country.
- b. Income earned from organising international trade exhibitions in Malaysia qualifies for tax exemption as long as the exhibitions are approved by MATRADE and the organisers bring in at least 500 foreign visitors per year.

Claims should be submitted to the IRB.

### **(v) Deduction on Cultural Performances**

Expenditure incurred by companies promoting and managing musical or cultural groups and sponsoring local and/or foreign cultural performances as approved by the Ministry of Tourism, qualifies for a single deduction.

To further encourage the private sector to sponsor local arts, cultural and heritage performances and shows, expenditure incurred in sponsoring such performances and shows has been increased from RM300,000 to RM500,000. However, the ceiling for deductions allowed on foreign performances and shows remains at RM200,000 per year effective from year of assessment 2007.

Claims should be submitted to the IRB.

### **(vi) Incentive for Car Rental Operators**

Operators of car rental services for tourists are eligible for full excise duty exemption on the purchase of national cars.

With effect from 2 September 2006, to enable tourists to explore challenging destinations, tour operators are also eligible for a 50% excise duty exemption on locally assembled 4WD vehicles.

Applications should be submitted to the Ministry of Finance.

*Note: Please refer to Section 18 for other incentives related to the tourism sector*

## **5. INCENTIVES FOR ENVIRONMENTAL MANAGEMENT**

### **5.1 Incentives for Forest Plantation Projects**

Companies that undertake forest plantation projects are eligible for the following incentives:

- i. Pioneer Status with income tax exemption of 100% of the statutory income for ten years. Unabsorbed capital allowances as well as accumulated losses incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company; or
- ii. Investment Tax Allowance (ITA) of 100% on the qualifying capital expenditure incurred within five years. The allowance can be offset against 100% of the statutory income for each year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised.

Applications should be submitted to MIDA.

### **5.2 Incentives for the Storage, Treatment and Disposal of Toxic and Hazardous Wastes**

Incentives are offered to encourage the setting up of proper facilities to store, treat and dispose of toxic and hazardous wastes. Companies that are directly involved in these three activities in an integrated manner qualify for:

- i. Pioneer Status, with income tax exemption of 70% (100% for promoted areas) of the statutory income for a period of five years. Unabsorbed capital allowances as well as accumulated losses incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company; or
- ii. Investment Tax Allowance of 60% (100% for promoted areas) on the qualifying capital expenditure incurred within a period of five years. The allowance can be offset against 70% (100% for promoted areas) of the statutory income in each year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised.

Applications should be submitted to MIDA.

### **5.3 Incentives for Waste Recycling Activities**

Companies undertaking waste recycling activities that are high value-added and use high technology are eligible for Pioneer Status or ITA. These activities which include the recycling of agricultural wastes or agricultural by-products, recycling of chemicals and the production of reconstituted wood-based panel boards or products are eligible for:

- i. Pioneer Status, with income tax exemption of 70% (100% for promoted areas) of the statutory income for a period of five years. Unabsorbed capital allowances as well as accumulated losses incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company; or

- ii. Investment Tax Allowance of 60% (100% for promoted areas) on the qualifying capital expenditure incurred within a period of five years. The allowance can be offset against 70% (100% for promoted areas) of the statutory income in each year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised.

Applications should be submitted to MIDA.

#### **5.4 Incentives for Energy Conservation**

##### **a) Companies Providing Energy Conservation Services**

In order to reduce operation costs as well as to promote environmental preservation, companies providing energy conservation services are eligible for the following incentives:

- i. Pioneer Status with income tax exemption of 100% of the statutory income for a period of ten years. Unabsorbed capital allowances as well as accumulated losses incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company; or
- ii. Investment Tax Allowance (ITA) of 100% on the qualifying capital expenditure incurred within five years. The allowance can be offset against 100% of the statutory income for each year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised.

The companies must implement their projects within one year from the date of approval.

Applications received by 31 December 2010 are eligible for this incentive.

##### **b) Companies Undertaking Conservation of Energy for Own Consumption**

Companies which undertake conservation of energy for own consumption are eligible for ITA of 100% on the qualifying capital expenditure incurred within five years. The allowance can be offset against 100% of the statutory income for each year of assessment. Any unutilised allowances can be carried forward until fully utilised.

Applications received by 31 December 2010 are eligible for this incentive.

Applications should be submitted to MIDA.

#### **5.5 Incentives for Energy Generation Activities Using Renewable Energy Resources**

Companies undertaking generation of energy using biomass, hydropower (not exceeding 10 megawatts) and solar power that are renewable and environmentally friendly are eligible for the following incentives:

- i. Pioneer Status with income tax exemption of 100% of statutory income for ten years. Unabsorbed capital allowances as well as accumulated losses incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company; or
- ii. Investment Tax Allowance of 100% on the qualifying capital expenditure incurred within a period of five years. This allowance can be offset against 100% of the statutory income for each year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised.

Companies must implement their projects within one year from the date of approval.

With effect from 8 September 2007, other companies in the same group are eligible for the same incentives as above even though one company in the same group has been granted the incentive. Applications received by 31 December 2010 are eligible for this incentive.

For the purpose of this incentive, 'biomass sources' refer to palm oil mill/estate waste, rice mill waste, sugar cane mill waste, timber/sawmill waste, paper recycling mill waste, municipal waste and biogas (from landfill, palm oil mill effluent (POME), animal waste and others), while energy forms refer to electricity, steam, chilled water, and heat.

Applications should be submitted to MIDA.

### **5.6 Incentives for Generation of Renewable Energy for Own Consumption**

With effect from 8 September 2007, companies which generate energy from renewable resources for its own consumption are eligible for the Investment Tax Allowance of 100% on qualifying capital expenditure incurred within a period of five years. This allowance can be offset against 100% of the statutory income for each year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised.

The equipment eligible for this allowance shall be determined by MIDA.

Applications should be submitted to MIDA.

### **5.7 Accelerated Capital Allowance for Environmental Management**

Companies using environmental protection equipment are eligible for an initial allowance of 40% and an annual allowance of 20% on the qualifying capital expenditure. Thus, the full amount can be written off within three years.

These companies are:

- Waste generators and wish to establish facilities to store, treat and dispose off their wastes, either on-site or off-site; and
- Undertake waste recycling activities.

Applications should be submitted to IRB.

In the case of companies that incur capital expenditure for conserving their own energy for consumption, the write-off period is accelerated by another one year.

Applications should be submitted to the IRB with a letter from the Ministry of Energy, Water and Communications Malaysia certifying that the related equipment is used exclusively for the purpose of energy conservation.

*Note: Please refer to Section 18 for other incentives related to environmental management.*



## 6. INCENTIVES FOR RESEARCH AND DEVELOPMENT

The Promotion of Investments Act 1986 defines research and development (R&D) as "any systematic or intensive study carried out in the field of science or technology with the objective of using the results of the study for the production or improvement of materials, devices, products, produce or processes but does not include:

- quality control of products or routine testing of materials, devices, products or produce
- research in the social sciences or humanities
- routine data collection
- efficiency surveys or management studies
- market research or sales promotion."

To further strengthen Malaysia's foundation for more integrated R&D, companies which carry out design, development and prototyping as independent activities are also eligible for incentives.

### 6.1 Main Incentives for Research and Development

#### (i) Contract R&D Company

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

- Pioneer Status with income tax exemption of 100% of the statutory income for five years. Unabsorbed capital allowances as well as accumulated losses incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company; or
- Investment Tax Allowance (ITA) of 100% on the qualifying capital expenditure incurred within 10 years. The allowance can be offset against 70% of the statutory income for each year of assessment. Any unutilised capital allowances can be carried forward to subsequent years until fully utilised.

Applications should be submitted to MIDA.

#### (ii) R&D Company

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

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

Applications should be submitted to MIDA.

**Eligibility:**

Contract R&D and R&D companies that fulfil the following criteria can apply for the various incentives:

- a. Research undertaken should be in accordance with the needs of the country and bring benefit to the economy;
- b. At least 70% of the income of the company should be derived from R&D activities;
- c. For manufacturing-based R&D, at least 50% of the workforce of the company must be appropriately qualified personnel performing research and technical functions; and
- d. For agriculture-based R&D, at least 5% of the workforce of the company must be appropriately qualified personnel performing research and technical functions.

**(iii) In-house Research**

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

Applications should be submitted to MIDA

**(iv) Second Round Incentives**

R&D companies/activities mentioned in categories (i) - (iii) are eligible for a second round of Pioneer Status for another five years, or ITA for a further ten years, where applicable.

**(v) Incentives for Commercialisation of Public Sector R&D**

To encourage commercialisation of resource-based R&D findings of public research institutes, the following incentives are given:

- a. A company that invests in its subsidiary company engaged in the commercialisation of the R&D findings is eligible for a tax deduction equivalent to the amount of investment made in the subsidiary company; and
- b. The subsidiary company that undertakes the commercialisation of the R&D findings is eligible for Pioneer Status with income tax exemption of 100% of statutory income for 10 years.

The incentive is provided on the following conditions:

- a. At least 70% of the investing company (holding company) and the company undertaking the commercialisation projects are owned by Malaysians;
- b. The company which invests should own at least 70% of the equity of the company that commercialises the R&D findings;
- c. The commercialisation of the R&D findings should be implemented within one year from the date of approval of the incentive.

## 6.2 Additional Incentives for Research and Development

### (i) Double Deduction for Research and Development

- A company can enjoy a double deduction on its revenue (non-capital) expenditure for research which is directly undertaken and approved by the Minister of Finance.
- Double deduction can also be claimed for cash contributions or donations to approved research institutes, and payments for the use of the services of approved research institutes, approved research companies, R&D companies or contract R&D companies.
- Approved R&D expenditure incurred during the tax relief period for companies granted Pioneer Status can be accumulated and deducted after the tax relief period.
- Expenditure on R&D activities undertaken overseas, including the training of Malaysian staff, will be considered for double deduction on a case-by-case basis.

Claims should be submitted to the IRB.

### (ii) Incentives for Researchers to Commercialise Research Findings

Researchers who undertake research focused on value creation will be given a 50% tax exemption for five years on the income that they receive from the commercialisation of their research findings. The undertaking has to be verified by the Ministry of Science, Technology and Innovation.

Claims should be submitted to the IRB.

*Note: Please refer to Section 18 for other incentives related to R&D.*

## 7. INCENTIVES FOR MEDICAL DEVICE INDUSTRY

### 7.1 Incentives for Medical Devices Testing Laboratories

Medical devices testing laboratories have been identified as an important support service in ensuring that locally manufactured medical devices are of high quality and of international standards.

#### (i) Companies Investing in New Testing Laboratories for Testing Medical Devices

With effect from 8 September 2007, companies investing in setting up new laboratories are eligible for the following incentives:

- Pioneer Status with income tax exemption of 100% of the statutory income for five years. Unabsorbed capital allowances as well as accumulated losses incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company; or
- Investment Tax Allowance (ITA) of 60% (100% for promoted areas) on the qualifying capital expenditure incurred within five years. The allowance can be offset against 100% of the statutory income for each year of assessment. Any unutilised capital allowances can be carried forward to subsequent years until fully utilised.

Applications received by 31 December 2012 are eligible for this incentive.

## **(ii) Companies Upgrading Existing Testing Laboratories for Testing Medical Devices**

With effect from 8 September 2007, companies investing in upgrading existing laboratories are eligible for an Investment Tax Allowance (ITA) of 60% (100% for promoted areas) on the qualifying capital expenditure incurred within five years. This allowance can be offset against 100% of the statutory income for each year of assessment. Any unutilised capital allowances can be carried forward to subsequent years until fully utilised.

Applications received by 31 December 2012 are eligible for this incentive.

Applications should be submitted to MIDA.

*Note: Please refer to Section 18 for other incentives related to medical device industry.*

## **8. INCENTIVES FOR TRAINING**

### **8.1 Main Incentives for Training**

To encourage human resource development, the following incentives are available:

#### **Investment Tax Allowance**

Companies that establish technical or vocational training institutions are eligible for an Investment Tax Allowance of 100% for ten years. This allowance can be offset against 70% of the statutory income for each year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised.

Existing companies providing technical or vocational training that undertake new investments to upgrade their training equipment or expand their training capacities also qualify for this incentive.

With effect from 1 October 2005, the incentive has been extended to:

- Private Higher Education Institutions (PHEIs) in the field of science; and
- Existing PHEIs in the field of science that undertake new investments to upgrade their training equipment or expand their training capacities.

The qualifying science courses are as follows:

- i. Biotechnology
  - Medical and health biotechnology
  - Plant biotechnology
  - Food biotechnology
  - Industrial and environment biotechnology
  - Pharmaceutical biotechnology
  - Bioinformatics biotechnology
- ii. Medical and Health Sciences
  - Medical science in gerontology
  - Medical science in clinical research
  - Medical biosciences
  - Biochemical genetics

- Environmental health
  - Community health
- iii. Molecular Biology
- Immunology
  - Immunogenetics
  - Immunobiology
- iv. Material sciences and technology
- v. Food science and technology

Applications should be submitted to MIDA.

## **8.2 Additional Incentives for Training**

### **(i) Incentive for Unemployed Graduate Training Scheme**

To encourage private sector assistance in enhancing the employability of graduates, both public and unlisted companies under the supervision of the Securities Commission (SC) qualify for double deduction on allowances paid to participants of Unemployed Graduate Training Programme which are endorsed by the SC. The scheme includes the companies own in-house training programmes.

The incentive takes effect from 2 September 2006 until 31 December 2008 and the deduction is given for the period of three years.

Claims should be submitted to the IRB.

### **(ii) Deduction for Cost of Recruitment of Workers**

Generally, cost of recruitment of workers is allowed as a deduction for the purpose of tax computation except if such expenses are incurred before the companies commence operation. However, effective from the year of assessment 2009, recruitment cost incurred before the commencement of operations is allowed as a deduction for the purpose of tax computation.

Cost includes expenses incurred in participation in job fairs, payment to employment agencies and head-hunters.

Claims should be submitted to the IRB.

### **(iii) Deduction for Pre-Employment Training**

Training expenses incurred before the commencement of business qualify for a single deduction. Nevertheless, companies must prove that they will employ the trainees.

Claims should be submitted to the IRB.

### **(iv) Deduction for Non-Employee Training**

Expenses incurred in providing practical training to residents who are not employees of the company can be considered for single deduction.

Claims should be submitted to the IRB.

#### **(v) Deduction for Cash Contributions**

Contributions in cash to technical or vocational training institutions that are not operating primarily for profit and those established and maintained by a statutory body qualify for single deduction.

Claims should be submitted to the IRB

#### **(vi) Special Industrial Building Allowance**

Companies that incur expenditure on buildings used for approved industrial, technical or vocational training can claim a special annual Industrial Building Allowance (IBA) of 10% for 10 years on qualifying capital expenditure for the construction or purchase of a building.

Claims should be submitted to the IRB.

#### **(vii) Tax Exemption on Educational Equipment**

Approved training institutes, in-house training projects and all private institutions of higher learning are eligible for import duty, sales tax and excise duty exemptions on all educational equipment including laboratory equipment for workshops, studios and language laboratories.

Applications should be submitted to MIDA.

#### **(viii) Tax Exemption on Royalty Payments**

Royalty payments made by educational institutions to non-residents (franchisors) for franchised education programmes that are approved by the Ministry of Education are eligible for tax exemption.

Claims should be submitted to the IRB.

#### **(ix) Double Deduction for Approved Training**

Manufacturing and non-manufacturing companies that do not contribute to the Human Resource Development Fund (HRDF) qualify for double deduction on expenses incurred for approved training.

For the manufacturing sector, the training could be undertaken in-house or at approved training institutions. However, for the non-manufacturing sector, the training should be held only at approved training institutions. Approval is automatic when the training is at approved institutions.

For the hotel and tour operation business, training programmes, in-house or at approved training institutions, to upgrade the level of skills and professionalism in the tourism industry, should be approved by the Ministry of Tourism.

Effective from the year of assessment 2009 to year of assessment 2012, employers who incur expenses for training their employees in the following skills are eligible for double deduction:

- Post graduate courses in information and communication technology (ICT), electronics and life sciences;
- Post basic courses in nursing and allied health care; and

- Aircraft maintenance engineering courses.

Claims should be submitted to the IRB.

**(x) Human Resource Development Fund (HRDF)**

Please refer to Manpower for Industry.

Claims should be submitted to the IRB.

*Note: Please refer to the Section 18 for other incentives related to the training.*

## **9. INCENTIVES FOR APPROVED SERVICE PROJECTS**

Approved Service Projects (ASPs) or projects in the transportation, communications and utilities sub-sectors approved by the Minister of Finance qualify for the following tax incentives:

### **9.1 Main Incentives for ASPs**

#### **(i) Exemption under Section 127 of the Income Tax 1967**

Under Section 127 of the Income Tax 1967, companies undertaking ASPs can apply for income tax exemption of 70% of their statutory income for five years. Companies undertaking ASPs in Perlis, Sabah, and Sarawak and the designated "Eastern Corridor" of Peninsular Malaysia are eligible for income tax exemption of 85% of their statutory income for five years, while companies undertaking ASPs of national and strategic importance are eligible for a 100% income tax exemption of their statutory income for ten years.

Applications should be submitted to the Ministry of Finance.

#### **(ii) Investment Allowance under Schedule 7B of the Income Tax Act 1967**

The Investment Allowance (IA) under Schedule 7B of the Income Tax Act 1967 is an alternative to the incentive offered under Section 127. Under IA, companies undertaking ASPs are eligible for an allowance amounting to 60% on the qualifying capital expenditure incurred within five years from the date the first capital expenditure is incurred. The allowance can be offset against 70% of the statutory income and any unutilised allowances can be carried forward to subsequent years until fully utilised.

Companies undertaking ASPs in Perlis, Sabah, Sarawak and the designated "Eastern Corridor" of Peninsular Malaysia, are eligible for an allowance of 80% on the qualifying expenditure which can be offset against 85% of the statutory income.

Companies undertaking ASPs of national and strategic importance are eligible for an allowance of 100% on the qualifying capital expenditure incurred within five years. This allowance can be offset against 100% of the statutory income.

Applications should be submitted to the Ministry of Finance.



## 9.2 Additional Incentives for ASPs

### **Exemption from Import Duty, Sales Tax and Excise Duty on Raw Materials, Components, Machinery, Equipment, Spares and Consumables**

Imports of raw materials and components not available locally and used directly to implement ASPs are eligible for exemption from import duty and sales tax, while locally purchased machinery or equipment are eligible for exemption from sales tax and excise duty.

Companies providing services in the transportation and telecommunications sectors, power plants and port operators can apply for import duty and sale tax exemption on spares and consumables that are not produced locally.

The above applications should be submitted to MIDA.

*Note: Please refer to Section 18 for other incentives related to ASPs.*

## **10. INCENTIVES FOR THE SHIPPING AND THE TRANSPORTATION INDUSTRY**

### **10.1 Tax Exemption for Shipping Operation**

The income of a shipping company derived from the operation of Malaysian ships is exempted from tax. This incentive only applies to residents. A "Malaysian Ship" is defined as a sea-going ship registered as such under the Merchant Shipping Ordinance 1952 (Amended), other than a ferry, barge, tugboat, supply vessel, crew boat, lighter, dredger, fishing boat or other similar vessels.

The Income of any person derived from exercising an employment on board a "Malaysian Ship" is exempted from tax. Income received by non-residents from the rental of ISO containers to Malaysian shipping companies is also exempted from income tax.

Claims should be submitted to the IRB.

### **10.2 Sales Tax Exemption on Prime Movers and Trailers**

Container hauliers qualify for sales tax exemptions on new prime movers and trailers that are produced locally.

Applications should be submitted to MIDA.

## **11. INCENTIVES FOR THE MULTIMEDIA SUPER CORRIDOR**

The Multimedia Super Corridor (MSC), a 15-by-50 kilometre (9-by-30 mile) zone extending south from Malaysia's capital city and business hub, Kuala Lumpur, is a perfect environment for companies wanting to create, distribute and employ multimedia products and services.

MSC Status is the recognition granted by the Government of Malaysia through the Multimedia Development Corporation (MDeC) to companies that participate and undertake ICT activities in the MSC. Companies with MSC status enjoy a set of incentives and benefits that is backed by the Government of Malaysia's Bill of Guarantees.

### 11.1 Main Incentives for MSC Status Company

MSC status multimedia companies operating in Malaysia MSC Cybercities/ Cybercentres namely Cyberjaya, Technology Park Malaysia, Kuala Lumpur City Centre, UPM-MTDC, Penang Cybercity-1, Kulim High Tech Park in Kedah, KL Sentral, Melaka International Trade Centre and MSC Cyberport Johor as well as multimedia faculties located in institutions of higher learning outside the cybercities, are eligible for the following incentives/facilities:

- i. Pioneer Status with income tax exemption of 100% of the statutory income for a period of 10 years or Investment Tax Allowance of 100% on the qualifying capital expenditure incurred within a period of five years to be offset against 100% of statutory income for each year of assessment.
- ii. Eligibility for R&D grants (for majority Malaysian-owned MSC Status companies)

Applications for MSC Status should be submitted to MDeC.

#### Other Benefits

- i. Duty-free import of multimedia equipment
- ii. Intellectual property protection and a comprehensive framework of cyberlaws
- iii. No censorship of the Internet
- iv. World-class physical and IT infrastructure
- v. Globally competitive telecommunication tariffs and services
- vi. Consultancy and assistance by the Multimedia Development Corporation to companies within the MSC
- vii. High quality, planned urban development
- viii. Excellent R&D facilities
- ix. Green and protected environment
- x. Import duty, excise duty and sales tax exemption on machinery, equipment and materials.

## 12. INCENTIVES FOR INFORMATION AND COMMUNICATION TECHNOLOGY (ICT)

### 12.1 Incentives for the Use of ICT

#### (i) Accelerated Capital Allowance

Companies are eligible for Accelerated Capital Allowance (ACA) that provides an initial allowance of 20% and an annual allowance of 40% for expenditure incurred in acquiring computers and information technology assets, including software. Effective for the year of assessment 2009 to the year of assessment 2013, the period to claim ACA on expenses incurred on ICT equipment including computer and software is accelerated from two years to one year.

The cost of developing websites is allowed as an annual deduction of 20% for a period of five years.

Claims should be submitted to the IRB

#### **(ii) Deduction of Operating Expenditure**

Companies enjoy a single deduction of operating expenditure including payments to consultants related to IT usage for improving management and production processes.

Claims should be submitted to the IRB

#### **(iii) Tax Exemption on the Value of Increased Exports**

Companies in the ICT sector can apply for a tax exemption on their statutory income equivalent to 50% of the value of increased exports.

Claims should be submitted to the IRB.

*Note: Please refer to Section 18 for other incentives related to the ICT sector.*

### **13. INCENTIVES FOR KNOWLEDGE-BASED ACTIVITIES**

Malaysia is in the process of transforming itself from a production-based to a knowledge-based economy. To further encourage companies to invest in knowledge-intensive activities, companies that qualify will be granted "Strategic Knowledge-based Status". These companies must have the following characteristics:

- i. the potential to generate knowledge content
- ii. high value-added operations
- iii. usage of high technology
- iv. a large number of knowledge workers
- v. possess a corporate knowledge-based master plan

Companies granted "Strategic Knowledge-based Status" are eligible for the following incentives:

- i. Pioneer Status with income tax exemption of 100% of the statutory income for a period of five years. Unabsorbed capital allowances as well as accumulated losses incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company; or
- ii. Investment Tax Allowance of 60% (100% for promoted areas) on the qualifying capital expenditure incurred within five years. The allowance can be offset against 100% of the statutory income for each year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised.

The expenditure incurred by a company for drafting its corporate knowledge-based master plan is eligible for deduction in the computation of income tax. The deduction can be claimed when the company begins to implement its corporate knowledge-based master plan.

## **14. INCENTIVES FOR MANUFACTURING RELATED SERVICES**

Companies providing the following value-added manufacturing related services are eligible for the Pioneer Status or Investment Tax Allowance (See Appendix II: List of Promoted Activities – Manufacturing Related Services):

- Integrated logistic services which comprise the entire supply chain management, including the procurement of software and hardware, warehousing, distribution (transportation and freight services), packaging activities and customs clearance
- Integrated market support services which comprise the activities of brand development, consumer development, packaging design, advertising and promotion
- Integrated central utility facilities which provide services such as the supply of steam, demineralised water and industrial gas
- Cold chain facilities that provide a wide range of services including cold room, refrigerated truck and other related services such as the collection, storage and distribution of perishable locally produced food products

### **(i) Pioneer Status**

Companies undertaking these manufacturing related services are eligible for Pioneer Status with income tax exemption of 70% (100% for promoted areas) of the statutory income for a period of five years. Unabsorbed capital allowances as well as accumulated losses incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company

Applications received by 31 December 2010 are eligible for this incentives.

Applications should be submitted to MIDA.

### **(ii) Investment Tax Allowance**

As an alternative to Pioneer Status, companies may apply for Investment Tax Allowance (ITA). Companies granted the ITA get an allowance of 60% (100% for promoted areas) on the qualifying capital expenditure incurred within five years from the date the first qualifying capital expenditure is incurred.

Companies can offset this allowance against 70% (100% for promoted areas) of their statutory income in the year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised. The remaining 30% of the statutory income will be taxed at the prevailing company tax rate.

Applications received by 31 December 2010 will be eligible for this incentive.

Applications should be submitted to MIDA.

*Note: Please refer to Section 18 for other incentives related to the manufacturing related services sector.*

## 15. INCENTIVES FOR OPERATIONAL HEADQUARTERS

An approved operational headquarters (OHQ) generally refers to a company that provides qualifying services to its offices or related companies regionally and globally.

A company that establishes an OHQ in Malaysia can be considered for tax incentives and facilities under the OHQ incentive programme. A company is granted OHQ status and tax incentives under Section 127 of the Income Tax Act 1967 for the provision of qualifying services to its offices or related companies within and outside Malaysia.

### 15.1 Approvals for OHQ Status, Incentives and Other Facilities

Companies that meet the following criteria can apply for OHQ status and incentives:

- Locally incorporated under the Companies Act 1965
- A minimum paid-up capital of RM0.5 million
- A minimum total business spending (operating expenditure) of RM1.5 million per year
- Appoint at least three senior professional/ management personnel
- Serve at least three related companies outside Malaysia
- Have a sizeable network of companies outside Malaysia which includes the parent company or headquarters, and other related companies
- Have a well-established network of companies that employ a significant and substantial number of qualified professionals, technical and supporting personnel
- Carry out a minimum of three qualifying services:

**The qualifying services are as follows:**

- General management and administration
- Business planning and coordination
- Coordination of procurement of raw materials, components and finished products
- Technical support and maintenance
- Marketing control and sales promotion planning
- Data/ information management and processing
- Research and development (R&D) work carried out in Malaysia on behalf of its offices or related companies within or outside Malaysia
- Training and personnel management for its offices or related companies within or outside Malaysia

- **Treasury and fund management services** to its offices or related companies outside Malaysia which include:
  - Providing credit facilities, transacting or investing in stocks, shares and securities (including bonds, notes, certificates of deposits and treasury bills) in foreign currencies that are issued either by foreign governments, foreign banks outside Malaysia, or companies that are neither incorporated nor a resident in Malaysia
  - Transacting or investing in certificates of deposits, notes and bonds denominated in a foreign currency that are issued by any offshore bank in Labuan
  - Investing in foreign currency deposits with designated banks in Malaysia or offshore banks in Labuan
  - Foreign exchange transactions and interest rate/currency swaps for hedging purposes that are made in a foreign currency and conducted through authorised dealers and licensed offshore banks in Labuan
  - Transactions in financial futures contracts or options for hedging purposes made only with a member of an exchange approved by Malaysia's central bank, Bank Negara Malaysia (BNM).

The funds for carrying out the treasury and fund management activities are to be obtained only through borrowings made from authorised banks in Malaysia and offshore banks in Labuan; or from the OHQ company's paid-up capital, its accumulated profits derived from qualifying activities, or the accumulated profits of its offices or from borrowings sourced from outside Malaysia.

An OHQ set up by a financial institution is prohibited from providing treasury and fund management services to its related companies in Malaysia unless the related companies are institutions licensed under the Banking and Financial Institution Act 1989 (BAFIA).

- **Corporate financial advisory services** to its offices and related companies outside Malaysia which include:
  - Provision of credit administration denominated in currencies other than the Malaysian Ringgit for related companies
  - Arrangement of credit facilities denominated in currencies other than the Malaysian Ringgit for related companies
  - Arrangement of interest rate or currency swaps in currencies other than the Malaysian Ringgit
  - An OHQ company may take over claims held by related companies and/or from third parties outside Malaysia at a discounted price (factoring)
  - All products and services which related companies invoice to each other can be re-invoiced by the OHQ (re-invoicing)
  - Netting of payments, other than the export proceed for goods exported from Malaysia, among related companies vis-à-vis the OHQ, is freely allowed

- An OHQ company may purchase machinery, equipment or real estate with a view to lease them to its related companies (leasing)
- An OHQ company may purchase machinery, equipment or real estate belonging to related companies with a view to lease them back to the same related companies (sales and lease back arrangements).

## 15.2 Equity Requirements

A company granted OHQ status and incentives under Section 127 of the Income Tax Act 1967, is allowed 100% foreign equity ownership.

## 15.3 Incentives

An approved OHQ company is eligible for 100% income tax exemption for a period of 10 years under Section 127, Income Tax Act 1967 for income derived from the following sources:-

### - **Business Income**

Income arising from services rendered by an OHQ company to its offices or related companies outside Malaysia

### - **Interest**

Income derived from interest on foreign currency loans extended by an OHQ company to its offices or related companies outside Malaysia

### - **Royalties**

Royalties received from R&D work carried out in Malaysia by an OHQ company on behalf of its offices or related companies outside Malaysia.

The income generated by an OHQ company in providing qualifying services to its offices and related companies in Malaysia will not be taxed during its tax-exempt period, provided such income does not exceed 20% of its overall income derived by providing qualifying services. Any excess of the 20% limit will not be exempted from tax.

An existing OHQ company will be given a 100% income tax exemption for its remaining exemption period.

Applications should be made to the Ministry of Finance.

## 15.4 Other Facilities

Other facilities accorded to an approved OHQ are as follows:

- Open foreign currency account (FCA) with licensed onshore banks to retain any amount of export proceeds in foreign currency.
- Open FCA with licensed onshore banks, licensed offshore banks in Labuan or overseas banks for crediting foreign currency receivables, other than export proceeds, with no limit imposed on the overnight balances.
- Obtain any amount of domestic credit facilities in ringgit



- Obtain any amount of foreign currency credit facilities from licensed onshore banks and licensed merchant banks in Malaysia and from any non-residents, provided the OHQ does not on-lend to, or raise the funds on behalf of, any resident
- Invest abroad any amount, including extension of credit facilities to their related overseas companies, to be funded with foreign currency funds or borrowing. They may also convert any amount if they have no domestic credit facilities or up to RM10 million if they have domestic credit facilities into foreign currency per calendar year for investment abroad
- Use professional services of foreign firms, provided that such services are not available locally
- Acquire fixed assets as long as the fixed assets are used for the purpose of carrying out the operations of the OHQ
- Import duty, excise duty and sales tax exemption on machinery, equipment and materials.
- Expatriates working in OHQ companies are taxed only on the portion of their chargeable income attributable to the numbers of days that they are in Malaysia.

### **15.5 Expatriate Employment**

There are two stages in the employment of expatriates: Application for an expatriate post and an endorsement of employment pass.

Companies applying for OHQ status can also apply for expatriate posts, including key posts. The approval will be granted according to the companies' requirements subject to the condition that the company has a minimum paid-up capital of RM500,000. All applications should be submitted to MIDA.

Upon approval of the expatriate posts by MIDA, the company must submit an application to the Immigration Department for endorsement of the Employment Pass. Once the Employment Pass has been endorsed, the expatriate can be hired.

## **16. INCENTIVES FOR INTERNATIONAL PROCUREMENT CENTRES/ REGIONAL DISTRIBUTION CENTRES**

### **International Procurement Centres**

An international procurement centre (IPC) is a locally incorporated company, which carries on a business in Malaysia to undertake procurement and sale of raw materials, components and finished products for its group of related companies and unrelated companies in Malaysia and abroad. This would include procurement from, and sales made to, local sources and third countries.

### **Regional Distribution Centres**

A regional distribution centre (RDC) is a collection and consolidation centre for finished goods, components and spare parts produced by its own group of companies for its own brand to be distributed to dealers, importers or its subsidiaries or other unrelated companies within or outside the country. Among the value-added activities involved are bulk breaking, repackaging and labelling.

## **16.1 Approvals for IPC/RDC Status**

Companies that meet the following criteria can apply for an IPC/RDC status:-

- Locally incorporated under the Companies Act 1965
- A minimum paid-up capital of RM0.5 million
- A minimum total business spending (operating expenditure) of RM1.5 million per year
- Utilisation of Malaysian ports and airports
- A minimum annual sales turnover of RM50 million by the third year of operation
- Domestic sales of not more than 20% of its annual sales value. Not more than 30% of its annual sales turnover is derived from sourcing of goods from outside Malaysia to overseas destinations via drop shipment.

## **16.2 Equity Requirements**

A company granted IPC/RDC status and incentives under Section 127 of the Income Tax Act 1967, is allowed 100% foreign equity ownership.

## **16.3 Incentives**

An approved IPC/RDC status company can be considered for:

- Full tax exemption of statutory income for 10 years, under Section 127 of the Income Tax Act 1967
- Dividends paid from the exempt income will be exempted from tax in the hands of its shareholders

### **Eligibility criteria:**

To qualify for the above incentives, an approved IPC/RDC status company must fulfil the following additional criteria:

- Annual sales turnover of at least RM100 million.
- Sales to the domestic market including sales to free zones (FZs) and licensed manufacturing warehouses (LMWs) are limited to 20% of its sales turnover. If sales to the domestic market exceed 20%, the additional sales will not be exempted from income tax.

## **16.4 Other Benefits**

An approved IPC/RDC status company will enjoy the following benefits:

- Expatriate posts based on the requirements of the IPC/RDC
- Open one or more foreign currency account (FCA) with licensed commercial banks to retain its export proceed without any limit
- Enter into foreign exchange forward contracts with licensed commercial banks to sell forward export proceeds based on its projected sales

- Bring in raw materials, components or finished products with customs duty exemption into free industrial zones (FIZs), free commercial zones (FCZs), licensed manufacturing warehouse (LMWs) and bonded warehouses for re-packaging, cargo consolidation and integration before distribution to its final consumers.
- Expatriates working in IPC/RDC companies are taxed only on the portion of their chargeable income attributable to the numbers of days that they are in Malaysia.

### **16.5 Expatriate Employment**

Companies applying for IPC/RDC status can also apply for expatriate posts, including key posts. The approval will be granted according to the companies' requirements subject to the condition that the company has a minimum paid-up capital of RM500,000. All applications should be submitted to MIDA.

Upon approval of the expatriate posts by MIDA, the company must submit an application to the Immigration Department for endorsement of the Employment Pass. Once the Employment Pass has been endorsed, the expatriate can be hired.

## **17. REPRESENTATIVE OFFICES AND REGIONAL OFFICES**

A Representative Office/Regional Office of a foreign company based in Malaysia performs permissible activities for its headquarters/principal. Such offices should be totally funded from sources outside Malaysia and are not required to be incorporated or be registered with the Companies Commission of Malaysia (SSM) under the Companies Act 1965.

### **Representative Office**

An approved representative office collects relevant information regarding investment and business opportunities to develop bilateral trade relations and promote the export of Malaysian goods and products.

### **Regional Office**

An approved regional office serves as the coordination centre for its affiliates, subsidiaries and agents within the Asia Pacific region. It is responsible for conducting designated activities within the region it operates.

The approval for the establishment of representative/regional offices and expatriate employment is valid for a period of two years and is renewable.

### **17.1 Activities Allowed**

An approved representative office/regional office is allowed to carry out the following activities:

- Plan or coordinate business activities
- Gather and analyse information or undertake feasibility studies on investment and business opportunities in Malaysia and the region
- Identify sources of raw materials, components or other industrial products

- Undertake research and product development
- Act as a coordination centre for the corporation's affiliates, subsidiaries and agents in the region

### **17.2 Activities Not Allowed**

An approved representative office/regional office is not allowed to carry out the following activities:

- Engage in any trading (including import and export), business or any form of commercial activity
- Lease warehousing facilities; any shipment/transshipment or storage of goods must be carried out through a local agent or distributor
- Sign business contracts on behalf of the foreign corporation or provide services for a fee
- Participate in the daily management of any of its subsidiaries, affiliates or branches in Malaysia
- Conduct any business transaction or derive income from its operations

### **17.3 Equity Requirements**

As representative/regional offices do not have issued capital in Malaysia, they are not subject to any equity condition.

### **17.4 Incentives**

Expatriates working in regional offices are taxed only on the portion of their chargeable income attributable to the numbers of days that they are in Malaysia.

### **17.5 Expatriate Employment**

An approved representative/regional office is allowed to employ expatriates at the managerial and technical level.

Applications for the establishment of representative/regional offices and expatriate posts should be submitted to MIDA.

Upon approval of expatriate posts, companies should forward their applications for Employment Passes to the Immigration Department for endorsement.

For further information in assessing and understanding the living environment in Malaysia, please refer to our publication on “Expatriate Living in Malaysia”.

## **18. OTHER INCENTIVES**

This section covers other incentives not mentioned elsewhere and may be applicable to the following sectors: manufacturing, agriculture, tourism, environmental management, research and development, training, information and communication technology, Approved Service Projects and manufacturing related services.

### **18.1 Industrial Building Allowance**

An Industrial Building Allowance (IBA) is granted to companies incurring capital expenditure on the construction or purchase of a building that is used for specific purposes, including manufacturing, agriculture, mining, infrastructure facilities, research, Approved Service Projects and hotels that are registered with the Ministry of Tourism. Such companies are eligible for an initial allowance of 10% and an annual allowance of 3%. As such, the expenditure can be written off in 30 years.

Claims should be submitted to the IRB.

### **18.2 Industrial Building Allowance for Buildings in MSC**

To encourage the construction of more buildings in Cyberjaya for use by MSC status companies, IBA for a period of 10 years will be given to owners of new buildings occupied by MSC status companies in Cyberjaya. Such new buildings include completed buildings but are yet to be occupied by MSC status companies.

Claims should be submitted to the IRB.

### **18.3 Infrastructure Allowance**

Companies in the States of Perlis, Sabah and Sarawak and the designated "Eastern Corridor" of Peninsular Malaysia are eligible for an Infrastructure Allowance of 100%. Companies eligible are those engaged in manufacturing, agriculture, hotel, tourism or other industrial/commercial activities and which incur qualifying capital expenditure on infrastructure such as the reconstruction, extension and improvement of any permanent structure including bridges, jetties, ports and roads.

These companies can offset the allowance against 100% of their statutory income in the year of assessment. The remaining statutory income will be taxed at the prevailing company tax rate. Any unutilised allowances can be carried forward to subsequent years until fully utilised. Applications received by 31 December 2010 are eligible for this incentive.

Claims should be submitted to the IRB.

### **18.4 Deduction of Audit Fees**

To reduce the cost of doing business and enhance corporate compliance, expenses incurred on audit fees by companies are deemed as allowable expenses for deduction in the computation of income tax.

The incentive is effective from the year of assessment 2006.

Claims should be submitted to the IRB.

### **18.5 Tax Incentives for Venture Capital Industry**

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

- i. at least 50% of funds invested in venture companies must be in seed capital; or
- ii. at least 70% of funds invested in venture companies must be in start-up or early stage financing.

To stimulate and further promote the funding of venture companies, VCCs investing in venture companies with at least 30% of its funds in seed capital, start-up or early stage financing are eligible for income tax exemption for five years. This incentive is effective for applications received by the Securities Commission from 30 August 2008 until 31 December 2013.

Claims should be submitted to the IRB.

#### **18.6 Tax Incentive on Costs of Dismantling and Removing Assets**

Costs of dismantling and removing assets including plant and machinery as well as restoring the site where the asset was located do not qualify for allowance under the Schedule 3, Income Tax Act 1967 since this expenditure is not deemed as cost of the asset. However, Financial Reporting Standards 116 (FRS 116) stipulates that the cost of an asset includes the estimated cost required to be incurred relating to the obligation to dismantle and remove the asset and to restore the site on which the asset was located.

Therefore, to streamline the tax treatment under the Income Tax Act 1967 and FRS 116, a special provision is introduced in Schedule 3, Income Tax Act 1967 to provide for balancing allowance\* on the cost of dismantling and removing asset including plant and machinery as well as restoring the site where the asset was located, subject to the following conditions:

- The eligibility of such treatment only applies where the obligation to carry out works on dismantling and removing the plant and machinery as well as restoring the site is provided under the written law or agreement; and
- Such plant and machinery is not allowed to be used by that person in another business or the business of another person.

Applications are eligible for the incentive with effect from the year of assessment 2009.

Claims should be submitted to the IRB.

#### **18.7 Incentive for Acquiring Proprietary Rights**

Capital expenditure incurred in acquiring patents, designs, models, plans, trade marks or brands and other similar rights from foreigners qualify as a deduction in the computation of income tax. This deduction is given in the form of an annual deduction of 20% over a period of five years.

Claims should be submitted to the IRB.

*\* The total balancing allowance is determined by adding the cost of dismantling and removing the plant and machinery as well as restoring the site to the balance of expenditure on plant and machinery at the time of the disposal of the asset.*

## **18.8 Tariff Related Incentives**

### **(i) Exemption from Import Duty on Raw Materials/Components**

Full exemption from import duty can be considered for raw materials/components, regardless of whether the finished products are meant for the export or domestic market.

Where the finished products are for the export market, full exemption from import duty on raw materials/components is normally granted, provided the raw materials/components are not produced locally or, where they are produced locally, are not of acceptable quality and price.

Where the finished products are for the domestic market, full exemption from import duty on raw materials/components that are not produced locally can be considered. Full exemption can also be considered if the finished products made from dutiable raw materials/ components are not subject to any import duty.

Hotel and tourism projects qualify for full exemption of import duty and sales tax on identified imported materials.

Applications should be submitted to MIDA.

### **(ii) Exemption from Import Duty on Imported Medical Devices for Purpose of Kitting**

To encourage local manufacturers of medical devices to kit their products to add value as well as to enhance their competitiveness, full import duty exemption is given on medical devices that are imported for the purpose of kitting or producing complete procedural sets, provided these medical devices are not manufactured locally.

Applications should be submitted to MIDA.

### **(iii) Exemption from Import Duty and Sales Tax on Machinery and Equipment**

It is the policy of the government not to impose taxes on machinery and equipment used directly in the manufacturing process and not produced locally. Most categories of machinery and equipment are therefore, not subject to import duties. In cases where the imported machinery and equipment are taxable but are not available locally, full exemption is given on import duty and sales taxes. For locally purchased machinery and equipment, full exemption is given on sales tax.

Applications should be submitted to MIDA.

### **(iv) Exemption from Import Duty and Sales Tax on Spares and Consumables**

Manufacturing companies qualify for import duty and sales tax exemptions on spares and consumables that are not produced locally and which are used directly in the manufacturing process.

Applications should be submitted to MIDA.

### **(v) Exemption from Import Duty and Sales Tax for Outsourcing Manufacturing Activities**

To reduce the cost of doing business and enhance competitiveness, owners of Malaysian brands with at least 60% Malaysian equity ownership who outsource manufacturing activities are eligible for:



- a) Import duty and sales tax exemptions on raw materials and components used in the manufacturing of finished products by their contract manufacturers locally or abroad
- b) Import duty and sales tax exemptions on semi-finished goods from their contract manufacturers abroad, to be used by their local contract manufacturers to manufacture the finished products.

Applications should be submitted to MIDA.

**(vi) Exemption from Import Duty and Sales Tax for Maintenance, Repair and Overhaul (MRO) Activities**

Aerospace companies undertaking maintenance, repair and overhaul activities, qualify for import duty and sales tax exemption on raw materials, components, machinery, and equipments, spares and consumables. These are subject to each importation to be accompanied by certificates of parts and components issued by one of the following original equipment manufacturers (OEM):

- a) FAA Form 8130-3 from the United States of America
- b) EASA Form 1 from the European Union
- c) Certificate of Compliance
- d) Certificate of Conformance
- e) Certificate from vendors
- f) Distributor certificate

Applications should be submitted to the Ministry of Finance.

**(vii) Exemption from Import Duty and Sales Tax on Solar Photovoltaic System Equipment**

To widen the usage of energy from renewable resources:

- import duty and sales tax exemption on solar photovoltaic system equipment for the usage by third parties is given to importers including photovoltaic service providers approved by the Energy Commission; and
- sales tax exemption is given on the purchase of solar heating system equipment from local manufacturers.

Applications received from 30 August 2008 until 31 December 2010 by the Ministry of Finance are eligible for these incentives.

**(viii) Exemption from Import Duty and Sales Tax on Energy Efficiency Equipment**

To widen the usage of energy efficiency equipment:

- import duty and sales tax exemption is given on energy efficiency (EE) equipment such as high efficiency motors and insulation materials to importers including authorised agents approved by the Energy Commission; and
- sales tax exemption is given on the purchase of locally manufactured EE consumer goods such as refrigerator, air conditioner, lightings, fan and television.

Applications received from 30 August 2008 until 31 December 2010 by the Ministry of Finance are eligible for these incentives.

**(ix) Exemption from Import Duty and Excise Duty on Hybrid Cars**

Generally, the importation of completely built-up (CBU) cars including hybrid cars below 2000cc is subject to import duty, excise duty and sales tax that ranges from 10% to 80%.

However, to promote Malaysia as a regional hub for hybrid cars and as an incentive for local car manufacturers and assemblers to prepare for assembly of such cars domestically, franchise holders of hybrid cars are given 100% exemption on import duty and 50% exemption of excise duty on new CBU hybrid cars subject to the following criteria and conditions:

- (a) Hybrid cars should comply with the United Nations definition – “A vehicle with at least two different energy convertors and two different energy storage systems (gasoline and electric) on-board the vehicle for the purpose of vehicle propulsion”;
- (b) Limited to new CBU hybrid passenger cars with engine capacity below 2000cc;
- (c) Engine specification of at least Euro 3 Technology;
- (d) Hybrid cars certified by the Road Transport Department, obtaining Vehicle Type Approval and certified to have achieved not less than a 50% increase in the city-fuel economy or not less than a 25% increase in combined city-highway fuel economy relative to a comparable vehicle that is an internal combustion gasoline fuel; and
- (e) Emission of carbon monoxide of less than 2.3 gram per kilometre.

Applications received by the Ministry of Finance from 30 August 2008 until 31 December 2010 are eligible for these incentives.

**(x) Sales Tax Exemption**

Manufacturers licensed under the Sales Tax Act 1972 qualify for sales tax exemption on the inputs for their manufacturing operations. Manufacturers with an annual sales turnover of less than RM100,000 are exempted from licensing and are thus exempted from paying sales tax on their output. However, these manufacturers can opt to be licensed and obtain sales tax exemption on their inputs instead.

Certain categories of goods are exempted from sales tax at both the input and output stages. These include all goods (inclusive of packaging materials) used in the manufacture of controlled articles, pharmaceutical products, milk products, batik fabrics, perfumes, beauty or make-up preparations, photographic cameras, wrist-watches, pens, computers and computer peripherals, parts and accessories, carton boxes/cases, products in the printing industry, agricultural or horticultural sprayers, plywood, re-treaded tyres, uninterruptible power systems, machinery, and manufactured goods for export.

Applications can be made to the Royal Malaysian Customs Department

#### **(xi) Drawback on Import Duty, Sales Tax and Excise Duty**

Under Section 99 of the Customs Act 1967, Section 29 of the Sales Tax Act 1972 and Section 19 of the Excise Act 1976, a drawback on import duty, sales tax and excise duty that have been paid may be claimed by a manufacturer if the parts, raw materials or packaging materials are used in the manufacture of goods for export within a year based on conditions stipulated in the Acts.

Excise duties are imposed on a selected range of goods manufactured in Malaysia. Goods which are subject to excise duties include intoxicating liquor, cigarettes containing tobacco, motor vehicles, playing cards and mahjong tiles.

The movement of goods from the principal customs area or licensed premises (for goods subject to excise duty) for use in the manufacture of other products by a factory in a free zone (FZ) or licensed manufacturing warehouse (LMW) or the islands of Langkawi, Labuan and Tioman is considered as exports from Malaysia. Applications should be made to the nearest Royal Malaysian Customs Department office where its factory is located.

### **18.9 Incentives for Export**

#### **(i) Single Deduction for the Promotion of Exports**

Certain expenses incurred by resident companies in looking for opportunities to export Malaysian manufactured and agricultural products and services qualify for single deduction. The eligible expenses are those incurred in:

- registration of patents, trade marks and product licensing overseas
- hotel accommodation for a maximum of three nights in providing hospitality to potential importers invited to Malaysia.

#### **(ii) Double Deduction for the Promotion of Exports**

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

The eligible expenses are those incurred in:

- overseas advertising, publicity and public relations work
- supplying samples abroad, including delivery costs
- undertaking export market research
- preparing tenders for supply of goods overseas
- supplying of technical information abroad
- preparing exhibits and participation costs in trade/industrial exhibitions, virtual trade shows and trade portals and fares for overseas travel by company employees for business
- accommodation expenses up to RM300 per day and sustenance expenses up to RM150 per day for company representatives who travel overseas for business
- maintaining sales offices and warehouses overseas to promote exports

- hiring professional to design packaging for exports, subject to the company using local professional services
- undertaking feasibility studies for overseas projects identified for the purpose of tenders
- preparing architectural and engineering models, perspective drawings and 3-D animations for participating in competitions at international level.
- participating in trade or industrial exhibitions in the country or overseas
- participating in exhibitions held in Malaysian Permanent Trade and Exhibition Centres overseas

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

- legal
- accounting (including taxation and management consultancy)
- architectural (including town planning and landscaping)
- engineering and integrated engineering (including valuation and quantity surveying)
- medical and dental

For pioneer companies, the deduction is accumulated and allowed against the post pioneer income.

### **(iii) Double Deduction on Export Credit Insurance Premiums**

Premium payments on export credit insurance qualify for double deduction.

### **(iv) Double Deduction on Freight Charges**

Manufacturers who ship their goods from Sabah or Sarawak to any port in Peninsular Malaysia qualify for double deduction on freight charges.

### **(v) Double Deduction for the Promotion of Malaysian Brand Names**

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

- a) the company must be owned more than 50% by the registered proprietor of the Malaysian brand name
- b) the deduction can only be claimed by one company in a year of assessment.
- c) the products meet export quality standard

Claims should be submitted to the IRB.

#### **(vi) Special Industrial Building Allowance for Warehouses**

An annual allowance of 10% of qualifying capital expenditure is given for buildings used as warehouses for storing goods for export and re-export.

#### **(vii) Incentive for the Implementation of RosettaNet**

RosettaNet is an open Internet-based common business messaging standard for supply chain management link-ups with global suppliers.

To encourage local small and medium-scale companies to adopt RosettaNet in order to become more competitive in the global market, the expenditure and contributions incurred by companies in the management and operation of RosettaNet Malaysia and in assisting local small and medium-scale companies to adopt RosettaNet are eligible for income tax deduction.

The eligible expenditure and contributions are those on equipment (computers and servers) and salaries for full-time employees seconded to RosettaNet Malaysia; contribution of software, sharing of software and programming, as well as the training of the staff of local small and medium-scale companies to use RosettaNet.

Claims should be submitted to the IRB.

#### **18.10 Incentive for the Use of Environmental Protection Equipment**

Companies using environmental protection equipment receive an initial allowance of 40% and an annual allowance of 20% on the capital expenditure incurred on such equipment. Thus, the full amount can be written off in three years.

Claims should be submitted to the IRB.

#### **18.11 Donations for Environmental Protection**

Donations to an approved organisation exclusively for the protection and conservation of the environment qualify for single deduction.

Claims should be submitted to the IRB.

#### **18.12 Incentive for Employees' Accommodation**

Buildings used for employees for the purpose of living accommodation in a manufacturing operation, an Approved Service Project, hotel or tourism business, are eligible for special Industrial Building Allowance of 10% of the expenditure incurred on the construction/purchase of the building for ten years.

Claims should be submitted to the IRB.

#### **18.13 Incentives for Employees' Child Care Facilities**

Expenditure incurred for the construction/purchase of buildings for the purpose of providing child care facilities for employees are eligible for a special Industrial Building Allowance of 10% for ten years.

A single deduction also applies to gifts in kind and cash to provide and maintain child care centres for the benefit of employees.

Claims should be submitted to the IRB.





### Chapter 3

# TAXATION

1. TAXATION IN MALAYSIA
2. SOURCES OF INCOME LIABLE TO TAX
3. COMPANY TAX
4. PERSONAL INCOME TAX
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    - 4.1.1 Personal Relief
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## Chapter 3

# TAXATION

### 1. TAXATION IN MALAYSIA

Income of any person including a company, accruing in or derived from Malaysia or received in Malaysia from outside Malaysia is subject to income tax.

However, with effect from the year of assessment 2004, income received in Malaysia by any person other than a resident company carrying on business of banking, insurance or sea or air transport for a year of assessment derived from sources outside Malaysia is exempted from tax.

To modernise and streamline the tax administration system, the assessment of income tax was changed to a current year basis of assessment from the year 2000. The self-assessment system was implemented for companies in the year of assessment 2001 and for sole proprietors, partnerships, cooperatives and salaried groups, in the year of assessment 2004.

### 2. SOURCES OF INCOME LIABLE TO TAX

The following sources of income are liable to tax:

- gains and profits from a trade, profession and business
- gains or profits from an employment (salaries, remunerations, etc.)
- dividends, interests or discounts
- rents, royalties or premiums
- pensions, annuities or other periodic payments
- other gains or profits of an income nature

Chargeable income is arrived at after adjusting for allowable expenses incurred in the production of the income, capital allowances and incentives where applicable. Section 34 of the Income Tax Act 1967 allows specific provisions for bad or doubtful debts. However, no deduction for book depreciation is allowed although capital allowances are granted. Unabsorbed business losses may be carried forward indefinitely to offset against business income including companies with pioneer status, provided that the cessation of the period falls on or after 30 September 2005.

### 3. COMPANY TAX

A company, whether resident or not, is assessable on income accrued in or derived from Malaysia. Income derived from sources outside Malaysia and remitted by a resident company is exempted from tax, except in the case of the banking and insurance business, and sea and air transport undertakings. A company is considered a resident in Malaysia if the control and management of its affairs are exercised in Malaysia.

Effective from the year assessment of 2007, the corporate tax rate is reduced to 27%. The tax rate is further reduced to 26% in 2008 and 25% in 2009. These rates are also applicable to the following entities:

- i. a trust body
- ii. an executor of an estate of an individual who was domiciled outside Malaysia at the time of his death; and
- iii. a receiver appointed by the court

A company carrying on petroleum upstream operations is subject to a Petroleum Income Tax of 38%.

With effect from the year of assessment 2007, deduction for payment of zakat made by a company, cooperative society or trust body shall not exceed 2.5% of its aggregate income in the relevant year of assessment.

Deductions are allowed for contributions made to:

- i. the Government, State Government, local authorities,
- ii. institutions approved by the Minister of Finance;
- iii. sports activities approved by the Minister of Finance or Commissioner of Sports; and
- iv. project of national interest approved by the Minister of Finance;

The contributions in respect of ii, iii, and iv shall not exceed 7% of the aggregate income of the company in the relevant year of assessment. With effect from the year of assessment 2009 this limit shall be increased to 10%.

## **4. PERSONAL INCOME TAX**

All individuals are liable to tax on income accrued in, derived from or remitted to Malaysia. However, a non-resident individual will be taxed only on income earned in Malaysia. The rate of tax depends on the individual's resident status, which is determined by the duration of his stay in the country as stipulated under Section 7 of the Income Tax Act 1967. Generally, an individual who is in Malaysia for at least 182 days in a calendar year is regarded as a tax resident.

Effective from the year of assessment 2004, income remitted to Malaysia by a resident individual is exempted from tax.

### **4.1 Resident Individual**

A resident individual is taxed on his chargeable income after deducting personal reliefs at a graduated rate from 0% to 28%. Effective year of assessment 2009 the maximum rate shall be revised from 28% to 27%.

#### 4.1.1 Personal Relief

The chargeable income of resident individuals is computed by deducting the personal reliefs from the total income. The types of relief available are as follows:

Relief	RM
• Self	RM8,000
• Further self relief – disabled	RM6,000
• Wife/ husband	RM3,000
• Further wife/ husband relief – disabled	RM3,500
• Medical expenses for parents;	RM5,000
• Medical expenses for taxpayer, spouse or children on serious diseases (include RM500 for medical examination);	RM5,000
• Expenses on supporting equipment for disabled taxpayer, spouse, children or parent;	RM5,000
• Expenses on supporting unmarried children	
i. Below 18 years of age;	RM1,000
ii. Disabled child	RM5,000
iii. Over 18 years old (pursuing tertiary education at university or college)	RM4,000
• Life insurance premiums or approved fund contributions	RM6,000
• Insurance premiums for education or medical benefit	RM3,000
• Annuity premium on annuity purchased through EPF Annuity Scheme	RM1,000
• Fee of acquiring law, accounting, Islamic finance technical, vocational, industrial, scientific or technological skills or qualification. In cases of post graduate studies no restrictions on the field of study	RM5,000
• Purchase of books, journals and magazines and other similar publication (excluding newspapers).	RM1,000
• Purchase of computer for once every three years with effect from the year of assessment 2007	RM3,000

#### 4.1.2 Tax Rebate

The tax charged on a resident individual is reduced by way of the following rebates:

- i. An individual with a chargeable income not exceeding RM35,000 enjoys a rebate of RM350. Where the wife is not working or the wife's income is jointly assessed, she also enjoys a further rebate of RM350. Similarly, a wife who is assessed separately will also enjoy a RM350 rebate, provided her chargeable income does not exceed RM35,000. Effective year of assessment 2009, the rebate shall be increased from RM350 to RM400.

- ii. Any fee paid to the government for the issue of an employment pass, visit pass or work permit

#### **4.2 Non-Resident Individual**

A non-resident individual is liable to tax at the rate of 28% without any personal relief. However, he can claim rebates in respect of fees paid to the government for the issuance of an employment work permit. Effective year of assessment 2009, the rate shall be revised from 28% to 27%.

### **5. WITHHOLDING TAX**

Non-resident individuals are subject to a final withholding tax of:

10% on special classes of income such as:

- a. in consideration of services rendered by the person or his employee in connection with the use of property or rights, installation of or operation of any plant, machinery or other apparatus;
- b. in consideration of technical advice, assistance or services rendered in connection with technical management or administration; or
- c. rent or other payments made under any agreement or arrangement for the use of any moveable property

Withholding tax will not be applicable for income received in respect of the services (a) and (b) rendered or performed outside Malaysia.

Effective from 30 August 2008 until 31 December 2012, withholding tax exemption is given to non-residents experts on income received by providing technical training services in the following fields:

- Post graduate courses in information and communication technology (ICT), electronics and life sciences;
- Post basic courses in nursing and allied health care; and
- Aircraft maintenance engineering courses.

Effective from 1 January 2009, to reduce the cost of technical services provided by non-residents, reimbursements relating to hotel accommodation in Malaysia will not be included in the computation of gross technical fees for the purpose of withholding tax.

In respect of withholding tax not paid, a penalty of 10% is imposed on the total payment made to a non-resident. However, effective on 2 September 2006, the 10% penalty on withholding tax be imposed only on the amount of unpaid tax and not on the total payment made to a non-resident.

Claims should be submitted to the Inland Revenue Board (IRB).

## **6. REAL PROPERTY GAIN TAX**

Capital gains are generally not subject to tax in Malaysia. Real property gains tax is charged on gains arising from the disposal of real property situated in Malaysia or of interest, options or other rights in or over such land as well as the disposal of shares in real property companies.

Malaysians and permanent residents are subject to a 30% tax if they sell the property within two years, with a reducing rate until 5% in the sixth year and thereafter. For non-citizens and non-permanent residents, on the other hand, pay a flat rate of 30% if they sell within five years, and thereafter at the rate of 5%.

However, with effect from 1st April 2007, all persons are exempted from the provisions of the Real Property Gains Tax Act 1967.

## **7. SALES TAX**

Sales tax is a single stage tax imposed at the import or manufacturing levels. In Malaysia, manufacturers of taxable goods are required to be licensed under the Sales Tax Act 1972. Companies with a sales turnover of less than RM100,000 and companies with Licensed Manufacturing Warehouse (LMW) status are exempted from this licensing requirement. However, companies with a sales turnover of less than RM100,000 have to apply for a certificate of exemption from licensing.

Licensed manufacturers are taxed on their output while manufacturers that are not licensed or exempted from licensing need to pay tax on their inputs. To relieve small-scale manufacturers from paying sales tax upfront on their inputs, they can opt to be licensed under the Sales Tax Act 1972 in order to purchase tax-free inputs. With this, small-scale manufacturers can opt to pay sales tax only on their finished products.

Sales tax is generally at 10%. However, raw materials and machinery for use in the manufacture of taxable goods are eligible for exemption from the tax, while inputs for selected non-taxable products are also exempted.

Certain non-essential foodstuffs and building materials are taxed at 5%, general goods at 10%, liquor at 20% and cigarettes at 25%. Certain primary commodities, basic foodstuffs, basic building materials, certain agricultural implements and heavy machinery for use in the construction industry are exempted. Certain tourism and sports goods, books, newspapers and reading materials are also exempted.

## **8. SERVICE TAX**

A service tax applies to certain prescribed goods and services in Malaysia including food, drinks and tobacco; provision of rooms for lodging and premises for meetings, conventions, and cultural and fashion shows; health services, and provision of accommodation and food by private hospitals.

The tax also applies to professional and consultancy services provided by accountants, advocates and solicitors, engineers, architect, surveyors (including valuers, assessors and real estate agents), advertising agencies, consultancy firms,

management service provider, insurance companies, motor vehicle service and repair centres, telecommunication services companies, security and guard services agencies, recreational clubs, estate agents, parking space services operators and courier service firms.

Professional services provided by a company to companies within the same group will be exempted from the current service tax of 5%. Courier services provided from a point within Malaysia to a destination outside Malaysia will also be exempted from the service tax of 5%.

Generally, the imposition of service tax is subject to a specific threshold based on an annual turnover ranging from RM150,000 to RM500,000 such as those

- i. car rental agencies licensed under the Commercial Vehicles Licensing Board Act 1987 having an annual sales turnover of RM150,000 and above,
- ii. employment agencies having an annual sales turnover of RM150,000 and above;
- iii. companies providing management services, including project management and coordination services, having an annual sales turnover of RM150,000 and above;
- iv. hotels having more than 25 rooms and restaurants within such hotels

## **9. IMPORT DUTY**

In Malaysia, import duty is mostly imposed ad valorem although some specific duties are imposed on a number of items. Nevertheless, in line with trade liberalisation, import duties on a wide range of raw materials, components and machinery have been abolished, reduced or exempted.

Furthermore, Malaysia is committed to the ASEAN Common Effective Preferential Tariffs (CEPT) scheme under which all industrial goods traded within ASEAN are imposed import duties of 0% to 5%.

Malaysia continues to participate in negotiations of free trade arrangements in areas of trade in goods, rules of origin, and investments. To date, Malaysia has concluded a bilateral free trade agreement with Japan under the Japan-Malaysia Economic Partnership Agreement, and the regional agreements under ASEAN-Republic of Korea FTA, and ASEAN-China FTA. Import duties between FTA partners are subject to specific reduction and elimination schedules under these agreements.

## **10. EXCISE DUTY**

Excise duties are levied on selected products manufactured in Malaysia, namely cigarettes, tobacco products, alcoholic beverages, playing cards, mahjong tiles and motor vehicles.

## **11. CUSTOMS APPEAL TRIBUNAL AND CUSTOMS RULING**

Customs Appeal Tribunal (CAT) is an independent body, established to decide on appeals against the decision of the Director General of Customs pertaining to matters under the Custom Act 1967, Sales Tax Act 1972, Service Tax Act 1975 and Excise Act 1976.

In addition, Customs Ruling is introduced under the Custom Act 1967, Sales Tax Act 1972, Service Tax Act 1975 and Excise Act 1976 to provide business sectors with the elements of certainty and predictability in planning their business activities.

The ruling issued by the Customs and agreed by the applicant shall be legally binding both parties for a specific period time. The main features of Customs Ruling are:

- i. applications for Customs Ruling can be made with respect to classification of goods, determination of taxable services and the principles of determination of value of goods and services;
- ii. application should be made in writing together with sufficient facts and prescribed fee;
- iii. applications may be made before the goods are imported or the services are provided upon which Customs will issue an advance ruling.

## **12. DOUBLE TAXATION AGREEMENT**

Double Taxation Agreement (DTA) is an agreement between two countries seeking to avoid double taxation by defining the taxing rights of each country with regard to cross-border flows of income and providing for tax credits or exemptions to eliminate double taxation.

The objectives of Malaysian DTA are as follows:

- i. to create a favourable climate for both inbound and outbound investments;
- ii. to make Malaysia's special tax incentives fully effective for taxpayers of capital exporting countries;
- iii. to obtain a more effective relief from double taxation compared to relief gained under unilateral measures; and
- iv. to prevent evasion and avoidance of tax

Like many other countries in the developed as well as the developing world, Malaysia too cannot absolve herself from the need to facilitate her trade and investments with the outside world through international tax treaty network with other countries. The increased pace of industrialisation coupled with increased foreign direct investment in the country necessitated tax treaty arrangements with other countries to provide investors with certainty and guarantees in the area of taxation. As at 15 September 2008, the status of Malaysian DTAs are as follows:



Albania	Ireland	Romania
Argentina*	Italy	Russia
Australia	Japan	Saudi Arabia
Austria	Jordan	Seychelles
Bahrain	Kuwait	Singapore
Bangladesh	Kyrgyz Republic	South Africa
Belgium	Lebanon	South Korea
Canada	Luxembourg	Spain
China	Malta	Sri Lanka
Croatia	Mauritius	Sudan
Czech Republic	Mongolia	Sweden
Denmark	Morocco	Switzerland
Egypt	Namibia	Syria
Fiji	Netherlands	Thailand
Finland	New Zealand	Turkey
France	Norway	United Arab Emirates
Germany	Pakistan	United Kingdom
Hungary	Papua New Guinea	United States of America*
India	Philippines	Uzbekistan
Indonesia	Poland	Vietnam

\* *Limited Agreement*

Spain: Income Tax/Withholding Taxes - for year of assessment beginning on or after 1 January 2008 and Petroleum Income Tax - for year of assessment beginning on or after 1 January 2009

In the case of Taiwan (represented by Taipei Economic and Cultural Office in Malaysia) double taxation relief is given by way of the following Income Tax Exemption Order:

- i. P.U.(A) 201 (1998)
- ii. P.U.(A) 202 (1998)

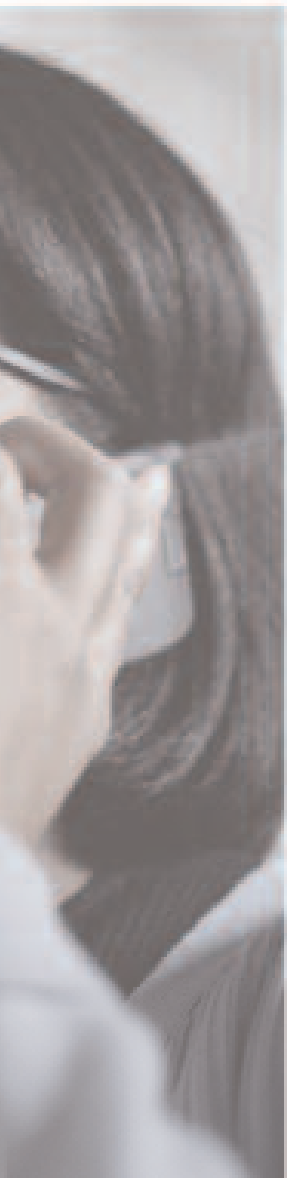
The withholding tax for Interest, Royalties and Fees for Technical Services are reduced to 10%, 10% and 7.5% respectively.

For more information, please contact:

Department of International Tax  
Inland Revenue Board of Malaysia  
3rd Floor, Block 9,  
Government Office Complex  
Jalan Duta  
50600 Kuala Lumpur  
Malaysia

Tel: (603) 6209 1000  
(603) 6203 2330/2540 (for outside Malaysia)  
Fax: (603) 6201 9884  
Email: [lhdn\\_int@hasil.org.my](mailto:lhdn_int@hasil.org.my)





#### Chapter 4

# IMMIGRATION PROCEDURE

1. PASSPORT AND VISA REQUIREMENT
2. ENTRY INTO MALAYSIA
  - 2.1 Passes Issued at Point of Entry
  - 2.2 Passes Issued Upon Arrival
3. EMPLOYMENT OF EXPATRIATE PERSONNEL
4. APPLYING FOR EXPATRIATE POSTS
5. EMPLOYMENT OF FOREIGN WORKERS

# IMMIGRATION PROCEDURE

## 1. PASSPORT AND VISA REQUIREMENT

All persons entering Malaysia must possess valid national passports or other internationally recognised travel documents valid for travel to Malaysia. These documents must be valid for at least six months beyond the date of entry into Malaysia. Those with passports not recognised by Malaysia must apply for a document in lieu of the passport as well as a visa issued by Malaysian missions abroad. Applications for visas can be made at the nearest Malaysian mission abroad. In countries where Malaysian missions have not been established, applications can be made to the nearest British High Commission or Embassy.

Visa Requirements	Citizens of:
No visa required	Commonwealth Countries (except India, Bangladesh, Cameroon, Ghana, Mozambique, Nigeria, Pakistan and Sri Lanka)
No visa required for business or social visits not exceeding 30 days	ASEAN Countries (except Myanmar) and United States of America (except for employment).
No visa required for business or social visits exceeding 30 days	Brunei and Singapore
Visa required*	Angola, Bangladesh, Bhutan, Burkina Faso, Burundi, Cameroon, Central African Republic, China, Colombia, Comoros, Congo Democratic Republic, Congo Republic, Cote D'Ivoire, Equatorial Guinea, Eritrea, Ethiopia, Ghana, Guinea- Bissau, Hong Kong (Certificate of Identity), India, Liberia, Mali, Mozambique, Myanmar (normal passport), Nepal, Nigeria, Pakistan, Rwanda, Sri Lanka, Serbia & Montenegro, Taiwan, United Nations (Laissez Passer), Western Sahara
Visa with reference required**	Afghanistan

Visa Requirements	Citizens of:
Visa required for social visits exceeding 14 days	Iraq, Libya, Macao (Travel Permit/ Portugal Certificate of Identity), Palestine, Sierra Leone, Somalia, South Yemen, and Syria
Visa required for social visits exceeding 15 days	Iran
Visa required for social visits exceeding 30 days	Armenia, Azerbaijan, Barbados, Belarus, Benin, Bolivia, Bulgaria, Cambodia, Cape Verde, Chad, Chile, Costa Rica, Ecuador, El Salvador, Estonia, Gabon, Georgia, Greece, Guatemala, Guinea Republic, Haiti, Honduras, Hong Kong SAR, Kazakhstan, Latvia, Lithuania, Macao SAR, Macedonia, Madagascar, Maldives, Mauritania, Mexico, Monaco, Mongolia, Nicaragua, North Korea, North Yemen, Panama, Paraguay, Portugal, Russia, Sao Tome and Principe, Senegal, Slovenia, Sudan, Surinam, Tajikistan, Togo, Ukraine, Upper Volta, Uzbekistan, Vatican City, Venezuela, Zaire, and Zimbabwe
Visa required for social visits exceeding 90 days	Albania, Algeria, Argentina, Australia, Austria (Vienna), Bahrain, Belgium, Bosnia-Herzegovina, Brazil, Croatia, Cuba, Czech Republic, Denmark, Egypt, Finland, France, Germany, Hungary, Iceland, Ireland, Italy, Japan, Jordan, Kirgistan, Kuwait, Kyrgyz Republic, Lebanon, Liechtenstein, Luxembourg, Morocco, Netherlands, Norway, Oman, Peru, Poland, Qatar, Romania, St. Marino, Saudi Arabia, Slovakia, South Korea, Spain, Sweden, Switzerland, Tunisia, Turkey, Turkmenistan, United Arab Emirates, United Kingdom, Uruguay, and Yemen

For nationals of Israel, visas and prior approval from Malaysia's Ministry of Internal Security are required.

For nationals of Republic of Serbia and the Republic of Montenegro, visas and prior approval from Malaysia's Ministry of Home Affairs are required.

Nationals from other countries other than those stated above (except Israel), no visa is required for visits not exceeding one month.

Note:

\* Visa without reference is issued by the Malaysian mission in the respective country.

\*\* Visa with reference is visa approved by the Immigration Department

## **2. ENTRY INTO MALAYSIA**

### **2.1 Passes Issued at Point of Entry**

A visitor can obtain a visit pass for the purpose of a social or business visit at the point of entry provided he can satisfy immigration authorities that he has a valid passport and visa (where necessary) which allows him to stay temporarily in Malaysia.

A Visit Pass is issued to visitors for the purpose of a social or/and business visit such as:

- Owners and company representatives entering Malaysia to attend a company meeting or seminar, inspect the company's accounts or to ensure the smooth running of the company
- Investors or businessmen entering to explore business opportunities and investment potential
- Foreign representatives of companies entering to introduce goods for manufacture in Malaysia, but not to engage in direct selling or distribution
- Property owners entering to negotiate, sell or lease properties
- Foreign reporters from mass media agencies entering to cover any event in Malaysia
- Participants in sporting events

These passes cannot be used for employment or for supervising the installation of new machinery or the construction of a factory.

### **2.2 Passes Issued Upon Arrival**

Other than applications for entry for the purpose of social or business visits, all applications for passes mentioned below must be made before the arrival into the country.

All such applications must have sponsorship in Malaysia whereby the sponsors agree to be responsible for the maintenance and repatriation of the visitors from Malaysia if necessary.

The types of passes are:

#### **(i) Visit Pass (Temporary Employment)**

This is issued to persons who enter the country to take up employment for less than 24 months or earn a monthly income of less than RM3,000.

#### **(ii) Employment Pass**

This is issued to foreigners who enter the country to take up employment for a minimum period of two years and earn a monthly income of not less than RM3,000.

### **(iii) Visit Pass (Professional)**

This is issued to foreigners for the purpose of engaging on short-term contract with any agency.

The categories of foreigners who are eligible are:

- artistes
- those entering for filming
- researchers recognised by the Government of Malaysia
- members of an international organisations
- volunteers
- invited lecturers/speakers
- those entering for religious purposes
- experts in the installation or maintenance of machines/computers.
- trainees or technical trainees (e.g. management trainees in hotels and resorts)

The validity of the pass varies but it does not exceed twelve months at any one time.

Applications should be made by the agency concerned.

### **(iv) Dependant's Pass**

This is issued to wives and children of the employment pass holders. This pass may be applied together with the application for an employment pass or after the employment pass is issued.

### **(v) Employment Pass for Foreign Spouses of Malaysian Nationals (Spouse Programme)**

Launched on 13th February 1996, this programme aims to provide the privilege to the spouses of Malaysian nationals or the expatriate officers who are foreigners and having the intention to work in Malaysia. The objective of this programme is in line with the Government's intention, to support and encourage these foreign spouses to channel their skills and expertise towards the development of this country.

#### **Eligibility:**

- Foreign spouse of a Malaysian with a Valid Referred Visa (if applicable)
- Legally married under the Malaysian Law
- Applicant must have a valid permanent job offer. However, self-employed applicants are not eligible for this programme
- Applicant who wants to practise their educational or health discipline should have a recommendation from the related agencies such as the Ministry of Education or the Ministry of Health respectively.



All applications should be made to the:

- Employment Pass Division, Immigration Department Headquarters; or
- State Immigration Offices

Foreign spouses are allowed to work whilst on Social Visit Passes on condition that they have obtained prior approval from Director General of the Immigration Department of Malaysia.

**(vi) Student's Pass**

This is issued to foreigners who wish to study in Malaysia who enroll as students in any approved educational institutions approved by the Ministry of Home Affairs.

### **3. EMPLOYMENT OF EXPATRIATE PERSONNEL**

The Malaysian government is desirous that Malaysians are eventually trained and employed at all levels of employment. Thus, companies are encouraged to train more Malaysians so that the employment pattern at all levels of the organisation reflects the multi-racial composition of the country.

Notwithstanding this, where there is a shortage of trained Malaysians, companies are allowed to bring in expatriate personnel. In addition, foreign companies are also allowed "key posts", that is, posts that are permanently filled by foreigners.

To further improve Malaysia's investment environment and promote technology transfer and the inflow of foreign skills into Malaysia, the government has further liberalised the policy on the employment of expatriate personnel. With effect from 17 June 2003, the new guidelines on the employment of expatriate personnel are as follows:

- a) Manufacturing companies with foreign paid-up capital of US\$2 million and above:
  - Automatic approval is given for up to 10 expatriate posts, including five key posts.
  - Expatriates can be employed for up to a maximum of 10 years for executive posts, and five years for non-executive posts
- b) Manufacturing companies with foreign paid-up capital of more than US\$200,000 but less than US\$2 million:
  - Automatic approval is given for up to five expatriate posts, including at least one key post.
  - Expatriates can be employed for up to a maximum 10 years for executive posts, and five years for non-executive posts
- c) Manufacturing companies with foreign paid-up capital of less than US\$200,000 will be considered for both key posts and time posts based on current guidelines. They are:

- Key posts can be considered where the foreign paid-up capital is at least RM500,000. This amount, however, is only a guideline and the number of key posts allowed depends on the merits of each case.
  - Time posts can be considered for up to 10 years for executive posts that require professional qualifications and practical experience, and five years for non-executive posts that require technical skills and experience. For these posts, Malaysians must be trained to eventually take over the posts.
  - The number of key posts and time posts allowed depends on the merits of each case.
- d) For Malaysian-owned manufacturing companies, approval for the employment of expatriates for technical posts, including R & D posts, will be given as requested.

An expatriate personnel employed in the manufacturing sector, excluding ICT related activities, should be at least 27 years old. For ICT related activities, an expatriate personnel employed should be at least 21 years old.

An expatriate personnel who is transferred from one post to another within the same company will be required to obtain a new employment pass. His original employment pass will be amended to reflect the change in post. A new expatriate personnel replacing another must also obtain a fresh employment pass.

All employment passes are valid for the period approved for the post. However, for key post holders, employment passes will be issued up to five-year renewable basis except in circumstances where:

- the validity of the expatriate's passport is less than five years,
- the expatriate's employment contract is less than five years, or
- the employer requires the services of the expatriate for less than five years.

Holders of employment passes will be issued with multiple entry visas valid for the duration of the employment pass.

#### **4. APPLYING FOR EXPATRIATE POSTS**

All applications for expatriate posts from new and existing companies (including those not involving expansion or diversification) in the manufacturing and related service sectors should be submitted to MIDA. This includes companies required to obtain manufacturing licence as well as companies exempted from the manufacturing licence.

#### **5. EMPLOYMENT OF FOREIGN WORKERS**

In Malaysia, foreign workers can be employed in the manufacturing, construction, plantation, agricultural, services and domestic help sector. Services sector consists of fourteen sub sectors: (restaurant, launderette, welfare homes, cleaning services, wholesale/retail, goldsmith, barber, metal/scrap/recycle activities, cargo handling, hotel, caddy in golf club, textile and spa/reflexology).

All applications from companies located in Peninsular Malaysia should be submitted to the Ministry of Home Affairs.

Only nationals from the specified countries below are allowed to work in the selected sectors:

<b>Nationals of:</b>	<b>Approved Sectors</b>
Indonesia Thailand Cambodia Nepal Myanmar Laos Vietnam Philippines (male only) Pakistan Sri Lanka Turkmenistan Uzbekistan Kazakhstan	All sectors (manufacturing, construction, plantation, agricultural, and services sectors)
India	Services (cooks), wholesale/retail, goldsmith, barber, metal/scraps/recycle, textile); Construction (fixing of high voltage cable only); Agriculture; and Plantation.

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

An annual levy on foreign workers is imposed as follows:

<b>Approved Sectors</b>	<b>Annual Levy</b>
Manufacturing Services	RM 1,200
- Welfare homes	RM 600
- Island resorts	RM 1,200
- Others	RM 1,800
Construction	RM 1,200
Plantation	RM 540
Agricultural	RM 360
Domestic Help	RM 360

For further information, please visit the Malaysia's Immigration Department website at <http://www.imi.gov.my>







## Chapter 5

# MANPOWER FOR INDUSTRY

5

### 1. MALAYSIA'S LABOUR FORCE

### 2. MANPOWER DEVELOPMENT

- 2.1 Facilities for Training in Industrial Skill
- 2.2 Human Resources Development Fund
- 2.3 Management Personnel

### 3. LABOUR COSTS

### 4. FACILITIES FOR RECRUITMENT

### 5. LABOUR STANDARDS

- 5.1 Employment Act 1955
- 5.2 The Labour Ordinance, Sabah and the Labour Ordinance, Sarawak
- 5.3 Employees Provident Fund Act 1991
- 5.4 Employee's Social Security Act 1969
- 5.5 Workmen's Compensation Act 1952
- 5.6 Occupational Safety and Health Act 1994

### 6. INDUSTRIAL RELATION

- 6.1 Trade Unions
- 6.2 Industrial Relations Act 1967
- 6.3 Relations in Non-Unionised Establishments



# MANPOWER FOR INDUSTRY

## 1. MALAYSIA'S LABOUR FORCE

Malaysia offers the investor a diligent, disciplined, educated and trainable labour force. Malaysian youths who enter the labour market would have undergone at least 11 years of school education i.e. up to secondary school level, and are therefore easy to be trained in new skills.

To cater to the manufacturing sector's expanding demand for technically trained workers, the Malaysian government has taken measures to increase the number of engineers, technicians and other skilled personnel graduating each year from local as well as foreign universities, colleges, and technical and industrial training institutions.

In addition, Malaysia enjoys a free and competitive labour market where employer-employee relationship is cordial and harmonious. Labour costs in Malaysia are relatively low while productivity levels remain high in comparison with industrialised countries.

## 2. MANPOWER DEVELOPMENT

The National Vocational Training Council (NVTC), under the Ministry of Human Resources, was established in May 1989 for the purpose of formulating, promoting, and coordinating Malaysia's vocational and industrial training strategy and programme in keeping with the country's technological and economic development needs. Effective 1 September 2006, NVTC has changed its name to become the Department of Skills Development (DSD) upon the gazetting of the National Skill Development Act (NASDA) [Act 652] on 29 Jun 2006.

The DSD coordinates the setting up of all public and private training institutions, evaluates the demand for existing and future skills, identifies future vocational and industrial training needs and will continue to develop standards under the National Vocational Skill Standard (NOSS). To-date, there are more than 700 certified standards which cover certificate, diploma and advanced diploma qualifications. Under NOSS, 20 major industry sectors have been identified for future standards development.

### 2.1 Facilities for Training in Industrial Skill

In Malaysia, vocational and technical schools, polytechnics and industrial training institutions prepare youths for employment in various industrial trades. While they are mostly run by government agencies, several private initiatives complement the government's efforts in producing the skilled workers needed by industry.



The main government agencies involved in training are:

- **Ministry of Human Resources** which currently runs fourteen industrial training institutes (ITIs). The ITIs offer industrial skills training programmes at basic, intermediate and advanced levels for pre-employment or job entry level. These include apprenticeship programmes in the mechanical, electrical, building and printing trades as well as programmes to upgrade skills and train instructors. The Ministry also operates the Centre for Instructors and Advanced Skills Training (CIASST), the Japan-Malaysia Technical Institute (JMTI) and four advanced technology centres (ADTECs).
- **The Ministry of Higher Education**, which was established in March 2004, supervises 21 polytechnics and 37 community colleges to prepare skilled manpower for industries. At the post-secondary level, the formal training conducted in polytechnics and community colleges aims to produce trained manpower at the semi-professional level in engineering, commerce and services sectors. More polytechnics and community colleges are being planned for establishment under the Ninth Malaysian Plan (2006 - 2010).
- **Ministry of Education**, which runs 90 technical schools offering technical and vocational courses. School leavers from the technical schools can either seek employment at entry level or pursue their post-secondary education at certificate or diploma level in Polytechnics or Community Colleges which are now under the purview of Ministry of Higher Education or other training institutions under the supervision of other ministries.
- **Ministry of Youth and Sports**, which provides basic, intermediate and advanced levels of industrial skills training through its seven youth skills training centres and the Youth Advanced Skills Training Centre. Short-term courses and skills upgrading programmes are also being conducted.
- **Majlis Amanah Rakyat (MARA)**, or the Council of Trust for the Indigenous People under the purview of the Ministry of Entrepreneur and Cooperative Development. MARA operates twelve skills training institutes in different parts of the country which offer programmes at basic, intermediate and advanced levels. MARA also coordinates the operations of three advanced skills training institutions, i.e. the German-Malaysian Institute (GMI), British Malaysian Institute (BMI) and Malaysia France Institute (MFI).

## 2.2 Human Resources Development Fund

The Human Resources Development Act, 1992 which was enforced in January 1993 led to the establishment of the Human Resources Development Fund (HRDF) and administered by the Human Resources Development Council (HRDC). In line with the corporatisation exercise via the Pembangunan Sumber Manusia Berhad Act, 2001, the HRDC is now known as Pembangunan Sumber Manusia Berhad (PSMB).

The HRDF operates on the basis of a levy/grant system. Employers who have paid the levy will qualify for training grants from the fund to defray or subsidise training costs for their Malaysian employees.

Manufacturing companies contribute as follows:

Companies that employ 50 employees and above (Effective from 1 January 1993)	1% of employees' monthly wages
Companies that employ less than 50 to a minimum of 10 employees, with a paid-up capital of RM2.5 million or more (Effective from 1 January 1995)	1% of employees' monthly wages
Companies that employ less than 50 to a minimum of 10 employees, with a paid-up capital of less than RM2.5 million are given the option to register with PSMB. (Effective from 2 August 1996)	0.5% of employees' monthly wages

Currently, the rate of financial assistance is 100% of the allowable costs incurred for training in Malaysia and up to 50% for costs incurred overseas, subject to the availability of levy in the employers' accounts with PSMB.

The apprenticeship schemes have been developed and implemented by PSMB with the aim of providing highly trained workforces for specific industries. Under the Eighth Malaysia Plan, an allocation of RM16 million was given by the Federal Government to PSMB for the payment of apprentices' tuition fees. At the same time, employers are eligible for a 100% rate of financial assistance on the allowable training costs such as apprentices' monthly allowances, insurance premiums and consumable training materials. To date, PSMB has implemented various apprenticeship schemes, namely mechatronics, hotel industry, plastic injection moulding, industrial sewing machine, information technology (multimedia artist-authoring), tool and die maker and wood based (furniture maker) apprenticeship schemes to cater to the needs of employers.

In 2005, to facilitate employers in sourcing for suitable training programmes over the Internet, PSMB developed the HRD portal at [www.hrdportal.com.my](http://www.hrdportal.com.my). This portal acts as a one-stop centre that allows training providers to market their training programmes more effectively and efficiently through the interactive facilities available in the portal.

### **2.3 Management Personnel**

Up to 2006, there were 82,700 degree and 68,082 diploma holders who graduated from Malaysia's 20 public higher education institutions (IPTA) and other private higher education institutions (IPTS). These graduates are from various disciplines ranging from business management, information technology, engineering, medicine, science and mathematics to art and design.

Besides universities and colleges, agencies like the National Productivity Corporation, the Malaysian Institute of Management and the Malaysian Institute of Personnel Managers also provide training for management personnel. In addition many of Malaysia's management-level personnel have been educated overseas.

### 3. LABOUR COSTS

There is no national minimum wage law applicable to the manufacturing sector in Malaysia. Basic wage rates vary according to location and industrial sector, while supplementary benefits, which may include bonuses, free uniforms, free or subsidised transport, performance incentives and other benefits, vary from company to company.

Salaries and fringe benefits offered to management and executive personnel also vary according to the industry and employment policy of the company. Most companies provide free medical treatment, personal accident and life insurance coverage, free or subsidised transport, an annual bonus, retirement benefits and enhanced contributions to the Employees Provident Fund.

For more information on salaries and fringe benefits in the manufacturing sector, please refer to MIDA's brochure entitled "The Costs of Doing Business in Malaysia".

### 4. FACILITIES FOR RECRUITMENT

Besides registered private employment agencies, employers and job seekers can seek assistance from government employment offices located throughout the country. Employers seeking to recruit workers can obtain detailed information on job seekers registered with these employment offices whose functions include:

- Undertaking publicity campaigns to aid employers' recruitment drive
- Arranging preparatory work relating to holding interviews and aptitude tests

The polytechnics and the community colleges also provide facilities for prospective employers to conduct interviews for graduating students in their institutions.

### 5. LABOUR STANDARDS

The Department of Labour is responsible for the administration of labour laws in order to maintain industrial harmony. The labour laws stipulate the minimum requirements that apply to all types of employment. Flexibility in the operation of businesses is facilitated by application for exemption to the Director of Labour.

#### 5.1 Employment Act 1955

The main legislation, the Employment Act 1955 applies to all employees in Peninsular Malaysia and the Federal Territory of Labuan whose monthly wages do not exceed RM1,500 and all manual labourers irrespective of their wages. Employers may draw up the contract of service but it should not contravene the minimum benefits stipulated under the law. Employees who earn between RM1,500 and RM5,000 a month can seek redress at the Labour Court on terms and conditions in their individual contracts of service.

Some of the obligations of an employer under the Employment Act 1955 are as follows:

- i. Every employee must be given a written contract of service containing the terms and conditions of the employment, including provisions relating to the termination of contract.

- ii. Maintaining of labour register pertaining to personal particulars of employees, payment of wages and deduction of wages.
- iii. Special provisions for the protection of female employees pertaining to night work and maternity benefits.
- iv. Normal hours of work and other provisions relating to numbers of working hours..
- v. Entitlement of paid annual leave, sick leave and public holidays. .
- vi. Rate of payment for overtime and extra work.

## **5.2 The Labour Ordinance, Sabah and the Labour Ordinance, Sarawak**

The Labour Ordinance, Sabah and the Labour Ordinance, Sarawak regulates the administration of Labour Laws in their respective states. The provisions of the Labour Ordinance, Sabah and the Labour Ordinance, Sarawak are similar to the provisions of the Employment Act 1955.

## **5.3 Employees Provident Fund Act 1991**

The Employees Provident Fund Act 1991 stipulates a compulsory contribution for employees. Under the Act, all employers and employees (except foreign workers and those who are listed under the First Schedule) must contribute to the Employees Provident Fund (EPF). With effect from 1 February 2008 the rate of contributions shall be as follows:-

Employees who are Malaysian citizens, Permanent Residents and non-Malaysian Citizens who have elected to contribute to EPF before 1 August 1998 and who have not attained the age of 55 years (Refer to Part A of the Third Schedule), the applicable rate shall be as follows:-

- Employers – Minimum of 12% of the employees' monthly wages
- Employees – Minimum of 11% of the employees' monthly wages

Employees who are Malaysian citizens, Permanent Residents and non-Malaysian Citizens who have elected to contribute to EPF before 1 August 1998 and have attained the age of 55 years (Refer to Part C of the Third Schedule), the applicable rate shall be as follows:-

- Employers – Minimum of 6% of the employees' monthly wages
- Employees – Minimum of 5.5% of the employees' monthly wages

Employees who are not Malaysian Citizens but elect to contribute to EPF on or after 1 August 1998 and who elect to contribute under paragraph 3 and 6 of the First Schedule of the EPF Act 1991, (Refer To Part B of The Third Schedule) and who have not attained the age of 55 years the applicable rate shall be as follows:-

- Employers – RM5.00 (US\$1.33) per employee per month
- Employees – 11% of the employees' monthly wages

Employees who are not Malaysian Citizens but elect to contribute to EPF on or after 1 August 1998 and who elect to contribute under paragraph 3 and 6 of the First Schedule of the EPF Act 1991 and who have attained the age of 55 years, (Refer To Part D of The Third Schedule) the applicable rate shall be as follows:-

- Employers – RM5.00 (US\$1.33) per employee per month
- Employees – 5.5% of the employees' monthly wages

All employers must register their employees with EPF immediately upon employment except for those who are exempted under the Act.

#### **5.4 Employee's Social Security Act 1969**

The Social Security Organisation (SOCSO) provides two social security schemes to protect the welfare of employees and their dependents under the Employees' Social Security Act 1969. The two social security schemes namely are:

- Employment Injury Insurance Scheme
- Invalidity Pension Scheme

The Employment Injury Insurance Scheme provides employees with coverage by way of cash benefits and medical care in the event of any disablement or death due to employment injury.

The Invalidity Pension Scheme provides 24-hour coverage to employees against invalidity or death due to any cause not connected with his employment. However, the employee must fulfill the condition to be eligible for invalidity pension.

##### **Employer Eligibility**

Any employer who hires one or more employees as defined under the Act is required to register and make contributions to SOCSO.

##### **Employee Eligibility**

Employees receiving a monthly salary of three thousand ringgit (RM3,000) or less are required to contribute to SOCSO. Employees with a monthly salary of more than RM3,000, who have not registered and contributed to SOCSO, have the option of registering and contributing as long as both employer and employee agree to contribute. However, when an employee is already contributing under the said Act, he will still be eligible to contribute and be covered regardless of his monthly salary thereafter. The principal 'Once In Always In' is applicable.

#### **5.5 Workmen's Compensation Act 1952**

The Act provides for the payment of compensation for injuries sustained in accidents during employment and imposes an obligation on the employers to insure workers. The Foreign Workers' Compensation Scheme (Insurance) Order 2005 issued under this Act requires every employer employing foreign workers to insure with the panel of insurance companies appointed under this order and to effect payment of compensation for injuries sustained from accidents during and outside working hours.

#### **5.6 Occupational Safety and Health Act 1994**

The Department of Occupational Safety and Health (DOSH), under the Ministry of Human Resources, has been assigned the responsibility of administering and enforcing legislation related to occupational safety and health (osh) to ensure that safety, health and welfare of people at work as well as others are protected from hazards resulting from occupational activities in the various sectors which include

manufacturing; mining and quarrying; construction; agriculture, forestry and fishing; utilities (gas, electricity, water and sanitary services); transport, storage and communication; wholesale and retail trades; hotels and restaurants; finance, insurance, real estate and business services; public services and statutory authorities. The department has taken all necessary actions to ensure excellent delivery system and has achieved MS ISO 9001:2000 certification from the Department of Standards Malaysia. Therefore, it is committed to improve its service to customers through the effective management of its ISO system. The department carries out enforcement activities on industries governed by the three legislations which are Occupational Safety and Health Act (OSHA) 1994, Factories and Machinery Act 1967; and Petroleum Act (Safety Measure) 1984.

The National Occupational Safety and Health Excellence Award, which is the highest appreciation by the government, is aimed at giving credit and recognition to organizations which have a good record of achievements for occupational safety and health management at the workplace through the safety and health program audit. Audit is used as a tool for benchmarking a firm's safety and health efforts against accepted standards which outlined in the MS 1722 : Part 1 : 2005 OSH MS (Occupational Safety and Health Management Systems – Requirements). This standard was developed by Department of Standards Malaysia and with other agencies collaboration. It provides a means of measuring both documentation and implementation of the safety and health program.

The Occupational Safety and Health Act (OSHA) 1994 provides the legislative framework to promote, stimulate and encourage high standards of safety and health at work. The aim is to promote safety and health awareness, and establish effective safety organisation and performance through self-regulation schemes designed to suit the particular industry or organisation. The long-term goal of the Act is to create a healthy and safe working culture among all Malaysian employees and employers.

OSHA 1994 defines the general duties of employers, employees, the self-employed, designers, manufacturers, importers and suppliers of plant or substances. Although these duties are of a general character, they carry a wide ranging set of responsibilities. The Act provides a comprehensive and integrated system of law to deal with the safety and health of virtually all people at work and the protection of the public where they may be affected by the activities of people at work.

The general duties of employers, employees, the self-employed, designers, manufacturers, importers and suppliers of plant or substances are clearly defined under OSHA 1994. Employers must safeguard so far as is practicable, the health, safety and welfare of the people who work for them. This applies in particular to the provision and maintenance of a safe plant and system of work. Arrangements must also be made to ensure safety and health in the use, handling, storage and transport of plant and substances. Under OSHA 1994, 'plant' includes any machinery, equipment, appliance, tool and component, whilst 'substance' means any natural or artificial substance whether in solid, liquid, gas, vapour or combination thereof, form.

Risks to health from the use, storage or transportation of substances must be minimised. To meet these aims, all practicable precautions must be taken in the proper use and handling of any substance likely to cause a risk to health. It is the duty of employers to provide the necessary information, instruction, training and supervision in safe practices, including information on the legal requirements. Employers need to consider the specific training needs of their organisations with particular reference to processes with special hazards.



An employer employing 40 or more persons must establish a safety and health committee at the workplace. The committee's main function is to keep under review the measures taken to ensure the safety and health of persons at the workplace and investigate any related matters arising. An employer must notify the nearest occupational safety and health office of any accident, dangerous occurrence, occupational poisoning or disease which has occurred or is likely to occur at the workplace.

Some operation, installation, maintenance and dismantling of equipment and process need competent persons. Thus, during the installation of machinery and equipment such as cranes, lifts and local exhaust ventilation systems, competent persons are compulsory to ensure safe erection, whilst a boilerman and a steam engineer are required to operate high risk equipment such as boilers. Processes that use hazardous chemicals require competent persons to conduct the air quality and personal monitoring, and a safety and health officer and an occupational health doctor are required to ensure the proper surveillance of the workplace.

There are seven regulations under OSHA 1994 that enforced by DOSH. They are:

1. Employers' Safety and Health General Policy Statements (Exception) Regulations, 1995
2. Control of Industrial Major Accident Hazards Regulations, 1996
3. Classification, Packaging and Labelling of Hazardous Chemicals Regulations, 1997
4. Safety and Health Committee Regulations, 1996
5. Safety and Health Officer Regulations, 1997
6. Use and Standards of Exposure of Chemicals Hazardous to Health Regulations, 2000
7. Notification of Accident, Dangerous Occurrence, Occupational Poisoning and Occupational Disease Regulations, 2004

Contravention of some of the requirements can lead to prosecution in court. A person who fails to comply with an improvement or prohibition notice that is served on him is liable to prosecution, with a maximum fine of RM 50,000 or imprisonment for a term not exceeding 5 years, or both.

The objective of the Factories and Machinery Act (FMA) 1967, on the other hand, is to provide for the control of factories on matters relating to the safety, health and welfare of persons, and the registration and inspection of machinery. Some high risk machinery such as boilers, unfired pressure vessels, passenger lifts and other lifting equipment such as mobile cranes, tower cranes, passenger hoists, overhead traveling cranes and gondolas, must be certified and inspected by DOSH. All factories and general machinery must be registered with DOSH before they can be installed and operated in Malaysia.

DOSH enforces 16 regulations under FMA 1967. They are:

1. Electric Passenger and Goods Lift Regulations, 1970
2. Fencing of Machinery and Safety Regulations, 1970
3. Notification, Certificate of Fitness and Inspection Regulations, 1970



4. Persons-In-Charge Regulations, 1970
5. Safety, Health and Welfare Regulations, 1970
6. Steam Boilers and Unfired Pressure Vessel Regulations, 1970
7. Certificates of Competency-Examinations Regulations, 1970
8. Administration Regulations, 1970
9. Compounding of Offences Rules, 1978
10. Compoundable Offences Regulations, 1978
11. Lead Regulations, 1984
12. Asbestos Process Regulations, 1986
13. Building Operations and Works of Engineering Construction (Safety) Regulations, 1986
14. Mineral Dust Regulations, 1989
15. Noise Exposure Regulations, 1989
16. Notification, Certificate of Fitness and Inspection (Amendment) Regulations, 2004

## **6. INDUSTRIAL RELATION**

### **6.1 Trade Unions**

The government encourages the growth of healthy, democratic and responsible trade unions and, towards this end, has enacted the Trade Unions Act 1959 and the Trade Unions Regulations 1959 to enable the administrative authority to have the general supervision, direction and control of all matters relating to trade unions throughout Malaysia.

Under the Trade Unions Act 1959:

- i. a trade union may be formed by workmen with its membership confined exclusively to workmen and may also be formed by employers with its membership confined exclusively to employers.
- ii. a trade union must confine its membership exclusively to workmen whose place of work is located in the Peninsular Malaysia, Malaysia, Sabah or Sarawak, as the case may be, or to employers employing workmen in Peninsular Malaysia, Sabah or Sarawak, as the case may be;
- iii. a trade union must confine its membership exclusively to workmen whose within any particular establishment, trade, occupation or industry or to workmen within any similar trade, occupation or industry, as the case may be, or to employers within any particular industry or to employers within any similar industries, as the case may be;
- iv. a trade union must be registered (as required under Section 8(1) thereof)

- v. a trade union of workmen cannot call for strike without first obtaining the consent by secret ballot of at least two-thirds of its total number of members who are entitled to vote; and
- vi. trade unions are inspected regularly to ensure compliance with the laws.

## **6.2 Industrial Relations Act 1967**

The Department of Industrial Relations, Malaysia is the guardian of employer and employee through the Industrial Relation Act 1967 in order to maintain industrial harmony. The Act regulates relations between employers and workmen and their trade unions, including the prevention and settlement of trade disputes. The Act outlines the following:

- i. Protection of the legitimate rights of employers and workmen and their trade unions;
- ii. Handle claims for recognition and the scope of representation of trade unions for collective bargaining such as those relating to promotion, transfer, recruitment, retrenchment, dismissal, reinstatement, allocation of duties, and prohibition of strikes and lockouts over any of these issues;
- iii. The Act emphasises on self-government within the industries as the key to industrial harmony whereby employers and trade unions negotiate and settle their differences without any intervention. In the event that the negotiation fails, the parties may refer to the Director General of the Department of Industrial Relation for conciliation. Where the matter fails to be resolved, it may be referred to the Industrial Court of Arbitration.
- iv. The Minister of Human Resources may intervene and refer at any stage of any trade dispute to the Industrial Court for Arbitration.
- v. A prohibition of strikes and lockouts once a trade dispute has been referred to the Industrial Court on any matters covered by a collective agreement or by an award of the Industrial Court.

## **6.3 Relations in Non Unionised Establishments**

In a non-unionised establishment, the normal practice for settling disputes is for the employee to try to obtain redress from his supervisor, foreman or employer directly. An employee can also lodge a complaint with the Ministry of Human Resources which will then conduct an investigation.



**BANK NEGARA MALAYSIA**



**FINANCIAL PARK**



# BANKING, FINANCE AND EXCHANGE ADMINISTRATION

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# BANKING, FINANCE AND EXCHANGE ADMINISTRATION

## 1. THE BANKING SYSTEM IN MALAYSIA

The banking system, comprising commercial banks, investment banks, and Islamic banks, is the primary mobiliser of funds and the main source of financing to support economic activities in Malaysia. The non-bank financial intermediaries, comprising development financial institutions, provident and pension funds insurance companies, and takaful operators, complement the banking institutions in mobilising savings and meeting the financial needs of the economy.

### 1.1 The Central Bank

Bank Negara Malaysia (the Bank), the Central Bank, is the apex of the monetary and banking structure of the country. Its main objectives as defined in the Central Bank of Malaysia Act 1958 are to:

- Issue currency and keep the reserves safeguarding the value of the currency;
- Act as a banker and financial adviser to the Government;
- Promote monetary stability and a sound financial structure;
- Promote the reliable, efficient and smooth operation of national payment and settlement systems and to ensure that the national payment and settlement systems policy is directed to the advantage of Malaysia; and
- Influence the credit situation to the advantage of Malaysia.

To meet its objectives, the Bank is vested with legal powers under various laws to regulate and supervise the banking institutions and other non-bank financial intermediaries. The Bank also administers the country's foreign exchange control regulations and act as the lender last resort to the banking system.

### 1.2 Financial Institutions

The following table provides an overview of the number of financial institutions as at end-September 2008:

	<b>Total</b>	<b>Malaysian-controlled Institution</b>	<b>Foreign-controlled Institution</b>
Commercial Banks	22	9	13
Investment Banks/ Merchant Banks	15	15	-
Islamic Banks*	15	10	5
International Islamic Banks	1	-	1
Insurers	41	25	16
Islamic Insurers (takaful operators)	8	8	-
International Takaful Operators)	1	-	1
Reinsurers	7	3	4
Islamic reinsurers (retakaful operators)	3	1	2
Development financial institutions	13	13	-

*\* Includes one foreign Islamic bank that commenced operations in October 2008*

Banks, including Islamic banks, operate through a network of more than 2,200 branches across the country. Six Malaysian banking groups have presence in 18 countries through branches, representative offices, subsidiaries and joint ventures. There are also 21 foreign banks which maintain representative offices in Malaysia. They do not conduct normal banking business but provide liaison services and facilitate information exchange between business interests in Malaysia and their counterparts.

The introduction of the framework for investment banks in 2005 provided for the development of full-fledged investment banks through consolidation and rationalisation between merchant banks, stockbroking companies and discount houses. Investment banking activities mainly include capital raising activities such as underwriting, loans syndication and corporate financing, management advisory services, arranging for the issue and listing of shares, as well as investment portfolio management. The development of investment banks will enhance the capacity of financial institutions in Malaysia to better serve its corporate customers through a wider range of financial and advisory activities on par with the services provided by international investment banks.

Malaysia also has a comprehensive Islamic banking system. Presently, Malaysia has fifteen full-fledged Islamic banks, three of which are from the Middle East, providing a broad spectrum of financial products and services based on Shariah principles. At the same time, there are five conventional banks three of which are major foreign banks, offering Islamic banking products and services via the Islamic banking window set up.

The entry of the three foreign Islamic banks enhances the competition and stimulates innovation among the Islamic banking players, and at the same time complements the Malaysian players in tapping into strategic growth areas such as investment banking and wealth management. In addition, these institutions also have plans to make Malaysia as their financial hub for this region.

In terms of product offering, more than 60 Islamic financial products and services are made available in the market. The emergence of new innovative products and financial instruments that incorporate globally accepted Shariah principles such as commodity murabahah deposits, Islamic profit rate swap, musyarakah mutanaqisah home financing and sukuk musyarakah in the industry have further elevated the domestic Islamic financial sector to the next stage of advancement.

Malaysia has several development financial institutions (DFIs) that were set up with specific objectives to develop and promote strategic economic sectors, including the manufacturing and export sectors, small and medium enterprises (SMEs), as well as the agriculture, infrastructure and maritime sectors. These DFIs complement the banking institutions by providing an array of financial and non-financial services to support development of the strategic sectors. These include the provision of medium to long-term loans, equity capital, guarantees for loans and a range of supplementary financial and business advisory services. 'Bank Perusahaan Kecil & Sederhana Malaysia Berhad' or the SME Bank, which was established in October 2005, offers financial products such as term loans and working capital to SMEs including start-ups and SMEs in new growth areas, particularly to those in professional services, export-oriented activities and franchise businesses. Bank Pertanian Malaysia has recently been corporatised to Bank Pertanian Malaysia Berhad (Agrobank) in order to strengthen its role to be more effective in meeting the needs of the entire value chain of agricultural activities, including the agro-based industries.

### **1.3 Malaysia as an International Islamic Financial Centre**

Malaysia's continuous efforts in strengthening the Islamic financial system domestically and internationally have gained acceptance and recognition by the international financial fraternity. An important initiative that has been introduced is to enhance the position of Malaysia as a leading international Islamic financial hub.

On August 2006, the Malaysian Government launched the Malaysia International Financial Centre (MIFC) initiatives. The MIFC initiative is a collaborative effort formed by Malaysia's financial and market regulators together with top officials from relevant Government agencies and participants from the banking, takaful and capital market sectors. The establishment of the MIFC as one of the key intermediation linkages in the global market place, has an important role in accelerating the process bridging and strengthening the relationship between international Islamic financial markets and thereby expand the investment and trade relations between the Middle East, West Asia and North Africa with East Asia. Situated centrally in the Asian time zone, Malaysia presents itself as a meeting place for those with surplus funds and those who seek to raise funds from any part of the world.

Under the MIFC initiatives, Malaysia offers strong value propositions as a key provider of Islamic financial services, with five focus areas:

- i. Sukuk Origination
  - A platform for sukuk origination, distribution and trading.
- ii. Islamic Fund and Wealth Management
  - A destination for financial investment with a wide range of world class capital market and treasury instruments.
- iii. International Islamic Banking
  - A centre for the establishment of Islamic banks providing international currency financial services.



iv. International Takaful

- A centre for international takaful and retakaful businesses.

v. Human Capital Development

- A centre of excellence and thought leadership in education, training, consultancy and research in Islamic finance to create a supply of talent for the Islamic finance industry.

Major incentives introduced to attract more participants to MIFC include:

- i. Issuance of new International Islamic Banking (IIB) licences under the Islamic Banking Act 1983 to qualified foreign and Malaysian financial institutions to conduct the full range of Islamic banking business with residents and non-residents in international currencies either as a subsidiary or a branch. The entity will enjoy full income tax exemption for ten years up to year assessment 2016 under the Income Tax Act 1967.
- ii. Issuance of new International Takaful Operator (ITO) licences to qualified foreign and Malaysian financial institutions to conduct full range of takaful business with non-residents and residents in international currencies, either as a subsidiary or a branch. The entity will enjoy similar income tax exemption as the IIB entity.
- iii. Islamic fund management companies (IFMC) are allowed to invest all their Shariah funds abroad. The entity will enjoy tax exemption on all fees for managing Islamic funds for foreign and Malaysian investors up to year of assessment 2016 under the Income Tax Act 1967.
- iv. Provision of start-up fund by Employees Provident Fund (EPF) for the establishment of foreign IFMC.
- v. Up to 100% foreign equity ownership is allowed for IIB, ITO and IFMC.

For more information on MIFC's offerings, please visit our website at [www.mifc.com](http://www.mifc.com), email [mifc@bnm.gov.my](mailto:mifc@bnm.gov.my) or call us at 603 2692 3481.

## **2. EXPORT CREDIT REFINANCING**

Export Credit Refinancing (ECR) is a scheme under which Exim Bank provides short-term financing to direct or indirect exporters through the commercial banks. The facility is offered by commercial banks which are then refinanced by Exim Bank.

A direct or indirect exporter who wishes to use the ECR facility should arrange for an ECR credit line with the commercial banks and then obtain access approval to the ECR facilities from EXIM Bank.

### **2.1 Eligibility Criteria**

The ECR facility is available to direct exporters and indirect exporters who involved directly or indirectly in export activities and has obtained ECR credit line from the commercial banks.

## **2.2 Type of Facilities**

- i. The pre-shipment ECR facility is a loan available to direct or indirect exporters to finance their purchases from domestic and/or foreign suppliers prior to shipment of goods to overseas buyers.
- ii. The post-shipment ECR facility is an advance or financing to direct exporter after shipment of goods to overseas buyers.

## **2.3 Method of Financing**

Two methods of financing are available for exporters under the pre-shipment ECR i.e. the order-based method and certificate of performance method (CP).

Under the order-based method, the pre-shipment ECR financing is against the export or purchase orders whilst under CP method, the pre-shipment financing is against the CP issued by Exim Bank.

The method of financing under post-shipment ECR facility is bills discounting and the financing is against a set of export documents presented to the commercial banks.

## **2.4 Period and Amount of Financing**

The maximum period of financing under the Pre-shipment ECR and Post-Shipment ECR is four (4) months and six (6) months respectively.

Under the order-based method, exporters can obtain financing up to 95% of the value of their export order, while under the CP method, the amount of financing is subject to the CP limit granted by Exim Bank.

The minimum and maximum amount of financing per facility under the ECR facility is RM10,000 and RM50 million respectively.

# **3. THE SECURITIES MARKET IN MALAYSIA**

## **3.1 Securities Commission**

The Securities Commission, Malaysia (SC), is responsible for the regulation and development of capital markets in Malaysia. Established on 1 March 1993 under the Securities Commission Act 1993, it is a self-funding statutory body with investigative and enforcement powers. It reports to the Minister of Finance and its accounts are tabled in Parliament annually. The SC's many regulatory functions include:

- a. Supervising exchanges, clearing houses and central depositories;
- b. Registering authority for prospectuses of corporation other than unlisted recreational clubs;
- c. Approving authority for corporate bond issues;
- d. Regulating all matters relating to securities and futures contracts;
- e. Regulating the take-overs and mergers of companies;
- f. Regulating all matters relating to unit trust schemes;

- g. Licensing and supervising all licensed persons;
- h. Encouraging self-regulation; and
- i. Ensuring proper conduct of market institutions and licensed persons.

Underpinning all these functions is the SC's ultimate responsibility of protecting the investor. Apart from discharging its regulatory functions, the SC is also obliged by statute to encourage and promote the development of the securities and futures markets in Malaysia.

Visit the SC website ([www.sc.com.my](http://www.sc.com.my)) for more information on the SC.

### **3.2 Bursa Malaysia Berhad**

Bursa Malaysia Berhad (Bursa Malaysia) is an exchange holding company, listed on the Main Board of Bursa Malaysia Securities on 18 March 2005. Bursa Malaysia operates a securities, derivatives and offshore exchanges, clearing houses for securities and derivatives and a central depository. The company also disseminates stock quotes and information related to securities listed on the exchange.

The securities exchange, established in 1973, provides a central market place for buyers and sellers to transact business in the shares, warrants, fixed income securities and various other securities of listed companies. Diversity of products also includes options and futures derivatives contracts and multi-currency off-shore instruments, traded on the derivatives exchange and offshore exchange, respectively.

Bursa Malaysia today is one of the largest bourses in Asia with almost 1,000 listed companies offering a wide range of investment choices to the world. Companies are either listed on Bursa Malaysia Securities Main Board for larger capitalised companies, the Second Board for medium sized companies or the MESDAQ Market for high growth and technology companies.

In assisting the development of the Malaysian capital market and enhancing global competitiveness, Bursa Malaysia is committed to maintaining an efficient, secure and active trading market for local and global investors.

#### **(i) Market Participants**

##### **a) Stockbroking Companies**

Currently, there are 34 stock broking companies (including five foreign brokers) offering services in the dealing of securities listed on Bursa Malaysia Securities. Out of these, 13 are categorised as Investment Banks. Investment banks hold merchant banking license issued by Bank Negara Malaysia under the Banking and Financial Institutions Act 1989 (BAFIA) as well as Capital Markets Services license issued by the Securities Commission under the Capital Markets & Services Act 2007. As such, investment banks are able to offer a full scope of integrated capital market and financial services which include corporate finance, debt securities trading and dealing in securities. One stock broking company still holds the universal broker status. A universal broker is able to offer integrated capital market services.

As at November 2008, there were 148 branches.

## **b) Trading Participants**

A Trading Participant is a company which owns at least one Preference Share of Bursa Malaysia Derivatives to conduct business as a futures broker licensed by the Securities Commission under the Capital Markets & Services Act 2007 and carries on trading in Contracts traded on the Bursa Malaysia Derivatives. Currently, there are 20 Trading Participants.

## **(ii) Investor Protection**

In the interest of protecting investors, Bursa Malaysia currently maintains three compensation funds, namely Compensation Fund of Bursa Malaysia Securities, the Fidelity Fund of Bursa Malaysia Derivatives and the Compensation Fund of Bursa Malaysia Depository to compensate investors who have suffered losses falling within the circumstances specified under the relevant securities laws and rules. The funds are administered by the Compensation Committee.

## **(iii) Risk Management**

Bursa Malaysia's enterprise risk management framework, through the supervision of the Risk Management Committee (RMC), is aimed at managing and controlling risks appropriately for the Group. Key risks are identified and ranked for likelihood of occurrence and magnitude of impact while the appropriate action plans are developed to manage significant residual risks.

# **4. OFFSHORE FINANCIAL SERVICES**

## **4.1 Labuan Offshore Financial Service Authority (LOFSA)**

The Labuan Offshore Financial Services Authority (LOFSA) is a one-stop regulatory body that spearheads and coordinates the development and promotion of Labuan International Business and Financial Centre (IBFC).

It streamlines government machinery for supervising the offshore financial services industry, undertakes research and development work, and improves operational efficiency, thus creating a conducive business environment for the IBFC. In addition, LOFSA has also developed Islamic finance as one of the core areas and Labuan IBFC is now recognised as a leading offshore centre for conventional and Islamic financial activities.

The incorporation and registration of companies to conduct business in Labuan can be done in LOFSA. LOFSA oversees and supervises offshore industries such as banking, insurance, securities, and trust and fund management.

The Labuan International Financial Exchange (LFX) is a web-based exchange and is an offshore financial exchange established to complement the offshore financial services available in Labuan. It is a one-stop financial exchange that offers full services from the submission of application to approval, listing, trading and settlement of the instrument listed.

Offshore business activities undertaken by Labuan offshore companies are segregated into trading and non-trading activities, both under conventional and Shariah principles. Offshore trading activities include banking, insurance, fund management, leasing, money broking and other trade related activities. Offshore non-trading activities refer to activities relating to holding of investments in securities, stocks, shares, loans, deposits and immovable properties by an offshore company on its own behalf.

The Labuan IBFC is not subject to the exchange control rules and regulations of Malaysia as the Labuan offshore company is declared as a non-resident for exchange control purposed under the Exchange Control Act of Malaysia. The nature of offshore business in Labuan is predominantly foreign currency-based and conducted with non-residents. However, certain business activities are allowed with residents such as banking, insurance, leasing and in Ringgit Malaysia such as in the reinsurance market.

## **4.2 Incentives for Offshore Financial Service**

### **(i) Competitive Tax**

- An offshore company carrying on an offshore trading activity can elect to pay tax each year at the rate of 3% of its net audited profits or a fixed tax of RM20,000 under the Labuan Offshore Business Activity Tax Act 1990 (LOBATA); and
- Alternatively, an offshore company can also opt to pay tax under the Income Tax Act 1967, in the event that they do not elect to be taxed under the LOBATA. This would not only give LOCs more flexibility to structure their business transactions efficiently, but also create a more favourable tax environment in Labuan IBFC for investors.
- An offshore company can pay also Business Zakat in lieu of tax.
- Offshore company conducting non-trading activities are not subject to tax.

### **(ii) Abatement of Tax for Professional Services**

- Any person or his employee or a company rendering qualifying professional services to an offshore company in Labuan is exempted from income tax of up to 65% of the statutory income. This includes legal, accounting, financial and secretarial services.

### **(iii) Abatement of Tax for Employment**

- Non-citizens employed in a managerial capacity in an offshore company in Labuan enjoy an income tax exemption of up to 50% of gross employment income.
- Non-citizens trust officers working in a Labuan trust company enjoy income tax exemption of up to 50% of gross employment.

### **(iv) Exemption from Income Tax**

The following exemptions are available for offshore companies under the Income Tax Act 1967:

- Dividends paid to a resident or a non-resident person by a Labuan offshore company.
- Dividends received from a Malaysian Domestic Company which are paid out of dividends received from a Labuan offshore company.
- 100% tax exemption on Director's fees paid to a non-citizen Director

- 50% tax exemption on Labuan and housing allowances paid to Malaysian citizens working in an offshore company

Offshore Companies are exempted from withholding tax for the following:

- Interest paid to a resident person or a non-resident who is not engaged in the business of banking, finance or insurance
- Interest paid to a non-resident person or another offshore company
- Lease rental paid to non-resident
- Technical or management fee paid to a non-resident or another offshore company
- Royalty to a non-resident person or another offshore company
- Distributions made by an offshore trust to non-resident beneficiaries

#### **(v) Stamp Duty Exemption**

Offshore business transactions by an offshore company (including M&A of an offshore company and transfer of shares in an offshore company) are exempted from payment of stamp duty.

## **5. EXCHANGE CONTROL PRACTICE**

Malaysia has always maintained a liberal foreign exchange administration policy. The implementation of foreign exchange administration policy in Malaysia supports the monitoring of capital flows into and out of the country to preserve its financial and economic stability. As part of Malaysia's continuous efforts to increase efficiency and reduce cost of doing business, the foreign exchange administration policies have been progressively liberalised and simplified.

For foreign exchange administration purposes, the definitions of the following terms are provided to facilitate investors:

#### **Residents Comprise:**

- Citizens of Malaysia (excluding persons who have obtained permanent resident status of a territory outside Malaysia and are residing abroad);
- Non-citizens who have obtained permanent resident status in Malaysia and are residing permanently in Malaysia;

#### **Non-Residents Comprise:**

- Overseas branches, overseas subsidiaries, overseas regional offices, sales offices, representative offices of resident companies;
- Embassies, Consulates, High Commissions, supranational or international organisations recognised by the Government of Malaysia; or
- Malaysian citizens who have obtained permanent resident status of a territory outside Malaysia and are residing outside Malaysia.

**Ringgit Assets include:**

- i. Ringgit-denominated securities including bills of exchange, private debt securities, Cagamas bonds or notes, Malaysian Government Securities, Treasury Bills, shares and warrants;
- ii. Derivatives traded on Bursa Malaysia and OTC derivatives (excluding OTC derivatives and structured products which tantamount to lending or borrowing of ringgit between residents and non-residents);
- iii. Fixed deposits and negotiable instruments of deposits denominated in ringgit;
- iv. Immovable properties in Malaysia; and
- v. Other fixed assets in Malaysia

**Foreign Currency Assets include:**

- i. Equity/portfolio investment abroad;
- ii. Loans to non-residents;
- iii. Foreign currency deposits onshore and offshore; and
- iv. Investment in approved foreign currency products marketed by licensed onshore banks, licensed International Islamic Banks (licensed IIBs) and any residents permitted by the Controller of Foreign Exchange (the Controller).

**Corporate Group**

It refers to a group of companies with parent-subsidary relationship in Malaysia.

Domestic ringgit borrowings refer to any ringgit advances, loans, trade financing facilities, hire purchase, factoring facilities with recourse, financial leasing facilities, guarantee for payment of goods, redeemable preference shares or similar facilities in whatever name or form, except:

- i. Trade credit terms extended by a supplier for all types of goods and services;
- ii. Forward foreign exchange contracts entered into with licensed onshore banks;
- iii. Performance guarantees and financial guarantees;
- iv. One personal housing loan and one vehicle loan obtained from residents;
- v. Credit card and charge card facilities;
- vi. Operational leasing facilities;
- vii. Factoring facilities without recourse; and
- viii. Inter company borrowing within a corporate group in Malaysia.



## **5.1 Investments and Financial Activities by Non-Residents**

Non-residents are free to invest in Malaysia in any form. There are no restrictions on the repatriation of capital, profits and income earned from Malaysia, including salaries, wages, royalties, commissions, fees, rental, interest, profits or dividends.

To complement the non-residents' investment strategy, non-residents may obtain financing from licensed onshore banks both in ringgit and foreign currency and enter into foreign exchange contracts with licensed onshore banks to actively manage currency risks arising from investments in ringgit assets. Non-residents are also free to convert foreign currency into ringgit and vice versa.

### **5.1.1 Foreign Direct and Portfolio Investments in Malaysia**

The foreign exchange administration rules support and facilitate non-residents' investments into Malaysia.

#### **(a) Purchase of Ringgit Assets**

A non-resident is free to purchase any ringgit assets including ringgit denominated bonds/sukuk issued by non-residents in Malaysia.

#### **(b) Sourcing Ringgit for Settlement of Ringgit Assets**

A non-resident can source ringgit for settlement of the investment from:

- non-residents' own External Accounts, ringgit accounts maintained with licensed onshore banks by or for non-residents;
- sale of foreign currency on spot or forward basis, with licensed onshore banks or overseas branches appointed by licensed onshore banks which refer to licensed commercial banks, licensed Islamic banks and licensed investment banks; or
- onshore borrowing

#### **(c) Onshore Borrowings**

A non resident is free to borrow any amount in foreign currency from licensed onshore banks and licensed IIBs.

A non resident is free to borrow in ringgit of any amount from licensed onshore banks, resident companies and individuals to finance activities in the real sector in Malaysia, including financing the purchase of ringgit assets.

A non-resident is free to borrow any amount for margin financing from resident stockbroking companies.

#### **(d) Divestment/Income from Investment**

A non-resident is free to repatriate funds from divestment of ringgit assets or profits/dividends arising from the investments. Repatriation, however, must be made in foreign currency other than the currency of Israel

### **(e) Hedging**

A non-resident is free to hedge the exposure arising from investment in ringgit assets made on or after 1 April 2005 with the licensed onshore banks or overseas branches appointed by licensed onshore banks.

### **5.1.2 Investment in Immovable Properties by Non-Residents**

#### **(a) Purchase of Immovable Property**

A non-resident is free to purchase residential and commercial properties in Malaysia. Such purchases should comply with guidelines issued by the Foreign Investment Committee (FIC)

However, FIC approval is not required for non-residents purchasing residential property exceeding RM250,000; and non-residents under the “Malaysia My Second Home” Programme are exempted from any approval requirement.

#### **(b) Onshore Borrowings**

A non-resident is free to borrow any amount to finance or refinance the purchase of the immovable properties in Malaysia. However, for the purchase of land, a non-resident is required to obtain prior approval from the Controller.

Loans by domestic financial institutions are determined by the financial institutions’ own policies and the FIC guidelines.

For further details on the FIC guidelines, please visit <http://www.epu.jpm.my>.

### **5.1.3 Lending in Ringgit and Foreign Currency by Non-Residents to Residents**

#### **(a) Ringgit Lending by:**

- i. Non-resident non-bank parent companies  
A non resident is free to lend any amount of ringgit to resident subsidiaries to finance activities in the real sector in Malaysia.

A non-resident non-bank parent company refers to:

- a non-resident company with more than 50% shareholding in a resident company; or
- the ultimate non-resident parent company of the resident company, which is not a bank, an investment holding company owned by a bank or a stock broking company.

- ii. Other non-resident non-bank companies or individuals  
A non resident is free to lend up to RM1 million in aggregate to resident companies and individuals for use in Malaysia.

#### **(b) Foreign Currency Lending by:**

- i. Non-resident non-bank parent companies  
A non resident is free to lend any amount in foreign currency to resident subsidiaries in Malaysia

- ii. Other non-resident non-bank companies or individuals  
A non-resident free to lend in foreign currency to a resident provided the resident borrower's total foreign currency borrowing does not exceed the following limits:

Resident Individual	RM10 million equivalent in aggregate
Resident Company	RM100 million equivalent in aggregate on a corporate group basis

The onus is on the resident borrower to obtain the prior permission of the Controller of Foreign Exchange for borrowing exceeding the limits.

#### 5.1.4 Borrowing by Non-residents from Residents

##### (a) Foreign Currency Borrowing from:

- i. Licensed onshore banks and licensed IIBs  
A non-resident is free to borrow any amount of foreign currency from licensed onshore banks and licensed IIBs
- ii. Resident non-bank companies or individuals  
A non-resident is free to obtain foreign currency borrowing from resident non-bank companies and individuals as follows:

Resident Lender	Amount
A resident with no domestic ringgit borrowing	No limit
A resident, with or without domestic ringgit borrowing, using own foreign currency funds maintained onshore or offshore	No limit
A resident with domestic ringgit borrowing provided the resident lender's total investment in foreign currency assets, including lending in foreign currency, does not exceed the limit:	Through conversion of ringgit up to:
• Resident Individual	RM1 million in aggregate per calendar year
• Resident Company	RM50 million in aggregate per calendar year on a corporate group basis

- iii. Licensed onshore banks, resident non-bank companies and individuals  
A non-resident is free to obtain ringgit borrowing from licensed onshore banks, resident non-bank companies and individuals as follows:

Borrowing by non-residents (other than stock broking companies and banks) from licensed onshore banks, resident non-bank companies and individuals to:	No limit
• finance activities in the real sector in Malaysia; and	
• finance or refinance the purchase of residential and commercial properties in Malaysia	
Borrowing by non-resident stockbroking companies and banks from licensed onshore banks for settlement of ringgit securities on Bursa Malaysia and RENTAS due to inadvertent delays on the receipt of funds.	No limit
Borrowing by non-residents (other than stockbroking companies and banks) from licensed onshore banks and resident stockbroking companies for margin financing	No limit
Borrowing by non-resident individuals from resident insurance companies	Up to the cash surrender value of the insurance policies purchased by the non-residents.

### **5.1.5 Issuance of Ringgit and Foreign Currency Denominated Bonds/Sukuk in Malaysia by Non-Residents**

#### **(a) Issuance of Ringgit or Foreign Currency Denominated Bonds/Sukuk**

Multilateral Development Banks, Multilateral Financial Institutions, foreign sovereign, foreign quasi-sovereign agencies and foreign multinational companies may issue ringgit or foreign currency denominated bonds/sukuk in Malaysia.

#### **(b) Utilisation of Bond/Sukuk Proceeds**

Proceeds from the issuance of bonds/sukuk are allowed to be used onshore or offshore. Ringgit-denominated bond/sukuk proceeds to be used offshore have to be converted into foreign currency with the licensed onshore banks.

#### **(c) Hedging**

Issuers are free to hedge exchange rate and interest/profit rate exposure arising from the issuance of ringgit-denominated bonds/sukuk and any subsequent interest/profit and coupon payments with the licensed onshore banks.

Non-resident investors of the bonds/sukuk are also free to hedge exchange rate and interest/profit rate exposure with licensed onshore banks.

#### **(d) Guidelines for Issuance**

Specific details on guidelines as well as incentives for issuance of ringgit and foreign currency denominated bonds/sukuk in Malaysia can be obtained at any of the following web-site addresses:

- <http://www.mifc.com>
- <http://www.bnm.gov.my/fxadmin>
- <http://www.sc.com.my>

#### **5.1.6 Hedging by Non-Residents**

##### **Hedging with Ringgit Assets**

A non-resident is free to hedge with licensed onshore banks, exchange rate and interest rate exposures arising from investments in ringgit assets purchased on or after 1 April 2005 as well as ringgit-denominated bonds/sukuk issued in Malaysia by non-residents

#### **5.1.7 Opening of Account in Ringgit and Foreign Currency in Malaysia by Non-Residents**

##### **(a) Opening of Ringgit and Foreign Currency Accounts**

Ringgit accounts maintained by non-residents with licensed onshore banks in Malaysia are termed as 'External Accounts'. A non-resident is free to open Ringgit Accounts with licensed onshore banks and IIBs. There is no restriction on the amount of ringgit funds to be retained in the External Accounts.

There are no restrictions for a non-resident to open and maintain any number of foreign currency accounts with licensed onshore banks in Malaysia. There is also no restriction on the amount to be retained in the accounts. Funds in the accounts may be used for any purpose and can be converted into ringgit with licensed onshore banks or may be repatriated at any time.

##### **(b) Reptariation/Utilisation of Funds from the Ringgit or Foreign Currency Accounts**

###### **i. External Accounts**

- Ringgit funds in the External Account can be converted into foreign currency with the licensed onshore banks and repatriated abroad at any time.
- The ringgit funds in an External Account can be used for payments to residents for purchase of ringgit assets or services provided in Malaysia, except for the following:
  - Payment for the import of goods and services;
  - Lending in ringgit to residents other than as permitted by the Controller; and
  - Payment on behalf of a third party.
- A non-resident is free to pay to another non-resident's External Account for settlement of purchase of ringgit assets from the non-resident.

ii. Foreign Currency Accounts

Funds in the accounts may be used for any purpose including for settlement of goods and services. It can be converted into ringgit with licensed onshore banks or may be repatriated at any time.

#### **5.1.8 Import and Export of Ringgit and Foreign Currency by Non-Resident Travellers**

A non-resident traveller may bring in or out of Malaysia ringgit notes up to RM1,000.

A non-resident traveller may also bring any amount of foreign currency notes including traveller's cheques into Malaysia.

A non-resident traveller may bring out foreign currency notes and traveller's cheques up to the amount brought into Malaysia or USD10,000, whichever is higher.

Declaration for import and export of foreign currency notes and travellers' cheques is only required by the Immigration Department for amount exceeding USD10,000.

#### **5.1.9 Issuance of Securities**

A non-resident may issue the following ringgit securities registered in Malaysia to residents and non-residents:

- i. Ordinary shares, including bonus and right issues; and
- ii. Irredeemable preference shares

Proceeds of any amount from the issuance of ordinary shares through an initial public offering on the Main Board of Bursa Malaysia may be used to finance the non-resident's operations outside Malaysia.

Foreign governments, agencies or national corporation of the foreign governments, Multilateral Development Banks, Multilateral Financial Institutions or foreign multinational corporations may also issue ringgit or foreign currency denominated bonds in Malaysia to residents and non-residents based on merit of each case.

### **5.2 Investment and Financial Activities by Residents**

To encourage better risk management activities, promote cost competitiveness and the use of onshore service providers, residents are given the flexibility to manage their own funds onshore and offshore. Residents may enter into risk management arrangements with licensed onshore banks in Malaysia.

#### **5.2.1 Investment in Foreign Currency Assets by Residents**

The current limits for investment in foreign currency assets are applicable only to residents that have domestic ringgit borrowing and are converting ringgit into foreign currency to invest in foreign currency assets.

##### **(a) Investment in Foreign Currency Assets**

A resident, individual or company, without domestic ringgit borrowing is free to invest in any foreign currency assets using own ringgit or foreign currency funds. Residents with domestic ringgit borrowing are allowed to invest as follows:

Resident individuals	<ul style="list-style-type: none"> <li>i. Any amount if funded by own foreign currency funds retained onshore or offshore;</li> <li>ii. Up to full amount of foreign currency borrowing if funded by approved foreign currency borrowing; and</li> <li>iii. Up to RM1 million in aggregate per calendar year if funded from conversion of ringgit.</li> </ul>
Resident companies	<ul style="list-style-type: none"> <li>i. Any amount if funded by own foreign currency funds retained onshore or offshore;</li> <li>ii. Any amount if funded from proceeds of listing through an initial public offering on: <ul style="list-style-type: none"> <li>• the Main Board of Bursa Malaysia; or</li> <li>• foreign stock exchanges</li> </ul> </li> <li>iii. Up to RM 50 million equivalent in aggregate and on corporate group basis per calendar year if funded from conversion of ringgit; and</li> <li>iv. Up to full amount of permitted foreign currency borrowing.</li> </ul>

**(b) Investment in Foreign Currency Assets by Resident Institutional Investors**

**Unit Trust Management Companies**

- i. Investment of Islamic funds
  - No limit
- ii. Investment of conventional funds
  - Foreign currency denominated funds
    - 100% of the net asset value (NAV)
  - Ringgit-denominated funds
    - 100% of NAV attributed to non-residents and residents without domestic ringgit borrowing

**Fund Management Companies**

- i. Fund mandated to be invested in Shariah-compliant assets
  - No limit
- ii. Fund mandated to be invested in non Shariah-compliant assets
  - Foreign currency denominated funds
    - No limit



- Ringgit-denominated funds
  - 100% of total funds managed for non-residents and residents without domestic ringgit borrowing; and
  - 50% of total funds managed for residents with domestic ringgit borrowing

**Insurers and Takaful Operators, including International Currency Business Unit of Takaful Operators and International Takaful Operators:**

- i. Foreign currency denominated funds
  - 100% of NAV of foreign currency investment-linked funds marketed to residents and non-residents;
- ii. Ringgit denominated funds
  - 100% of NAV of investment-linked funds marketed to non-residents and residents without domestic ringgit borrowing;
  - 50% of NAV of investment-linked funds marketed to residents with domestic ringgit borrowing;
  - 10% of margin of solvency for insurers; and
  - 5% of total assets for takaful operators

**(c) Payment for Purchase of Foreign Currency Assets**

- i. Offshore foreign currency assets  
Payment must be made in foreign currency other than the currency of Israel. The foreign currency may be sourced from conversion of ringgit with licensed onshore banks or own foreign currency funds.
- ii. Onshore foreign currency assets offered by licensed onshore banks\*, licensed IIBs or entities approved by the Controller.  
Payment may be in foreign currency or ringgit

**(d) Divestment/Income from Investment in Foreign Currency Assets**

A resident is free to repatriate and convert divestment proceeds or income from investment in foreign currency assets into ringgit assets. There is no limit imposed to retain the proceeds in foreign currency accounts.

**(e) Hedging**

A resident is free to hedge with licensed onshore banks and licensed IIBs for investment in foreign currency assets based on firm underlying commitment. However, hedging involving ringgit shall only be undertaken with licensed onshore banks.

*\* Licensed onshore banks refer to licensed commercial banks, licensed Islamic banks and licensed investment banks. Unit trust companies offering foreign currency unit trust funds; or Bursa Malaysia for trading of foreign currency derivative products such as CPO futures are examples of approved entities approved by the Controller.*

### 5.2.2 Borrowing in Foreign Currency and Ringgit by Residents

#### (a) Foreign Currency Borrowing by:

Resident individuals	<p>i. Free to borrow in foreign currency up to the equivalent of RM10 million in aggregate from:</p> <ul style="list-style-type: none"><li>• Licensed onshore banks;</li><li>• Licensed IIBs; and</li><li>• Non-residents</li></ul> <p>Trade financing involving export shall only be obtained from licensed onshore banks.</p> <p>A resident is also allowed to refinance outstanding approved foreign currency borrowing (principal and accrued interest).</p>
Resident companies	<p>i. A resident is free to borrow any amount in foreign currency from:</p> <ul style="list-style-type: none"><li>• Non-resident non-bank parent companies;</li><li>• Other resident companies within the same corporate group in Malaysia;</li><li>• Licensed onshore banks; and</li><li>• Licensed IIBs</li></ul> <p>ii. Free to borrow in foreign currency up to the equivalent of RM100 million in aggregate on a corporate group basis:</p> <ul style="list-style-type: none"><li>• From other non-residents (other than non-resident non-bank parent companies); and</li><li>• Through the issuance of foreign currency denominated bonds onshore and offshore</li></ul> <p>Free to borrow any amount of foreign currency supplier's credit for capital goods from non-resident suppliers</p> <p>Allowed to refinance outstanding approved foreign currency borrowing (principal and accrued interest)</p>

#### (b) Proceeds from Offshore Listing

A resident is free to borrow the foreign currency proceeds from the listing on foreign stock exchanges from other resident companies within the same corporate group in Malaysia.

#### (c) Foreign Currency Trade Financing Facilities

Free to obtain foreign currency trade financing facilities from licensed onshore banks and licensed IIBs.

Allowed to obtain foreign currency trade financing facilities from offshore up to the equivalent of RM5 million in aggregate. The trade financing facilities are part of the RM100 million limit on foreign currency borrowing from non-residents.

Trade financing facilities for export of goods are to be obtained from licensed onshore banks only.

**(d) Repayment and Prepayment**

A resident is free to repay or prepay approved foreign currency borrowing.

**(e) Hedging**

A resident is free to hedge drawdown and repayment of foreign currency borrowing with licensed onshore banks and licensed IIBs.

Hedging involving ringgit shall only be undertaken with licensed onshore banks.

**(f) Ringgit Borrowing from Non-Resident by:**

Resident individuals	Free to borrow up to RM1 million in aggregate from non-resident non-bank companies or individuals for use in Malaysia.
Resident companies	<p>Free to borrow any amount in ringgit from their non-resident non-bank parent companies to finance activities in the real sector in Malaysia.</p> <p>Free to borrow up to RM1 million in aggregate from other non-resident non-bank companies or individuals for use in Malaysia.</p>

**5.2.3 Lending in Ringgit by Residents**

Resident non-bank companies and individuals	Free to lend any amount in ringgit to non-resident non-bank companies and individuals to: i. finance activities in the real sector in Malaysia; and ii. finance or refinance the purchase of residential and commercial properties in Malaysia
Licensed onshore banks	Free to lend any amount in ringgit to: i. non-resident non-bank companies and individuals (other than stock broking companies and banks): <ul style="list-style-type: none"><li>to finance activities in the real sector in Malaysia;</li><li>for margin financing; and</li><li>to finance or refinance the purchase of residential and commercial properties in Malaysia</li></ul> ii. non-resident stockbroking companies and banks for settlement of ringgit securities on Bursa Malaysia and RENTAS due to inadvertent delays on the receipt of funds
Resident stockbroking companies	Free to provide margin financing of any amount in ringgit to non-resident non-bank companies and individuals for purchase of shares listed on Bursa Malaysia
Resident insurance companies	Free to lend to non-resident individuals in ringgit up to the cash surrender value of the insurance policies purchased by the non-residents

#### **5.2.4 Issuance of Ringgit and Foreign Currency Denominated Securities by Residents**

##### **(a) Issuance of Securities to Non-Residents**

A resident company may issue the following ringgit securities registered in Malaysia to non-residents:

- i. Ordinary shares, including bonus and right issues;
- ii. Irredeemable preference shares; and
- iii. Private debt securities

Prior permission is required for issuance of securities to non-residents other than as stated above.

##### **(b) Issuance of Bonds/Sukuk**

Resident is free to issue ringgit denominated bonds/sukuk in Malaysia. However, for foreign currency denominated bonds/sukuk it can be issued as long as total foreign currency borrowing including the bond/sukuk does not exceed RM100 million equivalent.

##### **(c) Utilisation of Bond/Sukuk Proceeds**

Proceed of any amount from ringgit denominated bonds/sukuk in Malaysia is free to be used onshore as well as for investment in foreign currency assets provided the issuer's total investment does not exceed RM50 million equivalent in aggregate per calendar year.

Proceed from foreign currency denominated bonds/sukuk is free to be used onshore or offshore.

##### **(d) Guidelines for Issuance**

Specific details on guidelines for issuance of ringgit and foreign currency denominated securities by residents can be obtained at the following website:

- <http://www.mifc.com>
- <http://www.bnm.gov.my/fxadmin>
- <http://www.sc.com.my>

#### **5.2.5 Export and Import of Goods and Services by Residents**

A resident may pay a non-resident any amount in foreign currency, other than the currency of the State of Israel, for import of goods and services

Proceeds arising from export of goods must be received and repatriated to Malaysia by the resident as per the sales contract which should not exceed six months from the date of export.

Prior permission is required for residents to:

- i. Offset export proceeds against other payables due to non-residents; or
- ii. Receive the export proceeds exceeding six months from the date of export.

The export proceeds are free to be retained in either foreign currency accounts or ringgit accounts with licensed onshore banks. However, prior permission is required to retain export proceeds in foreign currency accounts maintained with licensed IIBs or offshore banks.

A resident is free to hedge with licensed onshore banks and licensed IIBs, payments or receipts from the import and export of goods and services based on firm underlying commitment or on anticipatory basis up to the actual total amount paid or received in the preceding 12 months.

Hedging involving ringgit shall only be undertaken with licensed onshore banks.

#### **5.2.6 Opening of Foreign Currency Accounts (FCA) by Residents**

A resident, individual or company, is free to open FCA with licensed onshore banks, licensed IIBs, licensed offshore banks in Labuan and overseas banks.

The FCA can be credited with foreign currency funds sourced:

- i. From conversion of ringgit with licensed onshore banks:
  - No limit for residents without domestic ringgit borrowing;
  - For residents with domestic ringgit borrowing, up to permitted limits for investment in foreign currency assets. Additional limits for overseas education and employment purposes are applicable:
    - Up to USD150,000 with licensed onshore banks and licensed IIBs;
    - Up to USD150,000 with licensed offshore banks in Labuan; and
    - Up to USD50,000 with overseas banks.
- ii. From other residents for permitted purposes; and
- iii. From non-residents; Export proceeds, however, may be retained with licensed onshore banks only.

Resident individuals are free to open joint FCA with other resident individuals for any purpose. Resident companies, however, require prior permission to open joint FCA.

#### **5.2.7 Payment between Residents**

There is no restriction for residents to make payments in ringgit or in foreign currency to other residents for settlement of goods and services.

### **5.2.8 Hedging by Residents**

#### **(a) Hedging of Current Account Transactions**

Residents are free to hedge with licensed onshore banks and licensed IIBs for payments and receipts for import and export of goods and services:

- Based on firm underlying commitment; or
- On anticipatory basis provided the amount hedged does not exceed the total amount paid or received in the preceding 12 months

#### **(b) Hedging of Capital Account Transactions**

Residents are free to hedge with licensed onshore banks and licensed IIBs based on committed capital inflows or outflows. Residents are also allowed to hedge their existing holdings of foreign currency assets.

Hedging involving ringgit shall only be undertaken with licensed onshore banks

### **5.2.9 Import and Export of Ringgit and Foreign Currency by Resident Travellers**

A resident traveller may import or export ringgit notes up to RM1,000. There is no restriction for a resident traveller to bring into Malaysia any amount of foreign currency notes, including traveller's cheques.

Export foreign currency notes, including traveller's cheques, however are allowed up to an equivalent of USD10,000.

A resident traveller is required to obtain permission from the Controller when the resident:

- i. Carry into or out of Malaysia, ringgit notes exceeding RM1,000.
- ii. Carry out foreign currency notes, including traveller's cheques, exceeding the equivalent of USD10,000.

Application can be made online, using Form 13 which can be obtained at <http://www.bnm.gov.my/fxadmin>, or submitted via written application to Foreign Exchange Administration Department, Bank Negara Malaysia. Response is given within one day from receipt of application with complete information

### **5.3 Resident Companies Accorded Special Status**

#### **5.3.1 Multimedia Super Corridor Companies**

A company with Multimedia Super Corridor status is exempted from foreign exchange administration requirements for transactions undertaken on own account.

### **5.3.2 Approved Operational Headquarters**

An Approved Operational Headquarter (OHQ) is subject to policies applicable to a resident. In addition, an OHQ is allowed to:

- i. Invest any amount in foreign currency assets to be funded with own foreign currency funds or borrowing.
- ii. Obtain any amount of foreign currency credit facilities from licensed onshore banks, licensed IIBs and from any non-resident, provided the OHQs do not on-lend to, or raise the funds on behalf of, any resident.
- iii. Utilise proceeds of any amount from the issuance of ordinary shares through initial public offering on the Main Board of Bursa Malaysia for investment in foreign currency assets.
- iv. Lend foreign currency sourced from listing of shares on foreign stock exchanges to other resident companies within the same corporate group in Malaysia.

### **5.3.3 Regional Distribution Centres and International Procurement Centres**

A Regional Distribution Centre (RDC) and an International Procurement Centre (IPC) are also subject to rules applicable to residents companies.







## Chapter 7

# INTELLECTUAL PROPERTY PROTECTION

### 1. INTELLECTUAL PROPERTY PROTECTION

- 1.1 Patents
- 1.2 Trade Marks
- 1.3 Industrial Designs
- 1.4 Copyright
- 1.5 Layout Design of Integrated Circuit
- 1.6 Geographical Indications

# INTELLECTUAL PROPERTY PROTECTION

## 1. INTELLECTUAL PROPERTY PROTECTION

Intellectual property protection in Malaysia comprises of patents, trademarks, industrial designs, copyright, geographical indications and layout designs of integrated circuits. Malaysia is a member of the World Intellectual Property Organization (WIPO) and a signatory to the Paris Convention and Berne Convention which govern these intellectual property rights.

In addition, Malaysia is also a signatory to the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) signed under the auspices of the World Trade Organization (WTO). Malaysia provides adequate protection to both local and foreign investors. Malaysia's intellectual property laws are in conformance with international standards and has been reviewed by the TRIPs Council periodically.

### 1.1 Patents

The Patents Act 1983 and the Patents Regulations 1986 govern patent protection in Malaysia. An applicant may file a patent application directly if he is domicile or resident in Malaysia. A foreign application can only be filed through a registered patent agent in Malaysia acting on behalf of the applicant.

Similar to legislations in other countries, an invention is patentable if it is new, involves an inventive step and is industrially applicable. In accordance with TRIPS, the Patents Act stipulates a protection period of 20 years from the date of filing of an application. Under the Act, the utility innovation certificate provides for an initial duration of ten years protection from the date of filing of the application and renewable for further two consecutive terms of five years each subject to use. The owner of a patent has the right to exploit the patented invention, to assign or transmit the patent, and to conclude a licensed contract.

In accordance with TRIPS, under the scope of compulsory licence, the Act allows for importation of patented products that are already in the other countries' market (parallel import). The Government can prohibit commercial exploitation of patents for reasons of public order or morality. The Act was amended to include provision for Patent Cooperation Treaty (PCT) and to allow importation under the scope of compulsory license.

Malaysia has acceded to the PCT in the year 2006 and effective from 16 August 2006, the PCT International Application can be made at the Intellectual Property Corporation of Malaysia (MyIPO).

### 1.2 Trade Marks

Trade mark protection is governed by the Trade Marks Act 1976 and the Trade Marks Regulations 1997.

The Act provides protection for registered trade marks and service marks in Malaysia. Once registered, no person or enterprise other than its proprietor or authorised users may use them. Infringement action can be initiated against abusers. The period of protection is ten years, renewable for a period of every ten years thereafter. The proprietor of the trade mark or service mark has the right to deal or assign as well as to license its use.

In accordance with TRIPS, Malaysia prohibits the registration of well-known trade marks by unauthorised persons and provides for border measures to prohibit counterfeit trade marks from being imported into Malaysia.

Malaysia accedes to the Nice and Vienna Agreement on 28 June 2007 which were enforced on 28 September 2007. Nice Agreement is concerning the International Classification of Goods and Services for the purpose of the registration of marks whereas the Vienna Agreement establishes a classification for marks, which consist of or contain figurative elements. Both agreements are significant to facilitate trade mark registration.

As with patents, while local applicants may file applications on their own, foreign applicants will have to do so through registered trade mark agents.

### **1.3 Industrial Designs**

Industrial design protection in Malaysia is governed by the Industrial Designs Act 1996 and Industrial Designs Regulations 1999. The Act provides the rights of registered industrial designs as that of a personal property capable of assignment and transmission by operation of the law.

To be eligible for registration, industrial designs must be new and do not include a method of construction or design that is dictated solely by function. In addition, the design of the article must not be dependent upon the appearance of another article of which it forms an integral part.

Local applicants can file registrations individually or through a registered industrial designs agent. However, foreign applicants will need to seek the services of a registered industrial designs agent. Registered industrial designs are protected for an initial period of five years which may be extended for another two 5-year terms, providing a total protection period of 15 years.

### **1.4 Copyright**

The Copyright Act 1987 provides comprehensive protection for copyrightable works. The Act outlines the nature of works eligible for copyright (which includes computer programs), the scope of protection, and the manner in which the protection is accorded. There is no registration of copyright works.

Copyright protection in literary, musical or artistic works is for the duration of the life of the author and 50 years after his death. In sound recordings, broadcasts and films, copyright protection is for 50 years after the works are first published or made.

The Act also provides protection for the performer's rights in a live performance which shall continue to subsist for fifty years from the beginning of the calendar year following the year in which the live performance was given.

A unique feature of the Act is the inclusion of provisions for its enforcement. The amendment of the Copyright Act 1987, which was enforced on 1 October 2003 confers power of arrest (including arrest without warrant) to enforcement officers of the Ministry of Domestic Trade and Consumer Affairs. This special team of officers of the MDTCA is appointed to enforce the Act and is empowered to enter premises suspected of having infringing copies and to search and seize infringing copies and contrivances.

### **1.5 Layout Design of Integrated Circuit**

The Layout Designs of Integrated Circuits Act 2000 provides for the protection of layout designs of integrated circuits based on originality, creator's own invention and the fact that the creation is freely created. There is no registration for the layout design of an integrated circuit.

The duration of protection is 10 years from the date of its commercial exploitation or 15 years from the date of creation if not commercially exploited. The Act also allows for action to be taken by the owner if such rights recognised under the Act has been infringed. The right can also be transferred either partly or wholly by way of assignment, licence, wills or through the enforcement of law.

The Act is implemented in compliance with the TRIPS Agreement to provide a guarantee to investors in Malaysia's electronics industry and to ensure the growth of technology in the country.

### **1.6 Geographical Indications**

The Geographical Indications Act 2000 provides protection upon registration to goods following the name of the place where the goods are produced. This protection is applicable to goods such as wine and spirit, or natural or agricultural products or any product or handicraft or industry. Geographical indications which are contrary to public order or morality shall not be protected under the Act.

Further information on intellectual property protection can be obtained from the Intellectual Property Corporation of Malaysia (see Useful Addresses - Relevant Organisations for contact details) or please visit the website at <http://www.myipo.gov.my>.









## Chapter 8

# ENVIRONMENTAL MANAGEMENT

### 1. POLICY

### 2. ENVIRONMENTAL REQUIREMENTS

- 2.1 Environmental Impact Assessment for Prescribed Activities
- 2.2 Who Can Conduct EIA Study?
- 2.3 Site Suitability Evaluation for Non-Prescribed Activities
- 2.4 Written Permission to Construct
- 2.5 Written Approval for Installation of Incinerator, Fuel Burning Equipment and Chimney
- 2.6 Licence to Occupy Prescribed Premises and Prescribed Conveyances
- 2.7 Gaseous Emission and Effluent Standards
- 2.8 Control on Ozone Depleting Substances
- 2.9 Scheduled Wastes Management

### 3. INCENTIVES FOR ENVIRONMENTAL MANAGEMENT

# ENVIRONMENTAL MANAGEMENT

To promote environmentally sound and sustainable development, the Malaysian government has established the legal and institutional framework for environmental protection. Investors are encouraged to consider the environmental factors during the early stages of their project planning. Aspects of pollution control include possible modifications in the process line to minimise waste generation, seeing pollution prevention as part of the production process, and focusing on recycling options.

## 1. POLICY

The National Policy on the Environment aims at the continued economic, social, and cultural progress of Malaysia and enhancement of the quality of life of its people, through environmentally sound and sustainable development.

The Policy aims at achieving:

- A clean, safe, healthy and productive environment for present and future generations
- The conservation of the country's unique and diverse cultural and natural heritage with effective participation by all sectors of society
- A sustainable lifestyle and pattern of consumption and production

Malaysia's national environmental policy emphasizes:

- Exercising respect and care for the environment in accordance with the highest moral and ethical standards
- Conserving the natural ecosystem to ensure the integrity of biodiversity and life support systems
- Ensuring continuous improvement in the productivity and quality of the environment while pursuing economic growth and human development objectives
- Managing natural resource utilisation to sustain the resource base and prevent degradation of the environment
- Integrating environmental dimensions in the planning and implementation of the policies, objectives and mandates of all sectors to protect the environment
- Strengthening the role of the private sector in environmental protection and management

- Ensuring the highest commitment to environmental protection and accountability by all decision-makers in the public and private sectors, resource users, non-governmental organisations and the general public in formulating, planning and implementing their activities
- Participating actively and effectively in regional and global efforts towards environmental conservation and enhancement

## 2. ENVIRONMENTAL REQUIREMENTS

The Environmental Quality Act 1974, and its accompanying regulations call for environmental impact assessment, project siting evaluation, pollution control assessment, monitoring and self-enforcement. Industrial activities are required to obtain the following approvals from the Director-General of Environmental Quality prior to project implementation:

- i. Environmental impact assessment for Prescribed Activities
- ii. Site suitability evaluation for Non-Prescribed Activities
- iii. Written permission to construct
- iv. Written approval for installation of incinerator, fuel burning equipment and chimney
- v. Licence to occupy and operate prescribed premises and prescribed conveyances.

### 2.1 Environmental Impact Assessment for Prescribed Activities

An investor should first of all check whether an environmental impact assessment (EIA) is required for his proposed industrial activities. The following are activities prescribed under the Environmental Quality (Prescribed Activities) (Environmental Impact Assessment) Order 1987, which require an EIA before project approval:

#### (i) Agriculture

- a) Land development schemes covering an area of 500 hectares or more to bring forest land into agricultural production.
- b) Agricultural programmes necessitating the resettlement of 100 families or more.
- c) Development of agricultural estates covering an area of 500 hectares or more involving changes in types of agricultural use.

#### (ii) Airport

- a. Construction of airports (having an airstrip of 2,500 metres or longer).
- b. Airstrip development in state and national parks.

**(iii) Drainage and Irrigation**

- a) Construction of dams and man-made lakes and artificial enlargement of lakes with surface areas of 200 hectares or more.
- b) Drainage of wetland, wild-life habitat or of virgin forest covering an area of 100 hectares or more.
- c) Irrigation schemes covering an area of 5,000 hectares or more.

**(iv) Land Reclamation**

Coastal reclamation involving an area of 50 hectares or more.

**(v) Fisheries**

- a) Construction of fishing harbours.
- b) Harbour expansion involving an increase of 50 per cent or more in fish landing capacity per annum.
- c) Land-based aquaculture projects accompanied by clearing of mangrove swamp forests covering an area of 50 hectares or more.

**(vi) Forestry**

- a) Conversion of hill forest land to other land use covering an area of 50 hectares or more.
- b) Logging or conversion of forest land to other land use within the catchment area of reservoirs used for municipal water supply, irrigation or hydro-power generation or in areas adjacent to state and national parks and national marine parks.
- c) Logging covering an area of 500 hectares or more.
- d) Conversion of mangrove swamps for industrial, housing or agricultural use covering an area of 50 hectares or more.
- e) Clearing of mangrove swamps on islands adjacent to national marine parks.

**(vii) Housing**

Housing development covering an area of 50 hectares or more.

**(viii) Industry**

- a) Chemicals                      Where production capacity of each product or of combined products is greater than 100 tonnes per day
- b) Petrochemicals              All sizes.
- c) Non-ferrous                    Primary smelting:
  - Aluminium - all sizes
  - Copper       - all sizes
  - Others        - producing 50 tonnes per day and above of product

- |    |                         |  |   |
|----|-------------------------|--|---|
| d) | Non-metallic tonnes     | Cement   | - for clinker throughput of 30 per hour and above   |
|    |                         | Lime   | - 100 tonnes per day and above burnt lime rotary kiln or<br>- 50 tonnes per day and above vertical kiln |
| e) | Iron and Steel          | Require iron ore as raw materials for production greater than 100 tonnes per day; or<br>Using scrap iron as raw materials for production greater than 200 tonnes per day |   |
| f) | Shipyards               | Dead Weight Tonnage greater than 5,000 tonnes  |   |
| g) | Pulp and Paper Industry | Production capacity greater than 50 tonnes per day   |   |

**(ix) Infrastructure**

- a) Construction of hospitals with outfall into beachfronts used for recreational purposes.
- b) Industrial estate development for medium and heavy industries covering an area of 50 hectares or more.
- c) Construction of expressways.
- d) Construction of national highways.
- e) Construction of new townships.

**(x) Ports**

- a) Construction of ports.
- b) Port expansion involving an increase of 50 per cent or more in handling capacity per annum.

**(xi) Mining**

- a) Mining of minerals in new areas where the mining lease covers a total area in excess of 250 hectares.
- b) Ore processing, including concentrating for aluminium, copper, gold or tantalum.
- c) Sand dredging involving an area of 50 hectares or more.

**(xii) Petroleum**

- a) Oil and gas fields development.
- b) Construction of off-shore and on-shore pipelines in excess of 50 kilometres in length.

- c) Construction of oil and gas separation, processing, handling, and storage facilities.
- d) Construction of oil refineries.
- e) Construction of product depots for the storage of petrol, gas or diesel (excluding service stations) which are located within three kilometres of any commercial, industrial or residential areas and which have a combined storage capacity of 60,000 barrels or more.

**(xiii) Power Generation and Transmission**

- a) Construction of steam generated power stations burning fossil fuels and having a capacity of more than 10 megawatts.
- b) Dams and hydro-electric power schemes with either or both of the following:
  - dams over 15 metres high and ancillary structures covering a total area in excess of 40 hectares;
  - reservoirs with a surface area in excess of 400 hectares
- c) Construction of combined cycle power stations.
- d) Construction of nuclear-fueled power stations.

**(xiv) Quarries**

Proposed quarrying of aggregate, limestone, silica, quartzite, sandstone, marble and decorative building stone within 3 kilometres of any existing residential, commercial or industrial areas, or any area for which a licence, permit or approval has been granted for residential, commercial or industrial development.

**(xv) Railways**

- a) Construction of new routes.
- b) Construction of branch lines.

**(xvi) Transportation**

Construction of Mass Rapid Transport projects.

**(xvii) Resort and Recreational Development**

- a) Construction of coastal resort facilities or hotels with more than 80 rooms.
- b) Hill station resort or hotel development covering an area of 50 hectares or more.
- c) Development of tourist or recreational facilities in national parks.
- d) Development of tourist or recreational facilities on islands in surrounding waters which are gazetted as national marine parks.

### **(xviii) Waste Treatment and Disposal**

- a) Toxic and Hazardous Waste
  - Construction of incineration plant
  - Construction of recovery plant (off-site)
  - Construction of wastewater treatment plant (off-site)
  - Construction of secure landfill facility
  - Construction of storage facility (off-site)
- b) Municipal Solid Waste
  - Construction of incineration plant
  - Construction of composting plant
  - Construction of recovery/recycling plant
  - Construction of municipal solid waste landfill facility
- c) Municipal Sewage
  - Construction of wastewater treatment plant
  - Construction of marine outfall

### **(xix) Water Supply**

- a) Construction of dams or impounding reservoirs with a surface area of 200 hectares or more
- b) Groundwater development for industrial, agricultural or urban water supply of greater than 4,500 cubic metres per day

## **2.2 Who Can Conduct EIA Study**

An EIA study has to be conducted by competent individuals who are registered with the Department of Environment (DOE) under the EIA Consultant Registration Scheme. The list of registered EIA consultants and details on the registration scheme are available at the DOE website, [http:// www.doe.gov.my](http://www.doe.gov.my)

## **2.3 Site Suitability Evaluation for Non-Prescribed Activities**

One of the most important factors in obtaining environmental approval is the site suitability of the proposed project. Site suitability is evaluated based on the compatibility of the project with respect to the gazetted structure or local plans, surrounding land-use, provision of set-backs or buffer zones, the capacity of the area to receive additional pollution load, and waste disposal requirements.

Effective 9 May 2008, the scope for use of site suitability evaluation (SSE) process has been widened. SSE has now become the main process in ensuring site suitability for all development projects that are referred to DOE. As such, SSE has to be undertaken first for both prescribed and non-prescribed activities. For prescribed activities, SSE must be done before the EIA is conducted to ensure the site selected is suitable for the proposed activity and compatible with its surrounding land-use. This also helps the project proponent to save costs conducting EIA if the site is deemed unsuitable.



## **2.4 Written Permission to Construct**

Any person intending to carry out activities as listed below must obtain prior written permission from the Director-General of Environmental Quality:

- i. Construction of any building or carrying out of any work that may result in a new source of effluent or discharge as stipulated under Regulation 4, Environmental Quality (Sewage and Industrial Effluents) Regulations 1979;
- ii. Construction on any land or any building; or carrying out work that would cause the land or building to become prescribed premises (crude palm oil mills, raw natural rubber processing mills, and treatment and disposal facilities of scheduled wastes), as stipulated under Section 19 of the Environmental Quality Act, 1974.
- iii. A factory which is categorized as a prescribed premise namely:
  - a) The Crude Palm Oil Mill;
  - b) The Raw Natural Rubber Processing Mill; and
  - c) The Treatment and Disposal Facilities of Scheduled Waste

\* Such application has to be accompanied by a prescribed fee

## **2.5 Written Approval for Installation of Incinerator, Fuel Burning Equipment and Chimney**

Applicants intending to carry out activities as listed below shall obtain prior written approval from the Director-General of Environment Quality:

- i. New installation near dwelling area as detailed out in Regulation 4 and First Schedule of the Environmental Quality (Clean Air) Regulations 1978.
- ii. Any erection (including incinerators), installation, resiting or alteration of fuel burning equipment that is rated to consume pulverised fuel or solid fuel at 30 kg or more per hour, or liquid or gaseous fuel at 15 kg or more per hour as stipulated in Regulations 36 and 38 of the Environmental Quality (Clean Air) Regulations 1978.
- iii. Any erection, installation, resiting, or alteration of any chimney from or through which air impurities may be emitted or discharged, respectively.

\* No fee is imposed on the application for written approval.

## **2.6 Licence to Occupy Prescribed Premises and Prescribed Conveyances**

A licence is required to occupy and operate prescribed premises, namely as below:

- i. crude palm oil mills,
- ii. raw natural rubber processing mills, and
- iii. treatment and disposal facilities of scheduled wastes

Starting from 15 August 2005, a licence is required to use prescribed conveyances as stipulated in the Environmental Quality (Prescribed Conveyance) (Scheduled Wastes) Order 2005. Conveyance which is categorised as prescribed conveyance namely, any vehicle or ship of any description which is:

- i. propelled by a mechanism contained within itself;
- ii. constructed or adapted to be used on land or water; and
- iii. used for the movement, transfer, placement or deposit of scheduled wastes.

Applications for the licence shall be made after obtaining written permission and/or written approval (as mentioned in 2.3 and 2.4). Licensing fees apply for every licence issued for palm oil and raw natural rubber processing mills and facilities for the treatment and disposal of scheduled wastes, and prescribed conveyances.

## **2.7 Gaseous Emission and Effluent Standards**

Industries are required to comply with both air emission and effluent discharge standards which are regarded as acceptable conditions allowed in Malaysia, as stipulated in the Environmental Quality (Clean Air) Regulations 1978 and the Environmental Quality (Sewage and Industrial Effluents) Regulations 1979.

## **2.8 Control on Ozone Depleting Substances**

Ozone Depleting Substances (ODS) are categorised as environmentally hazardous substances under the Environmental Quality (Refrigerant Management) Regulations 1999 and the Environmental Quality (Halon Management) Regulations 1999. New investments relating to the use of these substances are prohibited.

## **2.9 Scheduled Wastes Management**

Malaysia has developed a comprehensive set of legal provisions related to the management of toxic and hazardous wastes. The regulation is based on the cradle to grave principle. A facility which generates, stores, transports, treats or disposes scheduled wastes is subject to the following main regulations:

- i. Environmental Quality (Scheduled Wastes) Regulations 2005 (Amendment) 2007;
- ii. Environmental Quality (Prescribed Conveyance) (Scheduled Wastes) Order 2005;
- iii. Environmental Quality (Prescribed Premises) (Scheduled Wastes Treatment and Disposal Facilities) (Amendment) Order 2006;
- iv. Environmental Quality (Prescribed Premises) (Scheduled Waste Treatment and Disposal Facilities) (Amendment) Regulations 2006;
- v. Customs (Prohibition of Exports) Order 2008; and
- vi. Customs (Prohibition of Imports) Order 2008.

## A Summary of Environmental Requirements on Scheduled Wastes

Environmental Quality (Scheduled Wastes) Regulations 2005 came into operation on 15 August 2005, and replaces the Environmental Quality (Scheduled Wastes) Regulations 1989. Under these new regulations, 77 types of scheduled wastes listed in the First Schedule are divided into 5 categories, namely:

- i. SW 1 Metal and metal-bearing wastes (10 types of scheduled wastes);
- ii. SW 2 Wastes containing principally inorganic constituents which may contain metals and organic materials (7 types of scheduled wastes);
- iii. SW 3 Wastes containing principally organic constituents which may contain metals and inorganic materials (27 types of scheduled wastes);
- iv. SW 4 Wastes which may contain either inorganic or organic constituents (32 types of scheduled wastes)
- v. SW 5 Other wastes (1 type of scheduled waste)

Scheduled wastes can be stored, recovered or treated within the premises of the waste generators. Such activities do not require licensing by the Department of Environment. A waste generator may store scheduled wastes generated by him for 180 days or less after its generation provided that the quantity of scheduled wastes accumulated on site shall not exceed 20 metric tonnes. However, waste generators may apply to the Director General in writing to store more than 20 metric tonnes of scheduled wastes. The containers that are used to store scheduled wastes shall be clearly labeled with the date when the scheduled wastes are first generated and name, address and telephone number of the waste generator.

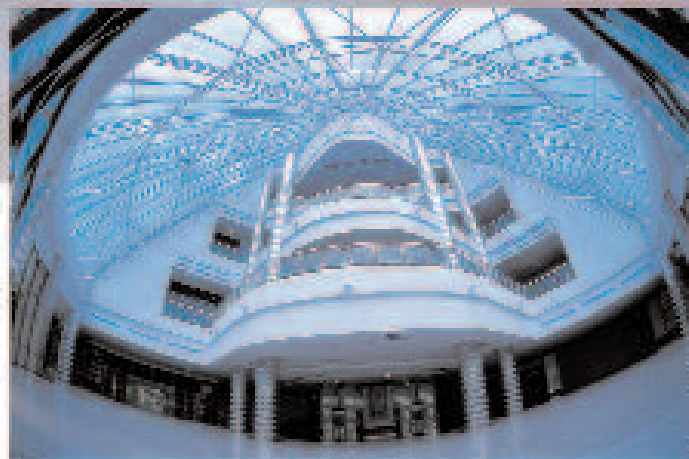
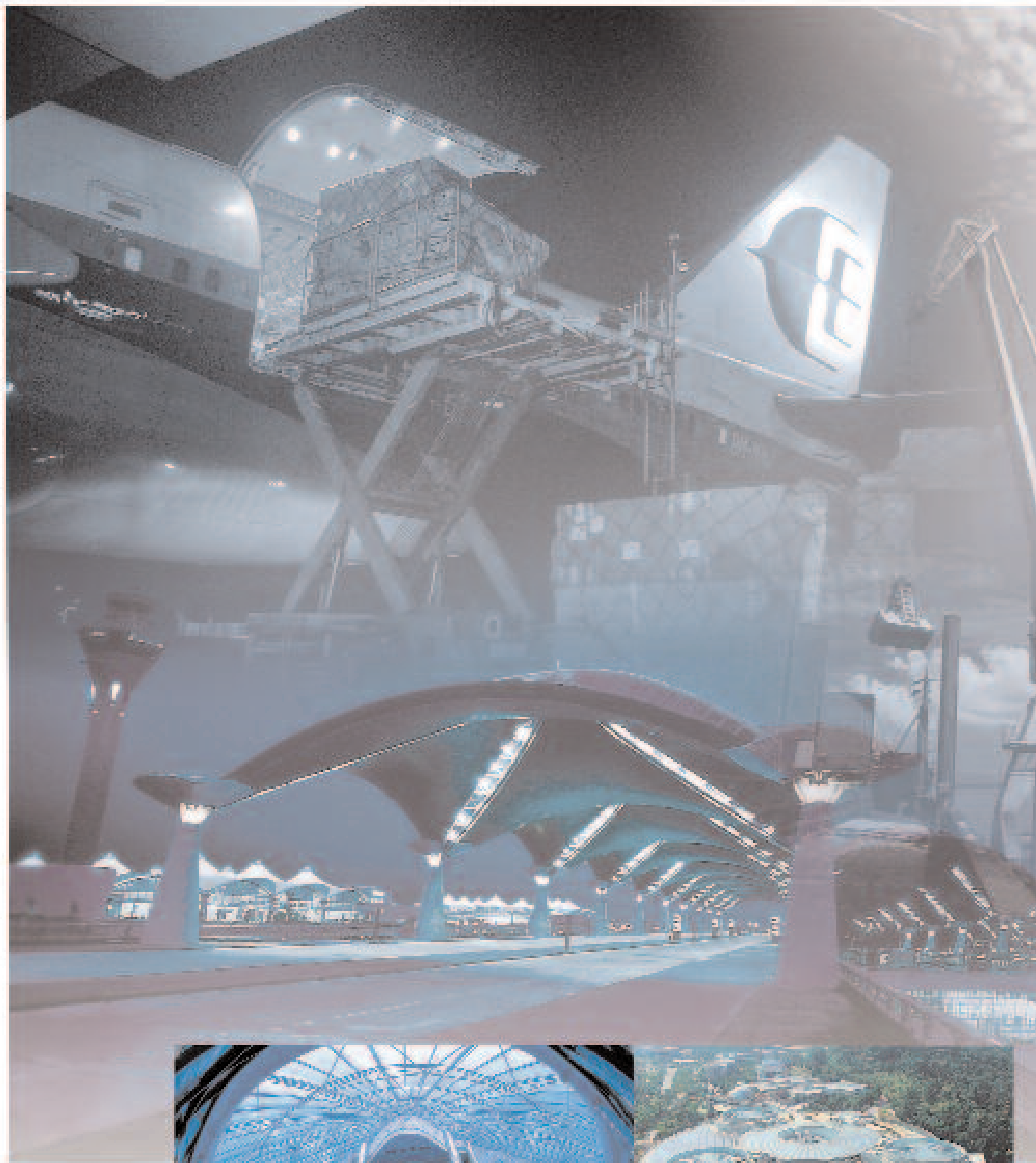
Land farming, incineration, disposal and off-site facilities for recovery, storage and treatment can only be carried out at prescribed premises licensed by the Department of Environment. However, with the signing of the concession agreement between the Government of Malaysia and Kualiti Alam Sdn. Bhd on 18 December 1995 (15 years concession period), all off-site treatment and disposal (incineration, wastewater treatment, storage and secure landfill) of scheduled wastes is not allowed.

On-site incineration of scheduled wastes is not encouraged. If it is deemed necessary, application for the installation of such incinerator must strictly adhere to the Guidelines On the Installation of On-site Incinerator for the Disposal of Scheduled Wastes in Malaysia" (published by the Department of Environment), including carrying out a detailed environmental impact assessment and display of the EIA report for public comments.

Waste generators may apply for special management of scheduled wastes to have the scheduled wastes generated from their particular facility or process excluded from being treated, disposed of or recovered in premises or facilities other than at the prescribed premises or on-site treatment or recovery facilities, as stipulated under Regulation 7(1), Environmental Quality (Scheduled Wastes) Regulations 2005.

### **3. INCENTIVES FOR ENVIRONMENTAL MANAGEMENT**

Please see section on “Incentives for Environmental Management”. Further details on environmental management requirements can be obtained from the Department of Environment (see Useful Addresses – Relevant Organisations)





## Chapter 9

# INFRASTRUCTURE SUPPORT

### 1. INDUSTRIAL SUPPORT

#### 1.1 Industrial Estates

#### 1.2 Free Zones

##### 1.2.1 Free Industrial Zones

#### 1.3 Licensed Manufacturing Warehouses

### 2. ELECTRICITY SUPPLY

### 3. WATER SUPPLY

### 4. TELECOMMUNICATION SERVICES

### 5. AIR CARGO FACILITIES

### 6. SEA PORTS

### 7. CARGO TRANSPORTATION

#### 7.1 Container Haulage

#### 7.2 Freight Forwarding

### 8. HIGHWAYS

### 9. RAILWAY SERVICES

### 10. MULTIMEDIA SUPER CORRIDOR



# INFRASTRUCTURE SUPPORT

## 1. INDUSTRIAL SUPPORT

### 1.1 Industrial Estates

Malaysia has over 200 industrial estates or parks developed by government agencies, namely, the State Economic Development Corporations (SEDCs), Regional Development Authorities (RDAs), port authorities and municipalities. In addition to these, new ones are continuously being planned to meet the increasing demand for industrial land. Besides the government agencies, private developers have also developed industrial estates in certain states.

Prices and lease arrangements vary according to location

### 1.2 Free Zones

A Free Zone is an area declared by the Minister of Finance under the provision of Section 3(1) of the Free Zones Act 1990. It is mainly designed to promote entreport trade and specially established for manufacturing companies that produce or assemble products mainly for export.

A Free Zone comprise of a free commercial zone for commercial activities which include trading (except retail trading), breaking bulk, grading, repacking, relabelling and transit, and a free industrial zone for manufacturing activities.

The activities and industries therein are subject to minimal customs formalities and it is deemed as a place outside the Principal Custom Area except in respect of Prohibition of Imports and Exports under Section 31 of the Customs Act 1967.

To-date there are 13 FCZs located at North, South and West Port of Port Klang, Port Klang Free Zone, Pulau Indah MILS Logistic Hub, Butterworth, Bayan Lepas, KLIA, Rantau Panjang, Pengkalan Kubor, Stulang Laut, Johor Port and Port of Tanjung Pelepas.

#### 1.2.1 Free Industrial Zones

Other than minimal customs formalities, FIZs enable these export-oriented companies to enjoy duty free import of raw materials, component parts, machinery and equipment required directly in the manufacturing process, as well as minimal formalities in exporting their finished products.

To-date there are 16 FIZs located at Pasir Gudang, Tanjung Pelepas, Batu Berendam I, Batu Berendam II, Tanjung Kling, Telok Panglima Garang, Pulau Indah (PKFZ), Sungai Way I, Sungai Way II, Ulu Kelang, Jelapang II, Kinta, Bayan Lepas I,II, III, Bayan Lepas IV, Seberang Perai, and Sama Jaya.



## **Eligibility**

Companies can be located within FIZs when:

- their entire production or not less than 80% of their products are meant for export
- their raw materials/components are mainly imported. Nevertheless, the government encourages FIZ companies to use local raw materials/components

### **1.3 Licensed Manufacturing Warehouses**

To enable companies to enjoy FIZ facilities in areas where it is neither practical nor desirable to establish FIZs, companies can set up Licensed Manufacturing Warehouses (LMWs). Facilities accorded to LMWs are similar to factories operating in the FIZs.

## **Eligibility**

Companies normally approved for LMWs are those:

- whose entire production or not less than 80% are meant for export
- whose raw materials/components are mainly imported

## **Payment of Duty**

Goods exported abroad from FIZs and LMWs are not liable to customs duty. However (except for cigarettes, liquor and motor vehicles), if the goods are allowed to be sold in the domestic market, termed Principal Customs Areas or PCAs, the following import duties apply :

- i. For consumer and intermediate goods, where such goods are also produced in the PCA, import duties equivalent to the AFTA Common Effective Preferential Tariff (CEPT) rates will be imposed.
- ii. For consumer and intermediate goods, where such goods are also produced in the PCA but have local content of more than 51%, an import duty of 5% ad valorem or equivalent excise duty rate (for products subject to excise duty), whichever is the higher, will be imposed.
- iii. For consumer and intermediate goods which are not produced in the PCA, an import duty of 3% a.v. will be imposed.
- iv. For intermediate goods such as raw materials/components, machinery and equipment for the manufacturing sector, manufacturers in the PCA can apply for full import duty exemption.

## **2. ELECTRICITY SUPPLY**

Malaysia enjoys ample electricity supply. The national utility company, Tenaga Nasional Berhad (TNB), supplies power to Peninsular Malaysia, while in East Malaysia, the Sabah Electricity Sdn Bhd (SESB) and the Sarawak Electricity Supply Corporation (SESCO) provide power to the States of Sabah and Sarawak respectively.

Transmission voltages are at 500 kV, 275 kV and 132 kV while distribution voltages are 33 kV, 22 kV, 11 kV and 415 V three-phase or 240 V single-phase. System frequency is 50 Hz 1%.

TNB also offers electricity packaged with steam and chilled water under its Total Energy Solution for the benefit of certain industries that require multiple forms of energy for their processes.

At Kulim High Technology Park (KHTP), a ring formation electrical system, the most advanced of its kind in the region, ensures continuous uninterruptible power supply. This guaranteed, stable power supply meets the strict tolerances required by high technology operations, reflecting the government's thrust to promote such industries.

## **3. WATER SUPPLY**

In early 2005, the Federal Constitution of Malaysia was amended to place water supply and services in Malaysia under the joint responsibility of the Federal Government and State Governments. A National Water Services Commission is in the process of being established to regulate the water departments and/ or companies responsible for the operation and distribution of water supply in the different States. With a well-regulated water services in place, this will help to promote efficiency and long term sustainability of the water industry to benefit the consumers, investors as well as the operators. Consumers in Malaysia enjoy a 24-hour water supply and water is reliable and safe in terms of quantity and quality. It is treated according to international standards for drinking water set out by the World Health Organisation (WHO). All domestic, commercial and industrial users are metered. Water costs are low and vary from state to state

## **4. TELECOMMUNICATION SERVICES**

Malaysia's fixed line, mobile and satellite communications infrastructure provided by its five telco's and other network facilities providers support a full range of domestic and international services encompassing voice, video, data, and other advanced communications services.

Currently, there are more than 13 million subscribers of cellular telecommunications services. Fixed line and mobile telecommunications are augmented by VSAT and satellite-based land and maritime services.

There are six internet service providers (ISPs) with a total of 3.2 million subscribers. The major ISPs are TM Net and Jaring with a market share of 58% and 23% respectively. The telecommunications infrastructure provides the full range of audio, data and video services with modern and fully digitalised networks deploying fibre optics, SDH, ATM, ADSL and other extended wireless bandwidth to provide high capacity and speed for voice and data transmission. At the

domestic level, the country is currently being served by an infrastructure of more than 40GB. In the Multimedia Super Corridor (MSC), bandwidths of up to 10 GB capacity are provided.

Malaysia is linked to the rest of the world through various fibre optics and satellite consortia such as FLAG, SE-MA-WE, APCN, China-US, Japanese-US, Measat and Intelsat. To support the increasing demand for bandwidth, medium and high-end technologies such as ADSL, IP, VPN and ATM are being extensively deployed throughout the country.

Malaysia currently offers competitive tariffs for local, national and international connections as well as leased circuits, with the Internet dial-up and international tariffs being one of the lowest in the region.

## **5. AIR CARGO FACILITIES**

Malaysia's central position at the crossroads of South-East Asia makes her particularly attractive as a trans-shipment centre. Air cargo facilities are well developed, especially in the five international airports in Malaysia.

The highly sophisticated Kuala Lumpur International Airport (KLIA) in Sepang, Selangor, has a current capacity of 25 million passengers and more than 650,000 tonnes of cargo per year.

However, KLIA's 25,000 acres of land is planned to accommodate up to 60 million passengers and three million tonnes of cargo per year by the year 2020, and in the future, up to 100 million passengers and five to six million tonnes of cargo per year.

The other international airports are the Penang International Airport, Langkawi International Airport, and Johor International Airport in Peninsular Malaysia, Kota Kinabalu International Airport in Sabah, and Kuching International Airport in Sarawak.

Malaysia's national carrier, Malaysia Airlines, offers air cargo services through its wholly owned subsidiary, MASkargo.

MASkargo operates an Advanced Cargo Centre (ACC) at the Kuala Lumpur International Airport within a Free Commercial Zone (FCZ). This centre features sensitive and sophisticated security systems and the latest technology including fully automated procedures, ensuring real-time data tracking and the smooth flow of communication. Among the facilities at the centre are the Animal Hotel, the one-stop Perishable Center and the world's first priority business centre (PBC) for key forwarding agents.

MASkargo also provides airport-to-airport trucking services in the country. It offers freighter services to Penang, Kuala Lumpur, Kota Kinabalu, Jakarta, Sydney, Melbourne, Ho Chi Minh City, Bangkok, Hong Kong, Taipei, Guangzhou, Pudong, Tokyo, Dhaka, Chennai, Dubai, Tashkent, Amsterdam, Frankfurt, Basel and Malpensa. The company had also launched I-Port, the world's first airport within a seaport trans-shipment service. This service allows fast handling of sea and air cargo through Malaysian ports, via KLIA.

In addition, the national carrier delivers cargo to 100 international destinations across six continents and connects with other carriers to speed up the delivery of goods to any part of the world.

Air cargo services are complemented by Transmile Air which serves nine domestic destinations and five scheduled regional destinations namely Bangalore, Madras, Manila, Jakarta and Shenzhen.

For further information, please visit the MASkargo website at [www.maskargo.com](http://www.maskargo.com)

## **6. SEA PORTS**

The Ministry of Transport has under its jurisdiction seven major federal international ports whereby six ports are located in Peninsular Malaysia, namely, Port Klang, Penang Port, Johor Port at Pasir Gudang, Port of Tanjung Pelepas, Kuantan Port and Kemaman Port, and one in Sarawak, which is the Bintulu Port. Bintulu Port is the country's first liquefied natural gas port, Bintulu Port is the country's only port which handles liquefied natural gas.

Modern facilities and equipment are available at all these ports to facilitate a full range of cargo handling and related activities including containerised cargo and bulk cargo.

The government's policy on ports focuses on:

- Being supply-driven, i.e., the provision of ample capacity in ports to ensure that there is no congestion and there is zero waiting time for ships.
- Load centering, making Port Klang as the national load centre and the regional transshipment hub. As such, cargoes from all other Malaysian ports, which assume the role of feeder ports, are being consolidated where possible through Port Klang.
- Developing the Port of Tanjung Pelepas as the trans-shipment hub for the southern region of Malaysia.

## **7. CARGO TRANSPORTATION**

Various companies provide comprehensive containerised cargo transportation services in Malaysia. These include container haulage, freight forwarding, warehousing, bunkering, distribution related services, port and customs clearance, and container repair, leasing and maintenance.

Consignees and clients in Malaysia enjoy speedy, efficient and reliable cargo transportation through a network of local branches and offices. Most companies also offer a good international network of agents.

### **7.1 Container Haulage**

The Malaysian government regulates inland container haulage through the Commercial Vehicle Licensing Board (CVLB) under the Ministry of Entrepreneur and Cooperative Development.

Sixty two hauliers cater to varied cargo needs through a diversified fleet of trailers and prime movers which also include modified vehicles. Some come equipped with modern tracking systems to enable contact with haulage vehicles on the road.

Numerous other medium and small-sized operators truck conventional cargoes to destinations in the country. Meanwhile, a block rail feeder service operates to specific destinations and a freight liner service takes care of container deliveries to outstation clients.

This multi-modal (road and rail) transportation system assures prompt delivery of cargo.

## **7.2 Freight Forwarding**

Hundreds of freight forwarding agents stationed throughout Malaysia offer nationwide freight forwarding services, while cargo bound for international destinations can be forwarded through various international freight forwarders.

Freight forwarders can also provide assistance to manufacturers in the processing of applications for required permits, licences and duty/tax exemption for the clearance of goods from the Customs authorities.

## **8. HIGHWAYS**

The Malaysian Highway Authority supervises and executes the design, construction, regulation, operation and maintenance of inter-urban highways in Malaysia. These comfortable expressways link all major townships and potential development areas, and have catalysed industrial growth by enabling efficient transportation.

The country's successful privatisation programme coupled with its strong economic growth has also induced more highway development projects in the last few years.

Today, the North-South Expressway together with the Penang Bridge and the Kuala Lumpur-Karak Highway form the backbone of Malaysia's road infrastructure, contributing to the country's rapid socio-economic development.

## **9. RAILWAY SERVICES**

Keretapi Tanah Melayu Bhd (KTM), which operates in Peninsular Malaysia, is a corporation wholly-owned by the Malaysian government. As the single largest transport organisation in the country, KTM has the capacity to transport several classifications of goods ranging from grains to machinery.

Its network runs the length and breadth of Peninsular Malaysia from the northern terminal in Padang Besar to Pasir Gudang, Johor in the south and through to Singapore. The same northerly line serves wharves and port facilities on Penang Island.

## **10. MULTIMEDIA SUPER CORRIDOR (MSC)**

MSC Malaysia is Asia's most exciting investment location for information and communication technology (ICT). Conceptualised in 1996, the MSC Malaysia has grown into a thriving dynamic ICT hub, hosting more than 2000 multinationals,

foreign-owned and home-grown Malaysian companies focused on multimedia and communications products, solutions, services and; research and development.

Located at the heart of Asia's fastest-growing markets, the 750-km square MSC Malaysia features state-of-the-art infrastructure and is governed by secure cyberlaws, policies and practices that enable operating companies to thrive and produce continuous innovation.

Under the MSC Malaysia National Rollout also known as the Next Leap, MSC Malaysia has developed standards that will nurture and retain ICT-enabled industries to set up their businesses in competitive environments called Cybercities and Cybercentres.

To date, these MSC Malaysia's designated areas known as Cybercity/Cybercentre include:

- Cyberjaya
- Technology Park Malaysia (TPM)
- Kuala Lumpur City Centre (KLCC)
- UPM-MTDC
- KL Sentral
- Kuala Lumpur Tower
- TM Cybercentre Complex
- Mid Valley City (MVC)
- i-city, Shah Alam
- Bandar Utama
- Penang Cybercity-1 (PCCI)
- Kulim High Tech Park (KHTP), Kedah
- Meru Raya, Perak
- Melaka International Trade Centre (MITC)
- Menara MSC Cyberport Johor

Other areas within the country which have fulfilled the necessary MSC Malaysia qualifying criteria and performance standards will also be conferred with either the MSC Malaysia cybercity or MSC cybercentre status based on their readiness in the future.

MSC Malaysia has become the choice location for global innovators and investors. Malaysia's unique competitive advantages stem from its:

- Highly competitive package for MSC investors
- Customised incentives and financing
- Strongly committed leadership
- Easy access to rapidly growing markets of ASEAN and the Asia Pacific
- Traffic and pollution-free environment
- Availability of qualified and educated employees with more than 30,000 ICT diploma and degree graduates annually
- Multilingual, multicultural talents

- Political and institutional stability
- High quality of life

Besides the innovative solutions developed by MSC companies, the MSC is also focused on:

- Smart Card Technology
- Smart Schools
- Telehealth
- e-Government
- e-Business
- Technopreneurship
- Creative Multimedia
- Shared Services and Outsourcing

For further information on the MSC Malaysia, please contact MSC Malaysia Client Contact Centre (Clic) at (603) 8315 3000 or visit the MSC Malaysia website at [www.msomalaysia.my](http://www.msomalaysia.my) or email, [clic@mdec.com.my](mailto:clic@mdec.com.my).



# USEFUL ADDRESSES

# MINISTRIES

## PRIME MINISTER'S OFFICE

Perdana Putra Building  
Federal Government Administrative Centre  
62502 Putrajaya, Malaysia  
Tel: (603) 8888 8000  
Fax: (603) 8888 3444  
Website: [www.pmo.gov.my](http://www.pmo.gov.my)  
E-mail: [ppm@pmo.gov.my](mailto:ppm@pmo.gov.my)

## MINISTRY OF AGRICULTURE AND AGRO-BASED INDUSTRY

Wisma Tani,  
No. 28, Persiaran Perdana, Precinct 4  
Federal Government Administrative Centre  
62624, Putrajaya, Malaysia  
Tel: (603) 8870 1000  
Fax: (603) 8888 6020  
Website: <http://agrolink.moa.my>  
E-mail: [webmaster@agri.moa.my](mailto:webmaster@agri.moa.my)

## MINISTRY OF DEFENCE

Jalan Padang Tembak  
50634 Kuala Lumpur, Malaysia  
Tel: (603) 2692 1333  
Fax: (603) 2691 4163  
Website: [www.mod.gov.my](http://www.mod.gov.my)  
E-mail: [cpa@mod.gov.my](mailto:cpa@mod.gov.my)

## MINISTRY OF DOMESTIC TRADE AND CONSUMER AFFAIRS

No.13, Persiaran Perdana, Precinct 2  
Federal Government Administrative Centre  
62623 Putrajaya, Malaysia  
Tel: (603) 8882 5500/ 1800-886-800  
Fax: (603) 8882 5763  
Website: [www.kpdnhep.gov.my](http://www.kpdnhep.gov.my)  
E-mail: [nsuzana@kpdnhep.gov.my](mailto:nsuzana@kpdnhep.gov.my)

## MINISTRY OF EDUCATION

Block E, Complex E  
Federal Government Administrative Centre  
62604 Putrajaya, Malaysia  
Tel: (603) 8884 6000  
Fax: (603) 8889 5235  
Website: [www.emoe.gov.my](http://www.emoe.gov.my)  
E-mail: [webmaster@moe.gov.my](mailto:webmaster@moe.gov.my)  
[julina@bdpk.moe.gov.my](mailto:julina@bdpk.moe.gov.my)

## MINISTRY OF ENERGY, GREEN TECHNOLOGY AND WATER

Block E4/5, Government Complex, Complex E  
Federal Government Administrative Centre  
62668 Putrajaya, Malaysia  
Tel: (603) 8883 6200  
Fax: (603) 8889 3712  
Website: [www.ktak.gov.my](http://www.ktak.gov.my)  
E-mail: [webmaster@ktak.gov.my](mailto:webmaster@ktak.gov.my)

## MINISTRY OF FEDERAL TERRITORIES

Level 1-4, Block 2, PjH Tower, Precinct 2  
Federal Government Administrative Centre  
62100 Putrajaya, Malaysia  
Tel: (603) 8889 7888  
Fax: (603) 8888 0375  
Website: [www.kwp.gov.my](http://www.kwp.gov.my)  
E-mail: [admin@kwp.gov.my](mailto:admin@kwp.gov.my)

## MINISTRY OF FINANCE

Finance Ministry Complex  
No.5 Persiaran Perdana, Precinct 2  
Federal Government Administrative Centre  
62592 Putrajaya, Malaysia  
Tel: (603) 8882 3000  
Fax: (603) 8882 3892 / 3894  
Website: [www.treasury.gov.my](http://www.treasury.gov.my)  
E-mail: [pertanyaan@treasury.gov.my](mailto:pertanyaan@treasury.gov.my)

## MINISTRY OF FOREIGN AFFAIRS

Wisma Putra  
No. 1, Jalan Wisma Putra, Precinct 2  
62602 Putrajaya, Malaysia  
Tel: (603) 8887 4000/ 4570/ 8889 2746  
Fax: (603) 8889 1717 / 8889 2816  
Website: [www.kln.gov.my](http://www.kln.gov.my)  
E-mail: [webmaster@kln.gov.my](mailto:webmaster@kln.gov.my)

## MINISTRY OF HEALTH

Block E1, E6, E7 & E10, Complex E  
Federal Government Administrative Centre  
62590 Putrajaya, Malaysia  
Tel: (603) 8883 3888  
Website: [www.moh.gov.my](http://www.moh.gov.my)  
E-mail: [kkm@moh.gov.my](mailto:kkm@moh.gov.my)

## MINISTRY OF HIGHER EDUCATION

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62505 Putrajaya, Malaysia  
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Fax: (603) 8889 3921  
Website: [www.mohe.gov.my](http://www.mohe.gov.my)  
Email: [webmasterkpt@mohe.gov.my](mailto:webmasterkpt@mohe.gov.my)  
[pro@mohe.gov.my](mailto:pro@mohe.gov.my)

## MINISTRY OF HOME AFFAIRS

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Federal Government Administrative Centre  
62546 Putrajaya, Malaysia  
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Fax: (603) 8888 8812  
Website: [www.moha.gov.my](http://www.moha.gov.my)  
E-mail: [webmaster@moha.gov.my](mailto:webmaster@moha.gov.my)

## MINISTRY OF HOUSING AND LOCAL GOVERNMENT

Level 3-7 Floor, Block K, Pusat Bandar Damansara  
50782 Kuala Lumpur, Malaysia  
Tel: (603) 2094 7033  
Fax: (603) 2094 9720  
Website: [www.kpkt.gov.my](http://www.kpkt.gov.my)  
E-mail: [pro@kpkt.gov.my](mailto:pro@kpkt.gov.my)  
[pentadbiran@kpkt.gov.my](mailto:pentadbiran@kpkt.gov.my)

## MINISTRY OF HUMAN RESOURCE

Level 6-9, Block D3, Complex D  
Federal Government Administrative Centre  
62530 Putrajaya, Malaysia  
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Fax: (603) 8889 2381  
Website: [www.mohr.gov.my](http://www.mohr.gov.my)  
E-mail: [ksm1@mohr.gov.my](mailto:ksm1@mohr.gov.my)  
[norbaya@mohr.gov.my](mailto:norbaya@mohr.gov.my)

## MINISTRY OF INFORMATION

4th Floor, Wisma TV  
Angkasapuri, Bukit Putra  
50610 Kuala Lumpur, Malaysia  
Tel: (603) 2288 7620 / 8117  
Fax: (603) 2284 8115  
Website: [www.moi.gov.my](http://www.moi.gov.my)

## MINISTRY OF NATURAL RESOURCES AND ENVIRONMENT

No.25, Persiaran Perdana, Precinct 4  
Federal Government Administrative Centre  
62574 Putrajaya, Malaysia  
Tel: (603) 8886 1111  
Fax: (603) 8889 2672  
Website: [www.nre.gov.my](http://www.nre.gov.my)  
E-mail: [webmaster@nre.gov.my](mailto:webmaster@nre.gov.my)

## MINISTRY OF PLANTATION INDUSTRIES AND COMMODITIES

Level 15, Lot 2G4, Persiaran Perdana, Precinct 2  
Federal Government Administrative Centre  
62654 Putrajaya, Malaysia  
Tel: (603) 8880 3300  
Fax: (603) 8880 3482  
Website: [www.kppk.gov.my](http://www.kppk.gov.my)  
E-mail: [info@kppk.gov.my](mailto:info@kppk.gov.my)

## MINISTRY OF RURAL AND REGIONAL DEVELOPMENT

Block D9, Complex D  
Federal Government Administrative Centre  
62606 Putrajaya, Malaysia  
Tel: (603) 8886 3500 / 8886 3700  
Fax: (603) 8889 2104  
Website: [www.rurallink.gov.my](http://www.rurallink.gov.my)  
E-mail: [webmaster@rurallink.gov.my](mailto:webmaster@rurallink.gov.my)  
[saipol@rurallink.gov.my](mailto:saipol@rurallink.gov.my)

## MINISTRY OF SCIENCE, TECHNOLOGY AND INNOVATIONS

Level 1-7, Block C4 & C5  
Federal Government Administrative Centre  
62662 Putrajaya, Malaysia  
Tel: (603) 8885 8000  
Fax: (603) 8888 9070  
Website: [www.mosti.gov.my](http://www.mosti.gov.my)  
E-mail: [pro@mosti.gov.my](mailto:pro@mosti.gov.my)

## MINISTRY OF TOURISM

Menara Dato' Onn  
Putra World Trade Centre  
45 Jalan Tun Ismail  
50695 Kuala Lumpur, Malaysia  
Tel: (603) 2693 7111  
Fax: (603) 2694 1146  
Website: [www.motour.gov.my](http://www.motour.gov.my)  
E-mail: [webmaster@motour.gov.my](mailto:webmaster@motour.gov.my)  
[info@motour.gov.my](mailto:info@motour.gov.my)

## MINISTRY OF TRANSPORT

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Federal Government Administrative Centre  
62616 Putrajaya, Malaysia  
Tel: (603) 8886 6000  
Fax: (603) 8889 1569  
Website: [www.mot.gov.my](http://www.mot.gov.my)  
E-mail: [norbaya@mot.gov.my](mailto:norbaya@mot.gov.my)  
[Juhannis@mot.gov.my](mailto:Juhannis@mot.gov.my)

## MINISTRY OF WOMEN, FAMILY AND COMMUNITY DEVELOPMENT

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50515 Kuala Lumpur, Malaysia  
Tel: (603) 2693 0095  
Fax: (603) 2693 4982  
Website: [www.kpwkm.gov.my](http://www.kpwkm.gov.my)  
E-mail: [info@kpwkm.gov.my](mailto:info@kpwkm.gov.my)

## MINISTRY OF WORKS

5th Floor, Block B, Kompleks Kerja Raya  
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50580 Kuala Lumpur, Malaysia  
Tel: (603) 2711 1100  
Fax: (603) 2711 1590  
Website: [www.kkr.gov.my](http://www.kkr.gov.my)  
E-mail: [pro@kkr.gov.my](mailto:pro@kkr.gov.my)

## MINISTRY OF YOUTHS AND SPORTS

Menara KBS  
No.27, Persiaran Perdana, Precinct 4  
Federal Government Administrative Centre  
62570 Putrajaya, Malaysia  
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Fax: (603) 8888 8770  
Website: [www.kbs.gov.my](http://www.kbs.gov.my)  
E-mail: [webmaster@kbs.gov.my](mailto:webmaster@kbs.gov.my)

# RELEVANT ORGANISATIONS

## BANK NEGARA MALAYSIA

Jalan Dato' Onn, P.O. Box 10922  
50929 Kuala Lumpur, Malaysia  
Tel: (603) 2698 8044  
Fax: (603) 2691 2990  
Website: [www.bnm.gov.my](http://www.bnm.gov.my)  
E-mail: [bnmtelelink@bnm.gov.my](mailto:bnmtelelink@bnm.gov.my)

## BURSA MALAYSIA BERHAD

Customer Care Centre  
Bursa Malaysia Berhad  
Lower Ground Floor  
Bukit Kewangan  
50200 Kuala Lumpur, Malaysia  
Tel: (603) 2732 0067  
Fax: (603) 2732 5258  
Website: [www.klse.com.my](http://www.klse.com.my)  
E-mail: [enquiries@bursamalaysia.com](mailto:enquiries@bursamalaysia.com)

## COMPANIES COMMISSION OF MALAYSIA (SSM)

2nd, 10-18th Floor, Putra Place  
100, Jalan Putra  
50622 Kuala Lumpur, Malaysia  
Tel: (603) 4047 6000  
Fax: (603) 4047 6317  
Website: [www.ssm.gov.my](http://www.ssm.gov.my)  
Email: [enquiry@ssm.com.my](mailto:enquiry@ssm.com.my)

## DEPARTMENT OF ENVIRONMENT

Ministry of Natural Resources and Environment  
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Federal Government Administrative Centre  
62574 Putrajaya, Malaysia  
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Fax: (603) 8889 1973/75  
Website: [www.doe.gov.my](http://www.doe.gov.my)  
E-mail: [webmaster@doe.gov.my](mailto:webmaster@doe.gov.my)

## DEPARTMENT OF INDUSTRIAL RELATIONS

Level 4, Block D3, Complex D  
Federal Government Administrative Centre  
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Tel: (603) 8886 5000  
Fax: (603) 8889 2355  
Website: [www.mohr.gov.my/depart/jpp/](http://www.mohr.gov.my/depart/jpp/)  
E-mail: [jppm@mohr.gov.my](mailto:jppm@mohr.gov.my)

## DEPARTMENT OF LABOUR

Level 5, Block D3, Complex D  
Federal Government Administrative Centre  
62502 Putrajaya, Malaysia  
Tel: (603) 8886 5000  
Fax: (603) 8889 2368  
Website: [www.jtksm.mohr.gov.my](http://www.jtksm.mohr.gov.my)  
E-mail: [jtksm@mohr.gov.my](mailto:jtksm@mohr.gov.my)

## DEPARTMENT OF OCCUPATIONAL SAFETY AND HEALTH

Level 2, 3 and 4, Block D3, Complex D  
Federal Government Administrative Centre  
62530 Putrajaya, Malaysia  
Tel: (603) 8886 5000  
Fax: (603) 8889 2443  
Website: <http://dosh.mohr.gov.my>  
E-mail: [jkkp@mohr.gov.my](mailto:jkkp@mohr.gov.my)

## EMPLOYEES PROVIDENT FUND

KWSP Building  
Jalan Raja Laut  
50350 Kuala Lumpur, Malaysia  
Tel: (603) 8922 6000  
Fax: (603) 2694 8433  
Website: [www.kwsp.gov.my](http://www.kwsp.gov.my)  
E-mail: [enquiry@epf.gov.my](mailto:enquiry@epf.gov.my)

## EXPORT-IMPORT BANK OF MALAYSIA (EXIM BANK)

Level 8, UBN Tower  
No 10, Jalan P. Ramlee  
P.O. Box 13028  
50796 Kuala Lumpur, Malaysia  
Tel: (603) 2034 6666  
Fax: (603) 2034 6699  
Website: [www.exim.com.my](http://www.exim.com.my)  
E-mail: [exim@exim.com.my](mailto:exim@exim.com.my)

## HUMAN RESOURCE DEVELOPMENT BERHAD

Wisma PSMB,  
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Tel: (603) 2096 4800  
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Website: [www.hrdnet.com.my](http://www.hrdnet.com.my)  
E-mail: [administrator@hrdnet.com.my](mailto:administrator@hrdnet.com.my)

## IMMIGRATION DEPARTMENT

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Federal Government Administrative Centre  
62550 Putrajaya, Malaysia  
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Fax: (603) 8880 1200  
Website: [www.imi.gov.my](http://www.imi.gov.my)  
E-mail: [pro@imi.gov.my](mailto:pro@imi.gov.my)

## INLAND REVENUE BOARD

13th Floor, Block 9  
Government Office Complex  
Jalan Duta, P.O. Box 11833  
50758 Kuala Lumpur, Malaysia  
Tel: (603) 6201 7101  
Fax: (603) 6203 9592  
Website: [www.hasil.gov.my](http://www.hasil.gov.my)  
Email: [callcentre@hasil.gov.my](mailto:callcentre@hasil.gov.my)

## INTELLECTUAL PROPERTY CORPORATION OF MALAYSIA

Level 32, Menara Dayabumi  
Jalan Sultan Hishamuddin  
50623 Kuala Lumpur, Malaysia  
Tel: (603) 2263 2100/2274 5113  
Fax: (603) 2274 1332  
Website: [www.myipo.gov.my](http://www.myipo.gov.my)  
E-mail: [general@myipo.gov.my](mailto:general@myipo.gov.my)

## LABUAN OFFSHORE FINANCIAL SERVICES AUTHORITY (LOFSA)

Level 17, Main Office Tower  
Financial Park Complex, Jalan Merdeka  
87000 Federal Territory Labuan, Malaysia  
Tel: (6087) 591 200/591300  
Fax: (6087) 413 328/ 453 442/ 441 496  
Website: [www.lofsa.gov.my](http://www.lofsa.gov.my)  
E-mail: [communication@lofsa.gov.my](mailto:communication@lofsa.gov.my)

## MALAYSIAN BIOTECHNOLOGY CORPORATION SDN BHD

Level 23, Menara Naluri  
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50450 Kuala Lumpur, Malaysia  
Tel: (603) 2116 5588  
Fax: (603) 2116 5577  
Website: [www.biotechcorp.com.my](http://www.biotechcorp.com.my)  
E-mail: [info@biotechcorp.com.my](mailto:info@biotechcorp.com.my)

## MALAYSIAN INDUSTRIAL DEVELOPMENT FINANCE BHD (MIDF)

Level 21, Menara MIDF  
82, Jalan Raja Chulan  
50200 Kuala Lumpur, Malaysia  
Tel: (603) 2173 8888  
Fax: (603) 2173 8877  
Website: [www.midf.com.my](http://www.midf.com.my)  
E-mail: [inquiry@midf.com.my](mailto:inquiry@midf.com.my)

## MALAYSIAN TECHNOLOGY DEVELOPMENT CORPORATION SDN BHD (MTDC)

Menara Yayasan Tun Razak  
Level 8-9, Jalan Bukit Bintang  
55100 Kuala Lumpur, Malaysia  
Tel: (603) 2172 6000  
Fax: (603) 2163 7542/3/4/5  
Website: [www.mtdc.com.my](http://www.mtdc.com.my)  
E-mail: [comms@mtdc.com.my](mailto:comms@mtdc.com.my)

## MALAYSIAN INDUSTRY-GOVERNMENT GROUP FOR HIGH TECHNOLOGY

Level 6, Block A2, Menara PJH, Precinct 2  
Federal Government Administrative Centre  
62100 Putrajaya, Malaysia  
Tel: (603) 8315 7888  
Fax: (603) 8888 8232  
Website: [www.might.org.my](http://www.might.org.my)  
E-mail: [info@might.org.my](mailto:info@might.org.my)

## MALAYSIA TOURISM PROMOTION BOARD

17th Floor, Menara Dato' Onn  
Putra World Trade Centre  
45, Jalan Tun Ismail  
50480 Kuala Lumpur, Malaysia  
Tel: (603) 2615 8188  
Fax: (603) 2693 5884/ 0207  
Website: [www.tourism.gov.my](http://www.tourism.gov.my)  
E-mail: [enquiries@tourism.gov.my](mailto:enquiries@tourism.gov.my)

## MULTIMEDIA DEVELOPMENT CORPORATION SDN BHD

MSC Malaysia Headquarters  
23600 Persiaran APEC  
63000 Cyberjaya, Selangor Darul Ehsan, Malaysia  
Tel: (603) 8315 3000  
Fax: (603) 8318 8519  
Website: [www.mdec.com.my](http://www.mdec.com.my)  
E-mail: [clic@mdec.com.my](mailto:clic@mdec.com.my)

## MALAYSIA PRODUCTIVITY CORPORATION (MPC)

P.O. Box 64, Jalan Sultan  
46200 Petaling Jaya, Selangor, Malaysia  
Tel: (603) 7955 7266  
Fax: (603) 7954 0795  
Website: [www.mpc.gov.my](http://www.mpc.gov.my)  
E-mail: [marketing@mpc.gov.my](mailto:marketing@mpc.gov.my)

## PORT KLANG AUTHORITY

Mail Bag Service 202, Jalan Pelabuhan  
42005 Port Klang, Selangor, Malaysia  
Tel: (603) 3168 8211  
Fax: (603) 3167 0211/3168 9117  
Website: [www.pka.gov.my](http://www.pka.gov.my)  
E-mail: [onestopagency@pka.gov.my](mailto:onestopagency@pka.gov.my)

## ROYAL CUSTOMS MALAYSIA

Level 7 North,  
Ministry of Finance Complex, Precinct 2  
No.3 Persiaran Perdana  
Federal Government Administrative Centre  
62592 Putrajaya, Malaysia  
Tel: (603) 8882 2300/2500  
Fax: (603) 8889 5884  
Website: [www.customs.gov.my](http://www.customs.gov.my)  
E-Mail: [kastam@customs.gov.my](mailto:kastam@customs.gov.my)

## SECURITIES COMMISSION

No. 3, Persiaran Bukit Kiara, Bukit Kiara  
50490 Kuala Lumpur, Malaysia  
Tel: (603) 6204 8777  
Fax: (603) 6201 5078  
Website: [www.sc.com.my](http://www.sc.com.my)  
[www.min.com.my](http://www.min.com.my)  
E-mail: [cau@seccom.com.my](mailto:cau@seccom.com.my)

## SMALL AND MEDIUM INDUSTRIES DEVELOPMENT CORPORATION

Level 20, West Wing, Menara MATRADE  
Jalan Khidmat Usaha, Off Jalan Duta  
50480 Kuala Lumpur, Malaysia  
Tel: (603) 6207 6000  
Fax: (603) 6201 6564  
Website: [www.smidec.gov.my](http://www.smidec.gov.my)  
E-mail: [info@smidec.gov.my](mailto:info@smidec.gov.my)

## SME BANK

Menara SME Bank  
Jalan Sultan Ismail  
P.O.Box 12352  
50774 Kuala Lumpur, Malaysia  
Tel: (603) 2615 2020/ 2828  
Fax: (603) 2692 8520/ 2698 1748  
Website: [www.smebank.com.my](http://www.smebank.com.my)  
E-mail: [enq\\_y@smebank.com.my](mailto:enq_y@smebank.com.my)

## SOCIAL SECURITY ORGANISATION (SOCSO)

Menara Perkeso, 281 Jalan Ampang  
50538 Kuala Lumpur, Malaysia  
Tel: (603) 4257 5755/ 4264 5463  
Fax: (603) 4256 7798  
Website: [www.perkeso.gov.my](http://www.perkeso.gov.my)  
E-mail: [webmaster@perkeso.gov.my](mailto:webmaster@perkeso.gov.my)

## TELEKOM MALAYSIA BERHAD

Level 51, North Wing, Menara TM  
Off Jalan Pantai Baru  
50672 Kuala Lumpur, Malaysia  
Tel: (603) 2240 1221  
Fax: (603) 2283 2415  
Website: [www.tm.com.my](http://www.tm.com.my)  
E-mail: [feedback@telekom.com.my](mailto:feedback@telekom.com.my)

## TENAGA NASIONAL BERHAD

129, Jalan Bangsar,  
59200 Kuala Lumpur, Malaysia  
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